

Statement of compliance

We have prepared this unaudited Disclosure Statement of Shinhan Bank, Hong Kong Branch (“the Branch”) as of 30 June 2016. It is compiled according to the Banking (Disclosure) Rules under the Banking Ordinance (Chapter 155M) effective from 1 January 2007.

As the Chief Executive of the Branch, I confirm, to the best of my knowledge, that the information contained in the Disclosure Statement is correctly compiled in accordance with the Banking (Disclosure) Rules requirement and consistent with the books and records of the Branch.

Shinhan Bank, Hong Kong Branch



Chief Executive
Hong Kong
30 September 2016

Shinhan Bank, Hong Kong Branch
Financial Disclosure as of 30 June 2016
(Expressed in Thousand of Hong Kong dollars)

Branch Information (Hong Kong office only)

Profit and loss information

Income	<u>Jun 2016</u>	<u>Jun 2015</u>
Interest income	105,440	115,613
Interest expense	<u>56,785</u>	<u>53,462</u>
Net interest income	<u>48,655</u>	<u>62,151</u>
Other operating income		
- Gains less losses from trading in foreign currencies	-	-
- Gains less losses from non-trading activities in foreign currencies	228	575
- Gains less losses from trading in securities	-	-
- Gains less losses from non-trading activities in securities ^{Note}	541	(10,762)
- Gains less losses from other trading activities ^{Note}	-	16
	<u>769</u>	<u>(10,171)</u>
Net fee and commission income		
- Fee and commission income	10,515	12,206
- Fee and commission expense	<u>(475)</u>	<u>(2,315)</u>
	<u>10,040</u>	<u>9,891</u>
Other income	<u>819</u>	<u>(345)</u>
Total operating income	<u>60,283</u>	<u>61,526</u>
Expenses		
Operating expenses		
- Staff expenses	5,779	3,718
- Rental expenses	2,672	2,130
- Other operating expenses	<u>1,582</u>	<u>4,002</u>
Total Operating expenses	<u>10,033</u>	<u>9,850</u>
Operating profit before impairment losses	50,250	51,676
Impairment losses and charges for allowances on impaired loans and receivables		
- Collective impairment allowances	1,011	(33,623)
- Individual impairment allowances	<u>(886)</u>	<u>124,037</u>
	<u>125</u>	<u>90,414</u>
Gains less losses from the disposal of property, plant and equipment and investment properties	-	-
Profit before taxation	<u>50,125</u>	<u>(38,738)</u>
Tax expense	<u>2,251</u>	<u>(5,885)</u>
Profit after taxation	<u>47,874</u>	<u>(32,853)</u>

Note : including gains less losses from changes of fair value of derivative instruments

Shinhan Bank, Hong Kong Branch
Financial Disclosure as of 30 June 2016

(Expressed in Thousand of Hong Kong dollars)

Branch Information (Hong Kong office only)

Balance sheet information

Assets	<u>At 30 Jun 2016</u>	<u>At 31 Dec 2015</u>
Cash and balances with banks	1,054,445	1,235,407
Placements with banks which have a residual contractual maturity		
not more than 1 month	541,374	118,137
more than 1 month but not more than 1 year	499,645	720,843
more than 1 year	-	387,550
	<u>1,041,019</u>	<u>1,226,530</u>
Amount due from overseas offices of Shinhan Bank	1,217,716	1,206,728
Trade bills	2,725,414	3,326,354
Advances and other accounts		
- Advances to customers	4,507,477	4,631,845
- Advances to banks and other financial institutions	-	-
- Accrued interest and other accounts	33,685	31,964
- Collective allowances for impaired advances to customers	(29,721)	(35,113)
- Collective allowances for impaired advances to banks	(4,588)	(4,415)
- Individual allowances for impaired advances to customers	(98,197)	(92,771)
- Individual allowances for impaired advances to banks	-	-
	<u>4,408,656</u>	<u>4,531,510</u>
Investment Securities		
- Available-for-sale securities	1,908,577	1,301,332
	<u>1,908,577</u>	<u>1,301,332</u>
Property, plant and equipment and investment properties	182	223
Other assets	10,820	13,400
Total assets	<u>11,325,810</u>	<u>11,614,954</u>
Liabilities		
Deposits and balances from banks	2,795,117	3,406,638
Deposits from customers		
- Demand deposits and current accounts	51,445	64,628
- Savings deposits	474,876	527,307
- Time, call and notice deposits	976,145	1,116,189
	<u>1,502,466</u>	<u>1,708,124</u>
Amount due to overseas offices of Shinhan Bank	1,221,948	1,051,789
Certificates of deposit issued	3,116,299	2,069,517
Issued debt securities	4,119,711	5,007,146
Other liabilities	72,735	79,864
Provisions	-	-
Total liabilities	<u>11,325,810</u>	<u>11,614,954</u>

Shinhan Bank, Hong Kong Branch
Financial Disclosure as of 30 June 2016

(Expressed in Thousand of Hong Kong dollars)

I Additional Balance Sheet Information

(a) Loans and receivables	At 30 Jun 2016	At 31 Dec 2015
Advances to customers	4,507,477	4,631,845
Advances to banks	-	-
Accrued interest and other accounts	33,685	31,964
Impairment allowances for impaired advances		
- Collective allowances for impaired advances to customers	(29,721)	(35,113)
- Collective allowances for impaired advances to banks	(4,588)	(4,415)
- Individual allowances for impaired advances to customers	(98,197)	(92,771)
- Individual allowances for impaired advances to banks	-	-
	<u>4,408,656</u>	<u>4,531,510</u>

As at 30 Jun 2016	Gross amount	Impairment allowances (individually)	Market Value of collateral held	% to total loans and advances to customers
Impaired loans and advances to customers (individually determined)	<u>124,134</u>	<u>98,197</u>	<u>-</u>	<u>2.75%</u>

As at 30 Jun 2016	Gross amount	Impairment allowances (individually)	Market Value of collateral held	% to total loans and advances to banks
Impaired loans and advances to banks (individually determined)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

As at 31 Dec 2015	Gross amount	Impairment allowances (individually)	Market Value of collateral held	% to total loans and advances to customers
Impaired loans and advances to customers (individually determined)	<u>124,016</u>	<u>97,186</u>	<u>-</u>	<u>2.68%</u>

As at 31 Dec 2015	Gross amount	Impairment allowances (individually)	Market Value of collateral held	% to total loans and advances to banks
Impaired loans and advances to banks (individually determined)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Shinhan Bank, Hong Kong Branch
Financial Disclosure as of 30 June 2016
(Expressed in Thousand of Hong Kong dollars)

I Additional Balance Sheet Information *(continued)*

(b) Overdue and rescheduled assets

	<u>At 30 Jun 2016</u>		<u>At 31 Dec 2015</u>	
Overdue advances				
Advances to customers overdue for	<u>Gross amount</u>	<u>% to total advances to customers</u>	<u>Gross amount</u>	<u>% to total advances to customers</u>
- not more than 3 months	-	-	-	-
- more than 3 months but not more than 6 months	-	-	-	-
- more than 6 months but not more than 1 year	-	-	-	-
- more than 1 year	-	-	-	-
Total overdue advances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Advances to banks overdue for	<u>Gross amount</u>	<u>% to total advances to banks</u>	<u>Gross amount</u>	<u>% to total advances to banks</u>
- not more than 3 months	-	-	-	-
- more than 3 months but not more than 6 months	-	-	-	-
- more than 6 months but not more than 1 year	-	-	-	-
- more than 1 year	-	-	-	-
Total overdue advances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Market value of collateral held against the secured overdue advances		<u>Gross amount</u>		<u>Gross amount</u>
		-		-
Secured overdue advances		-		-
Unsecured overdue advances		-		-
		<u>-</u>		<u>-</u>
Specific provision made on overdue advances		-		-
		<u>-</u>		<u>-</u>
Rescheduled advances				
Rescheduled advances to customers	<u>Gross amount</u>	<u>% to total advances to customers</u>	<u>Gross amount</u>	<u>% to total advances to customers</u>
	-	-	-	-
Rescheduled advances to banks	<u>Gross amount</u>	<u>% to total advances to banks</u>	<u>Gross amount</u>	<u>% to total advances to banks</u>
	-	-	-	-

Shinhan Bank, Hong Kong Branch
Financial Disclosure as of 30 June 2016

(Expressed in Thousand of Hong Kong dollars)

I Additional Balance Sheet Information (continued)

(b) Overdue and rescheduled assets (continued)

Other overdue assets	At 30 Jun 2016		At 31 Dec 2015	
	Gross amount	% to total other assets	Gross amount	% to total other assets
Other assets overdue for				
- not more than 3 months	-	-	-	-
- more than 3 months but not more than 6 months	-	-	-	-
- more than 6 months but not more than 1 year	-	-	-	-
- more than 1 year	-	-	-	-
Total other overdue assets	-	-	-	-
Repossessed assets		Gross amount		Gross amount
Repossessed assets held		-		-

(c) The breakdown of the gross amount of loans and advances to customers by industry categories

As at 30 Jun 2016

	Gross advances	Extent advances are covered by collateral or other security
Loans and advances for use in Hong Kong		
Industrial, commercial and financial		
- Property development	-	-
- Property investment	-	-
- Civil engineering works	-	-
- Financial concerns	-	-
- Stockbrokers	-	-
- Wholesale and retail trade	441,379	276,803
- Manufacturing	162,763	74,481
- Transport and transport equipment	20,560	20,560
- Recreational activities	20,000	-
- Information technology	-	-
- Others	-	-
Sub-total	644,702	371,844
Individuals		
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme or their respective successor schemes	-	-
- Loans for the purchase of other residential properties	-	-
- Credit card advances	-	-
- Others	-	-
Sub-total	-	-
Total loans and advances for use in Hong Kong	644,702	371,844
Trade finance	656	-
Loans and advances for use outside Hong Kong	3,862,119	1,928,084
	4,507,477	2,299,928

Shinhan Bank, Hong Kong Branch
Financial Disclosure as of 30 June 2016

(Expressed in Thousand of Hong Kong dollars)

I Additional Balance Sheet Information (continued)

(c) The breakdown of the gross amount of loans and advances to customers by industry categories (continued)

As at 31 Dec 2015

	<u>Gross advances</u>	<u>Extent advances are covered by collateral or other security</u>
Loans and advances for use in Hong Kong		
Industrial, commercial and financial		
- Property development	-	-
- Property investment	-	-
- Civil engineering works	-	-
- Financial concerns	38,755	-
- Stockbrokers	-	-
- Wholesale and retail trade	465,645	286,647
- Manufacturing	384,403	155,788
- Transport and transport equipment	26,973	23,253
- Recreational activities	-	-
- Information technology	-	-
- Others	-	-
Sub-total	<u>915,776</u>	<u>465,688</u>
Individuals		
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme or their respective successor schemes	-	-
- Loans for the purchase of other residential properties	-	-
- Credit card advances	-	-
- Others	50	-
Sub-total	<u>50</u>	<u>-</u>
Total loans and advances for use in Hong Kong	<u>915,826</u>	<u>465,688</u>
Trade finance	-	-
Loans and advances for use outside Hong Kong	<u>3,716,019</u>	<u>1,803,102</u>
	<u>4,631,845</u>	<u>2,268,790</u>

Shinhan Bank, Hong Kong Branch
Financial Disclosure as of 30 June 2016

(Expressed in Thousand of Hong Kong dollars)

I Additional Balance Sheet Information (continued)

(d) Analysis of gross loans and advances to customer by geographical areas

As at 30 Jun 2016	Gross loans and advances	Overdue loans and advances to customers	Impaired loans (individually determined)	Collectively assessed impairment allowances
- Asia & Pacific				
of which	4,355,135	-	98,197	21,240
- China	2,795,209	-		6,905
- Hong Kong	645,358	-	98,197	13,457
- South Korea	169,133	-	-	22
- Vietnam	485,086	-	-	801
- Caribbean				
of which	27,259	-	-	778
- Panama	27,259	-	-	778
- North America				
of which	-	-	-	-
- United States	-	-	-	-
- Others	125,083	-	-	317
Total	4,507,477	-	98,197	22,335
As at 31 Dec 2015	Gross loans and advances	Overdue loans and advances to customers	Impaired loans (individually determined)	Collectively assessed impairment allowances
- Asia & Pacific				
of which	4,482,858	-	97,186	23,004
- China	2,738,578	-		5,176
- Hong Kong	915,826	-	97,186	16,525
- South Korea	168,972	-	-	224
- Vietnam	466,796	-	-	1,048
- Caribbean				
of which	32,722	-	-	934
- Panama	32,722	-	-	934
- Middle East				
of which	116,265	-	-	180
- Saudi Arabia	116,265	-	-	180
- Others	-	-	-	-
Total	4,631,845	-	97,186	24,118

Note: Classification of gross amount of loans and advances to customers by countries or geographical areas constitutes 10% or more of the relevant disclosure amount. The analysis is based on the location of the counterparty.

Shinhan Bank, Hong Kong Branch
Financial Disclosure as of 30 June 2016
(Expressed in Thousand of Hong Kong dollars)

I Additional Balance Sheet Information *(continued)*

(e) Non-bank Mainland China exposures

As at 30 Jun 2016	On-balance sheet exposure	Off-balance sheet exposure	Total
Types of counterparties			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	-	-	-
2. Local governments, local government-owned entities and their subsidiaries and JVs	-	-	-
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	940,143	-	940,143
4. Other entities of central government not reported in item 1 above	-	-	-
5. Other entities of local governments not reported in item 2 above	-	-	-
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	-	-	-
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	2,133,685	-	2,133,685
Total	<u>3,073,828</u>	<u>-</u>	<u>3,073,828</u>
Total assets after provision	<u>11,325,810</u>		
On-balance sheet exposures as percentage of total assets	<u>27.14%</u>		

Shinhan Bank, Hong Kong Branch
Financial Disclosure as of 30 June 2016
(Expressed in Thousand of Hong Kong dollars)

I Additional Balance Sheet Information *(continued)*

(e) Non-bank Mainland China exposures

As at 31 Dec 2015			
Types of counterparties	On-balance sheet exposure	Off-balance sheet exposure	Total
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	-	-	-
2. Local governments, local government-owned entities and their subsidiaries and JVs	-	-	-
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	1,023,553	-	1,023,553
4. Other entities of central government not reported in item 1 above	-	-	-
5. Other entities of local governments not reported in item 2 above	-	-	-
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	-	-	-
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	1,955,527	-	1,955,527
Total	2,979,080	-	2,979,080
Total assets after provision	11,614,954		
On-balance sheet exposures as percentage of total assets	25.65%		

Shinhan Bank, Hong Kong Branch
Financial Disclosure as of 30 June 2016

(Expressed in Thousand of Hong Kong dollars)

II Cross-border claims (excluding claims from Head Office, branches and subsidiaries) by geographical areas after taking into consideration of transfer of risks

Cross-border claims are on-balance sheet exposures to counterparties after taking into account the transfer of risk.

As at 30 Jun 2016	Banks and others financial institutions	Public sector entities	Others	Total
- Asia & Pacific excluding Hong Kong				
of which	1,824,245	-	1,835,664	3,659,909
- China	369,112	-	901,700	1,270,812
- South Korea	680,504	-	169,133	849,637
- Vietnam	-	-	485,086	485,086
- North America	459,415	-	-	459,415
- Middle East	-	-	38,792	38,792
- Caribbean	-	-	27,259	27,259
- Western Europe	464,773	-	-	464,773
	<u>2,748,433</u>	<u>-</u>	<u>1,901,715</u>	<u>4,650,148</u>
As at 31 Dec 2015	Banks and others financial institutions	Public sector entities	Others	Total
- Asia & Pacific excluding Hong Kong				
of which	2,831,555	-	1,868,546	4,700,101
- China	1,704,808	-	1,013,980	2,718,788
- South Korea	797,151	-	195,083	992,234
- Vietnam	-	-	466,796	466,796
- North America	263,897	-	-	263,897
- Middle East	-	-	116,265	116,265
- Caribbean	-	-	32,722	32,722
- Western Europe	221,173	-	-	221,173
	<u>3,316,625</u>	<u>-</u>	<u>2,017,533</u>	<u>5,334,158</u>

Note: Amounts represent cross-border claims based on countries or geographical classification and constitutes 10% or more of the total amount. Claims arising between branches and subsidiaries are excluded.

Shinhan Bank, Hong Kong Branch
Financial Disclosure as of 30 June 2016

(Expressed in Million Hong Kong dollars)

III Currency risk

As at 30 Jun 2016

	HK\$ Million Equivalent			Total
	US Dollar	JPY & Others	CNY	
Spot assets	10,891	156	74	11,121
Spot liabilities	(10,812)	(19)	(56)	(10,887)
Forward purchases	225	1	-	226
Forward sales	(301)	(139)	(19)	(459)
Net option position	-	-	-	-
Net long / (net short) position	3	(1)	(1)	1
Structural position	-	-	-	-

As at 31 Dec 2015

	HK\$ Million Equivalent			Total
	US Dollar	JPY & Others	CNY	
Spot assets	11,181	142	166	11,489
Spot liabilities	(11,317)	(8)	(166)	(11,491)
Forward purchases	136	1	-	137
Forward sales	-	(136)	-	(136)
Net option position	-	-	-	-
Net long / (net short) position	-	(1)	-	(1)
Structural position	-	-	-	-

Shinhan Bank, Hong Kong Branch
Financial Disclosure as of 30 June 2016

(Expressed in Thousand Hong Kong dollars)

IV Off-balance sheet exposures

(a) The contractual or notional amounts of each of the following class of off-balance sheet exposures outstanding are:

	<u>At 30 Jun 2016</u>	<u>At 31 Dec 2015</u>
Contingent liabilities and commitments		
- Direct credit substitutes	-	-
- Transaction-related contingencies	722,337	549,553
- Trade-related contingencies	55,876	63,282
- Note issuance and revolving underwriting facilities	-	-
- Other commitments	1,314,941	1,644,960

Contingent liabilities and commitments arises from credit-related instruments which include letters of credit, guarantees and commitments to extend credit. The risk involved in these credit-related instruments is essentially the same as the credit risk involved in extending loan facilities to customers. The contract amounts represent the amounts at risk should the contract be fully drawn upon and the customers default. As the facilities may expire without being drawn upon, the contracts amounts do not represent expected future cash flows.

	<u>At 30 Jun 2016</u>	<u>At 31 Dec 2015</u>
Derivative transactions		
- Exchange rate-related derivative contracts (exclude forward foreign exchange contracts arising from swap deposit arrangements)	1,047,699	276,153
- Interest rate derivative contracts	-	-
- Others	-	-

The above derivative contracts amounts are the notional amount of the contract, they do not represent amounts at risk. All the derivative contracts held by the Branch are to offset gains/losses on fixed rate bonds and loans.

(b) The total fair value of the above derivative transactions	<u>At 30 Jun 2016</u>	<u>At 31 Dec 2015</u>
- Exchange rate-related derivative contracts	2,456	532
- Interest rate derivative contracts	-	-

No bilateral netting arrangements for above derivative transactions.

V Liquidity

	<u>Year ended 30 Jun 2016</u>	<u>Year ended 31 Dec 2015</u>
The average liquidity ratio for the period	114.29%	166.32%

The average liquidity ratio is the simple average of each calendar month's average ratio as reported in Part I (2) of the "Return of Liquidity Position of an Authorized Institution".

Shinhan Bank, Hong Kong Branch
Financial Disclosure as of 30 June 2016

(Expressed in thousand Hong Kong dollars)

VI Bank information (Consolidated basis)

The following table shows the consolidated capital adequacy ratio and the amount of shareholders' funds of Shinhan Financial Group. The basis of preparation is in accordance with the Korean-International Financial Reporting Standards.

	<u>30 Jun 2016</u>	<u>31 Dec 2015</u>
(a) Capital and Capital Adequacy		
(i) Capital adequacy ratio	13.77%	13.40%
(ii) Total share capital	17,795,344	17,458,673
(iii) Total amount of shareholder funds	193,730,490	209,992,895
(b) Other Financial Information		
(i) Total assets	3,217,376,211	2,445,780,314
(ii) Total liabilities	2,625,708,423	2,235,787,419
(iii) Total loans and advances	1,681,313,240	1,626,678,830
(iv) Total deposits	1,527,561,895	1,436,773,357
	<u>30 Jun 2016</u>	<u>31 Dec 2015</u>
(v) Pre-tax profit	10,687,567	20,772,481

- 1 Shareholders' fund is the sum total of capital and reserves.
- 2 Total liabilities are equal to total assets minus shareholders' fund.
- 3 The conversion rate of HKD/KRW as at 30 June 2016 is 148.64.
- 4 The consolidated capital adequacy ratio was calculated in accordance with the Korean-International Financial Reporting Standards adopting Basel III approach.

Shinhan Bank, Hong Kong Branch
Financial Disclosure as of 30 June 2016
(Expressed in Thousand of Hong Kong dollars)

VII Disclosure on Remuneration for CG-5 Guideline on a Sound Remuneration System issued by the HKMA

Pursuant to section 3 of CG-5 Guideline on a Sound Remuneration System issued by the HKMA, the following disclosures are made:

a) The design and implementation of the remuneration systems:

The Bank adopts the remuneration policy and systems which are established by the Remuneration Committee of our Head Office for overseas branch. The objective of the remuneration policy is to attract, motivate reward and retain quality staff. The Board ensures that the remuneration policies are in line with the strategic objectives and corporate values of the Bank, and do not give rise to conflicts between the objectives of the Bank and the interests of individual Directors and key executives.

The Remuneration Committee reviews the performance of management and directors over the past fiscal year and settles on remuneration that is proportionate to the individual's responsibilities. It also make sure that the remuneration is on a proper level that improves the long-term interests of the Group and its shareholders.

b) Aggregate quantitative information on remuneration for senior management and key personnel (Note 1) are as follows:

As at 30 Jun 2016

	<u>Amount</u>	<u>Number of Beneficiaries</u>
- Fixed Remuneration	5,558	5
- Variable Remuneration	303	-
- Deferred Remuneration	-	-
Total	<u><u>5,861</u></u>	<u><u>5</u></u>

As at 31 Dec 2014

	<u>Amount</u>	<u>Number of Beneficiaries</u>
- Fixed Remuneration	5,540	5
- Variable Remuneration	348	-
- Deferred Remuneration	-	-
Total	<u><u>5,888</u></u>	<u><u>5</u></u>

No senior management or key personnel has been awarded with new sign-on or severance payments.

Note 1: As defined in CG5 Guideline on a Sound Remuneration System issued by the HKMA, senior management are those who are responsible for oversight of either the Bank's company-wide strategy or activities or those of the Bank's main business lines. Key Personnel are individual employees whose duties or activities in the course of their employment involve the assumption of material risk or the taking on of material exposures on behalf of the Bank.