

COMPASSIONATE FINANCE

Your Companion for the Future

Shinhan Financial Group
Annual Report 2014



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**Global Networks /
Investor Information**



In 2011, Shinhan Financial Group established 'Compassionate Finance' as its Group mission, a concept that SFG can benefit the world through the basic function of finance. Since then SFG has put efforts to ensure that the group-wide businesses act on such ways that make positive impacts not only on customers, but also on the entire society.

With 'Creative Finance', a concept of finance that urges to break from the old to deliver new, more suitable ways in this new environment, Compassionate Finance now has an expanded and deeper meaning; virtuous cycle of shared prosperity among customers, Shinhan and society.

In 2015, through the strategic objective of "Shinhan in Action, Growing Together", Shinhan Financial Group promises to stand firmly at your side all times.

Share Information

As of December 31, 2014

Number of Shares Issued

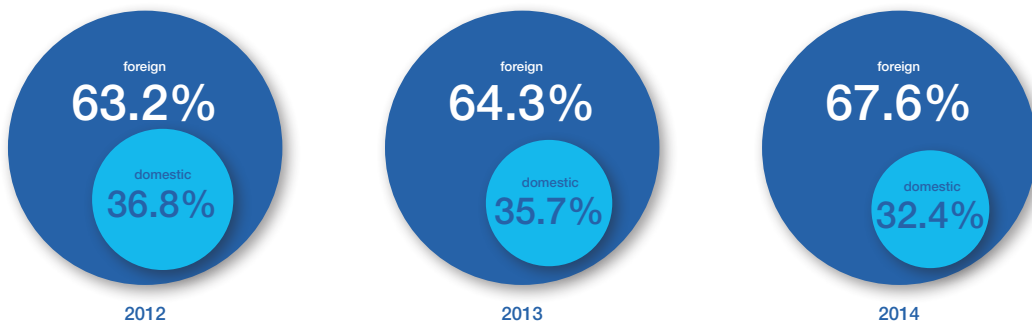
Type of Stock	No. of Shares
Registered Common Stock	474,199,587
Registered Redeemable Preferred Stock	11,100,000
Total	485,299,587

Stock Performance (Common Stock)	2014	2013
Average Daily Trading Volume	0.9 million shares	1.0 million shares
Share Price high	₩ 53,400	₩ 48,650
Share Price Low	₩ 42,000	₩ 35,950
Share Price (Year End)	₩ 44,450	₩ 47,300
Market Capitalization (Year End)	₩ 21.1 trillion	₩ 22.4 trillion
Weighting in the KOSPI (Year End)	1.8%	1.9%
Dividend Per Share	₩ 950	₩ 650
Total Dividend Paid	₩ 450 billion	₩ 308 billion

Shareholders Holding Ownership of More than 1%

Name of Shareholder	% Owned	Name of Shareholder	% Owned
National Pension Service	8.89%	The Lazard Fund Inc.	1.63%
BNP Paribas	5.35%	Samsung Asset Management	1.28%
Saudi Arabian Monetary Agency	4.40%	Mizuho	1.26%
SFG Employee Stock Ownership Association	4.08%	PEOPLES BANK OF CHINA	1.00%
CITIBANK.N.A (ADR DEPT.)	2.63%	Others	67.36%
The Government of Singapore	2.12%	Total	100.00%

Share Ownership

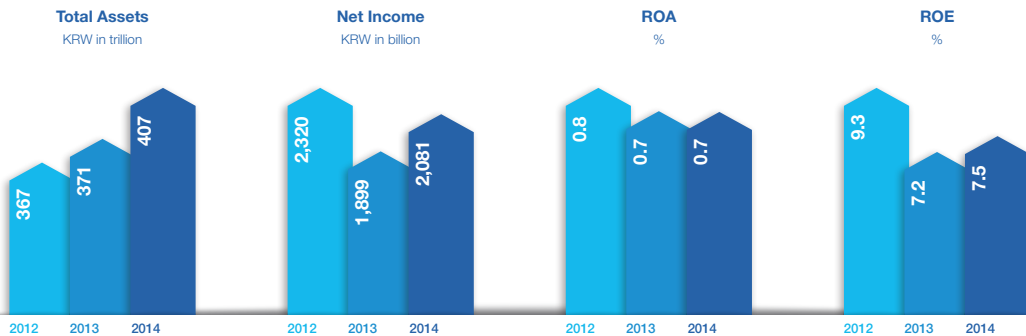


Financial Highlights

As of December 31, 2014

	2014	2013	change amount	% change
For the Year (KRW billion)				
Operating Income Before Provisioning	3,604.8	3,816.2	-211.4	-5.5
Net Income	2,081.1	1,898.6	182.5	9.6
As of Year End (KRW trillion)				
Total Assets	406.7	371.5	35.2	9.5
Total Loans	221.6	205.7	15.9	7.7
Total Deposits	193.7	178.8	14.9	8.3
Total Stakeholders' Equity	29.2	27.5	1.6	6.0
Key Financial Ratio (%)				
ROA	0.68	0.66	0.02%p	
ROE	7.46	7.16	0.30%p	
Group Net Interest Margin	3.14	3.17	-0.04%p	
Cost to Income Ratio	55.32	52.41	2.91%p	
NPL(Substandard and below loans) Ratio	1.15	1.26	-0.12%p	
NPL Coverage Ratio	168.04	163.34	4.70%p	
Group BIS Ratio	13.05	13.43	-0.38%p	
Shinhan Bank BIS Ratio	15.43	16.29	-0.86%p	
(Common Equity Tier 1 Ratio)	12.53	12.48	0.05%p	
BPS(KRW)	58,075	54,614	3,461	6.3
EPS(KRW)	4,195	3,819	376	9.8

Credit Ratings		S&P	Moody's	Fitch
Shinhan Bank	Long Term	A	A1	A
	Short Term	A-1	P-1	F1
Shinhan Card	Long Term	A-	-	A-
	Short Term	A-2	-	F2



* Trust A/C of Shinhan Investment Corp. and discretionary asset of Shinhan BNPP AM are included

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In 2014, Shinhan Financial Group posted net income of KRW 2.08 trillion, making the Group the only financial company with net income in excess of KRW 2 trillion and achieving the highest net income in the industry for seven consecutive years. In addition, we have the largest market capitalization in the industry.

These figures are proof of Shinhan's superiority. SFG aims to go beyond being a domestic leader and to become a global leader.

SUPERIORITY

In 2014, Shinhan Financial Group posted net income of KRW 2.08 trillion, making the Group the only financial company with net income in excess of KRW 2 trillion and achieving the highest net income in the industry for seven consecutive years. In addition, we have the largest market capitalization in the industry.



These figures are proof of Shinhan's superiority. SFG aims to go beyond being a domestic leader and to become a global leader.

SUCCESS

Through SFG's superiority, we hope to bring success to our customers, shareholders, and investors. We will be the seed to your success.

SFG's superiority as the industry leader leads to our collective success.



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Through successful acquisitions of Chohung Bank, LG Card, Good Morning Securities etc., Shinhan Financial Group has built the most balanced portfolio in the industry. We continue to strive to create new profit sources in this new financial environment.

In this fast-changing environment, we are laying the foundation for sustainable growth.

SUSTAIN- ABILITY

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Through successful acquisitions of Chohung Bank, LG Card, Good Morning Securities etc., Shinhan Financial Group has built the most balanced portfolio in the industry. We continue to strive to create new profit sources in this new financial environment.

In this fast-changing environment, we are laying the foundation for sustainable growth.

SHARED GROWTH

Sustainable growth means growth that is not limited to that of a company but one that includes constituencies around the company.

Shinhan Financial Group aims to create an environment where we can grow together with customers and society.

What sustainable growth means to SFG is a process of shared growth with our society.



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Shinhan Financial Group shares its own philosophy and principles on risk with all employees so that they can use them as guiding principles in their everyday practice. Furthermore, we maintain our asset quality through preemptive and proactive risk management.

Shinhan Financial Group has built a reputation as a reliable partner in today's uncertain economic environment.

RELIABILITY

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Shinhan Financial Group shares its own philosophy and principles on risk with all employees so that they can use them as guiding principles in their everyday practice. Furthermore, we maintain our asset quality through preemptive and proactive risk management.

Shinhan Financial Group has built a reputation as a reliable partner in today's uncertain economic environment.

RESPONSIBLE

To gain customer's trust, we manage individual customer's assets safely with the utmost sense of responsibility. Furthermore, as a trusted partner for financial success, we are rigorously working to create new value for our customers.

What trust means to SFG is a process of fulfilling responsibility to our customers.



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Shinhan Financial Group delivers differentiated value to our customers through providing new financial products, services and asset management that are different and more suitable to this new environment.

We practice the basic function of finance through 'Creative Finance', our mantra for a different way of thinking.

CREATIVITY

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Shinhan Financial Group delivers differentiated value to our customers through providing new financial products, services and asset management that are different and more suitable to this new environment.

We practice the basic function of finance through 'Creative Finance', our mantra for a different way of thinking.

COMPASSIONATE

Through the basic function of finance, SFG creates a virtuous cycle of shared prosperity among Shinhan, our customers, and our society. This is our way to benefit the world and share the future with you.

Compassionate Finance, our efforts to benefit the world through virtuous cycle of shared prosperity, is in our everyday practice.

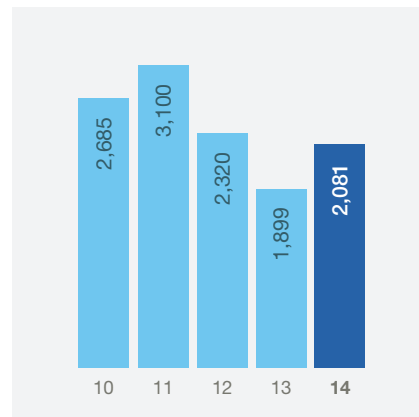


Key Performance Indicators

GROUP NET INCOME

2,081

KRW in billion



Shinhan Financial Group proved its ability to generate steady income in the current adverse business environment highlighted by low growth, low interest rate and heightened regulations, by achieving the highest net income among domestic financial organizations for seven consecutive years. Whereas the profitability of the entire financial industry is under pressure, the Group rebounded strongly in 2014 by recording a net income in excess of KRW 2 trillion after two years of negative growth.

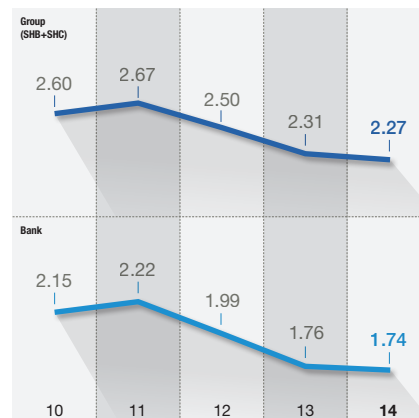
NIM (Cumulative)

2.27%

Group (SHB+SHC)

1.74%

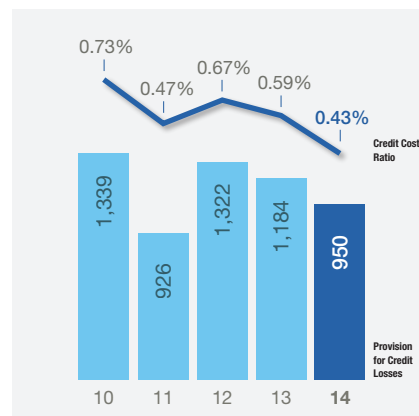
Bank



The Group's net interest margin deteriorated from the steep fall in market interest rate post base rate cuts to boost the economy. However, by achieving balanced growth in quality assets around SMEs and household loans as well as by increasing funding from low cost deposits, we were able to sustain stable levels of interest income.

CREDIT COST RATIO

0.43%



As a result of our focus on growing quality loan assets as well as our consistent and preemptive risk management efforts, the Group's credit cost ratio continued to improve and reached an all-time low of 43bps in 2014.

LOANS & DEPOSITS

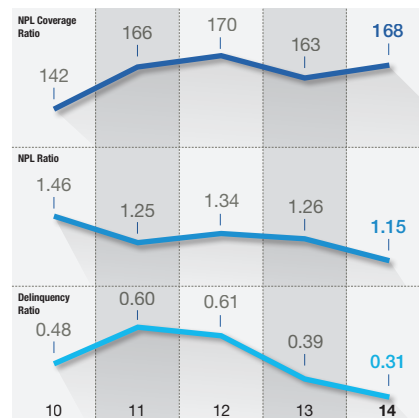
98.0% LDR
8.8% Loan Growth
8.5% Deposit Growth



In 2014, Shinhan Bank achieved total KRW loans growth of 8.8% (8.3% growth in corporate lending and 9.4% growth in household lending), which allowed us to minimize the negative impact from net interest margin contraction. In addition, we are consistently pursuing a balanced and stable loan growth strategy with an eye on demand and asset quality.

ASSET QUALITY

168% Group (NPL Coverage Ratio)
1.15% Group (NPL Ratio)
0.31% Bank (Delinquency Ratio)



Despite having the lowest write-down since 2009, the Group's NPL ratio is improving as new bad debt decreases and turnaround of workout companies continues, together with moderate loan growth.

CAPITAL ADEQUACY

13.0% BIS
11.1% Tier 1
10.4% CET 1



Despite heightened capital regulation, Shinhan Financial Groups' common equity tier 1 ratio improved to 10.4%, an increase of 37bp from last year. This was driven by growth in earnings with stable level of risk weighted assets. Shinhan Financial Group will strive to increase shareholder value through employing flexible capital management tools such as a dividend increase.

Note) Figs. from 2013 based on Basel3, Figs. for 2012 based on Basel1

Message from the Chairman



In this difficult financial environment, Shinhan Financial Group successfully navigated its way to deliver distinguished results based on consistent asset growth and sound risk management.

010	Key Performance Indicators
012	Message from the Chairman
016	BOD and Management
018	Group Mission
022	Group Vision and Strategy
026	Corporate Governance
028	Risk Management
030	Organization
031	Business Portfolio

As a result of efforts to practice Compassionate Finance, Shinhan Financial Group was named one of the Global 100 Most Sustainable Corporations by the World Economic Forum for the third year in a row. Furthermore, SFG earned recognition as Korea's leading financial Group by UK's The Banker as it ranked us 36th in brand value globally.

Dear valued customers and shareholders,

Last year, the global economy made steady recovery led by developed economies such as the US. At the same time, however, various risk factors persisted and led to greater uncertainty. A similar pattern emerged in the Korean economy; while certain indicators showed improvement, the real economy continued to struggle due to reluctant consumption and sluggish investments. In this difficult financial environment, Shinhan Financial Group (SFG) successfully navigated its way to deliver distinguished results based on consistent asset growth and sound risk management.

Our banking units fulfilled its role as the Group's core pillar as it achieved net income of KRW 1.46 trillion despite operating under lowered interest rate environment that lead to margin contraction.

Led by stable earnings from Shinhan Card as well as improved results from Shinhan Investment Corp and Shinhan Savings Bank, the Group's non-banking subsidiaries contributed to an astonishing 39% of total Group income.

These results highlight Shinhan Financial Group's differentiating factor: a well-balanced business portfolio.

Consistent and solid performance despite internal and external challenges

For 2014, the Group delivered net income of KRW 2.08 trillion. SFG was the only domestic financial holding company with earnings more than KRW 2 trillion, again solidifying its position as Korea's leading financial group.

As a result of efforts to practice Compassionate Finance, Shinhan Financial Group was named one of the Global 100 Most Sustainable Corporations by the World Economic Forum for the third year in a row. Furthermore, SFG earned recognition as Korea's leading financial Group by UK's The Banker as it ranked us 36th in brand value globally.

I sincerely believe that the trust and support our shareholders have consistently endowed to us is the biggest reason why SFG was able to achieve differentiated results in this difficult environment.

I would like to take advantage of this opportunity to thank you once again.

Focusing on the core of finance, securing future competitiveness

Base on projections that we will not be faced with significant changes in the world economy this year, we expect heightened competition among domestic financial groups.

It is vital that Shinhan Financial Group continues to stride forward rather than be satisfied with its past performance.

Going forward, Shinhan will remain unwavering under any challenges within its business environment and continue to focus on creating new value. We are determined to grow hand-in-hand with our constituencies.



Last year, Shinhan achieved balanced results across all six core strategic objectives: Compassionate Finance, Creative Finance, spearheading retirement markets, global expansion, channel innovation, and strategic cost reduction.

It will be difficult to accomplish such strategic goals in a year or two. Looking back, however, we feel confident that we are heading in the right direction.

As such, SFG will continue to pursue the six strategic objectives set last year but with the following enhancements.

First, we will fully internalize “Compassionate Finance” in our organizational culture. By doing so, we will create a completely different experience to our customers.

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We will relentlessly find new ways to develop new products and services that are mutually value accretive to Shinhan and our customers.

We will be the first mover in the retirement market by obtaining necessary competencies and earning our customers' trust, so that our customers can feel confident about trusting Shinhan with their retirement planning.

We will deliver tangible results in global businesses by actively expanding our target regions and business sectors.

Lastly, we will establish an innovative capability in channel management to continuously take the leading role in this evolving financial market and concurrently renovate our high-cost structure to secure a sustainable growth base.

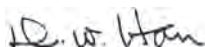
Dear respected customers and shareholders,

Since the inception, Shinhan Financial Group has endeavored in paving new paths and demonstrating leadership in development of the financial industry in Korea.

Going forward, Shinhan will remain unwavering under any challenges within its business environment and continue to focus on creating new value. We are determined to grow hand-in-hand with our constituencies.

The continued trust and support of our shareholders is what motivates us to deliver. We seek your consistent support and encouragement and extend sincere wishes for the health and happiness of you and your family.

Thank you.



Chairman & CEO of Shinhan Financial Group
Han Dongwoo

Board of Directors and Management

The Board of Directors of Shinhan Financial Group is currently composed of 12 directors: 1 executive director, 1 non-executive director and 10 outside directors. The Chairman of the Board is Mr. Namkoong Hoon, who was appointed by the BOD among the 10 outside directors on March 25, 2015

Management of the Company includes current Chairman & CEO of the Group, Mr. Han Dongwoo, 5 deputy presidents and 1 executive vice president.

Executive Director

Han Dongwoo

Date of Birth : November 10, 1948
Current Position : Chairman & CEO, Shinhan Financial Group
Education : LL.B., College of Law, Seoul National University, Seoul, Korea
Main Work Experience :
 2007. Vice Chairman, Shinhan Life Insurance
 2002. Chief Executive Officer, Shinhan Life Insurance
 1999. Vice President, Shinhan Bank

Non-Executive Director

Cho Yong-byoung

Date of Birth : June 30, 1957
Current Position : President & CEO, Shinhan Bank
Education : LL.B., College of Law, Korea University, Seoul, Korea
Main Work Experience :
 2013. Chief Executive Officer, Shinhan BNP Paribas asset management
 2011. Deputy President of Retail Business Development Group, Shinhan Bank
 2010. Executive Vice President of Management Support Group, Shinhan Bank

Outside Directors

Mr. Ko Boo-in

Date of Birth : December 25, 1941
Current Position : CEO, Sansei Co., Ltd
Education : B.A., Meiji University
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

Outside Directors (Continued)

Kwon Tae-eun

Date of Birth : January 29, 1941
Current Position : Emeritus Professor, Nagoya University of Foreign Studies
Education : Ph.D. in Business Administration, Nanzan University
Main Work Experience :
 2012-Current. Emeritus Professor, Nagoya University of Foreign Studies
 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

Kim Seok-won

Date of Birth : April 29, 1947
Current Position : Former) Chairman, Credit Information Companies Association
Education : Ph.D. in Economics, Kyung Hee University
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

Namkoong Hoon

Date of Birth : June 26, 1947
Current Position : Former) Chairman, Korea Life Insurance Association
Education : M.A. in public administration from University of Wisconsin at Madison
Main Work Experience :
 2009-2011. Outside Director, KORAMCO (Korea Real Asset Management Company)
 2005-2014. Outside Director, Samsung Electro-Magnetics Co., Ltd
 2005-2008. Chairman, Korea Life Insurance Association
 2000-2004. Member, Monetary Policy Committee, Bank of Korea
 1999-2000. Chairman and President, Korea Deposit Insurance Corporation

Lee Man-woo

Date of Birth : November 22, 1954
Current Position : Professor, Korea University Business School
Education : Ph.D. in Business Administration from University of Georgia
Main Work Experience :
 1988-Current. Professor, Korea University Business School
 2007-2008. Chairman, Korean Accounting Association
 2006-2007. Chairman, Korean Academic society of taxation
 2001-2007. Committee member of Securities listing, Korea Exchange

Mr. Park Cheul

Date of Birth : April 27, 1946
Current Position : Former) Chairman & CEO, Leading Investment & Securities Co. Ltd.
Education : M.A. in Economics, New York University
Main Work Experience :
 2006-2013. Chairman & CEO, Leading Investment & Securities Co. Ltd.
 2004. Member of the committee, National Economy Advisory Council
 2003-2006. Outside Director, Korea Development Bank
 2000-2003. Senior Deputy Governor, Bank of Korea

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Outside Directors (Continued)

Lee Sang-kyung

Date of Birth : September 20, 1945

Current Position : Representative Attorney, Law Firm Lee Sang Kyung

Education : LL.B., College of Law, Chung-Ang University

Main Work Experience :

2014-Current. Representative Attorney, Law Firm Lee Sang Kyung

2010-2013. 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

Chung Jin

Date of Birth : March 18, 1937

Current Position : Chairman, Jin Corporation

Education : B.A. in Economics, Nihon University

Main Work Experience :

1994-Current. Chairman, Jin Corporation

2006-2012. Chairman, Korean residents union in Japan

2003-2006. Vice Chairman, Korean residents union in Japan

1978-1994. President, Daitou Co., Ltd.

Yuki Hirakawa

Date of Birth : October 21, 1960

Current Position : CEO, Level River Co., Ltd

Education : B.A. in Spanish, Osaka University

Main Work Experience :

2013-Current. CEO, Level River Co., Ltd

1994-2012. CEO, Hirakawa Industry Co., Ltd

Philippe Avril

Date of Birth : April 27, 1960

Current Position : CEO & Representative Director BNP Paribas Securities(Japan) Ltd., Chief

Country Officer BNP Paribas, Tokyo Branch

Education : M.A. in Economics from Universite de Paris Dauphine

Main Work Experience :

2011-Current. CEO & Representative Director BNP Paribas Securities(Japan) Ltd.

2012-Current. Chief Country Officer BNP Paribas, Tokyo Branch

Deputy Presidents

Kim Hyung-jin

Date of Birth : August 7, 1958

Current Position : Deputy President, Shinhan Financial Group

Education : Executive Education, Wharton School

Advanced Management Program, Seoul National University

B.Sc. in Economics, Young Nam University

Main Work Experience :

2010. President, Shinhan Data Systems

2009. Deputy President, Shinhan Bank

2007. Managing Director, Shinhan Bank

Deputy Presidents (Continued)

Soh Jae-gwang

Date of Birth : August 15, 1961

Current Position : Deputy President, Shinhan Financial Group

Education : MBA, University of Rochester, New York, USA

B.A. in Business Administration, Korea University, Seoul, Korea

Main Work Experience :

2009. Deputy President, Shinhan Card

2007. Managing Director, Shinhan Card

2003. Controller, LG Card

Lee Sin-gee

Date of Birth : July 12, 1956

Current Position : Deputy President, Shinhan Financial Group

Education : B.A. in Commerce and Trade, Yeungnam University, Gyeongbuk, Korea

Main Work Experience :

2011. Executive Vice President, Shinhan Bank

2009. Head of Daegu-Gyeongbuk Division

2005. General Manager of Tokyo Branch

Lim Young-jin

Date of Birth : November 2, 1960

Current Position : Deputy President, Wealth Management Planning Office

Education : B.A. in Business Administration, Korea University, Seoul, Korea

Main Work Experience :

2013. Deputy President & Head of Management Support Group

2010. Head of Gyeonggi-Dongbu Division

2009. General Manager of Retail Business Development Department

Lee Dong-hwan

Date of Birth : September 18, 1959

Current Position : Deputy President, Corporate & Investment Banking Planning Office

Education : MBA, Duke University, Durham, USA

B.A. in Business Administration, Yonsei University, Seoul, Korea

Main Work Experience :

2012. Executive Vice President, Shinhan Financial Group

2009. Head of Capital Market Trading Division, Shinhan Bank

2007. General Manager of Yeouido Financial Center, Shinhan Bank

2005. Head of IR, Shinhan Financial Group

Executive Vice President

Yim Bo-hyuk

Date of Birth : March 11, 1961

Current Position : Executive Vice President & CFO, Shinhan Financial Group

Education : B.A. in Business Administration, Korea University, Seoul, Korea

Main Work Experience :

2011. Managing Director & Head of Risk Management Team, Shinhan Financial Group

2008. General Manager of Strategy Planning Department, Shinhan Bank

2006. General Manager of Hakdong Branch, Shinhan Bank

Group Mission

In 2015, Shinhan Financial Group will continue to practice 'Compassionate Finance, Your Companion for Future.' This will allow us to carry on our founding spirit of 'benefitting the world through the basic function of finance.'

Shinhan Way Constituents

"Shinhan Way" is the value system and guiding principle for all Shinhan employees' thoughts and actions. It is what SFG strives to achieve. Shinhan way consists largely of mission and core values.



Our concept of 'Compassionate Finance, Your Companion for the Future' refers to Shinhan's mission of benefitting the world through the power of finance. It means breaking away from old ways in core business of finance such as products, services, and asset management and adopting different and more suitable ways in today's new business environment. The end goal is to create a virtuous cycle of shared prosperity among customers, Shinhan and society.



Compassionate Finance

For Compassionate Finance in 2014, we wanted to position ourselves as the most trusted financial group through enhancing professionalism based on sincerity. As a methodology to achieve this goal, we newly established and pursued the concept of 'Creative Finance.'

- The concept of Creative Finance is to deliver differentiated value to customers by providing appropriate financial products and solutions that are suitable in changing times or business environments. The concept refers to the development of creative products and services that can increase returns of both the customer and our company or process innovations that further enhance customer value.

Our customer's value will grow if we are able to increase returns and provide needed capital to promising firms in needs of funding through Creative Finance. If our customer's value grows, Shinhan will also be able to share the profits and more customers will want to do business with Shinhan. As a result, Shinhan's value will also grow.

Furthermore, if Shinhan supports more customers to succeed and conducts well the basic function of finance—efficient allocation of economy's resources—the society's overall value will also grow. We call this the 'virtuous cycle of shared prosperity,' a phenomenon in which the customer, company, and society all grow together.

Overall, 'Compassionate Finance, Your Companion for the Future' can be summarized as a process in which 'Creative Finance' is used as a method to create a virtuous cycle of shared prosperity, thereby benefitting our society.

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Mission

Compassionate Finance, Your Companion for the Future

Promote a virtuous cycle of shared prosperity with creative financial services

Methodology

'Through the Power of Finance'

The Core of Financial Business

Help customers reach their goals with timely financial products and services

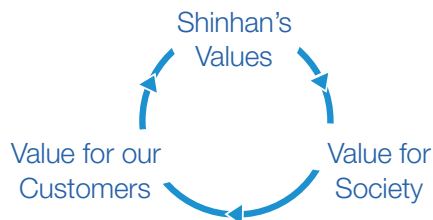
Enhance the value of our customers' assets

Creative Finance

Innovate the way we deliver products and services and manage our customers' assets in changing markets

Ultimate Goal

'Building a Better World'



Virtuous Cycle of Shared Prosperity

Grow value for customers, businesses and society leading to shared prosperity

- 'Compassionate Finance, Your Companion for the Future' is meaningful in that it shows how corporate value and customer (society) value are not in conflict, but rather in a mutual relationship. In order to deliver a difference that customers can feel, Shinhan Financial Group is working to embody Compassionate Finance in its corporate culture by upgrading policies/systems and expanding corporate culture that rewards employees who actively practice Compassionate Finance.

Efforts to increase participation in Compassionate Finance

- Changes led by management
 - Clear understanding of the objectives of Compassionate Finance at Group's leadership level, including CEO
 - Provide support to employees and consistently emphasizes its importance
- Policy and system upgrades
 - Develop and operate a tool to measure the degree of Compassionate Finance internalization
 - Improve evaluation system from the perspective of our customers: reflect customer value creation with employee performance evaluation
 - **Bank:** Reflect customers' profitability and degree of customer support in employee evaluation
 - **Investment Corp:** Increase weight of customer asset returns in employee evaluation
- Main milestones related to Creative Finance:
 - Expand the number of mid-risk, mid-return products: interest rate plus alpha returns strategy products such as ARS, Hong Kong-Shanghai dual listed funds, ELFs
 - Retirement products: low risk, mid return products (ELF with adjusting threshold for early redemption, allowing for higher stability), monthly payment ELF, future planning pension loans (provides liquidity at retirement), future planning testament trust etc.
 - New products:
 - Hybrid financing between lending and equity investing (profit-sharing CB underwriting, acquisition financing to mid cap / medium-sized company M&A)
 - Strengthen tech financing towards high tech SMEs.
 - Tech entrepreneur funding and lending to high tech SMEs.
 - Senior Loan Fund (Korea's first acquisition financing fund)
 - Infrastructure project fund (generate non-interest income and secure quality alternative assets)

Group Mission

Compassionate Finance in Action

As a corporate citizen, we are currently operating various programs that contribute positively to our society. These include strengthening systems to protect rights of financial consumers, supporting middle income households and SMEs etc.

Shinhan Bank

- **Training for small entrepreneurs**
Jointly with entrepreneurship institutions, we have pursued a bank-wide training program for people wanting to create their own businesses. Last year, we supported 4,737 people to achieve their dreams by providing them with entrepreneurship training.
- **New Hope Seed Loan**
We extended total loans of KRW 353.8 billion to low income, low credit customers. This was a social responsibility product jointly launched with other banks and aimed to expand banking coverage.
- **Fee reduction for low income families**
We reduced transaction fees for those currently receiving financial support or workers subsidy from the government. Cases for fee reduction add up to 62,771. We are thus supporting the financial transactions of the low income middle class.
- **Corporate Success Program and support restructuring of SMEs**
With the aim to foster co-prosperity between companies and bank, we provided various supports (extending new credit, extending maturity, reduce interest rate) to competitive companies facing temporary liquidity difficulties.
- **Loan support to technology entrepreneurs**
In order to foster growth of creative entrepreneurs, we extended loans of KRW 934.4 billion towards new businesses with high technology. With this initiative, we contributed to our economy's growth potential and job creation.

Shinhan Card

- **Redemption of arrears using 'my Shinhan points (reward points)'**
Members who have lost access to their credit card due to late credit card payments would under normal circumstances no longer have access to their accumulated credit card points. We have created a process in which such members can use their points to repay their late credit card bills. This provides a redemption opportunity to members with small payments due as well as prevents further credit reduction. This process ensures that credit card points are used where they are most needed.
- **Support of product sales and PR of SMEs and small businesses through 'All That Shopping Mall'**
We created a new section called 'Together Zone' and 'New Senior Zone' in our shopping mall, 'All That Shopping Mall'. The former provides an opportunity for SMEs and small businesses with high quality products yet weak marketing capabilities and distribution channels to sell/advertise their products. The latter provides easy access to senior citizens, who have relatively little exposure to shopping/travel services.
- **Provision of non-stop 24 hour check card services**
As a means to minimize discomfort for customers who wish to use their check cards during afterhours when check card usage is typically disabled, we have developed a new 'non-stop service' with Shinhan Bank. This allows customers to use their check cards without withdrawing money from their accounts. Rather, their check card limit is reduced by the used amount, and the actual amount is deducted from their accounts the following day when normal card usage is enabled.
- **Operation of a separate organization catering to silver generation customers**
We created a separate consultancy and credit screening organization that caters to the silver generation, in response to their increasing numbers. This organization ensures that senior customers are not neglected and have access to various benefits provided by our company. Further, through this organization, we provide consultancy services that benefit silver customers such as ARS registration/identification processes etc.

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Shinhan Investment Corp.

- Issuance of P-CBO to financially support SMEs

In order to assist SMEs that face difficulty in funding, we issued a P-CBO* that is supported by the Korea Technology Credit Guarantee Fund. This has enabled us to grow hand-in-hand with customers.

* P-CBO (Primary-Collateralized Bond Obligation): An asset-backed security that is issued based on a basket of privately placed bonds

Shinhan Life Insurance

- Shinhan Happy Silver finance training

With retirees-turned-lecturers on financial education, this program helps senior citizens and volunteers set retirement plans by giving financial and tax consulting on how to prepare for retirement and avoid financial scams. We provided training to 9,226 senior citizens and contributed to their happy retirement planning.

- Compassionate Happy Service

In cases in which a customer's insurance representative has changed, we have created a service in which the new representative visits the customer to discuss the value of his/her insurance product. The Compassionate Happy Service is aimed at providing necessary services in a timely manner. Last year we provided such maintenance services* to 213,605 customers.

(*Major 5 maintenance services: provide guidance on benefits of existing insurance products, provide details on insurance payout, update customer information, select beneficiaries, and analyze benefits)

- Payment of uncollected insurance payments

Through a campaign, we paid 43,835 counts, KRW 40.6 billion of uncollected insurance payments. Through this act, we aimed to deliver the true value of insurance.

- Insurance premium discount to social minorities

We provided preferential discounts on insurance premiums to 27,662 low income families or families with disabilities or multiple children, thereby supporting their financial transactions.

For 2015, our goal is to strengthen execution capability of Compassionate Finance by creating and spreading various success cases of 'Compassionate Finance' among employees.

We will continue to strive for creating substantial, real value through increasing assets or investment returns for customers. In particular, we will provide proactive support to technology financing, develop an IB model for SMEs, and enhance product differentiation and service competitiveness for increasing customer value.

SFG's mission is to achieve 'Compassionate Finance, Your Companion for the Future'.

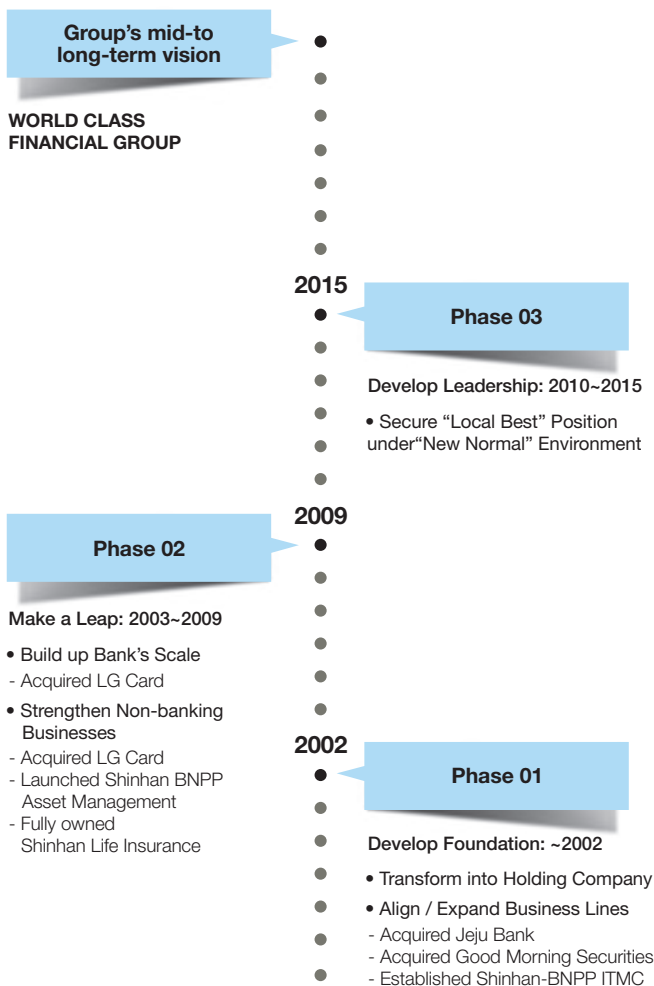
The reason for setting the group's mission as our strategic direction is so that we can seed conviction to employees that the philosophy behind Compassionate Finance is the only way to build sustainable growth for SFG, thereby achieving embodiment of this philosophy in our daily thoughts and behaviors.

Shinhan will continue to consistently pursue Compassionate Finance. We will develop creative products and services that jointly raise the value of our customers (society) and our company. Through this, we aim to become a financial company that is most trusted by customers.

Group Vision & Strategy

Since the establishment of the financial holding company in 2001, Shinhan Financial Group has strived to become Korea's leading world-class financial group. With this goal in mind, we are consistently pursuing balanced growth between banking and non-banking subsidiaries, identifying new growth drivers, creating value through business model differentiation, and creating globally competitive capabilities and systems.

Shinhan Financial Group's Vision



Shinhan Financial Group enters 2015 with our new strategic objective, "Shinhan in Action, Growing Together." With this new objective, we will achieve our strategic goal of firmly establishing the nation's No. 1 financial brand.

Long Term Strategic Direction

The "new norm" of today's environment post the global financial crisis can be summarized by the following; tightened regulations, increased emphasis on stability, reduction in debt balance, and increasingly stronger industry trend of low-growth, low-profitability. In particular, protracted low-growth, low-profitability has created a fundamentally different operating environment that we must cope with. Furthermore, as demands for social responsibility on the financial sector are becoming louder, our proactive response is growing its importance.

In responding to these impending changes while achieving our vision of becoming a "World Class Financial Group," Shinhan Financial Group has established its strategic objective to become a "firmly established nation's No. 1 financial brand" by 2015 and have prioritized customer value and Good Growth. This implies our will to become an undisputed leader in the domestic financial industry as a first step in becoming a world-class financial group. It also means that in this process we must equip ourselves with sustainable growth, stable profitability and the greatest capabilities.

In order to achieve our strategic objectives by 2015, we have set the following four core strategies.

Core Strategy 1: Solidify "local best" positions across all of our core businesses

We will proactively lead the changes required under the changed business environment in banking and credit card sectors. In doing so, we will build a differentiated brand that fits our leadership position and solidify our "local best" position by providing unmatched customer experiences that cannot be mimicked by our competitors. In order to do so, we must solidify our No. 1 position in banking and further strengthen our dominant competitive capabilities in credit card industry that set new rules of the game. Moreover, we will work to find differentiated competitive advantages to realize sustainable growth in the capital leasing business.

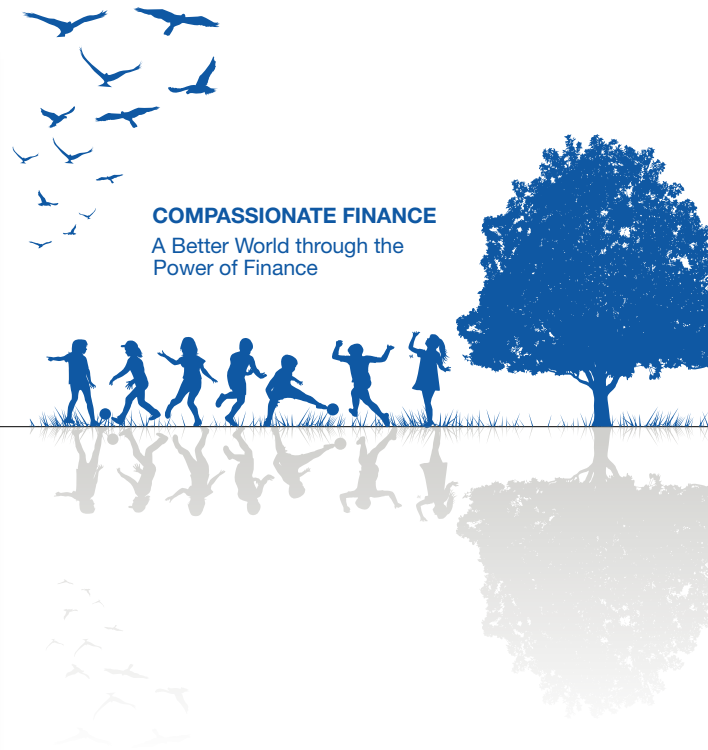
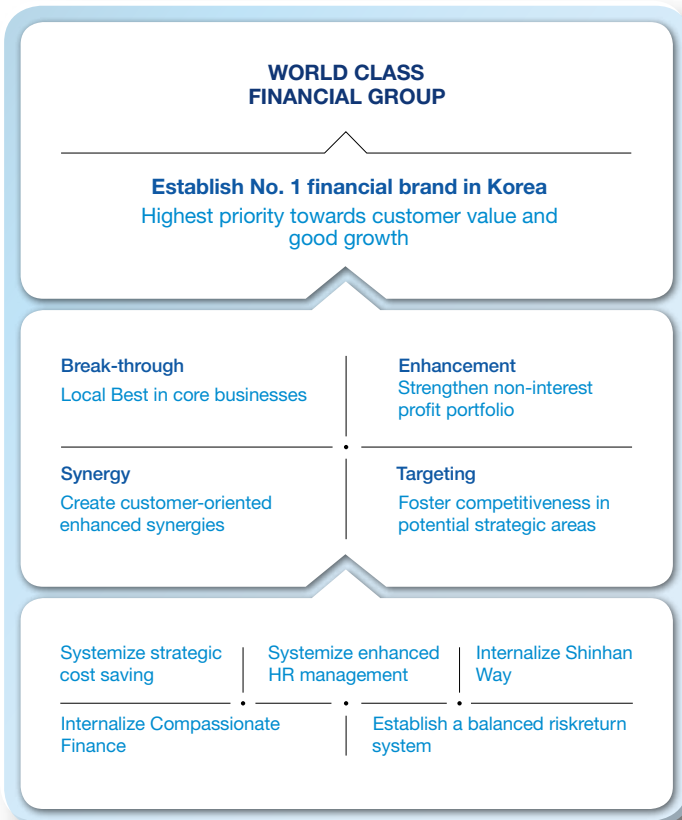
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Core Strategy #2: Strengthen non-interest income portfolio

We will continue to expand and strengthen our differentiated non-interest income portfolio by increasing competitiveness in our respective non-interest businesses such as asset management, insurance and securities businesses. For the securities business, it is important that we create a virtuous circle of distribution and product development by strengthening asset management capabilities. For the asset manage-

ment business, we will build a leading asset management brand based on new product design capabilities that consistently deliver customer value. For the insurance business, our aim is to pursue solid organic growth while seeking opportunities to increase economies of scale through expansion.

SFG Mid-to-long term strategy



Group Vision & Strategy

Core Strategy #3: Generate next-generation customer-focused synergies

By revisiting our objective of establishing the holding company was to create value to our customers, we plan to lead the market by realizing next-generation synergies that cater to our customer's individual lifestyles, not based on the needs of our business lines. As a first step, we will set out a clear joint marketing model and substantiate a differentiated cooperation mechanism within the Group by building on successful cases that were realized through healthy cooperation among Group entities.

Core Strategy #4: Secure competitiveness in potential strategic growth areas

In order to overcome the limitation of the domestic financial sector that is maturing into a low-growth phase in its lifecycle, our priority is to build a sustainable competitive advantage by identifying potential strategic growth areas at the Group level. We will continue pursuit of our global strategies around the Asian region. In addition, we will continue to pioneer new business opportunities from the Group level such as the convergence of the retail and telecommunications sectors. In order to effectively execute the four core strategies mentioned above, we will continue to build out our long-term growth drivers by reinforcing core competencies and infrastructure. Specifically, we set out to achieve systemic strategic cost reduction, next-generation HR management, balanced risk-return management system, internalize our "Shinhan Way" and systemize "Compassionate Finance."

2015 Group Management Plan

Strategic Objective: "Shinhan in Action, Growing Together"

Impacted by changing socioeconomic drivers such as low growth, aging population, and advancement in information communication technology, the existing business model for finance is gradually losing its ground. Faced with a different environment to compete in, the Korean finance industry is faced with a task of adjusting its systems and business practices to better fit in a new paradigm. It is imperative now that we reflect on our past efforts and drive substantive results from innovative challenges. At this time it is important that we look back on our past efforts, and create tangible results through new challenges.

By upgrading our existing 6 strategic objective tasks, we look to achieve consistency and continuity in substantiating our Group strategies. Especially, we will focus on execution and delivering results on our strategic tasks.

Strategy #1: Compassionate Finance, Your Companion for the Future

SFG will improve our policies and systems to encourage 'Compassionate Finance' to be actively and substantially practiced in our daily relationships with our customers. We will ensure that our sincerity is delivered to our customers.

Strategy #2: Creative Finance to create value

SFG will expand the realm of Creative Finance to promote various new initiatives that fit with the changing paradigm. We will home in on creating concrete results that increase mutual value of our customers and our company. We will take a step forward from increasing returns on customers' assets to developing new future growth drivers for the Group.

Strategy #3: Differentiated capabilities in Future Planning

Faced with today's aging society and retirement wave, SFG plans to approach the issue comprehensively from the angle of 'future planning.' We will improve our business model to provide the right solutions that is unmatched in quality based on products / services through the Group's synergies.

Strategy #4: Glocalization and expansion

SFG's goal is to continue pursuit of glocalization and expansion into new markets that will not only provide new business opportunities but also seed future growth drivers for the Group. We will seek penetration into new markets with various avenues and localization of various expansion initiatives.

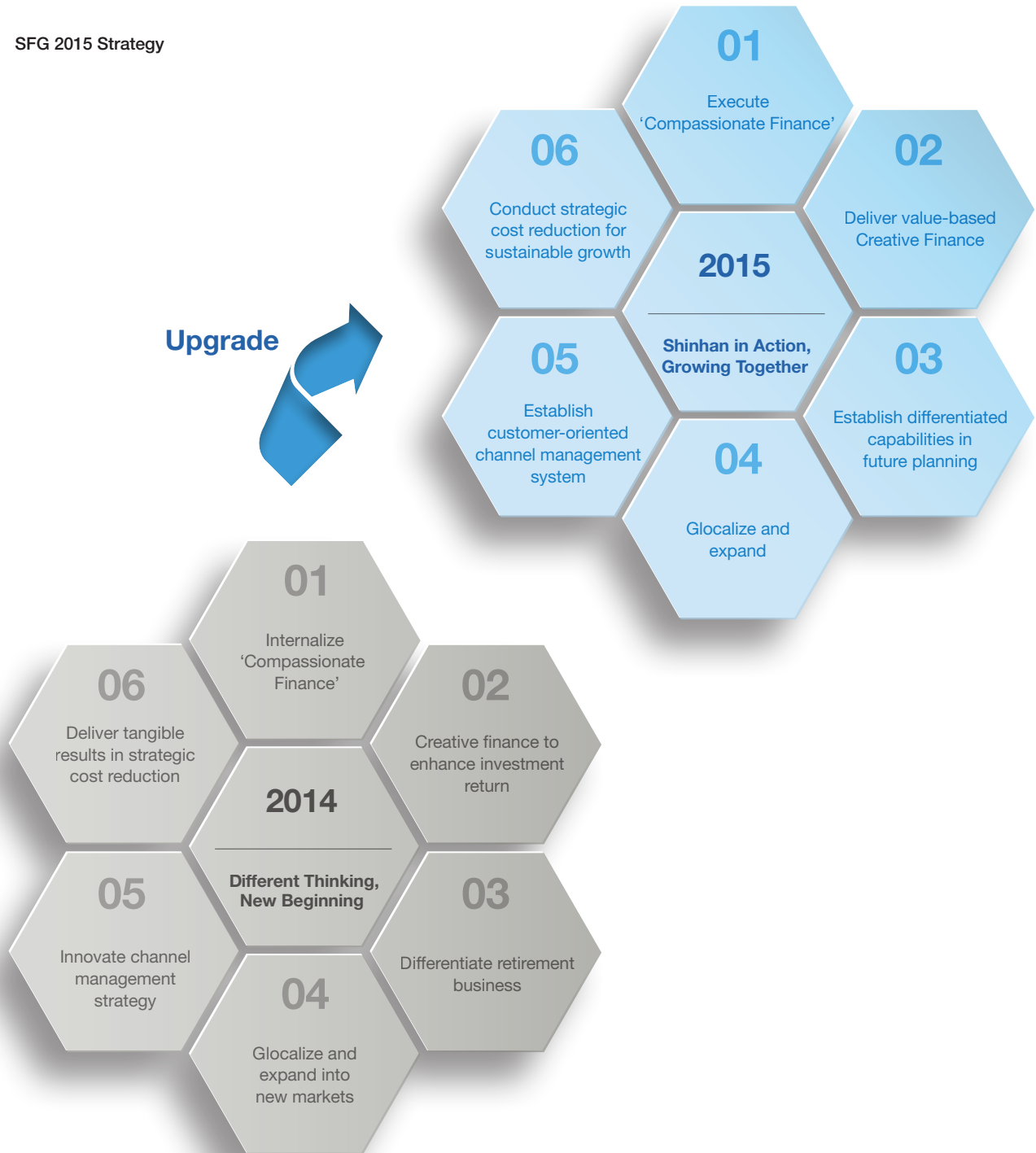
Strategy #5: Establish customer-oriented channel management system

In response to changing customer needs, regulations and technology, SFG seeks to innovate its channel management system. In particular, we will actively respond to evolution of smart technology and channel convergence.

Strategy #6: Strategic cost reduction

Faced with the reality of systematic profit deterioration, improving on high-cost structure is imperative to secure the Group's long-term survival. In order to achieve sustainable growth, SFG will strengthen its systematic approach to cost reduction through strategic planning.

SFG 2015 Strategy



Corporate Governance

Shinhan Financial Group pursues transparent and responsible corporate governance to offer more value to stakeholders and shareholders.

Shinhan Financial Group pursues transparent and responsible corporate governance to offer more value to stakeholders and shareholders and to advance into a world-class financial group. Focus is being placed on streamlining the Group's ownership structure by making use of the most advantageous characteristics of a holding company and enhancing transparency of the Group's decision-making structure.

Furthermore, in order to improve the Group's corporate governance structure and the independence and expertise of the members of the Board of Directors, To meet 'corporate governance best practices for financial companies'; that became effective in December 2014, Shinhan Financial Group established an internal policy for corporate governance. As such, we made amendments to our internal codes in relation to corporate governance (including article of incorporation and board policies) and published an annual report on corporate governance.

Composition of the BOD and sub-committees

Shinhan Financial Group places the highest priority on strengthening the independence and professionalism of the BOD. The Independence of BOD was enhanced by separating the chairperson of the BOD and Representative Director (CEO) and appointing the chairperson among

Committees of the Board of Directors

Board Steering Committee

- Han Dongwoo
- Namkoong Hoon
- Lee Sang-kyung
- Chung Jin
- Yuki Hirakawa

Risk Management Committee

- Namkoong Hoon
- Park Cheul
- Philippe Avril

Audit Committee

- Kwon Taeun
- Kim Seok-won
- Lee Man-woo
- Lee Sang-kyung

Compensation Committee

- Kim Seok-won
- Park Cheul
- Lee Man-woo
- Chung Jin

Audit Committee Member Recommendation Committee

- All outside directors

Outside Director Recommendation Committee

- Han Dongwoo
- Kwon Taeun
- Namkoong Hoon
- Park Cheul
- Yuki Hirakawa

Corporate Governance & CEO Recommendation Committee

- Han Dongwoo
- Ko Boo-in
- Kwon Taeun
- Namkoong Hoon
- Lee Sang-kyung
- Philippe Avril

CSR Committee

- Han Dongwoo
- Kim Seok-won
- Lee Man-woo
- Yuki Hirakawa

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outside directors since 2010. Moreover, to increase the professionalism of the BOD, 10 outside directors were appointed in 2011 GMS Meeting compared to 2010 meeting when 8 was appointed. In addition, separate sessions by outside directors are being held to ensure the independence and authority of the outside directors in monitoring and supporting general business operations.

The sub-committees of the BOD enable individual directors to be fully incorporated into various BOD activities. Each committee is specifically designed to represent the interests of stakeholders, shareholders in particular, as well as keeping the business operations of executive management in check and providing constructive alternatives to practices and problems. To assist with their fiduciary duties as board members, a BOD secretariat providing transparent information on corporate management and explanation of BOD's agenda has been put in place.

Board Steering Committee

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.

Risk Management Committee

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.

Audit Committee

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.

Compensation Committee

This committee is responsible for reviewing and approving the management's evaluation and compensation programs.

Outside Director Recommendation Committee

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.

Audit Committee Member Recommendation Committee

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.

Corporate Governance & CEO Recommendation Committee

The committee is responsible for overall corporate governance matters of the Company. It will deliberate on matters related to corporate governance of the Company, such as the code of conduct and code of ethics, size of the Board of Directors and matters necessary for improvements to the Company's corporate governance structure. The committee is also responsible to develop, operate and review the Company's management succession plan, including setting CEO qualification criteria, evaluating CEO candidate pool and recommending CEO candidates. The Chair of this committee will be elected among the outside director members. The participation, and voting right, of the incumbent CEO will be limited if he or she is included in the CEO candidate pool.

CSR Committee

CSR committee is responsible for setting directions for the Group on major economic, environmental, and social issues in relation to CSR (Corporate Social Responsibility). It also reviews and issues CSR related policies and guidelines.

Furthermore, the committee will be reported on the Group's CSR Report, sustainability evaluation results, as well as the status on sustainable management.

Risk Management

2014 was the year of reversal in which we witnessed a growth in net income, which had been on a downward trend. This further highlighted SFG's asset quality. Shinhan's systematic risk management will create concrete growth in conjunction with profit generation.

SFG's Risk Management Philosophy

"In the interest of sustainable growth, all employees shall maintain a sense of ownership on risks and shall pursue a balance between risk and return in their business practices."

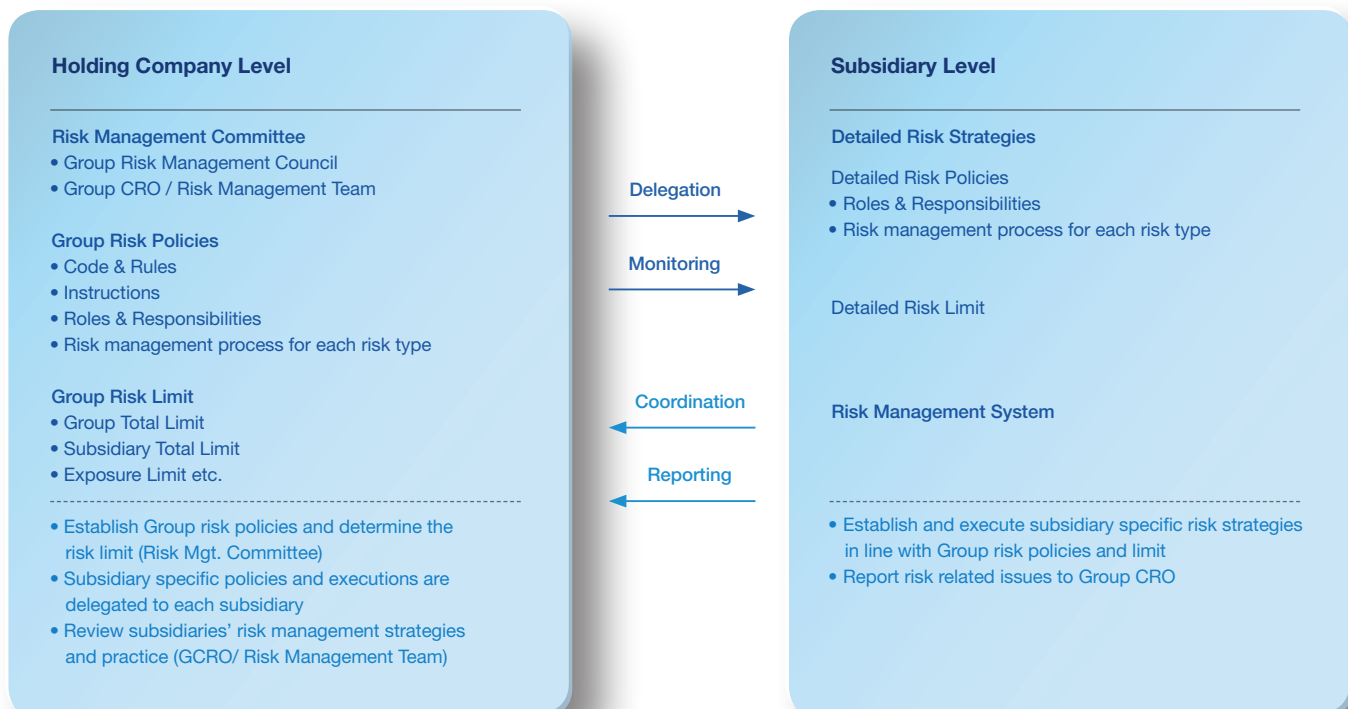
Shinhan Financial Group shares this proprietary risk philosophy within the Group to ensure that this becomes the basic business philosophy for all of our employees.

Under this basic philosophy, we manage diverse risks that can occur in each of our business areas. We built a semi-matrix risk management organization system between the holding company and Group subsidiaries. The system not only manages the risk at each subsidiary, but also plays a key role in comprehensive, Group-wide risk management. It acts as an efficient mediator amongst entities.

In 2014, despite large credit events in construction sectors and prolonged downturn in the shipbuilding industry, SFG was able to maintain better asset quality than its peers by carrying out preemptive and active credit risk management.

In 2015, we will continue to proactively manage risks by planning and executing an active response plan in anticipation of increased macro volatilities from rate increase in the US and financial difficulties in emerging markets.

SFG Risk Management Outline



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Differentiated Group Risk Management Tools

Adhering to the group's risk philosophy and principles

SFG established a risk philosophy and seven risk management principles. We have incorporated risk management to all business activities so that risk management may be practiced at branch offices on a daily basis.

Comprehensive group-level risk monitoring system

SFG operates a comprehensive monitoring system encompassing macroeconomic indicators, key risk metrics of the group, as well as up-to-date risk status of the group. With this system, we regularly identify potential risks and key issues for the Group in a timely manner. Once risk factors and core issues are identified, they are scanned through SFG's risk impact analysis before the implementation of preemptive countermeasures at the Group level.

Group-Level Risk Expert Network (REN)

To upgrade our overall risk management competencies, we have selected and assembled a team of risk experts based on their work experience and working knowledge within each business area and risk type. Through risk training and workshops, SFG is spreading the Group-wide risk philosophy, and at the same time developing risk management specialists.

Risk Management Organization

SFG's risk management organization consists of the group Risk Management Committee, the group Risk Management Council, the group Chief Risk Officer (Group CRO), Group Risk Management Team, and relevant risk committees and risk teams at the subsidiary level.

Group Risk Management Committee

The Group Risk Management Committee is the highest decision-making body that is responsible for establishing the group's risk management policies and strategies. The constituents are the outside directors of SFG's board who are responsible for resolving the following items:

- Establishing fundamental risk management policies that are in line with management strategies
- Making decisions on appropriate risk levels for the holding company and each subsidiary
- Approving appropriate investment limits and maximum loss limit (VAR)
- Establishing and revising risk management policies and rules for the Group Risk Management Council

Group Risk Management Council

The group Risk Management Council deliberates on risk policies and strategies to be implemented by the group and subsidiaries. It also approves action plans to carry out policies established by the group Risk Management Committee. The council is made up of the group CRO and risk officers from major subsidiaries. The council's responsibilities include the following:

- Establishing risk appetite at the group and subsidiary levels
- Matters related to establishing and revising risk limits for the group and subsidiaries
- Matters related to operating risk assessment system for the group and subsidiaries
- Matters that require coordination at Group-level risk management
- Risk management on providing financial support for subsidiaries
- Matters that require risk review from Group Management Board

Group Chief Risk Officer (Group CRO)

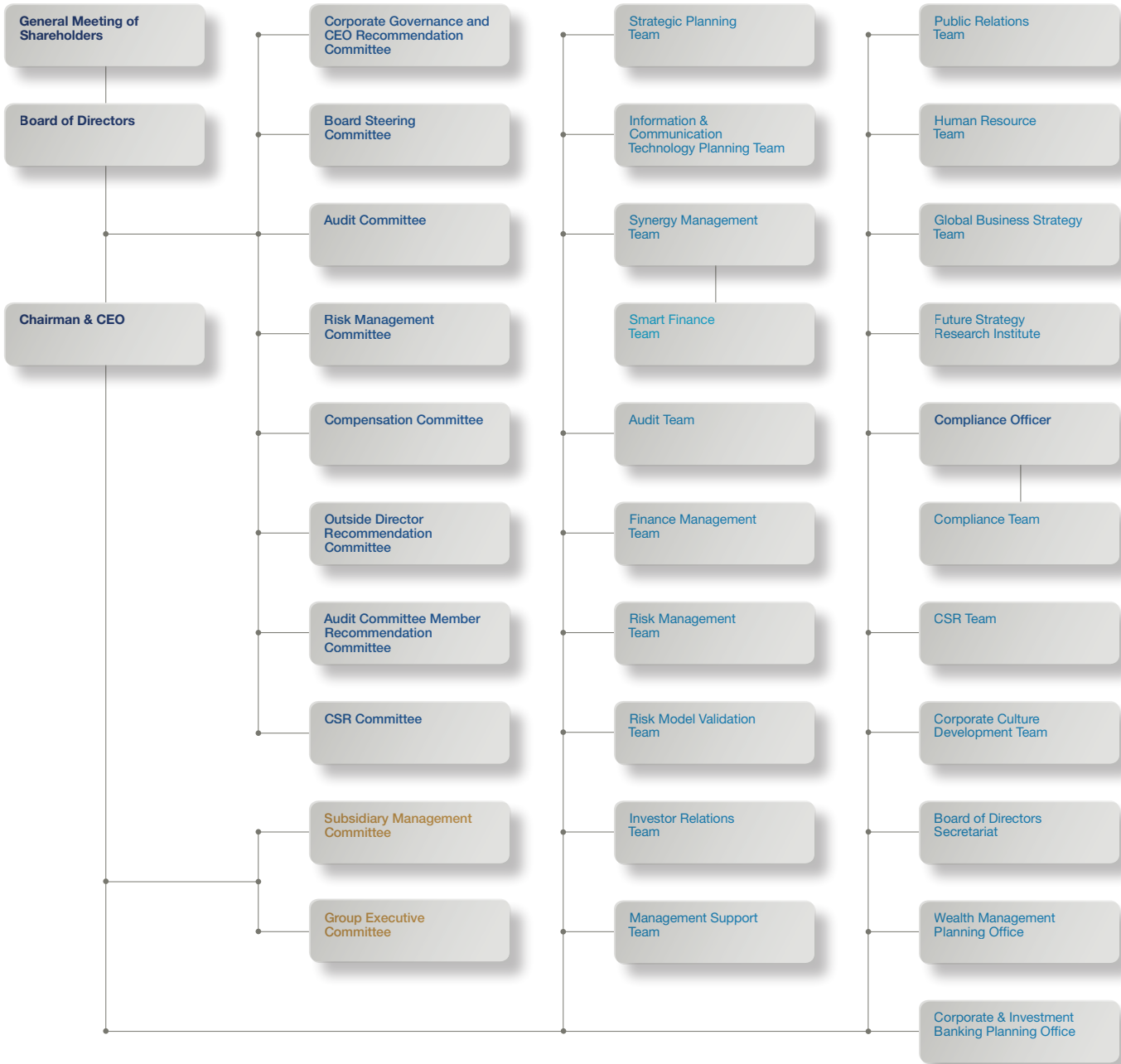
The group CRO assists the group Risk Management Committee in implementing risk policies and strategies delivered by the Committee. Group CRO also oversees consistent implementation across subsidiaries. Furthermore, the group CRO oversees risk activities at the subsidiary level. These include evaluating risk officers and monitoring risk management practices.

The group risk management team supports the group CRO. The risk management committees and risk organizations at the subsidiaries implement Group-wide risk policies and strategies and report regularly to the holding company. Furthermore, the group risk management team controls risk within subsidiaries and makes constant improvements to its risk management systems.

Group's Asset Quality Ratios

	%		
	2014	2013	2012
Precautionary & below loans Ratio	2.14	2.43	2.89
NPL Ratio	1.15	1.26	1.34
Delinquency Ratio (Bank)	0.31	0.39	0.61
(Card)	1.89	1.80	2.35
NPL Coverage Ratio	168%	163%	170%

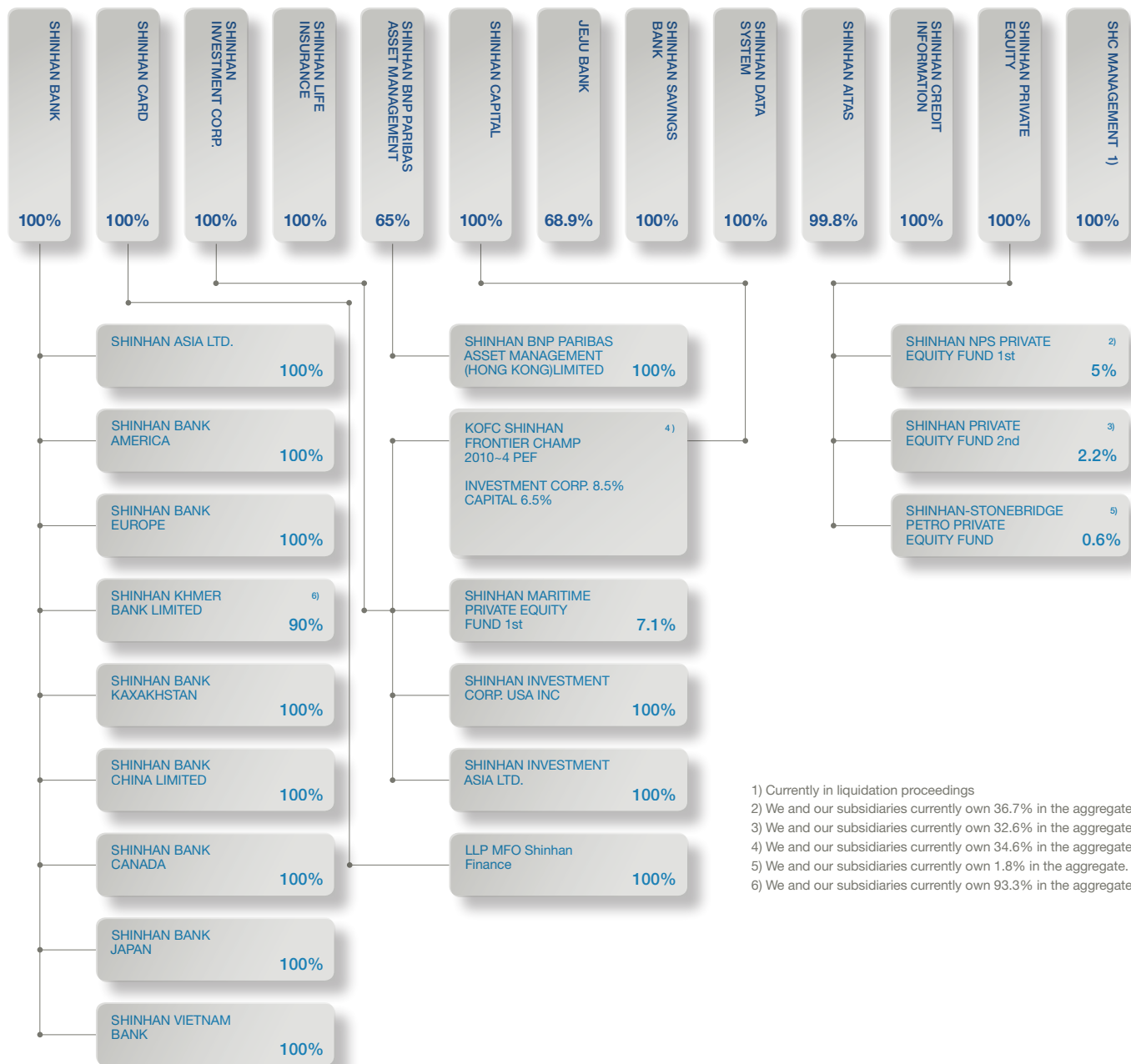
Organization




Business Portfolio

Through continuous organic growth combined with several rounds of noteworthy M&As, SFG has established a well-balanced business platform upon which an array of integrated financial products are provided for customer value maximization. This platform is a key to the differentiating competitiveness that enables higher profitability and sustainable growth.

Shinhan Financial Group







In today's difficult business environment characterized by low growth, low interest rate, and heightened regulations, Shinhan Financial Group is making various efforts to create stable earnings and expand its profit base.

Based on its balanced portfolio of banking and non-banking businesses, In order to expand our profit base through enhancing returns on customers' assets, By building deeper trust with our customers through solidifying core sales base of our subsidiaries, SFG is further bolstering its differentiated competitiveness.

Review of Operations

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Synergy

SFG's synergy business is focused on creating value for our customers by creatively merging the Group's resources and capabilities. SFG's diversified business portfolio serves as the basis of what truly sets it apart from its peers.

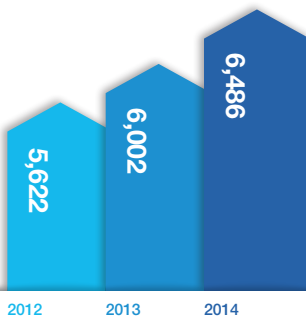
Number of Customers

29 Persons in million

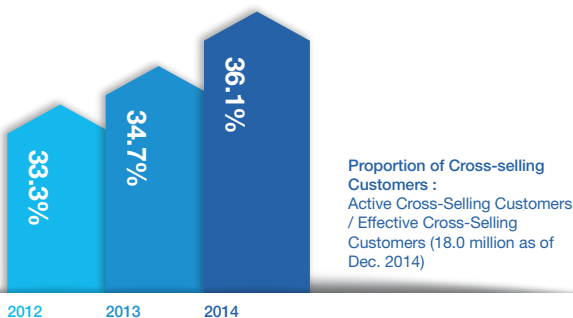
SFG serves 29 million, more than half of the population

Active Cross-selling customers

Unit: Persons in thousand



Proportion of Cross-selling Customers



Shinhan Financial Group has built an efficient business portfolio that consists of a stable banking business and highly competitive non-banking businesses including credit card, securities, insurance and asset management. Based on our diversified portfolio, we offer various products, services and integrated financial solutions through which we create greater synergies than our competitors.

Synergy-based sales does not only constitute of cross-selling on various financial products of subsidiaries through the distribution channels of Shinhan Bank and Shinhan Investment Corp, but also includes developing hybrid products and joint marketing, customer referrals and up selling activities.

The essence of SFG's synergy strategy is to create sustainable customer value by leveraging the Group's resources and capabilities based on our broad customer base and outstanding sales capabilities. This strategy has been actively pursued as one of the Group's core strategies as it is in line with the founding spirit of the holding company.

Review of 2014 Management Goals and Performance Results

For 2014, SFG established "responding to paradigm shift and enhancing customer value through cross sales" as its strategic direction. With this objective in mind, the group identified and actively pursued three core projects.

Increase cross-selling customer base

We revamped Tops Club, the Group's customer loyalty program, so that it can play a central role in the Group's customer management. Under the updated system, Tops Club members can enjoy various financial and non-financial services based on the degree of activities across Shinhan's various businesses. Especially, we have created a new tier with premium services, Tops Prestige, to high-grossing customers with multiple relationships.

The number of Tops Club members has grown by 330 thousand year-on-year, reaching 3.8 million in total. Tops Club members with multiple relationships have grown by 70 thousand to reach 430 thousand members. We plan to develop Tops Club into the Group's main marketing platform by overlaying CRM tools on the existing Tops Club program.

Develop new business models

Since 2009, SFG has consistently pursued cross-selling across various Group subsidiaries as the core activity for synergy marketing. In 2014, while our commitment to this strategy remained firm, we continually sought new avenues to further expand on synergy marketing activities. For example, we conducted joint marketing between credit card and banking based on a broad alliance marketing practices deployed in the credit card market. As a result, we expanded our joint marketing efforts to cover new markets such as bus drivers and small restaurant owners. For the first time in the banking sector, we launched a truck-financing

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product that is linked to existing car financing products. In addition, we actively participated in nascent baby care market by establishing a joint marketing strategy in time of our credit card subsidiary's participation in the 3rd round of 'Happy Baby Card' program. We believe that this will set the foundation for attracting future customers as well as setting an exemplary model for joint marketing within Group companies. Shinhan Investment Corp and Shinhan Life Insurance have continued to pursue cross-selling marketing activities on new customers. Based on these efforts, the number of joint customers has grown to 6.5 million, showing an 8.0% growth year-on-year. Lastly, we continued to focus on developing new products such as credit card on CMA accounts, targeted products for retirees and expanded application of Shinhan Card's "my Shinhan points" across other Group subsidiaries.

Increase cooperation and synergy culture among Group companies

SFG is well known for having the most balanced business portfolio between banking and non-banking subsidiaries among all Korean financial holding companies. This allows for advanced synergy activities among Group companies. To further strengthen our differentiated and competitive position, we have continued to conduct training and promotion activities to promote a sense of teamwork among Group members. We regularly hold events to build voluntary teamwork amongst Group companies and have increased promotion activities through the company newspaper and company broadcasts. Group employee panel discussion and Group synergy award programs are the two major synergy support system for SFG. In addition, we have delivered steady results in traditional synergy areas through bank channels, such as generating new credit card members and settlement accounts, as well as selling bancassurance and fund products. Lastly, in order to increase synergies with our savings bank that we acquired in 2013, we launched a new product, 'Hug loan' in collaboration between Shinhan Bank and Shinhan Savings Bank that is showing great performance.

Business Plans for 2015

For 2015, under the strategic direction of 'One Customer, One Company,' we will continue to focus on fortifying our co-marketing platform to increase cross-selling activities through new customer additions and contents diversification. In order to achieve this objective, SFG has set the following four business strategies.

Increase customer base for cross selling

We will continue to expand on cross-selling activities through Group-wide co-marketing for promising industries such as childcare, education and government as well as strengthening product offerings for the retirement market.

Childcare is a market apt for joint marketing, considering its growth potential, market size and synergy potentials. We will consistently seek to expand our offerings in this area. We will establish a Group-wide

marketing scheme to target the education market and develop new business opportunities through collaboration with public entities such as Korean Student Aid Foundation and Construction Workers Mutual Aid. Lastly, we will strengthen our competitiveness and differentiation in the retirement business market by establishing a Group-wide collaboration board to identify areas in which to improve our products and service offerings as well as infrastructure.

Expand contents and increase collaboration among channels

Under the strategic objective of "Customer Loyalty Management," we are seeking to upgrade our Tops Club system to provide unparalleled customer experience. On top of the our existing financial service offerings, we will add non-financial services derived from credit card marketing platforms such as All That Service and Synergy Service Bank. By expanding our credit card marketing tools Group wide, we will bring differentiated customer service to all customers of SFG. In addition, we plan to provide support for new product developments based on CMA, develop overseas markets by developing joint products with local partners and expand ways for our customers to earn and use credit card reward points across our Group companies. Lastly, in response to the currently fast-changing market shift to mobile finance, we plan to develop marketing support system based on smart contents and platform.

Expand areas for synergy

We plan to review and establish a mid-to-long term road map to increase our synergy business. Through this effort, we will seek ways to create additional synergies in areas such as our global banking and investment banking, as well as cross selling among the corporate customers of Group companies. To name a few, we believe corporate credit card is an area where we have a competitive advantage to win additional businesses by collaborating within Group companies. As such, we will actively seek new corporate credit card businesses among our existing clients for the Group by launching new corporate credit card products. In addition, we will increase collaboration with Shinhan Savings Bank and Jeju Bank to increase corporate lending and expand financial product offerings. Lastly, we will reinforce our synergy culture by renewing the Group's synergy forum to activate a joint marketing system and increase employee communication among different Group companies.

Strategic cost synergies

In line with our strategic objective of 'strategic cost saving for sustainable growth,' we will actively seek to discover cost synergy areas. First, for credit card, we will increase the degree of delegation to bank and expand Shinhan Investment Corp.'s handling of credit card customer introduction. In addition, we will review joint marketing possibilities with credit card merchant customers and initiate Group-wide joint marketing towards high grossing merchant customers.

Retail Banking

Under the slogan of “Forward thinking, Quick execution,” 2014 was the year in which we outperformed our goals on profit, household loans and low cost deposits. Especially, it was the year that we further solidified our position as the No. 1 bank through differentiated performance from those of our peers.

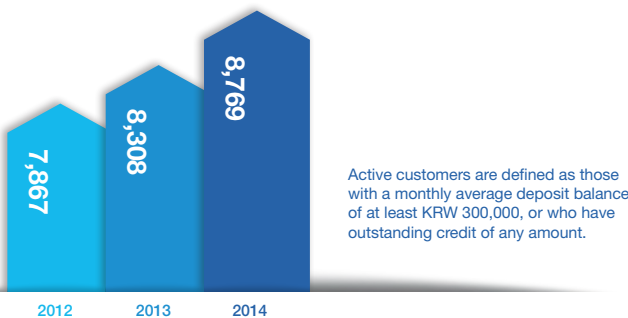
2014 Best Financial Institution for
General Public by FSS

1st

Shinhan Bank was selected as the ‘Best Financial Institution for public support finance’ by Financial Supervisory Service for two consecutive years. This is a recognition of our sincere efforts to exercise ‘Compassionate Finance.’

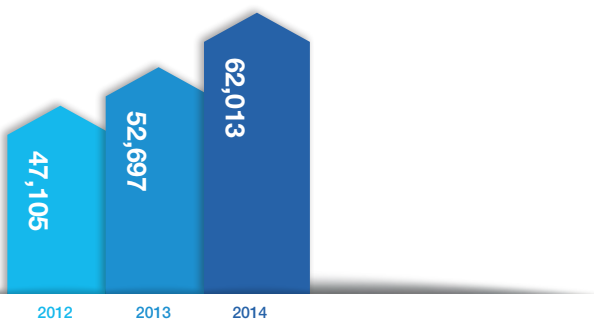
Active Customers

Unit: Persons in thousand



Low Cost Deposits

Unit: KRW in billions



Retail banking consists of headquarters, 21 regional headquarters and 568 sales branches. At headquarters, there are 3 groups (Retail Business Development Group in charge of retail channel, WM Group in charge of high net worth customers and Institutions Group in charge of government and institutional customers) and 12 divisions. In addition, we have expanded our regional headquarters to 21 (27 including financial centers) in order to optimize and provide better support sales channel. On the other hand, we have consolidated and reduced the number of retail branches to 568 (758 including financial centers) as a way to achieve strategic cost rationalization.

Shinhan’s differentiated core strength is our strong organizational culture and challenging mindset in time of difficulties. In addition, our resilient drive to innovate, sense of ownership and passion to create is Shinhan’s DNA that cannot be benchmarked by our competitors.

Review of 2014 Management Goals and Performance Results

2014 was a year in which we were persistently faced with a difficult business environment. A delayed recovery in both domestic and global economy, increased volatility in financial markets, reduction in base rates and increased regulatory pressure all added to the difficulty.

In this unfavorable environment, we concluded 2014 with marked outperformance across profitability, growth and asset quality over all other competitors.

Increase profitability-oriented asset portfolio (Asset Value)

In the retail sector, we outperformed our profitability target and contributed to the differentiated results of Shinhan Bank. For low cost deposits, we increased the number of core retail customers, debit card transactions and merchant accounts. Further, we saw a consistent inflow of new funds from public entities. As a result, we witnessed strong growth across all customer types that netted year-on-year growth of KRW 9.3 trillion (17.7%). This favorable result not only was the biggest driver in profit growth but also helped us achieve the highest rate of growth among competitors.

For household lending, we were able to grow our household loan by KRW 6.7 trillion (9.4%), helped by an increase in home mortgage following market recovery post real estate regulatory easing in August and consistent growth in Jeonse loans and unsecured personal loans. This allowed for balanced growth around profitable, quality assets.

We realized record-low delinquency rate of 0.23% and 0.37% on household and SOHO loans respectively through stringent asset quality management. As a result, we achieved the industry-leading delinquency rate in household and SOHO lending. In addition, we maintained our

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No.1 position in the retirement pension market for 5 consecutive years by consistently focusing on our sales efforts in midst of fierce market competition to re-grab our lead.

Expand creative business foundation for the long-term (Business Value)

In 2014, we expanded our target niche markets from the existing 5 markets (policemen, firefighters, military / government employees, personal taxi drivers, and tax officers) to 7 by including medical professionals and bus company employees. As a result, we were able to expand the number of salaried customers by 118 thousand compared to the previous year.

We successfully expanded the number of SOHO customers by 33 thousand by increasing sales activities. Furthermore, we attracted 10 thousand more high-net-worth customers (with deposit over KRW 100 million) through improved customer base strategies and sales efforts.

Manage productivity-oriented channel /system (Channel Value), increase employee competency and practice rigorous internal compliance

In January 2014, we consolidated 40 branches and converted 28 retail branches into financial centers in response to a difficult business environment of low growth, low interest rate and low margin. By closing overlapped or unprofitable branches, we sought to optimize our sales channel and increase synergies beyond retail and corporate banking.

We further strengthened our employee capabilities by providing front office training program such as leadership programs for branch leaders and catering training programs for retail banking employees. In addition, we improved our internal control system and created a culture in which the importance of internal controls is emphasized in performing daily duties at branch offices.

Lastly, 2014 was the year in which we earned love and trust from our customers and community with our active practice of Compassionate Finance. We were chosen as the 'best financial organization for public finance' for two years in a row. In addition, we were chosen as No. 1 across all five criteria in a domestic customer satisfaction survey.

Business Plans for 2015

Retail banking's strategic objective for 2015 is 'value-oriented growth, leadership in retail through strong sales capabilities.' We will maintain our strategic direction from 2014 and seek to gain balanced growth across profitability, asset size and customer base.

First, increase asset base (Asset Jump)

Our goal is to increase profitable household and SOHO lending while consistently increasing low cost deposits to last year's level. In

addition, we will endeavor to become the main transaction bank for our customers to reduce churn. Lastly, we seek to increase stability in funding structure by increasing household deposits and expanding investment product offerings such as mutual funds.

Second, expand customer base (Business Expand)

We aim to expand future planning customer base by targeting high income office employees and female customers around baby care centers. We will consistently expand the use of creative collaborative marketing activities. In particular, we plan to proactively respond to account migration anticipated to be enforced in 2016. We intend to expand our active customer base to 10 million in two years for long-term future growth.

Third, innovate sales channel management (Channel Innovate)

We plan to upgrade our customer management system, reinforce front office support system and improve employee training to better reflect capabilities needed at branch offices. These channel innovation strategies will be ingrained in all branches.

Last, prepare for sustainable growth for future (Future Lead)

We will substantiate Compassion Finance, reinforce internal controls, continually innovate our business and increase ways to motivate our employees.

Based on these strategies, our focus will be to expand low cost deposits, build customer base of office employees with good credit, and increase non-interest income from various avenues such as mutual fund sales. In addition, we will seek to diversify SOHO loan portfolio and become a first mover in the childcare market.

We firmly believe Shinhan's retail banking will be able to deliver even greater differentiation in 2015.

Active Customers and Tops Club members	Number of customers, thousand		
	2014	2013	2012
Active Customers	8,769	8,308	7,867
Tops Club members	2,128	1,946	2,383

Low cost deposits	KRW billion		
	2014	2013	2012
Low cost Deposits	62,012.9	52,697.0	47,105.0

Corporate Banking

In 2014, our Corporate Banking firmly established itself as the leader in SME financing by winning Presidential Commendation in 'the 19th Award for SME Financial Support.' In 2015, we will lead the market by providing various financial services and catered support with a deep understanding of SME customers' characteristics and needs.

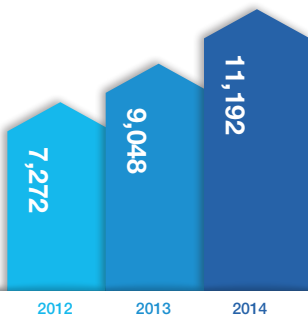
Retirement Pension Accounts of Shinhan Bank

1st

Ranked first in the retirement pension market for five consecutive years.
(in terms of assets under management)

Retirement Pension (AUM)

Unit: KRW in billions



Corporate Banking Group is responsible for providing finance to SMEs and consists of 5 headquarter departments, 6 regional headquarters and 190 branches. In addition to maintaining competitive advantage in traditional core financial services such as corporate lending, deposits and FX, Corporate Banking Group is actively seeking ways to differentiate ourselves through exercising Creative Finance such as increasing technology financing, providing hybrid financial support through debt and equity, and discovering areas to introduce IB service to mid-tier and SME customers. Furthermore, our 508 relationship managers (RMs), top-level specialists in corporate finance, are working diligently to offer optimized financial solutions to meet the changing needs of our corporate customers.

Review of 2014 Management Goals and Performance Results

In 2014, Corporate Banking sought to overcome the difficult business environment from sustained period of low growth and to accomplish differentiated growth that set us apart from competition. Under the slogan 'Challenge! Top 2014 corporate finance expanding territory,' we selected 'tighten core business,' 'optimize business resources,' and 'pioneer new market' as our objectives for 2014. As a result, we delivered outstanding results in growth, profitability and asset quality across all business segments.

Strengthen core corporate sales capability (Tighten core business)

In order to expand solid growth base in the corporate finance market, Corporate Banking sought to increase our dominance in mid-size companies and blue chip companies. Furthermore, we endeavored to expand coverage for blue chip unaudited companies. In response to stagnated market share and profitability from heightened competition for blue chip audited companies, we actively sought to penetrate into mid-size unaudited companies. As a result, we were able to increase SME lending by KRW 3.4 trillion, confirming our in lead in the industry. In addition, we were able to increase the number of SME corporate customers with more than KRW 100 million loans by 3,348, thereby taking the No. 1 position in the industry. This feat was achieved by our active customer solicitation efforts based on the lifecycle of our corporate customers. Lastly, we maintained our leading position in retirement pensions among banks for five consecutive years.

Improve efficiency in sales activity (Optimize business resources)

In order to increase our productivity in this low-growth environment, we are actively focusing on increasing efficiency in our marketing activities. In order to optimize our RM business model, we focused on synergy marketing between retail and corporate banking on those branches with weak corporate sales base. In addition, we made great efforts to defend profitability by revamping the lending interest determination process and fee reduction management system. As a result, we were able to take a big leap in asset growth and defend margin contraction.

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Secure growth momentum for the future (Pioneer new market)

We are making constant efforts not to dwell on our current success and to continue to lead the growing market. By encouraging tech financing, we have found ways to systematically and creatively support SME with high potentials. As a result, we currently have the highest TCB loan balance among commercial banks. Not only is this in line with the government policy, but we also view this as a way to secure competitiveness for sustainable growth. Furthermore, we launched a new hybrid product called 'profit-share private CB underwriting,' which allows us to provide long term, low interest financial support to promising start-ups while sharing the equity capital gains. This will lay a foundation to build a long-term partnership with SMEs. In response to the growing number of Korean companies expanding overseas, we have upgraded our global support desk to provide better establishment support and local information services. Lastly, we have strengthened our differentiated competitiveness as a mid-to-long term export financing organization by entering into a proprietary agreement with Korea Trade Insurance Corporation.

Business Plans for 2015

In time of increasing volatility and changing competitive dynamics, we are planning to creatively innovate in order to surpass difficulties from externalities, regulation and competition. By doing so, we will maintain our unwavering leadership position in the market space. For 2015, our strategic objective is 'Creative territory expansion, Major leap in corporate finance.' Under this strategic guidance, we have set out the following tasks; 'strengthen core business (Strong corporate finance),' 'efficient business practice (Smart corporate finance)', and 'differentiate future competitiveness (Prepared corporate finance).'

Strengthen core business (Strong corporate finance)

First of all, Shinhan Bank will continue to seek balanced growth in our core markets across midcap, blue chip audited small-cap and blue chip unaudited small cap companies. We plan to extend our lead in the midcap and audited small cap market and further penetrate into the unaudited small cap market that we spearheaded last year. As the market leader in the retirement pension market, Shinhan will proactively respond to government initiatives to boost the private pension market. We intend to maintain our lead in pension AUM while generating qualitative growth by delivering the highest return on pension assets.

Efficient business practice (Smart corporate finance)

Shinhan Bank will continually strive to increase efficiency in marketing in order to achieve sustainable growth.

In response to increasing use of 'smart finance' and optimizing corporate finance sales channels, we plan to increase competitiveness in our indirect channel by modernizing our corporate Internet banking system. In addition, we will increase regional sales efforts led by regional HQ and branch heads. By providing tailored marketing for each branch, we will increase local market share.

Furthermore, Shinhan intends to expand solid profit base through profit source diversification by managing margin spread, increasing non-interest income and expanding core deposits.

Differentiate future competitiveness (Prepared corporate finance)

Finally, Shinhan Bank will work to secure differentiated competitive position in growing future markets.

Not only will we focus on expanding tech finance and relationship-based finance, but we will also focus on delivering qualitative growth that creates new value. Creative finance will be the new growth engine for Shinhan's corporate finance. In addition, our goal is to develop an IB profit model for SMEs by developing niche mid market investment banking strategies such as M&A. Our active collaboration with Shinhan Investment Corp will be the driver in gaining competitiveness in these areas.

In 2015, Corporate Banking plans to successfully achieve its strategic objectives based on strong execution. Shinhan will make best efforts to lead the future of new corporate finance in any changing external environment.

No.1 market share in retirement pension among banks (2014)

As of 2014 year end, Shinhan Bank's retirement pension account reached KRW 11.2 trillion, a 19.0% share of the banking retirement pension market. Shinhan Bank achieved No. 1 in AUM for five consecutive years and No. 1 in managed account for four consecutive years.

	KRW in billions		
	2014	2013	2012
Retirement pension (AUM)	11,192.4	9,047.6	7,272.0

*Defined benefit (DB), Defined contribution (DC), Individual Retirement Plan (IRP)

In 2014, Shinhan Bank provided the most support for tech financing among commercial banks and consequently was awarded the Presidential commendation for providing financial support to SMEs and received recognition from Presidential Council on Intellectual Property.

	KRW in billions			
	Shinhan	A	B	C
Tech financing	1,736	746.4	1,312.3	1,021.6

Credit Card

In this hypercompetitive industry, Shinhan Card announced its intention to mark 2014 as the beginning of 'Big to Great' and set the solid foundation to emerge as the 'Only 1' credit card company. 2015 will be a year in which we reap the harvest of the foundation we laid in 2014.

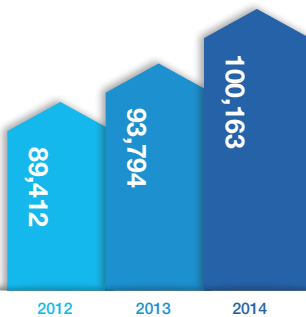
Market Share

22.8%

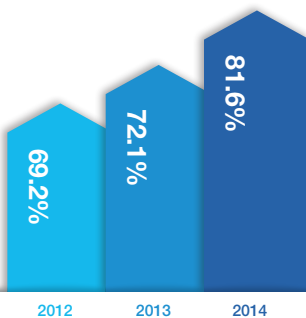
No. 1 Market Share, strengthened our competitive advantage in terms of customer base and furthered our domestic market leadership (market share based on retail credit purchase volume)

Transaction Volume (Retail + Debit card)

Unit: KRW in billions



Utilization Ratio



Despite the turbulent market environment from other competitors' mishandling of customer information, Shinhan Card was able to accomplish marked performance from effective crisis management and execution of a differentiated sales strategy. In particular, Shinhan Card extended the lead in market share while increasing strategic investments for future such as the foundation for big data management. As a result, the credit card company laid the foundation to achieve 'Big to Great.'

Review of 2014 Management Goals and Performance Results

Under the strategic goal to achieve 'Big to GREAT,' Shinhan Card's management objective for 2014 consisted of the following; solidifying market leadership by showing marked turnaround in market share gains and increasing strategic investment for future competitiveness.

In terms of business performance, Shinhan Card increased its transaction amount by KRW 6.3 trillion (yoy growth of 6.8%) despite the difficult business environment led by the customer information leakage crisis in the industry. We again solidified leadership by breaking the KRW 100 trillion mark for retail transaction volume for the first time. In addition, we were able to increase market share on retail credit purchase volume by 0.4%p, thereby breaking grounds in this stagnated field and solidifying our position as the market leader. We also extended our lead across most major business areas such as debit card, corporate credit card, credit card lending, and installment finance.

In terms of profitability, Shinhan Card brought marked improvement in credit card profitability by significantly upgrading the overall business operation. In addition, we made various efforts to improve profitability by conducting strategic cost reduction initiatives. As a result, we realized dominating performance in profitability (net income of KRW 635.2 billion).

In addition, Shinhan Card shifted its focus from delivering current performance to building our future through increased strategic investments. In order to gain differentiated marketing competitiveness through big data from our 22 million customers, we spearheaded our big data management. By building close cooperative relationships with public and private sector as well as academia, we strengthened our execution base. In addition, we developed models and solutions with big data in order to deliver substantial marketing results.

In particular, the company launched new products through developing our proprietary marketing model, 'Code 9,' that can tailor marketing tools to individual customer's spending habits. Furthermore, we are supporting execution by establishing designated internal support team.

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In addition, we have developed a marketing result analysis model (ROMI) and a real-time marketing offer matching system (CLO). These tools and infrastructure will be used to develop new substantive marketing programs using big data.

Lastly, Shinhan Card increased investments to target the younger generation as a means to secure future growth. By establishing a designated team to manage communication through SNS, we increased the level of communication through major communication channels such as Facebook. As a result, Shinhan Card has generated the most active SNS communication network throughout the entire finance industry.

Business Plans for 2015

In 2015, we expect faster changes to take place in the business environment than any time in the past due to acceleration in fin-tech revolution and heightened regulation in ancillary businesses.

As the industry leader, Shinhan Card will proactively develop new markets by responding quickly to changes in externalities. At the same time, by quickly addressing areas where our competitiveness is dwindling, we will firmly maintain our market leadership across all aspects. From this angle, Shinhan Card is implementing dual strategy of 'First Mover' and 'Fast Follower' for our strategic direction for 2015.

Under this strategic direction, we have established 6 strategic agendas; increasing execution capability of Compassionate Finance, accelerating big data management, increasing differentiation in product / marketing, diversifying business models for future growth, modernizing channel management, and strategically reducing costs.

Particularly, we plan to bring innovation in our marketing system based on big data infrastructure that we have been building throughout 2014. Across all areas of marketing including product, service, branding and promotion, our intention is to provide differentiated marketing based on big data. Furthermore, we will increase application of big data to our customer support system.

In addition, we will proactively develop new businesses to secure future growth. We plan to be the first mover in the instant pay area backed by our tech leadership and active collaboration. We will build new businesses in deregulated ancillary business areas by developing promising business models. In addition, we plan to increase our activity in global business. Our priority is to quickly stabilize our Kazakhstan installment financing subsidiary, our first foray in overseas business, and develop new business opportunities around this new venture.

In 2015, Shinhan Card will focus on execution to deliver results based on the differentiated foundation we successfully established in 2014. 2015 will be a year in which we leap forward from being the largest player to become the 'Only 1' company in credit card.

	KRW in billions, Persons in thousand, %		
	2014	2013	2012
Transaction amount (retail + debit card)	100,163.1	93,794.4	89,412.1
Active credit card members	12,468	13,385	15,070
Active debit card members	13,634	12,497	11,361
Utilization rate	81.6	72.1	69.2
Market share	22.8	22.4	22.4

*Reduction in active credit card members from the previous year stems from the introduction of a new regulation that automatically delists dormant members with 12 months of inactivity.



• The Excellence in Retail Financial Services Korea Awards (The Asian Banker)



• Korea Service Grand Prix (Korean Standards Association, 5 consecutive years)

Investment Banking

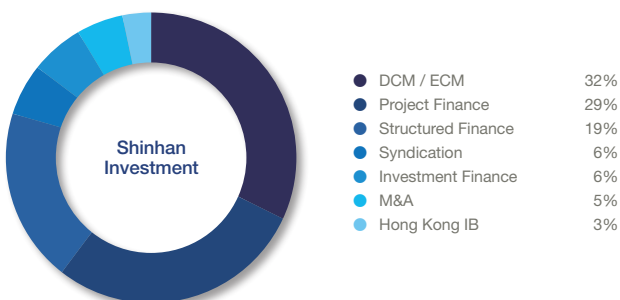
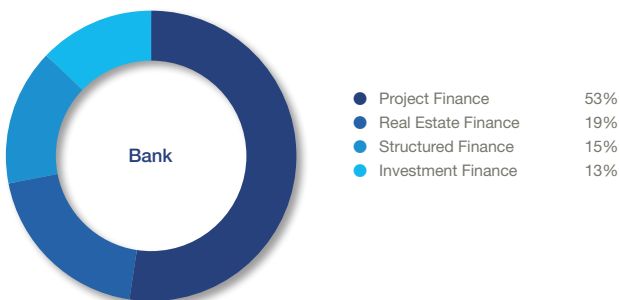
2014 was the year that we witnessed unlimited synergy potential through the CIB system. In 2015, we will go beyond creating synergies between Shinhan Bank and Shinhan Investment Corp and creatively increase our role as the 'IB Solution Provider' within SFG.

ABS

1st

Shinhan CIB is gaining competitiveness across all segments in DCM market. According to The Bell league table, Shinhan CIB was ranked #4 in corporate bond underwriting and #1 in ABS underwriting. In addition, we were #2 in syndication with 16.9% market share, fast closing the gap with the #1 player.

Profit Contribution by Business Line



Shinhan's CIB unit was successfully launched in January 2012, by moving Shinhan Bank's CIB group and Shinhan Investment Corp's IB Group to the same location. Both groups are currently located in Shinhan Investment Corp's headquarters in Yeoido. The two organizations were collaborated thus to combine corporate finance capabilities of both firms and provide comprehensive financial solutions.

Based on stabilized cooperation system, CIB Group further gained strength in DCM (Debt Capital Market) where we have been traditionally strong. At the same time, we focused our resources to increase alternative investments in order to proactively respond to prolonged low-interest, low-growth environment. Consequently, we were able to deliver marked performance in the fund business. Our efforts to secure long-term growth drivers for CIB through creative asset management will continue in 2015.

Review of 2014 Management Goals and Performance Results

Based on our stabilized cooperation model, CIB generated stellar performance in DCM and alternative investments. By leveraging Shinhan Bank's deal sourcing network and stringent risk management system, we were able to reduce the gap with the market leader in loan syndication from 17.2% to 3.9%. Meanwhile, Shinhan Investment Corp successfully improved its ranking to No. 4 in corporate bond underwriting and No. 1 in ABS underwriting. In addition, we were able to win mandates on a number of IPO main lead arranger deals (note 1) in ECM (Equity Capital Markets) where we have not been able to deliver successful performance in the past. We have great expectations for CIB in ECM.

(Note 1) Companies with mandates with IPO main lead arranger in 2014 will likely conduct IPO in 2015 or later depending upon degree of preparation for IPO and market situation.

In this prolonged low-interest rate, low growth environment, Shinhan CIB was able to deliver differentiated performance through new initiatives to increase competitiveness in alternative investments. In particular, in collaboration with Shinhan BNP Paribas Asset Management, we established Senior Loan Fund (KRW 565 billion) and Japan Solar Fund (KRW 200 billion) and deployed capital. Senior Loan Fund is Korea's first M&A financing fund that will generate co-investment opportunities to fund investors by leveraging Shinhan Financial Group's investment and risk management know-hows. Japan Solar Fund is a product developed based on Japan's strong government support through feed-in-tariff and market potential from domestic companies' desire

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Synergies beyond CIB

Type	Highlights	Examples
Collaborations with Retail	Retail product structuring of IB assets with proven profitability and stability based on customers' needs (Increase customer satisfaction by providing proprietary IB product in low interest environment)	<ul style="list-style-type: none"> Provision of structured products - ELF based on Chinese bank term deposit, structuring of KP/Dimsum bond issued in Hong Kong
Collaboration with Corporate Banking	Providing IB solutions such as equity-linked products to SME market, which is dominated by loan products	<ul style="list-style-type: none"> Training and sales support for SME channel employees Equity-linked product distribution, follow-on equity raising, KONEX listing support
Collaboration with other Group companies	Additional collaborations with other Group companies such as Shinhan Card, Shinhan BNP Asset Management on quality IB deals	<ul style="list-style-type: none"> Securitization of mobile phone installment receivables Trade payable rebalancing for corporate clients Senior Loan Fund, Solar Fund, Infrastructure Reorganization Fund

to penetrate into the market. Not only these two serve as examples of our market leadership in alternative investments, but they will also serve as anchor businesses in alternative investments from long-term characteristics of the funds.

Meanwhile, Shinhan CIB plans to continually evolve into the role as the IB Solution Provider within SFG. The following are a few examples of collaboration beyond CIB:

Business Plans for 2015

In 2015, Shinhan CIB will continue to make efforts to establish a sustainable foundation for long-term growth in the current adverse environment highlighted by low-interest, low-growth, and heightened competition.

First, in collaboration with Shinhan BNP Paribas Asset Management, we will focus on building our fund business where we can lead the market as witnessed in our Senior Loan Fund and Japan Solar Fund examples.

Second, we will increase investments in overseas in order to expand our global business foundation.

Third, in collaboration with Corporate Banking Group of Shinhan Bank, we will actively seek out IB needs of mid-to-small cap companies. By brokering or providing growth capital in both equity and debt, we will build long-term partnership with companies that will allow both Shinhan and the companies to co-prosper.

Fourth, by leveraging Shinhan CIB's IB product generation capabilities and Shinhan Bank's retail sales power, we will actively provide stable and high-yielding products to retail customers.

Last, we will increase competitiveness in Shinhan Investment Corp's non-corporate bond sectors. In this era of uncertainties, we promise to continue to evolve by proactively responding to changes in market conditions.

Corporate Bond Main Lead Arranger League Table (The Bell)

	2014	2013	2012
Rank	4th	5th	6th
MS	12.80%	5.59%	6.97%

ABS Main Lead Arranger League Table (The Bell)

	2014	2013	2012
Rank	1st	2nd	1st
MS	19.95%	24.00%	21.53%

Wealth Management

Based on co-location between Shinhan Bank and Shinhan Investment Corp, Shinhan PWM (Private Wealth Management) manages IPS (Investment Products and Services) department, our product and services specialist organization. By creating a differentiated asset management model with comprehensive financial solutions, we create the highest value to our customers.

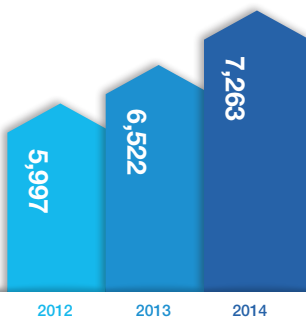
Private Banking brand

1st

Ranked 1st in the PB category of the Korea Standard Premium Brand Index (seven years in a row, jointly organized by the Korea Standards Association, Choseon Ilbo, and Seoul National University)

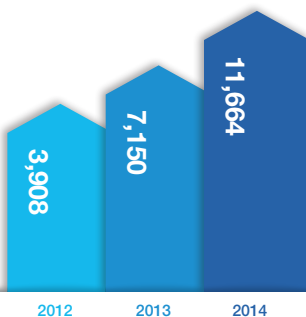
Customers with more than KRW 1 billion in assets

Shinhan Bank



Customers with more than KRW 100 million in assets

Shinhan Investment Corp.



The Group's WM division made its successful debut in 2012 by launching a PWM center that housed both Shinhan Bank and Shinhan Investment Corp. In 2014, we converted 6 Shinhan Bank PB centers into PWM centers, thereby creating a PWM coverage network of 25 PWM offices. As of 2014, there are 616 employees (187 employees in HQ and 429 in PWM centers) working to provide the best asset management solutions for our clients through collaboration based on mutual respect.

Review of 2014 Management Goals and Performance Results

In 2014, the Group WM division focused on winning market competitiveness based on differentiated competencies and internalizing Compassionate Finance to deliver 'customer-oriented asset management' service. We launched our 'Future Planning Center' to strengthen our footprint in the retirement market that has a promising future growth potential. In addition, we provided highly competitive financial products and expert services through our IPS team. From these initiatives, we were able to deliver market leading results across customer services, hitting various performance marks as well as gaining public recognition.

Increasing return from customer-oriented asset management

We set the foundation for improving investment return by internalizing customer-oriented asset management. In order to internalize Compassionate Finance, Group's core mission, we established 'Principles of Customer-Oriented Asset Management Practice' that we shared with all our employees. In addition, we organized 'Customer Value-Up' task force team to improve investment return for our customers. As a result, we were able to systemize asset management processes, from selling a product to conducting asset management from our customers' point of view.

Our IPS department provided collective 'house view' and developed financial products that fit well under prevailing trend and issues in the market and by establishing new expert service channels such as WM Solutions Team, we proactively sought to support customer-oriented asset management services.

Delivering unrivalled results across major indicators

Based on our differentiated competencies, Shinhan PWM realized an increase in assets of KRW 1.7 trillion and income of KRW 132.1 billion in 2014 (combining Bank's pre-expense operating profit and Shinhan Investment Corp's net operating income). In addition, we were highly successful in the high-net-worth customer segment (second in Bank customers with assets more than KRW 1 billion / fifth in securities customers with assets more than KRW 100 million) that proved our

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competency in the industry. In addition, we established 325 Future Plan Centers to bolster our presence in the retirement market. With newly created 780 thousand future planning accounts, we were able to lay the foundation to actively expand our retirement business.

Improving brand value via accolades and recognitions

Shinhan PWM is being positively reviewed by domestic and international organizations for our differentiated asset management services.

We further solidified our position as Korea's top PB brand by winning 'Best Private Bank in Korea' by Euromoney for 3 consecutive years and 'Best Private Bank' by The Banker.

Business Plans for 2015

For 2015, we expect a dynamic shift of paradigm in asset management industry triggered by changes in channel and sales form, persistent low rate, low growth environment and relaxed regulations. Shinhan PWM will proactively respond to these changes in the market environment and consistently drive to gain a competitive advantage in asset management. With the strategic goal of becoming a 'dominating No. 1 market leader in domestic WM market' in 2015, we plan to focus our efforts on executing the follow core action items:

Customer value-oriented asset management

In order to actively practice customer-oriented asset management, we will put in place appropriate infrastructure to manage customers' investment returns. We will also seek to increase our expertise and bring innovation to how we manage our financial products. To this end, we plan to establish an industry-leading asset management system and a new 'customer value-up' team, designated to provide systematic asset management service covering all aspects from sales to investment management. Furthermore, we will recommend product portfolios that meet our customers' needs and actively manage investment return.

Win leadership position in WM market

Based on differentiated asset management sales capabilities, we will maximize performance across all aspects including the number of high-net-worth clients, asset under management and investment return. We will gain market share among customers with bank assets above KRW 1 billion or securities assets above KRW 100 million. Furthermore, we will increase sales by expanding product offerings to enhance non-interest income. Lastly, we plan to expand our footprint and win market competition by upgrading PWM operating system between Shinhan Bank and Shinhan Investment Corp. and becoming a leading PWM brand.

Develop a differentiated growth strategy in future planning

As Korea migrates into an aged society, retirement market is growing its importance. As such, many competitors are rushing into the retirement market. In order to retain lead and competitiveness as the front runner, we are expanding future planning centers to all our retail channels. Furthermore, we are maximizing exposure by providing trial retirement solutions to potential customers. Lastly, we will provide a differentiated retirement solution by expanding product lineup and upgrading our support infrastructure such as developing retirement contents for our customers.

Developing Next WM business model

With the intention to serve more high-net-worth clients differentiated asset management services, Shinhan PWM is opening more PWM centers. Also, by leveraging relaxed regulations on combined retail branches, we will actively pursue the business model of running a 'multi-aspect retail finance branch.' Based on this, we will exert greater market control by further solidifying our dominating position in the domestic WM market while moving a step closer to expansion into global WM market.

In 2015, we expect to see even greater competition in the market with key competitors' expanding WM services through combined retail branches. However, our strength lies in our experience and differentiated competencies that we accumulated during the last three years. Bolstered by close cooperation between Shinhan Bank and Shinhan Investment Corp., we promise to deliver 'Beyond No. 1, High class PWM' that is out of reach for our competitors.

Major accolades and recognition in 2014

Type	Name of Award
International	• Global Private Banking Awards 2014 (Best Private Bank in Korea) _ The Banker, First time
	• Best Private Bank in Korea _ Euromoney, 3 consecutive years
	• Triple A Investment Awards 2014 (WM) _ The Asset, 2 consecutive years
Domestic	• KS-Premium Brand Index (PB sector) _ Korea Standard Association, 7 consecutive years
	• THE PROUD Korea Luxury Index (PB sector) _ Korea Management Association Consulting, 5 consecutive years

Brokerage

Led by our No. 1 position in research and overseas sales capabilities, coupled with market-leading products, stable asset management, and systematic risk management, Shinhan Investment Corp. provides market-leading innovative financial solutions through the highest degree of professionalism.

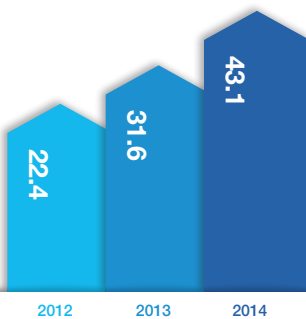
Research

1st

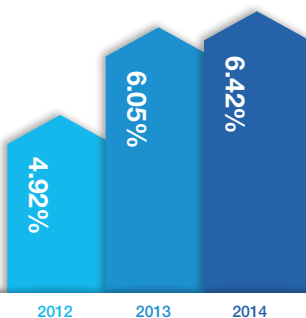
Shinhan Investment Corp was ranked first for three consecutive years by Maeil Business Newspaper, in the "2014 first/second half best securities firm, research center" sector.

Financial Product Assets

Unit: KRW in trillions



Brokerage Market Share(Stock)



As of the end of 2014, Shinhan Investment Corp. had a network of 95 domestic sales offices (68 branches, 25 Private Wealth Management centers, 2 branch-in-branch locations) and 4 overseas sales offices (2 local subsidiaries and 2 foreign offices). Based on our wide network, we have successfully generated balanced growth through attracting new customers and generating differentiated profits across all business segments including asset management (WM), sales & trading, and CIB.

Review of 2014 Management Goals and Performance Results

For 2014, our strategic objective was "increasing brand value through building a customer-oriented business platform." Across all business segments, Shinhan Investment Corp. focused on executing our short-term targets such as 'increasing customer returns through building comprehensive asset management capability and providing diversification in products and strategy, as well as delivering substantial results in CIB model.' In addition, the company put great efforts to internalize Compassionate Finance and build a customer-oriented culture.

As a result, Shinhan Investment Corp. generated net income of KRW 118.2 billion, an increase of 56.8% year-on-year. In addition, external rating agencies once again rated the company No. 1 in research and corporate sales, and thus helped cement its leading market position.

Retail: WM brand differentiation through comprehensive asset management capabilities

With the goal of 'differentiating our asset management brand,' our retail department focused on increasing PB capability and developing new products and strategies. During 2014, we solidified our reputation as an innovative product supplier by launching new mid-risk, mid-return products in time of low interest rates such as ABS (Absolute Return Swap) and low-barrier ELS. In addition, we further upgraded our comprehensive asset management business model by increasing overseas product offerings and re-establishing our retirement business.

Through these efforts, we were able to increase retail AUM by KRW 5.4 trillion to reach KRW 47.7 trillion while generating net operating income of KRW 245 billion, an increase of KRW 11 billion from the previous year. In particular, we were able to diversify our business portfolio away from concentration on volatile brokerage income and build a stable earnings base by strengthening our asset management business. At the same time, we maintained our competitiveness in brokerage by increasing market share across all segments, thereby building a sustainable growth platform.

Wholesale: Growth in size and profitability by increasing corporate sales and defending our No. 1 position in overseas / derivatives
Despite increased competition in the wholesale market, we were able

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to retain our market leading positions across all areas by increasing our sales efforts. We maintained our lead in overseas equity and derivatives in both market share and profits generated (No. 1 in overseas equities, No. 2 in futures, and No. 3 in options). In addition, we were able to boost our financial products balance by 45% from 2013 with collaborated efforts in sales & trading and IB. In corporate equities sales, we propelled ourselves into a market leader in profits and market share while being rated No. 1 in corporate sales by external agencies for two consecutive years.

IB: Growth in size and building a customer base of large companies through CIB collaboration

With the goal of 'creating substantive performance from CIB model,' we executed our core initiatives such as 'building RM capabilities, sourcing alternative investment products, and increasing capabilities in structured financing.' Through these efforts, we were able to expand our corporate customer base and achieve pronounced results in the league table such as No. 1 in ABS lead arranging, No. 2 in ABS underwriting, No. 4 in corporate bond lead arranging. In addition, we were the mandated lead arranger in the first KONEX to KOSDAQ listing transfer transaction.

Sales & Trading: Increasing returns through product / strategy diversification

With the goal of 'increasing investment returns through product / strategy diversification,' we actively sought to develop new profit sources and executed a diversified asset management strategy. As a result of executing a flexible strategy that fit the changing market environment, we were able to generate investment returns of KRW 148.3 billion, an increase of KRW 93 billion year-on-year. In product distribution, we expanded our market presence by becoming one of the top 3 issuers of equity-linked securities. In addition, from the explosive growth of EquitySwap business that we introduced to the market, we quickly reached a financial product balance in absolute returns ARS products of KRW 2.6 trillion. Lastly, we responded to customers' demand on portfolio diversification by offering KRW bonds, foreign currency denominated bonds and RPs of various duration and yields.

Business Plans for 2015

With the strategic objective of 'building market leading capabilities,' we have set out the following short-term strategic tasks per each of the business segments. Particularly, by building our No. 1 position in wealth management, retirement and CIB, we aim to further solidify our position as the leader in investments and asset management.

Increase customers' return by reinforcing comprehensive asset management sales capabilities

We will achieve market-leading expertise by reinforcing PB capabilities. We will build a differentiated customers' return management system and expand sales efforts to midcap corporate clients.

Revamp retirement pension business model and increase returns on retirement pension assets

We will introduce a consolidated business model between retirement pension and personal pension products in order to expand and reinforce our retirement business. Furthermore, we plan to expand on our retirement product lineup, foster internal pension consulting specialists, and increase sector contents.

Optimize business through operating system innovation

We plan to secure various customer-oriented channels by expanding PWM channels, increasing and specializing retail branches, and revamping web/mobile sales channel.

Maintain market leadership in wholesale and build a comprehensive service system for institutional clients

In order to maintain our leadership position in the overseas and derivatives market, we look to secure the platform for additional growth by strengthening securities lending/borrowing and global IB sales. Furthermore, we will set up a comprehensive service structure for institutional clients and establish an infrastructure for prime brokerage services.

Provide creative solutions to corporate clients and expand investment banking

By leveraging the CIB network with Shinhan Bank, we will increase our collaborated sales activities. In addition, we aim to increase the number and enhance the competencies of our RMs so that we can provide customized solutions to our clients. Lastly, we plan to expand globally and expand the business scope of our Hong Kong IB center in order to build our business foundation for future growth.

Launch market-leading products through leveraging foreign products and investment diversification

We will lead the market in new product introduction and expand our product lineup. We seek to improve stability and increase investment returns by diversifying across strategies and products, as well as reinforcing our risk management activities.

Practice Compassionate Finance based on Creative Finance

We will increase our execution capability of Compassionate Finance by increasing the application of customers' investment return metrics and organizing a customer satisfaction survey team. We plan to actively execute Compassionate Finance by incorporating its application into our employees' evaluation process and sharing successful case studies.

Insurance

Through developing and executing on 7 strategic tasks to increase profits from core insurance business and continue solid growth, Shinhan Life Insurance was able to deliver significant growth through various sales channels, highlighted by its total asset balance that exceeded KRW 21.9 trillion. In addition, Shinhan Life received the highest AAA rating for insurance financial strength rating for seven consecutive years.

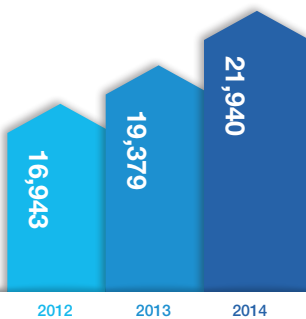
Insurance Financial Strength Rating

AAA

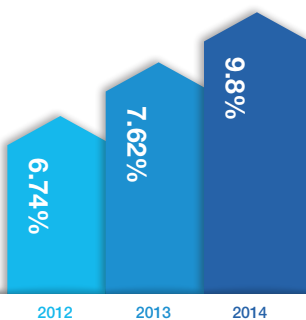
Shinhan Life obtained the highest (AAA) rating in the insurance financial strength rating (IFSR) for seven consecutive years

Total assets

Unit: KRW in billions



Risk Margin Ratio



Shinhan Life Insurance has achieved balanced growth by providing diversified products (insurance products such as life insurance and third-party insurance, and individual / retirement pension) and services through its diversified sales channel including FCs, CBM (customer base marketing), AM (agency marketing), bancassurance and self-enrolling program (online). Furthermore, the asset management division is generating solid return from managing various loans (loans to the insured customers, secured and unsecured loans) and securities (equities, fixed income and derivatives). We have also enhanced business stability through extensive management of risk and business efficiency.

Review of 2014 Management Goals and Performance Results

In order to respond to fast-changing business and regulatory environment and in order to establish the foundation to achieve 'BIG SHINHAN,' we established 2014 strategic objective as 'Challenge 7, foundation for Big Shinhan.' This strategic objective contained 3 strategic orientations and 7 tasks. The three strategic orientations were 1) restoring our market position, 2) establishing a stable income structure, and 3) strengthening internal capabilities.

Restoring market position

To restore our market position, Shinhan Life pursued differentiated growth strategy through channel renovation, comprehensive marketing of innovative products and building a brand identity that is centered on customer experience. In order to gain competitiveness in sales channel, we looked to establish a better culture with three main pillars of 1) strengthening fundamentals, 2) building respect towards FC, and 3) Fighting Spirits. In pursuing comprehensive marketing on products, we initiated health care service to new mortality insurance customers and continued our 'All Touch' marketing towards our existing customers. Furthermore, we looked to increase our brand value and efficiency in customer communication. To this end, we developed a new brand based on a core concept of 'worthwhile,' and launched a slogan of 'Making life worthwhile, Shinhan Life.' This is our active response to the current emphasis on brand management.

Establishing a stable income structure

In order to establish a strong foundation to create a long and stable income stream, Shinhan Life Insurance set to expand sales of protection products by developing new universal life insurance products and low-priced protection products as well as reintroducing our renewable cancer insurance product. In addition, we continued to increase our core assets of loan and alternative investments in order to protect our net interest margin in the current low-interest rate environment and pursued ALM strategy around long-term, stable assets to strengthen our risk management. Furthermore, we conducted year-around review

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on performance feedback and profit analysis in order to stress the importance of the return post operating expense. Lastly, we pursued strategic cost reduction through branch / human resource optimization.

Strengthening internal capabilities

With Compassionate Finance in mind, Shinhan Life focused on customer protection. Throughout the entire cycle from initial sales to policy management, we actively practiced 'quality management.' In order to achieve healthy growth through a sound sales approach and quality management, we consistently pursued 'customer complaint reduction plan,' and 'policy retention innovation 8090 plan (90% retention through 13th cycle, 80% retention through 25th cycle).' In addition, we sought to develop new growth drivers through penetrating into Internet based customer group. As such, we developed new internet-only insurance products (whole life / savings) and conducted joint businesses. Lastly, we continued to build our global capabilities by deploying staff to promising markets and developed global capabilities.

Business Plans for 2015

In 2015, we expect volatility in business environment, delayed rebound in profitability from heightened regulation, and general slowing of growth. These difficulties will persist throughout the year. In addition, the insurance industry is faced with impending introduction of IFRS4 phase 2 in 2018 that will create a meaningful shift in competitive dynamics and market standing.

Under this difficult environment, Shinhan Life has established its mid-long term vision of becoming 'the standard in life insurance that maximizes the core value of insurance.' In addition, with the full intention to embark on a new beginning with value management, we set out our 2015 strategic objective as '2015 Beginning of Change, Change to Value.'

Core tasks will be categorized under three strategic directions of corporate value maximization, customer value maximization and community value maximization. Under company value maximization, we plan to 1) manage product / channel portfolio to increase company value and 2) increase financial health on insurance operating profit. Under customer value, we will 3) increase execution of Compassionate Finance and 4) enhance investment return through Creative Finance. Under community value maximization, we will 5) develop culture around fundamental sales and respect towards FCs and 6) turn Shinhan Life into a Great Work Place (GWP).

Manage product / channel portfolio

We plan to expand sales of profitable protection products, establish operating system by defining roles and responsibilities of different

channels, increase collaboration among Group companies on developing a future planning brand and substantiating a new growth driver.

Increase financial health on insurance operating profit

We will target an increase in risk profit ratio to enhance income from the fundamental of insurance. In addition, we will build the basis for long-term stable growth through strategic cost reduction.

Increase execution of Compassionate Finance

We plan to increase our focus on executing Compassionate Finance. We will pursue an upgrade to our Compassionate Finance system and make sure Compassionate Finance is fully embedded in our organizational culture.

Enhance investment return through Creative Finance

We plan to increase returns by becoming more adept to market changes and pursue ALM-oriented asset management strategy.

Develop culture around fundamental sales and respect towards FCs

We will bring a sweeping improvement in operating efficiency such as policy retention ratio. We will establish culture to respect FCs and strengthen our customer protection process.

Create a Great Work Place

We will establish a healthy, differentiated organization culture. We will increase expertise in our human resources and systemize training programs for front sales managers.

2014 Major Accomplishments	Persons, KRW in billions, %				
	2014	2013	2012	Chg %	
No. of branches	199	219	244	-9.1%	
Personnel	7,432	8,086	9,708	-8.1%	
Assets	Premium received	4,609.4	4,670.6	4,912.6	-1.3%
	Initial monthly premium	71.2	78.2	104.3	-9.0%
	Total assets	21,939.7	19,378.9	16,942.5	13.2%
Net income	80.7	75.5	207.8	6.9%	
RBC	228.5	253.1	287.7	-	
Proportion of protection products	41.9	43.4	35.3	-	
Incomplete sales ratio	6.9	6.6	7.6	-	

Asset Management

Shinhan BNP Paribas Asset Management is the leader in asset management based on its differentiated global asset management know-hows and strong sales network. In 2015, we will go beyond just delivering maximum investment returns. Our aim is to deepen the trust of our customers with sincerity in guiding our customers through understanding investment returns.

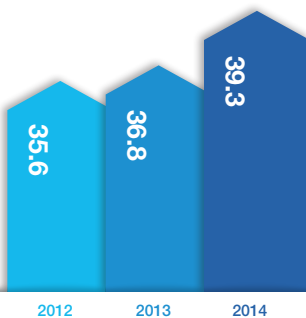
Asset Management Ranking

4th

Shinhan BNP Paribas Asset Management's assets under management (AUM), including discretionary investment management assets, surpassed KRW 39.3 trillion in 2014. We rank Fourth among the 85 Korean asset management firms in terms of AUM.

Assets Under Management

Unit: KRW in trillions



As the Group's main asset management subsidiary, Shinhan BNP Paribas Asset Management, with a joint ownership between Shinhan Financial Group (65%) and BNP Paribas Group (35%), has a business philosophy is "to become a long-term partner that places customers first, a provider of a wide variety of investment solutions and reliable specialties."

Based on this business philosophy, we provide various domestic and overseas investment solutions in traditional equities and fixed income products, as well as structured products (derivatives, ELF, etc.) and alternative investment products (real estate, mezzanine, and infra-structure). We aim to earn trust from customers on the basis of excellent long-term performance.

As of December 2014, Shinhan BNP Paribas Asset Management, with AUM of KRW 39.3 trillion (based on NAV), was the fourth largest asset management company among 85 asset management companies in Korea.

Review of 2014 Management Goals and Performance Results

In the first half of 2014, we witnessed declining attractiveness towards domestic investments from prolonged oscillation in public equities and low interest, low growth environment. As such, non-traditional investment strategies such as overseas fund, long-short, high yield bonds, and short duration fixed income funds were in limelight. During the second half, the uncertainty in the US monetary policy grew and the government's insistence to increase dividends drove capital inflow to domestic equities with high dividend yield and short-term fixed income funds.

For Shinhan BNP Paribas Asset Management, it was the year in which we enhanced the ability to proactively respond to these changes in the market while rebuilding infrastructure and capabilities to deliver various investment solutions and strategies.

In the domestic investment segment, Shinhan BNP Paribas Asset Management, with its high-caliber fund managers, structured corporate research, and proprietary valuation model, has proven its timely investment capability that fits investors' needs and fast-paced market cycle. In addition, based on our solid partnership with BNP Paribas Group, we have continued to put efforts to provide advice and solutions on overseas investments including global asset allocation and fund selection capability. As a result of these activities, we were able to deliver strong performance in long-short hedge fund and overseas fixed income investments for institutional clients, thereby cementing our reputation as Korea's leading asset management company.

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Based on our stellar long term track record, Shinhan BNP Paribas Asset Management received various recognitions and rewards in 2014 such as 'Korea's Most Outstanding Asset Management Company' from The Asset magazine in Hong Kong (6 consecutive years), 'Best Fund in Korea – Best AMC in fixed income' by Korea Economic Daily, and 'Asia Fund Award – Best Active Equity Fund' by Asia Economic Daily (4 consecutive years). In addition, recognizing our continued social activities through SRI fund and children fund, Shinhan BNP Paribas Asset Management received various awards such as '2014 Forbes Social Contribution Award – Youth Support' for the second year in a row.

Business Plans for 2015

We expect risks to persist in global markets led by monetary tightening of the US, uncertainty in business climate in developed countries excluding the US, downturn of natural resource producing countries from the collapse in oil price. However, we see opportunities in persistently low interest environment, government policy drive to increase dividends, development of private pension scheme, opening of Chinese capital market, and continued quantitative easing in Europe.

In this market environment, we are witnessing continued activities of institutional clients' attempt to pick winners and greater degree of differentiation among domestic AMCs to become the first movers in their field of strength. In order to reinforce our position as a trusted investment solution provider while proactively responding to the shift in market dynamics, we will focus our efforts on the following tasks:

- **Position as an investment solution partner to increase investment returns to customers (Credibility)**
 - Actively developing pension solution products and services
 - Creating a virtuous win-win cycle model through fund products
 - Fostering a caring expert organization that goes beyond serving fiduciary duty
- **Establish cultivation infrastructure for creative investment products and services (Competence)**
 - Increasing investment returns by improving investment scope and process for traditional asset class (equities / fixed income)
 - Increasing alternative investments such as hedge funds and ETF
 - Introducing seeding system using proprietary capital
- **Deliver global operation performance and build capabilities leveraging JV partner (Creation)**
 - Establishing a business foundation on global fixed income and global alternative assets
 - Delivering firm results from global sales efforts through expanding co-sales activities with BNPP

- Optimizing product management process on products introduced by BNPP

For 2015, Shinhan BNP Paribas Asset Management plans to actively pursue the three strategic tasks noted above. In addition, Shinhan BNP Paribas Asset Management, as the main asset management company within the Group, plays a key role in the Group's asset management business in its drive to provide various investment solutions that fit our customers' needs in this fast-changing market. At the same time, we will actively build out a cooperation model with other Group companies to practice 'Compassionate Finance'.

2014 Awards and Recognitions

- Korea Institutional Investor Best Manager
 - Asia Asset Management Best of Best Awards (6 consecutive years)
- Korea's Most Outstanding Asset Manager
 - The Asset AAA Investment Awards (Hong Kong), (5 consecutive years)
- Best Fund in Korea (Best AMC – fixed income), Korea Economic Daily
- Top mid-duration fixed income fund (Shinhan BNPP Retirement Pension Fund) – 2014 KG Zero-in Fund Award
- Best AMC in overseas equities
 - 2014 E-Today market leader
- First place in Finance and Securities
 - Aju Economic News
- Best Active Equities, Asia Fund Award by Asia Economic Daily (4 consecutive years)
- 2014 Forbes Social Contribution Award, Youth Support
 - Forbes / KorCham (2 consecutive years)
- 2014 Creative Economy CEO Award
 - Dong-A Daily
- 2014 Best Management
 - TV Chosun

Smart Finance

Smart finance is SFG's attempt to respond timely to fast-paced changes in the trends in finance by securing future growth drivers on smart platform and expanding customer touch points through mobile marketing. Furthermore, we provide various services that our customers want through mutual collaboration with fin-tech companies.

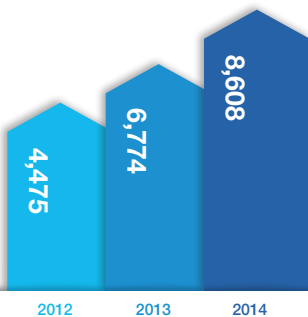
Smart Finance Customer Base

1st

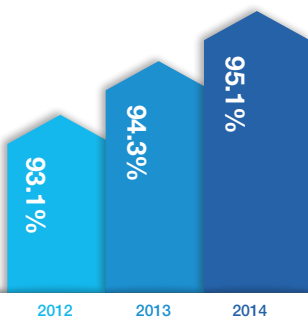
Shinhan Financial Group has by far the largest smart finance customer base with smartphone banking and app-card. With the full expectation that indirect channels such as internet and mobile will shape the future of finance, SFG is putting its best efforts not only to make it quicker and easier but to deliver new value through convergence of different Group channels.

No. of Customers Enrolled in Smart Phone Banking

Unit: Persons in thousand



Proportion of Indirect Channel



With the proliferation of smart devices and higher customer expectations on convenience and provision of tailored services, 'Smart Finance' has become a core competency in determining service quality. Especially, we are witnessing greater competition from market penetration by non-finance companies in daily financial transactions such as mobile payments and small wire transfers. In addition, new technologies are being developed around the clock while the government is actively pushing to lessen regulation. Considering all these facts, we expect a faster pace of change to occur in the area of smart finance.

Recognizing the importance of smart finance in future financial activities, Shinhan Financial Group has been striving to become a leader in this area for a long time. We organized a smart finance control tower at the Group level in order to respond to impending market changes and maintain the highest level of technology. We have bolstered our smart channel by implementing many offline services to online and mobile venues. Furthermore, we have consistently pursued the convergence of online and offline channels to build an 'Omni channel,' and O2O (Online to Offline) strategy. As of the end of 2014, we had 8.6 million smartphone banking members and 2.6 million app-card holders. We are in the process of migrating our main service channel to mobile and other smart finance based mediums.

For 2015, Shinhan Financial Group aims to respond to 'Mobile Only' era. As such, we have set the strategic objective of 'building a strong customer contact point marketing through building a smart platform.' To achieve this objective, we are actively pursuing 2 strategies ('building a smart platform' and 'upgrading our smart execution system') and 10 tasks. At the same time, we are actively building our fin-tech capabilities in this current environment where the importance of fin-tech is repeatedly emphasized.

Building a smart platform to secure future growth drivers - Pioneering a new mobile finance era

The core of smart platform lies in providing attractive contents and convenient solutions. By increasing collaboration with ICT and other industries and expanding products and services sold only through indirect channels, we will increase our competitiveness in our core business.

- Major strategic tasks
 - Developing new business models in partnership with other industries
 - Customized service upgrade on indirect channels
 - Building and supporting indirect channels targeting child care market
 - Leading mobile payment market
 - Increasing competency for our internet insurance marketing activities

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Strengthen execution to secure channel management efficiencies – building a mobile-based marketing system

The future of financial services will rapidly converge around mobile. New applications and technology that are unimaginable now will appear and be applied. We are preparing for this new era by upgrading the mobile marketing system so that the existing marketing techniques and communication channels can migrate to mobile.

- Major strategic tasks
 - Upgrading mobile marketing system
 - Upgrading mobile sales support system
 - O2O business development using new technology
 - Building and organizing an expert organization
 - Strengthening data system to support smart finance

Strengthen responsiveness in fin-tech to develop new opportunities – nurturing fin-tech industry for mutual growth, rather than competition

We believe that the convergence of IT and finance will be a big contributor in developing the domestic financial industry. In addition, it will provide an opportunity for financial companies to provide better service than before. Shinhan Financial Group is actively seeking collaboration with fin-tech companies in order to provide world-class financial services by leveraging their technical acumen with our customer base and financial infrastructure. We will prepare for and proactively respond to the government's fin-tech proliferation initiatives such as the Internet bank. In addition, we will develop a systematic support program to guide promising fin-tech startups to effectively implement their technology in the domestic financial market.

SFG's smart finance focuses on innovative services and programs to deliver various services that customers want, when they want them. Furthermore, we will focus on building an effective marketing system for indirect channels, especially through the mobile platform.


2014 Major Accomplishments

		unit	2014	2013	2012
No. of customers enrolled in smart phone banking		thousands	8,608	6,774	4,475
Smart products (deposits)	No. of deposits	thousands	463	443	207
	Account balance	KRW in billions	1,976.4	1,759.6	6,726
App-cards	No. of customers	thousands	2,573	820	
	No. of cards	thousands	4,772	1,281	

Shinhan Bank, Percentage of transactions per channel

	2014	2013	2012
Branch	4.9%	5.6%	7.0%
CD/ATM	32.0%	35.2%	37.4%
Phone Banking	4.3%	4.9%	5.6%
Internet + Mobile	58.8%	54.2%	50.1%
Internet	35.2%	36.1%	38.0%
Mobile	23.6%	18.1%	12.1%





SFG believes that profit is not an end goal by itself. Rather, we believe it is a byproduct of activities that elevate our customers' value. Furthermore, we believe a company's sustainable growth is only possible on the premise of a sound contribution to the growth of society. Shinhan Financial Group believes that socially responsible management is a wise way to lead to sustainable growth. We seek to implement socially responsible management by contributing to the society through basic functions of finance and seeking mutual growth between society and a company by enhancing customer value.

Social Stewardship

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Corporate Social Responsibility

058
Sustainability Management

060
Ethical Management

Corporate Social Responsibility

117,272

In 2014, SFG provided financial and economic education provided for a total of 117,272 persons who are the generation that need financial education from elementary students to the elderly.

70.0

SSMB(Shinhan Smile Microcredit Bank) provides microfinance services to low-income families with poor personal and business credit. SFG founded SSMB in late 2009 and has contributed KRW 70 billion as of 2014 year end.

71,444 221,263

The employees at SFG have close relationship with the communities by sharing their experiences, knowhow and knowledge through volunteer works. In 2014, the total number of employees who participated in volunteer activities was 71,444 persons, with 221,263 hours for the total number of volunteer hours

Since the foundation, Shinhan Financial Group has recognized the importance of socially responsible management and has made consistent efforts to put it into practice. By basing on activities that we could leverage the advantage of finance, we are leading systemized activities in three core sectors—welfare (coexistence), culture (sympathy) and the environment (symbiosis).

Financial and Economic Education

SFG offers financial and economic education as one of its social contribution activities as a means to contribute to society through basic functions of finance. In 2014, we provided finance education to 117,272 people of different age groups from elementary school students to senior citizens.

Shinhan's financial and economic education is conducted by our Group companies including Shinhan Bank, Shinhan Card, Shinhan Investment Corp and Shinhan Life Insurance. Each company focuses on its respective area of expertise. For the first time in 2013 Shinhan Bank opened a Youth Finance Center Gwanghwamoon Campus that has the same set up as a branch office. At Youth Finance Center, Shinhan Bank conducts experimental education programs such as "Shinhan Youth Finance Experience School" and "Shinhan Finance School" program.

As a means to help overcome unfavorable reading environments and study spaces, Shinhan Card participates in educational infrastructure projects by building libraries ("Arumin Library") and conducting financial education ("Arumin Finance Class") to children from low-income families at local children's centers across the nation.

Shinhan Investment Corp conducts "Compassionate Finance Camp" for middle and high school students. Participating teenagers make visits to KRX, hear stories on equity investing, play trading simulation games, and visit Shinhan's key offices.

Shinhan Life hosts "Shinhan Happy Silver Finance Classroom" for the elderly. Shinhan Life conducts this program by visiting approximately

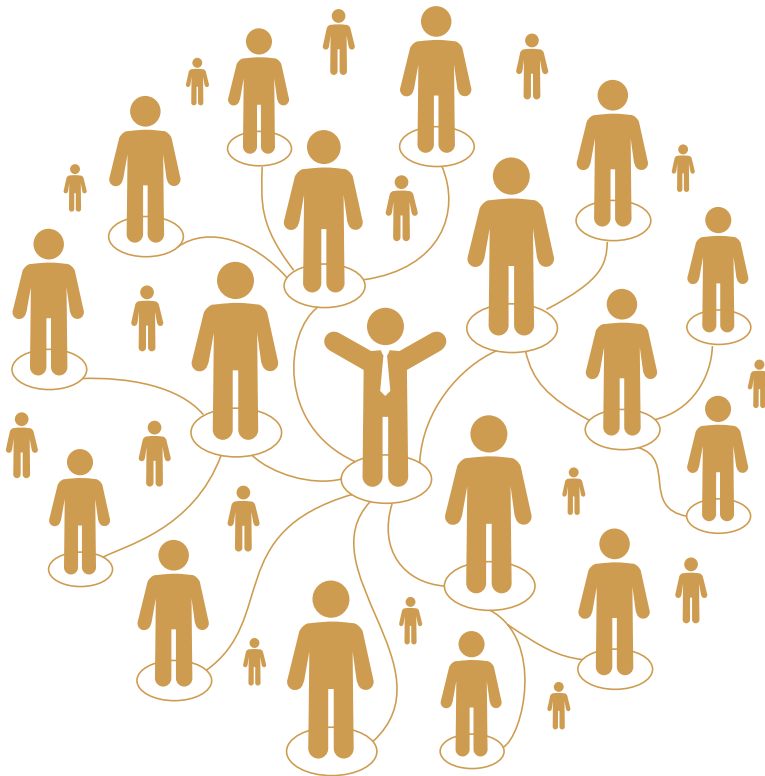
240 welfare centers for senior citizens over the age of 60 across the nation. This program helps senior citizens set retirement plans by giving financial and tax consulting around preparations for retirement and how to safeguard against financial scams.

Social Contribution Activities in Welfare Sector

- **Shinhan Smile Microcredit Bank (SSMB):** SSMB provides microfinance services to low-income families with poor personal and business credit. SFG founded SSMB in late 2009 and has contributed KRW 70 billion as of 2014 year end.
- **Shinhan Scholarship Foundation:** The foundation was established in 2006 with contributions from group subsidiaries to provide educational opportunities for underprivileged students. As of 2014 year end, the contributions stood at a total of KRW 100 billion. Scholarships were awarded to 741 students in 2014.
- **Arumin Library Project:** The project aims to provide reading spaces and free books to places with poor educational environment such as local children's centers and children's hospitals. As of 2014 year end, about 384 Arumin Libraries were opened at local children's centers.
- **Volunteer Festival:** The festival, which has been held in April and May since 2008, is a large-scale CSR program that all executives and employees participate in. With 19,311 volunteers from Shinhan Group in 2014, we carried out various activities such as building furniture, cooking for and sharing noodle dishes with low income families, cleaning Nam-san, promoting national treasure etc.

Social Contribution Activities in Cultural Sector

- **Traditional Culture Preservation:** Shinhan Bank signed a contract to preserve cultural heritage with Cultural Heritage Administration in 2005. Since then, the bank has steadily engaged in cultural heritage preservation activities. The employees take active part in such activities



via the nationwide network of the bank. Since 2012, we are supporting the growth of social companies with businesses relating to cultural treasures and creating cultural jobs with a fund of KRW 500 million in cooperation with Cultural Heritage Administration. In 1997, we founded Korea Financial History Museum, a specialty museum with 6,500 historical artifacts and documents. At the museum, we open both regular and special exhibits and run various programs.

- **Shinhan Music Award:** This award is a culture and arts support program, with the aim to contribute to the development of classical music in Korea by finding promising talent. This is the first of its kind in the domestic financial industry that we initiated in 2009. Winners are awarded scholarships and opportunities to study at renowned international music schools.

Social Contribution Activities in Environmental Sector

- **Environmental Photography Contest:** First launched in 1994, the contest is held annually to renew interest in Korea's beautiful landscape and raise awareness of environmental conservation. All proceeds are used for environment preservation projects.

- **Environment Preservation:** Shinhan Bank supports low-carbon movements by supporting solar panels and erecting roof top gardens in welfare centers. Moreover, it is actively engaged in "3.3 square meter park" campaign. So far it has turned 35 idle small parcels of land in metropolitan Seoul into community parks.

- **Environment Preservation on Jeju Island:** Since its launch in April 2004, Jeju Bank has conducted "Jeun Purmi" campaign, an environment preservation campaign for the past 10 years. As of the end of 2014, there were 78 outings with 10,500 participants.

Social Activities Overseas

- **Job Training to promote self-sustainability:** SFG established "Korean-Vietnamese Economy Technology Education Center," a job training center for underprivileged adolescents. We plan to support KRW 800 million over a period of 3 years starting 2013 and provide vital education support such as computer lessons, Korean lessons, and accounting lessons to approximately 3,000 low income adolescents. Through this program, we will aid in increasing employment rates and the overall income level in Vietnam.
- **Medical service:** Since 2008, Shinhan Bank has been providing medical service in Tashkent, Uzbekistan in collaboration with Seoul National University Hospital and Seoul National University Dental Program. We also provide training to local medical staff and support surgery on patients suffering from heart disease, yet have no means of receiving treatment in Uzbekistan.

Sustainability Management

First

Included as a member of Dow Jones Sustainability Indexes World for the first time among Korean financial groups for two years in a row

30

Selected as one of Global 100 Most Sustainable Corporations in the World by World Economic Forum in 2014. We are the only domestic financial group to be included in the rankings for three consecutive years

98A

Received 98A in 2014 Carbon Disclosure Project. SFG was subsequently included in 'Carbon Management Honors Club', granted only to the top five firms in carbon management. We are the first among domestic financial groups to gain this assessment.

Shinhan Financial Group acknowledges the importance of corporate social responsibility and sustainable growth. In display of our commitment, we are participating in various global initiatives including UN Global Compact, UNEP FI, CDP among others. These initiatives confirm Shinhan's status as a global financial group, and fits well with Shinhan's belief that finance should benefit the world.

Establishment of CSR Committee as a board committee

SFG newly established a CSR Committee in order to better respond to the needs of customers, shareholders, community, and other stakeholders. Through this organization, we hope to fulfill our duties as a responsible corporate citizen, and to systematically execute our mission of 'Compassionate Finance'.

Up till now, CSR related topics have been discussed at the Group's Social Contribution Committee, which consisted of SFG's Chairman and the CEOs (12) of each subsidiary. However, in order to adhere to more objective and reasonable perspectives on the Group's sustainable management, we have decided to newly establish CSR Committee.

The CSR Committee will discuss major CSR topics in the area of economy, environment, and society. Through these discussions, the direction of the Group's CSR activities will be decided, and new policies will be enacted, as well as agreed upon. In addition, the committee will be reported on the Group's CSR Report, sustainability evaluation results, as well as the status on sustainable management.

Participation in Global Initiatives

SFG understands the importance of corporate social responsibility and sustainable growth. As a means to show our commitment both domestically and globally, we are participating in various global initiatives.

Shinhan Bank and Shinhan BNP Paribas Asset Management is participating in the Carbon Disclosure Project, a global initiative related to climate change, as a signatory. In addition, Shinhan Bank joined the UN Global Compact, and has signed to comply with the 10 core principles including human rights, labor, environment, anti-corruption. Finally, Shinhan Bank is a member of the UNEP-FI (United National Environment Programme-Finance Initiative), an environment

related initiative led by the UN.

In order to get more governments involved in the topic of low carbon emissions, Shinhan Bank participated as a signatory in the '2014 Global Investor Statement on Climate Change' in August 2014. Through this, we hope to help emphasize that climate change is an extremely important risk factor in corporate sustainability and seek participation in the global reduction of carbon emissions

Environment Management

Shinhan Financial Group acknowledges that environmental issues have significant impacts on a company's sustainability. As such, we have set minimizing greenhouse gas emission through resource and energy conservation and managing green financial products and services as our environmental strategy.

In order to actively pursue our environmental strategy, we are releasing and operating environmentally-friendly products that contribute to the reduction of greenhouse gas emissions. Also, we are working to reduce costs through environmentally-friendly business management practices. As such, we try to recognize risks related to environmental changes and turn them into business opportunities.

Social Management

- **Cost-saving through social initiatives:** In 2014, Shinhan Bank recruited 220 part time employees for its retail services part among former female employees who previously decided to retire due to family related obligations. Part time employees, despite their relatively lower pay compared to full time employees, only work 4-5 hours per day and still enjoy comparable benefits. With the part time system, Shinhan Bank not only reduced burden resulting from labor costs but also reduced training costs by rehiring experienced employees.

Ethical Management

Compliance Letter

In order to share information about financial laws and regulations, cases of financial accidents and best practices of compliance, the compliance support department of Shinhan Bank and Shinhan Life Insurance designated the third week of each month to conduct self-monitoring and hold relevant training on ethical and compliance management, which are included in the Compliance Letter.

Built on transparent and clear ethical management, SFG deepens the trust from our customers and goes beyond winning trust from our society by raising our statue as a leading corporate citizen. Not only does Shinhan strive to achieve mutual growth through Creative Finance, but it also pursues ethical management through creative methodologies.

Shinhan Financial Group's ethical management is governed by compliance officers. As the revised Financial Holding Companies Act became effective in February 2010, a compliance officer of the holding company was appointed to oversee the group's ethical practices. The compliance officer is responsible for supervising internal control and ethical management.

Establishment and Enforcement of a Code of Ethics

In June 2011, we implemented SFG Code of Ethics to provide a backbone for a uniform application of ethical management philosophy. This is an update from "SFG Ethics Charter on Finance Employees" that we had in place since July 2005.

In 2012, Employees' Code of Conduct was established to reinforce execution of ethical practices.

Moreover, each subsidiary may put in place its own standards of ethical practice that prescribes the ethical virtues and values to be followed as corporate citizens and participants in the finance industry. These include anti-corruption, information security etc. The standards of ethical practice provide employees with specific guidance on the standards of conduct that they can refer to in their daily jobs.

The Group Ethical Management CoP has been in effect since August 2010 to ensure the integrity of subsidiaries' codes of ethics and enhance ethical awareness among employees. Those responsible for ethical management at each subsidiary participate in the program.

In June of 2014, SFG established its Declaration of Human Rights based on the basic principles of human rights and human respect. The details are in line with UN's Commission on Human

Rights' 'Universal Declaration of Human Rights' and 'Guiding Principles for corporations and human rights.'

Various Ethical Management Practice Programs

To implement ethical management, SFG conducts various programs in compliance with the group's management philosophy and each subsidiary's code of ethics. We constantly make updates and modifications to the program to ensure practicality of the program.

The Group also requires all employees to sign a "pledge of ethical practice" at each subsidiary level every year. The pledge contains core parts of the code of ethics, and by signing it employees confirm their commitment to ethical practices.

At Shinhan Bank, as a means to strengthen ethical awareness, employees are asked to make a compulsory pledge to comply with the code of conduct. Further, to prevent unfair trade practices such as improper use of undisclosed information, we conduct audits on related employees of transactions of financial investment products (16 audits in total, 13 departments in 2014). Finally, we provide compliance self-examinations to all employees using our intranet platform on a monthly basis.

Shinhan Card requires its employees to sign a compliance pledge upon joining the company. Further, the company established 'Our commitment to and 4 principles for complete sales' and required all employees to commit to this as a means to prevent damage to customers due to incomplete sales. In order to eradicate illegal credit card sales practices, we executed 'Appropriate Sales Practices Pledge', and every year all employees must participate in a compliance self-examination process.

In addition, to abide by the fair trade act and prevent unfair trade practices, we have implemented and are operating a fair trade self-compliance program. Shinhan Bank provided two fair trade related trainings to HQ employees (95 employees throughout 2014). Shinhan Card is regularly checking to see whether HQ departments are executing the fair trade self-compliance program once every six months.

SFG created a 'Group Internal Transactions Guideline' and a related manual to prevent illegal transactions between subsidiary companies. Based on this, all subsidiary companies are inspected on the appropriateness of their internal transactions and are required to report the results. As such, we are constantly working to improve the transparency and fairness of our Group's management.

In November 2012, we established Code of Behavior for Partners of SFG to promote mutual growth with partners, and asked partner companies to apply this to their daily business. In 2013, we set up "VOC from partners" mechanism in our homepage to receive any complaints and notices from partners. As such, we are making every effort to support the sustainable growth of partners and lay the foundation for contributing to local communities and the environment.

Leading a more Transparent Financial Culture

The group is prepared to detect any possible financial accidents in advance with our Financial Irregularities Reporting System, through which customers can report breaches of law and/or irregularities of employees. Also, we have Whistle-blower Reporting System in place through which employees can report internal violations of the law, company rules or code of ethics.

SFG provides online/offline training programs to elevate employee awareness on issues such as a transparent promotion culture, proper stock transactions, healthy investment practices and the prevention of bribery during holiday seasons. We are working to make ethical practices a natural part of Shinhan's culture. In particular, since the second half of 2012, we have been sending a notice to all Group employees preventing the sending/receiving of gifts between employees during major holidays.

Ethical Management Training

Constant ethical and legal compliance training is provided to all employees in order to strengthen the ethical standards and legal compliance in all business activities. All employees are required to attend a management strategy meeting, partake in rank-specific training, or take an online training session at least once a year.



Since 2011, SFG has supported all Group subsidiaries via a joint Group wide ethical and legal compliance online education, apart for Shinhan Bank who has its own program. This allows all Group companies to easily understand and execute Group's philosophies and basic values of ethical management.

Shinhan Bank has made the third week of every month Compliance Education Week ("ABC Week"). During this period, the bank conducts training on the latest ethical and legal issues by circulating "Compliance Letter" which covers recent financial incidents, financial acts and regulations and best practices. In addition, a mandatory ethical management and legal compliance course is opened online for all employees. The

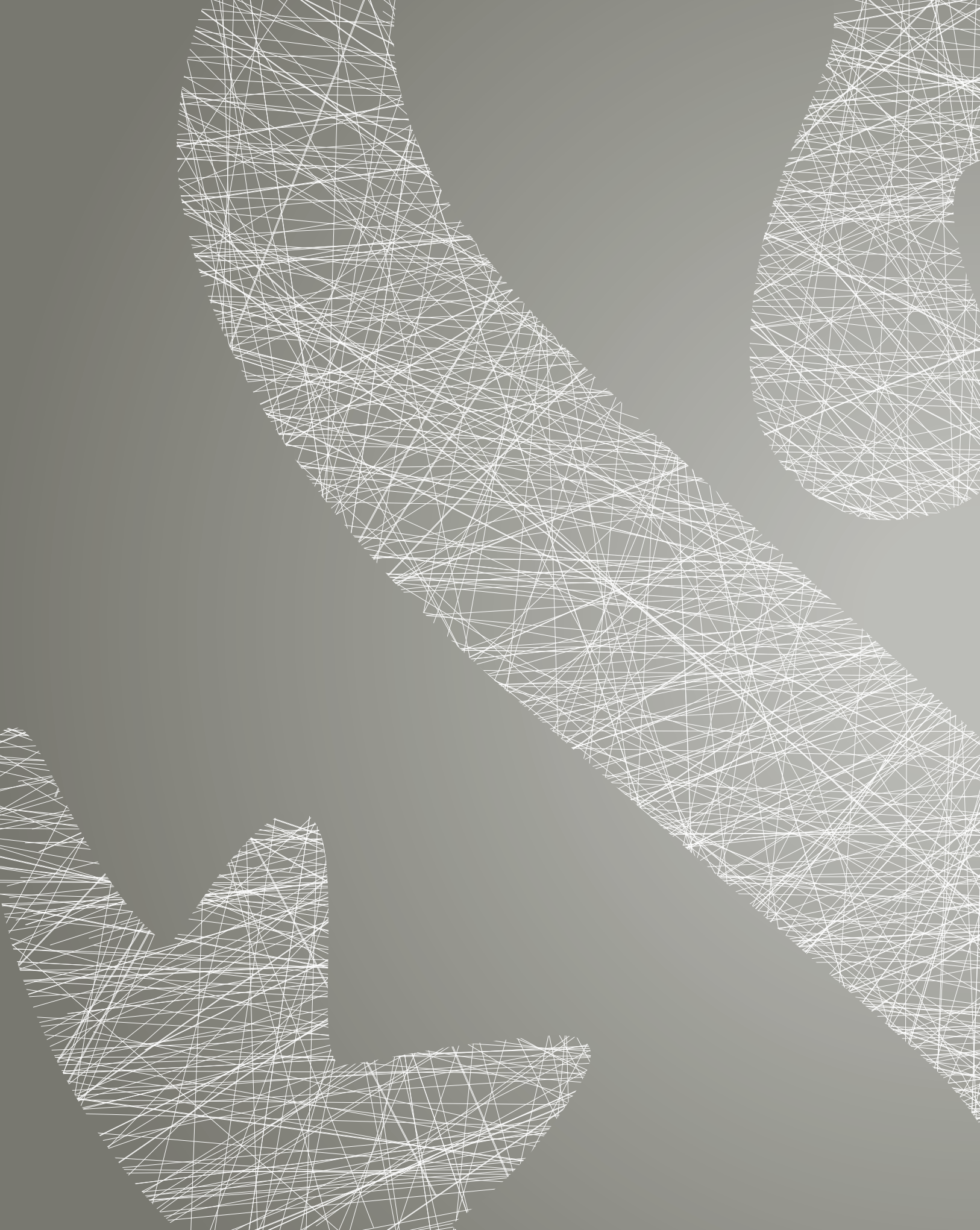
bank also provides rank specific ethics online training courses. Finally, newly joined employees, PB directors and employees responsible for auditing are provided with classroom training. Employees of branches under special monitoring also partake in compliance training.

Shinhan Card provides annual online training session to all employees to raise awareness of legal compliance and to prevent financial accidents. In 2014, a total of 3,896 employees completed the course. In addition, employees are also required to perform self-compliance checks once a year.

Shinhan Investment Corp. conducts an annual compliance awareness survey to gauge employees' general level of understanding of ethics and legal compliance. This initiative also aims to explore what the right way is to further develop ethical management. Moreover, we provide annual ethical compliance training sessions to employees. At retail branch offices, we attempt to raise the awareness on compliance by providing education on the changes in finance-related laws and regulations, main compliance monitoring tasks, and incident prevention. Finally, every year we designate a compliance officer for each sales branch and HQ department as a means to promote self-training activities and strengthen control.

At Shinhan Life Insurance, we have dedicated every third week of the month to "Compliance Practice Week," where video training is provided to employees. On a regular basis, we provide offline training to selected businesses/ranks, newly joined employees/newly promoted employees, classroom training to employees that deal with customers' personal information etc. Through these activities, we hope to enhance awareness in ethical compliance.

Going forward, SFG will continue to practice ethical management and fulfill its social responsibilities as a corporate citizen. These efforts will enable us to stand tall as a sustainable financial group.





In this record-low interest rate environment with persistent uncertainty and greater volatility, Shinhan Financial Group successfully minimized NIM contraction and increased interest income through active sales efforts that resulted in appropriate level of asset growth. Furthermore, with efforts to reduce credit cost through proactive loan asset quality management, the Group was able to deliver marked improvement in performance. As a result, SFG was once again recognized as a trusted financial company by posting the highest performance among domestic peers for seven consecutive years since 2008.

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Management's Discussion and Analysis

2014 REVIEW

In 2014, there was a growing gap among major global economies as the US sustained its stable growth post 2Q while EU and Japan continued to suffer from an economic downturn and China showed slowed growth. For the US, there was a sound recovery in private sector indicators such as employment statistics that led to the ending of quantitative easing (QE3) post FOMC on October 2014. In addition, there is an active discussion on exit strategies including the timing of the upcoming interest rate hike. Meanwhile, slow growth and a deflationary environment continued in Eurozone and Japan that triggered a string of monetary expansionary measures taken by central banks. China, meanwhile, moved quickly to boost its economy by slashing its base interest rate. All in all, monetary easing policies gained momentum across major economies with the exception of the US.

In 2015, we continue to expect a growing gap between the US and the other countries in the rate of recovery and monetary policies. For the US, it is expected that there will be a normalization of monetary policy through interest rate hike post mid 2015, as the private sector is steadily recovering. On the other hand, there is a high likelihood that EU and Japan will embark on further monetary easing in an attempt to boost their recovery. For Eurozone, we expect an improvement in economic momentum in 2015, as economic growth in the US and weakness in Euro will help improve export while fiscal tightening will ease across major Eurozone countries. However, the region will be forced to sustain its monetary easing policy as persistent geopolitical risk factors such as Grexit crisis and Russia-Ukraine crisis will put downward pressure in the business cycle. Japan is likely to resume its recovery as anticipated consumption tax increase will be postponed from its original schedule of October 2015. Abenomics will continue as the nation continues to battle low investment and low inflation expectations. Meanwhile, it is inevitable that China will slow down as it is transitioning its growth model. We expect to see a repeated use of small-scale fiscal stimulus and monetary easing when concerns on hard landing arise.

The domestic economy suffered a deep downfall during 2Q as Sewol ferry incident caused severe contraction in domestic consumption. Since then, it is showing faint hints of recovery from proactive policy responses, including the government's announcement of the economic invigoration plan and a two-time reduction in base rate. However, it is worth noting that domestic production and consumption indicators have been volatile from month to month, indicating the lack of strength in recovery following Sewol incident. Although domestic GDP growth rate showed a growth of 0.9%, 0.5%, and 0.9% from previous corresponding period during the first three quarters, we expect slowing in Q4 as government spending took a hit from deficiency in tax revenue. Overall, we expect a 2014 GDP growth of 3.3%.

In 2015, it is expected that the Korean economy will grow at a low 3% range as expansionary fiscal and monetary measures will be maintained while export will rebound following recovery in the US economy. However, excluding policy impacts, we expect low momentum on

recovery heading into 2015. In particular, the confusion around the timing and speed of the Fed's exit strategy, deflationary worries in the Eurozone, slowing of China and other emerging economies and geopolitical risks around Middle East and Russia may put downward pressure to the domestic economy. Looking at the components of GDP, we expect an expansion in private consumption from the government's active drive to increase household income as well as base effect compared to last year. On the other hand, investments will be limited as corporates become more conservative and due to continued pressure on low utilization of existing investments. Export, despite headwind from lower exports to China and the strengthening of KRW vs JPY, is expected to pick up its pace of growth towards the second half of the year from demand recovery from developed markets. On the other hand, it is possible that consumer prices, which increased only by 1.3 in 2014 from a collapse in commodity prices and low domestic demand, will pick up slightly from the effects of the cigarette and public utility price hike as well as base effect. However, annual rate of growth in consumer price is expected to remain low as there is little price pressure from the demand side and a slack in global demand will limit an increase in commodity prices.

In 2014, there was a marked reduction in the market interest rate due to various factors such as two reductions in base rate, a persistent low price environment and an inflow of foreign capital. In 2015, the impact of further cutting interest rate will confine movements in the market rate to a narrow range. However, Monetary Policy Committee is expected to cautiously consider further rate cuts considering the all-time-low interest rate, expected volatility from the Fed's exit from monetary easing, and current high household debt levels.

During the first half of 2014, KRW strengthened against the USD, as current account surplus persisted. During the second half, however, USD rallied strongly against all major currencies as the ending of QE coincided with further easing at Eurozone and Japan. In 2015, we expect greater volatility in the FX market from the diverging monetary policies around major economies, uncertainty in timing and speed of interest rate increase in the US and persistent geopolitical risks. Especially, there will be downward pressure to KRW around the time of a rate hike in the US, as concerns around capital outflow will spread.

For Shinhan Financial Group, 2014 was a year in which strong progress was made in internalizing 'Compassionate Finance.' Products and services were made to meet the financial needs of customers, and the company sought various ways to improve return on customers' assets. Furthermore, SFG actively pursued tech financing and middle class financing to meet societal expectations. The group made some progress in growing global business and in establishing an infrastructure around the retirement business.

Furthermore, SFG was able to increase its global recognition as it was ranked 30th in Global 100 Most Sustainable Companies (highest among Korean companies) and 43rd in financial brand value by UK's The Banker publication.

In this time of record-low market interest rates and growing uncertainty and volatility, SFG was able to minimize contraction in net interest margin while generating an increase in interest income followed by solid loan growth. In addition, SFG achieved a marked improvement in performance through continued efforts to reduce bad debt expenses from preemptive risk management. As a result, SFG was again recognized as a trusted financial company as it achieved the highest operating results among Korean financial groups for seven consecutive years.

On a consolidated basis, SFG posted net income for 2014 of KRW 2,081.1 billion. Increase in interest income from KRW loan book growth and reduction in credit cost from continued asset quality management were the main drivers behind the increase in Group's net income by 9.6% from the last year's result of KRW 1,898.6 billion.

2014 net income for major Group companies is as below:

Shinhan Bank generated a net income of KRW 1,455.2 billion, a 6.0% increase from last year. Despite the decrease in NIM due to the low interest rate environment, Shinhan Bank's interest income grew by 0.4% from last year as its KRW loan book surged by 8.8%. In addition, Shinhan Bank was able to deliver strong performance by reducing credit costs by KRW 281.9 billion from the previous year which resulted in a low 1.03% NPL ratio.

Shinhan Card posted a net income of KRW 635.2 billion, 3.5% lower than the previous year. This is largely due to the absence of a one-off bad debt sales gain in 2013 related to Public Happiness Fund.

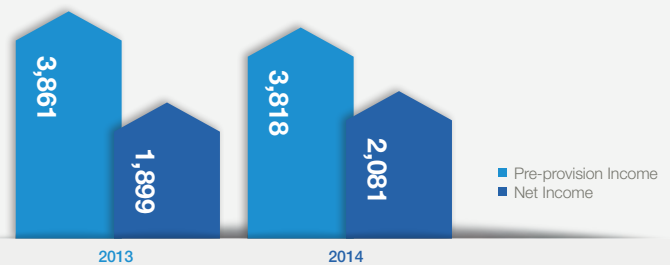
Shinhan Investment Corp delivered strong performance by posting a net income of KRW 118.2 billion, a 56.9% increase from the previous year. Despite a reduction in brokerage fee ratio, overall fee income grew substantially as the company strengthened its asset management capabilities. In addition, an increase in financial product sales led to greater assets under management, while a reduction in market interest rate contributed to an increase in investment income from fixed income products.

Shinhan Life's net income was KRW 80.7 billion, an increase of 6.9% from last year. Despite some negative accounting issues, Shinhan Life's net income recovery is attributed to decrease in provisions on policy reserve.

In 2014, net income from non-banking subsidiaries contributed to 39% of total Group net income. This figure is a clear indicator of stable management of the Group's diversified income base.

Group Pre-provision Income & Net Income

Unit: KRW in billions



SUMMARY OF THE REPORTED INCOME STATEMENT (Profitability and Market Position)

1. Shinhan Financial Group

In 2014, the Group reclaimed an annual net income which exceeded the KRW 2 trillion level as it posted a consolidated net income of KRW 2,081.1 billion, indicating 9.6% growth (KRW 182.5 billion) from the previous year. The Group's NIM took a hit following the reduction in base rate that forced market interest rate to plunge. However, Group's interest income increased by KRW 184.9 billion (2.8%) from last year as attempts were made to actively grow loan assets. This increase in interest income more than offset various adverse impacts in operation such as increased impairment loss on securities and reduced non-interest income from the absence of the one-off gain on sale of Public Happiness Fund bad debt in 2013. As a result, the Group's operating income before expense grew in 2014. In addition, through rigorous risk management, credit cost decreased by KRW 234.2 billion (19.8%) from the previous year. All in all, Shinhan Financial Group was able to achieve the highest net income among domestic financial companies for seven consecutive years.

Since 2010, Shinhan Financial Group has placed various initiatives with a long-term view to expand profit base and generate stable income in adverse business environments, such as low growth, low interest rate and heightened regulations, and to expand profit base. In addition, we internalized Compassionate Finance, our belief that through the basic function of finance, we can benefit the world, and put it into action by weaving into our corporate culture. Through a balanced business portfolio, SFG was able to expand its income base through increasing customers' return on assets. By solidifying core sales platform across subsidiaries, SFG was able to build on customer's trust. This allows Shinhan to strengthen its differentiated competitiveness. Furthermore, the company is working to deliver greater income contribution from global businesses. In order to do so, Shinhan is focusing on localizing its subsidiaries and uncovering previously untapped markets. Lastly, SFG is actively conducting strategic cost reduction by introducing new innovation in the business model, organization structure and operating system with a long-term view.

Management's Discussion and Analysis

The banking sector is focusing on maintaining core profits through interest income and stabilizing credit cost. Meanwhile, Shinhan Card, the Group's cash cow in the non-banking sector, and the Group's other non-banking subsidiaries are working consistently to defend their profitability.

Specifically, Group's interest income grew by 2.8% despite a reduction in the Group's NIM by 4 bps from the previous year. This positive result was mainly driven from an 8.8% growth in the banks' KRW loan balance and a 34.1% increase in interest from securities, as Shinhan Investment Corp increased its fixed income holdings. The Group's non-interest income was positively affected by an increase in fee income from Shinhan Card's transaction volume growth. However, it was negatively impacted by an increase in impairment loss from securities holdings and a reduction in securities sales gains from banks. All in all, the Group's non-interest income decreased by 9.6% from the previous year.

SG&A grew by 6.2% from last year, as there was an increase in one-off expenses such as mass voluntary retirements at banks, increased staff benefits and advertising expenses. In order to bring a fundamental improvement in high cost structure in SG&A, we are actively pursuing long-term strategic cost saving plans per Group subsidiary.

Despite a reduction in recovery from written-off loans from credit card, the Group's credit cost decreased by KRW 234.2 billion (19.8%) from the previous year. This was due to active risk and asset management efforts, including continued expansion of healthy asset base, increased risk management efforts, continued loan book contraction on risky sectors, and preemptive management on loans to companies in work-out. As a result, the Group's credit cost ratio improved by 16 bps to 0.43% from 0.59% of the previous year.

SFG Condensed Income Statements

Unit: KRW in billions

	2014	2013	Chg Amt	Chg %
Total Operating Income	8,067.6	8,018.7	48.9	0.6%
Interest Income	6,789.8	6,604.9	184.9	2.8%
Non-interest Income	1,277.8	1,413.8	-136.0	-9.6%
SG&A Expense	4,462.9	4,202.5	260.3	6.2%
Pre-provision Operating Income	3,604.8	3,816.2	-211.4	-5.5%
Non-Operating Income	212.8	44.6	168.2	377.5%
Pre-provision Income	3,817.5	3,860.7	-43.2	-1.1%
Loan Loss Provision	949.9	1,184.2	-234.2	-19.8%
Pre-tax Income	2,867.6	2,676.6	191.0	7.1%
Income Tax Expense	668.0	621.2	46.8	7.5%
Consolidated Net Income	2,081.1	1,898.6	182.5	9.6%

Looking at net income by subsidiary, the bank's net income grew by 5.6%. It was mainly driven by an increase in interest income from loan asset growth as well as decrease in credit cost attributed to consistent risk management.

Shinhan Card posted a net income of KRW 635.2 billion, a 3.5% decrease from the year before. This was a relatively good performance considering a big one-off gain on sales of bad debt in 2013 in relation to Public Happiness Fund (KRW 68.4 billion) was rolled off in 2013. This relative outperformance was driven by a reduction in marketing and funding costs.

Shinhan Investment Corp posted a net income of KRW 118.2 billion, a 56.9% increase from the previous year. Despite a reduction in brokerage fee ratio, overall fee income grew substantially as we strengthened asset management capabilities. In particular, there was balanced growth in fee income across securities, wrap, and trust accounts. In addition, there was a marked increase in investment income on fixed income products, led by a reduction in market interest rate.

Shinhan Life posted a net income of KRW 80.7 billion, an increase of 6.9% from last year despite negative profit drivers such as the change in accounting policy on new insurance policy subscription costs and an additional IBNR reserve requirement. Recovery in net income is mainly driven by a decrease in provisions on policy reserves followed by reduction in single premium inflow and declared crediting rate.

Shinhan Savings Bank posted a net income of KRW 11.1 billion. Despite its small scale and the fact that there were a number of one-off items such as sale of equity holdings, it is highly meaningful that Shinhan Savings Bank successfully turned around in one year since posting negative net income of KRW (29.9 billion), by increasing its net income by KRW 41.1 billion. The funding cost structure steadily improved, while SG&A was managed effectively. Furthermore, loan soundness is slowly stabilizing as NPL ratio dropped by 6.4% from last year. With this positive development, we expect Shinhan Savings Bank to make steady contributions to Group earnings.

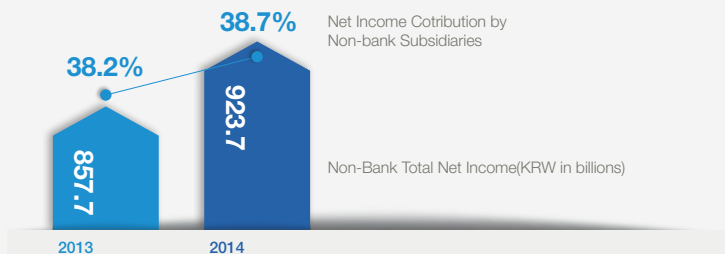
Income by subsidiary

Unit: KRW in billions

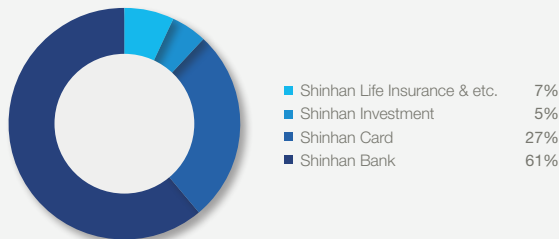
	2014	2013	Chg Amt	Chg %
Bank (a)	1464.8	1387.1	77.6	5.6%
Shinhan Bank	1455.2	1373.0	82.2	6.0%
Jeju Bank	9.5	14.1	-4.6	-32.4%
Non-Bank (b)	923.7	857.7	66.0	7.7%
Shinhan Card	635.2	658.1	-22.9	-3.5%
Shinhan Investment Corp.	118.2	75.4	42.9	56.9%
Shinhan Life Insurance	80.7	75.5	5.2	6.9%
Shinhan BNPP AM	18.3	20.5	-2.1	-10.4%
Shinhan Capital	51.9	50.4	1.6	3.1%
Shinhan Savings Bank	11.1	-29.9	41.1	n.a.
Shinhan Data System	2.6	1.1	1.5	135.5%
Shinhan AITAS	4.0	3.8	0.2	5.8%
Shinhan Credit Information	1.1	0.2	0.9	581.8%
Shinhan PE	0.6	2.9	-2.3	-79.2%
Total Income (a+b)	2,388.5	2,244.8	143.7	6.4%
Consolidated Net Income	2,081.1	1,898.6	182.5	9.6%

Note) After reflecting ownership by SFG

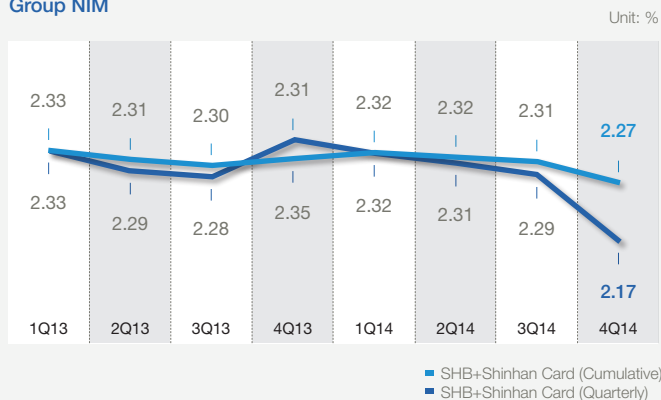
Net Income Contribution by Non-Banking Subsidiary



Net Income Contribution by Subsidiary



Group NIM



2. Shinhan Bank

1) Overview

In 2014, Shinhan Bank achieved top performance across all three core aspects of bank management – profitability, asset quality and growth. In addition, Shinhan Bank was a leader in social responsibility activities by handling the highest volume of financing transactions to creative / tech companies and middle income households among major banks.

Shinhan Bank also led the retirement pension market by logging the highest AUM for five consecutive years. This performance was only possible due to close collaboration among all departments within Shinhan Bank. In the global business segment, the bank had remarkable success in 2014 as it marked the first year in which income from global businesses exceeded USD 100 million in 30 years of global business history. This is a result of continued efforts to expand global network while implementing a localization strategy.

In addition, the bank put forth great efforts to deliver 'Compassionate Finance' that puts customers first. As a result, Shinhan Bank was ranked No.1 in customer satisfaction from all five external evaluation agencies for the first time in the industry. Furthermore, Shinhan Bank was chosen as the 'Best Institution for General Public Financing' by FSS for two consecutive years, thereby cementing its reputation as the leading bank in customer service.

These are some of the positive outcomes that came from the bank's resilient efforts to create win-win solutions for customers and the greater society even in a difficult business environment highlighted by economic downturn and low interest rate. With the full intention to conduct business in the right way for the longer-term rather than finding short-term solutions, the bank has steered its business to grow on asset quality. As a result, Shinhan Bank able to increase the size of net income.

Based on its position of strength in SOHO lending, the bank strategically expanded its lending to non-audited companies so as to reduce risk through diversification and to enhance profitability. As a result, Shinhan bank was able to significantly grow the business by increasing the size by 18.8% from last year. In addition, household loan increased by 9.4% as a less-stringent housing regulation drove demand for mortgage financing. All in all, Shinhan Bank was able to produce balanced loan growth across all sectors.

For 2014, Shinhan Bank posted net income of KRW 1,455.2 billion, KRW 82.2 billion (6.0%) higher than 2013.

Despite a reduction in annual net interest margin by 2 bps, we achieved an interest income of KRW 4,367.1 billion, KRW 16.6 billion (0.4%) higher than the previous year. This result was driven by strong growth in KRW loan book (8.8%) and lowered funding costs from the significant growth in low cost deposits (17.7%).

Shinhan Bank's non-interest income for the year was KRW 804.5 billion, KRW 4.0 billion (0.5%) higher than last year.

The small growth in non-interest income was possible due to persistent efforts to increase fee income and FX derivative income in this difficult environment led by slowing recovery and growing volatility. On asset quality, the bank was able to maintain its delinquency ratio at 0.31%, an all-time low level. NPL ratio was held check at 1.03%, the lowest since 2010. Based on asset quality, annual credit cost was significantly lowered to KRW 456.2 billion, the lowest since 2007.

Management's Discussion and Analysis

Amidst global deflationary worries, the domestic economy will continue to grow slowly in 2015. A shift in paradigm will reverberate through our society's way, system and competitive dynamic. In order to overcome this era of low growth and volatility, Shinhan Bank will continue to reinvent itself and constantly create new value for sustainable growth. This is why our strategic direction for 2015 is 'Creative innovation, leading the future of finance beyond boundary.'

Condensed Income Statements of Shinhan Bank

Unit: KRW in billions

	2014	2013	Chg Amt	Chg %
Total Income	5,171.7	5,151.0	20.6	0.4%
Interest Income	4,367.1	4,350.5	16.6	0.4%
Non-interest Income	804.5	800.5	4.0	0.5%
SG&A Expense	2,918.0	2,692.9	225.1	8.4%
Operating Income	2,253.6	2,458.1	-204.5	-8.3%
Non-Operating Income	38.4	8.0	30.4	377.5%
Pre-provision Income	2,292.0	2,466.2	-174.1	-7.1%
Loan Loss Provision	456.2	738.2	-281.9	-38.2%
Pre-tax Income	1,835.8	1,728.0	107.8	6.2%
Income Tax Expense	380.1	354.8	25.3	7.1%
Net Income	1,455.2	1,373.0	82.2	6.0%

2) Interest Income and NIM

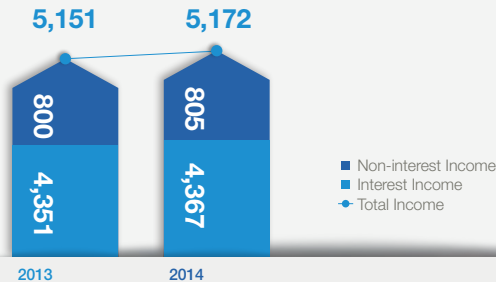
Shinhan Bank's net interest margin decreased by 2 bps compared to the previous year. However, with strong growth in KRW loan book (8.8%) and lowered funding costs from efforts to attract low cost deposits such as accounts linked to salaries and credit card merchants, the bank achieved an interest income of KRW 4,367.1 billion, KRW 16.6 billion (0.4%) higher than last year. With the dramatic fall in market interest rate triggered by two reductions in base rate and followed expectation on further cuts, NIM was set to contract significantly. However, we were able to defend NIM erosion by expanding higher margin, non-audited SME loans and improving funding costs with low-cost deposits.

Shinhan Bank's NIM for the year was 1.74%, 2 bps lower than last year. Hampered by rate cuts in August and October and subsequent fall in market rates, 4Q NIM was 9 bps lower than last quarter. We expect NIM to continue to suffer through the first half of 2015.

In order to defend NIM, we will focus on reducing funding costs while increasing returns on assets. For funding costs, we will abstain from handling high-interest deposits, increase low cost deposits and flexibly manage bond issuance in both size and timing. To increase returns, we will establish a profit-driven fixed income investment strategy and reduce short-term assets.

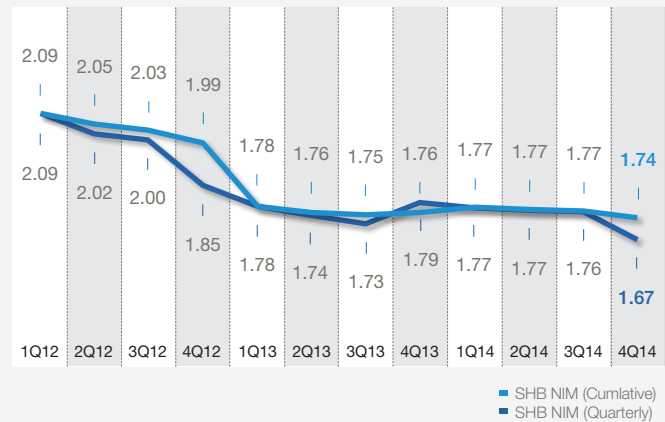
Interest Income, Non-Interest Income, and Total Income

Unit: KRW in billions



Shinhan Bank NIM

Unit: %



3) Non-Interest Income

Non-interest income for 2014 stood at KRW 804.5 billion, KRW 4.0 billion (0.5%) higher than last year. Overall, fee and commission income grew by KRW 54.0 billion (7.2%), as lowered fees from mutual fund sales (KRW 12.4 billion) due to the stagnated domestic stock market was offset by an increase in IB related fees and a decrease in Group brand fees. FX and derivatives income benefited from FX volatility and resulted in KRW 59.9 billion higher than last year. However, growth in non-interest income was held back by less income from securities, from both lower gain on sales and higher impairment losses.

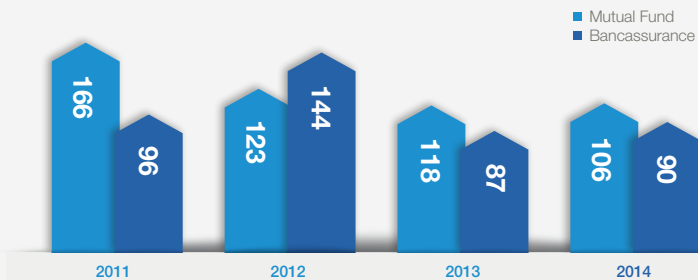
Non-Interest Income

Unit: KRW in billions

	2014	2013	Chg Amt	Chg %
Non-Interest Income	804.5	800.5	4.0	0.5%
Fees & Commissions	802.9	748.9	54.0	7.2%
(Mutual Fund)	105.9	118.3	-12.4	-10.5%
(Bancassurance)	89.8	87.3	2.5	2.8%
(Trust Fees)	49.7	42.2	7.5	17.8%
Securities related	315.3	421.1	-105.9	-25.1%
FX Trading/Derivatives	198.9	139.0	59.9	43.1%
Others	-512.6	-508.5	-4.1	n.a.

Fees and Commissions from Mutual Fund/ Bancassurance Sale

Unit: KRW in billions



4) SG&A Expenses

Driven by salary increases, large-scale voluntary retirements, and increase in employee benefits, SG&A expenses for 2014 increased by KRW 225.1 billion (+8.4%). As a result, operating cost-to-income ratio swelled by 4.1%p to 56.4%.

In 2014, SG&A was impacted by significant one-off events. However, those were inevitable strategic costs that will rationalize expenses in the future. In 2015, we will put an emphasis on delivering tangible results from strategic cost reduction initiatives that we have been consistently pursuing.

SG&A Expenses

Unit: KRW in billions

	2014	2013	Chg Amt	Chg %
SG&A Expenses	2,918.0	2,692.9	225.1	8.4%
Salary & Employee Benefits	1,734.9	1,508.9	226.0	15.0%
D & A	202.9	203.6	-0.6	-0.3%
Other Expenses	980.1	980.4	-0.3	0.0%
Operating income to cost ratio	56.4%	52.3%		4.1%p

3. Shinhan Card

1) Overview

2014 was a difficult year for credit card companies as the industry was hampered by contracted marketing activities and introduction of new consumer protection regulations stemmed from customer information leakage crisis led by market competitors. Shinhan Card, however, was able to deliver a respectable performance based on effective crisis management and a differentiated sales strategy. Furthermore, the company made advancements in investing for future growth such as big data management.

Backed by the economies of scale from 12.5 million effective members (21.2 million including debit card customers) and 2.5 million merchants as of the end of 2014, Shinhan Card was able to increase transaction

volume by KRW 6.3 trillion from last year. In addition, personal transaction volume exceeded KRW 100 trillion for the first time in the industry, thereby highlighting our industry leadership and business scale.

In terms of market share, the company was able to raise market share in personal credit sales transactions by 0.4%p to 22.8%. This was highly meaningful because not only did this allow us to reaffirm our #1 position in the industry, but it also reversed the slowing trend in the last few years. Furthermore, Shinhan Card was able to increase market share across most major business areas such as debit card, corporate card, card financing and installment sales.

In terms of profitability, Shinhan Card brought a marked improvement in credit card profitability by significantly upgrading the overall business operation. In addition, the company made various efforts to improve profitability by conducting strategic cost reduction initiatives. As a result, Shinhan Card realized dominating performance in profitability (net income of KRW 635.2 billion).

In addition, the company shifted its focus from delivering current performance to building its future through increased strategic investments. Among others, Shinhan Card focused on leading big data management. By building close cooperative relationships with the public and private sector as well as academia, the company strengthened its business fundamentals. In addition, the company developed marketing models and solutions with big data in order to deliver substantial marketing results.

Lastly, investments were increased to target the younger generation as a means to secure future growth. By establishing a designated team to manage communication through SNS, the company increased the level of communication through major communication channels such as Facebook. As a result, Shinhan Card secured the best SNS channel management capability in the industry.

Shinhan Card was recognized as the dominant industry leader in terms of brand value. It received first place recognition on all three major brand value assessments (Korea Standard Association: Premium Brand Index, Korea Productivity Center National: Brand Competitiveness Index, Korea Management Association Consulting: Brand Power of Korean Business) for three consecutive years for the first time in the industry. In addition, Shinhan Card was chosen as the #1 financial brand by Brand Stock's Brand Index.

For 2015, we expect to see a continued difficult business environment from slow recovery in consumption and new entrants in the payment market. In addition, we expect faster changes to take place in the business environment than any time in the past due to acceleration in the fin-tech revolution and heightened regulation in the ancillary businesses.

As the industry leader, Shinhan Card will proactively develop new markets by responding quickly to changes in externalities. At the

Management's Discussion and Analysis

same time, by quickly addressing areas where our competitiveness is dwindling, we will firmly maintain our market leadership across all aspects.

Particularly, Shinhan Card plans to bring innovation in its marketing system based on big data infrastructure that the company has been building throughout 2014. Across all areas of marketing including product, service, branding and promotion, our intention is to provide differentiated marketing based on big data. Furthermore, we will increase application of big data to our customer support system.

In addition, we will proactively develop new businesses to secure future growth. We plan to be the first mover in the instant pay area backed by our tech leadership and through active collaboration.

We will build new businesses in the deregulated ancillary business areas by developing promising business models. In addition, we plan to increase our activity in global businesses. Our priority is to quickly stabilize our Kazakhstan installment financing subsidiary, Shinhan Card's first foray in the overseas business, and develop new business opportunities around this new venture.

In 2015, Shinhan Card will work to deliver results based on the differentiated foundation we successfully established in 2014.

2) Income Statement Analysis

Condensed Income Statements of Shinhan Card

Unit: KRW in billions

	2014	2013	Chg Amt	Chg %
Operating Revenue	4,600.3	4,609.3	-9.0	-0.2
Card Business	3,783.0	3,767.7	15.3	0.4
Installment Finance	87.8	92.2	-4.4	-4.7
Lease	36.6	42.5	-5.9	-13.8
Others	692.8	706.8	-14.0	-2.0
(Derivatives & FX)	129.4	68.3	61.1	89.4
Interest Expense	492.6	550.1	-57.5	-10.5
G&A Expenses	709.1	710.9	-1.9	-0.3
Commissions & Other Expenses	2,157.2	2,145.1	12.0	0.6
(Derivatives & FX)	107.3	51.4	55.9	108.7
Pre-Provision Income	1,241.5	1,203.1	38.4	3.2
Provision for Credit Losses	419.5	352.3	67.1	19.1
Earnings before Income Tax	822.0	850.8	-28.8	-3.4
Income Tax	186.9	192.7	-5.8	-3.0
Net Income	635.2	658.1	-22.9	-3.5

Note) IFRS Standard

In 2014, operating revenue decreased by 0.2%, impacted by a decrease in cash advance, installment financing and lease prices. It was also affected by lowered factoring income from business suspension at telecommunication companies during 2Q.

Shinhan Card's total transaction volume was KRW 141 trillion, indicating a 4% yoy growth against KRW 136 trillion in 2013. Spurred by base rate cuts, Shinhan Card was able to reduce interest expense on bond and ABS issuances. As such, interest expense for 2014 was 10.5% (KRW 57.5 billion) below last year's figures. SG&A growth was reduced by 0.3% (KRW 1.9 billion) from last year. We were able to achieve this reduction by reorganizing high cost services and revamping our work processes. Meanwhile, commissions and other operating expenses increased by 0.6% (KRW 12 billion), mainly driven by FX related loss from securitized bond issuance in May and October. Provisions for credit loss showed a yoy increase of 19.0% (KRW 67.1 Billion), mainly due to expected decrease in recovery from written-off assets and additional provisions made on the litigation liability regarding travel card. In particular, recovery from written-off assets fell by KRW 29.5 billion due to the aging of written-off assets and the absence of bad debt sales gain related to Public Happiness Fund in 2013. As of the end of 2014, the outstanding balance of written-off assets stood at KRW 3.5 trillion. Due to its aging profile, we expect a gradual decline in recovery amount, but will remain steady at some point in the future.

Net income was KRW 635.2 billion, 3.5% below last year. However, excluding one-off factors such as KRW 68.4 billion gain on Public Happiness Fund bad debt sales, net income from recurring business was in fact slightly higher than last year.

4. Shinhan Investment Corp.

In 2014, a number of negative events occurred, such as the ending of monetary easing in the US, the weakening Japanese Yen, and slowing growth in China. As such, we continued to witness investors' flight to safe haven assets and consequently a contraction in the domestic equities market. Daily trading volume declined from KRW 7.7 trillion in 2012 to KRW 6.7 trillion in 2013 to KRW 6.7 trillion in 2014, causing negative impacts on the brokerage business in the industry.

In 2014, Shinhan Investment Corp. established its strategic goal of 'Improving brand value through establishing customer-oriented business platform' and continued to build a customer-focused organizational culture through internalizing Compassionate Finance. As a result, the firm was able to improve performance across the board. Profitability improved from last year and the company posted an operating income of KRW 132.9 billion (30.7% growth yoy) and net income of KRW 118.2 billion (56.9% growth yoy).

Aggregate commission received showed a 1.4% rebound from last year. Brokerage commissions, the largest component of commissions, was hit due to reduced personal trading volume and reduced average commission rate in industry from the emergence of low cost trading platforms such as mobile trading. Despite poor brokerage commissions, commissions from financial products increased by KRW 3.8 billion from the previous year and led the overall growth in this category. Growth in commissions from financial products can be attributed to our strong investment management capabilities that allowed us to enjoy balanced growth in securities, wrap, trust and RP products.

Net trading gains took a big leap of KRW 114.6 billion from last years' KRW 137.2 billion, indicating an 83.5% growth yoy. This success can be attributed to an increase in bond income from the fall in market rates, as well as an increase in equities income from appropriate reaction to market changes and alternative investments. Interest and other operating income was KRW 72.6 billion, indicating a 40.4% decline (KRW 49.3 billion) from last year. This decline, however, is mainly from one-off income in 2013 we had in relation to recovery from Lehman CLN claim of KRW 35.2 billion.

In 2014, SG&A expenses increased by KRW 26.5 billion (7.1%). The increase was largely due to an increase in trading tax and bonuses paid.

Condensed Income Statements of Shinhan Investment Corp.

Unit: KRW in billions

	2014	2013	Chg Amt	Chg %
Operating Revenue	601.5	532.3	69.2	13.0%
Commissions received	277.1	273.2	3.9	1.4%
Net trading gain	251.9	137.2	114.6	83.5%
Other operating income	72.6	121.9	-49.3	-40.4%
Operating Expense	468.7	430.6	38.0	8.8%
SG&A Expense	398.6	372.1	26.5	7.1%
Commission Expense	67.6	49.3	18.3	37.2%
Loan Loss Provision	2.4	9.2	-6.8	-73.7%
Operating Income	132.9	101.7	31.2	30.7%
Net Income	118.2	75.4	42.9	56.9%

Commissions Received

Unit: KRW in billions

	2014	2013	Chg Amt	Chg %
Commissions Received	277.1	273.2	3.9	1.4%
Brokerage Commissions	186.7	190.5	-3.8	-2.0%
Commission on BC/MF Sales	12.4	11.5	0.9	7.5%
Wrap Account fees	7.4	5.6	1.8	32.3%
Commission on trust mgt. and RP sales	15.9	12.4	3.5	28.2%
IB related Commission ¹⁾	27.8	28.4	-0.6	-2.1%
Other commissions	26.9	24.8	2.1	8.6%

1) Including fees and commissions from underwriting, IPO, M&A consulting, and Project Financing advisory

G&A Expenses

Unit: KRW in billions

Category	2014	2013	Chg Amt	Chg %
G&A Expense	398.6	372.1	26.5	7.1%
Salary	263.5	247.2	16.3	6.6%
Other general expenses	125.2	114.4	10.8	9.4%
Depreciation	9.9	10.5	-0.6	-5.5%

Trading Volume and Market Share

In 2014, the equities business generated positive performance in both trading volume and market share. Compared to 2013, trading volume was up by 5.2% and reached KRW 211 trillion, and market share was up by 0.4%p and reached 6.4%.

In futures and options, trading volume fell to KRW 712 trillion and KRW 18 trillion respectively, as industry-wide volume contracted. On a market share basis, however, the company realized market share of 7.9% and 5.0%, both up from last year.

Market Share

Category	2014	2013	Chg %p
Stocks	6.4%	6.0%	0.4%p
Futures	7.9%	7.1%	0.8%p
Options	5.0%	3.5%	1.5%p

Trading Volume

Unit: KRW in trillions

Category	2014	2013	Chg Amt	Chg %
Stocks	211	201	10	5.2%
Futures	712	836	-124	-14.8%
Options	18	18	-0.5	-2.8%

5. Shinhan Life

In 2014, Shinhan Life Insurance's insurance premium stood at KRW 4.6 trillion and new subscriptions stood at KRW 71.2 billion. Net income for 2014 was KRW 80.7 billion, KRW 5.2 billion (+6.9%) higher than last year despite a number of negative drivers such as the change in new contract cost deferral method and additional accrual per IBNR.

Net results from insurance operation declined by KRW 182.4 billion (-11.3%) from last year. This is largely a base effect from the surge of new single premium products we experienced late last year prior to the upcoming change in tax rule. New single premium product sales have since declined by KRW 167.2 billion (-61.5%) from last year. Meanwhile, net results from investing was KRW 60.3 billion (+8.7%) higher than last year from an increase in interest / dividends of KRW 59.2 billion and gain on securities sale of KRW 9.3 billion. Provision on policy reserves declined by KRW 145.6 billion (-6.5%) from the previous year due to a decline in single premium and downward adjustment in declared crediting rate.

In 2015, Shinhan Life will focus on improving net results from insurance operations by increasing protection insurance sales, improving customer retention and conducting strategic cost reduction. In addition, by increasing the share of risk-controlled high return products in our investment portfolio, the company will minimize net interest margin erosion. For 2015, Shinhan Life will remain committed to improving its financial performance.

Management's Discussion and Analysis

Condensed Income Statements of Shinhan Life Insurance

Unit: KRW in billions

	2014	2013	Chg Amt	Chg %
Insurance Operating Net Results	1,429.6	1,611.9	-182.4	-11.3
Premiums Written	4,609.4	4,670.6	-61.2	-1.3
Claims Paid(Δ)	1,890.2	1,678.7	211.5	12.6
Reinsurance Operating Results	-0.9	0.2	-1.1	-
Operating Expenses(Δ)	879.6	920.3	-40.7	-4.4
Net Investment Gains Net Results	754.1	693.8	60.3	8.7
Others Net Results	28.8	37.0	-8.2	-22.1
Total Operating Net Results	2,212.5	2,342.7	-130.2	-5.6
Provision of Policy Reserve(Δ)	2,100.5	2,246.1	-145.6	-6.5
Net Income Before Taxes	112.1	96.6	15.4	16.0
Net Income	80.7	75.5	5.2	6.9

BALANCE SHEET REVIEW & ASSET QUALITY

1. Shinhan Financial Group

1) Total Assets

On a consolidated basis, SFG posted total assets of KRW 338.0 trillion for the 2014 year-end, representing a KRW 26.7 trillion (8.6%) increase from last year. At the subsidiary level, Shinhan Bank's asset increased by KRW 22.0 trillion, boosted by an 8.8% increase in KRW loans. Shinhan Investment Corp. and Shinhan Life Insurance each increased their assets by KRW 9.1 trillion and KRW 2.6 trillion respectively. Shinhan Card was impacted by the government's policy to curb credit card usage by reducing tax refund rate on credit card transactions, which resulted in an increase in debt card usage and a decrease in credit card usage. Despite these adverse impacts, Shinhan Card was able to grow its assets by KRW 0.6 trillion from last year, mainly due to resilient growth in transaction volume and installment sales.

In aggregate, the Group's total loan assets increased by KRW 15.9 trillion. Shinhan Bank grew its loan balance by KRW 13.6 trillion, while Shinhan Card, Shinhan Life and Jeju Bank each reported loan growth of KRW 0.9 trillion, KRW 0.8 trillion, and KRW 0.4 trillion, respectively. Currencies and dues from banks increased by KRW 4.1 trillion. Particularly, trading account securities increased by KRW 6.3 trillion as Shinhan Investment Corp increased its fixed income holdings by KRW 5.5 trillion.

SFG Condensed Balance Sheets

Unit: KRW in billions

	2014.12	2013.12	Chg Amt	Chg %
Currency & Due from Banks	20,584.8	16,472.5	16,472.5	25.0%
Trading Account Securities	24,362.2	18,033.3	18,033.3	35.1%
Financial Assets at FVTPL	2,737.4	3,360.8	3,360.8	-18.5%
Derivative Instruments Assets	1,568.3	1,717.5	1,717.5	-8.7%
Loans	221,617.7	205,722.7	205,722.7	7.7%
Available for Sales Securities	31,418.0	33,596.6	33,596.6	-6.5%
Hold to Maturity Securities	13,373.4	11,031.3	11,031.3	21.2%
Tangible Fixed Assets	3,147.3	3,214.3	3,214.3	-2.1%
Intangible Fixed Assets	4,152.8	4,226.4	4,226.4	-1.7%
Investment Using Equity Method	341.9	328.6	328.6	4.1%
Other Assets	14,718.0	13,586.7	13,586.7	8.3%
Total Assets	338,021.8	311,290.6	311,290.6	8.6%
Deposits	193,709.7	178,809.9	178,809.9	8.3%
Trading Liabilities	2,688.7	1,258.3	1,258.3	113.7%
Financial Liability at FVTPL	8,996.2	5,909.1	5,909.1	52.2%
Derivative Instruments Liability	1,717.6	2,019.4	2,019.4	-14.9%
Borrowings	22,973.8	20,142.9	20,142.9	14.1%
Trading Corporate Bonds in Won	37,334.6	37,491.4	37,491.4	-0.4%
Allowance for Severance and Retirement Benefits	309.5	117.7	117.7	163.0%
Other Liabilities	39,776.9	35,686.7	35,686.7	11.5%
Total Liabilities	307,506.9	281,435.4	281,435.4	9.3%
Total Stockholder's Equity	30,514.9	29,855.1	29,855.1	2.2%
Total liabilities and shareholders' equity	338,021.8	311,290.6	311,290.6	8.6%

Asset Breakdown by Subsidiary

Unit: KRW in billions

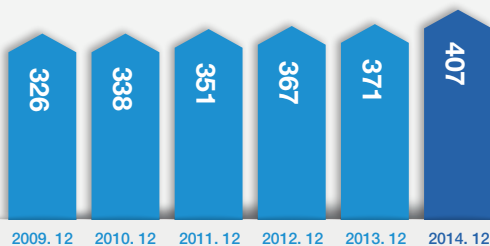
	2014.12	2013.12	Chg Amt	Chg %
Banks	279,232.2	257,033.8	22,198.5	8.6%
Shinhan Bank	275,756.6	253,837.7	21,918.8	8.6%
Jeju Bank	3,475.7	3,196.0	279.6	8.7%
Non-Banks	124,654.0	110,929.4	13,724.6	12.4%
Shinhan Card	22,259.5	21,649.2	610.3	2.8%
Shinhan Investment Corp.	39,039.8	29,966.1	9,073.7	30.3%
Shinhan Life Insurance	21,939.7	19,378.9	2,560.8	13.2%
Shinhan BNPP AM	35,601.0	33,675.1	1,925.9	5.7%
Shinhan Capital	3,939.5	3,772.4	167.1	4.4%
Shinhan Savings Bank	804.0	777.1	26.9	3.5%
Shinhan Data System	25.8	20.5	5.3	25.7%
Shinhan Aitas	37.7	34.6	3.1	8.9%
Shinhan Credit Info	23.0	21.0	2.0	9.6%
Shinhan PE	461.3	572.9	-111.5	-19.5%
Others	522.6	1,061.5	-538.9	-50.8%
Total Assets (note)	406,655.6	371,456.5	35,199.2	9.5%

Note) Trust A/Cs of Shinhan Investment Corp. and Shinhan Bank and discretionary assets of Shinhan BNPP AM are included

Boosted by the growth of Shinhan BNP Paribas' AUM and trust account of Shinhan Investment Corp, the Group's total assets, including assets under management and trust assets, increased by KRW 35.2 trillion (+9.2%) from last year, exceeding a consolidated asset growth of 8.6%.

SFG Total Assets

Unit: KRW in trillions



2) Deposits

As of the end of 2014, the Group posted total deposits of KRW 193.7 trillion, up by KRW 14.9 trillion (+3.2%) from 2013. The increase was led by Shinhan Bank's deposit growth of KRW 14.6 trillion.

For Shinhan Bank, there was an increase in time deposits by KRW 2.9 trillion, as customers continued to favor safe haven assets. Furthermore, there was an increase in low cost deposits as market liquidity boosted corporate and government deposits. Particularly, low cost deposit from retail and SOHO customers increased significantly from continued efforts to make people use Shinhan Bank accounts as their main salary / settlement accounts. These efforts made notable contributions in lowering overall funding costs and defending NIM.

Total Deposit

Unit: KRW in billions

	2014.12	2013.12	Chg Amt	Chg %
Shinhan Bank	189,639.9	175,020.4	14,619.4	8.4%
Deposits in Won	163,321.9	150,479.4	12,842.5	8.5%
Low Cost Deposits	62,012.9	52,697.0	9,315.9	17.7%
Time Deposits	92,519.1	89,641.7	2,877.5	3.2%
Installment Deposits	8,789.9	8,140.7	649.1	8.0%
CDs	1,872.9	1,475.6	397.2	26.9%
RP's & Bills Sold	377.8	373.3	4.5	1.2%
Deposits in FC	6,476.9	6,774.9	-298.0	-4.4%
Trust Account	19,590.7	16,830.0	2,760.6	16.4%
Merchant A/C and other consolidating entities	-2,000.3	-912.8	-1,087.5	n.a.
Shinhan Investment Corp.	1,091.7	789.8	301.9	38.2%
Jeju Bank	2,915.0	2,628.5	286.5	10.9%
Shinhan Savings Bank	666.8	660.1	6.7	1.0%
(-) Intra Transaction	-603.6	-289.0	-314.7	n.a.
Total	193,709.7	178,809.9	14,899.9	8.3%

3) Loans

The Group's total loans for 2014 was KRW 221.6 trillion, up by KRW 15.9 trillion (7.7%) from last year. Shinhan Bank, Shinhan Card, Shinhan Life and Jeju Bank each grew their loan balance by KRW 13.6 trillion, 0.9 trillion, 0.8 trillion, and 0.4 trillion, respectively. Shinhan Bank's retail loan grew by KRW 3.4 trillion due to growth in mortgage loans and healthy unsecured household loans. Particularly, despite KRW 1.2 trillion of securitization, mortgage loans grew by KRW 3.3 trillion as demand rose from easing of the LTV/DTI regulation. Meanwhile, corporate loans grew by KRW 6.2 trillion, continuing its path of steady growth. Shinhan Card also increased its loan balance by KRW 0.9 trillion, as credit purchase transaction and auto financing both increased substantially. Lastly, Shinhan Life increased its loan balance by KRW 0.8 trillion, most of which were towards working capital financing.

Total Loans

Unit: KRW in billions

	2014.12	2013.12	Chg Amt	Chg %
Total	221,617.7	205,722.7	15,895.0	7.7%
Shinhan Bank	188,325.5	174,689.3	13,636.1	7.8%
Bank Account	179,606.3	166,710.9	12,895.3	7.7%
Trust Account	433.7	466.2	-32.5	-7.0%
Others	8,285.5	7,512.2	773.3	10.3%
Shinhan Card	20,550.1	19,625.9	924.2	4.7%
Shinhan Investment Corp.	1,475.7	1,375.0	100.6	7.3%
Shinhan Life Insurance	4,919.4	4,160.1	759.3	18.3%
Shinhan Capital	3,515.5	3,356.4	159.1	4.7%
Jeju Bank	2,723.9	2,306.8	417.2	18.1%
Shinhan Savings Bank	589.0	530.6	58.4	11.0%
Others	-481.4	-321.5	-159.9	n.a.

4) Asset Quality

As of the end of 2014, SFG posted an NPL ratio of 1.15%, down by 11 bps from last year and the lowest since 2009. Despite a decrease in sales and write-offs of non-performing loans during the year, significant increase in assets, reduction in new non-performing loans of Shinhan Bank and normalization of restructuring companies all contributed to the big improvement in our NPL ratio. Further, we are confident that we will manage robust asset quality as our precautionary loan balance decreased by KRW 182.6 billion from last year and delinquency ratio is falling across Group subsidiaries. Shinhan Card's NPL ratio increased from last year; however, this is mainly from a base effect caused by proactive sales and write-off on non-performing loans performed last year, such as the sales of bad debt related to 'Public Happiness Fund' and 'personal rehabilitation.' Excluding this base effect, Shinhan Card is maintaining a stable NPL ratio.

SFG posted best-in-industry NPL coverage ratio of 168.0%, an increase of 4.7%p from last year, and will provide sufficient coverage for any potential adverse changes in the future.

Management's Discussion and Analysis

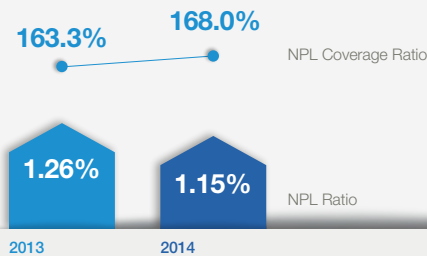
SFG Asset Quality

Unit: KRW in billions

	2014.12	2013.12	Chg Amt	Chg %
Total ¹⁾	220,190.7	202,381.2	17,809.5	8.8%
Normal	215,479.5	197,453.4	18,026.1	9.1%
Precautionary	2,187.2	2,369.8	-182.6	-7.7%
Substandard	1,133.9	1,082.8	51.1	4.7%
Doubtful	372.8	372.3	0.5	0.1%
Estimated Loss	1,017.2	1,102.9	-85.7	-7.8%
Substandard & below	2,524.0	2,558.0	-34.0	-1.3%
NPL Ratio	1.15%	1.26%	-	-0.11%p
Allowance + Reserve ²⁾	4,241.4	4,178.3	63.1	1.5%
Coverage Ratio	168.0%	163.3%	-	4.7%p

Note 1) Sum of Shinhan Bank, Jeju Bank, Shinhan Card, Shinhan Investment Corp., Shinhan Life Insurance, Shinhan Capital and Shinhan Savings Bank
2) Sum of IFRS standard LLA and reserves for credit losses, excluding those for contingent acceptances & guarantees and unused credit lines

Group NPL Ratio & Coverage Ratio



2. Shinhan Bank

1) KRW Loan

In 2014, Shinhan Bank achieved balanced growth between retail and corporate lending. The bank was able to significantly grow its corporate lending to non-audited companies by strategically extending sales expertise and system that it has built from SOHO lending activities. In addition, retail loans grew by 9.4%, as demand for mortgage loans jumped post relaxed housing regulations in the second half of 2014.

On the retail lending side, despite securitization of KRW 1.2 trillion, mortgage loan balance grew by 7.5%, as relaxed housing regulations pushed demand for mortgage loans. In addition, unsecured personal loans increased by 12.4% and helped achieve aggregate retail loan growth of 9.6% during 2014. Corporate lending is still maintaining its strong momentum. Loans to non-audited companies expanded by 18.8% and SOHO grew by 9.9%. Lending to large companies had a relatively strong growth as well. Overall, Shinhan Bank's KRW loans grew by 8.8% from the previous year, realizing the highest growth rate among major peers.

Loans in KRW

Unit: KRW in billions

	2014.12	2013.12	Chg Amt	Chg %
Loans in Won	160,024.9	147,048.1	12,976.8	8.8%
Retail	78,577.4	71,846.4	6,731.0	9.4%
Mortgage	47,556.3	44,257.5	3,298.9	7.5%
Others	31,021.0	27,588.9	3,432.1	12.4%
Corporate	81,447.5	75,201.7	6,245.8	8.3%
SME	59,889.4	55,062.1	4,827.4	8.8%
(SOHO)	30,469.4	27,731.9	2,737.5	9.9%
Large Corp. & Public	21,558.1	20,139.6	1,418.4	7.0%

2) Asset Quality

Shinhan Bank's NPL ratio (substandard and below) stood at 1.03%, a figure 0.13% lower than the previous year. This lowest NPL ratio post 2010 once again proves Shinhan's differentiated risk management capabilities. In addition, our delinquency ratio marked an all-time low at 0.31% and NPL coverage ratio stand at a robust 154.2%.

NPL amount decreased by KRW 62.7 billion from the previous year. Sales and write-offs of non-performing loans declined by KRW 269.6 billion and KRW 241.2 billion, respectively, causing substandard loan to increase slightly. However, consistent management efforts on risky sectors reduced new NPL substantially, and continued normalization of restructuring companies pushed down estimated loss amount by KRW 103.1 billion. These efforts, combined with high total loan growth of 8.9%, contributed to a significant decrease in NPL ratio. Lastly, we expect low possibility of quick asset quality deterioration, as precautionary loans also decreased by KRW 202.4 billion from last year.

SHB Asset Quality

Unit: KRW in billions

	2014.12	2013.12	Chg Amt	Chg %
Total	185,966.1	170,766.7	15,199.4	8.9%
Normal	182,862.6	167,398.2	15,464.4	9.2%
Precautionary	1,181.2	1,383.6	-202.4	-14.6%
Substandard	995.3	912.9	82.4	9.0%
Doubtful	215.2	257.2	-42.0	-16.3%
Estimated Loss	711.8	814.9	-103.1	-12.6%
Substandard & below	1,922.3	1,984.9	-62.7	-3.2%
NPL Ratio	1.03%	1.16%	-	-0.13%p
Allowance + Reserve ^(note)	2,963.3	2,962.0	1.3	0.0%
Coverage Ratio	154.2%	149.2%	-	5.0%p

Note) Sum of IFRS standard LLA and reserves for credit losses, excluding those for contingent acceptances & guarantees and unused credit lines

3. Shinhan Card

1) Card Member

Shinhan Card experienced a decline in number of cardholders as a new regulation to automatically delist dormant customers became effective in the second half of 2013. Nonetheless, Shinhan Card still retains the largest customer base with 12.5 million active members (21.2 million including debit card customers) as our efforts to recruit new members and reduce churn have been successful.

In addition, the company has leveraged its Code9 branding and big data analyses to conduct catered marketing activities and develop new card products and services that fit customers' needs. These efforts resulted in an increase in both credit card and debit card holders. In 2014, the average number of users was 9.88 million, up by 60,000 from last year's 9.82 million.

2) Earning Assets

In 2014, Shinhan Card's transaction volume increased slightly despite adverse impacts from slowing economic growth and regulations on financial products. Credit sales increased by 3.8% from the previous year. Cash advance volume declined by 5.0% from last year as the segment contracted; however, we were able to offset it with a 5.0% growth in card loans. In aggregate, earning assets grew 4.7% from last year.

By segment, assets from auto leasing and financing, fueled by burgeoning imported car market, grew significantly and increased its proportion by 1.7% to reach 12.1%. Meanwhile, cash advance contracted as transaction volume fell.

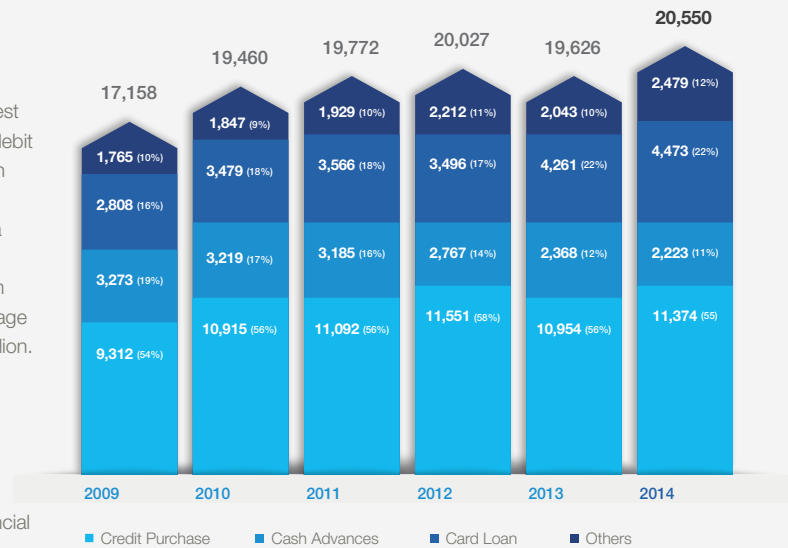
Product Asset Portfolio

Unit: KRW in billions

Category	2014	2013	Chg Amt	Chg %
Earning Assets (Managed)	20,550	19,626	924	4.7%
Credit Purchase	11,374	10,954	420	3.8%
Cash Advances	2,223	2,368	-145	-6.1%
Card Loan	4,473	4,261	212	5.0%
(Re-aged Loan)	237	225	12	5.3%
Installment Finance	1,599	1,213	386	31.9%
Lease	880	830	50	6.0%

Earning Asset Breakdown by Product

Unit: KRW in billions



3) Asset Quality

Total sales and write-offs during 2014 totaled KRW 508.1 billion, a decline of KRW 186.3 billion from the previous year. There was a base effect from proactive sales and write-off on non-performing loans performed in 2013 such as the sales of bad debt related to 'Public Happiness Fund' and 'personal rehabilitation.' As a result, there was slight deterioration in asset quality indicators such as delinquency ratio of 1.89%, NPL ratio of 1.67% and NPL coverage ratio of 300%. However, considering the current environment where household debt is steadily increasing, Shinhan Card is maintaining its asset quality at a stable level.

Delinquency Ratio

■ 1 month overdue Delinquency
Unit: %



Management's Discussion and Analysis

NPL Ratio & NPL Coverage Ratio

Type	2009	2010	2011	2012	2013	2014
NPL Coverage Ratio	187.5%	234.2%	234.4%	253.9%	322.6%	300.3%
Allowance for bad debt	829	740	795	1,093	971	1,030
Substandard and Below	442	316	339	431	301	343
NPL Ratio	2.6%	1.6%	1.7%	2.2%	1.5%	1.7%

4. Shinhan Investment Corp.

Condensed Balance Sheet of Shinhan Investment Corp.

Unit: KRW in billions

Category	2014	2013	Chg Amt	Chg %
Assets				
Cash and Deposit	3,361	3,198	164	5.1%
Securities	19,137	12,939	6,197	47.9%
(Trading securities)	16,410	10,546	5,864	55.6%
Derivatives	227	226	0	0.2%
Loans	1,476	1,375	101	7.3%
(Broker's loans)	957	751	206	27.4%
Tangible fixed assets	126	118	7	6.0%
Other assets	1,603	1,241	362	29.1%
Total Assets	25,928	19,098	6,831	35.8%
Liabilities				
Deposits	1,100	790	311	39.3%
(Customers' deposits)	1,092	781	311	39.8%
Borrowings	20,798	14,589	6,209	42.6%
(Call money)	866	1,035	-169	-16.3%
(Borrowings)	927	709	218	30.7%
(Bonds sold under repurchase agreements)	7,340	6,059	1,280	21.1%
(Derivatives-combined securities sold)	8,992	5,910	3,081	52.1%
Other liabilities	1,700	1,483	217	14.6%
Total Liabilities	23,598	16,862	6,736	39.9%
Total Stockholder's equity	2,330	2,236	94	4.2%
Total Liabilities & Stockholder's equity	25,928	19,098	6,831	35.8%

At the end of 2014, Shinhan Investment Corp.'s total assets stood at KRW 25.9 trillion. Securities amounted to KRW 19.1 trillion (73.8% of total assets) while cash and deposits totaled KRW 3.4 trillion (13.0% of total assets). Total assets showed an increase of 35.8% from last year as securities increased by 47.9%. 91% of the growth in securities is from an increase in fixed income, where there was a significant increase in assets under management from RP, retirement pension, ELS and ARS product sales.

Loan balance was KRW 1.5 trillion at the end of 2014, indicating an increase of 7.3% from the previous year. This was mainly driven by an increase in customer credit. Total liabilities rose by 39.9% and reached KRW 23.6 trillion by year-end. The rise was primarily driven by a growth in financial product sales, which resulted in the growth in RP balance and sales of derivatives-stapled securities. RP balance grew 21.1%, from KRW 6.1 trillion at the end

of 2013 to KRW 7.3 trillion at the end of 2014. Similarly, derivatives-stapled securities grew from KRW 5.9 trillion to KRW 9.0 trillion (a 52.1% increase) during the same period.

Total shareholders' equity rose to KRW 2.3 trillion (4.2% increase from 2013), attributed to net income growth.

FUNDING

1. Shinhan Bank

There was an increase in time deposits by KRW 2.9 trillion, as customers continued to favor safe haven assets. Furthermore, there was a significant increase in low cost deposits as market liquidity boosted corporate and government deposits. Particularly, low cost deposits from retail and SOHO customers increased significantly due to continued efforts to convince people use Shinhan Bank accounts as their primary accounts for salary and/or settlements. As a result, deposits grew by KRW 12.8 trillion. This also allowed the bank to reduce debenture issuance by KRW 1.1 trillion, which is on a downward trend since the introduction of the loan-to-deposit ratio regulation post the global financial crisis.

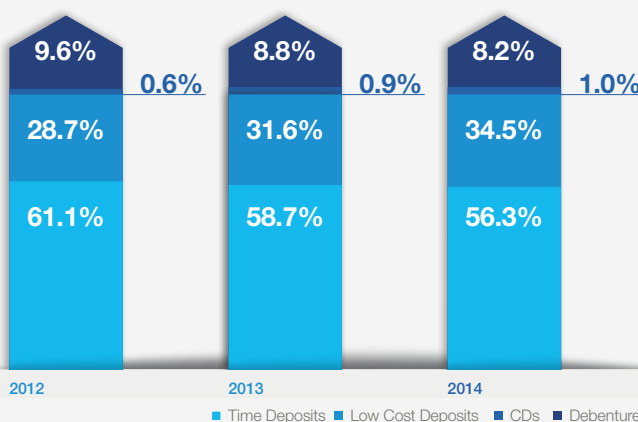
Loan-to-deposit ratio stood at 98.0%, a 48 bps decline from 2013 year end. We are maintaining it at a stable level against the regulated ratio of 100%.

Deposits and Debentures

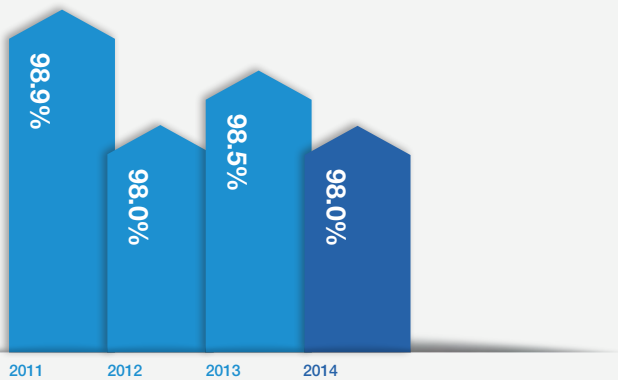
Unit: KRW in billions

	2014.12	2013.12	Chg Amt	Chg %
Deposits in Won	163,321.9	150,479.4	12,842.5	8.5%
Low Cost Deposits	62,012.9	52,697.0	9,315.9	17.7%
Time Deposits	92,519.1	89,641.7	2,877.5	3.2%
Installment Deposits	8,789.9	8,140.7	649.1	8.0%
CDs	1,872.9	1,475.6	397.2	26.9%
Debentures In KRW	14,643.7	15,722.2	-1,078.5	-6.9%

Funding Composition



Loan to Deposit Ratio



2. Shinhan Card

Shinhan Card funds necessary capital through various sources such as corporate debentures, ABS and CP issuance. At the end of 2014, debt balance stood at KRW 12.5 trillion, showing a 3.8% increase from KRW 12.1 trillion at the end of 2013.

In 2014, Shinhan Card maintained its funding stability by securing 75% of the funding from corporate debentures issuances, as favorable market conditions and ample liquidity persisted.

Funding Composition

	Debentures	ABS	CP	Others
2014	75%	16%	4%	5%
2013	72%	13%	8%	7%

Debt Maturity Profile

	Less than 1 year	1-2 years	Greater than 2 years
2014	28%	26%	46%
2013	25%	29%	46%

CAPITAL MANAGEMENT

1. Shinhan Financial Group

The Group's BIS ratio under Basel III was 13.05% at the end of 2014, down by 0.38%p from the previous year. On the other hand, Common Equity Tier 1 (CET 1) ratio stood at 10.40% at year end, up by 0.37%p from last year.

Despite an increase in dividends by KRW 140 billion, common equity increased by KRW 1.6 trillion as retained earnings (excluding reserve for credit losses) increased by KRW 1.7 trillion. Fueled by an 8.6% increase in total assets on a consolidated basis, total risk-weighted assets grew by KRW 8.1 trillion which resulted in a 37 bps increase in Common Equity Tier 1 ratio. Looking at the subsidiary level, risk-weighted assets at Shinhan Bank and Shinhan Investment Corp. each increased by KRW 6.4 trillion and 4.3 trillion, whereas risk-weighted assets for Shinhan Card decreased by KRW 0.7 trillion. Tier 1 ratio only declined by 14 bps from 2013 year end, as the redemption of Shinhan Bank's hybrid capital securities limited capital increased to only KRW 0.6 trillion.

From Shinhan Bank's repayment of its subordinated debt, the Group's supplementary capital decreased by KRW 0.3 trillion. As a result, supplementary capital ratio stood at 1.89%, down by 24bps from last year.

SFG currently exceeds the regulatory requirement level of BIS ratio (13.0%) and CET 1 ratio (10.4%) that it is obliged to adhere to by early 2019. However, SFG expects a meaningful rise in regulatory requirements from upcoming new regulations such as a countercyclical buffer and required capital for D-SIB (Domestic Systemically Important Bank). As such, SFG will continue to focus on maintaining a stable BIS ratio by remaining highly profitable while managing stable level of risk-weighted assets.

Group BIS Ratio

Unit: KRW in billions

	2014.12	2013.12	Chg Amt	Chg %
Risk-Weighted Assets	198,832.9	190,716.6	8,116.2	4.3%
Capital	25,938.0	25,605.8	332.1	1.3%
CET 1	20,679.0	19,119.6	1,559.4	8.2%
Tier 1	22,174.4	21,538.4	636.0	3.0%
BIS Ratio	13.05%	13.43%		-0.38%p
CET 1	10.40%	10.03%		0.37%p
Tier 1	11.15%	11.29%		-0.14%p

2. Shinhan Bank

For 2014, the BIS ratio under Basel III stood at 15.43%, 0.86%p lower than 2013 while the CET 1 ratio rose by 0.05%p to 12.53%.

During 2014, retained earnings (excluding reserves for credit losses) and dividends increased by KRW 1.0 trillion and KRW 90 billion, respectively. As a result, common equity rose by KRW 0.9 trillion. However, as impacted by the increase in risk-weighted assets by KRW 6.4 trillion from significant asset growth, the growth in CET 1 ratio was capped at 5 bps.

Tier 1 ratio was dropped by 60 bps, as Tier 1 capital declined by KRW 0.8 trillion from a KRW 1 trillion repayment in hybrid capital securities. Supplementary capital ratio also declined by 25 bps, as a KRW 2.2 trillion subordinated debt repayment led to a KRW 240 billion decrease in supplementary capital.

Management's Discussion and Analysis

Shinhan Bank BIS Ratio

Unit: KRW in billions

	2014.12	2013.12	Chg Amt	Chg %
Risk-Weighted Assets	135,714.8	129,276.7	6,438.1	5.0%
Capital	20,947.4	21,057.1	-109.7	-0.5%
CET 1	16,999.5	16,130.4	869.2	5.4%
Tier 1	18,101.8	18,021.4	80.4	0.4%
BIS Ratio	15.43%	16.29%		-0.86%p
CET 1	12.53%	12.48%		0.05%p
Tier 1	13.34%	13.94%		-0.60%p

3. Shinhan Card

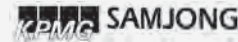
As of the end of 2014, Shinhan Card had KRW 6.3 trillion of adjusted equity capital with 29.7% capital adequacy ratio (CAR). CAR has been maintained above the 20% level since the beginning of the consolidated Shinhan Card, which is a significant feat that was possible due to strong net income generation throughout the past several years. In the future, Shinhan Card will continue to focus on maintaining an adequate capital ratio.

Unit: KRW in trillions

	2014.12	2013.12	2012.12
Adjusted Equity Capital Ratio	29.7%	30.4%	27.4%
Adjusted Total assets	21.2	20.5	21.2

Independent Auditors' Report

Based on a report originally issued in Korean



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**The Board of Directors and Stockholders
Shinhan Financial Group Co., Ltd. :**

We have audited the accompanying consolidated financial statements of Shinhan Financial Group Co., Ltd. and its subsidiaries (collectively the "Group"), which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2014 and 2013 and of its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

Other matters

The accompanying consolidated statement of financial position of the Group as of December 31, 2013, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, were audited by us in accordance with the previous auditing standards generally accepted in the Republic of Korea.

The procedures and practices utilized in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries.

KPMG Samjong Accounting Corp.
Seoul, Korea
March 10, 2015

This report is effective as of March 10, 2015, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

Consolidated Statements of Financial Position

As of December 31, 2014 and 2013

In millions of won

	Notes	2014	2013 (Restated see note 48)
Assets			
Cash and due from banks	4,8,20	₩ 20,584,838	16,472,509
Trading assets	4,9,20	24,362,176	18,033,298
Financial assets designated at fair value through profit or loss	4,10,20	2,737,375	3,360,765
Derivative assets	4,11	1,568,307	1,717,468
Loans, net	4,12,20	221,617,689	205,722,718
Available-for-sale financial assets	4,13,20,48	31,418,014	33,596,567
Held-to-maturity financial assets	4,13,20	13,373,384	11,031,307
Property and equipment, net	14,20	3,147,255	3,214,303
Intangible assets, net	15	4,152,843	4,226,378
Investments in associates	16	341,876	328,567
Current tax receivable		10,643	6,184
Deferred tax assets	42,48	228,356	196,410
Investment property, net	17	267,529	690,257
Other assets, net	4,18,48	14,202,627	12,451,007
Assets held for sale		8,892	242,815
Total assets		₩ 338,021,804	311,290,553
Liabilities			
Deposits	4,21	₩ 193,709,738	178,809,881
Trading liabilities	4,22	2,688,734	1,258,283
Financial liabilities designated at fair value through profit or loss	4,23	8,996,181	5,909,130
Derivative liabilities	4,11,48	1,717,555	2,019,395
Borrowings	4,24	22,973,767	20,142,908
Debt securities issued	4,25	37,334,612	37,491,439
Liability for defined benefit obligations	26	309,457	117,655
Provisions	27	694,165	750,283
Current tax payable		256,993	239,174
Deferred tax liabilities	42	9,549	14,625
Liabilities under insurance contracts	28,48	17,776,280	15,661,827
Other liabilities	4,29	21,039,865	19,020,815
Total liabilities		₩ 307,506,896	281,435,415
Equity			
Capital stock	30	₩ 2,645,053	2,645,053
Other equity instrument		537,443	537,443
Capital surplus		9,887,335	9,887,335
Capital adjustments		(393,405)	(393,128)
Accumulated other comprehensive income	48	637,894	672,967
Retained earnings	48	15,869,779	14,188,480
Total equity attributable to equity holders of Shinhan Financial Group		29,184,099	27,538,150
Non-controlling interests	30	1,330,809	2,316,988
Total equity		30,514,908	29,855,138
Total liabilities and equity		₩ 338,021,804	311,290,553

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2014 and 2013

In millions of won

	Notes	2014	2013 (Restated see note 48)
Interest income		₩ 12,060,507	12,591,322
Interest expense		(5,270,707)	(5,986,438)
Net interest income	32,48	6,789,800	6,604,884
Fees and commission income		3,560,500	3,489,668
Fees and commission expense		(2,091,342)	(2,103,313)
Net fees and commission income	33	1,469,158	1,386,355
Insurance income		4,221,120	4,230,013
Insurance expenses		(4,634,320)	(4,612,791)
Net insurance loss	28,48	(413,200)	(382,778)
Dividend income	34,48	175,798	155,984
Net trading income	35,48	262,492	74,912
Net foreign currency transaction gain		223,718	296,187
Net loss on financial instruments designated at fair value through profit or loss	36	(360,972)	122,020
Net gain on disposal of available-for-sale financial assets	13	680,931	700,609
Impairment losses on financial assets	37	(1,174,379)	(1,339,897)
General and administrative expenses	38	(4,462,883)	(4,202,550)
Other operating expenses, net	40	(535,653)	(539,687)
Operating income		2,654,810	2,631,999
Equity in income of associates	16	30,580	7,286
Other non-operating income(loss), net	41	182,186	37,268
Profit before income taxes		2,867,576	2,676,553
Income tax expense	42,48	667,965	621,214
Profit for the year	30,43,48	₩ 2,199,611	2,055,339
Other comprehensive income (loss) for the year, net of income tax			
Items that are or may be reclassified to profit or loss :			
Foreign currency translation adjustments for foreign operations		₩ (12,868)	(57,845)
Net change in unrealized fair value of available-for-sale financial assets		135,908	(268,943)
Equity in other comprehensive income of associates		6,255	(4,811)
Net change in unrealized fair value of cash flow hedges		(16,378)	6,089
Other comprehensive income (loss) of separate account		5,820	(1,829)
		118,737	(327,339)
Items that will never be reclassified to profit or loss :			
Remeasurements of the defined benefit liability		(154,416)	18,599
Total other comprehensive loss, net of income tax	30,48	(35,679)	(308,740)
Total comprehensive income for the year		₩ 2,163,932	1,746,599
Net income attributable to:			
Equity holders of Shinhan Financial Group Co., Ltd.	30,43,48	₩ 2,081,110	1,898,577
Non-controlling interest		118,501	156,762
		₩ 2,199,611	2,055,339
Total comprehensive income attributable to:			
Equity holders of Shinhan Financial Group Co., Ltd.	48	₩ 2,046,037	1,591,423
Non-controlling interest		117,895	155,176
		₩ 2,163,932	1,746,599
Earnings per share:	30,43,48		
Basic and diluted earnings per share in won		₩ 4,195	₩ 3,810

See accompanying notes to the consolidated financial statements

Consolidated Statements of Changes in Equity

For the year ended December 31, 2013 (Restated, see note 48)

In millions of won

	Equity attributable to equity holders of Shinhan Financial Group Co., Ltd.							Non-controlling interests	Total
	Capital stock	Hybrid bonds	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Sub-total		
Balance at January 1, 2013	₩ 2,645,053	537,443	9,887,199	(393,097)	980,121	12,715,172	26,371,891	2,541,253	28,913,144
Effect of prior period misstatement	-	-	-	-	-	(1,452)	(1,452)	-	(1,452)
Balance at January 1, 2013 (restated)	2,645,053	537,443	9,887,199	(393,097)	980,121	12,713,720	26,370,439	2,541,253	28,911,692
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	1,898,577	1,898,577	156,762	2,055,339
Other comprehensive income (loss), net of income tax:									
Foreign currency translation adjustments	-	-	-	-	(57,825)	-	(57,825)	(20)	(57,845)
Net change in unrealized fair value of available-for-sale financial assets	-	-	-	-	(267,694)	-	(267,694)	(1,249)	(268,943)
Equity in other comprehensive income of associates	-	-	-	-	(4,811)	-	(4,811)	-	(4,811)
Net change in unrealized fair value of cash flow hedges	-	-	-	-	6,089	-	6,089	-	6,089
Other comprehensive income of separate account	-	-	-	-	(1,829)	-	(1,829)	-	(1,829)
Remeasurements of defined benefit plans	-	-	-	-	18,916	-	18,916	(317)	18,599
Total other comprehensive income (loss)	-	-	-	-	(307,154)	-	(307,154)	1,586	(308,740)
Total comprehensive income	-	-	-	-	(307,154)	1,898,577	1,591,423	155,176	1,746,599
Other changes in equity									
Dividends	-	-	-	-	-	(393,878)	(393,878)	-	(393,878)
Dividends to hybrid bonds	-	-	-	-	-	(29,939)	(29,939)	-	(29,939)
Change in other capital surplus	-	-	136	-	-	-	136	-	136
Change in other capital adjustments	-	-	-	(31)	-	-	(31)	-	(31)
Redemption of subsidiary's hybrid bonds and others	-	-	-	-	-	-	-	(379,441)	(379,441)
	-	-	136	(31)	-	(423,817)	(423,713)	(379,441)	(803,153)
Balance at December 31, 2013 (restated)	₩ 2,645,053	537,443	9,887,335	(393,128)	672,967	14,188,480	27,538,150	2,316,988	29,855,138

See accompanying notes to the consolidated financial statements

For the year ended December 31, 2014

In millions of won

	Equity attributable to equity holders of Shinhan Financial Group Co., Ltd.							Non-controlling interests	Total
	Capital stock	Hybrid bonds	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Sub-total		
Balance at January 1, 2014	₩ 2,645,053	537,443	9,887,335	(393,097)	671,807	14,194,163	27,542,673	2,316,988	29,859,661
Change in accounting policy	-	-	-	-	1,160	(1,611)	(451)	-	(451)
Effect of prior period misstatement	-	-	-	-	-	(4,072)	(4,072)	-	(4,072)
Balance at January 1, 2014 (restated)	2,645,053	537,443	9,887,335	(393,097)	672,967	14,188,480	27,538,150	2,316,988	29,855,138
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	2,081,110	2,081,110	118,501	2,199,611
Other comprehensive income (loss), net of income tax:									
Foreign currency translation adjustments	-	-	-	-	(11,984)	-	(11,984)	(884)	(12,868)
Net change in unrealized fair value of available-for-sale financial assets	-	-	-	-	134,507	-	134,507	1,401	135,908
Equity in other comprehensive income of associates	-	-	-	-	6,255	-	6,255	-	6,255
Net change in unrealized fair value of cash flow hedges	-	-	-	-	(16,378)	-	(16,378)	-	(16,378)
Other comprehensive income of separate account	-	-	-	-	5,820	-	5,820	-	5,820
Remeasurements of defined benefit plans	-	-	-	-	(153,293)	-	(153,293)	(1,123)	(154,416)
Total other comprehensive income (loss)	-	-	-	-	(35,073)	-	(35,073)	(606)	(35,679)
Total comprehensive income	-	-	-	-	(35,073)	2,081,110	2,046,037	117,895	2,163,932
Other changes in equity									
Dividends	-	-	-	-	-	(370,168)	(370,168)	-	(370,168)
Dividends to hybrid bonds	-	-	-	-	-	(29,940)	(29,940)	-	(29,940)
Change in other capital adjustments	-	-	-	(277)	-	-	(277)	-	(277)
Change in other retained earnings	-	-	-	-	-	297	297	-	297
Redemption of subsidiary's hybrid bonds and others	-	-	-	-	-	-	-	(1,104,074)	(1,104,074)
	-	-	-	(277)	-	(399,811)	(400,088)	(1,104,074)	(1,504,162)
Balance at December 31, 2014	₩ 2,645,053	537,443	9,887,335	(393,405)	637,894	15,869,779	29,184,099	1,330,809	30,514,908

See accompanying notes to the consolidated financial statements

Consolidated Statements of Cash Flows

For the years ended December 31, 2014 and 2013

In millions of won

	Notes	2014	2013 (Restated see note 48)
Cash flows from operating activities			
Profit before income taxes		₩ 2,867,576	2,676,553
Adjustments for:			
Interest income	32	(12,060,507)	(12,591,322)
Interest expense	32	5,270,707	5,986,438
Dividend income	34	(175,798)	(155,984)
Net fees and commission expense		166,204	82,410
Net insurance loss	28	2,583,739	2,764,340
Net trading loss (gain)	35	151,525	227,976
Net foreign currency translation loss (gain)		31,356	(2,520)
Net loss (gain) on financial assets designated at fair value through profit or loss	36	117,137	(177,645)
Net gain on disposal of available-for-sale financial assets	13	(680,931)	(700,609)
Provision for credit losses	12	944,429	1,124,927
Impairment losses on other financial assets		229,951	214,970
Employee costs		143,330	80,600
Depreciation and amortization	38	312,966	319,730
Other operating loss (income)		(213,139)	61,074
Equity method income, net	16	(30,580)	(7,286)
Other non-operating loss (income), net		(117,933)	15,510
		(3,327,544)	(2,757,391)
Changes in assets and liabilities:			
Due from banks		(4,542,186)	(1,954,448)
Trading assets and liabilities		(4,711,789)	(1,305,364)
Financial instruments designated at fair value through profit or loss		3,593,303	396,252
Derivative instruments		(261,032)	23,171
Loans		(16,978,229)	(7,444,790)
Other assets		(2,012,074)	(65,799)
Deposits		14,994,221	5,825,422
Liabilities for defined benefit obligations	26	(141,614)	(140,462)
Provisions	27	(128,531)	(105,796)
Other liabilities		3,079,941	(2,315,596)
		(7,107,990)	(7,087,410)
Income taxes paid		(667,784)	(695,725)
Interest received		11,732,050	12,499,754
Interest paid		(5,789,333)	(5,891,494)
Dividends received		212,381	156,196
Net cash used in operating activities		₩ (2,080,644)	(1,099,517)

See accompanying notes to the consolidated financial statements.

In millions of won

	Notes	2014	2013 (Restated see note 48)
Cash flows from operating activities			
Proceeds from disposal of financial assets designated at fair value through profit or loss		₩ -	57,833
Acquisition of financial assets designated at fair value through profit or loss		-	(7,937)
Proceeds from disposal of available-for-sale financial assets		32,886,606	29,917,886
Acquisition of available-for-sale financial assets		(30,227,793)	(26,999,720)
Proceeds from redemption of held-to-maturity financial assets		2,667,782	2,393,951
Acquisition of held-to-maturity financial assets		(4,959,391)	(1,806,589)
Proceeds from disposal of property and equipment	14,41	32,377	29,021
Acquisition of property and equipment	14	(182,130)	(294,003)
Proceeds from disposal of intangible assets	15,41	10,275	8,097
Acquisition of intangible assets	15	(62,984)	(154,407)
Proceeds from disposal of investments in associates		77,592	27,466
Acquisition of investments in associates		(61,289)	(55,389)
Proceeds from disposal of investment property	17,41	676,496	38,085
Acquisition of investment property	17	(1,037)	(234,432)
Proceeds from disposal of assets held for sale		232,365	49,185
Net decrease (increase) in other assets		(128,080)	39,509
Proceeds from settlement of hedging derivative financial instruments for available-for-sale financial assets		-	2,073
Business combination, net of cash acquired	45	-	385,291
Net cash used in operating activities		960,789	3,395,920
Cash flows from operating activities			
Proceeds from borrowings		30,493,012	21,665,428
Repayments of borrowings		(27,895,195)	(21,142,955)
Proceeds from debt securities issued		10,262,773	10,338,560
Repayments of debt securities issued		(10,619,073)	(11,352,135)
Net increase (decrease) in other liabilities		(28,842)	31,893
Dividends paid		(399,791)	(424,014)
Payment of hedging derivative financial instruments for debt securities issued		(20,980)	(24,292)
Redemption of subsidiary's hybrid bonds and others		(1,105,051)	(379,441)
Net cash used in operating activities		686,853	(1,286,956)
Effect of exchange rate fluctuations on cash and cash equivalents held		16,237	3,964
Increase (decrease) in cash and cash equivalents		(416,765)	1,013,411
Cash and cash equivalents at beginning of period	45	6,021,176	5,007,765
Cash and cash equivalents at end of period	45	₩ 5,604,411	6,021,176

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

December 31, 2014 and 2013

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", or "Parent Company") 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, 2014 and 2013 are as follows:

In millions of won

Investor	Investee (*1)	Location	Date of financial information	Ownership (%)	
				2014	2013
Shinhan Financial Group	Shinhan Bank	Korea	December 31	100.0	100.0
"	Shinhan Card Co., Ltd.	"	"	100.0	100.0
"	Shinhan Investment Corp.	"	"	100.0	100.0
"	Shinhan Life Insurance Co., Ltd.	"	"	100.0	100.0
"	Shinhan Capital Co., Ltd.	"	"	100.0	100.0
"	Jeju Bank	"	"	68.9	68.9
"	Shinhan Credit Information Co., Ltd.	"	"	100.0	100.0
"	Shinhan Private Equity	"	"	100.0	100.0
"	Shinhan BNP Paribas AMC	"	"	65.0	65.0
"	SHC Management Co., Ltd.	"	"	100.0	100.0
"	Shinhan Data system	"	"	100.0	100.0
"	Shinhan Savings Bank	"	"	100.0	100.0
"	Shinhan Aitas Co., Ltd.	"	"	99.8	99.8
Shinhan Bank	Shinhan Asia Limited	Hong Kong	"	99.9	99.9
"	Shinhan Bank America	USA	"	100.0	100.0
"	Shinhan Europe GmbH	Germany	"	100.0	100.0
"	Shinhan Khmer Bank (*2)	Cambodia	"	90.0	90.0
"	Shinhan Kazakhstan Bank	Kazakhstan	"	100.0	100.0
"	Shinhan Canada Bank	Canada	"	100.0	100.0
"	Shinhan China Limited	China	"	100.0	100.0
"	SBJ Bank	Japan	"	100.0	100.0
"	Shinhan Bank Vietnam	Vietnam	"	100.0	100.0
Shinhan Card Co., Ltd.	LLP MFO Shinhan Card kazakhstan	Kazakhstan	"	100.0	-
Shinhan Investment Corp.	Shinhan Investment Corp. America Inc.	USA	"	100.0	100.0
"	Shinhan Investment Corp. Asia Ltd.	Hong Kong	"	100.0	100.0
Shinhan Private Equity	HKC&T Co., Ltd.	Korea	September 30	100.0	100.0
"	Everdigm, Corp.	"	"	45.2	45.2
Shinhan BNP Paribas AMC	Shinhan BNP Asset Mgt HK Ltd.	Hong Kong	December 31	100.0	100.0

(*1) Subsidiaries such as trust, beneficiary certificate, corporate restructuring fund and private equity fund which are not actually operating their own business are excluded.

(*2) Shinhan Savings Bank's interest of 3.3% in Shinhan Khmer Bank is not included.

(c) Consolidated structured entities

Consolidated structured entities are as follows:

Category	Consolidated structured entities	Description
Trust	19 trusts managed by Shinhan Bank including development trust	A trust is consolidated when the Group as a trustee is exposed to variable returns, for example, if principle or interest amounts of the entrusted properties falls below guaranteed amount, the Group should compensate it; and the Group has the ability to affect those returns.
Asset-Backed Securitization	MPC Yulchon Green I and 30 others	An entity for asset backed securitization is consolidated when the Group has the ability to dispose assets or change the conditions of the assets, is exposed to variable returns and has the ability to affect the variable returns providing credit enhancement and purchases of subordinated securities.
Structured Financing	SHPE Holdings One Co., Ltd. and 3 others	An entity established for structured financing relating to real estate, shipping, or mergers and acquisitions is consolidated, when the Group has granted credit to the entity, has sole decision-making authority of these entities due to the entities default, and is exposed to, or has rights to related variable returns.
Investment Fund	KoFC Shinhan Frontier Champ 2010-4 PEF and 46 others	An investment fund is consolidated, when the Group manages or invests assets of the investment funds on behalf of other investors, or has the ability to dismiss the manager of the investment funds, and is exposed to, or has rights to, the variable returns.

(*1) Subsidiaries such as trust, beneficiary certificate, corporate restructuring fund and private equity fund which are not actually operating their own business are excluded.

(*2) Shinhan Savings Bank's interest of 3.3% in Shinhan Khmer Bank is not included.

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 Audit of Stock Companies in the Republic of Korea.

The consolidated financial statements were authorized for issue by the Board of Directors on February 4, 2015, which will be submitted for approval to the shareholders' meeting to be held on March 25, 2015.

(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
- financial liabilities designated as hedged items in a fair value hedge accounting of which changes in fair value attributable to the hedged risk are recognized in profit or loss
- liabilities for defined benefit plans that are recognized at the net of the total present value of defined benefit obligations less the fair value of plan assets

(c) Functional and presentation currency

The financial statements of the parent and each subsidiary are prepared in functional currency of the respective operation. These consolidated financial statements are presented in Korean won, which is the Parent Company's functional currency and the currency of the primary economic environment in which the Group operates.

Notes to the Consolidated Financial Statements

December 31, 2014 and 2013

(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.

(e) Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies set out in Note 3 to all periods presented in these consolidated financial statements.

The Group has adopted the following amendments to standards and new interpretation with a date of initial application of January 1, 2014.

i) Offsetting Financial Assets and Financial Liabilities (Amendments to K-IFRS No. 1032)

The Group has adopted amendments to K-IFRS No.1032, 'Offsetting Financial Assets and Financial Liabilities' since January 1, 2014. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'. According to the amendments, the right to set off should not be contingent on a future event, and legally enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendments also state that some gross settlement systems would be considered equivalent to net settlement if they eliminate or result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process or cycle. The amendments do not have significant effects on the Group's consolidated financial statements.

ii) K-IFRS No.2121, 'Levies'

The Group has adopted K-IFRS No.2121, 'Levies' since January 1, 2014. K-IFRS No. 2121 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The new interpretation does not have significant effects on the Group's consolidated financial statements.

iii) Classification of hybrid financial instruments by the holder

The Group had previously classified its investments in hybrid financial instruments as investments in equity securities from the holder's perspective. In 2014, the Group has determined that the host contract of a hybrid financial instruments can be classified as either equity or debt instruments based on the interpretation letter issued by Korea Accounting Institute. The Group reclassified hybrid bonds, of which total of face value is W130 billion as of December 31, 2014, held for investment purposes by Shinhan Life Insurance from equity securities to debt securities because the purpose of investment by Shinhan Life Insurance was to invest in debt securities for asset-liability management purpose. The Group has applied the changes in accounting policy retrospectively and restated the comparative prior year financial statements and the relevant disclosures in notes to the consolidated financial statements. See note 48 for the effect of the change in accounting policy.

3. Significant accounting policies

The significant accounting policies applied by the Group in preparation of its consolidated financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements except for the changes in accounting policies as explained in Note 2 (e).

(a) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The Group has reportable segments which consist of banking, credit card, securities, life insurance, and others.

(b) Basis of consolidation

i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

If a member of the Group uses accounting policies other than those adopted in the consolidated financial statements for the same transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

ii) Structured entity

The Group establishes or invests in various structured entities. A structured entity is an entity designed so that its activities are not governed by way of voting rights. When assessing control of a structured entity, the Group considers factors such as the purpose and the design of the investee; its practical ability to direct the relevant activities of the investee; the nature of its relationship with the investee; and the size of its exposure to the variability of returns of the investee. The Group does not recognize any noncontrolling interests in the consolidated statements of financial position since the Group's interests in these entities are recognized as liabilities of the Group.

iii) Intra-group transactions

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Intra-group losses are recognized as expense if intra-group losses indicate an impairment that requires recognition in the consolidated financial statements.

iv) Non-controlling interests

Non-controlling interests in a subsidiary are accounted for separately from the parent's ownership interests in a subsidiary. Each component of net profit or loss and other comprehensive income is attributed to the owners of the parent and non-controlling interest holders, even when the allocation reduces the noncontrolling interest balance below zero.

(c) Business combinations

i) Business combinations

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control.

Each identifiable asset and liability is measured at its acquisition-date fair value except for below:

- Leases and insurance contracts are required to be classified on the basis of the contractual terms and other factors
- Only those contingent liabilities assumed in a business combination that are a present obligation and can be measured reliably are recognized
- Deferred tax assets or liabilities are recognized and measured in accordance with K-IFRS No.1012 Income Taxes
- Employee benefit arrangements are recognized and measured in accordance with K-IFRS No.1019 Employee Benefits
- Indemnification assets are recognized and measured on the same basis as the indemnified liability or asset
- Reacquired rights are measured on the basis of the remaining contractual terms of the related contract
- Liabilities or equity instruments related to share-based payment transactions are measured in accordance with the method in K-IFRS No.1102 Share-based Payment
- Assets held for sale are measured at fair value less costs to sell in accordance with K-IFRS No.1105 Non-current Assets Held for Sale

As of the acquisition date, non-controlling interests in the acquiree are measured as the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer. However, any portion of the acquirer's share-based payment awards exchanged for awards held by the acquiree's employees that are included in consideration transferred in the business combination shall be measured in accordance with the method described above rather than at fair value.

Acquisition-related costs are costs the acquirer incurs to effect a business combination. Those costs include finder's fees; advisory, legal, accounting, valuation and other professional or consulting fees; general administrative costs, including the costs of maintaining an internal acquisitions department; and costs of registering and issuing debt and equity securities. Acquisition-related costs, other than those associated with the issue of debt or equity securities, are expensed in the periods in which the costs are incurred and the services are received. The costs to issue debt or equity securities are recognized in accordance with K-IFRS No.1032 Financial Instruments: Presentation and K-IFRS No.1039 Financial Instruments: Recognition and Measurement.

ii) Goodwill

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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When the excess is negative, bargain purchase gain is recognized immediately in profit or loss.

When the Group additionally acquires non-controlling interest, the Group does not recognize goodwill since the transaction is regarded as equity transaction.

(d) Investments in associates and joint ventures

An associate is an entity in which the Group has significant influence, but not control, over the entity's financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity or when another entity is classified as a subsidiary by the Banking Act since the Group holds more than 15% of the voting power of another entity.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The investment in an associate and a joint venture is initially recognized at cost, and the carrying amount is increased or decreased to recognize the Group's share of the profit or loss and changes in equity of the associate and the joint venture after the date of acquisition. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Intra-group losses are recognized as expense if intra-group losses indicate an impairment that requires recognition in the consolidated financial statements.

If an associate or a joint venture uses accounting policies different from those of the Group for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in applying the equity method.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has to make payments on behalf of the investee for further losses.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and demand deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(f) Non-derivative financial assets

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

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

i) Financial assets at fair value through profit or loss

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a recognition or measurement inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives that would be required to be separated from the host contract.

ii) Held-to-maturity financial assets

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

iii) Loans and receivables

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

iv) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, held-to-maturity investments or loans and receivables. Subsequent to initial recognition, they are measured at fair value, which changes in fair value, net of any tax effect, recorded in other comprehensive income in equity. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost.

v) De-recognition of financial assets

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

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

vi) Offsetting between financial assets and financial liabilities

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

(g) Derivative financial instruments including hedge accounting

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

i) Hedge accounting

The Group holds forward exchange contracts, interest rate swaps, currency swaps and other derivative contracts to manage interest rate risk and foreign exchange risk. The Group designated derivatives as hedging instruments to hedge the risk of changes in the fair value of assets, liabilities or firm commitments (a fair value hedge) and foreign currency risk of highly probable forecasted transactions or firm commitments (a cash flow hedge).

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship.

· **Fair value hedge** – Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognized in profit or loss. The gain or loss from remeasuring the hedging instrument at fair value for a derivative hedging instrument and the gain or loss on the hedged item attributable to the hedged risk are recognized in profit or loss in the same line item of the consolidated statement of comprehensive income. The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, or if the hedge no longer meets the criteria for hedge accounting. Any adjustment arising from gain or loss on the hedged item attributable to the hedged risk is amortized to profit or loss from the date the hedge accounting is discontinued.

· **Cash flow hedge** – When a derivative is designated to hedge the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income, net of tax, and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income is reclassified to profit or loss in the periods during which the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or loss.

· **Hedge of net investment** – Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognized in other comprehensive income to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognized in profit or loss. When the hedged part of a net investment is disposed of, the relevant amount in the accumulated other comprehensive income is transferred to profit or loss as part of the profit or loss on disposal in accordance with K-IFRS No.1021, 'The Effects of Changes in Foreign Exchange Rates'.

ii) Separable embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately only if the following criteria has been met: (a) the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (c) the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss. Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss.

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iii) Other derivative financial instruments

Changes in the fair value of other derivative financial instrument not designated as a hedging instrument are recognized immediately in profit or loss.

iv) Unobservable valuation differences at initial recognition

Any difference between the fair value of over the counter derivatives at initial recognition and the amount that would be determined at that date using a valuation technique in a situation in which the valuation is dependent on unobservable parameters is not recognized in profit or loss but is recognized on a straightline basis over the life of the instrument or immediately when the fair value becomes observable.

(h) Impairment of financial assets

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

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If financial assets have objective evidence that they are impaired, impairment losses should be measured and recognized.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:

- significant financial difficulty of the issuer or obligor
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation
- the disappearance of an active market for that financial asset because of financial difficulties
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

i) Loans and receivables

The Group first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

If the interest rate of a loan or receivable is a floating rate, the discount rate used to evaluate impairment loss is the current effective interest rate defined in the loan agreement. The present value of estimated future cash flows of secured financial assets is calculated by including cash flows from collateral after deducting costs to acquire and sell the collateral.

In assessing collective impairment, the Group rates and classifies financial assets, based on credit risk assessment or credit rating assessment process that takes into account asset type, industry, regional location, collateral type, delinquency and other relative factors.

Future cash flow of financial assets applicable to collective impairment assessment is estimated by using statistical modeling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the impairment losses are likely to be greater or less than suggested by historical modeling. In adjusting the future cash flow by historical modeling, the result has to be in line with changes and trends of observable data. Methodologies and assumptions used to estimate future cash flow are evaluated on a regular basis in order to reduce any discrepancy between impairment loss estimation and actual loss.

Impairment losses are recognized in profit or loss and reflected in an allowance account against loans and receivables. When a subsequent event causes the amount of impairment loss to decrease, and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss of the year.

ii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss is recognized in profit or loss, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

iii) Held-to-maturity financial assets

An impairment loss in respect of held-to-maturity financial assets measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate and is recognized in profit or loss. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(i) Property and equipment

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

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

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

Property and equipment are depreciated on a straight-line basis over the estimated useful lives, which most closely reflect the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance lease are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives for the current and comparative years are as follows:

Descriptions	Depreciation method	Useful lives
Buildings	Straight-line	40 years
Other properties	Straight-line	4-5 years

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

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(j) Intangible assets

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

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

Descriptions	Useful lives
Software, capitalized development cost	5 years
Other intangible assets	5 years or contract periods

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

i) Research and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.

ii) Subsequent expenditures

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated goodwill and brands, are recognized in profit or loss as incurred.

(k) Investment property

Property held for the purpose of earning rentals or benefiting from capital appreciation is classified as investment property. Investment property is measured initially at its cost. Transaction costs are included in the initial measurement. Subsequently, investment property is carried at depreciated cost less any accumulated impairment losses.

The estimated useful lives for the current and comparative years are as follows:

Descriptions	Depreciation method	Useful lives
Buildings	Straight-line	40 years

(l) Leased assets

i) Classification of a lease

The Group classifies and accounts for leases as either a finance or operating lease, depending on the terms. Leases where the lessee assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

ii) Lessee

Under a finance lease, the lessee recognizes the leased asset and a liability for future lease payments. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Under an operating lease, the lessee recognizes the lease payments as expense over the lease term and does not recognize the leased asset in its statement of financial position.

iii) Lessor

Under a finance lease, the lessor recognizes a finance lease receivable. Over the lease term the lessor accrues interest income on the net investment. The receipts under the lease are allocated between reducing the net investment and recognizing finance income, so as to produce a constant rate of return on the net investment.

Under an operating lease, the lessor recognizes the lease payments as income over the lease term and the leased asset in its statement of financial position.

(m) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. In order to be classified as held for sale, the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable. The assets or disposal group that are classified as noncurrent assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell.

The Group recognizes an impairment loss for any initial or subsequent write-down of an asset (or disposal group) to fair value less costs to sell, and a gain for any subsequent increase in fair value less costs to sell, up to the cumulative impairment loss previously recognized in accordance with K-IFRS No. 1036 Impairment of Assets.

An asset that is classified as held for sale or part of a disposal group classified as held for sale is not depreciated (or amortized).

(n) Impairment of non-financial assets

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

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

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

Goodwill acquired in a business combination is allocated to each CGU that is expected to benefit from the synergies arising from the goodwill acquired. Any impairment identified at the CGU level will first reduce the carrying value of goodwill and then be used to reduce the carrying amount of the other assets in the CGU on a pro rata basis. Except for impairment losses in respect of goodwill which are never reversed, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(o) Non-derivative financial liabilities

The Group classifies non-derivative financial liabilities into financial liabilities at fair value through profit or loss or other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities. The Group recognizes financial liabilities in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the financial liability.

i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading or designated as such upon initial recognition. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred.

The criteria for designation of financial liabilities at FVTPL upon initial recognition are the same as those of financial assets at FVTPL.

ii) Other financial liabilities

Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities. At the date of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

The Group derecognizes a financial liability from the consolidated statement of financial position when it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

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(p) Foreign currency

i) Foreign currency transactions

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

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

ii) Foreign operations

If the presentation currency of the Group is different from a foreign operation's functional currency, the financial statements of the foreign operation are translated into the presentation currency using the following methods:

The assets and liabilities of foreign operations, whose functional currency is not the currency of a hyperinflationary economy, are translated to presentation currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to functional currency at exchange rates at the dates of the transactions. Foreign currency differences are recognized in other comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation is treated as assets and liabilities of the foreign operation. Thus they are expressed in the functional currency of the foreign operation and translated at the closing rate.

When a foreign operation is disposed of, the relevant amount in the translation is transferred to profit or loss as part of the profit or loss on disposal. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the translation reserve.

iii) Net investment in a foreign operation

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, then foreign currency difference arising on the item which in substance is considered to form part of the net investment in the foreign operation, are recognized in the other comprehensive income and shall be reclassified to profit or loss on disposal of the investment.

(q) Equity

i) Capital stock

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Group's option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the Group's shareholders.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in profit or loss as accrued.

ii) Hybrid bonds

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

iii) Capital adjustments

Changes in ownership interests in a subsidiary that do not result in a loss of control, such as the subsequent purchase or sale by a parent of a subsidiary's equity instruments, are accounted for as equity transactions in capital adjustments.

(r) Employee benefits**i) Short-term employee benefits**

Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service. When an employee has rendered service to the Group during an accounting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

ii) Other long-term employee benefits

Other long-term employee benefits include employee benefits that are settled beyond 12 months after the end of the period in which the employees render the related service, and are calculated at the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, less the fair value of any related assets. The present value is determined by discounting the expected future cash flows using the interest rate of corporate bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise.

iii) Retirement benefits: defined contribution plans

When an employee has rendered service to the Group during a period, the Group recognizes the contribution payable to a defined contribution plan in exchange for that service as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the Group recognizes that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

iv) Retirement benefits: defined benefit plans

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

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

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

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

v) Termination benefits

Termination benefits are recognized as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(s) Share-based payment transactions

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

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

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(t) Provisions

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

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

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

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

(u) Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer (the Group) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of:

- The amount determined in accordance with K-IFRS No.1037 Provisions, Contingent Liabilities and Contingent Assets and
- The initial amount recognized, less, when appropriate, cumulative amortization recognized in accordance with K-IFRS No.1018. Revenue

(v) Insurance contracts

Insurance contracts are defined as "a contract under which one party (the insurer) accepts significant insurance risk from another party by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder". A contract that qualifies as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire. Such a contract that does not contain significant insurance risk is classified as an investment contract and is within the scope of K-IFRS No.1039, Financial Instruments, Recognition and Measurement to the extent that it gives rise to a financial asset or financial liability, except if the investment contract contains a Discretionary Participation Features ("DPF"). If the contract has a DPF, the contract is subject to K-IFRS No.1104, Insurance Contracts.

i) Reserves for insurance contracts

The Group accounts for insurance contracts based on the Insurance Business Law and other related Insurance Supervisory Regulation. These insurance contracts are calculated based on insurance terms, premium and policy reserves approved by the Financial Supervisory Commission, as follows:

- **Premium reserve** - Premium reserve is a liability to prepare for the future claims on the valid contracts. Premium reserve is calculated by deducting discounted net premium from the discounted claims expected to be paid in the future period.
- **Unearned premium reserve** - Unearned premium reserve represents the portion of premiums written which is applicable to the unexpired portion of policies in force.
- **Guarantee reserve** - At the end of reporting period, the Group is required to make reserve on the outstanding insurance contracts to guarantee a certain level of benefit payments for the amount equals to the average amount of net losses of the worst 30% cases forecasted by scenarios or the standard reserve amount by insurance type and the lowest insured amount, whichever is greater.
- **Reserve for outstanding claims** - Reserve for outstanding claims is an estimate of loss for insured events that have occurred prior to the date of the statement of financial position but for which a fixed value cannot be determined, which includes the following:
 - Estimated amount: The expenses to be incurred in the course of settlement of the insured event, such as lawsuit or arbitration (if partial amount is settled, the remainder is recognized)
 - Reserve for ineffective contracts: Reserve for ineffective contracts due to default in premium payment (Partial amount of surrender value)
 - Unpaid claims: The amount of claims, surrender value and dividend to be paid is determined but not paid yet
 - IBNR (Incurred But Not Reported): Estimated amount using a reasonable statistical method considering the company's experience rate
- **Reserve for participating policyholder's dividend** - In accordance with regulations and policy terms, reserves for participating policyholder's dividend are provided for dividend to be paid to the policyholders and comprise the current reserve for policyholder's dividend and the future reserve for policyholder's dividend. The current reserve for policyholder's dividend is the fixed payable dividend amount but not paid at the end of the reporting period and the future reserve for policyholder's dividend is the calculated policyholder's dividend amount factoring in estimated policy termination rates for the valid insurance policy as at the end of the reporting period.

ii) Policyholders' equity adjustment

At year end, unrealized holding gains and losses on available-for-sale securities are allocated to policyholders' equity adjustment by the ratio of the average policy reserve of the participating and nonparticipating contracts or the ratio of the investment source at the new acquisition year based on the date of acquisition.

iii) Liability adequacy test (the "LAT")

Liability adequacy tests are performed by the Group in order to ensure the adequacy of the contract liabilities, net of related deferred acquisition costs and deferred policyholders' participation liability or asset.

iv) Reinsurance contracts

Transactions relating to reinsurance assumed and ceded are accounted for in the consolidated statements of financial position and comprehensive income in a similar way to direct business transactions provided that these contracts meet the insurance contracts classification requirements and in agreement with contractual clauses.

v) Deferred acquisition costs (the "DAC")

Policy acquisition costs, which include commissions, certain direct and incremental underwriting and agency expenses associated with acquiring insurance policies, are deferred and amortized using the straight-line method over the contract year, up to seven years. Actual acquisition costs incurred in excess of estimated acquisition costs are expensed.

(w) Financial income and expense

i) Interest

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

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

Once an impairment loss has been recognized on a loan, although the accrual of interest in accordance with the contractual terms of the instrument is discontinued, interest income is recognized at the rate of interest that was used to discount estimated future cash flows for the purpose of measuring the impairment loss.

ii) Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognized as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognized on a straight-line basis over the commitment period.

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

iii) Dividends

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

(x) Customer loyalty program

For customer loyalty programmes, the fair value of the consideration received or receivable in respect of the initial sale is allocated between award credits ("points") and other components of the fee and commission income. The Group provides awards, in the form of price discounts and by offering a variety of gifts. The fair value allocated to the points is estimated by reference to the fair value of the monetary and/or non-monetary benefits for which they could be redeemed. The fair value of the benefits is estimated taking into account the expected redemption rate and the timing of such expected redemptions. Such amount is deferred and recognized as unearned revenue. Unearned revenue is recognized only when the points are redeemed and the Group has fulfilled its obligations to provide the benefits. The amount of revenue recognized in those circumstances is based on the number of points that have been redeemed in exchange for benefits, relative to the total number of points that are expected to be redeemed.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from customer loyalty programmes are lower than the unavoidable cost of meeting its obligations under the programmes.

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(y) Income tax

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

i) Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years. The taxable profit is different from the accounting profit for the period since the taxable profit is calculated excluding the temporary differences, which will be taxable or deductible in determining taxable profit (tax loss) of future periods, and non-taxable or non-deductible items from the accounting profit.

ii) Deferred tax

Deferred tax is recognized, using the asset-liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which they can be utilized. However, deferred tax is not recognized for the following temporary differences: taxable temporary differences arising on the initial recognition of goodwill, or the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit or loss nor taxable income.

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

The Group recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Group recognizes a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries and associates, to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis.

(z) Accounting for trust accounts

The Group accounts for trust accounts separately from its group accounts under the Financial Investment Services and Capital Markets Act and thus the trust accounts are not included in the consolidated financial statements except Guaranteed Fixed Rate Money Trusts controlled by the Group, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards. Funds transferred between Group account and trust accounts are recognized as borrowings from trust accounts in other liabilities with fees for managing the accounts recognized as non-interest income by the Group.

(aa) Earnings per share

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

(ab) New standards and interpretations not yet adopted

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

Management is in the process of evaluating the impact of the amendments on the Group's consolidated financial statements, if any.

i) K-IFRS No. 1108, 'Operating Segments'

The amendment requires the disclosure of judgements made by management in applying the aggregation criteria. The disclosures include a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining whether the operating segments share the similar economic characteristics. In addition, this amendment clarifies that a reconciliation of the total of the reportable segments' assets to the entity's total assets is required only when the information is regularly provided to the entity's chief operating decision maker. The amendment is effective for annual periods beginning on or after July 1, 2014.

ii) K-IFRS No. 1102, 'Share-based Payment'

The amendment clarifies the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment is effective for annual periods beginning on or after July 1, 2014.

iii) K-IFRS No. 1103, 'Business Combinations'

The amendment clarifies the classification and measurement of contingent consideration in a business combination. When a contingent consideration is a financial instrument, its classification as a liability or equity shall be determined in accordance with K-IFRS No. 1032 and the contingent consideration that is classified as an asset or a liability shall be subsequently measured at fair value of which the changes recognised in profit or loss. In addition, this amendments clarifies that the standard does not apply to the accounting for all types of joint arrangements. The amendment is effective for annual periods beginning on or after July 1, 2014.

iv) K-IFRS No. 1113, 'Fair Value Measurement'

The amendment allows entities to measure short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, given the discount is immaterial. In addition, this amendment clarifies that the portfolio exception can be applies to contracts in the scope of K-IFRS No. 1039 even though the contracts do not meet the definition of a financial asset or financial liability. The amendment is effective for annual periods beginning on or after July 1, 2014.

v) K-IFRS No. 1024, 'Related Party Disclosures'

The definition of a 'related party' is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity. The reporting entity is required to separately disclose the expense amount recognised for the key management personnel services. The amendment is effective for annual periods beginning on or after July 1, 2014.

vi) K-IFRS No. 1019, 'Employee Benefits'

The amendments introduce a practical expedient to accounting for defined benefit plan, when employees or third parties pay contributions if certain criteria are met. A company is permitted (but not required) to recognise those contributions as a reduction of the service cost in the period in which the related service is rendered. Service-linked contributions from employees or third parties should be reflected in determining the net current service cost and the defined benefit obligation, and should be attributed to the periods of service using the same method as used for calculating the gross benefits or on a straight line basis. The amendment is effective for annual periods beginning on or after July 1, 2014.

vii) K-IFRS No. 1111, 'Joint Arrangements'

The amendment requires the business combination accounting to be applied to an acquisition of interests in a joint operation that constitutes a business. In addition, when business combination accounting applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control, the additional interest acquired shall be measured at fair value but the previously held interests in the joint operation shall not be re-measured. The amendment is effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

4. Financial risk management**(a) Overview**

As a financial services provider, the Group is exposed to various risks relating to lending, credit card, insurance, securities investment, trading and leasing businesses, its deposit taking and borrowing activities in addition to the operating environment.

The principal risks to which the Group is exposed are credit risk, market risk, interest rate risk, liquidity risk and operational risk. These risks are recognized, measured and reported in accordance with risk management guidelines established at the controlling company level and implemented at the subsidiary level through a carefully stratified checks-and-balances system.

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i) Risk management principles

The Group risk management is guided by the following core principles:

- identifying and managing all inherent risks;
- standardizing risk management process and methodology;
- ensuring supervision and control of risk management independent of business activities;
- continuously assessing risk preference;
- preventing risk concentration;
- operating a precise and comprehensive risk management system including statistical models; and
- balancing profitability and risk management through risk-adjusted profit management.

ii) Risk management organization

The Group risk management system is organized along the following hierarchy: from the top and at the controlling company level, the Group Risk Management Committee, the Group Risk Management Council, the Chief Risk Officer and the Group Risk Management Team, and at the subsidiary level, the Risk Management Committees and the Risk Management Team of the relevant subsidiary. The Group Risk Management Committee, which is under the supervision of the controlling company's board of directors, sets the basic group wide risk management policies and strategies. The controlling company's Chief Risk Officer reports to the Group Risk Management Committee, and the Group Risk Management Council, whose members consist of the controlling company's Chief Risk Officer and the risk management team heads of each of subsidiaries, coordinates the risk management policies and strategies at the group level as well as at the subsidiary level among each of subsidiaries. Each of subsidiaries also has a separate Risk Management Committee, Risk Management Working Committee and Risk Management Team, whose tasks are to implement the group wide risk management policies and strategies at the subsidiary level as well as to set risk management policies and strategies specific to such subsidiary in line with the group wide guidelines. The Group also has the Group Risk Management Team, which supports the controlling company's Chief Risk Officer in his or her risk management and supervisory role.

In order to maintain the group wide risk at an appropriate level, the Group use a hierarchical risk limit system under which the Group Risk Management Committee assigns reasonable risk limits for the entire group and each subsidiary, and the Risk Management Committee and the Management Council of each subsidiary manage the subsidiary-specific risks by establishing and managing risk limits in more detail by type of risk and type of product for each department and division within such subsidiary. The Group Risk Management Committee consists of directors of the controlling company. The Group Risk Management Committee convenes at least once every quarter and may also convene on an ad hoc basis as needed. Specifically, the Group Risk Management Committee does the following: (i) establish the overall risk management policies consistent with management strategies, (ii) set reasonable risk limits for the entire group and each of subsidiaries, (iii) approve appropriate investment limits or allowed loss limits, (iv) enact and amends risk management regulations, and (v) decide other risk management-related issues the Board of Directors or the Group Risk Management Committee sees fit to discuss. The results of the Group Risk Management Committee meetings are reported to the Board of Directors of the controlling company. The Group Risk Management Committee makes decisions through affirmative votes by a majority of the committee members.

The Group Risk Management Council is comprised of the controlling company's chief risk officer, head of risk management team, and risk officers from each subsidiary. The Group Risk Management Council holds meetings for risk management executives from each subsidiary to discuss the Group's group wide risk management guidelines and strategy in order to maintain consistency in the group wide risk policies and strategies.

iii) Risk management framework

The Group takes the following steps to implement the foregoing risk management principles:

· **Risk capital management** – Risk capital refers to capital necessary to compensate for losses in case of a potential risk being realized, and risk capital management refers to the process of asset management based on considerations of risk exposure and risk appetite among total assets so that the Group can maintain an appropriate level of risk capital. As part of the Group's risk capital management, the Group has adopted and maintains various risk planning processes and reflect such risk planning in the Group's business and financial planning. The Group also has adopted and maintains a risk limit management system to ensure that risks in the Group's business do not exceed prescribed limits.

· **Risk monitoring** – The Group proactively, preemptively and periodically review risks that may impact our overall operations, including through a multidimensional risk monitoring system. Currently, each of subsidiaries is required to report to the controlling company any factors that could have a material impact on the group-wide risk management, and the controlling company reports to the Group's chief risk officer and other members of the Group's senior management the results of risk monitoring on a weekly, monthly and on an ad hoc basis as needed. In addition, the Group perform preemptive risk management through a "risk dashboard system" under which the Group closely monitor any increase in asset size, risk levels and sensitivity to external factors with respect to the major asset portfolios of each of subsidiaries, and to the extent such monitoring yields any warning signals, the Group promptly analyze the causes and, if necessary, formulate and implement actions in response to these warning signals.

· **Risk review** – Prior to entering any new business, offering any new products or changing any major policies, the Group reviews relevant risk factors based on a prescribed risk management checklist and, in the case of changes for which assessment of risk factors is difficult, supports reasonable decision-making in order to avoid taking any unduly risky action. The risk management departments of all subsidiaries are required to review all new businesses, products and services prior to their launch and closely monitor the development of any related risks following their launch, and in the case of any action that involves more than one subsidiary, the relevant risk management departments are required to consult with the risk management team at the controlling company level prior to making any independent risk reviews.

· **Risk management** – The Group maintain a group wide risk management system to detect the signals of any risk crisis and, in the event of a crisis actually happening, to respond on a timely, efficient and flexible basis so as to ensure the Group's survival as a going concern. Each subsidiary maintains crisis planning for three levels of contingencies, namely, "alert", "imminent crisis" and "crisis", determination of which is made based on quantitative and qualitative monitoring and consequence analysis, and upon the happening of any such contingency, is required to respond according to a prescribed contingency plan. At the controlling company level, the Group maintains and installs crisis detection and response system which is applied consistently group wide, and upon the happening of any contingency at two or more subsidiary level, the Group directly takes charge of the situation so that the Group manages it on a concerted group wide basis.

(b) Credit risk

i) Credit risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. The Group's credit risk management encompasses all areas of credit that may result in potential economic loss, including not just transactions that are recorded on balance sheets, but also off-balance-sheet transactions such as guarantees, loan commitments and derivatives transactions.

· Credit Risk Management of Shinhan Bank

Major policies for Shinhan Bank's credit risk management, including Shinhan Bank's overall credit risk management plan and credit policy guidelines, are determined by the Risk Policy Committee of Shinhan Bank, the executive decision-making body for management of credit risk. The Risk Policy Committee is headed by the Chief Risk Officer, and also comprises of the Chief Credit Officer, the heads of each business unit and the head of the Risk Management Department. In order to separate the loan approval functions from credit policy decision-making, Shinhan Bank has a Credit Review Committee that performs credit review evaluations, which focus on improving the asset quality and profitability from the loans being made, and operates separately from the Risk Policy Committee.

Shinhan Bank complies with credit risk management procedures pursuant to internal guidelines and regulations and continually monitors and improves these guidelines and regulations. Its credit risk management procedures include:

- credit evaluation and approval;
- credit review and monitoring; and
- credit risk assessment and control

Each of Shinhan Bank's borrowers is assigned a credit rating, which is based on a comprehensive internal credit evaluation system that considers a variety of criteria. For retail borrowers, the credit rating takes into account the borrower's past dealings with Shinhan Bank and external credit rating information, among others. For corporate borrowers, the credit rating takes into account financial indicators as well as nonfinancial indicators such as industry risk, operational risk and management risk, among others. The credit rating, once assigned, serves as the fundamental instrument in Shinhan Bank's credit risk management, and is applied in a wide range of credit risk management processes, including credit approval, credit limit management, loan pricing and computation of allowance for loan losses. Shinhan Bank has separate credit evaluation systems for retail customers, SOHO customers and corporate customers, which are further segmented and refined to meet Basel III requirements.

Loans are generally approved after evaluations and approvals by the manager at the branch level as well as the committee of the applicable business unit at Shinhan Bank. The approval limit for retail loans is made based on Shinhan Bank's automated credit scoring system. In the case of large corporate loans, approval limits are also reviewed and approved by a Credit Officer at the headquarter level. Depending on the size and the importance of the loan, the approval process is further reviewed by the Credit Officer Committee or the Master Credit Officer Committee. If the loan is considered, further evaluation is made by the Credit Review Committee, which is Shinhan Bank's highest decision-making body in relation to credit approval.

Pursuant to the foregoing credit review and monitoring procedures and in order to promptly prevent deterioration of loan qualities, Shinhan Bank classifies potentially problematic borrowers into (i) borrowers that show early warning signals, (ii) borrowers that require close monitoring and (iii) normal borrowers, and treats them differentially accordingly.

In order to maintain portfolio-level credit risk at an appropriate level, Shinhan Bank manages its loans using value-at-risk ("VaR") limits for the entire bank as well as for each of its business units. In order to prevent concentration of risk in a particular borrower or borrower class, Shinhan Bank also manages credit risk by

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borrower, industry, country and other detailed categories.

· Credit Risk Management of Shinhan Card

Major policies for Shinhan Card's credit risk management are determined by Shinhan Card's Risk Management Council and Shinhan Card's Risk Management Committee is responsible for approving them. Shinhan Card's Risk Management Council is headed by the Chief Risk Officer, and also comprises of the heads of each business unit, supporting unit and relevant department at Shinhan Card. In order to separate credit policy decision-making from credit evaluation functions, Shinhan Card also has a Risk Management Committee, which evaluates applications for corporate loans exceeding a certain amount and other loans deemed important. Shinhan Card uses an automated credit scoring system to approve credit card applications or credit card authorizations. The credit scoring system is divided into two subsystems: the application scoring system and the behavior scoring system. The behavior scoring system is based largely on the credit history, and the application scoring system is based largely on personal information of the applicant. For credit card applicants with whom the Group has an existing relationship, Shinhan Card's credit scoring system considers internally gathered information such as repayment ability, total assets, the length of the existing relationship and the applicant's contribution to profitability. The credit scoring system also automatically conducts credit checks on all credit card applicants.

If a credit score awarded to an applicant is above a minimum threshold, the application is approved unless overridden based on other considerations such as delinquencies with other credit card companies.

Shinhan Card continually monitors all accountholders and accounts using a behavior scoring system. The behavior scoring system predicts a cardholder's payment pattern by evaluating the cardholder's credit history, card usage and amounts, payment status and other relevant data. The behavior score is recalculated each month and is used to manage the accounts and approval of additional loans and other products to the cardholder. Shinhan Card also uses the scoring system to monitor its overall risk exposure and to modify its credit risk management strategy.

ii) Maximum exposure to credit risk

The Group's maximum exposure to credit risk without taking account of any collateral held or other credit enhancements as of December 31, 2014 and 2013 are

	2014	2013 (Restated see note 48)
Due from banks and loans (*1)(*3):		
Banks	₩ 13,663,318	14,392,195
Retail	94,282,270	85,959,631
Government	12,195,758	9,296,770
Corporations	102,160,212	92,920,898
Card receivable	17,378,179	16,981,625
	239,679,737	219,551,119
Trading assets	21,500,955	15,339,949
Financial assets designated at FVTPL (*4)	1,946,200	1,890,919
AFS financial assets (*5)	26,855,662	28,708,674
HTM financial assets (*6)	13,373,384	11,031,307
Derivative assets	1,568,307	1,717,468
Other financial assets (*1)(*2)	10,151,338	8,605,244
Financial guarantee contracts	3,090,873	2,457,712
Loan commitments and other credit liabilities	74,295,365	74,824,310
	₩ 392,461,821	364,126,702

(*1) The maximum exposure amounts for due from banks, loans and other financial assets are measured as net of allowances.

(*2) Comprise account receivables, accrued income, guarantee deposits, domestic exchange settlement debit and suspense payments, etc.

(*3) Due from banks and loans were classified as similar credit risk group when calculating the BIS ratio under new Basel Capital Accord (Basel III).

(*4) FVTPL : fair value through profit or loss

(*5) AFS : available-for-sale

(*6) HTM : held-to-maturity

as follows:

iii) Due from banks and loans by past due or impairment

- Due from banks and loans as of December 31, 2014 and 2013 are as follows:

2014						
	Banks	Retail	Government	Corporations	Card	Total
Neither past due nor impaired	₩ 13,693,746	93,848,005	12,203,568	101,988,278	17,111,952	238,845,549
Past due but not impaired Impaired	-	455,948	181	278,262	497,147	1,231,538
	-	286,414	-	1,349,849	490,925	2,127,188
	13,693,746	94,590,367	12,203,749	103,616,389	18,100,024	242,204,275
Less : allowance	(30,428)	308,097	(7,991)	(1,456,177)	(721,845)	(2,524,538)
	₩ 13,663,318	94,282,270	12,195,758	102,160,212	17,378,179	239,679,737
2013						
	Banks	Retail	Government	Corporations	Card	Total
Neither past due nor impaired	₩ 14,406,019	85,460,776	9,301,890	92,298,605	16,634,186	218,101,476
Past due but not impaired Impaired	-	505,408	197	492,877	552,954	1,551,436
	-	273,316	-	1,670,702	442,301	2,386,319
	14,406,019	86,239,500	9,302,087	94,462,184	17,629,441	222,039,231
Less : allowance	(13,824)	(279,869)	(5,317)	(1,541,286)	(647,816)	(2,488,112)
	₩ 14,392,195	85,959,631	9,296,770	92,920,898	16,981,625	219,551,119

- Credit quality of due from banks and loans that are neither past due nor impaired as of December 31, 2014 and 2013 are as follows:

2014						
	Banks	Retail	Government	Corporations	Card	Total
Grade 1 (*1)	₩ 13,693,746	88,338,903	12,201,919	62,614,102	14,750,893	191,599,563
Grade 2 (*1)	-	5,509,102	1,649	39,374,176	2,361,059	47,245,986
	13,693,746	93,848,005	12,203,568	101,988,278	17,111,952	238,845,549
	(30,428)	(161,189)	(7,984)	(864,854)	(340,544)	(1,404,999)
Less : allowance	13,663,318	93,686,816	12,195,584	101,123,424	16,771,408	237,440,550
Mitigation of credit risk due to collateral (*2)	₩ 59,826	63,402,563	398	51,326,493	4,970	114,794,250
2013						
	Banks	Retail	Government	Corporations	Card	Total
Grade 1 (*1)	₩ 14,406,019	79,598,552	9,300,931	55,623,367	14,186,554	173,115,423
Grade 2 (*1)	-	5,862,224	959	36,675,238	2,447,632	44,986,053
	14,406,019	85,460,776	9,301,890	92,298,605	16,634,186	218,101,476
	(13,823)	(141,374)	(5,315)	(722,229)	(322,158)	(1,204,899)
Less : allowance	14,392,196	85,319,402	9,296,575	91,576,376	16,312,028	216,896,577
Mitigation of credit risk due to collateral (*2)	₩ 124,204	58,302,024	408	47,932,602	5,058	106,364,296

(*1) Credit quality of due from banks and loans was classified based on the internal credit rating as follows:

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Type of Borrower	Grade 1	Grade 2
Banks and governments	OECD sovereign credit rating of 6 or above (as applied to the nationality of the banks and governments)	OECD sovereign credit rating of below 6 (as applied to the nationality of the banks and governments)
Retail	Pool of retail loans with probability of default of less than 2.25%	Pool of retail loans with probability of default of 2.25% or more
Corporations	Internal credit rating of BBB+ or above	Internal credit rating of below BBB+
Credit cards	For individual card holders, score of 7 or higher in Shinhan Card's internal behavior scoring system For corporate cardholders, same as corporate loans	For individual card holders, score of below 7 in Shinhan Card's internal behavior scoring system For corporate cardholders, same as corporate loans

(*2) The Group holds collateral against due from banks and loans to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of quantification of the extent to which collateral mitigate credit risk are based on the fair value of collateral.

- Aging analyses of due from banks and loans that are past due but not impaired as of December 31, 2014 and 2013 are as follows:

	2014					
	Banks	Retail	Government	Corporations	Card	Total
Less than 30 days	₩ -	353,523	80	157,029	429,972	940,604
31~60 days	-	66,576	101	31,839	44,603	143,119
61~90 days	-	28,868	-	50,745	22,445	102,058
More than 90 days	-	6,981	-	38,649	127	45,757
	-	455,948	181	278,262	497,147	1,231,538
Less : allowance	-	(31,590)	(8)	(32,996)	(72,581)	(137,175)
	₩ -	424,358	173	245,266	424,566	1,094,363
Mitigation of credit risk due to collateral (*)	₩ -	307,234	11	98,941	25	406,211
	2013					
	Banks	Retail	Government	Corporations	Card	Total
Less than 30 days	₩ -	424,331	197	414,958	471,146	1,310,632
31~60 days	-	49,189	-	37,930	56,589	143,708
61~90 days	-	29,396	-	24,079	25,204	78,679
More than 90 days	-	2,492	-	15,910	15	18,417
	-	505,408	197	492,877	552,954	1,551,436
Less : allowance	-	(24,199)	(2)	(25,682)	78,484	(128,367)
	₩ -	481,209	195	467,195	474,470	1,423,069
Mitigation of credit risk due to collateral (*)	₩ -	341,937	44	275,010	59	617,050

- Due from banks and loans that are impaired as of December 31, 2014 and 2013 are as follows:

2014						
	Banks	Retail	Government	Corporations	Card	Total
Impaired	₩ -	286,414	-	1,349,849	490,925	2,127,188
Less : allowance	-	(115,318)	-	(558,327)	(308,720)	(982,365)
	₩ -	171,096	-	791,522	182,205	1,144,823
Mitigation of credit risk due to collateral (*)	₩ -	137,039	-	488,535	2	625,576
2013						
	Banks	Retail	Government	Corporations	Card	Total
Impaired	₩ -	273,316	-	1,670,702	442,301	2,386,319
Less : allowance	-	(114,296)	-	(793,377)	(247,174)	(1,154,847)
	₩ -	159,020	-	877,325	195,127	1,231,472
Mitigation of credit risk due to collateral (*)	₩ -	104,993	-	583,160	25	688,178

(*) The Group holds collateral against due from banks and loans to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of quantification of the extent to which collateral mitigate credit risk are based on the fair value of collateral.

iv) Credit rating

- Credit ratings of debt securities as of December 31, 2014 and 2013 are as follows:

2014					
	Trading assets	Financial assets designated at FVTPL (*)	Available-for-sale financial assets	Held-to-maturity financial assets	Total
AAA	₩ 7,068,449	59,945	14,584,701	14,584,701	31,593,015
AA- to AA+	6,639,473	262,439	4,797,373	4,797,373	14,739,673
A- to A+	6,195,826	1,433,469	4,705,307	4,705,307	12,684,846
BBB- to BBB+	926,701	190,347	1,647,993	1,647,993	2,765,060
Lower than BBB-	242,057	-	441,338	441,338	716,701
Unrated	203,893	-	678,950	678,950	952,350
	₩ 21,276,399	1,946,200	26,855,662	26,855,662	63,451,645
2013 (Restated, see note 48)					
	Trading assets	Financial assets designated at FVTPL (*)	Available-for-sale financial assets	Held-to-maturity financial assets	Total
AAA	₩ 4,264,959	181,842	16,055,970	7,954,950	28,457,721
AA- to AA+	5,807,978	253,736	6,566,924	2,577,316	15,205,954
A- to A+	4,051,365	866,705	3,675,617	341,974	8,935,661
BBB- to BBB+	553,614	460,788	1,303,271	19	2,317,692
Lower than BBB-	271,603	-	419,464	23,305	714,372
Unrated	314,093	127,848	687,428	133,743	1,263,112
	₩ 15,263,612	1,890,919	28,708,674	11,031,307	56,894,512

(*) FVTPL : fair value through profit or loss

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- The credit quality of securities (debt securities) according to the credit ratings by external rating agencies is as follows:

Internal credit ratings	KIS (*1)	KR (*2)	S&P	Fitch	Moody's
AAA	-	-	AAA	AAA	Aaa
AA- to AA+	AAA	AAA	AA- to AA+	AA- to AA+	Aa3 to Aa1
A- to A+	AA- to AA+	AA- to AA+	A- to A+	A- to A+	A3 to A1
BBB- to BBB+	BBB- to A	BBB- to A	BBB- to BBB+	BBB- to BBB+	Baa3 to Baa1
Lower than BBB-	Lower than BBB-	Lower than BBB-	Lower than BBB-	Lower than BBB-	Lower than Baa3
Unrated	Unrated	Unrated	Unrated	Unrated	Unrated

(*1) KIS : Korea Investors Service

(*2) KR : Korea Ratings

- Credit status of debt securities as of December 31, 2014 and 2013 are as follows:

	2014	2013 (Restated see note 48)
Neither past due nor impaired	₩ 63,444,233	56,886,913
Impaired	7,412	7,599
	₩ 63,451,645	56,894,512

- Assets acquired through foreclosures amounting to W2,585 million and W6,074 million are classified as assets held for sale (non-business purpose property) as of December 31, 2014 and 2013, respectively.

v) Concentration by geographic location

An analysis of concentration by geographic location for financial instrument, net of allowance, as of December 31, 2014 and 2013 are as follows:

	2014						Total
	Korea	USA	Japan	Vietnam	China	Other	
Due from banks and loans:							
Banks	₩ 6,605,378	1,585,332	367,795	345,781	2,654,699	2,104,333	13,663,318
Retail	92,855,198	264,564	784,086	56,376	45,115	276,931	94,282,270
Government	11,321,880	115,845	73,475	80,516	540,175	63,867	12,195,758
Corporations	92,121,984	1,339,264	1,480,651	1,294,133	2,665,519	3,258,661	102,160,212
Card	17,349,245	6,597	2,401	8,394	4,503	7,039	17,378,179
	220,253,685	3,311,602	2,708,408	1,785,200	5,910,011	5,710,831	239,679,737
Trading assets	21,153,829	7,450	-	-	114,897	224,779	21,500,955
Financial assets designated at FVTPL (*1)	1,912,084	-	-	-	34,116	-	1,946,200
AFS financial assets (*2)	25,839,853	397,158	37,005	416,632	29,669	135,345	26,855,662
HTM financial assets (*3)	13,178,520	83,560	23,137	22,031	54,860	11,276	13,373,384
	₩ 282,337,971	3,799,770	2,768,550	2,223,863	6,143,553	6,082,231	303,355,938
	2013 (Restated, see note 48)						
	Korea	USA	Japan	Vietnam	China	Other	Total
Due from banks and loans:							
Banks	₩ 7,437,875	1,302,191	203,670	99,266	2,975,472	2,373,721	14,392,195
Retail	85,220,722	230,881	226,899	30,824	23,792	226,513	85,959,631
Government	8,824,682	222,567	141,928	39,176	936	67,481	9,296,770
Corporations	84,444,327	1,271,063	1,640,463	935,723	1,892,867	2,736,455	92,920,898
Card	16,961,645	6,302	2,008	2,320	3,413	5,937	16,981,625
	202,889,251	3,033,004	2,214,968	1,107,309	4,896,480	5,410,107	219,551,119
Trading assets	15,249,072	1,477	-	-	-	89,400	15,339,949
Financial assets designated at FVTPL (*1)	1,887,358	-	-	-	-	3,561	1,890,919
AFS financial assets (*2)	27,610,022	582,395	-	373,060	5,106	138,091	28,708,674
HTM financial assets (*3)	10,829,152	64,451	50,408	10,450	63,991	12,855	11,031,307
	₩ 258,464,855	3,681,327	2,265,376	1,490,819	4,965,577	5,654,014	276,521,968

(*1) FVTPL : fair value through profit or loss

(*2) AFS : available-for-sale

(*3) HTM : held-to-maturity

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vi) Concentration by industry sector

An analysis of concentration by industry sector of due from banks and loans, net of allowance, as of December 31, 2014 and 2013 are as follows:

	2014						Total
	Finance and insurance	Manu- facturing	Retail and wholesale	Real estate and service	Other	Retail customers	
Due from banks and loans:							
Banks	₩ 11,724,753	2,246	-	187,727	1,748,592	-	13,663,318
Retail	-	-	-	-	-	94,282,270	94,282,270
Government	11,285,787	-	182	43	909,746	-	12,195,758
Corporations	4,102,383	35,954,237	13,807,545	18,358,983	29,937,064	-	102,160,212
Card	44,351	158,901	123,175	29,767	494,580	16,527,405	17,378,179
	27,157,274	36,115,384	13,930,902	18,576,520	33,089,982	110,809,675	239,679,737
Trading assets	14,834,973	908,646	599,989	923,759	4,233,588	-	21,500,955
Financial assets designated at FVTPL (*1)	1,498,097	92,494	106,890	30,124	218,595	-	1,946,200
AFS financial assets (*2)	18,375,517	1,365,458	163,342	819,355	6,131,990	-	26,855,662
HTM financial assets (*3)	3,448,775	50,370	-	593,894	9,280,345	-	13,373,384
	₩ 65,314,636	38,532,352	14,801,123	20,943,652	52,954,500	110,809,675	303,355,938
	2013 (Restated, see note 48)						
	Finance and insurance	Manu- facturing	Retail and wholesale	Real estate and service	Other	Retail customers	Total
Due from banks and loans:							
Banks	₩ 12,280,508	-	-	114,037	1,997,650	-	14,392,195
Retail	-	-	-	-	-	85,959,631	85,959,631
Government	8,979,578	-	125	51	317,016	-	9,296,770
Corporations	3,120,088	32,099,156	12,912,762	16,244,112	28,544,780	-	92,920,898
Card	49,173	149,566	129,553	27,929	489,201	16,136,203	16,981,625
	24,429,347	32,248,722	13,042,440	16,386,129	31,348,647	102,095,834	219,551,119
Trading assets	10,563,868	1,009,708	329,326	795,317	2,641,730	-	15,339,949
Financial assets designated at FVTPL (*1)	1,253,602	110,074	20,243	60,810	446,190	-	1,890,919
AFS financial assets (*2)	19,328,390	1,288,842	215,759	892,194	6,983,489	-	28,708,674
HTM financial assets (*3)	3,144,309	36,961	-	589,116	7,260,921	-	11,031,307
	₩ 58,719,516	34,694,307	13,607,768	18,723,566	48,680,977	102,095,834	276,521,968

(*1) FVTPL : fair value through profit or loss

(*2) AFS : available-for-sale

(*3) HTM : held-to-maturity

(c) Market risk

Market risk from trading positions is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

Interest rate risk from non- trading positions is the risk of loss resulting from interest rate fluctuations that adversely affect the financial condition and results of operations of the Group and affects the earnings and the economic value of net assets of the Group.

Foreign exchange risk arises from the Group's assets and liabilities which are denominated in currencies other than the Won.

The Group's market risks arise primarily from Shinhan Bank, and to a lesser extent, Shinhan Investment, which incurs market risk relating to its trading activities.

Shinhan Bank's Risk Policy Committee acts as the executive decision making body in relation to market risks setting the risk management policies and risk limits and controlling market risks arising from trading and non-trading activities. In addition, Shinhan Bank's Risk Management Department comprehensively manages market risks on an independent basis from Shinhan Bank's operating departments, and functions as the middle office of Shinhan Bank.

Shinhan Investment's Risk Management Working Committee is the executive decision-making body for managing market risks related to Shinhan Investment, and determines, among other things, Shinhan Investment's overall market risk management policies and strategies, and assesses and approves trading activities and limits. In addition, Shinhan Investment's Risk Management Department manages various market risk limits and monitors operating conditions on an independent basis from Shinhan Investment's operating departments.

i) Market risk management from trading positions

Trading activities are to realize short-term trading profits in debt and stock markets and foreign exchange markets based on short-term forecast of changes in market situation and profits from arbitrage transactions in derivatives such as swap, forward, futures and option transactions. The Group manages market risk related to its trading positions using VaR, market value-based tool.

Shinhan Bank currently uses the ten-day 99% confidence level-based VaR for purposes of calculating the regulatory capital used in reporting to the Financial Supervisory Service and uses the more conservative ten-day 99.9% confidence level-based VaR for purposes of calculating its "economic" capital used for internal management purposes, which is a concept used in determining the amount of Shinhan Bank's requisite capital in light of the market risk. In addition, Shinhan Bank also uses the one-day 99% confidence level-based VaR on a supplemental basis for purposes of setting and managing risk limits specific to each desk or team in its operating units as well as for back-testing purposes. Shinhan Bank manages VaR measurements and limits on a daily basis based on an automatic interfacing of its trading positions into its market risk measurement system. In addition, Shinhan Bank establishes pre-set loss, sensitivity, investment and stress limits for its trading departments and desks and monitors such limits daily.

Shinhan Investment currently uses the ten-day 99.9% confidence level-based historical VaR for purposes of calculating its "economic" capital used for internal management purposes. When computing the VaR, Shinhan Investment does not assume any particular probability distribution and calculates it through a simulation of the "full valuation" method based on changes of market variables such as stock prices, interest rates, and foreign exchange rates in the past one year. In addition, Shinhan Investment applies this VaR as a risk limit for the entire company as well as individual departments and products, and the adequacy of such VaR is reviewed by way of daily back-testing.

In order to streamline such differences and use a consistent VaR among operating subsidiaries, the Group has adopted starting in 2013 a unified group-wide market risk measurement methodology, which uses the ten-day 99.9% confidence level for calculating the VaR.

An analysis of the Group's requisite capital in light of the market risk for trading positions as of and for the years ended December 31, 2014 and 2013 based on the standard guidelines for risk management promulgated by the Financial Supervisory Service, was as follows:

	2014			
	Average	Maximum	Minimum	December 31
Interest rate	₩ 256,051	293,708	214,823	292,081
Stock price	130,879	161,505	85,819	159,049
Foreign exchange	121,334	145,703	104,065	114,101
Option volatility	7,857	9,843	5,577	5,577
	₩ 516,121	610,759	410,284	570,808
	2013			
	Average	Maximum	Minimum	December 31
Interest rate	₩ 195,496	210,229	185,555	200,557
Stock price	75,107	85,345	66,493	85,345
Foreign exchange	128,086	137,491	121,200	122,205
Option volatility	6,631	7,506	4,941	7,324
	₩ 405,320	440,571	378,189	415,431

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Insurance company, Shinhan Life Insurance, was excluded when the Group estimated the market risk, because insurance company was not included in the Group's subsidiaries for the consolidated BIS capital ratio.

An analysis of market risk for trading positions of the major subsidiaries as of and for the years ended December 31, 2014 and 2013 are as follows:

i-1) Shinhan Bank

The analyses of the ten-day 99.9% confidence level-based VaR for managing market risk for trading positions of Shinhan Bank as of and for the years ended December 31, 2014 and 2013 are as follows:

	2014			
	Average	Maximum	Minimum	December 31
Interest rate	₩ 17,302	25,863	8,721	13,414
Stock price	4,333	7,362	2,493	3,442
Foreign exchange (*)	43,872	54,355	34,928	49,372
Option volatility	161	259	66	66
Portfolio diversification	(18,668)	(32,344)	(5,246)	(13,268)
	₩ 47,000	55,495	40,962	53,026
	2013			
	Average	Maximum	Minimum	December 31
Interest rate	₩ 21,604	28,670	14,413	25,136
Stock price	5,677	13,250	2,737	7,341
Foreign exchange (*)	45,176	50,933	41,554	43,993
Option volatility	278	350	198	208
Portfolio diversification	(25,837)	(40,931)	(18,457)	(27,001)
	₩ 46,898	52,272	40,445	49,677

(*) Both trading and non-trading accounts are included since Shinhan Bank manages foreign exchange risk on a total position basis.

i-2) Shinhan Card

The analyses of Shinhan Card's requisite capital in light of the market risk for trading positions as of and for the years ended December 31, 2014 and 2013, based on the standard guidelines for risk management promulgated by the Financial Supervisory Service, are as follows:

	2014			
	Average	Maximum	Minimum	December 31
Interest rate	₩ 754	1,300	400	1,150
Foreign exchange	40,309	46,846	33,832	39,849
	₩ 41,063	48,146	34,232	40,999
	2013			
	Average	Maximum	Minimum	December 31
Interest rate	₩ 233	750	150	150
Foreign exchange	42,640	46,678	39,401	46,678
	₩ 42,873	47,428	39,551	46,828

(*) Shinhan Card fully hedges all the cash flows from foreign currency liabilities by swap transactions and is narrowly exposed to foreign exchange risk relating to foreign currency equity securities held for nontrading purposes.

i-3) Shinhan Investment

The analyses of the ten-day 99.9% confidence level-based VaR for managing market risk for trading positions of Shinhan Investment as of and for the years ended December 31, 2014 and 2013 are as follows:

	2014			
	Average	Maximum	Minimum	December 31
Interest rate	₩ 8,999	30,064	3,514	6,069
Stock price	7,531	14,677	3,389	14,438
Foreign exchange	3,688	17,353	646	5,227
Option volatility	1,917	7,042	224	711
Portfolio diversification	(7,730)	(38,169)	(1,399)	(8,967)
	₩ 14,405	30,967	6,374	17,478
	2013			
	Average	Maximum	Minimum	December 31
Interest rate	₩ 12,583	33,534	2,930	6,404
Stock price	8,287	17,163	3,418	3,471
Foreign exchange	2,160	7,524	116	1,194
Option volatility	2,516	6,621	154	867
Portfolio diversification	(8,349)	(22,491)	(1,371)	(6,216)
	₩ 17,197	42,351	5,247	5,720

i-4) Shinhan Life Insurance

The analyses of the ten-day 99.9% confidence level-based VaR for managing market risk for trading positions of Shinhan Life Insurance as of and for years ended December 31, 2014 and 2013 are as follows:

	2014			
	Average	Maximum	Minimum	December 31
Interest rate	₩ 997	4,850	223	354
Stock price	5	111	-	-
Foreign exchange	301	664	19	392
Option volatility	3,136	7,289	1,058	1,332
	₩ 4,439	12,914	1,300	2,078
	2013			
	Average	Maximum	Minimum	December 31
Interest rate	₩ 849	1,599	455	455
Stock price	196	535	20	89
Foreign exchange	243	546	32	113
Option volatility	2,279	3,204	452	3,182
	₩ 3,567	5,884	959	3,839

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ii) Interest rate risk management from non-trading positions

Principal market risk from non-trading activities of the Group is interest rate risk, which affects the Group's earnings and the economic value of the Group's net assets:

- Earnings: interest rate fluctuations have an effect on the Group's net interest income by affecting its interest-sensitive operating income and expenses and EaR (Earnings at Risk) is a commonly used risk management technique.

- Economic value of net assets: interest rate fluctuations influence the Group's net worth by affecting the present value of cash flows from the assets, liabilities and other transactions of the Group and VaR is a commonly used risk management technique.

Interest rate VaR represents the maximum anticipated loss in a net present value calculation, whereas interest rate EaR represents the maximum anticipated loss in a net earnings calculation for the immediately following one-year period, in each case, as a result of negative movements in interest rates.

Accordingly, the Group measures and manages interest rate risk for non-trading activities by taking into account effects of interest rate changes on both its income and net asset value.

The principal objectives of Shinhan Bank's interest rate risk management are to generate stable net interest income and to protect Shinhan Bank's net asset value against interest rate fluctuations. Through its asset and liability management system, Shinhan Bank measures and manages its interest rate risk based on various analytical measures such as interest rate gap, duration gap and net present value and net interest income simulations, and monitors on a monthly basis its interest rate VaR limits, interest rate earnings at risk ("EaR") limits and interest rate gap ratio limits. Shinhan Bank measures its interest rate VaR and interest rate EaR based on a simulated estimation of the maximum decrease in net asset value and net interest income in a one-year period based on various scenario analyses of historical interest rates.

Shinhan Card and Shinhan Life Insurance also monitors and manages its interest rate risk limits for all its interest-bearing assets and liabilities (including off-balance sheet items) in terms of impact on its earnings and net asset value from changes in interest rates. The interest rate VaR analysis used by Shinhan Card and Shinhan Life Insurance principally focuses on the maximum impact on its net asset value from adverse movement in interest rates.

Non-trading positions for interest rate VaR and EaR as of December 31, 2014 and 2013 are as follows:

ii-1) Shinhan Bank

	2014	2013
VaR	₩ 695,044	415,700
EaR	313,619	356,453

ii-2) Shinhan Card

	2014	2013
VaR	₩ 695,044	415,700
EaR	313,619	356,453

ii-3) Shinhan Investment

	2014	2013
VaR	₩ 20,887	11,725
EaR	119,812	126,321

ii-4) Shinhan Life Insurance

	2014	2013
VaR	₩ 147,488	62,298
EaR	4,525	2,428

(*1) The interest rate VaR was calculated by the Financial Supervisory Service regulations based on the duration proxies and interest shocks by 200 basis points for each time bucket as recommended under the Basel Accord.

(*2) The interest rate EaR was calculated by the Financial Supervisory Service regulations based on an interest rate gap analysis using the time buckets and the "middle of time band" as recommended under the Basel Accord.

iii) Foreign exchange risk

Foreign exchange risk arises because of the Group's net foreign currency open position, which is the difference between its foreign currency assets and liabilities, including derivatives.

The Group manages foreign exchange risk on an overall position basis, including its overseas branches, by covering all of its foreign exchange spot and forward positions in both trading and non-trading accounts.

The Risk Policy Committee oversees Shinhan Bank's foreign exchange exposure for both trading and nontrading activities by establishing limits for the net foreign currency open position, loss limits and VaR limits.

The management of Shinhan Bank's foreign exchange position is centralized at the FX & Derivatives Department. Dealers in the FX & Derivatives Department manage Shinhan Bank's overall position within the set limits through spot trading, forward contracts, currency options, futures and swaps and foreign exchange swaps.

Foreign currency denominated assets and liabilities as of December 31, 2014 and 2013 are as follows:

	2014					Total
	USD	JPY	EUR	CNY	Other	
Assets:						
Cash and due from banks	₩ 2,379,606	798,025	152,503	2,001,028	700,881	6,032,043
Loans	14,854,848	4,218,136	929,165	2,304,384	2,345,771	24,652,304
Trading assets	278,187	8,986	-	110,086	285,465	682,724
Derivative assets	127,127	351	5,205	1,418	1,746	135,847
Financial assets designated at FVTPL (*1)	149,380	-	-	-	-	149,380
AFS financial assets (*2)	1,638,766	41,160	4,143	-	536,891	2,220,960
HTM financial assets (*3)	61,376	180,191	-	51,180	38,326	331,073
Other financial assets	1,884,301	213,949	33,864	279,412	120,851	2,532,377
	₩ 21,373,591	5,460,798	1,124,880	4,747,508	4,029,931	36,736,708
Liabilities:						
Deposits	₩ 7,416,198	4,548,996	383,545	3,003,747	2,325,939	17,678,425
Trading liabilities	430	-	-	-	428,936	429,366
Financial liabilities designated at FVTPL (*1)	188,123	-	-	-	-	188,123
Derivative liabilities	69,371	72,637	366	916	579	143,869
Borrowings	5,519,777	261,194	511,723	387,367	261,130	6,941,191
Debt securities issued	5,515,370	585,209	-	-	389,648	6,490,227
Other financial liabilities	1,999,245	129,719	103,272	436,379	185,590	2,854,205
	₩ 20,708,514	5,597,755	998,906	3,828,409	3,591,822	34,725,406
Net assets (liabilities)	665,077	(136,957)	125,974	919,099	438,109	2,011,302
Off-balance derivative exposure	350,795	132,161	(60,167)	(554,143)	83,193	(48,161)
Net position	₩ 1,015,872	(4,796)	65,807	364,956	521,302	1,963,141

(*1) FVTPL : fair value through profit or loss

(*2) AFS : available-for-sale

(*3) HTM : held-to-maturity

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	2013					Total
	USD	JPY	EUR	CNY	Other	
Assets:						
Cash and due from banks	₩ 2,454,298	1,236,206	94,546	1,464,235	454,990	5,704,275
Loans	12,066,235	4,074,563	1,088,485	1,777,469	2,045,999	21,052,751
Trading assets	237,996	5,020	-	-	110,694	353,710
Derivative assets	188,332	34	7,864	397	1,910	198,537
AFS financial assets (*1)	1,740,787	9,125	13,508	5,106	523,371	2,291,897
HTM financial assets (*2)	64,451	294,027	-	63,991	28,251	450,720
Other financial assets	1,329,737	348,676	105,395	43,322	116,523	1,943,653
	₩ 18,081,836	5,967,651	1,309,798	3,354,520	3,281,738	31,995,543
Liabilities:						
Deposits	₩ 6,526,255	5,280,535	319,828	2,492,930	1,818,909	16,438,457
Trading liabilities	-	-	-	-	398,596	398,596
Financial liabilities designated at FVTPL (*3)	46,806	-	-	-	-	46,806
Derivative liabilities	130,607	46,114	-	2,901	1,919	181,541
Borrowings	4,320,200	420,004	505,242	228,988	221,460	5,695,894
Debt securities issued	4,618,872	653,029	-	104,292	507,813	5,884,006
Other financial liabilities	1,134,441	309,432	374,739	170,065	320,016	2,308,693
	₩ 16,777,181	6,709,114	1,199,809	2,999,176	3,268,713	30,953,993
Net assets (liabilities)	1,304,655	(741,463)	109,989	355,344	13,025	1,041,550
Off-balance derivative exposure	147,613	753,581	(114,039)	49,107	296,693	1,132,955
Net position	₩ 1,452,268	12,118	(4,050)	404,451	309,718	2,174,505

(*1) AFS : available-for-sale

(*2) HTM : held-to-maturity

(*3) FVTPL : fair value through profit or loss

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Each subsidiary seeks to minimize liquidity risk through early detection of risk factors related to the sourcing and managing of funding that may cause volatility in liquidity and by ensuring that it maintains an appropriate level of liquidity through systematic management. At the groupwide level, the Group manages liquidity risk by conducting monthly stress tests that compare liquidity requirements under normal situations against those under three types of stress situations, namely, the group-specific internal crisis, crisis in the external market and a combination of internal and external crisis. In addition, in order to preemptively and comprehensively manage liquidity risk, the Group measure and monitor liquidity risk management using various indices, including the "limit management index", "early warning index" and "monitoring index".

Shinhan Bank applies the following basic principles for liquidity risk management:

- raise funding in sufficient amounts, at the optimal time at reasonable costs;
- maintain risk at appropriate levels and preemptively manage them through a prescribed risk limit system and an early warning signal detection system;
- secure stable sources of revenue and minimize actual losses by implementing an effective asset-liability management system based on diversified sources of funding with varying maturities;
- monitor and manage daily and intra-daily liquidity positions and risk exposures for timely payment and settlement of financial obligations due under both normal and crisis situations;

- conduct periodic contingency analysis in anticipation of any potential liquidity crisis and establish and implement emergency plans in case of a crisis actually happening; and
- consider liquidity-related costs, benefits of and risks in determining the pricing of the Group's products and services, employee performance evaluations and approval of launching of new products and services.

As for any potential liquidity shortage at or near the end of each month, Shinhan Card maintains liquidity at a level sufficient to withstand credit shortage for three months. In addition, Shinhan Card manages liquidity risk by defining and managing various indicators of liquidity risk, such as the actual liquidity gap ratio (in relation to the different maturities for assets as compared to liabilities), the liquidity buffer ratio, the maturity repayment ratio, the ratio of actual funding compared to budgeted funding and the ratio of asset-backed securities to total borrowings, at different risk levels of "caution", "unstable" and "at risk", and the Group also has contingency plans in place in case of any emergency or crisis.

Contractual maturities for financial instruments including cash flows of principal and interest and off balance as of December 31, 2014 and 2013 are as follows:

	2014						Total
	Less than 1 month	1~3 months	3~6 months	6 months ~ 1 year	1~5 years	More than 5 years	
Non-derivative financial instruments:							
Assets:							
Cash and due from banks	₩ 16,293,055	1,202,567	1,294,502	1,824,756	35,664	47,375	20,697,919
Loans	28,612,094	29,867,481	34,979,379	51,517,129	55,500,327	49,283,16	249,759,572
Trading assets (*3)	24,369,749	-	-	-	-	-	24,369,749
Financial assets designated at fair value through profit or loss	2,160,836	32,715	106,930	26,051	409,795	1,202	2,737,529
Available-for-sale financial assets (*3)	26,174,710	1,974,674	10,992	1,002,739	26,551	2,229,016	31,418,682
Held-to-maturity financial assets	205,544	636,188	394,655	1,265,085	7,646,864	7,471,576	17,619,912
Other financial assets	6,337,858	21,269	20,151	327,983	3,382,771	190,599	10,280,631
	₩ 104,153,846	33,734,894	36,806,609	55,963,743	67,001,972	59,222,930	356,883,994
Liabilities:							
Deposits (*2)	₩ 92,720,125	22,382,996	27,514,353	42,443,826	11,473,918	3,708,829	200,244,047
Trading liabilities (*3)	2,688,734	-	-	-	-	-	2,688,734
Borrowings	13,112,645	1,991,313	1,751,068	1,791,657	3,737,094	846,679	23,230,456
Debt securities issued	846,643	1,909,290	4,171,870	7,515,358	23,271,423	3,201,822	40,916,406
Financial liabilities designated at fair value through profit or loss	149,918	220,932	287,058	820,256	6,672,700	845,656	8,996,520
Other financial liabilities	16,634,144	45,750	15,921	172,690	471,352	108,993	17,448,850
	₩ 126,152,209	26,550,281	33,740,270	52,743,787	45,626,487	8,711,979	293,525,013
Off balance (*4):							
Finance guarantee contracts	₩ 3,090,873	-	-	-	-	-	3,090,873
Loan commitments and other	74,295,365	-	-	-	-	-	74,295,365
	₩ 77,386,238	-	-	-	-	-	77,386,238
Derivatives:							
Cash inflows	₩ 1,530,627	339,105	197,109	1,036,878	1,845,455	50,797	4,999,971
Cash outflows	(1,614,763)	(104,502)	(153,737)	(1,009,806)	1,925,721)	(433,058)	(5,241,587)
	₩ (84,136)	234,603	43,372	27,072	(80,266)	(382,261)	(241,616)

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	2013 (Restated, see note 48)						Total
	Less than 1 month	1~3 months	3~6 months	6 months ~ 1 year	1~5 years	More than 5 years	
Non-derivative financial instruments:							
Assets:							
Cash and due from banks	₩ 13,158,921	1,132,108	1,158,640	842,635	71,427	236,053	16,599,784
Loans	29,266,553	28,405,856	32,069,312	46,773,416	51,992,423	45,558,541	234,066,101
Trading assets (*3)	18,021,851	-	-	-	-	-	18,021,851
Financial assets designated at fair value through profit or loss	2,387,535	146,011	99,491	88,401	639,495	-	3,360,933
Available-for-sale financial assets (*3)	28,471,792	1,424,789	43,166	569,533	304,446	2,801,295	33,615,021
Held-to-maturity financial assets	163,006	860,399	216,955	1,708,192	6,138,602	5,884,452	14,971,606
Other financial assets	4,234,883	115,317	259,591	335,576	3,732,060	83,282	8,760,709
	₩ 95,704,541	32,084,480	33,847,155	50,317,753	62,878,453	54,563,623	329,396,005
Liabilities:							
Deposits (*2)	₩ 81,531,603	20,667,444	25,856,289	43,637,751	10,648,429	2,907,671	185,249,187
Trading liabilities (*3)	1,258,283	-	-	-	-	-	1,258,283
Borrowings	10,104,078	1,791,667	2,152,228	1,795,100	3,816,464	790,890	20,450,427
Debt securities issued	1,111,445	2,864,917	3,065,423	4,710,799	24,847,517	5,708,971	42,309,072
Financial liabilities designated at fair value through profit or loss	56,175	206,479	442,352	677,631	4,205,094	321,399	5,909,130
Other financial liabilities	14,587,022	148,854	52,803	173,826	433,346	65,753	15,461,604
	₩ 108,648,606	25,679,361	31,569,095	50,995,107	43,950,850	9,794,684	270,637,703
Off balance (*4):							
Finance guarantee contracts	₩ 2,457,712	-	-	-	-	-	2,457,712
Loan commitments and other	74,824,310	-	-	-	-	-	74,824,310
	₩ 77,282,022	-	-	-	-	-	77,282,022
Derivatives:							
Cash inflows	₩ 1,827,969	671,262	234,757	327,195	1,886,110	736,877	5,684,170
Cash outflows	(1,894,089)	(425,602)	(221,876)	(263,615)	1,678,499)	(416,179)	(4,899,860)
	₩ (66,120)	245,660	12,881	63,580	207,611	320,698	784,310

(*1) These amounts include cash flows of principal and interest on financial liabilities.

(*2) Demand deposits amounting to ₩68,949,585 million and ₩59,143,510 million as of December 31, 2014 and 2013 are included in the 'Less than 1 month' category, respectively.

(*3) Available-for-sale financial assets, trading assets and trading liabilities, which are not restricted for sale and measured at market prices, were included in the 'Less than 1 month' category.

(*4) Financial guarantees such as financial guarantee contracts and loan commitments and others provided by the Group are classified based on the earliest date at which the Group should fulfill the obligation under the guarantee when the counterparty requests payment.

(e) Measurement of fair value

The fair values of financial instruments being traded in an active market are determined by the published market prices of each period end. The published market prices of financial instruments being held by the Group are based on the trading agencies' notifications. If the market for a financial instrument is not active, such as OTC (Over The Counter market) derivatives, fair value is determined either by using a valuation technique or independent third-party valuation service.

The Group uses various valuation techniques and is setting rational assumptions based on the present market situations. Such valuation techniques may include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

The Group classifies and discloses fair value of financial instruments into the following three-level hierarchy:

- Level 1: Financial instruments measured at quoted prices from active markets are classified as fair value level 1.
- Level 2: Financial instruments measured using valuation techniques where all significant inputs are observable market data are classified as level 2.
- Level 3: Financial instruments measured using valuation techniques where one or more significant inputs are not based on observable market data are classified as level 3.

i) Financial instruments measured at fair value

- The fair value hierarchy of financial assets presented at their fair values in the statements of financial position as of December 31, 2014 and 2013 are as follows:

	2014			
	Level 1	Level 2	Level 3	Total
Financial assets				
Trading assets:				
Debt securities	₩ 5,553,244	15,567,883	155,271	21,276,398
Equity securities	1,191,394	1,659,309	10,519	2,861,222
Gold deposits	224,556	-	-	224,556
Financial assets designated at fair value through profit or loss:				
Debt securities and others	59,945	1,469,473	416,782	1,946,200
Equity securities	17,955	630,537	142,683	791,175
Derivative assets:				
Trading	4,640	1,247,402	159,126	1,411,168
Hedging	-	95,706	61,433	157,139
Available-for-sale financial assets:				
Debt securities	7,371,643	19,468,619	15,400	26,855,662
Equity securities	1,647,908	346,331	2,568,113	4,562,352
	₩ 16,071,285	40,485,260	3,529,327	60,085,872
Financial liabilities:				
Trading liabilities:				
Securities sold	₩ 2,259,798	-	-	2,259,798
Gold deposits	428,936	-	-	428,936
Financial liabilities designated at fair value through profit or loss:				
Deposits	-	-	6,139	6,139
Securities sold	417	-	-	417
Derivatives-combined securities	154	2,004,122	6,985,349	8,989,625
Derivative liabilities:				
Trading	5,317	1,360,839	230,244	1,596,400
Hedging	-	92,392	28,763	121,155
	₩ 2,694,622	3,457,353	7,250,495	13,402,470

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	2013 (Restated, see note 48)			Total
	Level 1	Level 2	Level 3	
Financial assets				
Trading assets:				
Debt securities	₩ 2,904,587	12,329,028	29,997	215,263,612
Equity securities	627,131	2,060,870	5,348	2,693,349
Gold deposits	76,337	-	-	76,337
Financial assets designated at fair value through profit or loss:				
Debt securities and others	171,881	1,037,630	681,408	1,890,919
Equity securities	46,573	1,209,975	213,298	1,469,846
Derivative assets:				
Trading	7,010	1,345,476	197,230	1,549,716
Hedging	-	115,195	52,557	167,752
Available-for-sale financial assets:				
Debt securities	7,614,090	21,077,315	17,269	28,708,674
Equity securities	2,285,388	485,498	2,117,007	4,887,893
	₩ 13,732,997	39,660,987	3,314,114	56,708,098
Financial liabilities:				
Trading liabilities:				
Securities sold	₩ 859,687	-	-	859,687
Gold deposits	398,596	-	-	398,596
Financial liabilities designated at fair value through profit or loss:				
Securities sold	672	-	-	672
Derivatives-combined securities	-	1,379,367	4,529,091	5,908,458
Derivative liabilities:				
Trading	6,216	1,310,870	363,549	1,680,635
Hedging	-	147,416	191,345	338,761
	₩ 1,265,171	2,837,653	5,083,985	9,186,808

- There was no transfer between level 1 and level 2 for the years ended December 31, 2014 and 2013.

- Changes in carrying values of financial instruments classified as Level 3 for the years ended December 31, 2014 and 2013 are as follows:

	2014				
	Trading assets	Financial assets designated at FVTPL (*3)	Available-for-sale financial assets	Derivative assets and liabilities, net	Financial liabilities designated at FVTPL (*)
Beginning balance					
Recognized in total comprehensive income for the year:	₩ 35,345	894,706	2,134,276	(305,107)	4,529,091
Recognized in profit (loss) for the year (*1)	7,519	(124,819)	(115,324)	348,976	356,008
Recognized in other comprehensive income (loss) for the year	-	-	136,483	(798)	-
	7,519	(124,819)	21,159	348,178	356,008
Purchase	412,363	323,824	607,297	28,376	-
Issue	-	-	-	-	6,623
Settlement	(289,437)	(534,246)	(210,998)	(109,843)	2,099,766
Transfer in (*2)	-	-	35,336	-	-
Transfer out (*2)	-	-	(3,557)	(52)	-
Ending balance	₩ 165,790	559,465	2,583,513	(38,448)	6,991,488
	2013 (Restated, see note 48)				
	Trading assets	Financial assets designated at FVTPL (*3)	Available-for-sale financial assets	Derivative assets and liabilities, net	Financial liabilities designated at FVTPL (*)
Beginning balance					
Recognized in total comprehensive income for the year:	₩ 177,451	692,860	2,559,462	83,690	4,258,199
Recognized in profit (loss) for the year (*1)	(3,603)	5,856	(61,469)	(157,720)	59,683
Recognized in other comprehensive income (loss) for the year	-	-	76,900	(1,148)	-
	(3,603)	5,856	15,431	(158,868)	59,683
Purchase	486,200	680,253	537,190	48,469	-
Issue	-	-	-	(75,719)	4,996,245
Settlement	(626,200)	(473,800)	(404,688)	(202,679)	4,785,036
Transfer in (*2)	1,497	-	210,550	-	-
Transfer out (*2)	-	(10,463)	(783,669)	-	-
Ending balance	₩ 35,345	894,706	2,134,276	(305,107)	4,529,091

(*1) Recognized profit or loss of the changes in carrying value of financial instruments classified as Level 3 for the years ended December 31, 2014 and 2013, are included in the accounts of the statements of comprehensive income, of which the amounts and the related accounts are as follows:

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	2014		2013	
	Amounts recognized in profit or loss	Recognized profit or loss from the financial instruments held as of December 31	Amounts recognized in profit or loss	Recognized profit or loss from the financial instruments held as of December 31
Trading income	₩ 16,971	16,276	585	1,174
Gain (loss) on financial instruments designated at FVTPL	416,636	(56,244)	63,077	(180,460)
Gain (loss) on disposal of available-for-sale financial assets	25,890	-	47,379	-
Impairment losses on financial assets	(140,958)	(140,885)	(115,647)	(114,626)
Other operating income (expenses)	153,786	154,846	(155,615)	(153,267)
	₩ 472,325	(26,007)	(160,221)	(447,179)

(*2) Changes in levels for the financial instruments occurred due to the change in the availability of observable market data. The Group reviews the levels of financial instruments as of the end of the reporting period considering the related events and circumstances in the reporting period.

(*3) FVTPL : fair value through profit or loss

- Valuation techniques and inputs used in measuring the fair value of financial instruments classified as level 2 as of December 31, 2014 are as follows:

Type of financial instrument	Valuation technique	Carrying value	Significant inputs
Assets			
Trading assets:			
Debt securities	DCF(*1)	₩ 15,567,883	Discount rate
Equity securities	NAV(*2)	1,659,309	Price of underlying assets
		17,227,192	
Financial assets designated at fair value through profit or loss:			
Debt securities	DCF(*1)	1,469,473	Discount rate
Equity securities	NAV(*2)	630,537	Price of underlying assets
		2,100,010	
Derivative assets:			
Trading	Option model,	1,247,402	Discount rate, foreign exchange rate,
Hedging	DCF(*1)	95,706	volatility, stock price, commodity index, etc.
		1,343,108	
Available-for-sale financial assets:			
Debt securities	DCF(*1)	19,468,619	Discount rate
Equity securities	NAV(*2)	346,331	Price of underlying assets
		19,814,950	
		40,485,260	
Liabilities			
Financial liabilities designated at fair value through profit or loss:			Discount rate
Others	DCF(*1)	2,004,122	
Derivative liabilities:			
Trading	Option model,	1,360,839	Discount rate, foreign exchange rate,
Hedging	DCF(*1)	92,392	volatility, stock price, commodity index, etc.
		1,453,231	
		₩ 3,457,353	

(*1) DCF : Discounted cash flow

(*2) NAV : Net asset value

- Valuation techniques and significant inputs, but not observable, used in measuring the fair value of financial instruments classified as level 3 as of December 31, 2014 are as follows:

Type of financial instrument	Valuation technique	Carrying value (*4)	Significant unobservable inputs	Range
Financial assets				
Trading assets:				
Debt securities	DCF(*1)	₩ 155,271	The volatility of the underlying asset	1.75%~2.05%
Financial assets designated at fair value through profit or loss:				
Debt securities and other securities	DCF(*1)	559,465	The volatility of the underlying asset, correlations	0%~44.09% 8.23%~65.17%
Derivative assets:				
Equity and foreign exchange related	Option model(*2)	127,420	The volatility of the underlying asset, correlations	0%~43.79% (0.06%)~65.18%
Interest rates related	Option model(*2)	85,485	The volatility of the underlying asset, regression coefficient, correlations	0.16%~0.64% 0%~3.02% 0%~41.70%
Commodity related	Option model(*2)	7,654	The volatility of the underlying asset, correlations	0%~46.50% (15.43%)~75.10%
		220,559		
Available-for-sale financial assets:				
Debt securities	NAV(*3)	15,400	Discount rate, growth rate	0.00%
Equity securities	DCF(*1)	2,566,650	Discount rate, growth rate	2.29%~23.25%
		2,582,050		0%~3.50%
		₩ 3,517,345		

(*1) DCF : discounted cash flow

(*2) Option model that the Group uses in derivative valuation includes Black-Scholes model, Hull-White model, Monte Carlo simulation, etc.

(*3) NAV : net asset value

(*4) Valuation techniques and inputs are not disclosed when the carrying amount is a reasonable approximation of fair value.

Type of financial instrument	Valuation technique	Carrying value (*2)	Significant unobservable inputs	Range
Financial liabilities				
Financial assets designated at fair value through profit or loss:				
Other securities	Option model(*1)	₩ 6,991,488	The volatility of the underlying asset, correlations	22.08%~28.19% 34%
Derivative liabilities:				
Equity and foreign exchange related	Option model(*1)	120,397	The volatility of the underlying asset, correlations	0%~47.54% (0.06%)~63.59%
Interest rates related	Option model(*1)	17,956	The volatility of the underlying asset, regression coefficient, correlations	0%~27.38% 0%~3.02% 0.43%~41.7%
Commodity related	Option model(*1)	120,654	The volatility of the underlying asset, correlations	0%~58.67% 26.88%~92.00%
		259,007		
		₩ 7,250,495		

(*1) Option model that the Group uses in derivative valuation includes Black-Scholes model, Hull-White model, Monte Carlo simulation, etc.

(*2) Valuation techniques and inputs are not disclosed when the carrying amount is a reasonable approximation of fair value.

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- Sensitivity analysis for fair value measurements in Level 3

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

For level 3 fair value measurement, changing one or more of the unobservable inputs used to reasonably possible alternative assumptions would have the following effects on profit or loss, or other comprehensive income as of December 31, 2014 and 2013.

	2014	
	Favorable changes	Unfavorable changes
Financial assets:		
Effects on profit or loss for the period (*1):		
Financial assets designated at fair value through profit or loss	₩ 2,691	(2,761)
Derivative assets	25,759	(33,508)
	28,450	(36,269)
Effects on other comprehensive income for the period:		
Available-for-sale financial assets (*2)	195,171	(69,090)
	₩ 223,621	(105,359)
Financial liabilities:		
Effects on profit or loss for the period (*1):		
Financial liabilities designated at fair value through profit or loss	₩ 82,347	(81,191)
Derivative liabilities	74,637	(76,587)
	₩ 156,984	(157,778)

	2013	
	Favorable changes	Unfavorable changes
Financial assets:		
Effects on profit or loss for the period (*1):		
Trading assets	₩ 375	(1,249)
Financial assets designated at fair value through profit or loss	5,170	(4,385)
Derivative assets	16,053	(24,130)
	21,598	(29,764)
Effects on other comprehensive income for the period:		
Available-for-sale financial assets (*2)	165,734	(73,273)
	₩ 187,332	(103,037)
Financial liabilities:		
Effects on profit or loss for the period (*1):		
Financial liabilities designated at fair value through profit or loss	45,080	(48,732)
Derivative liabilities	56,084	(58,729)
	₩ 101,164	(107,461)

(*1) Fair value changes are calculated by increasing or decreasing the volatility of the underlying asset (-10~10%) or correlations (-10~10%).

(*2) Fair value changes are calculated by increasing or decreasing discount rate (-1~1%) or growth rate (0~1%).

ii) Financial instruments measured at amortized cost

- The method of measuring the fair value of financial instruments measured at amortized cost is as follows:

Type	Measurement methods of fair value
Cash and due from banks	The carrying amount and the fair value for cash are identical and most of deposits are floating interest rate deposits or next day deposits of a shortterm instrument. For this reason, the carrying value approximates fair value.
Loans	The fair value of the loans is measured by discounting the expected cash flow at the market interest rate and credit risk, etc.
Held-to-maturity financial assets	The fair value of held-to-maturity financial assets is determined by applying the lesser of two quoted bond prices provided by two bond pricing agencies as of the latest trading date
Deposits and borrowings	The carrying amount and the fair value for demand deposits, cash management account deposits, call money as short-term instrument are identical. The fair value of others is measured by discounting the contractual cash flow at the market interest rate that takes into account the residual risk.
Debt securities issued	The fair value of deposits and borrowings is based on the published price quotations in an active market. In case there is no data for an active market price, it is measured by discounting the contractual cash flow at the market interest rate that takes into account the residual risk.

- The carrying value and the fair value of financial instruments measured at amortized cost as of December 31, 2014 and 2013 are as follows:

	2014		2013 (Restated, see note 48)	
	Carrying value	Fair value	Carrying value	Fair value
Assets:				
Loans	₩ 221,617,689	223,965,124	205,722,718	207,047,757
Held-to-maturity financial assets	13,373,384	14,231,320	11,031,307	11,380,798
Other financial assets	10,151,338	10,204,666	8,605,244	8,652,130
	₩ 245,142,411	248,401,110	225,359,269	227,080,685
Liabilities:				
Deposits	₩ 193,709,738	194,057,580	178,809,881	178,792,752
Borrowings	22,973,767	23,097,742	20,142,908	20,186,806
Debt securities issued	37,334,612	38,270,720	37,491,439	37,905,035
Other financial liabilities	17,485,236	17,432,936	15,500,424	15,470,331
	₩ 271,503,353	272,858,978	251,944,652	252,354,924

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- The fair value hierarchy of financial assets and liabilities which are not measured at their fair values in the statements of financial position as of December 31, 2014 and 2013 are as follows:

	2014			Total
	Level 1	Level 2	Level 3	
Assets:				
Loans	₩ 29,569	2,959,108	220,976,447	223,965,124
Held-to-maturity financial assets	5,135,924	9,095,396	-	14,231,320
Other financial assets	16,544	5,841,425	4,346,697	10,204,666
	₩ 5,182,037	17,895,929	225,323,144	248,401,110
Liabilities:				
Deposits	₩ 1,697,313	70,025,042	122,335,225	194,057,580
Borrowings	7,542,900	1,793,101	13,761,741	23,097,742
Debt securities issued in won	-	23,667,234	14,603,486	38,270,720
Other financial liabilities	17,520	5,189,079	12,226,337	17,432,936
	₩ 9,257,733	100,674,456	162,926,789	272,858,978
	2013			Total
	Level 1	Level 2	Level 3	
Assets:				
Loans	₩ 4,875,218	-	202,172,539	207,047,757
Held-to-maturity financial assets	3,800,855	7,579,943	-	11,380,798
Other financial assets	4,678,461	-	3,971,855	8,650,316
	₩ 13,354,534	7,579,943	206,144,394	227,078,871
Liabilities:				
Deposits	₩ 61,210,971	-	117,581,781	178,792,752
Borrowings	7,288,983	-	12,897,823	20,186,806
Debt securities issued in won	-	23,276,229	14,628,806	37,905,035
Other financial liabilities	3,226,901	-	12,243,430	15,470,331
	₩ 71,726,855	23,276,229	157,351,840	252,354,924

- For financial instruments not measured at fair value in the statement of financial position but for which the fair value is disclosed, information on valuation technique and inputs used in measuring fair value of financial instruments classified as level 2 or level 3 at December 31, 2014 and 2013 are as follows:

				2014		
				Fair value (*2)	Valuation technique	Inputs
Financial instruments classified as level 2 :						
Assets						
Loans	₩ 2,959,108		DCF(*1)	Discount rate, credit spread, prepayment rate		
Held-to-maturity financial assets	9,095,396		DCF(*1)	Discount rate		
Other financial assets	5,841,425		DCF(*1)	Discount rate		
	17,895,929					
Liabilities						
Deposits	70,025,042		DCF(*1)	Discount rate		
Borrowings	1,793,101		DCF(*1)	Discount rate		
Debt securities issued	23,667,234		DCF(*1)	Discount rate		
Other financial liabilities	5,189,079		DCF(*1)	Discount rate		
	₩ 100,674,456					
Financial instruments classified as level 3 :						
Assets						
Loans	₩ 220,976,447		DCF(*1)	Discount rate, credit spread, prepayment rate		
Other financial assets	4,346,697		DCF(*1)	Discount rate		
	225,323,144					
Liabilities						
Deposits	122,335,225		DCF(*1)	Discount rate		
Borrowings	13,761,741		DCF(*1)	Discount rate		
Debt securities issued	14,603,486		DCF(*1)	Discount rate, regression coefficient, correlation coefficient		
Other financial liabilities	12,226,337		DCF(*1)	Discount rate		
	₩ 162,926,789					

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	2013		
	Fair value (*2)	Valuation technique	Inputs
Financial instruments classified as level 2 :			
Assets			
Held-to-maturity financial assets	₩ 7,579,943	DCF(*1)	Discount rate
Liabilities			
Debt securities issued	₩ 23,276,229	DCF(*1)	Discount rate
Financial instruments classified as level 3 :			
Assets			
Loans	₩ 202,172,539	DCF(*1)	Discount rate, credit spread, prepayment rate
Other financial assets	3,971,855	DCF(*1)	Discount rate
	206,144,394		
Liabilities			
Deposits	117,581,781	DCF(*1)	Discount rate
Borrowings	12,897,823	DCF(*1)	Discount rate
Debt securities issued	14,628,806	DCF(*1)	Discount rate, regression coefficient, correlation coefficient
Other financial liabilities	12,243,430	DCF(*1)	Discount rate
	₩ 157,351,840		

(*1) DCF : discounted cash flow

(*2) Valuation techniques and inputs are not disclosed when the carrying amount is a reasonable approximation of fair value

iii) Changes in the difference between the fair value at initial recognition (the transaction price) and the value using models with unobservable inputs for the years ended December 31, 2014 and 2013

	2014	2013
Beginning balance	₩ (29,448)	(2,574)
Deferral on new transactions	(94,299)	(36,241)
Recognized in profit for the year	37,582	9,367
Ending balance	₩ (86,165)	(29,448)

(f) Classification by categories of financial instruments

Financial assets and liabilities are measured at fair value or amortized cost. The financial instruments measured at fair value or amortized cost are measured in accordance with the Group's valuation methodologies, which are described in Note 4.(e) Measurement of fair value.

The carrying amounts of each category of financial assets and financial liabilities as of December 31, 2014 and 2013 are as follows:

	2014						Total
	Trading assets	FVTPL assets (*1)	AFS (*2)	HTM (*3)	Loans and receivable	Derivatives held for hedging	
Assets:							
Cash and due from banks	₩ -	-	-	-	20,584,838	-	20,584,838
Trading assets	24,362,176	-	-	-	-	-	24,362,176
Financial assets designated at FVTPL (*1)	-	2,737,375	-	-	-	-	2,737,375
Derivatives	1,411,168	-	-	-	-	157,139	1,568,307
Loans	-	-	-	-	221,617,689	-	221,617,689
AFS financial assets (*2)	-	-	31,418,014	-	-	-	31,418,014
HTM financial assets (*3)	-	-	-	13,373,384	-	-	13,373,384
Other	-	-	-	-	10,151,338	-	10,151,338
	₩ 25,773,344	2,737,375	31,418,014	13,373,384	252,353,865	157,139	325,813,121

	2014				Total
	Trading liabilities	FVTPL liabilities (*1)	Financial liabilities measured at amortized cost	Derivatives held for hedging	
Liabilities:					
Deposits	₩ -	-	193,709,738	-	193,709,738
Trading liabilities	2,688,734	-	-	-	2,688,734
Financial liabilities designated at FVTPL (*1)	-	8,996,181	-	-	8,996,181
Derivatives	1,596,400	-	-	121,155	1,717,555
Borrowings	-	-	22,973,767	-	22,973,767
Debt securities issued	-	-	37,334,612	-	37,334,612
Other	-	-	17,485,236	-	17,485,236
	₩ 4,285,134	8,996,181	271,503,353	121,155	284,905,823

(*1) FVTPL : fair value through profit of loss

(*2) AFS : available-for-sale

(*3) HTM : held-to-maturity

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	2013						Total
	Trading assets	FVTPL assets (*1)	AFS (*2)	HTM (*3)	Loans and receivable	Derivatives held for hedging	
Assets:							
Cash and due from banks	₩ -	-	-	-	16,472,509	-	16,472,509
Trading assets	18,033,298	-	-	-	-	-	18,033,298
Financial assets designated at FVTPL (*1)	-	3,360,765	-	-	-	-	3,360,765
Derivatives	1,549,716	-	-	-	-	167,752	1,717,468
Loans	-	-	-	-	205,722,718	-	205,722,718
AFS financial assets (*2)	-	-	33,596,567	-	-	-	33,596,567
HTM financial assets (*3)	-	-	-	11,031,307	-	-	11,031,307
Other	-	-	-	-	8,605,244	-	8,605,244
	₩ 19,583,014	3,360,765	33,596,567	11,031,307	230,800,471	167,752	298,539,876

	2013				Total
	Trading liabilities	FVTPL liabilities (*1)	Financial liabilities measured at amortized cost	Derivatives held for hedging	
Liabilities:					
Deposits	₩ -	-	178,809,881	-	178,809,881
Trading liabilities	1,258,283	-	-	-	1,258,283
Financial liabilities designated at FVTPL (*1)	-	5,909,130	-	-	5,909,130
Derivatives	1,680,634	-	-	338,761	2,019,395
Borrowings	-	-	20,142,908	-	20,142,908
Debt securities issued	-	-	37,491,439	-	37,491,439
Other	-	-	15,500,424	-	15,500,424
	₩ 2,938,917	5,909,130	251,944,652	338,761	261,131,460

(*1) FVTPL : fair value through profit of loss

(*2) AFS : available-for-sale

(*3) HTM : held-to-maturity

(g) Transfer of financial instruments

i) Transfers that do not qualify for derecognition

- Bonds sold under repurchase agreements as of December 31, 2014 and 2013 are as follows:

	2014	2013
Transferred asset:		
Financial assets at fair value through profit or loss	₩ 6,929,219	5,904,275
Available-for-sale financial assets	972,344	573,096
Held-to-maturity financial assets	375,396	262,225
Loans	158,673	121,350
Associated liabilities:		
Bonds sold under repurchase agreements	₩ 7,707,954	6,390,886

- Securities loaned as of December 31, 2014 and 2013 are as follows:

	2014	2013	Lenders
Government bonds	₩ 491,931	185,161	Korea Securities Finance Corp., Mitsui Sumitomo and others
Financial institutions bonds	140,239	17,043	Korea Securities Finance Corp.
Corporate bonds	1,831	3,368	Mirae Asset Securities Co.,Ltd.
	₩ 634,001	205,572	

ii) Financial instruments qualified for derecognition and continued involvement

There was no financial instruments which qualify for derecognition and in which the Group has continuing involvements as of December 31, 2014, and 2013.

(h) Offsetting financial assets and financial liabilities

Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2014 and 2013 are as follows:

	2014					
	Gross amounts of recognized financial assets/liabilities	Gross amounts of recognized financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Assets:						
Derivatives(*1)	₩ 1,513,338	-	1,513,338	5,006,936	25,044	920,259
Other financial instruments(*1)	5,280,560	841,659	4,438,901			
Bonds purchased under repurchase agreements(*2)	11,071,542	-	11,071,542	10,510,942	-	560,600
Securities loaned(*2)	634,001	-	634,001	487,090	-	146,911
Domestic exchange settlement debit(*3)	24,624,335	22,524,299	2,100,036	3,561	-	2,096,475
Receivables from disposal of securities(*4)	4,648	316	4,332	4,332	-	-
Insurance receivables	1,775	-	1,775	1,198	-	577
	43,130,199	23,366,274	19,763,925	16,014,059	25,044	3,742,822
Liabilities:						
Derivatives(*1)	1,845,449	-	1,845,449	4,978,480	-	711,744
Other financial instruments(*1)	4,686,433	841,659	3,844,775			
Bonds purchased under repurchase agreements(*2)	7,707,954	-	7,707,954	7,707,954	-	-
Securities borrowed(*2)	2,253,329	-	2,253,329	2,253,329	-	-
Domestic exchange settlement pending(*3)	24,010,268	22,524,299	1,485,969	1,449,106	-	36,863
Payable from purchase of securities(*4)	551	315	236	236	-	-
Insurance payables	1,198	-	1,198	1,198	-	-
	₩ 40,505,183	23,366,273	17,138,910	16,390,303	-	748,607

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	2013 (Restated, see note 48)					
	Gross amounts of recognized financial assets/liabilities	Gross amounts of recognized financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Assets:						
Derivatives(*1)	₩ 1,688,219	-	1,688,219	3,080,591	22,499	1,055,926
Other financial instruments(*1)	2,470,797	-	2,470,797			
Bonds purchased under repurchase agreements(*2)	10,064,835	-	10,064,835	9,594,775	-	470,060
Securities loaned(*2)	205,572	-	205,572	205,572	-	-
Domestic exchange settlement debit(*3)	23,413,253	21,045,416	2,367,837	4,145	-	2,363,692
Receivables from disposal of securities(*4)	616,732	616,732	-	-	-	-
Insurance receivables	2,107	-	2,107	2,052	-	55
	38,461,515	21,662,148	16,799,367	12,887,135	22,499	3,889,733
Liabilities:						
Derivatives(*1)	1,947,627	-	1,947,627	3,128,198	-	949,872
Other financial instruments(*1)	2,130,443	-	2,130,443			
Bonds purchased under repurchase agreements(*2)	6,390,886	-	6,390,886	6,390,886	-	-
Securities borrowed(*2)	858,039	-	858,039	858,039	-	-
Domestic exchange settlement pending(*3)	21,966,798	21,045,416	921,382	889,904	-	31,478
Payable from purchase of securities(*4)	716,475	616,732	99,743	-	-	99,743
Insurance payables	2,193	-	2,193	2,052	-	141
	₩ 34,012,461	21,662,148	12,350,313	11,269,079	-	1,081,234

(*1) The Group has certain derivative transactions subject to the ISDA (International Derivatives Swaps and Dealers Association) agreement. According to the ISDA agreement, when credit events (e.g. default) of counterparties occur, all derivative agreements are terminated and set off.

(*2) Resale and repurchase agreement, securities borrowing and lending agreement are also similar to ISDA agreement with respect to enforceable netting agreements.

(*3) The Group has legally enforceable right to set off and settles financial assets and liabilities on a net basis. Therefore, domestic exchanges settlement receivables (payables) are recorded on a net basis in the consolidated statements of financial position.

(*4) Receivables and payables related to settlement of purchase and disposition of enlisted securities are offset and the net amount is presented in the consolidated statement of financial position because the Group currently has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis.

(i) Capital risk management

The controlling company, controlling banks or other financial institutions conducting banking business as prescribed in the Financial Holding Company Act, is required to maintain a minimum consolidated equity capital ratio of 8.0%. "Consolidated equity capital ratio" is defined as the ratio of equity capital as a percentage of risk-weighted assets on a consolidated basis, determined in accordance with the Financial Services Commission requirements that have been formulated based on Bank of International Settlement standards. "Equity capital", as applicable to bank holding companies, is defined as the sum of Common Equity Tier 1 capital (including common stock, share premium resulting from the issue of instruments included common equity Tier 1, retained earnings, etc.), Additional Tier 1 capital (with the minimum set of criteria for an instrument issued by the Group to meet, ie 'perpetual') and Tier 2 capital (to provide loss absorption on a gone-concern basis) less any deductible items (including goodwill, income tax assets, etc.), each as defined under the Regulation on the Supervision of Financial Holding Companies. "Risk-weighted assets" is defined as the sum of credit risk-weighted assets and market risk-weighted assets.

The capital adequacy ratio of the Group as of December 31, 2014 and 2013 are as follows:

	2014	2013
Capital (A)	₩ 25,937,968	25,605,827
Risk-weighted assets (B)	198,832,860	190,716,648
BIS ratio (A/B)	13.05%	13.43%

As of December 31, 2014 and 2013, the Group met the regulatory capital ratio above 8%.

Shinhan Life Insurance measures and manages RBC (risk based capital) ratio according to the Regulation on Supervision of Insurance Business to maintain required capital for the solvency margin.

As of December 31, 2014 and 2013, the Group's BIS capital ratio and Shinhan Life Insurance's RBC ratio exceed the regulatory minimum ratios.

5. Significant estimate and judgment

The preparation of consolidated financial statements requires the application of certain critical accounting and assumptions relative to the future. Management's estimate of the outcome may differ from an actual outcome if managements' estimate and assumption based on its best judgment at the reporting date are different from an actual environment. The change in an accounting estimate is recognized prospectively in profit or loss in the year of the change, if the change affects that year only, or the year of the change and future years, if the change affects both.

(a) Goodwill

The Group assesses annually whether any objective evidence of impairment on goodwill exists in accordance with the accounting policy as described in note 3. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. Value in use is measured based on estimates.

(b) Income taxes

The Group is subject to tax law from various countries. Within the normal business process, there are various types of transaction and different accounting method that may add uncertainties to the decision of the final income taxes. The Group has recognized current and deferred tax that reflect tax consequences that would follow from the manner in which the entity expects, at the end of the reporting year, to recover or settle the carrying amount of its assets and liabilities. However, actual income tax in the future may not be identical to the recognized deferred tax assets and liabilities, and this difference can affect current and deferred tax at the year when the final tax effect is conformed.

(c) Fair value of financial instruments

The fair values of financial instruments which are not actively traded in the market are determined by using valuation techniques. The Group determines valuation method and assumptions based on significant market conditions at the end of each reporting year. Diverse valuation techniques are used to determine the fair value of financial instruments, from general market accepted valuation model internally developed valuation model that incorporates various types of assumptions and variables.

(d) Allowances for loan losses, guarantees and unused loan commitments

The Group determines and recognizes allowances for losses on loans through impairment testing and recognizes provision for guarantees and unused loan commitments. The accuracy of provisions of credit losses is determined by the methodology and assumptions used for estimating expected cash flows of the borrower for allowances on individual loans and collectively assessing allowances for groups of loans, guarantees and unused loan commitments.

(e) Defined benefit obligation

The present value of defined benefit obligation that is measured by actuarial valuation method uses various assumptions which can change according to various elements. The rate used to discount postemployment benefit obligations is determined by reference to market yields at the end of the reporting year on high quality corporate bonds. The currency and term of the corporate bonds are consistent with the currency and estimated term of the post-employment benefit obligations. Actuarial gains and losses including experience adjustments and the effects of changes in actuarial assumptions are recognized in profit or loss. Other significant assumptions related to defined benefit obligation are based on current market situation.

(f) Impairment of available-for-sale equity investments

When there is a significant or prolonged decline in the fair value of an investment in an equity instrument below its original cost, there is objective evidence that available-for-sale equity investments are impaired. Accordingly, the Group considers the decline in the fair value of more than 30% against the original cost as "significant decline" and the status when the market price for marketable equity is less than the carrying amounts of instruments for six consecutive months as a "prolonged decline".

(g) Hedging relationship

The hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period. For a cash flow hedge of a forecasted transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

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6. Investment in subsidiaries

(a) Summarized financial information of the subsidiaries

i) Condensed financial position for the controlling company and the Group's subsidiaries as of December 31, 2014 and 2013 are as follows:

	Note	2014			2013 (Restated, see note 48)		
		Total assets	Total liabilities	Total equity	Total assets	Total liabilities	Total equity
Shinhan Financial Group (Separate)		₩ 27,094,548	6,859,429	20,235,119	27,424,645	7,450,173	19,974,472
Shinhan Bank		255,646,329	235,169,429	20,476,900	238,045,694	217,509,613	20,536,081
Shinhan Card Co., Ltd.		22,259,514	16,127,087	6,132,427	21,649,234	15,540,450	6,108,784
Shinhan Investment Corp.		25,928,292	23,598,201	2,330,091	19,097,725	16,862,018	2,235,707
Shinhan Life Insurance Co., Ltd.	48	21,939,682	20,463,749	1,475,933	19,385,187	18,085,212	1,299,975
Shinhan Capital Co., Ltd.		3,939,493	3,369,060	570,433	3,772,378	3,252,627	519,751
Jeju Bank		3,475,694	3,170,213	305,481	3,196,049	2,903,954	292,095
Shinhan Credit Information Co., Ltd.		23,040	8,420	14,620	21,026	7,303	13,723
Shinhan Private Equity		461,342	371,448	89,894	572,884	488,850	84,034
Shinhan BNP Paribas AMC		188,886	32,429	156,457	169,611	20,982	148,629
SHC Management Co., Ltd.		8,938	1,358	7,580	8,804	1,705	7,099
Shinhan Data System		25,826	16,461	9,365	20,542	12,360	8,182
Shinhan Savings Bank		804,035	689,550	114,485	777,096	681,113	95,983
Shinhan Aitas Co., Ltd.		37,657	6,242	31,415	34,584	4,146	30,438
		₩ 361,833,276	309,883,076	51,950,200	334,175,459	282,820,506	51,354,953

(*1) Condensed financial information of the subsidiaries is based on the consolidated financial information, if applicable.

(*2) Subsidiaries such as trust, beneficiary certificate, corporate restructuring fund and private equity fund which are not actually operating their own business are excluded.

ii) Condensed comprehensive income statement for the controlling company and the Group's subsidiaries for years ended December 31, 2014 and 2013 were as follows:

	Note	2014			2013 (Restated, see note 48)		
		Operating income	Net income (loss)	Total comprehensive income(loss)	Operating income	Net income (loss)	Total comprehensive income(loss)
Shinhan Financial Group (separate)		₩ 1,061,540	662,623	660,754	1,106,991	731,638	731,369
Shinhan Bank		13,987,647	1,455,653	1,396,780	15,454,849	1,373,177	1,014,906
Shinhan Card Co., Ltd.		4,596,758	635,151	547,666	4,614,563	658,074	776,419
Shinhan Investment Corp.		3,295,109	118,235	104,390	2,692,355	75,366	67,911
Shinhan Life Insurance Co., Ltd.	48	5,134,787	80,672	106,980	5,057,026	75,459	16,583
Shinhan Capital Co., Ltd.		328,077	51,944	55,591	343,499	50,372	48,073
Jeju Bank		168,723	13,856	15,608	176,135	20,483	15,452
Shinhan Credit Information Co., Ltd.		976	1,055	891	28,901	155	259
Shinhan Private Equity		332,861	8,327	7,579	254,458	8,836	8,852
Shinhan BNP Paribas AMC		89,019	28,195	28,228	97,981	31,468	31,455
SHC Management Co., Ltd.		558	482	482	237	(1,317)	(1,317)
Shinhan Data System		69,136	2,647	(1,459)	62,061	1,124	517
Shinhan Savings Bank		72,085	11,140	14,758	75,929	(29,919)	(30,622)
Shinhan Aitas Co., Ltd.		28,515	3,988	3,988	26,859	3,770	3,770
		₩ 29,165,791	3,073,968	2,942,236	29,991,844	2,998,686	2,683,627

(*1) Condensed financial information of the subsidiaries is based on the consolidated financial information, if applicable.

(*2) Subsidiaries such as trust, beneficiary certificate, corporate restructuring fund and private equity fund which are not actually operating their own business are excluded.

(b) Change in subsidiaries

i) The subsidiary that is newly included in consolidation during the year ended December 31, 2014 is as follows:

Company	Description
LLP MFO Shinhan Card kazakhstan	A new investment

ii) The subsidiary that was excluded from consolidation during the year ended December 31, 2013 is as follows:

Company	Description
Symphony Energy Co., Ltd.	Disposal

Subsidiaries such as trust, beneficiary certificate, corporate restructuring fund and private equity fund which are not actually operating their own business are excluded.

7. Operating segments

(a) Segment information

The general descriptions by operating segments as of December 31, 2014 are as follows:

Segment	Description
Banking	Retail banking Loans to or deposits from individual customers, wealth management customers, and institutions such as hospitals, airports and schools
	Corporations and investment banking Loans to or deposits from corporations including small or medium sized companies and business related to investment banking
	International group Internal asset and liability management, trading of securities and derivatives, investment portfolio management and other related business supervision on overseas subsidiaries and branch operations and other international business
	Others Administration of bank operations
Credit card	Credit card business
Securities	Securities trading, underwriting and brokerage services
Life insurance	Life insurance and related business
Others	Leasing, assets management and other businesses

(b) The following tables provide information of income for each operating segment for the years ended December, 2014 and 2013.

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(b) The following tables provide information of income for each operating segment for the years ended December, 2014 and 2013.

	2014										
	Banking										Total
	Retail	Corpo- rations	Inter- national	Other	Adjus- tments	Credit card	Securities	Life insurance	Others	Consolidation adjustment	
Net interest income (loss)	₩ 2,401,490	891,375	303,760	844,439	5,490	1,372,965	386,071	651,109	(70,296)	3,397	6,789,800
Net fees and commission income (loss)	572,913	258,368	54,670	(58,233)	(11,879)	256,809	197,747	27,365	185,859	(14,461)	1,469,158
Other income (expense), net	(2,406,966)	261,178	(226,501)	(1,060,649)	(14,496)	(836,871)	(450,806)	(560,331)	(194,159)	(114,547)	(5,604,148)
Operating income (loss)	567,437	1,410,921	131,929	(274,443)	(20,885)	792,903	133,012	118,143	(78,596)	(125,611)	2,654,810
Equity method income (loss)	-	-	-	-	11,808	-	10,943	5	6,266	1,558	30,580
Income tax expense (benefit)	116,698	288,840	32,398	(40,660)	(13,187)	186,886	39,035	31,395	24,407	2,153	667,965
Net profit (loss) for the period	₩ 454,402	1,130,845	98,002	(177,133)	(36,606)	635,151	118,235	80,672	(14,594)	(89,363)	2,199,611
Controlling interest	₩ 454,402	1,130,845	98,002	(177,133)	(37,036)	635,151	118,235	80,672	(22,325)	(199,703)	2,081,110
Non-controlling interests	-	-	-	-	430	-	-	-	7,731	110,340	118,501

	2013 (Restated, see note 48)										
	Banking										Total
	Retail	Corpo- rations	Inter- national	Other	Adjus- tments	Credit card	Securities	Life insurance	Others	Consolidation adjustment	
Net interest income (loss)	₩ 2,340,436	936,884	272,513	865,550	12,530	1,395,425	281,858	603,229	(108,287)	4,746	6,604,884
Net fees and commission income (loss)	559,453	232,673	49,547	(83,616)	1,459	166,129	212,276	32,270	221,626	(5,463)	1,386,354
Other income (expense), net	(2,439,859)	(181,966)	(199,254)	(553,078)	(68,173)	(728,559)	(392,488)	(528,164)	(230,342)	(37,356)	(5,359,239)
Operating income (loss)	460,030	987,591	122,806	228,856	(54,184)	832,995	101,646	107,335	(117,003)	(38,073)	2,631,999
Equity method income (loss)	-	-	-	-	22,448	-	(19,401)	-	7,029	(2,790)	7,286
Income tax expense (benefit)	103,326	198,408	23,893	42,163	(7,368)	192,728	21,895	21,188	29,973	(4,992)	621,214
Net profit (loss) for the period	₩ 364,484	794,236	95,647	168,780	(29,487)	658,074	75,366	75,460	(99,437)	(47,784)	2,055,339
Controlling interest	₩ 364,484	794,236	95,647	168,780	(29,646)	658,074	75,366	75,460	(105,421)	(198,403)	1,898,577
Non-controlling interests	-	-	-	-	159	-	-	-	5,984	150,619	156,762

(c) The following tables provide information of net interest income of each operating segment for the years ended December 31, 2014 and 2013.

	2014										
	Banking										Total
	Retail	Corpo- rations	Inter- national	Other	Adjus- tments	Credit card	Securities	Life insurance	Others	Consolidation adjustment	
Net interest income from:											
External customers	₩ 2,539,504	1,352,390	307,124	254,322	-	1,408,923	393,529	648,313	(114,305)	-	6,789,800
Internal transactions	(138,014)	(461,015)	(3,364)	590,117	5,490	(35,958)	(7,458)	2,796	44,009	3,397	-
	₩ 2,401,490	891,375	303,760	844,439	5,490	1,372,965	386,071	651,109	(70,296)	3,397	6,789,800

	2013 (Restated, see note 48)											Total
	Banking										Consolidation adjustment	
	Retail	Corporations	International	Other	Adjustments	Credit card	Securities	Life insurance	Others			
Net interest income from:												
External customers	₩ 2,206,527	1,615,232	295,584	321,157	-	1,430,554	288,060	601,696	(153,926)	-	-	6,604,884
Internal transactions	133,909	(678,348)	(23,071)	544,393	12,530	(35,129)	(6,202)	1,533	45,638	4,747	-	-
	₩ 2,340,436	936,884	272,513	865,550	12,530	1,395,425	281,858	603,229	(108,288)	4,747	-	6,604,884

(d) Financial information of geographical area

The following table provides information of income from external consumers by geographical area for the years ended December 31, 2014 and 2013.

	2014	2013
Domestic	₩ 2,489,006	2,514,426
Overseas	165,804	117,573
	₩ 2,654,810	2,631,999

The following table provides information of non-current assets by geographical area as of December 31, 2014 and 2013.

	2014	2013
Domestic	₩ 7,513,214	8,071,974
Overseas	54,413	58,963
	₩ 7,567,627	8,130,937

(*) Non-current assets comprise property and equipment, intangible assets, investment properties.

8. Cash and due from banks

(a) Cash and due from banks as of December 31, 2014 and 2013 are as follows:

	2014	2013
Cash and cash equivalents	₩ 2,522,791	2,644,109
Deposits in won:		
Reserve deposits	5,755,317	3,230,045
Time deposits	2,644,390	2,396,369
Certificate of deposits	-	79,515
Other	4,019,905	2,833,687
	12,419,612	8,539,616
Deposits in foreign currency:		
Deposits	2,540,592	2,715,882
Time deposits	2,577,682	2,037,426
Other	547,836	547,135
	5,666,110	5,300,443
Allowance for credit losses	(23,675)	(11,659)
	₩ 20,584,838	16,472,509

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(b) Restricted due from banks as of December 31, 2014 and 2013 are as follows:

	2014	2013
Deposits denominated in won:		
Reserve deposits	₩ 5,755,317	3,230,045
Other (*)	3,842,219	2,034,098
	9,597,536	5,264,143
Deposits denominated in foreign currency	666,620	878,274
	₩ 10,264,156	6,142,417

(*) Pursuant to the Regulation on Financial Investment Business, the Group is required to deposit certain portions of customers' deposits with the Korean Securities Finance Corporation ("KSFC") or banks to ensure repayment of customer deposits and the deposits may not be pledged as collateral.

9. Trading assets

Trading assets as of December 31, 2014 and 2013 are as follows:

	2014	2013
Debt securities:		
Governments	₩ 2,045,124	873,387
Financial institutions	8,302,174	6,034,954
Corporations	5,769,659	4,450,556
Commercial Papers	3,790,597	2,828,339
CMA(*)	1,197,304	1,043,266
Others	171,540	33,110
	21,276,398	15,263,612
Equity securities:		
Stocks	1,011,012	521,406
Beneficiary certificates	1,812,208	1,836,729
Others	38,002	335,214
	2,861,222	2,693,349
Other		
Gold deposits	224,556	76,337
	₩ 24,362,176	18,033,298

(*) CMA: Cash management account deposits

10. Financial asset designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss as of December 31, 2014 and 2013 are as follows:

	2014	2013	Reason for designation
Debt securities	₩ 1,419,343	1,187,310	Evaluation and management on a fair value basis, accounting mismatch
Equity securities (*)	791,175	1,469,846	Evaluation and management on a fair value basis, accounting mismatch
Others	526,857	703,609	Combined instrument
	₩ 2,737,375	3,360,765	

(*) Restricted reserve for claims of customers' deposits (trusts) as of December 31, 2014 and 2013 are ₩706,899 million and ₩1,209,975 million, respectively.

11. Derivatives

(a) The notional amounts of derivatives as of December 31, 2014 and 2013 are as follows:

	2014	2013 (Restatedsee note 48)
Foreign currency related:		
Over the counter:		
Currency forwards	₩ 31,812,684	28,090,919
Currency swaps	14,362,691	14,327,504
Currency options	774,869	314,069
	46,950,244	42,732,492
Exchange traded:		
Currency futures	397,954	56,979
	47,348,198	42,789,471
Interest rates related:		
Over the counter:		
Interest rate swaps	76,964,495	85,987,990
Interest rate options	1,861,201	3,288,402
	78,825,696	89,276,392
Exchange traded:		
Interest rate futures	1,236,960	962,539
Interest rate swaps (*)	3,253,000	-
	4,489,960	962,539
	83,315,656	90,238,931
Credit related:		
Over the counter:		
Credit swaps	385,333	229,742
Equity related:		
Over the counter:		
Equity swaps and forwards	4,168,373	3,042,964
Equity options	2,637,565	2,717,467
	6,805,938	5,760,431
Exchange traded:		
Equity futures	223,607	223,417
Equity options	205,018	899,385
	428,625	1,122,802
	7,234,563	6,883,223
Commodity related:		
Over the counter:		
Commodity swaps and forwards	1,170,283	1,183,862
Commodity options	40,502	107,644
	1,210,785	1,291,506
Exchange traded:		
Commodity futures	159,155	185,346
	1,369,940	1,476,852
Hedge:		
Currency forwards	685,348	151,768
Currency swaps	2,178,614	1,880,545
Interest rate swaps	8,306,680	8,691,250
	11,170,641	10,723,563
	₩ 150,824,332	152,341,792

(*) The notional amount of derivatives which is settled in the 'Central Counter Party (CCP)' system.

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(b) Fair values of derivative instruments as of December 31, 2014 and 2013 are as follows:

	2014		2013(Restated, see note 48)	
	Assets	Liabilities	Assets	Liabilities
Foreign currency related:				
Over the counter:				
Currency forwards	₩ 440,089	509,555	421,167	494,163
Currency swaps	247,236	272,584	428,409	348,368
Currency options	4,440	5,048	9,123	1,504
	691,765	787,187	858,699	844,035
Exchange traded:				
Currency futures	175	-	-	-
	691,940	787,187	858,699	844,035
Interest rates related:				
Over the counter:				
Interest rate swaps	564,432	509,140	486,583	443,022
Interest rate options	10,147	16,614	12,982	16,932
Interest rate forwards	-	-	214	-
	574,579	525,754	499,779	459,954
Exchange traded:				
Interest rate futures	213	45	-	-
	574,792	525,799	499,779	459,954
Credit related:				
Over the counter:				
Credit swaps	1,641	15,484	1,480	5,324
Equity related:				
Over the counter:				
Equity swaps and forwards	59,440	(17,352)	90,610	63,833
Equity options	64,626	145,608	86,113	214,202
	124,066	128,256	176,723	278,035
Exchange traded:				
Equity futures	201	258	85	4
Equity options	2,540	104	1,341	928
	2,741	362	1,426	932
	126,807	128,618	178,149	278,967
Commodity related:				
Over the counter:				
Commodity swaps and forwards	12,663	134,400	7,609	81,893
Commodity options	1,814	3	1,852	7,268
	14,477	134,403	9,461	89,161
Exchange traded:				
Commodity futures	1,511	4,909	2,148	3,193
	15,989	139,312	11,609	92,354
Hedge:				
Currency forwards	1,126	19,712	2,112	141
Currency swaps	38,997	50,788	12,413	102,228
Interest rate swaps	117,015	50,655	153,227	236,392
	157,139	121,155	167,752	338,761
	₩ 1,568,307	1,717,555	1,717,468	2,019,395

(c) Gain or loss on valuation of derivatives for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013 (Restatedsee note 48)
Foreign currency related:		
Over the counter:		
Currency forwards	₩ (71,396)	(120,476)
Currency swaps	(74,327)	(11,165)
Currency options	582	4,673
	(145,141)	(126,968)
Exchange traded:		
Currency futures	(955)	(27)
	(146,096)	(126,995)
Interest rates related:		
Over the counter:		
Interest rate swaps	(35,782)	(74,566)
Interest rate options	(668)	3,328
	(36,450)	(71,238)
Exchange traded:		
Interest rate futures	(853)	(1,823)
	(7,180)	-
	(8,033)	(1,823)
	(44,483)	(73,061)
Credit related:		
Over the counter:		
Credit swaps	(11,216)	(4,391)
Equity related:		
Over the counter:		
Equity swaps and forwards	62,852	(34,698)
Equity options	(1,925)	(13,114)
	60,927	(47,812)
Exchange traded:		
Equity futures	4,232	(1,214)
Equity options	477	(1,587)
	4,709	(2,801)
	65,636	(50,613)
Commodity related:		
Over the counter:		
Commodity swaps and forwards	(112,485)	(66,468)
Commodity options	(196)	2,704
	(112,681)	(63,764)
Exchange traded:		
Commodity futures	(5,527)	(4,065)
	(118,208)	(67,829)
Hedge		
Currency forwards	(13,470)	1,665
Currency swaps	58,444	(15,849)
Interest rate swaps	148,048	(253,433)
	193,022	(267,617)
	₩ (61,343)	(590,506)

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(d) Gain or loss on fair value hedges for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Hedged item	₩ (133,761)	279,618
Hedging instruments	145,560	(240,814)
	₩ 11,799	38,804

(e) Hedge of net investment in foreign operations

Hedge accounting is applied for a portion of net investments in foreign operations. Foreign currency translation adjustments for foreign operation by each hedging instrument for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Borrowings in foreign currency	₩ (2,066)	65,567
Debt securities issued in foreign currency	22,820	5,366
Currency forwards	(5,133)	98
	₩ 15,621	71,031

12. Loans

(a) Loans as of December 31, 2014 and 2013 are as follows:

	2014	2013
Household loans	₩ 84,929,702	77,150,180
Corporate loans	113,989,749	104,544,194
Public and other	2,135,127	2,525,043
Loans to banks	4,683,996	6,102,748
Card receivables	18,140,810	17,664,882
	223,879,384	207,987,047
Discount	(37,458)	(39,127)
Deferred loan origination costs and fees	276,627	251,249
	224,118,553	208,199,169
Allowance for credit losses	(2,500,864)	(2,476,451)
	₩ 221,617,689	205,722,718

(b) Changes in the allowance for credit losses for the years ended December 31, 2014 and 2013 are as follows:

	2014						Other (*2)	Total
	Loans				Subtotal			
	Household	Corporate	Credit Card	Other				
Beginning balance	₩ 216,318	1,597,200	647,818	15,115	2,476,451	98,617	2,575,068	
Provision for (reversal of) allowance	152,643	357,630	387,499	(3,050)	894,722	49,706	944,428	
Write-offs	(150,381)	(459,018)	(497,538)	(206)	(1,107,143)	(33,742)	(1,140,885)	
Effect of discounting (*1)	(220)	(41,700)	(354)	-	(42,274)	-	(42,274)	
Allowance related to loans transferred	(5,252)	(30,291)	(2,255)	(4)	(37,802)	-	(37,802)	
Recoveries	18,883	178,970	181,882	10,763	390,498	4,216	394,714	
Others (*3)	(2,691)	(75,692)	4,796	-	(73,587)	(444)	(74,031)	
Ending balance	₩ 229,300	1,527,099	721,848	22,618	2,500,865	118,353	2,619,218	

	2013						Other (*2)	Total
	Loans				Subtotal			
	Household	Corporate	Credit Card	Other				
Beginning balance	₩ 297,257	1,733,948	744,063	25,237	2,800,505	102,946	2,903,451	
Provision for (reversal of) allowance	139,989	613,257	339,242	(10,122)	1,082,366	42,561	1,124,927	
Write-offs	(191,261)	(656,801)	(610,036)	-	1,458,098)	(29,998)	(1,488,096)	
Effect of discounting (*1)	(406)	(51,244)	(1,234)	-	(52,884)	-	(52,884)	
Allowance related to loans transferred	(53,864)	(124,051)	(45,987)	-	(223,902)	(4,398)	(228,300)	
Recoveries	27,751	150,954	216,888	-	395,593	2,470	398,063	
Others (*3)	(3,148)	(68,863)	4,882	-	(67,129)	(14,964)	(82,093)	
Ending balance	₩ 216,318	1,597,200	647,818	15,115	2,476,451	98,617	2,575,068	

(*1) Interest income from impaired financial assets

(*2) Included allowance for due from banks and other assets

(*3) Other changes were due to debt restructuring, debt-equity swap, and foreign exchange rate, etc.

(c) Changes in deferred loan origination costs and fees for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Beginning balance	₩ 251,249	212,477
Loan originations	179,784	150,137
Amortization	(154,406)	(111,365)
Ending balance	₩ 276,627	251,249

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13. Available-for-sale financial assets and held-to-maturity financial assets

(a) Available-for-sale financial assets and held-to-maturity financial assets as of December 31, 2014 and 2013 are as follows:

	2014	2013 (Restated see note 48)
Available-for-sale financial assets:		
Debt securities (*1):		
Government bonds	₩ 4,007,317	4,396,211
Financial institution bonds	11,922,184	12,842,491
Corporate bonds and others	10,926,161	11,469,972
	26,855,662	28,708,674
Equity securities (*2):		
Stocks	2,416,482	3,193,031
Equity investments	614,566	517,846
Beneficiary certificates	1,427,387	1,047,228
Others	103,917	129,788
	4,562,352	4,887,893
	31,418,014	33,596,567
Held-to-maturity financial assets:		
Debt securities:		
Government bonds	7,794,704	5,720,223
Financial institutions bonds	1,573,869	1,406,063
Corporate bonds	4,004,811	3,905,021
	13,373,384	11,031,307
	₩ 44,791,398	44,627,874

(*1) Debt securities are measured at fair value by applying the lesser of two quoted bond prices provided by two bond pricing agencies as of the latest trading date from the end of reporting period.

(*2) Equity securities with no quoted market prices in active markets and for which the fair value cannot be measured reliably are recorded at cost were ₩113,717 million and ₩ 93,417 million as of December 31, 2014 and 2013, respectively.

(b) Gain or loss on sale of available-for-sale financial assets for the years ended December 31, 2014 and 2013 were as follows:

	2014	2013
Gain on disposal of available-for-sale financial assets	₩ 721,736	773,032
Loss on disposal of available-for-sale financial assets	(40,805)	(72,423)
	₩ 680,931	700,609

14. Property and equipment, net

(a) Property and equipment as of December 31, 2014 and 2013 are as follows:

	2014			Carrying amount
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	
Land	₩ 1,789,410	-	-	1,789,410
Buildings	1,115,070	(162,346)	-	952,724
Other	2,012,103	(1,606,982)	-	405,121
	₩ 4,916,583	(1,769,328)	-	3,147,255

	2013			Carrying amount
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	
Land	₩ 1,798,444	-	-	1,798,444
Buildings	1,106,021	(130,467)	-	975,554
Other	2,049,971	(1,609,581)	(85)	440,305
	₩ 4,954,436	(1,740,048)	(85)	3,214,303

(b) Changes in property and equipment for the years ended December 31, 2014 and 2013 are as follows

	2014			
	Land	Buildings	Other	Total
Beginning balance	₩ 1,742,337	866,431	499,689	3,108,457
Acquisitions (*1)	10,283	165,824	255,603	431,710
Disposals	(5,863)	(5,259)	(154,585)	(165,707)
Depreciation	-	(34,338)	(168,830)	(203,168)
Amounts transferred from (to) investment property	-	-	(85)	(85)
Amounts transferred from assets held for sale (*2)	56,210	(12,442)	-	43,768
Others	(3,752)	(2,526)	-	(6,278)
Effects of foreign currency movements	(771)	(2,136)	8,513	5,606
Ending balance	₩ 1,798,444	975,554	440,305	3,214,303

(*1) ₩4,054 million of buildings increased by transfers from construction-in-progress.

(*2) Comprise land and buildings, etc.

	2013			
	Land	Buildings	Other	Total
Beginning balance	₩ 1,742,337	866,431	499,689	3,108,457
Acquisitions (*1)	10,283	165,824	255,603	431,710
Disposals	(5,863)	(5,259)	(154,585)	(165,707)
Depreciation	-	(34,338)	(168,830)	(203,168)
Impairment	-	-	(85)	(85)
Amounts transferred from (to) investment property	56,210	(12,442)	-	43,768
Amounts transferred to assets held for sale (*2)	(3,752)	(2,526)	-	(6,278)
Effects of foreign currency movements	(771)	(2,136)	8,513	5,606
Ending balance	₩ 1,798,444	975,554	440,305	3,214,303

(*1) ₩134,790 million of buildings increased by transfers from construction-in-progress.

(*2) Comprise land and buildings, etc.

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(c) Insured assets as of December 31, 2014 are as follows:

Type of insurance	Assets insured	Amount covered	Insurance company
Comprehensive insurance for financial institution	Cash and cash equivalent	₩ 22,944	Samsung Fire & Marine Insurance Co.,Ltd. and 7 other entities
Package insurance	Land and buildings	1,331,422	Samsung Fire & Marine Insurance Co.,Ltd. and 5 other entities
Fire insurance	Equipment	20,744	Hyundai Marine & Fire Insurance Co., Ltd. and 2 other entities
Directors' and officers' liability and company reimbursement insurance	-	150,911	Samsung Fire & Marine Insurance Co.,Ltd.
Other	-	67,509	Seoul Guarantee Insurance Co.,Ltd.
		₩1,593,530	

(*) In addition, the Group maintains vehicle insurance, medical insurance, fire insurance for its assets, and employee compensation insurance covering loss and liability arising from accidents.

15. Intangible assets, net

(a) Intangible assets as of December 31, 2014 and 2013 are as follows:

	2014	2013
Goodwill	₩ 3,824,646	3,835,141
Software	70,708	74,622
Development cost	61,665	87,168
Other	195,824	229,447
	₩ 4,152,843	4,226,378

(b) Changes in intangible assets for the years ended December 31, 2014 and 2013 are as follows:

	2014				
	Goodwill	Software	Development cost	Other	Total
Beginning balance	₩ 3,835,141	74,622	87,168	229,447	4,226,378
Acquisitions	-	23,099	9,404	29,717	62,220
Disposals	-	-	-	(10,960)	(10,960)
Impairment (*1)	(10,493)	-	-	(1,965)	(12,458)
Amortization (*2)	-	(27,480)	(34,784)	(49,891)	(112,155)
Effects of foreign currency movements	(2)	467	29	(531)	(37)
Others	-	-	(152)	7	(145)
Ending balance	₩ 3,824,646	70,708	61,665	195,824	4,152,843

	2013				Total
	Goodwill	Software	Development cost	Other	
Beginning balance	₩ 3,830,363	72,362	115,506	177,265	4,195,496
Acquisitions	-	34,114	12,754	107,537	154,405
Disposals	11,989	-	-	-	11,989
Impairment (*1)	(7,211)	(635)	(61)	(8,122)	(16,029)
Amortization (*2)	-	-	-	(2,576)	(2,576)
Effects of foreign currency movements	-	(30,913)	(41,031)	(44,618)	(116,562)
Others	-	(306)	-	(39)	(345)
Ending balance	₩ 3,835,141	74,622	87,168	229,447	4,226,378

(*1) The Group recognized impairment losses from golf and condo memberships with indefinite useful lives by comparing recoverable amounts with carrying amounts.
(*2) The Group recognized amortization of intangible asset in general and administrative expenses.

(c) Goodwill

i) Goodwill allocated in the Group's CGU(*)s as of December 31, 2014 and 2013

	2014	2013
Banking:	₩ 652,344	652,344
Retail	107,856	107,856
Corporate and investment	64,326	64,326
Other	2,685,389	2,685,389
Credit card	275,370	275,370
Life insurance	39,361	49,856
Others	₩ 3,824,646	3,835,141

(*) CGU : cash-generating unit

ii) Changes in goodwill for the years ended December 31, 2014 and 2013

	2014	2013
Beginning balance	₩ 3,835,141	3,830,363
Acquisitions through business combinations	-	11,989
Disposal	-	(7,211)
Impairment loss(*)	(10,493)	-
Other	(2)	-
Ending balance	₩ 3,824,646	3,835,141

(*) The impairment loss during the year ended December 31, 2014 was recognized in 'Others CGU'.

iii) Goodwill impairment test

The recoverable amounts of each CGU were evaluated based on their respective value in use.

- Explanation on evaluation method

The income approach was applied when evaluating the recoverable amounts based on value in use, considering the characteristics of each financial institution.

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- Projection period

When evaluating the value in use, 5.5 year of cash flow estimates – July 31, 2014 through December 31, 2019 – was used in projection and the value thereafter was reflected as terminal value. In case of Shinhan Life Insurance, only the 30 years of future cash flows were applied since the present value of the future cash flows thereafter is not significant.

- Discount rates and terminal growth rates

The required rates of return expected by shareholders were applied to the discount rates by calculating the cost of equity which comprises a risk-free interest rate, a market risk premium and systemic risk (beta factor). Expected terminal growth rate is on the basis of inflation rates.

Discount rates and terminal growth rates applied to each CGU are as follows:

	Discount rates	Terminal growth rate
Banking:		
Retail	11.23%	2.80%
Corporate and investment	11.23%, 10.81%	2.80%, 3.20%
Other	11.23%	2.80%
Credit card	10.28%	2.80%
Life insurance	10.00%	-
Other	11.23%, 12.07%	2.80%

iv) Key assumptions

Key assumptions used in the discounted cash flow calculations of CGUs (other than Shinhan Life Insurance) are as follows:

	2014	2015	2016	2017	2018 and thereafter
CPI growth	1.6%	2.1%	2.8%	2.9%	3.1%
Real retail sales growth	1.1%	2.8%	3.8%	3.5%	3.7%
Real GDP growth	3.7%	3.7%	3.7%	3.5%	3.5%

Key assumptions used in the discounted cash flow calculations of Shinhan Life Insurance are as follows:

	Key assumptions
Rate of return on investment	4.22%
Risk-based capital ratio	250.93%

v) Total recoverable amount and total carrying value of CGUs to which goodwill has been allocated

	Amount
Total recoverable amount	32,028,350
Total carrying value	29,321,287
	₩ 2,707,063

16. Investments in associates

(a) Investments in associates as of December 31, 2014 and 2013 are as follows:

	Country	Reporting date	Ownership (%)	
			2014	2013
Cardif Life Insurance (*1,3)	Korea	September 30	14.99	14.99
Aju Capital Co., Ltd. (*1,2)	"	"	12.85	12.85
Pohang TechnoPark 2PFV (*2)	"	December 31	14.90	14.90
Daewontos Co., Ltd. (*1,6)	"	September 30	36.33	36.33
Shinhan Corporate Restructuring Fund 5th (*5)	"	December 31	-	52.58
PT Clemont Finance Indonesia (*1)	Indonesia	September 30	-	30.00
Haejin Shipping Co., Ltd.	HongKong	December 31	24.00	24.00
APC Fund	Cayman Islands	"	25.18	25.18
SHC-IMM New Growth Fund (*5)	Korea	"	64.52	64.52
QCP New Technology Fund 20th	"	"	47.17	47.17
UAMCO., Ltd. (*2)	"	"	17.50	17.50
Miraeasset 3rd Investment Fund	"	"	50.00	50.00
Medici 2nd Investment Fund (*5)	"	"	-	54.67
STI New Growth Engine Investment Fund	"	"	50.00	50.00
AJU-SHC WIN-WIN Company Fund 3 (*5)	"	"	-	70.16
Shinhan K2 Secondary Fund (*4)	"	"	10.75	10.75
Aju 4th Investment Fund	"	"	-	30.00
KDB Daewoo Securities Platinum PEF	"	"	-	20.00
Shinhan-stonebridge Petro PEF (*4)	"	"	1.82	1.82
FAMILY FOOD CO., LTD. (*1)	"	September 30	-	24.63
TS2013-6 M&A Investment Fund	"	December 31	25.00	25.00
Inhee Co., Ltd. (*1,2,6)	"	September 30	15.36	15.36
Truston Falcon Asia US Feeder Fund	Cayman Islands	December 31	-	31.58
Innopolis-CJ Bio Healthcare Fund	Korea	"	25.00	25.00
KDB Daewoo Ruby PEF	"	"	20.00	-
Dream High Fund III (*5)	"	"	54.55	-
Korea Investment Gong-pyeong Office Real Estate Investment Trust 2nd	"	"	50.00	-
DAEGY Electrical Construction.,LTD (*1,2)	"	September 30	27.48	-
Kukdong Engineering & Construction CO. (*1,2,6)	"	"	14.30	-
Arkone Asia Access Offshore Feeder Fund Limited	Cayman Islands	December 31	23.64	-
BNPParibas Cardif General Insurance (*1,2)	Korea	September 30	10.00	-
SHC-EN Fund	"	December 31	43.48	-
SP New Technology Business investment Fund I	"	"	23.25	-
Albatross Growth Fund	"	"	36.36	-

(*1) Financial statements as of September 31, 2014 were used for the equity method since the Group could not obtain the financial statements as of December 31, 2014. Significant trades and events that occurred within the period were properly reflected.

(*2) The Group applied the equity method as the Group has a significant influence on electing the investees' board members who can participate in decision making on the financial and operating policies of the investee.

(*3) The Group can have a significant influence on the investees through important business transactions.

(*4) As a managing partner, the Group can have a significant influence over the investees.

(*5) As a limited partner, the Group does not have ability to participate in policy-making processes to obtain economic benefit from the investees that would allow the Group to control the entity.

(*6) The Group acquired the shares by debt-equity swap during the investees' work-out process. The Group reclassified available-for-sale financial assets to investments in associates as the reorganization procedures were completed and now the Group can exercise its voting rights to the investees.

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b) Changes in investments in associates for the years ended December 31, 2014 and 2013 were as follows:

Investees	2014					
	Beginning balance	Investment and dividend	Equity method income (loss)	Change in other comprehensive income	Transfer out	Ending balance
Cardif Life Insurance	₩ 51,250	(84)	1,216	4,394	-	56,776
Aju Capital Co., Ltd. (*1)	28,223	(1,105)	3,438	(130)	-	30,426
Pohang TechnoPark 2PFV	2,847	-	(870)	-	-	1,977
Daewontos Co., Ltd. (*2)	-	-	-	-	-	-
Shinhan Corporate Restructuring Fund 5th (*3)	-	-	-	-	-	-
PT Clemont Finance Indonesia	5,580	-	(405)	1,568	(6,743)	-
Haejin Shipping Co. Ltd.	1,015	-	(10)	30	-	1,035
APC Fund	22,734	94	10,382	1,929	-	35,139
SHC-IMM New Growth Fund	9,149	-	(201)	-	-	8,948
QCP New Technology Fund 20 th	249	-	21	-	-	270
UAMCO., Ltd.	139,271	(35,043)	10,066	(56)	-	114,238
Miraesasset 3rd Investment Fund	5,736	(3,540)	1,916	(90)	-	4,022
Medici 2nd Investment Fund	3,172	(3,838)	666	-	-	-
STI New growth engine Investment Fund	2,509	-	(51)	-	-	2,458
AJU-SHC WIN-WIN Company Fund 3	5,256	(7,211)	1,955	-	-	-
Shinhan K2 Secondary Fund	3,362	(623)	207	60	-	3,006
Aju 4th Investment Fund	1,580	(1,261)	(319)	-	-	-
KDB Daewoo Securities Platinum PEF	6,563	(6,542)	(21)	-	-	-
Shinhan-stonebridge Petro PEF	16,318	(21)	732	-	-	17,029
FAMILY FOOD CO., LTD.	4,671	(4,211)	-	(460)	-	-
TS2013-6 M&A Investment Fund	3,911	(1,952)	543	(921)	-	1,581
Inhee Co., Ltd.	361	-	170	-	-	531
Truston Falcon Asia US Feeder Fund	10,841	(11,222)	279	102	-	-
Innopolis-CJ Bio Healthcare Fund	3,969	-	1,103	-	-	5,072
KDB Daewoo Ruby PEF	-	6,918	786	-	-	7,704
Dream High Fund III	-	3,000	(37)	-	-	2,963
Korea investment gong-pyeong office real estate investment trust 2nd	-	26,540	1,460	-	-	28,000
DAEGY Electrical Construction.,LTD	-	-	41	3	-	44
Kukdong Engineering & Construction CO.,LTD	-	9,092	(1,990)	56	-	7,158
Arkone Asia Access Offshore Feeder Fund Limited	-	5,141	(493)	365	-	5,013
BNPParibas Cardif General Insurance	-	1,290	5	-	-	1,295
SHC-EN Fund	-	4,000	(8)	-	-	3,992
SP New Technology Business investment Fund I	-	2,000	(1)	-	-	1,999
Albatross Growth Fund	-	1,200	-	-	-	1,200
	₩ 328,567	(17,378)	30,580	6,850	(6,743)	341,876

(*1) The market values of investments are ₩47,624 million as of December 31, 2014 based on the quoted market price.

(*2) The Group has stopped recognizing its equity method income or loss due to the investees' cumulative loss.

(*3) The Group has recognized impairment loss on the investments during the year ended December 31, 2013 and the fund was liquidated during the year ended December 31, 2014.

Investees	2013					
	Beginning balance	Investment and dividend	Equity method income (loss)	Change in other comprehensive income	Transfer out	Ending balance
Cardif Life Insurance	₩ 42,647	8,923	3,964	(4,284)	-	51,250
Aju Capital Co., Ltd. (*)	29,653	(1,849)	568	(149)	-	28,223
Pohang TechnoPark 2PFV	2,895	-	(48)	-	-	2,847
Daewontos Co., Ltd.	122	-	(122)	-	-	-
Shinhan Corporate Restructuring Fund 5th	675	-	(675)	239	(239)	-
DCC Corporate Restructuring Fund 1st	296	(273)	(23)	-	-	-
PT Clemont Finance Indonesia	6,892	-	81	(1,393)	-	5,580
Haejin Shipping Co., Ltd.	-	-	1,051	(36)	-	1,015
APC Fund	38,101	8,640	(23,533)	(474)	-	22,734
SHC-IMM New Growth Fund	8,884	440	(175)	-	-	9,149
QCP New Technology Fund 20th	259	-	(10)	-	-	249
UAMCO., Ltd.	120,917	-	18,373	(19)	-	139,271
Miraeasset 3rd Investment Fund	4,705	-	232	799	-	5,736
Aju-Shinhan 1st Investment Fund	3,748	(3,635)	(113)	-	-	-
Aju-Shinhan 2nd Investment Fund	675	(693)	18	-	-	-
Aju 3rd Investment Fund	3,040	(3,698)	658	-	-	-
Medici 2nd Investment Fund	3,208	-	(36)	-	-	3,172
STI New Growth Engine Investment Fund	2,824	(273)	(42)	-	-	2,509
AJU-SHC WIN-WIN Company Fund 3	2,954	2,139	163	-	-	5,256
Shinhan K2 Secondary Fund	1,692	1,698	(28)	-	-	3,362
Aju 4th Investment Fund	2,977	(3,957)	2,560	-	-	1,580
KDB Daewoo Securities Platinum PEF	6,517	(1,079)	1,125	-	-	6,563
Shinhan-stonebridge Petro PEF	14,837	(417)	1,898	-	-	16,318
SHINHAN 2013-1 New Technology Business Investment Fund	-	(172)	172	-	-	-
FAMILY FOOD CO., LTD.	-	4,158	53	460	-	4,671
TS2013-6 M&A Investment Fund	-	4,000	(89)	-	-	3,911
Inhee Co., Ltd.	-	-	382	(21)	-	361
Truston Falcon Asia US Feeder Fund	-	10,030	913	(102)	-	10,841
Innopolis-CJ Bio Healthcare Fund	-	4,000	(31)	-	-	3,969
	₩ 298,518	27,982	7,286	(4,980)	(239)	328,567

(*) The market value of the investment is ₩37,049 million as of December 31, 2013 based on the quoted market price.

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(c) Condensed statement of financial position information of associates as of December 31, 2014 and 2013 are as follows:

	2014		2013	
	Asset	Liability	Asset	Liability
Cardif Life Insurance	₩ 3,890,674	3,510,712	3,466,657	3,184,257
Aju Capital Co., Ltd.	6,428,736	5,714,874	6,044,214	5,349,045
Pohang TechnoPark 2PFV	14,668	1,401	20,783	1,676
Daewontos Co., Ltd.	6,139	7,344	6,536	7,740
Shinhan Corporate Restructuring Fund 5th	-	-	12	1
PT Clemont Finance Indonesia	43,972	27,832	56,333	37,734
Haejin Shipping Co. Ltd.	4,523	211	10,118	5,892
APC Fund	139,732	197	90,300	86
SHC-IMM New Growth Fund	14,190	321	14,180	-
QCP New Technology Fund 20 th	572	-	527	-
UAMCO., Ltd.	4,357,490	3,688,589	4,363,884	3,568,061
Miraeasset 3rd Investment Fund	8,215	172	11,579	106
Medici 2nd Investment Fund	-	-	5,803	-
STI New growth engine Investment Fund	4,916	-	5,019	-
AJU-SHC WIN-WIN Company Fund 3	-	-	7,554	62
Shinhan K2 Secondary Fund	27,998	7	31,266	5
Aju 4th Investment Fund	-	-	5,277	13
KDB Daewoo Securities Platinum PEF	-	-	33,005	188
Shinhan-stonebridge Petro PEF	935,256	807	895,695	211
FAMILY FOOD CO., LTD.	-	-	67,882	45,103
TS2013-6 M&A Investment Fund	6,406	76	15,728	82
Inhee Co., Ltd.	16,284	12,826	16,481	14,127
Truston Falcon Asia US Feeder Fund	-	-	35,209	880
Innopolis-CJ Bio Healthcare Fund	20,294	2	15,879	2
KDB Daewoo Ruby PEF	40,525	2,004	-	-
Dream High Fund III	5,432	-	-	-
Korea investment gong-pyeong office real estate investment trust 2nd	56,022	22	-	-
DAEGY Electrical Construction.,LTD	1,278	1,119	-	-
Kukdong Engineering & Construction CO.,LTD	368,308	337,159	-	-
Arkone Asia Access Offshore Feeder Fund Limited	67,403	46,195	-	-
BNPParibas Cardif General Insurance	33,341	20,392	-	-
SHC-EN Fund	9,183	2	-	-
SP New Technology Business investment Fund I	8,600	6	-	-
Albatross Growth Fund	3,301	-	-	-
	₩ 16,513,458	13,372,270	15,219,921	12,215,271

Condensed statement of comprehensive income information for years ended December 31, 2014 and 2013 were as follows:

Investees	2014			
	Operating revenue	Net profit (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)
Cardif Life Insurance	₩ 483,911	5,852	29,293	35,145
Aju Capital Co., Ltd.	781,957	26,756	(1,016)	25,740
Pohang TechnoPark 2PFV	-	(5,839)	-	(5,839)
Daewontos Co., Ltd.	10,954	(2)	-	(2)
Shinhan Corporate Restructuring Fund 5th	90	82	-	82
PT Clemont Finance Indonesia	1,362	87	-	87
Haejin Shipping Co. Ltd.	74	(41)	-	(41)
APC Fund	13,756	40,426	-	40,426
SHC-IMM New Growth Fund	102	(155)	-	(155)
QCP New Technology Fund 20 th	51	45	-	45
UAMCO., Ltd.	548,990	57,519	(319)	57,200
Miraeasset 3rd Investment Fund	4,532	3,832	(182)	3,650
Medici 2nd Investment Fund	3,000	1,218	-	1,218
STI New growth engine Investment Fund	-	(110)	-	(110)
AJU-SHC WIN-WIN Company Fund 3	2,278	2,787	-	2,787
Shinhan K2 Secondary Fund	3,545	1,935	562	2,497
Aju 4th Investment Fund	143	(1,061)	-	(1,061)
KDB Daewoo Securities Platinum PEF	-	(111)	-	(111)
Shinhan-stonebridge Petro PEF	43,454	40,118	-	40,118
TS2013-6 M&A Investment Fund	56	(694)	(3,688)	(4,382)
Inhee Co., Ltd.	5,041	1,105	-	1,105
Innopolis-CJ Bio Healthcare Fund	4,414	4,414	-	4,414
KDB Daewoo Ruby PEF	4,422	3,929	-	3,929
Dream High Fund III	6	(68)	-	(68)
Korea investment gong-pyeong office real estate investment trust 2nd	2,821	2,821	-	2,821
DAEGY Electrical Construction.,LTD	286	148	-	148
Kukdong Engineering & Construction CO.,LTD	57,654	(13,917)	347	(13,570)
Arkone Asia Access Offshore Feeder Fund Limited	(1,349)	(2,087)	-	(2,087)
BNPParibas Cardif General Insurance	4,021	(8,103)	183	(7,920)
SHC-EN Fund	-	(19)	-	(19)
SP New Technology Business investment Fund I	-	(6)	-	(6)
Albatross Growth Fund	1	1	-	1
	₩ 1,975,572	160,862	25,180	186,042

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Investees	2013			
	Operating revenue	Net profit (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)
Cardif Life Insurance	₩ 682,100	18,295	(28,557)	(10,262)
Aju Capital Co., Ltd.	790,073	2,232	1,324	3,556
Pohang TechnoPark 2PFV	-	(322)	-	(322)
Daewontos Co., Ltd.	17,313	(873)	-	(873)
Shinhan Corporate Restructuring Fund 5th	2,213	473	532	1,005
DCC Corporate Restructuring Fund 1st	42	(104)	-	(104)
PT Clemont Finance Indonesia	3,562	268	-	268
Haejin Shipping Co. Ltd.	194	7,572	-	7,572
APC Fund	-	(93,567)	-	(93,567)
SHC-IMM New Growth Fund	85	(271)	-	(271)
QCP New Technology Fund 20th	1	(21)	-	(21)
UAMCO., Ltd.	708,035	105,013	(107)	104,906
Miraeasset 3rd Investment Fund	695	462	1,599	2,061
Aju-Shinhan 1st Investment Fund	274	(189)	-	(189)
Aju-Shinhan 2nd Investment Fund	131	55	-	55
Aju 3rd Investment Fund	1,234	1,097	-	1,097
Medici 2nd Investment Fund	-	(66)	-	(66)
STI New Growth Engine Investment Fund	-	(84)	-	(84)
AJU-SHC WIN-WIN Company Fund 3	869	233	-	233
Shinhan K2 Secondary Fund	680	(258)	-	(258)
Aju 4th Investment Fund	9,265	8,532	-	8,532
KDB Daewoo Securities Platinum PEF	6,000	5,626	-	5,626
Shinhan-stonebridge Petro PEF	107,695	104,163	-	104,163
SHINHAN 2013-1 New Technology Business Investment Fund'	872	729	-	729
FAMILY FOOD CO., LTD.	32,205	217	1,869	2,086
TS2013-6 M&A Investment Fund	355	(354)	-	(354)
Inhee Co., Ltd.	5,866	662	(18,156)	(17,494)
Truston Falcon Asia US Feeder Fund	3,977	2,887	-	2,887
Innopolis-CJ Bio Healthcare Fund	15	(123)	-	(123)
	₩ 2,373,751	162,284	(41,496)	120,788

(d) Reconciliation of the associates' financial information to the carrying value of the Group's investments in the associates as of December 31, 2014 and 2013 are as follow:

Investees	2014					Carrying value
	Net assets (a)	Ownership (%) (b)	Interests in the net assets (a)*(b)	Intragroup transactions	Other	
Cardif Life Insurance	₩ 379,962	14.99	56,991	(215)	-	56,776
Aju Capital Co., Ltd. (*1)	668,171	12.85	85,860	-	(55,434)	30,426
Pohang TechnoPark 2PFV	13,268	14.90	1,977	-	-	1,977
Daewontos Co., Ltd. (*3)	(1,205)	36.33	(438)	-	438	-
Haejin Shipping Co. Ltd.	4,312	24.00	1,035	-	-	1,035
APC Fund	139,535	25.18	35,139	-	-	35,139
SHC-IMM New Growth Fund	13,869	64.52	8,948	-	-	8,948
QCP New Technology Fund 20 th	572	47.17	270	-	-	270
UAMCO., Ltd. (*2)	652,801	17.50	114,238	-	-	114,238
Miraeasset 3rd Investment Fund	8,043	50.00	4,021	-	-	4,021
STI New growth engine Investment Fund	4,916	50.00	2,458	-	-	2,458
Shinhan K2 Secondary Fund	27,991	10.75	3,006	-	-	3,006
Shinhan-stonebridge Petro PEF	934,449	1.82	17,029	-	-	17,029
TS2013-6 M&A Investment Fund	6,330	25.00	1,581	-	-	1,581
Inhee Co., Ltd.	3,458	15.36	531	-	-	531
Innopolis-CJ Bio Healthcare Fund	20,292	25.00	5,072	-	-	5,072
KDB Daewoo Ruby PEF	38,521	20.00	7,704	-	-	7,704
Dream High Fund III	5,432	54.55	2,963	-	-	2,963
Korea investment gong-pyeong office real estate investment trust 2nd	56,000	50.00	28,000	-	-	28,000
DAEGY Electrical Construction.,LTD	159	27.48	44	-	-	44
Kukdong Engineering & Construction CO.,LTD (*4)	33,318	14.30	4,763	-	2,395	7,158
Arkone Asia Access Offshore Feeder Fund Limited	21,208	23.64	5,014	-	-	5,014
BNPParibas Cardif General Insurance	12,949	10.00	1,295	-	-	1,295
SHC-EN Fund	9,181	43.48	3,992	-	-	3,992
SP New Technology Business investment Fund I	8,594	23.25	1,999	-	-	1,999
Albatross Growth Fund	3,301	36.36	1,200	-	-	1,200
	₩ 3,065,427		394,692	(215)	(52,601)	341,876

(*1) Net assets do not include non-controlling interests and other adjustments represent the cumulative impairment loss and unequal dividends from investee.

(*2) Net assets do not include non-controlling interests.

(*3) Other adjustments represent the unrecognized equity method losses because the Group has stopped recognizing its equity method losses due to the investees' cumulative loss. The unrecognized equity method loss for year ended December 31, 2014 and the cumulative unrecognized equity method loss as of December 31, 2014 are ₩1 million and ₩438 million, respectively.

(*4) Other adjustments represent the difference between the cost of the investment and the Group's interests in the net carrying value of the investee's assets and liabilities at the investment date.

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Investees	2013					
	Net assets (a)	Ownership (%) (b)	Interests in the net assets (a)*(b)	Intragroup transactions	Other	Carrying value
Cardif Life Insurance(*1)	₩ 282,400	14.99	42,332	(171)	9,089	51,250
Aju Capital Co., Ltd. (*2)	651,747	12.85	83,751	-	(55,528)	28,223
Pohang TechnoPark 2PFV	19,107	14.90	2,847	-	-	2,847
Daewontos Co., Ltd. (*3)	(1,204)	36.33	(437)	-	437	-
Shinhan Corporate Restructuring Fund 5th (*4)	11	52.58	6	-	(6)	-
PT Clemont Finance Indonesia	18,599	30.00	5,580	-	-	5,580
Haejin Shipping Co., Ltd.	4,226	24.00	1,015	-	-	1,015
APC Fund	90,214	25.20	22,734	-	-	22,734
SHC-IMM New Growth Fund	14,180	64.52	9,149	-	-	9,149
QCP New Technology Fund 20th	527	47.17	249	-	-	249
UAMCO., Ltd.	795,823	17.50	139,271	-	-	139,271
Miraeasset 3rd Investment Fund	11,473	50.00	5,736	-	-	5,736
Medici 2nd Investment Fund	5,803	54.67	3,172	-	-	3,172
STI New Growth Engine Investment Fund	5,019	50.00	2,509	-	-	2,509
AJU-SHC WIN-WIN Company Fund 3	7,492	70.16	5,256	-	-	5,256
Shinhan K2 Secondary Fund	31,261	10.75	3,362	-	-	3,362
Aju 4th Investment Fund	5,264	30.00	1,580	-	-	1,580
KDB Daewoo Securities Platinum PEF	32,817	20.00	6,563	-	-	6,563
Shinhan-stonebridge Petro PEF	895,484	1.82	16,318	-	-	16,318
FAMILY FOOD CO., LTD. (*5)	22,779	24.63	5,610	-	(939)	4,671
TS2013-6 M&A Investment Fund	15,646	25.00	3,911	-	-	3,911
Inhee Co., Ltd.	2,354	15.36	361	-	-	361
Truston Falcon Asia US Feeder Fund	34,329	31.58	10,841	-	-	10,841
Innopolis-CJ Bio Healthcare Fund	15,877	25.00	3,969	-	-	3,969
	₩ 2,961,228		375,685	(171)	(46,947)	328,567

(*1) Other adjustments represent the increase in net assets due to paid-in capital increases that occurred between the end of reporting period of the associate and the Group.

(*2) Net assets do not include non-controlling interests. Other adjustments represent the cumulative impairment loss and unequal dividends from investee.

(*3) Other adjustments represent the unrecognized equity method losses because the Group has stopped recognizing its equity method losses due to the investees' cumulative loss. The unrecognized equity method income for the three-month period ended December 31, 2013 and the cumulative unrecognized equity method losses as of December 31, 2013 are ₩437 million and ₩437 million, respectively.

(*4) Other adjustments represent the cumulative impairment loss.

(*5) Other adjustments represent the difference between the cost of the investment and the Group's share of the net fair value of the investee's identifiable assets and liabilities on acquisition of the investment.

17. Investment properties, net

(a) Investment properties as of December 31, 2014 and 2013 are as follows:

	2014	2013
Acquisition cost	₩ 317,775	737,426
Accumulated depreciation	(50,246)	(47,169)
Book value	₩ 267,529	690,257

(b) Changes in investment properties for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Beginning balance	₩ 690,257	778,505
Acquisitions	1,037	234,432
Disposals	(438,566)	(32,915)
Depreciation	(13,795)	(17,238)
Amounts transferred from (to) property and equipment	26,751	(43,768)
Amounts transferred from (to) assets held for sale (*)	1,841	(228,762)
Foreign currency adjustment	4	3
Ending balance	₩ 267,529	690,257

(*) Comprise land and buildings, etc.

(c) Income and expenses on investment property for the years ended December 31, 2014 and 2013 were as follows:

	2014	2013
Rental income	₩ 60,684	53,024
Direct operating expenses for investment properties that generated rental income	14,902	19,284

(d) The fair value of investment property as of December 31, 2014 and 2013 is as follows:

	2014	2013
Land and buildings	₩ 1,016,009	709,511

(*) Valuation was based on the recent arm's length market transactions between knowledgeable and willing parties.

18. Other assets, net

Other assets as of December 31, 2014 and 2013 are as follows:

	2014	2013 (Restated see note 48)
Accounts receivable	₩ 5,468,811	3,532,502
Domestic exchange settlement debit	2,127,545	2,424,781
Guarantee deposits	1,307,700	1,353,898
Present value discount	(62,993)	(75,218)
Accrued income	1,291,305	1,329,910
Prepaid expense	127,913	133,086
Suspense payments	74,304	74,565
Sundry assets	153,040	157,572
Separate account assets	2,356,530	2,108,617
Advance payments	288,107	180,561
Unamortized deferred acquisition cost	1,060,325	1,152,549
Other	104,717	165,140
Allowances for impairment	(94,677)	(86,956)
	₩ 14,202,627	12,451,007

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19. Leases

(a) Finance lease receivables of the Group as lessor as of December 31, 2014 and 2013 are as follows:

	2014			
	Gross investment	Unearned finance income	Present value of minimum lease payment	Unguaranteed residual value
Not later than 1 year	₩ 736,050	114,368	621,682	-
1 ~ 5 years	1,270,400	71,644	1,198,756	-
Later than 5 years	24,449	552	23,897	-
	₩ 2,030,899	186,564	1,844,335	-

	2013			
	Gross investment	Unearned finance income	Present value of minimum lease payment	Unguaranteed residual value
Not later than 1 year	₩ 689,515	99,379	590,136	-
1 ~ 5 years	1,206,565	110,560	1,096,005	-
Later than 5 years	35,823	1,061	34,762	-
	₩ 1,931,903	211,000	1,720,903	-

(b) The scheduled maturities of minimum lease payments of the Group as lessor as of December 31, 2014 and 2013 are as follows:

i) Finance leases

	2014		
	Minimum lease payment	Unearned finance income	Present value of minimum lease payment
Not later than 1 year	₩ 736,050	114,368	621,682
1 ~ 5 years	1,270,400	71,644	1,198,756
Later than 5 years	24,449	552	23,897
	₩ 2,030,899	186,564	1,844,335

	2013		
	Minimum lease payment	Unearned finance income	Present value of minimum lease payment
Not later than 1 year	₩ 689,515	99,379	590,136
1 ~ 5 years	1,206,565	110,560	1,096,005
Later than 5 years	35,823	1,061	34,762
	₩ 1,931,903	211,000	1,720,903

ii) Operating leases

	Minimum lease payment	
	2014	2013
Not later than 1 year	₩ 8,496	9,950
1 ~ 5 years	17,239	10,120
	₩ 25,735	20,070

(c) Future minimum lease payments under non-cancellable operating lease of the Group as lessee as of December 31, 2014 and 2013 are as follows:

	Minimum lease payment	
	2014	2013
Not later than 1 year	₩ 128,296	94,296
1 ~ 5 years	174,293	115,946
Later than 5 years	5,310	12,238
	₩ 307,899	222,480

20. Pledged assets

(a) Assets pledged as collateral as of December 31, 2014 and 2013 are as follows:

	2014	2013
Loans	₩ 132,373	237,277
Securities		
Trading assets	10,320,812	6,701,687
Available-for-sale financial assets	2,006,430	2,421,472
Held-to-maturity financial assets	5,219,661	4,922,650
Financial assets designated at fair value through profit or loss	636,399	485,202
	18,183,302	14,531,011
Deposits	456,432	124,716
Real estate	11,691	445,206
Other assets	137,707	93,480
	₩ 18,921,505	15,431,690

(*) The carrying amounts of asset pledged that the pledgees have the right to sell or repledge regardless of the Group's default as of December 31, 2014 and 2013 are ₩8,323,372 million and ₩6,949,973 million, respectively.

(b) The fair value of collateral held that the Group has the right to sell or repledge regardless of pledger's default as of December 31, 2014 and 2013 are as follows:

	2014	
	Collateral held	Collateral sold or repledged
Securities	₩ 2,432,109	-
	2013	
	Collateral held	Collateral sold or repledged
Securities	₩ 3,233,542	-

Notes to the Consolidated Financial Statements

December 31, 2014 and 2013

21. Deposits

Deposits as of December 31, 2014 and 2013 are as follows:

	2014	2013
Demand deposits	₩ 68,949,585	59,143,510
Time deposits	116,521,457	112,583,986
Negotiable certificates of deposits	2,179,573	1,827,088
Note discount deposits	3,241,082	3,132,185
CMA (*)	1,682,610	1,291,588
Others	1,135,431	831,524
	₩ 193,709,738	178,809,881

(*) CMA: Cash management account deposits

22. Trading liabilities

Trading liabilities as of December 31, 2014 and 2013 are as follows:

	2014	2013
Securities sold:		
Equity	₩ 592,667	285,616
Debt	1,453,931	565,422
Others	213,200	8,649
	2,259,798	859,687
Gold deposits	428,936	398,596
	₩ 2,688,734	1,258,283

23. Financial liabilities designated at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss as of December 31, 2014 and 2013 are as follows:

	2014	2013	Reason for designation
Deposits	₩ 6,139	-	Combined instrument
Equity-linked securities sold	6,671,481	4,545,850	Combined instrument
Derivatives-combined securities sold	2,318,144	1,362,608	Combined instrument
Securities sold	417	672	Evaluation and management on a fair value basis
	₩ 8,996,181	5,909,130	

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25. Debt securities issued

Debt securities issued as of December 31, 2014 and 2013 are as follows:

	2014	
	Interest rate (%)	Amount
Debt securities issued in won:		
Debt securities issued	0.00~8.91	₩ 27,567,890
Subordinated debt securities issued	3.41~5.10	3,321,239
Loss on fair value hedges		34,277
Bond issuance cost		(56,050)
		30,867,356
Debt securities issued in foreign currencies:		
Debt securities issued	0.32~4.50	6,443,377
Loss on fair value hedges		46,850
Bond issuance cost		(22,971)
		6,467,256
		₩ 37,334,612
	2013	
	Interest rate (%)	Amount
Debt securities issued in won:		
Debt securities issued	0.00~8.36	₩ 26,219,135
Subordinated debt securities issued	3.41~8.00	5,510,630
Gain on fair value hedges		(24,853)
Bond issuance cost		(73,895)
		31,631,017
Debt securities issued in foreign currencies:		
Debt securities issued	0.74~8.13	5,813,843
Loss on fair value hedges		70,163
Bond issuance cost		(23,584)
		5,860,422
		₩ 37,491,439

26. Employee benefits

(a) Defined benefit plan assets and liabilities

Defined benefit plan assets and liabilities as of December 31, 2014 and 2013 are as follows:

	2014	2013
Present value of defined benefit obligations	₩ 1,346,881	1,037,143
Fair value of plan assets	(1,037,424)	(919,488)
Recognized liabilities for defined benefit obligations	₩ 309,457	117,655

(b) Changes in the present value of defined benefit obligation and plan assets for the years ended December 31, 2014 and 2013 were as follows:

	2014		
	Defined benefit obligation	Plan assets	Net defined benefit liability
Beginning balance	₩ 1,037,143	(919,488)	117,655
Included in profit or loss			
Current service cost	138,370	-	138,370
Past service cost	(12,527)	-	(12,527)
Interest expense (income)	48,677	(44,695)	3,982
	174,520	(44,695)	129,825
Included in other comprehensive income:			
Remeasurements loss (gain):			
- Actuarial gains (losses) arising from:			
Demographic assumptions	(550)	-	(550)
Financial assumptions	186,210	-	186,210
Experience adjustment	(3,214)	-	(3,214)
- Return on plan assets excluding interest income	-	20,953	20,953
	182,446	20,953	203,399
Other :			
Benefits paid by the plan	(52,490)	42,644	(9,846)
Contributions paid into the plan	-	(136,838)	(136,838)
Succession from associates	5,199	-	5,199
Effect of movements in exchange rates	63	-	63
	(47,228)	(94,194)	(141,422)
Ending balance	₩ 1,346,881	(1,037,424)	309,457

Profit or loss arising from defined benefit plans is included in general and administrative expenses.

	2013		
	Defined benefit obligation	Plan assets	Net defined benefit liability
Beginning balance	₩ 1,016,018	(793,685)	222,333
Included in profit or loss			
Current service cost	142,830	-	142,830
Past service cost	(89,510)	-	(89,510)
Interest expense (income)	42,754	(34,922)	7,832
	96,074	(34,922)	61,152
Included in other comprehensive income:			
Remeasurements loss (gain):			
- Actuarial gains (losses) arising from:			
Demographic assumptions	(1,109)	-	(1,109)
Financial assumptions	30,798	-	30,798
Experience adjustment	(64,136)	-	(64,136)
- Return on plan assets excluding interest income	-	9,495	9,495
	(34,447)	9,495	(24,952)
Other :			
Benefits paid by the plan	(40,451)	31,778	(8,673)
Contributions paid into the plan	-	(131,789)	(131,789)
Change in subsidiaries	42	(365)	(323)
Effect of movements in exchange rates	(93)	-	(93)
	(40,502)	(100,376)	(140,878)
Ending balance	₩ 1,037,143	(919,488)	117,655

Profit or loss arising from defined benefit plans is included in general and administrative expenses.

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(c) The composition of plan assets as of December 31, 2014 and 2013 are as follows:

	2014	2013
Plan assets comprise:		
Equity securities	₩ 52,872	35,691
Debt securities	747	741
Due from banks	982,841	868,455
Other	964	14,601
	₩ 1,037,424	919,488

(d) Actuarial assumptions as of December 31, 2014 and 2013 are as follows:

	2014	2013	Description
Discount rate	3.04%~4.02%	4.12%~4.98%	AA corporate bond yields
Future salary increase rate(*)	2.54%~4.45% + Upgrade rate	2.28%~3.66% + Upgrade rate	Average for 5 years
Weighted-average duration	7.68 year~ 16.33 year	7.71 year~ 16.11 year	

(*) Future salary increase rate of Everdigm Corp., which is Shinhan Private Equity's consolidated subsidiary, is 7.38% as of December 31, 2014.

(e) Sensitivity analysis

Reasonably possible changes as of December 31, 2014 to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Defined benefit obligation	
	Increase	Decrease
Discount rate (1%p movement)	₩ 1,182,823	1,543,900
Future salary increase rate (1%p movement)	1,544,331	1,179,600

27. Provisions

(a) Provisions as of December 31, 2014 and 2013 are as follows:

	2014	2013
Asset retirement obligations	₩ 44,181	41,730
Expected loss related to litigation	33,377	106,202
Unused credit commitments	402,877	411,171
Bonus card points program	33,113	29,104
Financial guarantee contracts issued	107,209	92,980
Others	73,408	69,096
	₩ 694,165	750,283

(b) Changes in provisions for the years ended December 31, 2014 and 2013 were as follows:

	2014						Total
	Asset retirement	Litigation	Unused credit	Card point (*1)	Guarantee	Other	
Beginning balance	₩ 41,730	106,202	411,171	29,104	92,980	69,096	750,283
Provision (reversal)	408	(23,458)	(9,592)	42,095	10,365	29,439	49,257
Provision used	(2,576)	(49,807)	-	(48,928)	-	(25,900)	(127,211)
Foreign exchange translation	-	440	1,298	-	11,603	773	14,114
Others	4,619	-	-	10,842	(7,739)	-	7,722
Ending balance	₩ 44,181	33,377	402,877	33,113	107,209	73,408	694,165
	2013						Total
	Asset retirement	Litigation	Unused credit	Card point (*1)	Guarantee	Other	
Beginning balance	₩ 39,348	135,748	415,420	24,873	77,840	54,656	747,885
Provision (reversal)	301	3,456	(5,390)	60,847	21,906	61,961	143,081
Provision used	(993)	(32,844)	-	(56,616)	-	(44,515)	(134,968)
Foreign exchange translation	-	(158)	1,141	-	2,240	(41)	3,182
Others	3,074	-	-	-	(9,006)	(2,965)	(8,897)
Ending balance	₩ 41,730	106,202	411,171	29,104	92,980	69,096	750,283

(*1) Provisions for card point were classified as fees and commission expense.

(c) Asset retirement obligation liabilities represent the estimated cost to restore the existing leased properties which is discounted to the present value using the appropriate discount rate at the end of the reporting period. Disbursements of such costs are expected to incur at the end of lease contract. Such costs are reasonably estimated using the average lease year and the average restoration expenses. The average lease year is calculated based on the past ten-year historical data of the expired leases. The average restoration expense is calculated based on the actual costs incurred for the past three years using the three-year average inflation rate.

(d) Allowance for guarantees and acceptances as of December 31, 2014 and 2013 are as follows:

	2014	2013
Guarantees and acceptances outstanding	₩ 10,796,896	10,564,718
Contingent guarantees and acceptances	4,335,333	5,053,750
ABS and ABCP purchase commitments	2,143,308	1,599,331
Endorsed bill	51,043	54,460
	₩ 17,326,580	17,272,259
Allowance for loss on guarantees and acceptances	₩ 107,209	92,980
Ratio	0.62%	0.54%

28. Liability under insurance contracts

(a) Insurance liabilities as of December 31, 2014 and 2013 are as follows:

	2014	2013 (Restated see note 48)
Policy reserve	₩ 17,763,576	15,662,872
Policyholder's equity adjustment	12,704	(1,045)
	₩ 17,776,280	15,661,827

(b) Policy reserve of December 31, 2014 and 2013 are as follows:

	2014	2013 (Restated see note 48)
Interest rate linked	₩ 11,832,073	10,266,822
Fixed interest rate	5,931,503	5,396,050
	₩ 17,763,576	15,662,872

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(c) The details of policy reserves as of December 31, 2014 and 2013 are as follows:

	2014							
	Individual insurance				Group insurance			Total
	Pure endowment	Death	Endowment	Subtotal	Pure protection	Savings	Subtotal	
Premium reserve	₩ 3,657,740	7,338,766	5,793,465	16,789,971	36,939	286	37,225	16,827,196
Guarantee reserve	10,601	20,965	179	31,745	-	-	-	31,745
Unearned premium reserve	3	544	-	547	1,228	-	1,228	1,775
Reserve for outstanding claims	62,489	629,976	143,756	836,221	29,929	-	29,929	866,150
Interest rate difference guarantee reserve	2,214	176	16	2,406	-	-	-	2,406
Mortality gains reserve	7,072	5,639	294	13,005	6	-	6	13,011
Interest gains reserve	15,101	276	25	15,402	-	-	-	15,402
Long term duration dividend reserve	65	11	2	78	-	-	-	78
Reserve for policyholder's profit dividend	3,666	-	-	3,666	-	-	-	3,666
Reserve for losses on dividend insurance contract	2,147	-	-	2,147	-	-	-	2,147
	₩ 3,761,098	7,996,353	5,937,737	17,695,188	68,102	286	68,388	17,763,576
	2013 (Restated, see note 48)							
	Individual insurance				Group insurance			Total
	Pure endowment	Death	Endowment	Subtotal	Pure protection	Savings	Subtotal	
Premium reserve	₩ 3,302,310	6,484,119	5,023,728	14,810,157	38,091	278	38,369	14,848,526
Guarantee reserve	10,141	13,495	187	23,823	-	-	-	23,823
Unearned premium reserve	3	621	-	624	556	-	556	1,180
Reserve for outstanding claims	55,723	563,061	104,958	723,742	29,046	-	29,046	752,788
Interest rate difference guarantee reserve	2,422	194	19	2,635	-	-	-	2,635
Mortality gains reserve	7,579	6,246	354	14,179	5	-	5	14,184
Interest gains reserve	12,461	296	27	12,784	-	-	-	12,784
Long term duration dividend reserve	70	12	2	84	-	-	-	84
Reserve for policyholder's profit dividend	3,877	-	-	3,877	-	-	-	3,877
Reserve for losses on dividend insurance contract	2,991	-	-	2,991	-	-	-	2,991
	₩ 3,397,577	7,068,044	5,129,275	15,594,896	67,698	278	67,976	15,662,872

(d) Reinsurance credit risk as of December 31, 2014 and 2013 are as follows:

	2014	
	Reinsurance assets	Reinsurance account receivable
AA- to AA+	₩ 270	661
A- to A+	750	1,114
	₩ 1,020	1,775
	2013	
	Reinsurance assets	Reinsurance account receivable
AA- to AA+	₩ 129	434
A- to A+	647	1,673
	₩ 776	2,107

(e) Income or expenses on insurance for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013(Restated see note 48)
Insurance income		
Premium income	₩ 4,199,227	4,210,818
Reinsurance income	3,595	4,301
Separate account income	18,298	14,894
	4,221,120	4,230,013
Insurance expenses		
Claims paid	(1,890,213)	(1,679,865)
Reinsurance premium expenses	(4,485)	(4,115)
Provision for policy reserves	(2,100,459)	(2,246,076)
Separate account expenses	(18,298)	(14,894)
Discount charge	(394)	(1,640)
Acquisition costs	(514,997)	(566,456)
Collection expenses	(13,251)	(12,538)
Deferred acquisition costs	370,925	431,058
Amortization of deferred acquisition costs	(463,148)	(518,265)
	(4,634,320)	(4,612,791)
Net loss on insurance	₩ (413,200)	(382,778)

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(f) Maturity of premium reserve as of December 31, 2014 and 2013 are as follows:

	2014						Total
	Less than 1 year	1 ~ 3 years	3 ~ 7 years	7 ~ 10 years	10 ~ 20 years	More than 20 years	
Interest rate linked	₩ 21,789	41,189	430,313	493,853	1,149,626	3,225,055	5,361,825
Fixed interest rate	83,211	92,768	1,062,364	839,953	978,613	8,408,462	11,465,371
Ending balance	₩ 105,000	133,957	1,492,677	1,333,806	2,128,239	11,633,517	16,827,196

	2013						Total
	Less than 1 year	1 ~ 3 years	3 ~ 7 years	7 ~ 10 years	10 ~ 20 years	More than 20 years	
Interest rate linked	₩ 41,429	37,924	349,342	377,535	1,221,327	2,849,376	4,876,933
Fixed interest rate	127,120	132,806	646,877	983,459	846,873	7,234,458	9,971,593
Ending balance	₩ 168,549	170,730	996,219	1,360,994	2,068,200	10,083,834	14,848,526

(g) Liability adequacy test, LAT

Liability adequacy tests were performed on the premium reserve, unearned premium reserve and guarantee reserve for the contracts held at December 31, 2014 and 2013. The premium reserve considered the amount net level premium reserve less, where appropriate, deferred acquisition cost in accordance with the article 6-3 of Regulation on Supervision of Insurance Business Act.

The assumptions of the current estimation used to assessment and their basis for calculation was as follows:

	Assumptions		Measurement basis
	2014	2013	
Discount rate	3.41% ~ 21.03%	3.41% ~ 21.03%	Future rate of return on invested asset based on the rate scenario suggested by FSS
Mortality rate	5% ~ 310%	5% ~ 310%	Rate of premium paid on risk premium based on experiencebased rate by classes of sales channel, product and transition period of last 5 years
Operating expense rate	Acquisition cost - The first time : 90% ~ 818% - From the second time : 0% ~ 258% Maintenance expense (each case): 1,325won ~ 6,634won Collection expenses (on gross premium) : 0won ~431won	Acquisition cost - The first time : 90% ~ 818% - From the second time : 0% ~ 258% Maintenance expense (each case): 1,325won ~ 6,634won Collection expenses (on gross premium) : 0won ~431won	Operating expense rate on gross premium or expense per contract based on experience-based rate of last 1 year
Surrender ratio	0% ~ 62.7%	0% ~ 62.7%	Surrender ratio by classes of sales channel, product and transition period of last 5 years

The result of liability adequacy test as of December 31, 2014 and 2013 are as follows:

	2014		
	Provisions for test	LAT base	Premium loss (surplus)
Participating			
Fixed interest	₩ 592,415	1,150,996	558,581
Variable interest	696,080	726,853	30,773
	1,288,495	1,877,849	589,354
Non- Participating			
Fixed interest	4,451,910	3,991,966	(459,944)
Variable interest	12,369,639	10,620,204	(1,749,435)
	16,821,549	14,612,170	(2,209,378)
Option and guarantee	31,747	98,400	66,653
	₩ 18,141,791	16,588,419	(1,553,372)
	2013		
	Provisions for test	LAT base	Premium loss (surplus)
Participating			
Fixed interest	₩ 586,624	1,080,943	494,319
Variable interest	626,862	621,944	(4,918)
	1,213,486	1,702,887	489,401
Non- Participating			
Fixed interest	3,920,626	3,546,318	(374,308)
Variable interest	10,706,716	8,446,667	(2,260,049)
	14,627,342	11,992,985	(2,634,357)
Option and guarantee	23,822	204,963	181,141
	₩ 15,864,650	13,900,835	(1,963,815)

Sensitivity analysis as of December 31, 2014 and 2013 are as follows:

	LAT fluctuation	
	2014	2013
Discount rate increased by 0.5%	₩ (1,028,258)	(876,040)
Discount rate decreased by 0.5%	1,202,286	993,435
Operating expense increased by 10%	241,465	224,335
Mortality rate increased by 10%	495,624	513,309
Mortality rate increased by 5%	248,801	256,274
Surrender ratio increased by 10%	151,132	165,307

(*) As a result of sensitivity analysis above, there are no effects on income and capital, because the increase of LAT does not exceed LAT surplus.

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29. Other liabilities

Other liabilities as of December 31, 2014 and 2013 are as follows:

	2014	2013
Accounts payable	₩ 6,762,516	4,854,478
Accrued expenses	3,216,009	3,302,409
Dividend payable	24,524	27,837
Advance receipts	62,326	243,412
Unearned income (*)	354,822	318,572
Withholding value-added tax and other taxes	490,556	492,469
Securities deposit received	733,023	654,826
Foreign exchange remittances pending	228,017	206,405
Domestic exchange remittances pending	1,524,019	1,022,871
Borrowing from trust account	2,020,712	2,299,929
Due to agencies	648,430	588,020
Deposits for subscription	88,010	72,270
Separate account liabilities	2,411,454	2,203,997
Sundry liabilities	2,398,937	2,538,431
Other	100,978	219,286
Present value discount account	(24,468)	(24,397)
	₩ 21,039,865	19,020,815

(*) Changes in deferred (unearned) point income for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Beginning balance	₩ 140,436	158,895
Deferred income	262,383	208,618
Recognized income	(234,331)	(227,077)
Ending balance	₩ 168,488	140,436

30. Equity

(a) Equity as of December 31, 2014 and 2013 are as follows:

	2014	2013 (Restated see note 48)
Capital stock:		
Common stock	₩ 2,370,998	2,370,998
Preferred stock	274,055	274,055
	2,645,053	2,645,053
Hybrid bond	537,443	537,443
Capital surplus:		
Share premium	9,494,769	9,494,769
Others	392,566	392,566
	9,887,335	9,887,335
Capital adjustments	(393,405)	(393,128)
Accumulated other comprehensive income, net of tax:		
Valuation gain (loss) on available-for-sale financial assets	1,092,622	958,115
Equity in other comprehensive income of associates	6,945	690
Foreign currency translation adjustments for foreign operations	(158,107)	(146,122)
Net loss from cash flow hedges	(15,134)	1,243
Other comprehensive income of separate account	5,703	(117)
Actuarial gains (losses)	(294,135)	(140,842)
	637,894	672,967
Retained earnings (*1)	15,869,779	14,188,480
Non-controlling interest (*2)	1,330,809	2,316,988
	₩ 30,514,908	29,855,138

(*1) Restriction on appropriation of retained earnings is as follows:

- 1) Legal reserve of W1,690,125 million and W1,616,961 million for the years ended December 31, 2014 and 2013, respectively
- 2) Regulatory reserve for loan loss of W8,479 million and W7,621 million for the years ended December 31, 2014 and 2013, respectively
- 3) Retained earnings restricted for dividend at subsidiaries level pursuant to law and regulations amounts to W 3,916,816 million for the years ended December 31, 2014.

(*2) The hybrid bonds of W1,100,250 million and W2,099,350 million issued by Shinhan Bank were attributed to non-controlling interests as of December 31, 2014 and 2013, respectively. Dividends to those hybrid bonds of W96,293 million and W133,268 million were attributed to non-controlling interests for years ended December 31, 2014 and 2013, respectively.

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(b) Capital stock

i) Capital stock of the Group as of December 31, 2014 and 2013 are as follows:

Number of authorized shares	₩ 1,000,000,000
Par value per share in won	5,000
Number of issued common stocks outstanding	474,199,587
Number of issued preferred stocks outstanding	11,100,000

The capital stock does not match the total amount of the par value for preferred stock issued W 55,500 million as of December 31, 2014 because redeemable preferred stock (43,711,000 shares) has been repaid by retirement of stock method.

ii) Preferred stocks issued by the Group as of December 31, 2014 are as follows:

	Number of shares	Predetermined dividend rate (%) (*1)	Redeemable period
Redeemable preferred stock:			
Series 12 (*2)	11,100,000	5.58%	April 21, 2016 - April 21, 2031

(*1) Based on initial issuance price

(*2) The Group maintains the right to redeem Series 12 redeemable preferred stock in part or in its entirety during the redeemable period at par value (reflecting contract dividend rate). If the preferred shares are not redeemed by the end of the redeemable period, those rights will lapse.

(c) Hybrid bond

Hybrid bond classified as other equity as of December 31, 2014 and 2013 are as follows:

Issue date	Maturity date	2014	2013	Interest rate (%)
October 24, 2011	October 24, 2041	₩ 238,582	238,582	5.80%
May 22, 2012	May 22, 2042	298,861	298,861	5.34%
		₩ 537,443	537,443	

The above hybrid bonds can be repaid at par value early after 5 years from date of issuance, and the Group has an unconditional right to extend the maturity under the same condition. In addition, if no dividend is to be paid for common shares, the agreed interest is also not paid.

(d) Capital adjustments

Changes in capital adjustments for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Beginning balance	₩ (393,128)	(393,097)
Other transactions with owners	(277)	(31)
Ending balance	₩ (393,405)	(393,128)

(e) Accumulated other comprehensive income

i) Changes in accumulated other comprehensive income for the years ended December 31, 2014 and 2013 are as follows:

	2014							Total
	Items that are or may be reclassified to profit or loss					Items that will never be reclassified to profit or loss		
	Unrealized gain (loss) on available-for-sale financial assets	Equity in other comprehensive income of associates	Foreign currency translation adjustments for foreign operations	Net loss from cash flow hedges	Other comprehensive income of separate account	Remeasurements of the defined benefit plans		
Beginning balance	₩ 958,115	690	(146,123)	1,244	(117)	(140,842)	672,967	
Change due to fair value	629,374	6,849	-	-	7,678	-	643,901	
Reclassification:								
Change due to impairment or disposal	(479,184)	-	-	-	-	-	(479,184)	
Effect of hedge accounting	-	-	-	(96,405)	-	-	(96,405)	
Hedging	2,181	-	15,622	74,798	-	-	92,601	
Effects from exchange rate fluctuations	21,468	-	(30,376)	-	-	-	(8,908)	
Remeasurements of the defined benefit plans	-	-	-	-	-	(203,300)	(203,300)	
Deferred income taxes	(37,931)	(594)	1,886	5,229	(1,858)	48,884	15,616	
Non-controlling interests	(1,401)	-	884	-	-	1,123	606	
Ending balance	₩ 1,092,622	6,945	(158,107)	(15,134)	5,703	(294,135)	637,894	
	2013 (Restated, see note 48)							
	Items that are or may be reclassified to profit or loss					Items that will never be reclassified to profit or loss		Total
	Unrealized gain (loss) on available-for-sale financial assets	Equity in other comprehensive income of associates	Foreign currency translation adjustments for foreign operations	Net loss from cash flow hedges	Other comprehensive income of separate account	Remeasurements of the defined benefit plans		
Beginning balance	₩ 1,225,809	5,501	(88,298)	(4,846)	1,713	(159,758)	980,121	
Change due to fair value	234,026	(4,979)	-	-	(2,414)	-	226,633	
Reclassification:								
Change due to impairment or disposal	(583,253)	-	-	-	-	-	(583,253)	
Effect of hedge accounting	-	-	-	37,580	-	-	37,580	
Hedging	4,170	-	71,031	(29,546)	-	-	45,655	
Effects from exchange rate fluctuations	(9,374)	-	(116,552)	-	-	-	(125,926)	
Remeasurements of the defined benefit plans	-	-	-	-	-	24,635	24,635	
Deferred income taxes	85,488	168	(12,324)	(1,944)	584	(6,036)	65,936	
Non-controlling Interests	1,249	-	20	-	-	317	1,586	
Ending balance	₩ 958,115	690	(146,123)	1,244	(117)	(140,842)	672,967	

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(f) Appropriation of retained earnings

Statements of appropriation of retained earnings for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013 (Restated, see note 48)
Unappropriated retained earnings:		
Balance at beginning of year	₩ 5,232,139	4,972,608
Dividend to hybrid bonds	(29,940)	(29,940)
Net income	662,623	731,638
	5,864,822	5,674,306
Reversal of regulatory reserve for loan losses	-	1,165
	5,864,822	5,675,471
Appropriation of retained earnings:		
Legal reserve	66,262	73,164
Regulatory reserve for loan losses	858	-
Dividends		
Dividends on common stocks paid	450,490	308,230
Dividends on preferred stocks paid	61,938	61,938
	579,548	443,332
Unappropriated retained earnings to be carried over to subsequent year	₩ 5,285,274	5,232,139
Date of appropriation:	March 25, 2015	March 26, 2014

(*) These statements of appropriation of retained earnings were based on the separate financial statements of the parent company.

(g) Regulatory reserve for loan loss

In accordance with Regulations for the Supervision of Financial Institutions, the Group reserves the difference between allowance for credit losses by K-IFRS and by Regulations for the Supervision of Financial Institutions at the account of regulatory reserve for loan losses.

i) Changes in regulatory reserve for loan losses including non-controlling interests for the years ended December 31, 2014 and 2013 were as follows:

	2014	2013
Beginning balance	₩ 2,236,131	2,268,459
Planned regulatory reserve for (reversal of) loan losses	(729)	(32,328)
Ending balance	₩ 2,235,402	2,236,131

ii) Profit attributable to equity holders of Shinhan Financial Group and earnings per share after adjusted for regulatory reserve for loan losses for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013 (Restated, see note 48)
Profit attributable to equity holders of Shinhan Financial Group	₩ 2,081,110	1,898,577
Provision for regulatory reserve for loan losses	1,241	33,112
Profit attributable to equity holders of Shinhan Financial Group after adjusted for regulatory reserve	₩ 2,082,351	1,931,689
Basic and diluted earnings per share after adjusted for regulatory reserve in won	4,198	3,880

31. Dividends

(a) Details of dividends recognized as distributions to common stockholders for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Total number of shares issued and outstanding	₩ 474,199,587	474,199,587
Par value per share in won	5,000	5,000
Dividend per share in won	950	650
Dividends	₩ 450,490	308,230
Dividend rate per share	% 19.0	13.0

(b) Details of dividends recognized as distributions to preferred stockholders for the years ended December 31, 2014 and 2013 are as follows:

	2014				
	Total shares outstanding	Dividend per share in won	Total dividend	Issue price per share in won	Dividend rate per issue price
Convertible redeemable preferred stock series 12	₩ 11,100,000	5,580	61,938	100,000	5.58 %
	2013				
	Total shares outstanding	Dividend per share in won	Total dividend	Issue price per share in won	Dividend rate per issue price
Convertible redeemable preferred stock series 12	₩ 11,100,000	5,580	61,938	100,000	5.58 %

(c) Dividend for hybrid bond was calculated as follows for years ended December 31, 2014 and 2013.

	2014	2013
Amount of hybrid bond	₩ 540,000	540,000
Interest rate	% 5.34-5.80	5.34-5.80
Dividend	₩ 29,939	29,939

(d) There is no unrecognized dividend on cumulative preferred stocks as of December 31, 2014 and 2013.

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32. Net interest income

Net interest income for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013 (Restated, see note 48)
Interest income:		
Cash and due from banks	₩ 236,919	200,853
Trading assets	583,234	492,766
Financial assets designated at fair value through profit or loss	36,894	37,989
Available-for-sale financial assets	825,790	985,104
Held-to-maturity financial assets	521,683	527,853
Loans	9,713,860	10,168,445
Others	142,127	178,312
	12,060,507	12,591,322
Interest expense:		
Deposits	3,449,480)	(3,914,160)
Borrowings	(443,668)	(468,395)
Debt securities issued	1,301,872)	(1,521,461)
Others	(75,687)	(82,422)
	(5,270,707)	(5,986,438)
Net interest income	₩ 6,789,800	6,604,884

33. Net fees and commission income

Net fees and commission income for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Fees and commission income:		
Credit placement fees	₩ 63,462	66,891
Commission received as electronic charge receipt	135,472	132,146
Brokerage fees	320,700	328,781
Commission received as agency	190,759	212,982
Investment banking fees	50,158	44,530
Commission received in foreign exchange activities	143,365	143,177
Asset management fees	60,635	50,592
Credit card fees	2,200,964	2,105,870
Others	394,985	404,699
	3,560,500	3,489,668
Fees and commission expense:		
Credit-related fee	(32,757)	(38,486)
Credit card fees	1,725,712)	(1,726,023)
Others	(332,873)	(338,804)
	(2,091,342)	(2,103,313)
Net fees and commission income	₩1,469,158	1,386,355

34. Dividend income

Dividend income for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013 (Restated, see note 48)
Trading assets	₩ 13,585	6,243
Available-for-sale financial assets	162,213	149,741
	₩ 175,798	155,984

35. Net trading income (loss)

Net trading income (loss) for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013 (Restated, see note 48)
Trading assets		
Gain (loss) on valuation of debt securities	₩ 58,143	(9,790)
Gain (loss) on sale of debt securities	44,699	(42,150)
Gain on valuation of equity securities	33,007	33,862
Gain on sale of equity securities	46,636	50,660
Loss on valuation of other trading assets	(1,623)	(91,522)
	180,862	(58,940)
Trading liabilities		
Gain (loss) on valuation of securities sold	31,095	2,695
Gain (loss) on disposition of securities sold	15,280	11,695
Gain on valuation of other trading liabilities	(17,781)	157,547
Gain on disposition of other trading liabilities	1,296	2,355
	29,890	174,292
Derivatives		
Gain (loss) on valuation of derivatives	(254,367)	(322,890)
Gain on transaction of derivatives	306,107	282,450
	51,740	(40,440)
	₩ 262,492	74,912

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36. Net gain (loss) on financial instruments designated at fair value through profit or loss

Net gain (loss) on financial instruments designated at fair value through profit or loss for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Financial assets designated at fair value through profit or loss:		
Other securities		
Gain on valuation	₩ 22,147	30,346
Debt securities		
Gain on valuation	27,458	7,180
Gain on sale and redemption	19,770	21,858
	47,228	29,038
Equity securities		
Dividend income	850	688
Gain (loss) on valuation	5,684	(3,210)
Gain on sale	2,451	26,786
	8,985	24,264
Financial liabilities designated at fair value through profit or loss:		
Other securities		
Gain on valuation	32	-
Loss on disposal and redemption	3	-
	35	-
Borrowings		
Gain (loss) on valuation	(171,537)	143,329
Loss on disposal and redemption	(267,830)	(348,997)
	(439,367)	(205,668)
	₩ (360,972)	(122,020)

37. Net impairment loss on financial assets

Net impairment loss on financial assets for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Impairment losses on:		
Loans	₩ 894,722	1,082,366
Available-for-sale financial assets	243,895	229,614
Other financial assets	49,706	42,561
	1,188,323	1,354,541
Reversal of impairment losses on:		
Available-for-sale financial assets	13,944	14,644
	₩ 1,174,379	1,339,897

38. General and administrative expenses

General and administrative expenses for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Employee benefits:		
Salaries	₩ 2,475,184	2,330,885
Severance benefits:		
Defined contribution	18,608	15,371
Defined benefit	125,552	61,152
Termination benefits	120,308	90,096
	2,739,652	2,497,504
Rent	353,879	348,239
Entertainment	33,248	34,224
Depreciation	200,811	203,168
Amortization	112,155	116,562
Taxes and dues	197,433	164,906
Advertising	229,643	211,304
Research	11,871	12,733
Others	584,191	613,910
	₩ 4,462,883	4,202,550

39. Share-based payments

(a) Stock options granted as of December 31, 2014 are as follows:

	4th grant(*1)(*2)	5th grant(*1)(*2)	6th grant	7th grant(*1)
Grant date	March 30, 2005	March 21, 2006	March 20, 2007	March 19, 2008
Exercise price in won	₩ 28,006	₩ 38,829	₩ 54,560	₩ 49,053
Number of shares granted	2,695,200	3,296,200	1,301,050	808,700
Contractual exercise period	Within four years after three years from grant date	Within four years after three years from grant date	Within four years after three years from grant date	Within four years after three years from grant date
Changes in number of shares granted:				
Balance at January 1, 2014	102,389	108,356	1,025,856	619,778
Exercised	-	-	-	126,699
Expired	-	-	1,025,856	-
Balance at December 31, 2014	102,389	108,356	-	493,079
Assumptions used to determine the fair value of options:				
Risk-free interest rate	-	-	-	2.05%
Expected exercise period	-	-	-	2 months
Expected stock price volatility	-	-	-	16.90%
Expected dividend yield Fair value per share	-	-	-	1.58%
Fair value per share	₩16,444	₩ 5,621	-	₩ 39

(*1) The equity instruments granted are fully vested as of December 31, 2014. The weighted average share price for 703,824 stock options outstanding at December 31, 2014 is W 44,417.

(*2) As of December 31, 2014, the exercise of the remaining stock options (4th and 5th grant) was temporarily suspended.

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(b) Performance shares granted as of December 31, 2014 are as follows:

Type	Expired	Not expired
	Cash-settled share-based payment	
Performance conditions	Increase rate of the stock price and achievement of target ROE	
Operating period (*1)	4 or 5 years	
Estimated number of shares vested at December 31, 2014	219,853	664,125
Fair value per share in won	₩45,926 and ₩47,376 (*2)	₩ 44,450

(*1) Four-year period is applied from the beginning of the year that the grant date belongs while five-year period for the shares with deferred payment.

(*2) ₩45,926 of fair value per unit is applied for the shares that are vested at December 31, 2013 and ₩47,376 for the shares that are vested at December 31, 2014, respectively.

The amount of cash payment for the Group's cash-settled share-based payment arrangements with performance conditions is determined at the fourth anniversary date from the grant date based on the share price which is an arithmetic mean of weighted average share prices of the past two-months, past one-month and past one-week. As such the fair value of number of shares expired is estimated using the arithmetic mean of weighted average share prices at the day after expiration date and the fair value of number of shares non-expired is estimated using the closing share price at the end of reporting year.

(c) Share-based compensation costs for the years ended December 31, 2014 and 2013 are as follows:

	2014		
	Employees of		Total
	The controlling company	The subsidiaries	
Stock options granted :			
4th	₩ (26)	(266)	(292)
5th	(18)	(291)	(309)
6th	(1)	(4)	(5)
7th	(216)	(876)	(1,092)
Performance shares	2,264	12,939	15,203
	₩ 2,003	11,502	13,505
	2013		
	Employees of		Total
	The controlling company	The subsidiaries	
Stock options granted :			
4th	₩ 76	789	865
5th	494	3,190	3,684
6th	(9)	(62)	(71)
7th	81	427	508
Performance shares	2,189	12,272	14,461
	₩ 2,831	16,616	19,447

(d) Accrued expenses and the intrinsic value as of December 31, 2014 and 2013 are as follows:

	2014		
	Employees of		Total
	The controlling company	The subsidiaries	
Stock options granted :			
4th	₩ 147	1,537	1,684
5th	36	573	609
6th	-	-	-
7th	4	15	19
Performance shares	6,327	33,584	39,911
	₩ 6,514	35,709	42,223

The intrinsic value of share-based payments is ₩42,024 million as of December 31, 2014. For calculating, the quoted market price ₩ 44,450 per share was used for stock options and the fair value was considered as intrinsic value for performance shares, respectively.

	2013		
	Employees of		Total
	The controlling company	The subsidiaries	
Stock options granted :			
4th	₩ 173	1,802	1,975
5th	54	864	918
6th	1	4	5
7th	220	1,161	1,381
Performance shares	5,267	35,531	40,798
	₩ 5,715	39,362	45,077

The intrinsic value of share-based payments is ₩43,691 million as of December 31, 2013. For calculating, the quoted market price ₩47,300 per share was used for stock options and the fair value was considered as intrinsic value for performance shares, respectively.

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40. Net other operating income (expense)

Other operating income and other operating expense for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Other operating income		
Gain on sale of assets:		
Loans	₩ 72,061	219,423
Others:		
Gain on hedge activity	422,637	336,650
Reversal of allowance for acceptances and guarantee	2,262	5,317
Gain on trust account	5,374	3,960
Gain on other allowance	37,567	19,582
Others	376,861	259,070
	844,701	624,579
	916,762	844,002
Other operating expense		
Loss on sale of assets:		
Loans	(1,249)	(36,580)
Others:		
Loss on hedge activity	(338,818)	(363,531)
Contribution	(250,159)	(249,730)
Loss on allowance for acceptances and guarantee	(12,867)	(27,223)
Loss on other allowance	(32,477)	(56,903)
Depreciation of operating lease assets	(9,058)	(7,734)
Others	(807,787)	(641,988)
	1,451,166	(1,347,109)
	1,452,415	(1,383,689)
Net other operating expenses	₩ (535,653)	(539,687)

41. Net other non-operating expenses

Other non-operating income and other non-operating expense for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Other non-operating income		
Gain on sale of assets:		
Property and equipment	₩ 1,229	1,405
Investment property	123,723	5,170
Non-current assets held-for-sale	-	3,012
Lease assets	1,203	898
Others	405	193
	126,560	10,678
Gain on sale of Investments in associates	-	59
Others:		
Rental income on investment property	60,684	52,733
Reversal of impairment losses on Property equipment and intangible asset	-	170
Gain from assets contributed	259	561
Others	97,127	92,099
	158,070	145,563
	284,630	156,300
Other non-operating expense		
Loss on sale of assets:		
Property and equipment	(3,558)	(3,301)
Investment property	(5,168)	-
Lease assets	(2,108)	(1,094)
Others	(42)	-
	(10,876)	(4,395)
Loss on sale of investments in associates	(1,076)	-
Impairment loss on investments in associates	-	(239)
	(1,076)	(239)
Others:		
Donations	(18,828)	(48,619)
Depreciation of investment properties	(13,795)	(17,238)
Impaired loss on property and equipment	-	(85)
Impaired loss on intangible assets	(12,458)	(2,746)
Write-off of intangible assets	(1,572)	(552)
Loss on bond retirement	(107)	(1,780)
Collecting of written-off expenses	(4,718)	(5,740)
Others	(39,014)	(37,638)
	(90,492)	(114,398)
	(102,444)	(119,032)
Net other non-operating income	₩ 182,186	37,268

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42. Income tax expense

(a) Income tax expense for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013 (Restated, see note 48)
Current income tax expense	₩ 689,216	681,278
Adjustment for prior periods	(1,772)	(1,785)
Temporary differences	(37,003)	(123,632)
Income tax recognized in other comprehensive income	17,524	65,353
Income tax expenses	₩ 667,965	621,214

(b) Income tax expense (benefit) is calculated by multiplying net income before tax with the tax rate for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013 (Restated, see note 48)
Income before income taxes	₩ 2,867,576	2,676,553
Income taxes at statutory tax rates	692,384	646,591
Adjustments :		
Non-taxable income	(31,865)	(37,017)
Non-deductible expense	21,874	14,304
Tax credit	(639)	(1,982)
Other	(12,017)	1,103
Refund due to adjustments of prior year tax returns	(1,772)	(1,785)
Income tax expense	₩ 667,965	621,214
Effective tax rate	23.29%	23.21%

(c) Deferred tax expenses by origination and reversal of deferred assets and liabilities and temporary differences for the years ended December 31, 2014 and 2013 are as follows:

	2014			
	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
Unearned income	₩ (150,138)	14,323	-	(135,815)
Account receivable	(1,898)	(14,288)	-	(16,186)
Trading assets	(18,770)	(30,355)	-	(49,125)
Available-for-sale	229,579	(148,975)	(37,931)	42,673
Investment in subsidiaries	(6,557)	25,428	(594)	18,277
Valuation and depreciation of property and equipment	(145,687)	(489)	-	(146,176)
Derivative asset (liability)	19,289	(16,346)	5,229	8,172
Deposits	25,690	3,518	-	29,208
Accrued expenses	72,321	39,115	-	111,436
Defined benefit obligation	205,116	26,346	47,745	279,207
Plan assets	(194,466)	(43,841)	1,099	(237,208)
Other provisions	232,391	(25,893)	-	206,498
Allowance for acceptances and guarantees	22,497	3,417	-	25,914
Allowance related to asset revaluation	(44,789)	(21)	-	(44,810)
Allowance for expensing depreciation	(690)	56	-	(634)
Deemed dividend	1,334	-	-	1,334
Accrued contributions	12,236	1,072	-	13,308
Financial instruments designated at fair value through profit of loss	(28,879)	70,902	-	42,023
Allowances	36,305	23,427	-	59,732
Fictitious dividend	6,511	(1,136)	-	5,375
Liability under insurance contracts	5,765	1,918	-	7,683
Other	(95,375)	91,320	1,976	(2,079)
	₩ 181,785	19,498	17,524	218,807

(*) Deferred tax assets from overseas subsidiaries were decreased by ₩19 million due to foreign exchange rate movements.

	2013 (Restated, see note 48)			
	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
Unearned income	₩ (149,438)	(700)	-	(150,138)
Account receivable	(12,970)	11,072	-	(1,898)
Trading assets	(10,435)	(8,335)	-	(18,770)
Available-for-sale	57,009	86,095	86,475	229,579
Investment in subsidiaries	(10,545)	3,820	168	(6,557)
Valuation and depreciation of property and equipment	(145,683)	(4)	-	(145,687)
Derivative asset (liability)	50,666	(29,433)	(1,944)	19,289
Deposits	32,000	(6,310)	-	25,690
Accrued expenses	64,051	8,270	-	72,321
Defined benefit obligation	224,640	(13,179)	(6,345)	205,116
Plan assets	(154,768)	(40,016)	318	(194,466)
Other provisions	234,739	(2,348)	-	232,391
Allowance for acceptances and guarantees	18,659	3,838	-	22,497
Allowance related to asset revaluation	(44,873)	84	-	(44,789)
Allowance for expensing depreciation	(746)	56	-	(690)
Deemed dividend	1,334	-	-	1,334
Accrued contributions	14,841	(2,605)	-	12,236
Financial instruments designated at fair value through profit of loss	(65,209)	36,330	-	(28,879)
Allowances	44,579	(8,274)	-	36,305
Fictitious dividend	1,069	5,442	-	6,511
Liability under insurance contracts	3,329	2,436	-	5,765
Other	(94,031)	11,975	(13,319)	(95,375)
	₩ 58,218	58,214	65,353	181,785

(*) Deferred tax assets from overseas subsidiaries were decreased by ₩65 million due to foreign exchange rate movements.

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(d) Deferred tax assets and liabilities that were directly charged or credited to equity for the years ended December 31, 2014 and 2013 are as follows:

	January 1, 2014		Changes		December 31, 2014	
	OCI (*2)	Tax effect	OCI (*2)	Tax effect	OCI (*2)	Tax effect
Valuation gain (loss) on available-for-sale financial assets	₩ 1,264,042	(305,927)	172,438	(37,931)	1,436,480	(343,858)
Foreign currency translation adjustments for foreign operations	(121,120)	(25,003)	(13,960)	1,976	(135,080)	(23,027)
Gain(loss) on cash flow hedge	1,641	(397)	(21,607)	5,229	(19,966)	4,832
Equity in other comprehensive income of associates	(239)	929	6,849	(594)	6,610	335
The accumulated other comprehensive income in separate account (*1)	(154)	36	7,678	(1,857)	7,524	(1,821)
Remeasurements of the defined benefit liability	(185,810)	44,968	(202,137)	48,844	(387,947)	93,812
Income tax charged or credited directly to equity	₩ 958,360	(285,394)	(50,739)	15,667	907,621	(269,727)

	January 1, 2013		Changes (Restated see note 48)		December 31, 2013 (Restated see note 48)	
	OCI (*2)	Tax effect	OCI (*2)	Tax effect	OCI (*2)	Tax effect
Valuation gain (loss) on available-for-sale financial assets	₩ 1,617,225	(391,415)	(353,183)	85,488	1,264,042	(305,927)
Foreign currency translation adjustments for foreign operations	(75,619)	(12,679)	(45,501)	(12,324)	(121,120)	(25,003)
Gain(loss) on cash flow hedge	(6,393)	1,547	8,034	(1,944)	1,641	(397)
Equity in other comprehensive income of associates	4,741	761	(4,980)	168	(239)	929
The accumulated other comprehensive income in separate account (*1)	2,258	(547)	(2,412)	583	(154)	36
Remeasurements of the defined benefit liability	(210,762)	51,004	24,952	(6,036)	(185,810)	44,968
Income tax charged or credited directly to equity	₩ 1,331,450	(351,329)	(373,090)	65,935	958,360	(285,394)

(*1) Deferred tax effects, which are originated from the accumulated other comprehensive income in separate account, were included in the other assets of separate account's financial statement.

(*2) OCI : other comprehensive income

(e) The amount of deductible temporary differences, unused tax losses, and unused tax credits that are not recognized as deferred tax assets as of December 31, 2014 and 2013 are as follows:

	2014	2013
Tax loss carry forward (*)	₩ 99,449	99,449

(*) At the end of reporting date, the expected extinctive date of tax loss carry forward and tax credits carry forward that are not recognized as deferred tax assets are as follows:

	1 year or less	1-2 years	2-3 years	More than 3 years
Tax loss carry forward	₩ -	-	-	99,449

(f) The amount of temporary difference regarding investment in subsidiaries that are not recognized as deferred tax liabilities as of December 31, 2014 and 2013 are as follows:

	2014	2013
Investment in associates	₩ (11,532)	(10,357)

(g) The Group set off a deferred tax asset against a deferred tax liability of the same taxable entity if, and only if, they relate to income taxes levied by the same taxation authority and the entity has a legally enforceable right to set off current tax assets against current tax liabilities. Deferred tax assets and liabilities presented on a gross basis prior to any offsetting as of December 31, 2014 and 2013 are as follows:

	2014	2013
Deferred tax assets	₩ 280,599	216,113
Deferred tax liabilities	(61,792)	(34,328)

43. Earnings per share

Basic and diluted earnings per share for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013 (Restated, see note 48)
Profit attributable to equity holders of Shinhan Financial Group	₩ 2,081,110	1,898,577
Less:		
Dividends on preferred stock	61,938	61,938
Hybrid bond	29,940	29,940
	91,878	91,878
Net profit available for common stock	1,989,232	1,806,699
Weighted average number of common shares outstanding	₩ 474,199,587	474,199,587
Basic and diluted earnings per share in won	₩ 4,195	3,810

44. Commitments and contingencies

(a) Guarantees, acceptances and credit commitments as of December 31, 2014 and 2013 are as follows:

	2014	2013
Guarantees		
Guarantee outstanding	₩ 10,796,896	10,564,718
Contingent guarantees	4,335,333	5,053,750
	15,132,229	15,618,468
Commitments to extend credit	-	-
Loan commitments in won	52,723,778	53,343,728
Loan commitments in foreign currency	20,195,691	20,120,391
ABS and ABCP commitments(*)	2,143,308	1,599,331
Others	1,226,604	1,185,788
	76,289,381	76,249,238
Endorsed bills	-	-
Secured endorsed bills	51,043	54,460
Unsecured endorsed bills	10,914,587	11,327,272
	10,965,630	11,381,732
Loans sold with recourse	2,099	2,099
	₩ 102,389,339	103,251,537

(*) The Group consolidates a structured entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to most significantly affect those returns through its power over the structured entity based on the terms in the agreement relating to the establishment of the structured entity. As the Group's interests in the structured entities are presented as liabilities in the consolidated statement of financial position of the Group, the Group does not recognize noncontrolling interests for the consolidated structured entities. The Group provides ABCP purchase agreement amounting to W492,195 million to the structured entities described above.

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(b) Legal contingencies

The Group's pending lawsuits as a defendant for the years ended December 31, 2014 are as follows.

Case	Number of claim	Descriptions	Claim amount
Billing of Goods	1	The plaintiff filed claims against the Group for payment of goods that were based on a forged guarantee of payment. The first appeal was ruled against the Group, and therefore, the Group has paid the claim amount. The Group is in progress with its second appeal.	43,761
Compensatio for a loss	1	The plaintiff has filed a lawsuit against the Group claiming that the Group should compensate for a loss of the damaged right of management insisting the Group had purchased the shares of Shinho Paper Co., Ltd. while being aware that the sale had been executed against the will of the members of Aram Corporate Restructuring Association. The first and second court decided partially in favor of the plaintiff, and therefore, the Group has paid the claim amount. The Group is in progress with its third appeal.	47,200
Void Contract and Return 6 of Unjust Enrichment	6	Claims to void or cancel currency futures option. The Group is in progress with its second and third appeal, and recognizes provisions for the expected loss.	43,406
VAN Fee Fixing	19	Agency of VAN filed claims against VAN and the credit card company. The agency filed a lawsuit against VAN and the Group claiming for losses due to fee fixing. 19 cases were all for the same claim, and therefore, there were partial losses for VAN and the Group. Of the 19 cases, 12 cases are currently pending in their second appeal, one case is pending in its third appeal, and four cases completed their third appeal.	33,116
Other	201	Various cases such as a compensation for a loss claim.	208,998
	228		376,481

As of December 31, 2014, the Group recorded ₩33,377 million as provisions and ₩1,161 million as liabilities under insurance contracts with respect to these lawsuits.

(c) Contingent assets

The creditors of Samsung Motors Co., Ltd. (currently known as Renault Samsung Motors., Ltd.), including the Group, entered into a written agreement regarding the bankruptcy of Samsung Motors Co., Ltd. on September 1999. The written agreement states that should the disposal price of the 3.5 million contributed shares of Samsung Life Insurance to the financial institutions and creditors of Samsung Motors Co., Ltd. as of December 31, 2000 fall below 2.45 trillion won, the Samsung Group affiliates shall be responsible for the deficit and therefore, provide the financial institutions and creditors with contributed capital or purchases of subordinated bonds. The agreement also states that should the Samsung Group affiliates fail to meet these conditions, the affiliates shall be held responsible to pay the interests for the overdue amounts.

Based on the written agreement stated above, the Group and the creditors of Samsung Motors Co., Ltd., filed a lawsuit claiming for the contracted amounts on December 9, 2005 against Chairman Lee Kun-Hee and the Samsung Group affiliates. On January 29, 2015, the Supreme Court ruled in favor of the Group and the creditors of Samsung Motors Co., Ltd.

45. Statement of cash flows

(a) Cash and cash equivalents in the consolidated statements of cash flows as of December 31, 2014 and 2013 are as follows:

	2014	2013
Cash and due from banks	₩ 20,608,513	16,484,168
Due from financial institutions with a maturity over three months from date of acquisition	(4,739,947)	(4,320,575)
Restricted due from banks	(10,264,156)	(6,142,417)
	₩ 5,604,410	6,021,176

(b) Significant non-cash activities for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Increase in available-for-sale financial assets from debt-equity swap	₩ 129,215	159,966
Transfers from construction-in-progress to property and equipment	4,054	134,790
Transfers between property and equipment and investment property	26,751	43,768
Transfers from property and equipment to assets held for sale	3,196	6,278
Transfers from investment property to assets held for sale	146,126	228,762

(c) On January 11, 2013, the Group obtained a controlling ownership over Yehanbyoul Savings Bank by acquiring an 100% of the outstanding and voting interests for ₩45,813 million won in consideration. Net cash flow provided by the business combination was ₩385,291 million as the investee had ₩431,104 million of cash and cash equivalents.

46. Related parties

Intra-group balances, and income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(a) Significant balances with the related parties as of December 31, 2014 and 2013 are as follows:

	Account	2014	2013
Investments in associates:			
Aju Capital Co., Ltd.	Trading assets	₩ 50,000	60,000
"	Loans and receivables	200,000	50,000
"	Credit card assets	2,011	2,049
"	Allowances	(624)	(285)
"	Deposits	1,184	470
"	Provisions	78	280
UAMCO., Ltd.	Loans and receivables	-	-
"	Credit card assets	43	49
"	Allowances	(1)	(1)
"	Deposits	28,801	1,719
"	Provisions	50	50
Pohang TechnoPark2PFV	Deposits	14,666	14,689
Cardif Life Insurance	Accounts receivable	115	118
"	Credit card assets	119	103
"	Allowances	(1)	(1)
"	Deposits	194	262
"	Provisions	1	1
BNPParibas Cardif General Insurance	Credit card assets	26	40
"	Allowances	(1)	(1)
"	Deposits	7	-
Korea investment gong-pyeong office real estate investment trust 2nd	Deposits	32,002	18,001
Kukdong Engineering & Construction CO.,LTD	Credit card assets	17	15
"	Allowances	(1)	(1)
"	Deposits	6,986	-
Shinhan Corporate Restructuring Fund 5th	Accounts receivable	-	27
"	Allowances for credit losses	-	(27)
Dream High Fund III	Deposits	301	-
Miraeasset 3rd Investment Fund	Deposits	1,777	158
KDB Daewoo Ruby PEF	Deposits	2,025	-
Medici 2nd Investment Fund	Deposits	-	62
KDB Daewoo Securities Platinum PEF	Deposits	-	652
FAMILY FOOD CO., LTD.	Provisions	-	5
SP New Technology Business investment Fund I	Accounts receivable	5	-
Key management personnel and their immediate relatives:	Loans and receivables	4,642	4,560
	Assets	₩ 256,350	116,645
	Liabilities	88,072	18,348

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(b) Significant transactions with the related parties for the years ended December 31, 2014 and 2013 are as follows:

	Account	2014	2013
Investments in associates:			
Aju Capital co., Ltd	Interest income	₩ 5,638	2,185
"	Fees and commission income	487	889
"	Net other operating income	202	-
"	Reversal of credit losses	-	1
"	Interest expense	(1)	(24)
"	Fees and commission expense	(1,693)	(881)
"	Provision for credit losses	(340)	(21)
UAMCO., Ltd	Interest income	40	115
"	Fees and commission income	7	5
"	Reversal of credit losses	1	-
"	Interest expense	(1)	(1)
"	Provision for credit losses	-	(1)
Pohang TechnoPark2PFV	Interest expense	(15)	(15)
Cardif Life Insurance	Fees and commission income	1,661	1,193
"	Provision for credit losses	(1)	(1)
Kukdong Engineering & Construction CO.,LTD	Interest income	-	-
"	Fees and commission income	15	-
"	Interest expense	(40)	-
"	Fees and commission expense	(4)	-
"	Provision for credit losses	(1)	(1)
Inhee Co., Ltd.	Interest income	-	1
Shinhan K2 Secondary Fund	Fees and commission income	465	464
Shinhan 2013-1 Fund	Fees and commission income	-	88
BNPParibas Cardif General Insurance	Fees and commission income	9	4
"	Reversal of credit losses	1	1
Korea investment gong-pyeong office real estate investment trust 2nd	Interest expense	(1,274)	-
FAMILY FOOD CO., LTD.	Other operating income	5	-
Dream High Fund III	Interest expense	(6)	-
Miraeasset 3rd Investment Fund	Interest expense	(1)	(2)
Shinhan 2014-1 Fund	Fees and commission income	9	-
SHC-EN Fund	Fees and commission income	8	-
SP New Technology Business investment Fund I	Fees and commission income	5	-
UNW Securitization Specialty Co., Ltd.	Fees and commission income	-	56
UW 3rd Securitization Specialty Co., Ltd.	Fees and commission income	-	93
UK Second Asset Securitization Specialty Co., Ltd.	Fees and commission income	-	14
Key management personnel and their immediate relatives			
	Interest income	170	168
		₩ 5,346	4,330

(c) Key management personnel compensation

Key management personnel compensation for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Short-term employee benefits	₩ 18,392	18,980
Severance benefits	422	322
Share-based payment transactions	6,541	6,475
	₩ 25,355	25,777

(d) There are no guarantees provided between the related parties as of December 31, 2014 and 2013.

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49. Interests in unconsolidated structured entities

(a) The nature and extent of interests in unconsolidated structured entities

The Group is involved in assets-backed securitization, structured financing, beneficiary certificates and other structured entities and characteristics of these structured entities are as follows:

	Description
Assets-backed securitization	Securitization vehicles are established to buy assets from originators and issue asset-backed securities in order to facilitate the originators' funding activities and enhance their financial soundness. The Group is involved in the securitization vehicles by purchasing (or committing to purchase) the asset-backed securities issued and/or providing other forms of credit enhancement. The Group does not consolidate a securitization vehicle if (i) the Group is unable to make or approve decisions as to the modification of the terms and conditions of the securities issued by such vehicle or disposal of such vehicles' assets, (ii) (even if the Group is so able) if the Group does not have the exclusive or primary power to do so, or (iii) if the Group does not have exposure, or right, to a significant amount of variable returns from such entity due to the purchase (or commitment to purchase) of asset-backed securities so issued or subordinated obligations or by providing other forms of credit support.
Structured financing	Structured entities for project financing are established to raise funds and invest in a specific project such as M&A (mergers and acquisitions), BTL (build-transfer-lease), shipping finance, etc. The Group is involved in the structured entities by originating loans, investing in equity, or providing credit enhancement.
Investment fund	Investment fund means an investment trust, a PEF (private equity fund) or a partnership which invests in a group of assets such as stocks or bonds by issuing a type of beneficiary certificates to raise funds from the general public, and distributes its income and capital gains to their investors. The Group manages assets by investing in shares of investment fund or playing a role of an operator or a GP (general partner) of investment fund, on behalf of other investors.

The size of unconsolidated structured entities as of December 31, 2014 are as follows:

	2014	2013
Total assets:		
Asset-backed securitization	₩ 33,603,260	45,419,633
Structured financing	52,342,495	86,940,716
Investment fund	29,096,759	34,636,571
	₩ 115,042,514	166,996,920

(b) Nature of risks

i) The carrying amounts of the assets and liabilities relating to its interests in unconsolidated structured entities as of December 31, 2014 and 2013 are as follows:

	2014			Total
	Assets-backed securitization	Structured financing	Investment fund	
Assets:				
Loans	₩ 383,011	4,658,388	613,089	5,654,488
Trading assets	573,919	48,877	10,950	633,746
Derivative assets	42	-	-	42
Available-for-sale financial assets	575,360	253,740	2,085,276	2,914,376
Held-to-maturity financial assets	154,103	-	-	154,103
Other assets	555	-	15,038	15,593
	1,686,900	4,961,005	2,724,353	9,372,348
Liabilities:				
Other	1,200	-	658	1,858
	₩ 1,200	-	658	1,858

	2013			Total
	Assets-backed securitization	Structured financing	Investment fund	
Assets:				
Loans	₩ 165,698	5,156,721	12,361	5,334,780
Trading assets	230,729	-	41,008	271,737
Derivative assets	884	1,075	-	1,959
Available-for-sale financial assets	1,074,673	237,146	1,991,374	3,303,193
Held-to-maturity financial assets	119,945	-	-	119,945
Other assets	580	-	-	580
	₩ 1,592,509	5,394,942	2,044,743	9,032,194

ii) Exposure to risk relating to its interests in unconsolidated structured entities as of December 31, 2014 and 2013 are as follows:

	2014			Total
	Assets-backed securitization	Structured financing	Investment fund	
Assets held	₩ 1,686,991	4,961,049	2,724,352	9,372,392
ABS and ABCP commitments	325,195	167,000	103,702	595,897
Loan commitments	1,631,113	229,540	26,454	1,887,107
Guarantees	-	28,888	-	28,888
	₩ 3,643,299	5,386,477	2,854,508	11,884,284

	2013			Total
	Assets-backed securitization	Structured financing	Investment fund	
Assets held	₩ 1,592,509	5,394,942	2,044,743	9,032,194
ABS and ABCP commitments	157,000	183,800	18,913	359,713
Loan commitments	1,258,531	783,639	18,449	2,060,619
Guarantees	-	5,410	-	5,410
	₩ 3,008,040	6,367,791	2,082,105	11,457,936

iii) Losses incurred relating to the Group's interests in unconsolidated structured entities for the years ended December 31, 2014 and 2013 were as follows:

	2014	2013
Losses on:		
Asset-backed securitization	₩ 987	1,801
Structured financing	-	-
Investment fund	42,429	18,866
	₩ 43,416	20,667

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Investor Information

Forward-Looking Statements

Shinhan Financial Group's 2014 Annual Report may contain forward-looking statements to provide value-added account of Shinhan Financial Group's businesses and results of operations. These forward-looking statements reflect our current views with respect to future events and performance, and are generally identified by the use of forward-looking terminology, such as "expect", "plan", "intend", and similar expressions. You are cautioned not to place undue reliance in these forward-looking statements, which reflect management's current analysis of future events. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

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Shinhan Financial Group
Annual Report 2014



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