



Creative Challenges, Differentiated Growth

Strengthening our status as a market-leading innovator

Shinhan Bank is committed to maximizing its status as an industry-leading innovator. By enhancing the capabilities of our new core businesses, invigorating our productivity, continuously practicing compassionate finance and embracing a positive workplace, Shinhan Bank will achieve its goals.



Creative vision for sustainable growth

Shinhan Bank is approaching its vision and challenges with creativity to ensure differentiated growth, while proudly pioneering new avenues to ensure the future of the financial industry in South Korea.



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PROFILE

Shinhan Bank was able to maintain its position as one of South Korea's leading banks, even as the country's financial industry faced continuing global uncertainties and a lengthy economic downturn at home. This included boasting the industry's highest profitability indicators, including ROA and ROE.

Our high rate of quantitative growth was reflected in a steady increase in our customer base. We did this by achieving optimal growth, with a special focus on low-cost deposits and loans to small and medium-sized enterprises. We also continued with our globalization strategy, building the largest overseas network of any South Korean financial institution. Consisting of sixty-six offices in fifteen different countries, our out-of-country operations make a significant contribution to our steadily-increasing assets and profitability.

We were honored to be named the best bank in South Korea in terms of overall management, including value, brand recognition, customer satisfaction, our placement on the "great workplace" index, and job creation. We were especially recognized for our practice of compassionate finance, winning first prize at the Small-Loan Finance Awards 2013 from the country's Financial Supervisory Service.

In addition, Shinhan Financial Group ranked first among all of South Korea's financial institutions by placing thirtieth on the Global 100 Most Sustainable Corporations in the World list at the Davos Forum. We also ranked first at home (and forty-third in the world) in the Top 500 Banking Brands list compiled by The Banker magazine.

Our strategic goals for 2014 are "Creative Challenges, Differentiated Growth." This includes responding carefully to any and all changes in the global financial marketplace, and continuing to create new opportunities for growth. Our ultimate aim is to become South Korea's most innovative market leader.

Although Shinhan originally began as a very small business some thirty years ago, we are now stretching ourselves into a major global player, as well as a leading bank in South Korea. All our employees are dedicated to practicing compassionate finance and sharing the future with our many satisfied customers. We could not have reached the level of success that we enjoy now without the continuing support and encouragement of our customers, our shareholders, and the people living in the communities in which we operate.



FINANCIAL HIGHLIGHTS

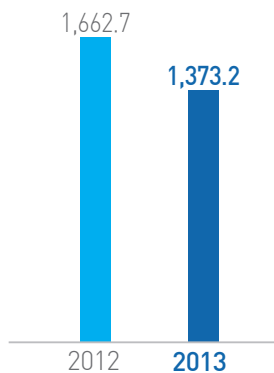
	In billions of Korean won		In millions of US dollars ¹⁾	
	2013	2012	2013	2012
Bank Account				
For the Year				
Total Operating Income	5,151.0	5,631.6	4,881.1	5,257.8
Operating Income	2,458.1	2,912.8	2,329.3	2,719.4
Net Income	1,373.2	1,662.7	1,301.2	1,552.3
At Year-End				
Total Assets	238,045.7	237,395.8	225,571.6	221,637.4
Total Loans	174,689.3	169,699.2	165,535.2	158,434.5
Total Deposits	175,020.4	170,009.0	165,849.0	158,723.7
Total Stockholders' Equity	20,536.1	20,336.9	19,460.0	189,869.3
Financial Ratios ²⁾				
Return on Average Assets	0.59	0.72		
Return on Average Equity	7.28	9.02		
NPL Ratio by FSS	1.16	1.08		
Net Interest Margin	1.76	1.99		
BIS Capital Adequacy Ratio	16.29%	15.83%		
(Tier 1 Capital Ratio)	13.94%	12.64%		
(Tier 2 Capital Ratio)	2.35%	3.19%		

Note1) Translated into US dollars at the rates of KRW 1,071.10/USD 1 and KRW 1055.3/USD 1 respectively--those prevailing on December 31, 2012 and December 31, 2013

Note2) Based on separate financial statements.

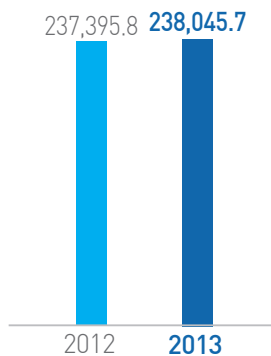
Net Income*

(Billions of Korean won)



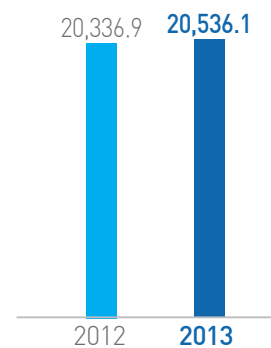
Total Assets*

(Billions of Korean won)



Total Stockholders' Equity*

(Billions of Korean won)



* Bank account only



January: Signed MOU with Bank Muscat in Oman

SHB signed a strategic MOU with Bank Muscat, which is the largest bank in Oman. It is a key stronghold for Korean companies entering the Middle East. Through this MOU, SHB strives to offer a broad and differentiated range of services to these companies.

April: Opened representative office in Yangon, Myanmar

SHB opened a representative office in Yangon, Myanmar, which is the largest country on the Indochinese Peninsula of Southeast Asia. Using this momentum, SHB continues to serve as a solid bridge for facilitating the economic development of and the promotion of goodwill between the two countries.



July: Completed Shinhan Data Center

The Shinhan Data Center was built in Yongin, Gyeonggi-do Province, to provide SHB customers with more convenient and safe financial services. Spanning a gross floor area of 43 square meters with 11 levels above and below ground, the center is equipped with cutting-edge systems. Specifically, it has been designed to resist magnitude 7 earthquakes and is capable of independent power generation for approximately 30 hours at the time of a blackout. It can also manage its energy usage on a real-time basis.

November: Shinhan Bank Vietnam opened transaction office in Phu My Huong

Shinhan Bank Vietnam, SHB's subsidiary in Vietnam, opened a TO in Phu My Huong, Ho Chi Minh City, which is the economic center of Vietnam. The office is achieving success for "global retail banking" by ensuring differentiated and higher-level customer satisfaction in the Vietnamese market. It is doing so, mainly via the company's newly launched innovative services and differentiation strategies.



November: Completed second Shinhan Vietnam School in the Vinh Phuc Province

SHB opened the Daiding Kindergarten, which is the second Shinhan Vietnam School, in Daiding, Vinh Phuc Province, as one of its numerous global social contribution projects. The school offers high-quality education to about 100 toddlers and children who would otherwise fail to receive a solid education due to the lack of access to such facilities in the underdeveloped areas of northern Vietnam.

November: Named 2013 Best Bank in Korea by *The Banker*

The Banker selected SHB as the 2013 Best Bank in Korea. This prestigious UK publication, which covers international financial affairs, recognized SHB for its excellent non-financial achievements, as well as its outstanding financial performance (including asset soundness and profitability). These accomplishments include SHB's accomplishments in non-financial channels (including online banking), the introduction of innovative products, and a vast array of social contribution activities.



December: Received first prize at the Small-Loan Finance Award 2013

SHB received the first prize at the Small-Loan Finance Award 2013 from the Financial Supervisory Service. This award recognized the bank's efforts to support the financing of small loans. SHB built an efficient support system for "compassionate finance," by creating the Social Responsibility Management Committee to be led by its President and CEO in February 2013, and expedite its support for small-loan finance through the committee's Small-Loan Finance Promotion Team.

December: President and CEO, Suh Jin-won received the Gold Tower Order of Industrial Service Merit

SHB's president and CEO, Suh Jin-won, was awarded the Gold Tower Order of Industrial Service Merit for his contribution to job creation in 2013 from the Ministry of Employment and Labor. It is the highest honor granted to companies or individuals by the central government. Mr. Suh was given credit for practicing compassionate finance by supporting job creation at smaller companies and expanding the employment of the socially disadvantaged, as well as for his other efforts to create part-time jobs and reduce working hours.



Awards & Accolades

January 2013

- Selected as the Best M&A Financing Arranger by *The Bell* magazine
- Named the Best Bank in Korea by *The Asset* magazine

February 2013

- Named the best Korean Private Bank by *Euromoney* magazine for the second consecutive year
- Acquired Mobile Web Accessibility Certification, a first for the financial industry, from The Human Rights Forum of Persons with Disabilities in Korea
- Named the Best Private Bank in Korea by *Asian Private Banker* magazine
- Named Korea's Most Admired Company by the Korea Management Association Consulting for the tenth consecutive year

March 2013

- Selected as the best Korean bank in three categories by the *Asian Banker*

April 2013

- Selected as the Best Korean Bank by *Global Finance* magazine.

May 2013

- Shinhan Bank Vietnam selected as an Excellent Labor Collective in 2012 by The State Bank of Vietnam

June 2013

- Shinhan Bank China received the comprehensive evaluation prize in statistics work from the Beijing China Banking Regulatory Commission
- Named the Best Bank in Korea by *Asiamoney* magazine for the ninth consecutive year
- Ranked first in the Global Customer Satisfaction Competency Index (GCSI) survey by the Global Management Association for the ninth consecutive year

July 2013

- Ranked first in the Customer Interaction category in the Korean Service Quality Index (KSQI) survey by KMA Consulting for the third consecutive year

September 2013

- Named both the 2013 Best Bank and Best Private Bank in Korea by *FinanceAsia* magazine
- Named Best Wealth Manager in Korea by *The Asset* magazine for the second consecutive year

October 2013

- Received Brand of the Year and Masterpiece of the Year awards from the Korean Customers' Forum and *The Korea Economic Daily*
- Ranked first in the Banking sector in the Korean Sustainability Index (KSI) survey by the Korean Standards Association for the second consecutive year

November 2013

- Selected as one of the "100 Best Companies to Work For in Korea in 2013" by GWP Korea
- Named the 2013 Best Bank in Korea by *The Banker* magazine

December 2013

- Ranked first in the Banking category in the National Customer Service Index (NCSI) survey by the Korea Productivity Center
- Received first prize at the Small-Loan Finance Award 2013 from the Financial Supervisory Service
- Received the Order of Industrial Service Merit from the South Korean government in recognition of its commendable efforts towards creating jobs in 2013; President and CEO, Suh Jin-was awarded the Gold Tower Order of Industrial Service Merit from the Ministry of Employment and Labor

MESSAGE FROM THE CEO



Jin Won Suh _ President & Chief Executive Officer

Dear Valued Customers:

I would like to begin this letter by first thanking you from the bottom of my heart for your continued support and encouragement.

Last year, the financial circles in South Korea were faced with the difficulties of deteriorating profitability and a general lack of growth. This was due to uncertainties in the global economy and prolonged business slowdowns at home. Shinhan Bank made a vigorous effort to gain your trust during this difficult time. As a result, we were able to firmly retain our status as a leading bank, while obtaining satisfactory results in our overall management.

We maintained the industry's highest-level profitability through steady and effective operations. However, our profits did decrease marginally as compared to the previous year. This was due to a decline in benchmark interest rates and an increase in loan loss provisions. In addition, we further restored our first ranking in asset soundness, thereby, further consolidating our reputation as being a solid and strong banking institution. We accomplished all of this thanks to our preemptive and comprehensive risk management operations.

We have also remained dedicated to serving each and every one of our customers. As a result, the volume of customers who trusted and entered into business with us increased significantly. The number of active retail

customers increased sharply to exceed eight million, and those who fall under the category of being high-net-worth individuals and companies who engaged in credit transactions with us, also showed remarkable upturns. We achieved stable growth in sales as well, by posting the largest increase in low-cost deposits and loans to prime-quality small and medium-sized enterprises among commercial banks.

We produced meaningful outcomes in future growth businesses at the same time. Thanks to close collaborations existing between our front-line offices and divisions, we were honored to rank first in retirement pensions for the fourth consecutive year. The number of our customers using online and smart banking services expanded the most as we made steady efforts to enhance our competitiveness in non-direct channels. We also ranked first in the banking industry's product sales in regards to our smart banking services.

Our global business also continued to grow, based on our overseas network of 66 branches and subsidiaries in 15 countries. This network is the largest among domestic banks in Korea. We accomplished the impressive feat of realizing profits in all our overseas branches, by putting a significant amount of efforts into improving their profitability while steadily adding to their local assets and customer bases.

In addition, our employees pooled all of their talents and knowledge together to practice "compassionate finance," which aims to benefit the world through financial business. We newly established the Social Responsibility Management Committee to be led by the President and CEO of SHB, and systematically pursued four agendas including SMEs, small-loan finance, consumer protection, and social contributions.

In order to support SMEs, we provided customized products according to their life cycles, from establishment to growth and maturity. We've supported every stage of financial solutions from the initial phase of overseas expansion to settlement by operating a global support desk.

Lastly, we delivered opportunities to more individuals through the provision of new financial services. This was accomplished by dealing with the most New Hope Spore Loans for those who encounter difficulties in obtaining loans due to having a low income or low credit ratings, and implementing the SHB Household Debt Healing Program, which eases the burden on them via the implementation of interest rate cuts and allowing them to repay in installments. We also enhanced the accessibility to finance for those who are underprivileged. We did so by expanding key branches and exclusive windows, and by creating the network of Hope Finance Supporters.

Due to the strong improvements that we made to our systems and the enhanced executive ability of our frontline workers to protect financial consumers, we were selected as the bank with the least amount of customer grievances and were ranked first from the consumers' point of view in the evaluations that were conducted by the Korea Finance Consumer Federation. In the interim, from among the broad range of social engagement activities that we carried out last year, our Kids' Finance Class, which our employees participated in, was recognized as the best practice that utilized our business. We also did our utmost to fulfill our role as a responsible corporate citizen by creating top-quality jobs. These included expanding the employment of young job seekers and hiring career-interrupted women on a flexible work schedule basis.

These achievements were also praised externally. We were named the best bank in South Korea in overall management, including for value, brand awareness, customer satisfaction, and in the great work place index. Our commitment to "compassionate finance" was also recognized by being awarded the first prize at the Small-Loan Finance Award from the Financial Supervisory Service.

Shinhan Financial Group was recently ranked 30th on the Global 100 Index at the Davos Forum. It was the top ranking company among domestic financial institutions. Our being ranked first in Korea and 43rd in the world on the Top 500 Banking Brands list by *The Banker* followed this.

We could not have attained such significant accomplishments and won recognition as South Korea's leading bank without your unwavering support and encouragement. On behalf of all our employees, I would like to express my gratitude to you once again.

This year, there are expectations that the domestic economy will gradually improve, following the modest economic recovery in other advanced nations. However, there is still concern that uncertainties in emerging markets will further increase. This is due mainly to the QE tapering by the US and the weakening Japanese yen. At the same time, a great turning point for the Korean financial industry is coming with the prolonged low-growth trend and unlimited competition among different business types. Demands are also increasingly growing for banks to carry out their social responsibilities, such as the protection of customer information, and

enhanced support for SMEs and small-loan finance services.

In order to wisely deal with such changes in the paradigms of the times and continue creating new growth opportunities, Shinhan Bank set its 2014 strategic goals to be "Creative Challenges, Differentiated Growth," and plans to carry forward the implementations listed below during the coming year.

First, we will seek co-prosperity with our customers and society through the upgraded practice of "compassionate finance."

While doing so, we will continue to develop a virtuous cycle of co-prosperity in which the values of our customers, society, and the bank grow together by performing the original roles of finance more faithfully. In particular, based on our employees' thorough awareness on the protection of customer information, we will continuously revamp our relevant systems and programs. We will also establish a consumer-centric culture that puts customers first in whatever we do by consistently carrying out transparent, honest, and principled operations. At the same time, we will actively contribute to the invigoration of a creative economy by further expanding our support for SMEs and small-loan finance.

Next, we will secure differentiated competitive edges in the future growth markets by strengthening the capabilities of our key businesses.

Shinhan Bank selected key businesses to be its new growth engines at the end of last year. And, we have been actively pursuing these key businesses by focusing on our bank-wide competencies since the beginning of this year. These include activating our creative asset management, expanding our customer base in the market for high-quality companies whose financial statements are not examined by independent auditors, enhancing our non-direct sales, expanding our global localization, and establishing ourselves as the leader in the retirement market. Furthermore, we will solidify our status as being the industry-leading innovator in South Korea.

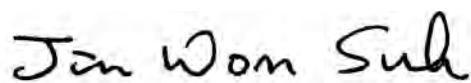
Finally, we will accelerate our innovations to improve our productivity by increasing the efficiencies of our operations.

In order to overcome a long-term low growth era, we need to continue to improve our structure. Going forward, we plan to raise the efficiency of our channels, mainly through merging our branches and by expanding our finance center. We will also steadily optimize our channels, such as converting and integrating our direct and non-direct channels, and via operating customized specialty branches. In addition, we will maximize our productivity and continue to lay the groundwork for differentiated growth by pursuing innovations in the way we work and in how we carry out our business processes.

When Shinhan first arrived on the scene almost 30 years ago, it was a small latecomer. Now it is moving forward to be a global player after having firmly positioned itself as a leading bank in South Korea. At Shinhan Bank, all our employees are dedicated to practicing "compassionate finance, creating a happier future," and to taking the support and encouragement of our customers, shareholders, and community members to heart.

On behalf of the employees and staff at Shinhan Bank, I thank you for your ongoing interest and support as we continue to create new dynamic paths in the South Korean financial industry.

Thank you.



Jin Won Suh
President & Chief Executive Officer

Innovating productivity by enhancing the capabilities of our new core businesses

Shinhan Bank continues to retain its highest-level profitability and soundness by creating new markets and advanced revenue sources. In addition, we are achieving differentiated growth via our solid competitive edge and maximized productivity in the future growth marketplaces.



VISION & STRATEGY

Vision

Shinhan Bank's vision is to become a premier financial institution that grows with its customers for a better future. In terms of the market and our customers and employees:

Customers: Seeking to become a premier financial institution that grows with its customers for a better future.

The Market: Leading future trends in the finance industry through change and innovation

Employees: Developing a great workplace, in which our employees work with pride as members of the country's number one bank

Mission

Compassionate Finance: Benefiting society through the finance business



Compassionate Finance
Sharing the Future

What Compassionate Finance Means

1. Protecting and creating value for our customers

We analyze all our products and services to ensure that they benefit our customers and meet their needs. We also offer them guidance and advice on how to protect themselves and their assets. All of these practices demonstrate our commitment to customer value and protection. We only pursue profits when we are assured that we have put the optimal risk management policies and processes in place.

2. Fulfilling our social responsibilities to create a better and happier world

This means sharing the fruits of our success with all the members of our society. It also includes helping the underprivileged to become fully contributing members of society.

Management Goals and Strategies

SHB's strategic goal for 2014 is "Creative Challenges, Differentiated Growth." The purpose of this goal is to retain our competitive edges in our key markets by preemptively responding to changes in the constantly shifting paradigms of the times, while the Korean financial industry is facing a significant turning point due to the prolonged low growth of the economy and rapidly aging population amidst high uncertainties in the global economy and the financial markets. It is also aimed at presenting differentiated growth alternatives through implementing new preparations and challenges..

Strengthen our core business capabilities to ensure differentiated competitive edges in future growth markets

We will select new core businesses that will be our new growth engines, and we will establish and execute plans to enhance our competitiveness. By creating a task force team for the retirement market, we will continue to lead the market for those in their 40s to 60s, including retired customers.

We also plan to lead in the dissemination of creative finance by further revamping our creative asset management competencies through the introduction of specialized products and customized marketing. In addition, we will accelerate the convergence of direct and non-direct channels. As for our global operations, we will continue to enhance our status as a leading bank for providing Korean financial products and services under the specialization strategies by region.

Innovate productivity by improving efficiency in our operations

We will continue our efforts to revamp our structure so as to move past the permanent low growth era. We will also work harder to optimize the utilization of our resources so that substantial changes can be visualized through strategic efforts to improve our cost efficiency in diverse areas including channels, human resources, and processes.

Seek co-prosperity with customers and society by practicing Compassionate Finance 2.0

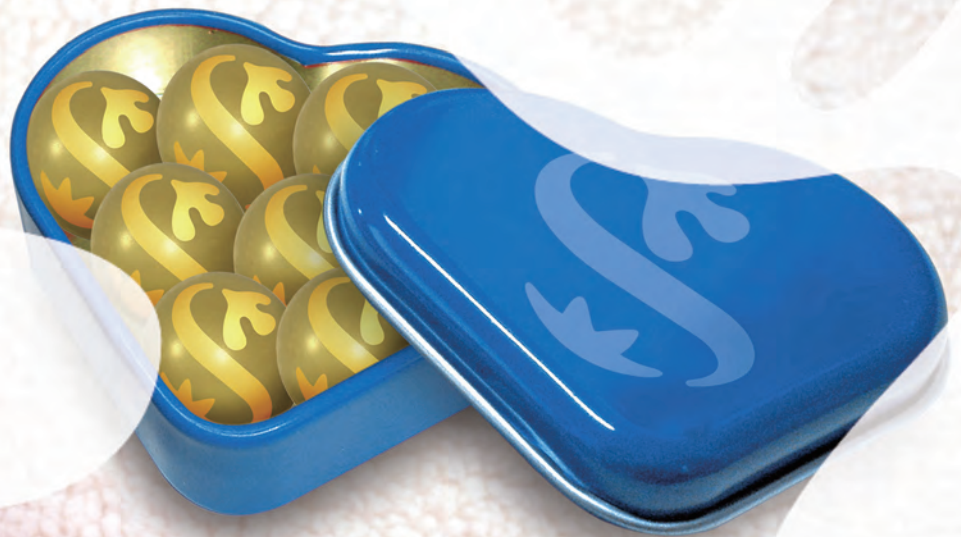
We will continue practicing compassionate finance and sharing the future with a sense of responsibility as a caring and concerned corporate citizen while faithfully fulfilling the roles of finance. To this end, we will implant the philosophy and values of compassionate finance in our systems, and turn them into our unique brand of competitiveness.

Develop an energetic workplace in which all employees can be happy and grow together

We will expand our assistance to our employees so that they can develop into high-caliber financial experts who are recognized as being such by our customers and society in which we operate. This will be done by presenting them with growth visions via enhancing their expertise in finance, and by putting a self-directed learning culture in place. We will also continue to develop a lively workplace in which its members are respected via mutual understanding and caring, and where thoughts and ideas are briskly and creatively exchanged with a pioneering spirit.

Seeking co-prosperity with our customers and society by practicing compassionate finance

Shinhan Bank is practicing "compassionate finance, creating a happier future," with society. We are carrying out our responsibilities as a caring and concerned corporate citizen, while faithfully upholding our primary roles within the finance industry. By providing new values to our customers, we also continue to carry out trusted financial practices.



"Making a better world through the power of finance"

Shinhan Bank: Working Together for a Better Future

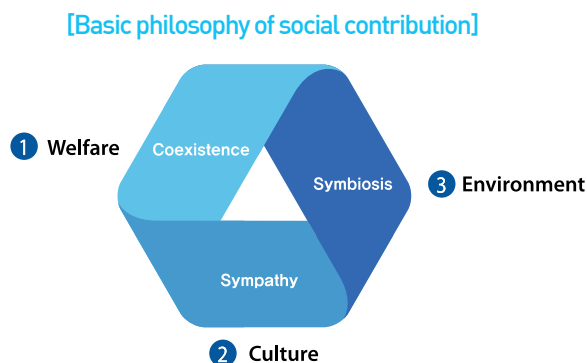
Shinhan Bank has been promoting "compassionate finance" through its original business. This is aimed at fulfilling our social responsibilities as a financial institution, with the mission to, "create a better world through the power of finance," and through our vision to be, "a respected and favored premier bank that is creating a better tomorrow."

We practice compassionate finance with the goal of earning the respect of not only our customers and employees, but also those involved in the industry, local communities, and environmental protection. We will strive to exceed their expectations and to achieve this goal, in order to become a financial institution that is a source of pride for all those associated with it.

Strategic Direction of Social Contribution for Sustainable Management

Our social responsibility management goal is to be "Shinhan Bank, creating a better tomorrow," and we have executed three strategies to solidify this.

They include "Coexistence (Improvement of Welfare and Education)," "Symbiosis (Environmental Preservation)," and "Sympathy (Mecenat)," which are aimed at returning our profits to society and sharing our achievements and values with our communities through diverse forms of social contribution projects.



Framework and Organization for Social Contribution

Ever since establishing the SHB Volunteer Group in July 2004, we have made efforts to fulfill our role as a model corporate citizen. In 2007, we also established the Corporate Social Responsibility Department for the management of social responsibility initiatives.

Social Contribution, Power of Our Business

We carry out financial education as one of the key projects for our CSR activities, making the best of our business as a means of practicing compassionate finance. In 2013, we opened the Gwanghwamun Campus of our Youth Finance Class. This campus is an exclusive space for financial education and enables teenagers to learn about finances. This has helped these future generations to gain an understanding about finances and to form educated views about the economy and finances.

In addition, we provide them with opportunities to have hands-on job experience through the "Miracle of Career Experience for Teenagers" program. We also assist North Korean refugees to begin a new life in South Korea by providing them with information on the capital market system and by teaching them how to prevent financial fraud.



ETHICAL MANAGEMENT

Shinhan Bank is committed to transparency in all its operations. To achieve this goal, we have developed ethical standards with which all of our employees must comply.

We are constantly revamping our ethical management systems. Our Compliance Officer, who is responsible for pursuing operations related to ethical management company-wide, leads this task. He is assisted by our Compliance Department.

Every employee is required to sign a "Pledge of Ethical Practices" and must participate in a monthly employee compliance checkup program. In addition, we are strengthening our online and offline training in ethics to ensure that all our employees are familiar with our Code of Ethics.

In 2013, we further reinforced the ethical conduct of our employees, based on our new ethical management system that contains a revised Code of Ethics.

Ethical Management Programs

Reporting on and carrying out inspections of securities accounts and trading

We observe all of Korea's laws and regulations related to securities, and are committed to the prevention of all illicit transactions, such as the use of classified information. We limit the possibility of having such transactions occur by monitoring the securities accounts and trading practices of employees on a regular basis.

Integrity Pact

We ensure the honesty and fairness of all our contracts by outlining the procedures that employees in charge of contracting must follow during the bidding process, when a contract is signed, and when its contents are being delivered. This applies to areas such as construction, services, outsourcing, and purchasing. We also monitor the performance of every division at our head office on a yearly basis.

Pledge of Ethical Practices

Every employee signed a Pledge of Ethical Practices in 2012 as a means of strengthening his or her resolve to carry out ethical management.

Compliance

Our compliance program helps our employees understand our rules and regulations relating to fair trade. It includes information on how the program works, handbooks, a Code of Conduct, and training and monitoring systems. We also keep a sharp eye on high-risk divisions and departments, and offer them specialized training. In addition, we scrutinize internal trading among the Group's affiliates.

Ethical Management

We have put a number of programs in place to increase our employees' awareness of the need for ethical behavior. They include the Pledge of Ethical Practices, employee compliance checkups, and a securities transaction reporting system. On our intranet, we are also putting up a legal advice system called Law and Ethics, which is about ethical management.

Compliance Department

In 2013, the Compliance Department focused on enhancing the effectiveness of our compliance management programs on a divisional basis, as well as supporting compliance operations at our branches through the provision of enhanced training. We also strengthened cooperation among the divisions in matters relating to internal controls, and enhanced their efficiency by holding training conferences. In addition, we ensured that employees followed the bank's rules and regulations regarding compliance issues by monitoring divisions in the head office, domestic branches, and overseas offices.

In addition, we conducted monthly ethics training sessions on the observance of rules and regulations. These were especially aimed at employees working at our various divisions and at compliance officers stationed at our various branches, to help them carry out compliance monitoring activities more efficiently. In addition, we rewrote the bank's rules, regulations, and bylaws relating to the operation of its head office divisions.

We are also committed to observing all of Korea's rules and regulations relating to the finance industry. This includes carrying out monthly and quarterly monitoring operations to comply with the Korean government's mechanisms for preventing conflicts of interest.

In regards to money laundering, the Compliance Department enhanced the convenience and effectiveness of the bank's reporting system by making continuous improvements to its Suspicious Transactions Reporting system. As a result, the bank was given an "Excellent" rating in the evaluation of financial institutions carried out by the Korea Financial Intelligence Unit. Some of our other efforts in this area included strengthening employee awareness via training programs, making improvements to our monitoring activities, and creating a monthly reporting system for our overseas branches.

In addition, we satisfied increasing demand from the bank's divisions for legal advice by instituting a legal risk management system that makes legal advice available in a speedy and accurate manner. We also developed a legal advice system called Law & Ethics.

Audit Department

SHB's audit organization consists of the Audit Committee and its subsidiary organization, Audit Department, which is supervised by its Director & Standing Auditor.

The Audit Department executes risk-based audit operations in the areas of retail banking, corporate banking, and the bank's divisions.

In 2014, the Audit Department plans to lead the practice of sound risk management, under its slogan of being "a management partner for differentiated stable growth." This will involve the close monitoring of risks, deducing improvement plans, and conducting management consulting. Furthermore, this department will support the bank in achieving its management goals through the prevention of financial accidents.

In addition, the Audit Department maintains the audit basis that meets its audit directions. It does so mainly by bolstering its watchdog activities on unreasonable practices that violate the rights and interests of financial consumers, and on business behaviors that are not open, honest, and principled.

Internal Control Support Program

The Audit Department operates a crisis prevention program for employees in order to strengthen their sense of ethical responsibility and to prevent financial malfeasance.

Operating the Shinhan Keeper program since 2010, the department continuously strives to activate a whistle blower system. Such efforts include adding to report channels primarily by developing mobile apps and educating the employees of our overseas branches on this program.

The activities mentioned above should gradually reduce financial scams at Shinhan Bank, and this department will do its very best to cause the bank to earn the trust of its customers.





BOARD OF DIRECTORS

The Board of Directors (BOD) consists of eleven executive directors, including six outside ones. It operates a number of committees to ensure greater expertise in their respective fields. These include the Risk Management Committee, Audit Committee, Compensation Committee, Auditor Candidate Recommendation Committee, and Outside Director Candidate Recommendation Committee.

The BOD held fourteen meetings in 2013, which primarily dealt with the enactment of and/or revisions to major regulations, the acquisition of overseas banks, the establishment of management plans, and the appointment of the compliance officer and executive officers.

According to BOD regulations, meetings comprised of only outside directors must be held more than twice a year to gather their professional opinions on the bank's management. Information on the composition of the BOD and the compensation levels of its members is available on our website via the link that is titled, "Public Disclosure of Management Performance."

Executive Director Directors

Jin Won Suh

President & Chief Executive Officer

Seok Keun Lee

Director & Standing Auditor

Dong Hwan Lee

Director & Deputy President,
Corporate & Investment Banking Group

Young Jin Lim

Director & Deputy President,
Wealth Management Group

Hyung Jin Kim

Non-executive Director,
Shinhan Financial Group

Outside Directors

Se Jin Park

Director,
Former Vice-minister,
Ministry of Government Legislation

Bon Il Ku

Director,
Professor,
Yonsei University

Hisamatsu Kenzo

Director,
Chief Executive Officer,
Recto Inc.

Dong Soo Kang

Director,
General Manager,
KDI

Kyung Suh Park

Director,
Professor,
Korea University

Kyu Min Lee

Director,
Former Chief editor,
The Dong-A Daily News

Executive Officers

In Jong Joo

Deputy President,
Credit Analysis & Assessment Group

Seung Woog Yoon

Executive Vice President,
Management Support Group

Jae Jung Kwon

Executive Vice President,
Risk Management Group

Young Pyo Kim

Deputy President,
Retail Business Unit & Retail Business
Development Group

Tae Wook Wang

Executive Vice President,
Consumer Brand Group

Sun Cheor Shin

Executive Vice President,
Business Improvement Group

Young Suk Lim

Executive Vice President,
Institutional Banking Group

Jae Youl Choi

Executive Vice President,
Global Business Group

Hyo Jin Ahn

Executive Vice President,
Management Planning Group

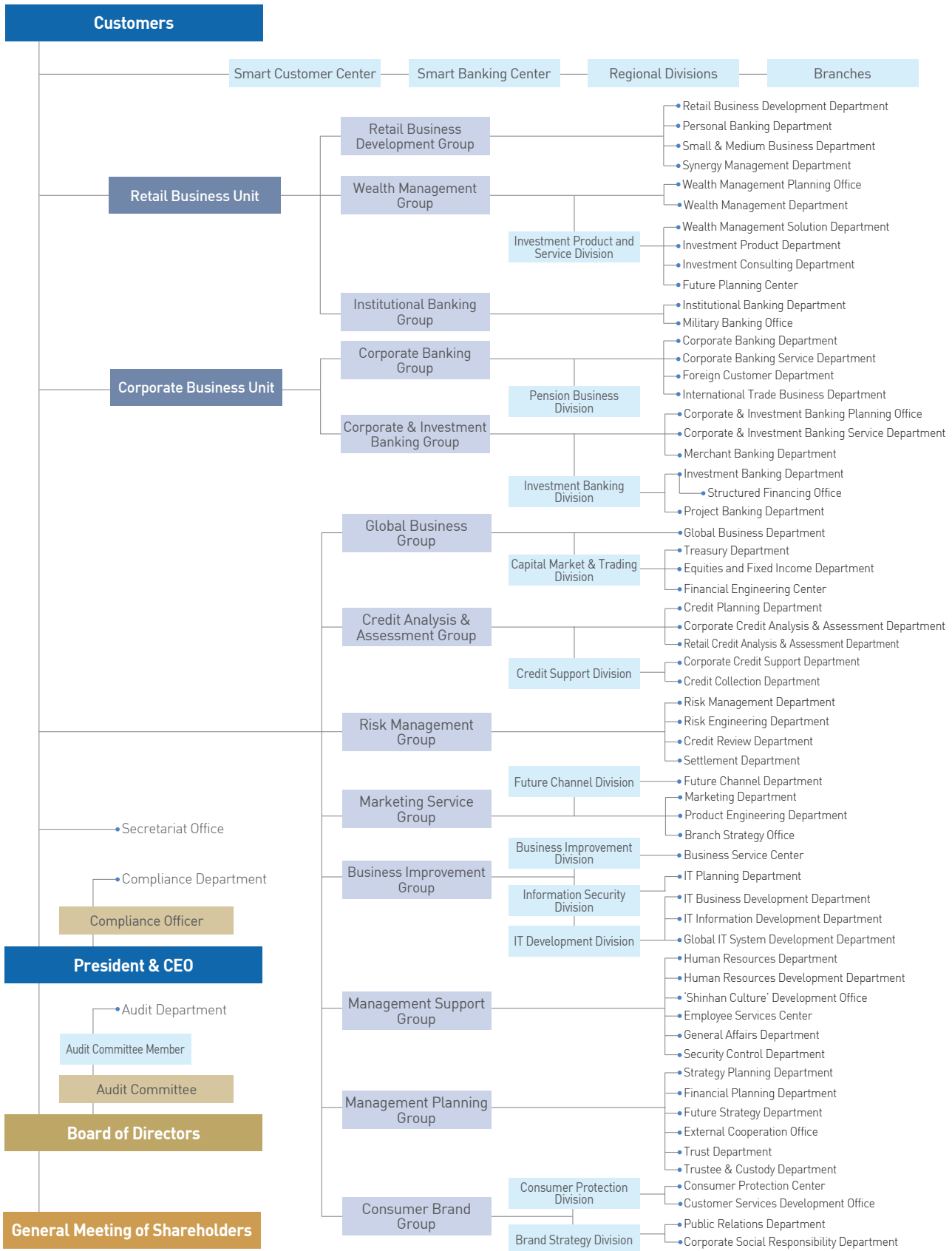
Hyun Ju Seo

Executive Vice President,
Marketing Service Group

Byeong Hwa Choi

Executive Vice President,
Corporate Business Unit &
Corporate Banking Group

ORGANIZATION (As of December 31, 2013)



[Review of Operations]

Embracing a positive workplace where our employees can enhance their teamwork and happiness

Shinhan Bank is presenting growth visions for its employees by strengthening their job skills and expertise, and by building a warm organizational atmosphere that is filled with respect and acknowledgement. In addition, we are continuing to develop a positive workplace that is full of creativity and that takes on any and all challenges.



Institutional Banking Group

The Institutional Banking Group's institutional customers are its core market. These include central government organizations (such as the courts and public prosecutors' offices), local governments, military bases, public organizations (such as universities, hospitals, and military-related institutions), and airports.

We have enjoyed particular success in establishing our presence in court-related businesses--an area that we have specialized in since 1958. We also boast the largest airport-based banking network in Korea, as we provide currency exchange and other financial services at the international airports in Incheon, Gimpo, Gimhae, and Jeju. In addition, we have established a broad network of branches and outlets at universities and hospitals across the nation.

The key to our success lies in the fact that we have an extremely loyal and high-quality customer base in all our core markets. The experience and expertise that we have gained in these sectors, and the customer trust that we have built up within them, make it very difficult for our competitors to encroach upon us. In addition, we are creating a strong customer base for the future by opening branches in major institutions and carrying out extensive marketing activities, such as area marketing.

We have also built computer systems inside the courts and the National Pension Service, while playing the key role of serving as an institutional bank through the provision of closely monitored operations with their major employees.

The Group boasts a solid revenue structure, with a special focus on low-cost deposits and currency exchange. We have also developed a considerable number of low-cost deposit account-holding customers, such as universities and hospitals. Our airport-based foreign exchange services currently provide the bulk of our revenue in this sector.

In 2013, the Group carried out a wide range of activities to strengthen its relationships with its customers and to bolster its presence in new markets. In addition to retaining our market leadership in the courts sector, we attracted new deposits from other institutions. We were selected as a Real-Time Cash Management System (RCMS) depository bank over other major banks. This

added to our brand value.

We also maintained our leading position in the institutional banking market by dealing with each segment within it as a separate entity. For example, we launched "Shinhan S20," which is an exclusive brand for college students in their twenties, and secured an unrivalled position in the military salary transfer market.

In 2014, the Institutional Banking Group will continue to serve as the core group of Shinhan Bank. It will do so under its strategic goal for selection and concentration and for the expansion of the customer base.

To this end, we established three strategic directions. First, we will expand our long-term growth foundations to attract new, quality institutions. Second, we will intensify transactions with institutional customers and enhance our dominance to maintain our share in the institutional banking market. Third, we will support institutional banking operations through organic cooperative relationships with frontline worksites.

Above all, more than 90% of public institutions that are required to move to provincial areas are anticipated to complete their relocation. Consequently, we will actively carry forward marketing efforts to attract new customers, while matching about 40 relocating institutions with the relevant branches, excluding those which move together with their existing main banks.

Next, we will make sure to maintain our key institutional banking market share by carrying out exhaustive preparations to retain a total of 23 institutions, including 16 municipal and provincial depositories, with whom our contracts will expire this year. In addition, we will strengthen our support for institutional marketing at front-line offices, and we will reinforce our activities, such as cyber lectures, through which our employees can enhance their capabilities.

Korea's financial services industry is facing intensifying competition both at home and abroad, making our operating environment increasingly more difficult and complex. This means that our role within Shinhan Bank is more important than ever, since we boast of having high-quality customers and a host of well-performing assets, such as low-cost deposits. In 2014, we will strive to achieve all our strategic objectives so that we will remain a reliable cornerstone for the bank's sustainable growth.

Retail Business Development Group

The Retail Business Development Group is comprised of four departments, which are as follows: Retail Business Development, Personal Banking, Small & Medium Business, and Synergy Management. All of which are backed by 20 regional headquarters that manage our various branches, 784 branches and financial centers that serve as customer interaction points, and 10,192 employees.

The Group's key strength is its pioneering spirit of developing new markets and customers to secure differentiated competitive edges. Its strength is based on a customer-oriented mindset of working together for the success of customers, and on its strong organizational culture of putting on-site operations first.

In 2013, a more difficult business environment than ever continued to play out. Faced with this situation, we were dedicated to seeking qualitative growth to enhance our profitability and to increase our key operating assets.

Our strategic goal for 2013 was to emerge victorious in retail banking by developing a differentiated, competitive edge in this period of low growth. To achieve this goal, our specific objectives focused on the following items: balanced growth, profitability, asset soundness (Basics of Banking), selection and concentration, future growth, competitiveness (Efficiency in Marketing), and customer-oriented channels and staffing.

Even in a low-margin operating environment, we managed to post impressive revenues and made remarkable achievements when compared to other banks. These achievements involved strengthening our customer base, expanding specialized markets, innovating our channels and systems, and enhancing market dominance in all sectors. As of the end of 2013, the number of our active customers increased by 440,000 over the year to 8,300,000, and that of customers who used us as their primary bank totaled 1,900,000, which was an increase of 200,000 from the year before.

As for quantitative growth, loans and deposits in the retail banking sector totaled KRW 106.4 trillion and KRW 115.9

trillion, respectively. Our operating revenue, stood at KRW 2.9 trillion, our EBT was KRW 0.47 billion, and our delinquency ratio was 0.62%.

In 2014, we set our slogan as, "Forward Thinking! Speedy Execution! Retail 1! 3! 3!" Here, "Forward Thinking" means to continue creating new ways of doing business, with unique perspectives through creative thinking. "Speedy Execution" shows our intention to be a first mover and to put forward thinking into practice quickly. The numbers in "Retail 1! 3! 3!" represent our commitment to achieving our three main goals of: meeting all our profit and loss objectives, and increasing our household loans and low-cost deposits by KRW 3 trillion.

In 2014, expectations and worries are coexisting. This is due to the reality that positive assessments that our business environment will improve to some extent, clash with negative ones, including QE tapering. In order to prudently overcome such internal and external uncertainties, enhance our profitability, cultivate our assets qualitatively, maximize our productivity, strengthen internal controls, and practice compassionate finance, we established the key tasks listed below, to pursue under our strategic goal for "Powerful execution! Build strong retail banking through conducting creative operations."

First, we will enhance our asset value by focusing on profitability.

We will increase household loans and improve our margins for profit-centered asset operations.

In addition, we will continue to increase low-cost deposits by expanding retail and household collective master accounts, and to attract new master accounts, including the settlement accounts of individual businesses and the newly launched accounts for copper trading.

We will concentrate on increasing our non-interest income. We will do so by putting cross selling into place with a focus on investment products; we will pursue profit-oriented foreign exchange operations by breaking away from simple sales such as exchanges, remittances, and imports and exports; and we will strive to augment commissions from our sales agency service. In addition, we will carry out preemptive soundness management for delinquencies in payments that are directly related to our profits and losses.

Second, we will expand our business value from a long-term perspective.

Above all, we will expand the number of our specialized markets from five to ten in order to include more workers in our customer base. To this end, we will carry forward with our marketing efforts to increase quality, new customers. We will do so by targeting the medical profession and public corporations. We will also develop future growth engines by strengthening the market for companies whose financial statements are not examined by independent auditors, along with individual business owners. In addition, we will concentrate on increasing our amount of high net worth (HNW) customers and will pursue a customer upgrade strategy by meeting the needs of our customers.

Third, we will enhance our channel value with a focus on productivity.

We will continue our efforts to maximize the productivity of our channels through the optimization of our branch personnel, and will focus on strengthening the influence of our staffs' public relations by reinforcing our PR organization and human resources and, including our retail relationship managers (RMs). We will also reinforce the expertise of our employees, by upgrading the capabilities of our new employees including the CAP and MAP.

In addition, we plan to actively support our divisions while increasing the morale of our employees and presenting visions for them so that from new recruits to division heads our organizational structure for frontline operations will be further solidified. We will also continue to practice compassionate finance, which will be led by our regional headquarters, and expand our support activities for individuals and small businesses.

Wealth Management Group

The bank's Wealth Management Group, which is tasked with SFG-wide business strategies in our WM businesses, consists of the Wealth Management Planning Office, the Wealth Management Department, and the Investment Products and Services Division (under which are the Wealth Management Solution Department, the Investment Products Department, the Investment Consulting Department, and the Future Planning Center). Its channel organization includes the WM Business Division, which controls the PB and PWM channels, and other related channels.

We integrated the pre-existing WM Department with the Private Banking (PB) Department to create the WM Department. We offer custom-tailored marketing and services to a customer group that is divided into three sectors: UHNW (ultra-high net worth), HNW, and Affluent customers. These classifications are determined based on the worth of their assets. We provide business planning, management, and evaluation services to the Shinhan PWM Channel, which operates like a "Branch with Branch" that offers both banking and investment services.

Since 2012, our WM business model has been providing consolidated asset management solutions based on the shared locations of banking and investment branches and on the joint management by the PWM Center and the bank's retail-linked branches.

The net assets of PWM and PB channels rose by KRW 1 trillion over the year and reached KRW 14.1 trillion in total. The Group currently has 6,552 customers with deposits of KRW 1 billion and more, which has added to its leadership position in the asset management market.

In 2013, we posted satisfactory results by securing competitive edges in WM business models, by expanding our market share for HNW customers, and by enhancing asset management competitiveness.

As of the end of 2013, the Group's number of customers with deposits of over KRW 100 million grew by 8.3% year-on-year to reach 195,000; while the number of those with a balance of over KRW 1 billion increased by 8.8% to



reach 6,552. The Group's total retail customer deposits also rose by KRW 3.3 trillion to reach KRW 53.8 trillion.

Furthermore, the Group converted six of its PB centers into PWM centers by applying the new WM business model on a Group-wide level. As a result, Shinhan Bank currently boasts a nationwide network of 25 PWM and PB centers in total (19 PWM and 6 PB channels).

The Group's strategic goal for 2014 is, "Differentiated growth through reinforcing our "customer value-oriented asset management." Our strategic directions for putting this into practice are, "Fulfill the Shinhan Way in asset management," "Enhance our market dominance through solid growth," and "Secure future growth foundations."

First, we will increase our competitiveness in the WM business model market by upgrading our PWM business models and retail customer asset management operations. We will nurture customer trust through systematized and phased investment asset management processes from the customers' point of view, and customer-oriented asset management. This will allow us to carry out the Shinhan Way in asset management.

Second, we will pursue preemptive marketing for potential HNW customers, and will consolidate our marketing efforts to create new HNW customers by gaining an early edge in the marketplace. We will strengthen new marketing for HNW customers and will strengthen our leadership in the investment products market. We will also foster the development of the industry's best WM professionals. We will add to our market dominance for asset management via carrying out all of these activities.

Third, we will seek out and pursue new revenue sources for our sustained growth. This will be done by strengthening our marketing efforts for the retirement market and for potential customers to gain an early edge in the future markets. We will secure the necessary foundations for our future growth by adding to the competitiveness of our Shinhan Premier Brand. We will also increase communications regarding the Shinhan PWM Brand, and will build the bank's reputation as an asset management leader by constantly striving to receive recognition for our WM brands at home and

abroad.

Investment Product & Service Division

The Investment Product & Service Division consists of the Wealth Management Solution Department, the Investment Product Department, the Investment Consulting Department, and the Future Planning Center. Each of which is staffed with investment managers, product managers, and wealth managers. Together, they make up an unrivalled team of specialists who are dedicated to offering customers a broad range of products and services that include both banking and security products and services, as well as top-of-the-line asset management solutions.

Wealth Management Solution Department

This department is tasked with developing and providing investment solutions for our customers and employees, based on the SFG's WM investment strategies. These include strengthening the asset management capabilities of our employees, supporting experts in wealth management for our customers and hosting investment seminars and lectures on financial techniques.

In 2013, the department played an instrumental role in cementing Shinhan Bank's reputation as a leader in the asset management industry. One of its major achievements was to offer customers asset management consultation services in their own homes. A team of experts, called Solution Partners, visited customers, offering over 450 "At-Your-Home" professional consultation sessions. The department also hosted 500 seminars and lectures on asset management for customers, as well as 1,100 training sessions on asset management methods for Shinhan employees.

Importantly, the department operates a team of industry experts who have years of experience and who are able to provide tailored products and consultation services for UHNW customers. During the year, we offered solutions on over 60 occasions and attracted new funds of KRW 140.0 billion.

In addition, we were committed to fortifying our customer portfolio risk management operations and to normalizing



their returns on investments. This included rebalancing overseas investment funds (such as Chinese and BRICs funds) that had performed poorly for a long period of time.

Finally, we reinvigorated our standardized solution selling, based on our "S-Solution" asset management system, for premier customers at our retail branches.

We put differentiated asset management operations in place, by offering over 195,000 proposals and by reconstituting customer portfolios that met their investment patterns during the year.

Our strategic goal for 2014 is to, "strengthen our status as an asset management leader that is trusted by customers," and on this note, we will focus on three strategic imperatives.

First, we will foster the development of the financial industry's top-level asset management specialists. We will build training roadmaps for our PB and retail banking employees, and opening learning courses for them. In addition, we will upgrade their asset management competency indices in order to improve and continuously monitor their asset management capabilities. We will also continue to increase the number of Certified Financial Planners (CFPs), Associate Financial Planner Korea (AFPCK), and other professional certificate holders.

Second, we will put customer value-oriented asset management operations in place. We will activate "S-Solution," which is our solution selling system, at all our teller windows so that we can provide a broad range of investment solutions that cater to customers' investment patterns and financial purposes. We will also expand our asset management operation systems, which will enable all of our customers to access our differentiated services. On this note, we plan to hold financial planning and proposal competitions and other events in 2014, while further strengthening our relevant training programs.

Third, we will add to our support for asset management operations to create better performance in these operations. We will provide a "custom-tailored asset management care service" that can meet the diverse needs of our customers, and will promote location-free asset management seminars. In addition, we will

develop a professional support service request system on our homepage to expand communications with our customers, and will pursue regular financial technique assistance for the underprivileged, while seeking new ways to efficiently operate our financial technique services by fostering financial technique lecturers at our branches.

Investment Product Department

The Investment Product Department includes the Fund Product Team, Fund System Team, Bancassurance Team, and Gold and Derivatives Team. Together, these teams develop product strategies that best suit the Group's investment policies and current market issues. Accordingly, they play a key role in carrying out the bank's asset management operations and provide a broad range of investment product lineups.

Chiefly, the department produces the "Recommended Funds of the Month" list which is supplied to sales channels. This is based on the financial market outlook which is offered by the Investment Consulting Department, according to the value chain of the Investment Product and Service Division (IPS) Division. In 2013, the average rate of return for recommended products outperformed that of the market by over 5-10%. In addition, our index and long-short fund marketing strategies, which placed a focus on medium-risk and medium-return funds, that we released at the 2014 Investment Strategy Meeting at the end of 2013 had reverberations in the industry and led the way in market trends.

We consolidated our asset management foundations even more by upgrading our order made product platforms, by targeting PWM and PB customers, and by enabling them to reflect their investment needs in product designs. We also developed and supplied investment products containing various assets including stocks, bonds, exchange rates, and real estate from here in South Korea and from other major countries. As a result, we sold a total of 177 private equity funds amounting to KRW 770.0 billion during the year.

The bancassurance sector continued to enjoy qualitative growth by introducing a wide array of support programs, reflecting the opinions of our frontline workers, and

In 2013, we posted satisfactory results by securing competitive edges in WM business models, by expanding our market share for HNW customers, and by enhancing asset management competitiveness.

by introducing an advanced preemptive compliance business system. In addition, we have been committed to strengthening our product lineups that are tailored to meet customer needs for their old age and tax reductions.

We also fortified our leading position in both gold and equity linked deposit (ELD) markets during the year. ELD sales amounted to almost KRW 1 trillion, enjoying popularity among our customers as safe investment vehicles, backed by the launch of bidirectional-structured new products that guaranteed minimum interest rates.

Despite the lingering overall slowdowns in the domestic fund market, which was due to contracting investments following the coexistence of unstable factors, we achieved new fund sales of KRW 3.3 trillion in 2013. We accomplished this by providing stable, medium-risk and -return funds, with a focus on equity linked funds (ELFs), and custom-tailored products that best answer the needs of HNW customers.

In addition, we acquired the right to enforce the copper scrap tax payment system from the National Tax Service. By launching copper trading accounts on November 1, we have contributed to implementing the national policy for the legalization of taxation.

Our strategic goal for 2014 is to secure differentiated competitive edges for investment products with a focus on customer values. For this, we have outlined three core agendas to pursue.

First, we will continue to lead in the investment product market by increasing the weight of stable and performance-proven products in preparation against market volatilities. We will also keep upgrading our market position by actively developing underlying assets that correspond with market trends by conducting routine check-ups on the promising investment market, while also launching competitive products.

Second, we will expand our business foundations for our long-term growth. By promoting and activating new businesses, we will build long-term revenue-generating business models. This will be done by introducing the silver banking business, and by stabilizing the copper trading account business.

Last but not least, we will put a customer value-oriented sales culture in place. By strengthening our investor protection system, customer management system, and field-oriented support we will lead the way in the practice of compassionate finance.

In the future, we will continue to develop creative and innovative investment products that best suit the needs of our customers so that we can retain our industry-leading competitiveness in the ever-increasing competitive market. We will do all of these things while continuously playing a pivotal role in asset management.

Investment Consulting Department

The Investment Consulting Department has three teams working in the areas of Research, Tax, and Real Estate with 23 experts in each field; all of who are supporting the bank's frontline offices

In 2013, the department demonstrated its competitiveness in differentiated customer asset management services under its strategy to maximize customer values through frontline office-oriented investment consulting. These services involved providing specialized seminars and consulting services, such as the Shinhan Financial Techniques Healing School in which customers are offered expert advice on asset management from specialists in each area.

As a result, the department contributed to attracting new loans of KRW 52.6 billion and new deposits of KRW 540.3 billion in linkage with our sales channels, including the PWM and PB centers, as of the end of 2013. The department also hosted 5,620 consulting sessions and 230 seminars on tax and real estate as part of its sales support activities for frontline workers.

The department decided that its strategic goals for 2014 were, "Lead the market. Put front-line offices first, and upgrade investment consulting competitiveness." With these goals in mind they were able to establish three key strategic directions.

First, we will put our customer revenue value-oriented WM research system in place. We will upgrade our investment strategies by diversifying asset sectors in line with market trends, and will strengthen the linkage



between investment strategies and product strategies. Through accurate reviews on asset allocation strategies and performance analyses, we will establish solid asset allocation policies. In addition, we will support customer management at frontline offices by offering the "Issue Report" in a timely manner when issues arise concerning extensive asset market conditions and for issues related to the markets that involve bonds, exchange rates, and raw materials.

Second, we will establish a customized real estate consulting service system and will support seminars for our frontline workers. We revamped our Real Estate and Tax Service system to efficiently support our real estate consulting services. In the meantime, we will also help publicize our brand mainly through external media activities, including disseminating information via expert columns on real estate.

Finally, we will practice compassionate finance by providing differentiated tax services. These include planning seminars and consulting services, such as the Tax Angel Service. All of which will meet the diverse needs of our customers in different situations. We will also support the bank's frontline operations by publishing tax-related research materials that contain information and advice on tax issues.

In the future, we will position ourselves as the financial industry's top consulting group by devising optimal investment strategies and by providing hands-on professional services to our customers to protect them and their businesses against volatilities in the market.

Future Planning Center

The Future Planning Center, which is in charge of our retirement business, was created in January 2014 to preemptively respond to changes that occur in the financial markets due to the protracted low growth trend and other changes in society such as a rapidly aging population. It also works to secure differentiated competitive advantages. The Center has played the role of planning the bank's entire retirement business and in building infrastructures, while also working to promote the development of retirement solutions and other relevant marketing efforts.

The Center established three key strategies for 2014 to help our retirement business successively enter the market and become the number one brand for retirement products and services within three years.

First, we will publicize our full-fledged advancement into the retirement business arena and will work to become a leading brand in the retirement market.

We will announce our vision and services for our retirement business by declaring our retirement brand at home and abroad, and will continue to raise brand awareness through media publicity, including broadcasts and newspapers.

We will be also committed to building infrastructures to lay the groundwork for the retirement business. These infrastructures will involve retirement systems, and nurturing professional human resources. We will rebuild our retirement planning system so that it supports systemized customer consultations and retirement planning, and will reinforce the training of professional human resources to provide differentiated retirement solutions to customers. In addition, we will open 270 outlets at the bank's base branches to actively pursue retirement operations.

Lastly, we will expand our customer base by offering creative retirement solutions and by carrying out marketing activities. These solutions will include customized retirement planning solutions to manage post-retirement living expenses, and post-retirement assets. We will also operate relevant educational programs, such as location-free future planning camps, that are custom-tailored for couples and institutional and corporate customers.

Moving forward, the Center will help our customers to prepare for their future and will also work to lead the retirement market. It will do so by diagnosing their financial positions and offering practical, customized solutions.

Corporate Banking Group

Corporate Banking Department

The Corporate Banking Department's strategic goal for 2014 is to expand the territories of corporate banking and to become a top player through facing challenges head-on. Its primary roles are as listed below.

Establishment of Business Plans for the Corporate Banking Group

Prepare annual business plans for the asset growth, revenue creation, and customer management of the financial centers and carry out marketing.

Marketing Planning

Plan campaigns and promotions to activate sales at financial centers, seek ways to execute them, and assist with marketing activities at branches.

Management of Corporate Loans and Deposits

Respond to various interest rate approval requests from financial centers, and inquiries from branches regarding electronic payments.

Promote the sales and management of corporate products.

Build a joint management system with branches for delinquent corporate customers.

Evaluation of Financial Centers and Evaluation and Management of Individual Relationship Managers

Set basic goals with financial and non-financial numerical indexes for financial centers, allocate goals for each branch, and conduct annual and semi-annual branch evaluations.

Evaluate individual RMs.

Assessment of Branch Performance and Follow-Up Consulting

Form three "JUMP" teams, send the team members to branches to analyze their strengths and weakness, and provide consulting to these branches as a means of suggesting optimal ways of doing business.

International Agreements and Marketing

Operate the Global Service Desk to provide the essential support for companies with overseas investments, promote agreements with foreign institutions, and carry out marketing.

In 2014, the Corporate Banking Department will carry out the tasks listed below.

Bolster Core Business

We will pursue the consistent growth of target assets by firmly retaining our existing prime-quality customers and by increasing our dominance in the market for companies whose financial statements are examined by independent auditors. We will also continue to augment our solid asset growth by re-establishing strategic product lineups by corporate growth stage, and by expanding into the market for healthy companies whose financial statements are not examined by independent auditors.

Apart from pursuing quantitative growth, we will carry out marketing efforts that are aimed at getting our platform customers to choose us as their primary bank. We will do so in order to consolidate our qualitative customer foundations. In addition, we will implement intensive marketing plans for the target foreign exchange market by increasing our number of strategic branches for export and import operations.

Optimize Business Resources

We have upgraded our corporate banking operation system by optimizing our RM operations in line with local environments, and are expanding our marketing support by placing a focus on the regional heads of branches. We will build more efficient marketing support processes by expanding our research into the corporate banking market, carrying out marketing activities more elaborately, and simplifying marketing information channels. Above all, we will be dedicated to pursuing quality growth and improving our profitability by developing a special charge management system and to increasing our cash flow by attracting low-cost deposits.

Pioneer New Markets

We set exports, global operations, and companies with



excellent technologies as our new target markets. We intend to materialize the creation of outcomes by strengthening marketing for these markets and by upgrading our control tower.

As part of our efforts to spread and put in place the culture of compassionate finance, we will disseminate the best practices for SME support. Furthermore, in order to provide essential assistance to SMEs, we will identify their corporate needs by their growth stage and will continue to upgrade our strategic product system. At the same time, we will build a business platform by seeking to commercialize non-loan products.

International Trade Business Department

In 2013, the ITB Department strengthened its support for foreign trade financing to export and import companies. It also strengthened its competitiveness in remittance and foreign exchange services amidst stagnant trade growth, which was due to the global economic downturn.

Specifically, we expanded our funding for SMEs, while consolidating new export and import financing products, such as forfaiting, improving export and import results, and creating new revenue sources. We also added to our product services for retail customers. These additions included enhancing specialized marketing via market segmentation, upgrading overseas remittances by introducing the tracking service that enables users to inquire about the results after canceling their remittances, and increasing the number of currencies available for currency exchanges.

In addition, we have strengthened our CSR activities to achieve win-win growth with our business partners. These activities include operating training programs for the employees of small and medium-size export and import companies, and operating overseas investment report and consulting programs for their overseas expansion.

In 2014, we plan to expand our customer base by increasing our support for trade financing to trade-oriented companies, and enhancing our differentiated product and service competitiveness.

First, we will strengthen our financial assistance to companies that are having difficulties dealing with

the global economic slowdown and the worsening international trade conditions. We will also support the exports and imports of companies that are entering potential markets, through creating alliances with outside guarantee institutions. In addition, we will reinforce the development of potential customers for exports and imports. We will do so by operating diverse programs, including consulting with SMEs that have relatively less experts in these export and import businesses.

Second, we plan to carry out field-oriented foreign exchange operations by invigorating communications with our frontline offices. We will also continue to lead the export and import financial markets. This will be mainly accomplished by increasing customer value-oriented new products and services, reflecting the opinions of our front-line employees, expanding foreign exchange channels through forging alliances with foreign organizations and overseas financial institutions, and by improving customer convenience through upgraded non-direct channel services.

Finally, we will reinforce affiliated operations among our overseas branches by leveraging the SFG's global network. We will enhance our customer services and foreign exchange synergies by strengthening overseas remittance services, introducing export and import financial products in linkage with our overseas branches, and carrying out joint marketing.

Pension Business Division

The pension business is one of the bank's newest areas of operation. Our goal is to increase the bank's customer base by attracting more employees from well-established companies. In addition, we will stress the importance of cross-selling as a means of gaining and retaining new clients.

The Division was created to help the bank cope with the implementation of the Korean retirement pension system in December 2009. It is also tasked with strengthening synergies with the bank's corporate banking channels. Consisting of the Planning Team, the Business Support Team, the Consulting Team, and the Marketing, Solution and Group Consulting Center, it is dedicated to meeting the ever-changing needs of our customers and

improving our customer services, both quantitatively and qualitatively. By doing so, we will retain our largest market share among banks in the retirement pension market.

In 2013, the total value of our retirement pension assets under management (AUM) was KRW 8,818.6 billion, making us the industry leader in South Korea for the fourth consecutive year. We also ranked first in terms of reserves for management operations, at KRW 8,170.7 billion, for three years in a row.

This success should be primarily attributed to our providing customized management services according to the individual needs of each corporate customer, and to our providing optimal portfolio and pension benefits planning services for individual customers. These services that were provided were based on the results of our consulting with a prestigious consulting firm on the management of retirement pension customers and due to our benchmarking our retirement pensions in advanced countries.

In November 30, 2013, we opened the Smart Retirement Pension Center to process all our retirement pension-related operations online, including information on retirement pensions, asset management, and simulations and transactions of all sorts. This has allowed our customers to use our retirement pension services in a speedier and more convenient manner.

In 2014, we will continue to spearhead changes in the retirement pension marketplace as a creative market leader. Our customers' rate of returns, while strengthening our operating systems, follow-up management, and strategic target marketing to build stable AUM growth foundations, will accomplish this.

Corporate & Investment Banking Group

The Shinhan Financial Group (SFG) launched its CIB business division system in January 2012. Its goal was to meet the ever-increasing needs of corporate customers, maximize customer value, and to ensure the bank's sustainable growth. Since then, the CIB business group has been committed to building stable systems, by making diverse attempts and accumulating capabilities in order to bring about qualitative improvements.

The business group was formed by combining Shinhan Bank's IB organization, which is a special banking service channel for large corporations, and Shinhan Investment's IB organization into one business unit to solve the problem of having a two-pronged operating system. Now that the Group is integrated into the SFG's corporate culture, it is fast becoming a growth engine for the future.

Consisting of the Corporate and Investment Banking Planning Office, the Corporate and Investment Banking Service Department, the IB Division, the Hong Kong IB Center, and the Merchant Banking Department, SHB's CIB Group provides Korea's most comprehensive range of financial services through the CIB business model. As a result, we are now much better equipped to provide corporate customers with high-quality, one-stop services in all areas of banking and securities, based on our strong relationship with our corporate customers.

Shortly after the CIB Group was launched in January 2012, the IB divisions of SHB and Shinhan Investment, as well as the Merchant Banking Department, began sharing the same space within the head office of Shinhan Investment in Yeouido. This was aimed at overcoming limitations to the business models of each company, and offering integrated financial solutions for corporate customers by bringing together their various skills. The "shared location" of these three business divisions resulted in the seamless integration of their PM functions and expertise, and led to the development of a system that can provide a full package of CIB services to maximize customer value.



In addition, we have added to our customer coverage and marketing efficiencies by establishing new business models such as the Duo- RM system for the joint management of customers for the RMs of Shinhan Bank and Shinhan Investment. In the process of establishing these models, we are also activating joint operations and referral marketing efforts.

To ensure that this is done seamlessly, we have upgraded all of our business processes. This includes offering a broad range of specialized talent cultivation programs that will improve SFG's core competencies, strengthen its foundations for future growth, and increase its organizational efficiency. We also operate risk management teams that are tasked with conducting research, new business development, and delivering solutions.

While we focused our efforts on forming system foundations for the stable settlement of our new CIB business models including the Duo-RM in 2012, we sought qualitative growth with the generation of synergies by making a broad range of attempts and accumulating competencies in 2013.

Backed by the effective operation of these systems, collaborations between the two companies posted remarkable quantitative growth with the number of transactions and estimated profits increasing by about 1.6 times and about 4.3 times, respectively, from those before the launch of the CIB Group.

In the past, collaboration between the two displayed a pattern that focused on simply introducing the traditional products of each individual company to the customers. However, after the launch of the CIB Group, the two companies have been achieving qualitative growth by continuously developing and proposing package deals that meet various customer needs through joint operation.

For instance, the SFG's CIB Division did more than just put banking and securities products together to meet customers' funding needs. Instead, it also assisted in improving the corporate customers' financial structure by utilizing equity financing, "advanced structuralization,"

and other techniques. By doing so, it has built a variety of solution selling capabilities and track records.

With the aim of expanding its business areas, it also created cooperation between CIB and WMs (high-net-worth customers) by structuring prime-quality IB assets and by developing investment products for retail customers.

Even amidst the challenging business environment in 2013, SHB's CIB Group has been playing a pivotal role in corporate and investment banking. It has done so by focusing on risk management and by building a growth engine based on this new system.

As a result, the Group posted KRW 388.8 billion in operating revenue and KRW 251.0 billion in earnings before taxes, in terms of financial gains.

In the meantime, apart from generating interactions between the companies, the CIB Group also continued to enhance its role as an IB Solution Provider within the Shinhan Financial Group. In order to expand collaborations in the bank, the Group provided retail customers with quality, custom-tailored IB asset products whose profitability and stability have been verified (such as the Citizens Fund in relation to the restructuring of Seoul Metro's Subway Line No. 9). It has also provided SME customers with IB solutions that focus on standardized loans (such as equity-linked products, new rights issues, and support for listing on the Korea New Exchange, or KONEX).

In addition, the Group expanded its collaborations on quality IB deals with other relevant affiliates, including Shinhan Card. These deals included making handset loan-backed structured deals for wireless carriers.

As a pioneer in the CIB market, the Group will continue to develop new areas of business, improve the quality of its programs, and build a strong corporate environment.

In 2014, the Group will be dedicated to carrying out creative asset management. Our goals are to overcome limitations to existing asset management operations and to strategically cope with intensifying competition by raising our rate of returns and growth potential

through the activation of investments in and loans for IB alternative assets.

In specific terms, we will strategically break down areas that require enhanced market dominance and those that need to be newly nurtured and expanded. We will then continue to offer optimal solutions that meet the needs of customers for each target market by invigorating convergence and different types of indirect investment businesses with both price competitiveness and structural flexibility.

We will also carry on with implementing new creative innovations as a future-oriented organization. In order to meet expectations in relation to creative asset management, we will realign our relevant internal systems while searching for investment targets, such as alternative investment funds. We will do so by contacting major market participants with a focus on connecting with the IB project managers of each division.

In addition, we will continue our efforts to form a "pan-CIB network" to activate transactions with our existing customers by utilizing our CIB business models. This will be accomplished by increasing exchanges with our various business groups, SFG affiliates, and market participants, in addition to expanding collaborations between the bank and the securities firm.

The success or failure of the "Next CIB" group will be determined by the establishment of an omnidirectional cooperation system through the external extension of Shinhan CIB both from within and outside of the Shinhan Financial Group. Based on a variety of services such as equity linked products and M&A consulting, we will reinvigorate the provision of financial solutions to our corporate customers. We will also build an "in-house procurement and management platform" by expanding the supply of healthy IB assets to the retail banking sector, including the WM.

Global Business Group

The Global Business Group is expected to continue growing as a key growth engine of the bank. As of the end of 2013, the Group made up 7% and 6.5%, respectively, of the bank's total assets and total profits.

In 2014, the Group plans to strengthen its position as a leader of the Korean financial wave by enhancing its local competitiveness in each nation where it operates. It will do so by localizing its customers and human resources under its strategic goal of, "To build unique localization models."

With regard to channel expansion, we will support the execution of localization strategies by phase in line with local characteristics. We will do so by concentrating our global competencies and resources on the Asian financial belt, which encompasses Japan, Vietnam, China, and India. This will be accomplished by using our "selection and concentration" strategy. We will also strengthen the core business competitiveness of our existing channels by diversifying our business and market entry options, such as equity investments, joint ventures, and M&As, while continuously seizing upon business diversification opportunities.

The Group is particularly committed to its mid- to long-term goal to make Shinhan a "top class world bank" by promoting differentiated, profitability-oriented growth models by region.

The Global Business Group's major results for 2013 were as listed below.

1. Strengthened network

We strengthened our global network with 66 offices in 15 countries. We did so by expanding our coverage in regions where we can secure competitive edges for our selection and concentration strategy and where we can develop the Asian financial belt. This resulted in the development of growth models by region, and we are currently carrying out our localization strategy by phase.

(1) Opened branches of local subsidiaries

- Shinhan Bank China: Hong Quan Lu Sub-branch in China (March 2013)

- Shinhan Bank Vietnam: Phu My Huong, Ho Chi Minh City (November 2013)

The Global Business Group is particularly committed to its mid- to long-term goal to make Shinhan a "top class world bank" by promoting differentiated, profitability-oriented growth models by region.

(2) Opened a representative office in Myanmar (April 2013)

(3) Optimized channels to enhance customer access and marketing (relocation and expansion)

- Shinhan Bank Japan: Promoted the Shinjuku Sub-branch to branch status (March 2013)

- Shinhan Bank Vietnam: Expanded and relocated the head office and sales department (July 2013)

2. Fostered the development of global human resources and strengthened infrastructures

(1) Fostered global human resources

- Strengthened the capabilities of resident employees through pre-relocation training.

- Strengthened the capabilities of local employees through optimal training by establishing annual training plans for overseas branches and reflecting the local conditions of where we are based.

- Promoted corporate culture by sharing corporate values through the Global Shinhan Way training sessions.

- Presented visions by proving rewards, incentives, and educational opportunities to outstanding long-term employees.

(2) Risk management

- Strengthened our overseas branches' risk management systems by establishing and monitoring total risk limits to induce optimal growth in consideration of their profits and risks, and reflect the risk appetite of our head office in the capital management policies of our overseas subsidiaries.

- Improved global risk management capabilities, mainly by streamlining our overseas branches' risk management organizations and by building RDM and risk measurement systems.

- Developed and supported plans to improve on their shortcomings by inspecting their risk management conditions.

(3) Development of products and services

- Completed the reconstruction of products and services development processes.

- Developed specialized products and services by country to enhance the local sales capacity of our overseas branches.

(4) Development of a cash management service for global

companies

- Developed Inside Bank China, which is Shinhan Bank China's integrated CMS, as a strong integrated cash management solution to support a broad range of corporate activities by over 100 companies in China. It is been scheduled to further stabilize and add to the service in 2014.

- Built various global CMSs through SWIFT SCORE and Global Firm Banking services, and increased customers by using these services.

(5) Strengthened internal controls

- Improved common tasks by branch; realigned business processes and BCP guidelines; and carried out simulation training to properly responding to local operational risks, compliances, and regulations by the supervisory authorities.

- Carried out filtering upgrades to system operating systems at overseas branches to cope with increasingly strengthening anti-money laundering regulations.

- Submitted plans to the Federal Deposit Insurance Corporation of the US in accordance with the Dodd-Frank Act, for opening Shinhan Bank America and its New York branch and properly responded to newly implemented regulations on internal controls.

In 2014, the Group will continue to strengthen its operations under its strategic goal to "Lead the New Korean Financial Wave by building differentiated localization models."

1. Promote global localization

We will accelerate global localization for our local operations, risk management, and loan processes. We will do so by identifying and implementing key strategic imperatives to strengthen the quality and profitability of our local customer bases. By selecting strategic customer groups by region, we will also systematically achieve localized operations.

Specifically, we intend to develop power products for our global networks and to launch selective and strategic retail products. In addition, we will pursue the differentiated growth of quality assets by rebuilding and helping to upgrade their loan and risk management systems, based on our success in South Korea.

2. Activate global affiliated operations to improve sales



synergies

We will utilize bank-wide networks and customer bases to cope with the increase in our customers expanding overseas and to deal with the changes in domestic and international financial environments. In addition, we will strive to improve bank-wide synergies by concentrating on global synergy marketing, thereby linking the resources and capabilities among our branches at home and abroad.

3. Enhance the quality and quantity of our networks

We have built efficient and effective networks in our entire key operating areas. In 2014, we will expand our overseas networks, with a focus on those in emerging markets such as Japan, Vietnam, and China. We will also see to it that our most successful business skills are adopted in our international operations.

We will continue to expand our channels so as to increase our amount of customers and business models. We will do so by focusing on the growth markets where we can secure competitive edges. In addition, we will diversify our organic growth and entry options so that we can build differentiated localization models and lead the new Korean financial wave by region.

4. Upgrade online and mobile banking at branches at home and abroad

We will upgrade the banking systems of our overseas branches by improving our processes. We will do so while developing products and services, including non-direct anchor products by country, through conducting surveys among our local employees and benchmarking advanced banks. Our goals are to increase the number of our customers, broaden the range of services they use, and maximize profitability.

5. Strengthen employee expertise, capabilities, and social contribution activities in regions where we operate

We will continue to strengthen the expertise and competencies of our local and resident employees. These efforts will include enhancing their capabilities for their core duties, their competitiveness in HR programs, and their management and risk management capabilities, while working to foster our key human resources. In order for the global dissemination and practice of "compassionate finance 2.0," we will develop and monitor CSR projects by region to enhance our win-win relationships with and to win trust from local communities for strengthening our localization efforts.

6. Build internal control systems

We are building a system to respond to the Foreign Account Tax Compliance Act (FATCA) that will be implemented following South Korea's national agreement with the US in 2014. We also plan to develop internal control plans by branch (including compliance, audits, and business continuity planning). This is aimed at achieving more organized internal control and management of our overseas branches.

Treasury Department

The tapering of quantitative easing by major advanced nations has appeared as a major topic in the financial markets ever since the Federal Reserve Chairman Ben Bernanke first mentioned this possibility in May 2013. This created some concerns over the rapid recovery of liquidity that had flowed into some emerging countries since the financial crisis. It was also expected that South Korea would be indirectly influenced by the concomitant expansion of market volatilities.

A few emerging countries showed remarkable vulnerabilities with their currency values falling sharply due to the imbalance of international payments, which included upturns in current account deficits and foreign debts. However, this provided an opportunity for South Korea to highlight its differentiation from them, as its currency value was relatively stabilized along with the country's continuously increasing exports and stable economic growth.

The global trend to re-establish risk management policies for overall financial systems continued in 2013 as well. This was done in order to regulate financial companies that had been pointed out as the originator of the financial crisis by practicing excessive risks. A clear example of this trend is the confirmed introduction of the Volcker Rule by the US in 2014, as part of its efforts to prevent banks from being exposed to excessive risks. This resulted in the heralding of the start of new regulatory environments.

The Basel Committee outlined its policies regarding capital and liquidity controls in the second half of 2010. It did so following the announcement of its basic plans to reorganize financial regulations in 2009. Reflecting the requirements of financial regulators (the Basel Committee and Korea's Financial Supervisory Service),



the Treasury Department established a number of liquidity management strategies to help the bank cope with new liquidity regulations in a preemptive and proactive manner.

At home, it was decided that the Basel III regulations that govern capital adequacy would be enforced beginning in December 2013. However, domestic banks are likely to be less influenced by the new Basel III requirements, than those in Europe and the US, as their capital structures are focused on common shares.

In the won-currency funds sector, we maintained a stable loan-to-deposit ratio by pursuing a policy to increase deposits by utilizing our customer base. We continued to enhance the stability of our financing by securing mid- to long-term funds through the issuance of financial bonds. We also carried on with implementing our interest rate risk management strategies to reduce the volatility of our earnings in line with that of interest rates. As a result, we were able to maintain stable liquidity ratios and add to our interest income throughout the year.

We properly dealt with the excess and/or deficiency of funds for asset and liability management (ALM) purposes, while managing our investment funds. We continued to improve our rate of returns through the carrying out of differentiated management strategies, which were based on reasonable prospects for interest rates. All of which we managed to do while still securing sufficient collateral through purchasing maturing bonds.

In the foreign currency sector, we established annual foreign-currency ALM plans, developed optimal annual target portfolios for each asset and business division, and monitored their performances on an ongoing basis. This allowed us to manage our foreign-currency liquidity operations in a stable manner, even in the midst of risk situations in emerging countries and volatilities that were triggered by the QE tapering in the US.

In addition, we defused uncertainties regarding refinancing in the future, and reconfirmed differentiated investor awareness about Shinhan Bank by preemptively floating JPY 30 billion worth of Samurai Bonds with low interest rates in July 2013. This happened while destabilizing geopolitical factors, including North Korea's threats to carry out military attacks, were still high.

In the meantime, Shinhan Bank is seeking to diversify

its funding sources by utilizing the US, Euro commercial paper (CP), and global medium-term note (MTN) programs. The bank is also focused on maintaining its foreign-currency liquidity operations at a stable level by continuously strengthening its relationships with overseas financial institutions.

Since the actual QE tapering was carried out in October 2013, bond purchases were contracted over three occasions until March 2014. Currently, the purchases of US bonds and mortgage securities amounts to approximately USD 30 billion and USD 25 billion, respectively, and the QE 3 program will likely come to an end in 2014.

It should be viewed as a positive thing that both the economies of Europe and the US are in the midst of a gradual recovery. Nonetheless, we should exercise caution against increasing volatilities in the financial markets, which will arise from the expected benchmark interest rate hikes by the Federal Reserve in 2015.

Accordingly, the Treasury Department will work to establish liquidity risk management systems that meet any and all international standards. We will also develop systematic and well-thought-out ALM strategies, based on our upgraded liquidity management capabilities. We plan to concentrate our energies on stabilizing our revenue structure, based on our ALM strategies. In addition, we will institute new risk management paradigms that are grounded in BASEL III, and we will enhance our funding structure through the further diversification of our financing vehicles.

Risk Management Group

The purpose of risk management is to ensure the bank's soundness and stability and to maximize shareholder value. Our guiding philosophy is that our employees must find a "golden mean" between risk and profits for our continuing sustainable growth. Each business unit that is exposed to risk or that is likely to generate risk is responsible for its own risk management practices. This includes their having their own risk managers.

The Risk Management Group is responsible for managing the bank's risks. This is carried out separately from its general business operations, and includes identifying, evaluating, monitoring, controlling, and reporting risks.

The bank has also developed a number of consultative bodies to ensure more efficient risk management. They include a Risk Management Committee, a Credit Policy Committee, and an ALM Committee. We also operate a Derivatives and Structured Products Risk Review Council, a Fair Value Appraisals Council, and an IB Deal Pre-Review Council. All of these councils are tasked with analyzing potential risk factors before new products and businesses are released onto the market.

In order to ensure that our processes meet all the requirements of the Basel II Accord, we obtained the approval of the FSS to use our in-house marketing risk model and the Foundation Internal Ratings Based Approach to Credit Risk, which is used to calculate capital adequacy and BIS ratios. Additionally, we utilize a system that measures credit, markets, interest rates, and liquidity risks to ensure that they remain at the appropriate levels.

We are also tasked with coping with changing outside regulations. This means that we must become familiar with a wealth of new rules, including those contained in the International Financial Reporting Standards (IFRS) and the Basel III regulations.

Credit Risk Management

Credit risk refers to the potential economic loss that can arise when a borrower fails to make payments due to causes such as bankruptcy. Credit risk accounts for more than 80% of the bank's total risks. Classified as

either expected or unexpected loss, it is calculated on the basis of the bank's bankruptcy and recovery rates. Our loan loss provisions are then derived from the expected losses and reserves. Their value is based on either the K-IFRS guidelines or the Financial Supervisory Service's guidelines, depending on which are higher.

Unexpected loss refers to risk capital that the bank is obliged to hold against credit losses that exceed its anticipated volume. It is measured and managed based on both regulatory capital and economic capital standards. Regulatory capital is calculated by using risk-weighted assets that are modeled on the Basel II Foundation Internal Rating-Based Approach. This is mainly utilized in the management of BIS ratios. Economic capital is used to establish loan limits and to conduct performance evaluations.

The various components that we use when calculating expected and unexpected losses were approved by the Korean government's Financial Supervisory Service (FSS). These components meet all of the standards included in the FSS's Credit Risk Foundation Internal Rating-Based Approach.

We separate credit risk into household and corporate loans to ensure more effective risk management. We double-check for credit risk in household loans in order to prevent an excessive amount of concentration from occurring in specific sectors such as mortgage loans. We promote the sale of mortgage loans and increase prime loans to act preemptively against a further decline in the real estate market. We also analyze risk by household loan product to minimize the possibility of insolvency.

Industry, country, group, and ceilings limit the number of business loans that we can grant. Loans to individuals take the borrower's maximum limit into account. Other factors taken into account are credit ratings, so we can expand, maintain, and manage our portfolio of customers who have a high credit rating.

Market Risk Management

Market risk refers to a risk that is generated by fluctuations in market prices, such as interest rates, share prices, exchange rates, and commodity prices. Its management



is geared toward ensuring that the maximum amount of loss falls within permissible, pre-established levels. It is managed by establishing value-at-risk limits, investment limits, position limits, transaction limits, loss limits, and stop-loss selling limits.

The Risk Management Department ensures that these limits are adhered to, although the Credit Policy Committee establishes the limits themselves. In addition, the department evaluates the degree of risk associated with new products or deals within each business sector prior to their launch.

To measure market risk, the bank uses VaR, which is a statistical method for calculating the maximum potential loss due to fluctuations in the market. We can calculate the market risk with 99% accuracy by using historical simulation methods. We calculate our capital adequacy levels by estimating the maximum potential loss of our trading positions in the event of an emergency.

We measure the market risk for foreign exchange, stocks, bonds, and derivatives by entering and managing the data in the front system. This is automatically interfaced with the Market Risk Management System, which in turn uses the deal database to calculate the risk and to establish limits on a daily basis, so that all of this information can be presented to upper management. We conduct a cause analysis of risks that are above a specified level, and the results are shared with the relevant divisions and departments for their use and are reported, in the form of a document, to upper management for review. This is done to strengthen our control systems.

We use the same data to establish portfolio risks and hedging strategies. We also use historical simulation methods in order to ensure that our non-linear risk measurements and risk management is more accurate

We intend to cope with the new regulations that will follow the implementation of Basel III requirements.

Middle Office

We transferred the functions of the Middle Office to the Risk Management Group in February 2009. The goal of this move was to act as an intermediary between the front and back offices. This helps to make our risk management processes

more efficient and systematic. Our front system has also been improved to establish a more accurate valuation system. In addition, we plan to develop and implement more measures to improve the system in order to come up with a more efficient way to manage the market data.

The Middle Office for securities and derivative products manages market data and analyzes the value and probity of transactions that have been determined by the front office. It also calculates risks (in terms of sensitivity levels, positions, and investment status) and losses that have been incurred at the desk or dealer levels. In addition, it monitors the front office to ensure that it complies with the bank's stop-loss limits. The Middle Office also ensures that each department and desk, is observing the Credit Policy Committee's loss and risk limit levels. It makes continued efforts in building a database on profits and losses and on the sensitivity levels of securities and derivatives that have been calculated by the Middle Office, in order to ensure timely reporting and accurate risk management.

Asset & Liability Management (ALM)

Interest Rate Risk Management

Interest rate risk refers to the possibility of losses generated by unfavorable interest rate movements. The goal of interest rate risk management is to ensure stable earnings and to maintain net asset value by forecasting changes in interest rate risks that are related to the bank's net interest income and net asset value, and to also manage them within allowable ranges. Shinhan Bank manages interest rate risk from the perspective of both earnings and economic value. It also measures it on a regular basis through its ALM system.

The interest rate gap and VaR limits are established at the beginning of the year with the approval of the Risk Management Committee, Credit Policy Committee, and the ALM Committee. Their management of these areas is reported to the head office. We also conduct quarterly "stress tests" to calculate potential losses in the event of market crises. The results of these tests are reported to the ALM Committee.

Liquidity Risk Management

Liquidity risk refers to the potential inability to fulfill

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contractual payment obligations on time, being forced to raise capital at higher-than-market prices, or maintaining operating funds at lower than market rates. It includes funding liquidity risks and market liquidity risks.

The goals of liquidity risk management are to minimize the risks that arise from capital shortages and to ensure stable earnings. It does this by predicting liquidity fluctuation factors in advance in relation to financing and capital management in the banking and trust accounts, and by ensuring a proper level of liquidity through systematic management. It also guarantees that the bank has enough high quality liquid assets to cope with emergencies.

Shinhan Bank follows all the liquidity-related guidelines that have been established by the Korean financial industry's supervisory organizations, including those that deal with liquidity ratios. It also develops contingency plans to guard against unexpected shortages of cash that could result from sudden changes in the Korean and overseas market environment or monetary policies.

The bank also establishes limit control indicators. Their management is reported to the Risk Management Committee, Credit Policy Committee, and the ALM Committee on a regular basis. The results of the liquidity "stress tests" are also presented to management to lessen the possibility of liquidity risks occurring.

Operational Risk Management

Operational risk refers to a risk resulting from direct and/or indirect losses caused by incomplete or incorrect internal processes, employee speculation, system errors, or other external factors.

Shinhan Bank's operational risk management structure involves three major lines of defense, in addition to the BOD and upper management. The bank's lines of defense include its sales organizations; its support departments, which are tasked with the development and operation of its risk management systems; and its examination departments, which are responsible for conducting inspections. In addition, the bank has been operating an operational risk management system since February 2006.

Our in-house operational risk management system

includes the following six modules: Risk and Control Self-Assessments, Key Risk Indicators, Loss Data Collections, Operational Risk Measurements, Scenario Analyses, and Operational Risk Culture. They meet all of the quantitative and qualitative requirements for operational risk management that have been stipulated by the Basel Committee and the FSS.

Risk Model Validation

We use risk model validation to minimize the possibility of risk resulting from operating errors or defects in the models themselves. This is also done to ensure that we can cope with changes in our internal and external operating environment, and meet the requirements of Korea's financial supervisory authorities.

In 2013, we carried out validation tests on our corporate, retail, and SOHO credit assessment systems; the PD/LGD/CCF estimation system; the market risk management system; and on the risk-weighted asset calculation system. We also expanded the range of validation and conducted validation tests on our systems for early warnings, loan loss provisions, credit costs, and asset soundness. The results were presented to senior management and to the Risk Management Committee. Operating divisions were also notified about areas that need to be improved.

In the future, we will enhance the performance and utilization of our various risk models by adding to the list of targets for validation. Additionally, we will introduce new methodologies, and train our employees who are in charge of risk management in their use.

Global Network Risk Management

We support stable growth at our overseas branches and subsidiaries by strengthening their risk management abilities. Our major strategy is to foster their healthy growth in relation to their potential for encountering risks, and to prevent the transfer of their risks to our home operations. This includes ensuring that the bank and its overseas branches share a consistent risk management structure, and helping them to establish credit risk models and a major risk indicator monitoring system.

To this end, we streamline their risk management organizations, establish risk exposures, build risk management systems, and standardize risk management according to type. We also help local subsidiaries by establishing their total risk limits, monitoring their risk management capabilities, and helping them to improve their shortcomings. In addition, we assist them in building risk management platforms so that they can carry out their own risk management programs and processes. This includes establishing credit risk models, risk data marts, and systems for calculating market risk.

Information Quality Management

The Risk Management Group supports speedy and accurate decision-making and policy development by providing the bank with information that is both correct and accurate. This is done to help the bank cope with a rapidly changing financial environment, and to guarantee the accuracy and reliability of the information that will be reported to its supervisory bodies.

Correct and accurate information helps us to maximize our business outcomes by making us more competitive. To this end, we are tasked with establishing strategies and guidelines to enhance and measure the quality of our data. We also carry out a bank-wide data cleansing campaign on a regular basis.

Going forward, we will continue to use our data verification system to secure the compatibility of acquired data that are used for individual systems, and to conduct information quality control by identifying verification rules by business.

Credit Analysis & Assessment Group

The Credit Analysis & Assessment Group manages the bank's overall loan-related systems and processes, including credit approvals and assessments and the management of delinquent loans. It comprises one division and five departments.

The Credit Planning Department establishes loan policies and regulations, manages the bank's loan-related systems, analyzes its soundness indicators, devises strategies and measures by industry and issue, and assists the bank with credit analyses and assessments.

The Corporate Credit Analysis & Assessment Department and the Retail Credit Analysis & Assessment Department are tasked with loan analyses and assessments and general risk management. They develop credit analysis and assessment programs, evaluate and assess credits, and establish and monitor credit exposure.

The Corporate Restructuring Division was created in January 2012 to support small- and medium-sized enterprises that were having cash-flow difficulties. It also assists in the restructuring of poorly run companies. Currently, it is operating under the new name of, the Credit Support Division.

The Credit Support Division provides liquidity to companies that show a potential for recovery. It also carries out credit analyses and assessments of companies and businesses that are threatened with insolvency.

The Credit Collection Department and the Retail Credit Collection Department are tasked with minimizing credit-related losses by undertaking legal procedures involving bad loans, as well as with handling individual and corporate restructurings and restructuring programs.

The bank's total loans amounted to KRW 160.0 trillion at the end of 2013, which was an increase of KRW 1.9 trillion throughout the year. We also boasted a superior level of asset soundness compared to other domestic commercial banks. For example, our delinquency ratio

was a mere 0.38% (based on more than one month delinquencies for the principal), while our ratio of non-performing loans to total loans was only 1.16%.

In 2014, the bank's loans are expected to increase over the year, as economic growth will likely improve slightly from 2013. However, uncertainties also coexist in the global financial markets and they require ongoing risk management.

Given this situation, we plan to pursue our businesses in 2014 with a focus on the items listed below.

1. Internalize new growth engines

- Strengthen technological evaluations and evaluation expertise and expand loans to support companies with excellent technologies.
- Support new funds by activating SME-only products.
- Expand support for smaller manufacturers who demonstrate high social contribution levels, including job creation.
- Invigorate solution selling by customer to secure long-term quality customers

2. Build a management system to overcome uncertainties

- Prevent the tipping effect of corporate loans by business type, given the industry outlooks.
- Strengthen loan reviews and monitoring to prevent the generation of potential non-performing loans (NPLs).
- Provide selective support, given the economic recovery trends, for construction, shipbuilding, shipping, and other industries that have intensified NPLs and are undergoing restructuring.

3. Internalize compassionate finance

- Continue operating the CSP (Corporate Success Program) to support companies suffering from a temporary shortage of liquidity.
- Continue to upgrade financial consumer protection programs, including making improvements to unreasonable loan practices.
- Operate credit recovery and debt relief programs to support the recovery of low-income individuals and smaller companies

Business Improvement Group

The Business Improvement Group is the bank's primary business innovation organization. It aims to secure future competitiveness through differentiated business innovations and risk management for the improvement of the bank's business productivity and value, and to protect customer information.

To achieve these goals, the Group has established three strategic goals and nine core tasks. The strategic goals are to strengthen the bank's productivity and capabilities, innovate its frontline services, and upgrade customer protection and risk management. The core tasks include reinforcing the protection of financial consumers, advancing the smart working environment, and providing frontline office-oriented services.

The Group is composed of the IT Planning Department, which is tasked with IT strategies, budgeting, and system architecture management; the IT Development Division, which develops and operates IT services; the Business Improvement Division, which is tasked with enhancing the efficiency of the various business processes that take place at the bank's branches and head office divisions; and the Information Security Division, which was newly established in January 2014 to build and operate information protection systems, while protecting and managing customer information. The Information Security Division is led by our CISO.

IT & Information Security

Our strategic goal for 2013 was to improve our IT infrastructure and processes so as to enhance the bank's competitiveness in the future. We have three strategic directions. The details are laid out below.

First, we developed a future-oriented infrastructure. This was accomplished by ensuring the successful relocation of our data center and by improving our backup center management system. We also upgraded our DBMS (Data Base Management System) and enhanced our management system for our global IT infrastructures. In addition, we continued to monitor and update our security



system to prevent the leakage of customer information, and implemented a more advanced information protection system with enhanced anti-hacking features.

Second, we enhanced our IT systems to be custom-tailored to meet the demands of frontline requirements, extended our systems by paying special attention to the advent of the BYOB (Bring Your Own Device) trend, built more Internet service channels, and further promoted the use and stabilization of EDMS in order to raise workforce productivity. We strengthened our IT support even more, which enabled our staff to focus more on their main tasks, such as marketing. We will upgrade the i-Flow, which is a business process support system designed to add to the skill sets of our frontline employees, and IT RM functions in order to better support the business activities of our head office divisions.

Third, we provided a number of differentiated financial services for enhancing customer experience and value, by restructuring our smart banking (Shinhan S Bank) system and by expanding the scope of our out-of-office financial service (S-KIT). Furthermore, we generated synergy in business activities by broadening the scope of services linked to branches in Korea, provided more Internet banking and non-direct channels, and improved the quality of our overall IT services to strengthen local targeted marketing by establishing new risk assessment and CRM systems.

Our strategic IT goal for 2014 is to secure the best-in-class IT capabilities through the use of advanced IT infrastructures and differentiated services. We will actively carry forward with this via the three strategic directions and detailed tasks explained below.

First, with regard to advanced IT infrastructures and security systems, we will focus on upgrading our IT security programs and systems, and on improving our IT compliance measures. We also plan to solidify the management and operation of our infrastructures.

Second, as for differentiated IT service innovations, we will raise the business productivity of our employees mainly through the development of smart IT and field-oriented innovations. We will also strengthen our IT support

further, so that they can concentrate on their chief tasks, including marketing. In addition, we will expand our global IT infrastructures and services, and will provide IT systems for big data, the retirement market, and corporate banking to achieve our bank-wide strategies.

Third, in terms of our IT structure and organizational capability improvement, we will strategically reduce our IT expenses. This will be done by expanding our IT investment evaluation system, improving the awareness of IT costs at our frontline offices, and building a demand control program to improve the efficiency of IT development. At the same time, we will reinforce the IT organization's capabilities and management systems by raising the efficiency of IT sourcing competencies, fostering key human resources, and practicing compassionate finance in the IT sector.

Business Improvement Division

Launched in 2012, the Business Improvement Division's strategic goal for 2013 is to, "Enhance business competitiveness through making changes in the way we work." This is aimed at achieving further growth pursuing work innovations. To this end, the division carried out key tasks in keeping with its three strategic directions.

First, we carried out the "Work Innovation 2013" campaign to secure cost competitiveness through strategic cost reductions. We identified eight key tasks that are expected to generate about KRW 11.6 billion in cost saving effects in connection with the 4S (Slim, Simple, Speed, Smart), which is led by the Strategy Planning Department.

Second, in relation to providing advanced sales support to develop strong frontline offices, we improved our business processes for personal identification at our teller windows to create a smart working environment at our branches, while establishing strategic directions to build an e-document system.

Third, as for the efficiency of our internal operating systems and the reinforcement of our risk management, we gathered opinions from our frontline offices and construed improvement plans via the surveys on business

support satisfaction levels that we conducted for smooth communications with our frontline offices.

In 2014, the division will carry out a new innovation project, titled "ReBorn 2014," to establish its identity as a bank-wide innovative body and to secure future growth engines.

In relation to the BPR system, which was developed in 2007, the division will carry out the BPR 2.0 project as a key task, in order to reflect the needs of branches to the maximum, and will also develop a new system that is in line with the latest trends. It will identify the detailed requirements for the development of a bank-wide e-document system and will carry out a pilot program during the year to lead the BPR in the financial market.

In addition, the division will strengthen its support for the bank to improve its productivity and profitability, and will continue with its efforts to protect our financial consumers. It also plans to achieve zero-accidents by revamping its risk management on cash transactions.

Finally, the division will establish a new proposal system to reinvigorate the proposal culture in step with the roles and responsibilities (R&Rs) of the divisions that are spearheading the bank-wide innovations. Internally, in order to successfully carry out and enhance the execution power of the ReBorn 2014 project, we will reorganize the Business Improvement Division to strengthen its development and improvement functions and will maximize its business efficiencies and synergies.

Overall, the division will concentrate all of its capabilities on carrying out innovation tasks by enhancing the awareness of all its employees on these tasks and by their forming a consensus, while providing the highest-level support for frontline offices through the practice of exhaustive risk control.

Management Planning Group

Trustee & Custody Department

The Trustee & Custody Department is responsible for the trusteeship and custody of institutional investment assets, as per the regulations stipulated in the Financial Investment Services and Capital Markets Act. At the end of 2013, we had KRW 56 trillion in assets belonging to about 120 institutional customers that were under our custody.

In addition, we engaged in asset investment activities for a number of fund clients, including the Ministry of Strategy and Finance's Investment Pool for Public Funds and the Government of Singapore Investment Corporation (GIC).

In 2014, the department will strive to establish the bank as the nation's leading asset manager in terms of assets under management and employee capabilities. It will do so under its strategic goals to strengthen our differentiated competencies, take on new challenges, and achieve strong custody services.

We will encourage collaborations between our affiliates, including Shinhan Investment, Shinhan BNP Paribas Asset Management, and Shinhan Aitas. In addition, we will increase our share of the domestic market through marketing efforts that target institutional customers. We will also promote both qualitative and quantitative growth by diversifying our revenue sources. We will do this by securing new growth engines, including the equities lending and hedge fund custody businesses. In addition, we will assist in the development of global networks and strengthen the bank's global capabilities.

We engage in overseas asset investment activities in conjunction with a number of other financial institutions, including HSBC, State Street Bank, Brown Brothers Harriman, Citi Bank, JP Morgan, China Construction Bank, Euroclear, and Clearstream.

Furthermore, we will develop specialists in the Trustee & Custody Department through training programs. This will be done in collaboration with custodial banks from around the world. We will add to our expertise in custodial and management operations by managing information

regarding the overseas assets of custodial services. In addition, we will ensure the ultimate in customer satisfaction through the provision of enhanced investor protection in a rapidly changing capital market, and we will continue to assist in the bank's sustainable growth and development.

Trust Department

In 2013, there were significant changes to pension savings due to pension-related revisions being made to the tax law. Accordingly, Shinhan Bank launched pension savings trusts in May 2, which attracted the largest number of customers in the banking sector. In addition, we rolled out Testamentary Substitutes to actively respond to the increasing social needs for property and inheritance management.

As for the protection of financial customers, we made a broad range of efforts to protect them. These efforts involved lowering our fees for non-specified money-in-trust products such as pension savings trusts, and improving our business processes for providing customer guidance concerning pension savings trusts. We also upgraded our specified money-in-trust trust sales system to prevent the misselling of financial investments.

In 2014, our strategic goals for the trust business are to protect financial consumers by preventing the misselling of specified money-in-trust products, and to raise the dividend ratios of our pension related products. Such efforts will involve implementing strengthened mystery shopping, and securing more license holders for the sales of specified money-in-trust ELSs. As for pension related trusts, we will strive to deliver more improved earnings to our customers by putting our top priority on raising dividend ratios.

In terms of properties-in-trust, we will meet the diverse needs of customers by launching new products. We will also increase customer trust in our products by carrying out our risk management and internal controls that are related to trust operations in a more exhaustive manner.

Marketing Service Group

The Marketing Service Group consists of the Marketing Department, the Product Engineering Department, the Branch Strategy Office, the Consumer Protection Center, the Future Channel Division, the Smart Customer Center, and the Smart Banking Center.

We set eight key management indicators for each of the divisions in order to establish mid-term strategies for the bank to become a true leading financial institution within three years from 2014. The eight key management indicators are as follows:

- Office workers who use us as their primary bank
- Female customers who choose us as their main bank
- Quality companies whose financial statements are not examined by independent auditors
- Products with competitive edges in the market
- Branch optimization ratio
- Non-direct platform customer base
- Non-direct product sales
- Non-direct customer management

By achieving our goals for the above indicators, we will select the proper roadmaps for achieving our goals and will pursue our business so that we can build our long-term growth foundations in 2014, secure differentiated market competitiveness in 2015, and become a market leader in 2016.

Marketing Department

The Marketing Department consists of the Marketing Sensing, Next Generation, and Support teams. It is tasked with the following responsibilities:

- Develop and support market and customer insights by using customer data, and internal and external information of all sorts.
- Strengthen marketing competitiveness in strategic market segments, including for workers and women, and support relevant marketing efforts.
- Develop and implement marketing programs for major markets.
- Operate marketing support and customer management systems, and support front-line operations.
- Implement package marketing and manage marketing



contents.

In 2013, the department focused on establishing differentiated marketing strategies by customer group and on supporting bank-wide marketing by building marketing intelligence. To this end, we carried out the key projects described below.

We published the MI-REPORT to present directions for the establishment of bank-wide marketing strategies and business plans as a key S-MI project. In addition, we led market trends and gained an early edge in the development of new markets.

We also attracted new customers by promoting bridge marketing programs for those who are just starting out in their careers. We carried out various marketing programs for customers in the retirement market by conducting marketing efforts to gain an early edge in this market. We also played an important role in selecting key projects for 2014 through an analysis by a Retirement Task Force Team.

We supported the reinforcement of marketing capabilities at our frontline offices by strengthening our support for target marketing, the Retail Shinhan Way, direct marketing by divisions, and the SPURT strategy. In addition, we analyzed the structure of our corporate customers and industrial complexes, and then we presented directions for them. We did this in order to strengthen our support for marketing for companies, whose financial statements are not examined by certified by independent auditors, in the corporate banking sector.

In 2014, we selected workers, housewives, and quality SMEs whose financial statements are not examined by independent auditors as our core markets. Our strategic goal is to support marketing with the objective of attracting the largest number of these types of customers. To achieve this goal, we will carry forward the projects listed below. They are aimed at developing marketing programs and are being carried out in order to increase the primary customer ratio for these customers and to induce their long-term transactions, and to enhance our support for sales infrastructures.

- Promote programs for workers to increase salary transfers.
- Promote marketing programs to increase active female customers
- Support specialized marketing to increase our share in

the market for companies whose financial statements are not examined by independent auditors.

- Develop marketing programs to increase the primary customer ratio and customer loyalty.
- Establish and strengthen bridge marketing operation systems.
- Strengthen CRM system utilizing capabilities at branches.

Product Engineering Department

This department is tasked with developing new products and services for all of the bank's business groups. These products and services include loans, foreign exchanges, and hybrid financial instruments that are linked with SFG companies or other industries. In addition to carrying out market surveys, analyses, and studies relating to new product development, it suggests ways to enhance the competitiveness of new products, and carries out research in areas such as discovering why selected products are successful.

In 2013, we contributed to expanding our customer base and generating operating revenues by developing products to tap into the five specialized markets. We also led the corporate banking market by providing corporate customers with customized products that met their needs. In addition, we were the first in the financial industry to introduce the storytelling marketing technique from the initial stage of product development. This technique enabled our employees to understand and sell products with ease, and thereby ensured complete selling.

In addition, we continued to support low-income individuals and SMEs in line with the government's new policies, and we launched the SME growth package that supports their growth by each stage from foundation to maturity. The package contributed to job creation, as well as to the growth of these companies.

In 2014, we will lead the market and strengthen our operating competitiveness by developing new revenue sources and field-oriented strategic products with the aim to develop "Products with Stories." We will also launch additional new products for small lone financing and SMEs, while developing creative financial products to create a creative economy.

Branch Strategy Office

We can build our long-term growth foundations in 2014, secure differentiated market competitiveness in 2015, and become a market leader in 2016.

The Branch Strategy Office is always there for frontline workers, because the office staff work under the motto, "Build an energetic, communicative, and impressive workplace." The office staffs are currently planning to create 893 manned, unmanned, and mobile branches (as of March 31, 2014).

The office is divided into the Channel Planning & Development Team, and the Mobile Branch Team. Their main tasks are as follows:

- Develop and implement strategies for bank-wide offline channels (manned, unmanned, and mobile branches only). Overseas branches are excluded.
- Monitor offline channels and provide follow-up services
- Create, relocate, and close down offline channels
- Operate mobile branches.

In 2013, the office promoted the key strategies listed below, to enhance its channel competitiveness and to secure productivity under its strategic goal for "Channel Innovation 2.0 for channel optimization, efficiency, and leadership."

- (1) Open strategic branches in key markets to secure long-term growth engines.
- (2) Relocate and convert branches into financial centers to optimize our sales channels.
- (3) Improve channel efficiency by rebuilding self-service branches.
- (4) Advance channels through the diversification of mobile branch operations.

The office's strategic goal for 2014 is to continue innovating its channels with a focus on productivity and efficiency. To this end, it plans to carry forward the following projects:

- (1) Selectively open new branches in strategic areas, including in "innovation cities," and introduce/increase customized and specialized customer channels by market and customer.
- (2) Convert branches into financial and PWM centers to increase coverage on corporate banking and HNW customers.
- (3) Relocate branches to optimal locations.
- (4) Strategically locate self-service branches and increase the efficiency of their usage.
- (5) Strengthen the various sales support roles of mobile branches.

Future Channel Department

The Future Channel Department consists of the Planning, Future Business, Corporate Banking, and Personal Banking teams, and is tasked with the planning and operation of products and services and with utilizing non-direct channels in line with the changing financial trends. Through the conversion and integration of direct and non-direct channels, the department provides differentiated services, while pursuing various tasks that can become future growth engines. It does so by continuously exploring new businesses and affiliated operations.

In 2013, the division established three strategic directions in order to create a, "New Growth Engine for Shinhan" and to enhance "Smart Banking." These directions included maximizing the competitiveness of non-direct channels to turn them into a core channel, and developing new smart businesses and services to ensure our sustainable future growth.

The division's strategic goal for 2014 is to complete the development of key channels by ensuring the growth of smart banking. It also established three directions for developing new growth engines, completed customer-centric channels, and led the smart banking market. It accomplished all of these things, while carrying out the following key tasks:

- Tap niche and overseas markets by utilizing smart banking services.
- Launch new products by reflecting the characteristics of smart banking channels and trends.
- Establish mid- to long-term roadmaps for channel conversion and integration and continue to pursue new tasks.
- Secure the financial industry's highest-level stability in e-banking.

Smart Customer Center

The Smart Customer Center consists of the Planning, Inbound, Loan Deferment, Self-Service Branch, and Incheon Center/Outbound teams. Together, they carry out the following tasks:

- Provide customer consultation services and support their operations through non-direct channels (including the Internet, mobile platforms, and smartphones)
- Operate non-direct household loan deferments at



branches, and at overseas centers for overseas Koreans.

- Operate and manage self-service branches and ATMs.

In 2013, the Center carried out the key projects that are listed below, with an aim to "create customer-oriented non-direct sales models to become future growth engines" as an integrated smart banking center.

- Built a non-direct customer management system to increase the number of customers using smart banking.
- Signed a total outsourcing contract for ATMs, and raised their cost efficiency.
- Improved contractor management and the management of operations under contract, following revisions to the Act for In-house Subcontracts.

The former Smart Banking Center was divided into the Smart Customer Center and the Smart Banking Center in 2014, with the former to placed in charge of non-direct customer consultations and bank-wide sales support operations and the latter was placed charge of non-direct marketing operations. Accordingly, under its strategic goals to rank first in customer satisfaction evaluations, and to maximize operating efficiencies, the Smart Customer Center plans to carry out the following directives:

- Innovate operating systems to raise cost efficiencies.
- Strengthen marketing support for the convergence of direct and non-direct channels.
- Establish customer- and front-line-oriented sales support systems.
- Expand financial consumer protection to enhance customer satisfaction in non-direct channels.

These items will allow us to secure competitive edges in non-direct channels and to achieve productivity innovations, thereby contributing to the bank's differentiated growth.

Smart Banking Center

The Center consists of the Marketing Planning, Channel Operation, Fund, Overseas Study and Immigration, Customer Management, Customer Support, Marketing Support, and Loan Center teams. Together, they carry out the following tasks:

- Inbound and outbound marketing using various non-direct channels (including our homepage, telephone, emails, SMS, and online messages).
- Customer management through employees for non-direct channels.
- Providing professional consultations; utilizing deposits, funds, and foreign exchange centers (video consulting, email, and callbacks).
- New online loans and increases in online loans through loan centers.

Shinhan Bank was the first in the domestic banking industry to open a smart banking center that was tasked with non-direct operations when it was reorganized on January 1, 2014. The Smart Banking Center's missions for 2014 are as follows:

- Expand customer management coverage by utilizing non-direct channels.
- Build profit center foundations through non-direct marketing activities.

To achieve these, the Center will pursue the following projects:

- Allocate customers for non-direct management.
- Implement inbound and outbound customized customer management and target customers for non-direct management through exclusive consultation teams.
- Promote non-direct channels by using marketing to increase new online products and to expand platform customers (including running promotions and events for customers and employees).
- Conduct marketing in connection with new products, including deposits, funds, loans, and foreign exchange, and in connection with branches through professional consultations.
- Develop consultation systems to enhance consulting environments and upgrade consultation efficiencies.

Through these projects, the Center will actively promote customer management and product marketing by using non-direct channels. Our goals are to dissolve the white spaces for bank-wide customer management, develop new sales opportunities, and increase product sales. This will become a new standard for non-direct sales models in the domestic financial market, while serving as a future growth engine for the bank.

[Management Discussion & **Analysis**]



Financial Highlights

	In billions of Korean won		In millions of US dollars ¹⁾	
	2013	2012	2013	2012
Bank Account				
For the Year				
Total Operating Income	5,151.0	5,631.6	4,881.1	5,257.8
Operating Income	2,458.1	2,912.8	2,329.3	2,719.4
Net Income	1,373.2	1,662.7	1,301.2	1,552.3
At Year-End				
Total Assets	238,045.7	237,395.8	225,571.6	221,637.4
Total Loans	174,689.3	169,699.2	165,535.2	158,434.5
Total Deposits	175,020.4	170,009.0	165,849.0	158,723.7
Total Stockholders' Equity	20,536.1	20,336.9	19,460.0	189,869.3
Financial Ratios ²⁾				
Return on Average Assets	0.59	0.72		
Return on Average Equity	7.28	9.02		
NPL Ratio by FSS	1.16	1.08		
Net Interest Margin	1.76	1.99		
BIS Capital Adequacy Ratio	16.29%	15.83%		
(Tier 1 Capital Ratio)	13.94%	12.64%		
(Tier 2 Capital Ratio)	2.35%	3.19%		

Note1) Translated into US dollars at the rates of KRW 1,071.10/USD 1 and KRW 1055.3/USD 1 respectively--those prevailing on December 31, 2012 and December 31, 2013

Note2) Based on separate financial statements.

Overview

Shinhan Bank posted the most satisfactory results among the domestic financial institutions by maintaining profitability and asset quality, despite economic uncertainties and volatile market conditions. It also did so by preparing for sustainable growth through optimal growth of loans. In addition, this was attributed its open, honest, and principled management of being faithful to its business through practicing preemptive soundness management and compassionate finance. Overall, 2013 was a year in which SHB reconfirmed its distinctive competitiveness by generating solid and stable earnings.

Condensed Income Statements

	[In billions of Korean won]			
	FY2012	FY2013	Increase	YoY
Total Operating Income (a=b+c)	5,631.6	5,151.0	-480.6	-8.53%
Interest Income (b)	4,768.7	4,350.5	-418.2	-8.77%
Non-interest Income (c)	862.9	800.5	-62.4	-7.23%
General and Admin Expenses (d)	2,718.8	2,692.9	-25.9	-0.95%
Operating Income before Provisioning (e=a-d)	2,912.8	2,458.1	-454.7	-15.61%
Gains on Investment Stock Using Equity Method (f)	8.2	8.0	-0.2	-2.44%
Pre-provision Income (g=e+f)	2,921.0	2,466.2	-454.8	-15.57%
Provision for CreditLosses (h)	831.8	738.2	-93.6	-11.25%
Income before Taxes (i=g+h)	2,089.2	1,728.0	-361.2	-17.29%
Income Tax (j)	426.5	354.8	-71.7	-16.81%
Consolidated Net Income(m=i-j)	1,662.7	1,373.2	-289.5	-17.41%
Net Income Attributable to Controlling Interest	1,662.5	1,373.0	-289.5	-17.41%
Net Income Attributable to Non-controlling Interest	0.2	0.2	-	0.00%

Shinhan Bank's net income decreased by 17.4% year-on-year to KRW 1,373.2 billion at the end of 2013. Interest income fell

by KRW 418.2 billion, or 8.8%, to KRW 4,350.5 billion. A 23-basis point drop in net interest margins led this. Non-interest income dropped by KRW 62.4 billion, or 7.2%, to KRW 800.5 billion. This was primarily attributed to a decline in commission income, including commissions for fund and bancassurance sales, and the generation of impairment losses on available-for-sale securities.

Condensed Balance Sheets

(In billions of Korean won)

	4Q2012	4Q2013	Increase	YoY
Assets	237,395.8	238,045.7	649.9	0.27%
Currency & Due from Banks	9,347.3	12,430.0	3,082.7	32.98%
Trading Assets	7,994.9	7,519.8	-475.1	-5.94%
Financial Assets at FVTPL	-	-	-	-
Derivative Instruments Assets	1,843.7	1,458.0	-385.7	-20.92%
Loans	169,699.2	174,689.3	4,990.1	2.94%
Available for Sales Securities	28,316.7	24,093.1	-4,223.6	-14.92%
Hold to Maturity Securities	9,224.3	7,433.6	-1,790.7	-19.41%
Tangible Fixed Assets	2,215.0	2,201.0	-14.0	-0.63%
Intangible Fixed Assets	180.6	225.8	45.2	25.03%
Investment Using Equity Method	197.2	222.3	25.1	12.73%
Deferred Tax Assets	17.3	49.3	32.0	184.97%
Current Tax Asset	13.7	5.2	-8.5	-62.04%
Investment Real Estate	545.4	597.0	51.6	9.46%
Other Assets	7,790.2	7,107.5	-682.7	-8.76%
Sundry Assets	10.1	13.7	3.6	35.64%
Liabilities	217,058.9	217,509.6	450.7	0.21%
Deposits	170,009.0	175,020.4	5,011.4	2.95%
Trading Liabilities	484.1	398.6	-85.5	-17.66%
Financial Liability at FVTPL	-	-	-	-
Derivative Instruments Liability	1,537.8	1,478.2	-59.6	-3.88%
Borrowings	10,865.1	10,069.3	-795.8	-7.32%
Trading Corporate Bonds in Won	18,500.6	17,739.7	-760.9	-4.11%
Allowance for Severance and Retirement Benefits	164.7	67.4	-97.3	-59.08%
Temporary Account for Ex-CHB	331.6	364.0	32.4	9.77%
Deferred Tax Liabilities	97.5	10.5	-87.0	-89.23%
Current Tax Liabilities	150.6	148.3	-2.3	-1.53%
Policy Reserves	-	-	-	-
Other Allowances	14,917.9	12,213.2	-2,704.7	-18.13%
Sundry Liabilities	-	-	-	-
Stockholder's Equity	20,336.9	20,536.1	199.2	0.98%
Controlling Interest	20,334.2	20,533.4	199.2	0.98%
Capital Stock	7,928.1	7,928.1	-	0.00%
Hybrid Bond	2,329.8	2,099.3	-230.5	-9.89%
Capital Surplus	403.2	403.2	-	0.00%
Capital Adjustment	2.0	-	-2.0	-100.00%
Accumulated Other Comprehensive Income, Net of Taxes	654.6	296.4	-358.2	-54.72%
Retained Earnings	9,016.6	9,806.3	789.7	8.76%
Non-controlling Interest	2.6	2.7	0.1	3.85%

On the basis of consolidation, including SHB, overseas subsidiaries, and companies subject to consolidated accounting, SHB's total bank account assets rose by KRW 6.5 trillion over the year to KRW 238.0 trillion. This is ascribable to an increase of KRW 5.0 trillion in loans, which were centered on custom-tailored loans, home lease loans, and SOHO loans. Assets in the

overseas subsidiaries are continually rising due primarily to their expanded sales capacity. Total bank account liabilities increased by KRW 4.5 trillion, due to the growth of low-cost deposits. They centered on deposits and salary transfers from public institutions and companies, salary transfers, and the settlement accounts of credit card-affiliated stores. The loan-to-deposit ratio was maintained at a stable level of 98.5% at the end of the year.

Interest Income and Margin

(In billions of Korean won)

	FY2012	FY2013	Increase	YoY
Interest Earning Assets	194,878.6	197,919.8	3,041.2	1.56%
Interest Revenue	9,376.2	8,125.4	-1,250.8	-13.34%
Loans	7,616.9	6,700.8	-916.1	-12.03%
Securities/Others	1,759.3	1,424.6	-334.7	-19.02%
Interest Bearing Liabilities	178,923.4	181,890.0	2,966.6	1.66%
Interest Expense	5,493.5	4,642.3	-851.2	-15.49%
Deposits	4,296.8	3,682.5	-614.3	-14.30%
Debentures/Borrowings	1,196.7	959.7	-237.0	-19.80%
Net Interest Income ¹⁾	3,882.7	3,483.1	-399.6	-10.29%
Interest Income in Won	3,804.6	3,408.3	-396.3	-10.42%
Interest Income in FC	78.1	74.8	-3.3	-4.23%
Net Interest Spread in Won	2.11%	1.87%	-0.24%	-11.37%
Average Lending Rate	5.25%	4.46%	-0.79%	-15.05%
Average Deposit Rate	3.14%	2.59%	-0.55%	-17.52%
Net Interest Margin	1.99%	1.76%	-0.23%	-11.56%
NIM in Won	2.13%	1.88%	-0.25%	-11.74%
NIM in FC	0.46%	0.46%	0.00%	0.00%

Note1) NII is based on the methodology applicable to calculate Net Interest Margin and is different from the NII stated on the earnings presentation material, which is based on the current accounting standard.

Interest income fell by 8.8%, or KRW 418.2 billion. This was due to a sharp decrease in net interest margins by 23 basis points to 1.76%, despite the growth of loan assets by 2.0%. SHB had been making efforts to reduce its funding costs to prepare against the falling NIMs. It also endeavored to minimize downfalls in interest income by reinforcing its delinquency ratio management, breaking away from growth-oriented operations, and seeking profitability-first asset management.

G&A Expenses

(In billions of Korean won)

	FY2012	FY2013	Increase	YoY
Employee Benefits	1,525.2	1,508.9	-16.3	-1.07%
Salaries & Employee Benefits	1,372.9	1,438.5	65.6	4.78%
Termination Benefits	43.1	56.2	13.1	30.39%
Provision for Current Year Severance and Retirement Benefits	109.2	14.2	-95.0	-87.00%
Depreciation	192.6	203.6	11.0	5.71%
Other General and Administrative Expenses	1,000.9	980.4	-20.5	-2.05%
Occupancy, Furniture & Equipment Expenses	907.0	897.2	-9.8	-1.08%
Taxes	93.9	83.2	-10.7	-11.40%
G&A Expenses	2,718.8	2,692.9	-25.9	-0.95%

G&A expenses decreased by KRW 25.9 billion, or 1.0%, over the year, due to the bank's strategic efforts to reduce its expenses, including advertising expenses. However, there were causes for increases, such as wage hikes and the implementation of voluntary resignations.

Summary of Loans and Deposits

(In billions of Korean won)

	4Q2012	4Q2013	Increase	YoY
Loans				
Bank Account	162,617.8	166,710.9	4,093.1	2.52%
Loans in Won	144,228.0	147,048.1	2,820.1	1.96%
Retail	69,803.6	71,846.4	2,042.8	2.93%
Mortgage	45,668.0	44,257.5	-1,410.5	-3.09%
Others	24,135.6	27,588.9	3,453.3	14.31%
Corporate	74,424.5	75,201.7	777.2	1.04%
SME	51,323.7	55,062.1	3,738.4	7.28%
(SOHO)	24,984.4	27,731.9	2,747.5	11.00%
Large Corp. & Public	23,100.8	20,139.6	-2,961.2	-12.82%
Loans in FC	5,900.1	5,291.5	-608.6	-10.32%
Bills Bought in FC	4,107.2	3,749.1	-358.1	-8.72%
Call Loans, RPs	4,798.5	7,436.3	2,637.8	54.97%
Others	5,232.8	4,687.1	-545.7	-10.43%
Loan Loss Allowance(Δ)	1,648.8	1,501.1	-147.7	-8.96%
Trust Account	559.7	466.2	-93.5	-16.71%
Merchant A/C and Other Consolidating Entities	6,521.7	7,512.2	990.5	15.19%
Total Loans (Consolidated)	169,699.2	174,689.3	4,990.1	2.94%
Loan to Deposit Ratio ¹⁾	98.0%	98.5%	0.50%	0.51%

Note1) Based on monthly average balance, Excluding CDs

(In billions of Korean won)

	4Q2012	4Q2013	Increase	YoY
Deposits				
Bank Account	155,142.4	159,103.2	3,960.8	2.55%
Low Cost Deposits	47,105.0	52,697.0	5,592.0	11.87%
Demand	15,745.7	17,691.2	1,945.5	12.36%
Low Cost Saving	31,359.3	35,005.8	3,646.5	11.63%
Time Deposits	91,922.4	89,641.7	-2,280.7	-2.48%
Installment Deposits	8,290.3	8,140.7	-149.6	-1.80%
CDs	943.1	1,475.6	532.5	56.46%
RPs & Bills Sold	361.9	373.3	11.4	3.15%
Deposits in FC	6,519.6	6,774.9	255.3	3.92%
Trust Account	15,452.8	16,830.0	1,377.2	8.91%
Merchant A/C and Other Consolidating Entities	-586.2	-912.8	-326.6	55.71%
Total Deposits	170,009.0	175,020.4	5,011.4	2.95%
Deposits in FC	4.2%	4.3%	0.1	2.32%

For loans, retail loans increased by about KRW 2.0 trillion over the year, as mortgage loans declined by about KRW 1.4 trillion due to approximately KRW 2.7 trillion worth of securitization, while others surged by about KRW 3.5 trillion. Corporate loans increased by about KRW 0.8 trillion overall, which was caused by a rise of about KRW 3.7 trillion in SME loans, and there was a fall in loans to large companies by about KRW 3.0 trillion.

Time deposits dropped by about KRW 2.3 trillion in the wake of interest rate falls. Low-cost deposits swelled by about KRW 5.6 trillion, which significantly helped the bank to lower funding costs and defend NIMs. This was attributed to its efforts to increase deposits and salary transfers from public institutions and companies, and to attract the settlement accounts of credit card-affiliated stores amidst expanded market liquidity occurring.

Asset Quality

(In billions of Korean won)

	4Q2012	4Q2013	Increase	YoY
Total Asset				
Normal	163,852.1	167,398.2	3,546.1	2.16%
Precautionary	2,111.0	1,383.6	-727.4	-34.46%
Substandard	1,078.7	912.9	-165.8	-15.37%
Doubtful	333.1	257.2	-75.9	-22.79%
Estimated Loss	402.2	814.9	412.7	102.61%
Total	167,777.1	170,766.7	2,989.6	1.78%
Bad loan Ratio	0.44%	0.63%	0.19%	43.18%
Substandard & Below Ratio	1.08%	1.16%	0.08%	7.41%
Precautionary & Below Ratio	2.34%	1.97%	-0.37%	-15.81%
Allowance + Reserve	3,107.8	2,962.0	-145.8	-4.69%
Allowance	1,629.1	1,492.7	-136.4	-8.37%
Reserve	1,478.7	1,469.2	-9.5	-0.64%
Coverage Ratio Against				
Bad Loan	221.54%	139.24%	-82.30%	-37.15%
Substandard & Below	171.32%	149.22%	-22.10%	-12.90%
Precautionary & Below	79.18%	87.93%	8.75%	11.05%

The ratio of substandard and below loans to total loans rose by 8 basis points over the year to 1.16%, which resulted in the bank being able to maintain the highest-level soundness among domestic banks. The non-performing loan coverage ratio was also maintained at a relatively high level of 149.2%.

Delinquency Ratio by Sector

(In billions of Korean won)

	4Q2012	4Q2013	Increase	YoY
Total Loans	158,120.2	160,045.5	1,925.3	1.22%
Retail	70,275.9	72,239.3	1,963.4	2.79%
Corporate	87,844.3	87,806.2	-38.1	-0.04%
SME	54,951.7	57,969.2	3,017.5	5.49%
(SOHO)	25,799.0	28,284.6	2,485.6	9.63%
Large Corp.	32,892.7	29,837.0	-3,055.7	-9.29%
Total Delinquent Loans¹⁾	970.2	617.0	-353.2	-36.40%
Retail	375.4	176.7	-198.7	-52.93%
Corporate	594.8	440.4	-154.4	-25.96%
SME	486.5	320.4	-166.1	-34.14%
(SOHO)	132.0	93.8	-38.2	-28.94%
Large Corp.	108.3	120.0	11.7	10.80%
Delinquency Ratio_Total Loan¹⁾	0.61%	0.39%	-0.22%	-36.07%
Retail	0.53%	0.24%	-0.29%	-54.72%
Corporate	0.68%	0.50%	-0.18%	-26.47%
SME	0.89%	0.55%	-0.34%	-38.20%
(SOHO)	0.51%	0.33%	-0.18%	-35.29%
Large Corp.	0.33%	0.40%	0.07%	21.21%

Note 1) Principal or interest delinquent for 1 month and over

Delinquency rates for household loans and small- and medium-sized enterprise (SME) loans stood at manageable levels of 0.24%, and 0.55%, respectively, due to loan write-offs and disposal amounting to KRW 1,568.0 billion in 2013. The ratio of non-performing loans to total loans was 1.16%, showing the highest-level soundness among domestic banks.

Delinquency Ratio by Industry(SME)¹⁾

(In billions of Korean won)

	4Q2012	4Q2013	Increase	YoY
Manufacturing	0.39%	0.37%	-0.02%	-5.13%
Constructions	2.05%	0.86%	-1.19%	-58.05%
Wholesales & Retails	0.59%	0.36%	-0.23%	-38.98%
Accommodation & Restaurants	0.41%	0.17%	-0.24%	-58.54%
Trans and Storage	0.48%	0.19%	-0.29%	-60.42%
Telecommunication	0.60%	0.27%	-0.33%	-55.00%
Finance and Insurance	-	0.06%	0.06%	100.00%
Real Estate/ Rent	1.89%	1.21%	-0.68%	-35.98%
Science and Technology	0.26%	0.12%	-0.14%	-53.85%
Educational Service	0.53%	0.14%	-0.39%	-73.58%
Health and Social Benefits	0.38%	0.06%	-0.32%	-84.21%
Entertainments and Sports	1.20%	0.94%	-0.26%	-21.67%
Others	0.61%	0.19%	-0.42%	-68.85%
SME Total	0.89%	0.55%	-0.34%	-38.20%

Note1) Principal or interest delinquent for 1 month and over

Capital Adequacy

(In billions of Korean won)

	4Q2012	4Q2013	Increase	YoY
Tier I Capital	16,325.4	18,021.4	1,696.0	10.39%
Paid in Capital	7,928.1	7,928.1	-0.0	0.00%
Capital Surplus	403.2	403.2	-0.0	-0.01%
Retained Earnings	6,563.2	8,088.1	1,524.9	23.23%
Hybrid Bond	2,329.8	-	-2,329.8	-100.00%
Others	-92.8	297.0	389.8	-420.04%
Deductions(-)	806.0	586.0	-220.0	-27.30%
Tier II Capital	4,123.1	3,020.0	-1,103.1	-26.75%
Provisions	887.6	890.8	3.2	0.36%
Subordinated Debt	2,532.0	2,532.0	-	0.00%
Others	797.7	797.7	-0.0	0.00%
Deductions(-)	94.2	94.2	-0.0	-0.01%
Total BIS Capital	20,448.6	21,041.4	592.8	2.90%
RWA	129,146.1	129,276.7	130.6	0.10%
Credit Risk RWA	112,488.2	114,809.3	2,321.1	2.06%
Market Risk RWA	6,400.3	5,448.4	-951.9	-14.87%
Operation Risk RWA	10,257.6	9,018.9	-1,238.7	-12.08%
BIS Capital Adequacy Ratio	15.83%	16.29%	0.46%	2.91%
Tier I	12.64%	13.94%	1.30%	10.28%
Tier II	3.19%	2.35%	-0.84%	-26.33%

Note) Applied the Basel III capital requirements in December 2013

The Basel III-based BIS ratio stood at 16.29% at the end of 2013. It rose by 0.46% points from the Basel II-based BIS ratio at the end of the preceding year. This was mostly led by a rise in retained earnings and by a capital increase effect that followed the adoption of Basel III. It was also affected by the approval of advanced measurement methods in relation to the calculation of operating risk-weighted assets.

Shareholders' equity increased by KRW 608.5 billion. This increase was led by the steady generation of earnings and by the reflection of revised standards for gains on the valuation of available-for-sale securities. All of which occurred following the introduction of Basel III.

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2174 Royal Lane Dallas Texas 75229 USA
Tel. 1-972-406-3540
Fax. 1-972-406-3546
SWIFT: SHBKUS6LNYX

SHINHAN BANK AMERICA (CA H.O.)
3000 West Olympic Blvd., Los Angeles, CA 90006, U.S.A.
Tel. 1-213-251-3000
Fax. 1-213-386-7208
SWIFT: SHBKUS6LCAx

OLYMPIC BRANCH
3000 West Olympic Blvd., Los Angeles, CA 90006, U.S.A.
Tel. 1-213-251-3000
Fax. 1-213-386-2170
SWIFT: SHBKUS6LCAx

BUENA PARK BRANCH
6771 Beach Blvd., Buena Park, CA 90621, U.S.A.
Tel. 1-714-443-6400
Fax. 1-714-443-5960, 5961
SWIFT: SHBKUS6LCAx

DOWNTOWN BRANCH
738 East Pico Blvd., Los Angeles, CA 90021, U.S.A.
Tel. 1-213-251-3090
Fax. 1-213-748-9422
SWIFT: SHBKUS6LCAx

IRVINE BRANCH
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5140 Yonge Street Suite 2300 Toronto, Ontario, M2N6L7, Canada
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Fax. 1-416-250-3507
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SHINHAN BANK CANADA MAIN BRANCH
5095 Yonge St. Unit B2, Toronto, Ontario M2N 6Z4, Canada
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SWIFT: SHBKCAAT

MISSISSAUGA BRANCH
257 Dundas Street East, Unit 3 and 4, Mississauga, Ontario, L5A1W8, Canada
Tel. 1-905-272-7440
Fax. 1-905-272-7441
SWIFT: SHBKCAAT

THORNHILL BRANCH
7191 Yonge Street, Suites 106&107, Markham, Ontario, L3T0C4, Canada
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Tel. 52-55-5525-7787/8
Fax. 52-55-5525-7787

CORPORATE DATA (As of December 31, 2013)

- **Date of Establishment:** Shinhan Bank (established in 1982) and Chohung Bank (established in 1897) merged to form the new Shinhan Bank on April 1, 2006
- **Major Shareholder:** Shinhan Financial Group (100%)
- **Business Network:** Domestic : 943 branches and offices
Overseas : 15 countries and 66 outlets
(7 overseas branches, 9 local subsidiaries)
- **Number of Customers:** 22,200,778
- **Number of Employees:** 14,753
- **Members of Shinhan Financial Group:** Shinhan Bank (100%)
Shinhan Card (100%)
Shinhan Investment Corp. (100%)
Shinhan Life Insurance (100%)
Shinhan Capital (100%)
Jeju Bank (68.9%)
Shinhan BNP Paribas Asset Management (65%)
Shinhan Data System (100%)
Shinhan Credit Information (100%)
Shinhan Private Equity Investment Management (100%)
Shinhan Savings Bank (100%)
Shinhan AITAS (99.8%)
* () shows Shinhan Financial Group's holdings in its subsidiaries.



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