

SHINHAN FINANCIAL GROUP CO LTD
Form 6-K
August 29, 2011

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

**Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934**

For the Month of August 2011

SHINHAN FINANCIAL GROUP CO., LTD.

(Translation of registrant's name into English)

120, 2-Ga, Taepyung-Ro, Jung-Gu,

Seoul 100-102, Korea

(Address of principal executive offices)

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- .

Summary of 2011 1H Business Report

On August 29, 2011, Shinhan Financial Group (SFG) filed its 2011 1H Business Report (the Business Report) with the Financial Supervisory Service of the Republic of Korea (Korea) pursuant to the Financial Investment Services and Capital Market Act of Korea. This is the summary of the Business Report translated into English. Non-material or previously disclosed information are omitted or abridged.

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

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Independent Accountant s Audit Report (Separate Financial Statements) of Shinhan Financial Group as of June 30, 2011

Exhibit 99-2

Independent Accountant s Audit Report (Consolidated Financial Statements) of Shinhan Financial Group as of June 30, 2011

1. Introduction of the Group

Company History in 2009 through 2011

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

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

Sep. 2009 : SBJ became an indirect subsidiary of SFG

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

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

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

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

June 2010 : CHB Valuemeet 2001 First SPC was disaffiliated from SFG

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

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

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

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

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

Principal Subsidiaries under Korean Law (as of June 30, 2011)

Direct Subsidiaries

Subsidiaries	Ownership by SFG
Shinhan Bank	100.0%
Shinhan Card	100.0%
Shinhan Investment Corp.	100.0%
Shinhan Life Insurance	100.0%
Shinhan Capital	100.0%
Jeju Bank ¹⁾	68.9%
Shinhan BNP Paribas Asset Management	65.0%
Shinhan Data System	100.0%
Shinhan Credit Information	100.0%
Shinhan Private Equity	100.0%
SHC Management	100.0%

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

Indirect subsidiaries held through direct subsidiaries

Direct Subsidiaries	Indirect Subsidiaries	Ownership by the Parent
	Shinhan Asia Limited	100.0%
	Shinhan Bank America	100.0%
	Shinhan Bank Europe	100.0%
	Shinhan Vina Bank	50.0%
	Shinhan Khmer Bank Limited	90.0%
Shinhan Bank	Shinhan Bank Kazakhstan	100.0%
	Shinhan Bank China Limited	100.0%
	Shinhan AITAS	89.6%
	Shinhan Bank Canada	100.0%
	Shinhan Bank Japan	100.0%
	Shinhan Vietnam Bank	100.0%
Shinhan Card	Shinhan-KT Mobile Card	50.0%
	Shinhan Investment Corporation Europe Ltd.	100.0%
	Shinhan Investment Corporation USA Inc.	100.0%
Shinhan Investment Corp.	Shinhan Investment Corporation Asia Ltd.	100.0%
	Shinhan Maritime Private Equity Fund I	7.1%
	KOFC Shinhan Frontier Champ 2010-4 PEF Investment Corp ³⁾	8.5%
Shinhan Capital	PETRA PEF	23.8%
Shinhan BNP Paribas Asset Management	Shinhan BNP Paribas Asset Management (Hong Kong) Limited	100.0%
Shinhan Private Equity	Shinhan NPS Private Equity Fund 1st	5.0% ¹⁾
	Shinhan Private Equity Fund II	2.2% ²⁾

1) Shinhan Financial Group and its subsidiaries currently own 36.7% of Shinhan NPS Private Equity Fund 1st.

2) Shinhan Financial Group and its subsidiaries currently own 32.6% of Shinhan Private Equity Fund II.

3) Shinhan Capital currently owns 6.5% of KOFC Shinhan Frontier Champ 2010-4 PEF Investment Corp.

Number of Shares (as of June 30, 2011)

Types of Shares	Number of Shares
Common Shares	474,199,587
Redeemable Preferred Shares	40,090,000
Redeemable Convertible Preferred Shares	14,721,000
Total	529,010,587

Note) On April 2011, a total of 11,100,000 shares of 12th series Redeemable Preferred Shares were issued through a 3rd party assignment. Please refer to the Form 6-K filed on April 7, 2011 for detail of the terms and conditions of these shares.

2. Business Results

Operation Results	(KRW billion)	
	2011 (Jan. 1 ~ June 30)	2010 (Jan. 1 ~ June 31)
Operating income	2,529.8	1,822.0
Equity in income(loss) of associates	21.7	3.6
Earnings before income tax	2,551.5	1,825.6
Income taxes	577.1	372.4
Consolidated net income	1,974.3	1,453.2
Net income in majority interest	1,889.1	1,365.1
Net income in minority interest	85.2	88.1

F Some of the totals may not sum due to rounding

Source and Use of Funds**Source of Funds**

	2011 Jan. 1 ~ June 30				2010 Jan. 1 ~ June 30			
	Average Balance	Proportions (%)	Interest Paid	Interest Rate (%)	Average Balance	Proportions (%)	Interest Paid	Interest Rate (%)
(In KRW billion, %)								
Deposits	152,389.6	61.04	1,958.6	2.57	148,937.6	62.23	1,977.5	2.66
Borrowings	18,643.1	7.47	217.3	2.33	17,369.1	7.26	204.7	2.36
Source								
Debentures	40,051.4	16.04	965.2	4.82	40,312.1	16.84	1,011.1	5.02
Other Liabilities	38,564.5	15.45			32,703.1	13.66		
<u>Total Liabilities</u>	249,648.7	100.00			239,321.8	100.00		
<u>Stockholder's Equity</u>	28,041.7				25,194.1			
Currency & Due from Banks	13,605.7	4.90	124.2	1.83	15,399.2	5.82	81.5	1.06
Loans	184,144.2	66.31	5,451.0	5.92	171,537.8	64.85	5,229.0	6.10
Loan in KRW	141,160.8	50.83	3,977.2	5.63	134,177.8	50.73	3,814.1	5.69
Loan in Foreign Currency	9,044.2	3.26	183.2	4.05	8,745.7	3.31	183.0	4.18
Use								
Credit Card Accounts	17,556.6	6.32	930.2	10.60	15,717.8	5.94	860.1	10.94
Others	16,382.6	5.90	360.4	4.40	12,896.5	4.88	372.0	5.77
HTM Assets	12,534.9	4.51	325.3	5.19	13,152.6	4.97	350.9	5.34
Other Assets	67,405.7	24.27			64,426.3	24.36		
<u>Total Assets</u>	277,690.4	100.00			264,515.9	100.00		

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

Other Financial Information

Financial information for June 30, 2011 contained in this section are provisional figures.

<i>Group BIS Ratio</i>	(KRW billion)	
	June 30, 2011	Dec. 31, 2010
Aggregate Amount of Equity Capital (A)	25,777.8	23,369.7
Risk-Weighted Assets (B)	190,312.2	188,785.7
BIS Ratio (A/B) ¹⁾	13.55%	12.38%

- 1) In accordance with the amendments in the Financial Holding Company Guidelines of the Financial Service Commission (FSC), the Group BIS Ratio under BASEL I. is used as an index for measuring capital adequacy.
- 2) BIS ratio for Dec. 31, 2010 based on K GAAP is 12.77%

<i>Won Liquidity Ratio</i>	(KRW billion)	
	June 30, 2011	Dec. 31, 2010
Won Assets due within 1 month (A)	3,211.2	972.6
Won Liabilities due within 1 month (B)	99.8	246.0
Won Liquidity Ratio (A/B)	3,218.43%	395.31%

<i>Liabilities to Equity Ratio</i>	(KRW billion)	
	June 30, 2011	Dec. 31, 2010
Liabilities (A)	7,831.7	6,907.6
Equity (B)	22,370.2	20,753.0
Liabilities to Equity Ratio (A/B)	35.01%	33.29%

Capital Adequacy Ratio and Other Ratios of Major Subsidiaries

(1) BIS Capital Adequacy Ratio (%)

	June 30, 2011	Dec. 31, 2010
Shinhan Bank ³⁾	15.75	15.47
Jeju Bank	13.47	13.40

- 1) The BIS Capital Adequacy Ratio is computed in accordance with the guidelines issued by the FSC for commercial banks. Under these guidelines, commercial banks are required to maintain a minimum capital adequacy ratio of 8%.
- 2)

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Basel II FIRB Approach was applied in calculating Shinhan Bank's BIS Capital Adequacy Ratios. Basel II TSA Approach was applied in calculating Jeju Bank's BIS Capital Adequacy Ratios.

- 3) Shinhan Bank's BIS ratio for Dec. 31, 2010 based on K GAAP is 15.93%

(2) Adjusted Equity Capital Ratio (%)	June 30, 2011	Dec. 31, 2010
Shinhan Card	24.57	25.18
Shinhan Capital	13.89	14.23

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

(3) Net Capital Ratio (%)

	June 30, 2011	Dec. 31, 2010
Shinhan Investment Corp.	630.09	658.31
Shinhan BNP Paribas Asset Management	616.95	708.31

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

(4) Solvency Margin Ratio (%)

	June 30, 2011	Dec. 31, 2010
Shinhan Life Insurance	325.81	397.93

* Under the guidelines issued by the FSC, Shinhan Life Insurance is required to maintain a minimum solvency margin ratio of 100%.

(6) Liability to Equity Ratio (%)

	June 30, 2011	Dec. 31, 2010
Shinhan Private Equity	233.3	216.2

Non- Performing Loans of Certain Subsidiaries ¹⁾

(1) Non- Performing Loans

(KRW billion)

	June 30, 2011		Dec. 31, 2010	
	Balance of NPL	NPL to total Loans (%)	Balance of NPL	NPL to total Loans (%)
Shinhan Bank ¹⁾	1,530.7	0.96	1,410.0	0.91
Jeju Bank ¹⁾	34.7	1.57	28.5	1.28
Shinhan Card ²⁾	331.4	1.62	325.9	1.60
Shinhan Investment ²⁾	144.3	12.33	186.9	16.32
Shinhan Life Insurance	6.2	0.22	6.0	0.21
Shinhan Capital	73.3	2.41	76.5	2.38

1)

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Non-performing loans of banks are defined as those loans are past due more than 90 days or those are placed on non-accrual status according to the guidelines of the FSC.

- 2) Under the guidelines of the FSC, every securities brokerage company and credit card company shall classify its loans into five categories: normal, precautionary, substandard, doubtful and estimated loss. Under the Group's internal measures, non-performing loans of Shinhan Investment, and Shinhan Card includes loans classified as substandard, doubtful, and estimated loss.

(2) Loan Loss Allowances & Write-offs for the period

(KRW billion)

		Jan. 1, 2011~ June. 30, 2011	Jan. 1, 2010~ June 30, 2010
	Allowance for Possible Loan Losses	1,723.7	1,805.1
	Allowance for doubtful accounts on Acceptance and Guarantees	132.3	208.7
	Allowances for Losses Related to Unused Ceiling	87.5	85.8
Shinhan Bank	Other Allowances	175.2	111.8
	Allowance for Valuation of Bonds	1.0	1.0
	Total	2,119.8	2,212.4
	Write-offs	360.6	709.8
	Allowance for Possible Loan Losses	31.0	39.7
	Allowance for doubtful accounts on Acceptance and Guarantees	0.3	0.2
	Allowances for Losses Related to Unused Ceiling	1.2	1.7
Jeju Bank	Other Allowances	0.6	
	Allowance for Valuation of Bonds		
	Total	33.1	41.6
	Write-offs	7.0	10.6
	Allowance for Possible Loan Losses	696.1	703.8
Shinhan Card	Allowance for reward on credit card use	21.9	25.2
	Allowances for Losses Related to Unused Ceiling	360.9	367.5
	Other Allowances	9.3	8.8
	Total	1,088.2	1,105.3
	Write-offs	205.3	494.4
	Allowance for Possible Loan Losses	120.2	151.3
Shinhan Investment Corp.	Other Allowances	25.0	25.3
	Total	145.2	176.6
	Write-offs		8.0
Shinhan Life Insurance	Allowance for Possible Loan Losses	30.9	28.5
	Total	30.9	28.5
	Write-offs	2.2	6.8
	Allowance for Possible Loan Losses	66.6	61.5
Shinhan Capital	Total	66.6	61.5
	Write-offs	29.8	27.8

Twenty Largest Exposures by Borrower

(KRW billion)

As of June 30, 2011	Loans in Won	Loans in Foreign Currency	Securities	Guarantees and Acceptances	Others	Total Exposures
Consolidated basis						
Ministry of Strategy & Finance			8,883			8,883
Bank of Korea	2,500		5,568			8,068
Hyundai Heavy Industries Co., Ltd.	30	332	702	1,816		2,880
Korea Land & Housing Corporation			2,448			2,448
Industrial Bank of Korea	554	11	1,858			2,423
Korea Deposit Insurance Corporation	174		2,049			2,223
Korea Development Bank	19		1,650			1,669
Woori Bank	97	95	1,215			1,407
Hana Bank	14	5	1,253			1,272
Samsung Heavy Industries Co., Ltd.		16		1,239		1,256
National Agricultural Cooperative Federation	88	34	1,042	3		1,167
POSCO	28	126	933	38		1,124
Songdo Cosmopolitan City Development Inc.	1,000		100			1,100
SH Corporation	100		976			1,077
Korea Finance Corporation			974			974
Hyundai Samho Heavy Industries Co., Ltd.	1	44	35	806		885
Samsung C&T	35	89	571	87		782
KEPCO	1		767	1		770
Hynix		292	373	96		762
Korea Securities Finance Corporation	50		679			729
Total	4,691	1,044	32,074	4,087		41,896

F Some of the totals may not sum due to rounding

Exposure to Main Debtor Groups

(KRW billion)

As of June 30, 2011

Consolidated basis	Loans in Won	Loans in Foreign Currency	Securities	Guarantees and Acceptances	Others	Total Exposures
Hyundai Heavy						
Industries	141	544	791	3,219		4,694
Samsung	243	1,099	1,138	1,573		4,053
Hyundai Motors	901	1,143	656	466		3,166