

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

SHINHAN FINANCIAL GROUP CO LTD

Form CB

September 20, 2004

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM CB

TENDER OFFER/RIGHTS OFFERING NOTIFICATION FORM

Please place an X in the box(es) to designate the appropriate rule provision(s) relied upon to file this Form:

Securities Act Rule 801 (Rights Offering)	[ ]
Securities Act Rule 802 (Exchange Offer)	[X]
Exchange Act Rule 13e-4(h) (8) (Issuer Tender Offer)	[ ]
Exchange Act Rule 14d-1(c) (Third Party Tender Offer)	[ ]
Exchange Act Rule 14e-2(d) (Subject Company Response)	[ ]

Filed or submitted in paper if permitted by Regulation S-T Rule 101(b) (8) [ ]

Good Morning Shinhan Securities Co.,Ltd.

-----  
(Name of Subject Company)

N/A

-----  
(Translation of Subject Company's Name into English (if applicable))

The Republic of Korea

-----  
(Jurisdiction of Subject Company's Incorporation or Organization)

Shinhan Financial Group Co., Ltd.

-----  
(Name of Person(s) Furnishing Form)

Common Stock and Preferred Stock

-----  
(Title of Class of Subject Securities)

None

-----  
(CUSIP Number of Class of Securities (if applicable))

Shinhan Bank, New York Branch  
800 Third Avenue, 32nd Floor  
New York, New York 10022  
212-371-8000

-----  
(Name, Address (including zip code) and Telephone Number (including area code) of Person(s) Authorized to Receive Notices and Communications on Behalf of Subject Company)

September 17, 2004

-----  
(Date Tender Offer/Rights Offering Commenced)

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

PART I - INFORMATION SENT TO SECURITY HOLDERS

ITEM 1. HOME JURISDICTION DOCUMENTS

- (a) See Exhibit I.1.(a).
- (b) Not applicable.

ITEM 2. INFORMATIONAL LEGENDS

Included in document attached hereto as Exhibit I.1.(a).

PART II - INFORMATION NOT REQUIRED TO BE SENT TO SECURITY HOLDERS

- (1) Not applicable.
- (2) Not applicable.
- (3) Not applicable.

PART III - CONSENT TO SERVICE OF PROCESS

- (1) Form F-X filed concurrently with the Commission on September 20, 2004.
- (2) Not applicable.

2

PART IV - SIGNATURES

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

/s/ Byung Jae Cho

-----  
(Signature)

Byung Jae Cho, Chief Financial Officer

-----  
(Name and Title)

September 20, 2004

-----  
(Date)

3

EXHIBIT	DESCRIPTION	PAGE NO.
I.1.(a)	Registration Statement relating to Exchange Offer for Common Stock and Preferred Stock of Good Morning Shinhan Securities Co., Ltd.	5

4

EXHIBIT I.1.(a)

REGISTRATION STATEMENT

# Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

RELATING TO EXCHANGE OFFER

FOR

COMMON STOCK AND PREFERRED STOCK OF

GOOD MORNING SHINHAN SECURITIES CO., LTD.

SHINHAN FINANCIAL GROUP CO., LTD.

5

## Notice to U.S. Shareholders

- This proposed exchange offer is made for the securities of a foreign company. The offer is subject to disclosure requirements of a foreign country that are different from those of the United States. Financial statements included in this document have been prepared in accordance with foreign accounting standards that may not be comparable to the financial statements of United States companies.
- It may be difficult for you to enforce your rights and any claim you may have arising under the federal securities laws, since the issuer is located in a foreign country, and some or all of its officers and directors may be residents of a foreign country. You may not be able to sue a foreign company or its officers or directors in a foreign court for violations of the U.S. securities laws. It may be difficult to compel a foreign company and its affiliates to subject themselves to a U.S. court's judgment.
- You should be aware that the issuer may purchase securities otherwise than in connection with the exchange offer, such as in open market or privately negotiated purchases.

6

1. Registration Statement Relating to Exchange Offer for Common Stock and preferred stock of Good Morning Shinhan Securities

2. Appendix

Appendix 1) The Independent Accountant's Audit Report (under Korean GAAP) to the Non-consolidated Financial Statements of Shinhan Financial Group as of and for the year ended December 31, 2001

Appendix 2) The Independent Accountant's Audit Report (under Korean GAAP) to the Non-consolidated Financial Statements of Shinhan Financial Group as of and for the year ended December 31, 2002

Appendix 3) The Independent Accountant's Audit Report (under Korean GAAP) to the Non-consolidated Financial Statements of Shinhan Financial Group as of and for the year ended December 31, 2003

Appendix 4) The Independent Accountant's Review Report (under Korean GAAP) to the Non-consolidated Financial Statements of Shinhan Financial Group as of and for the 6 months ended June 30, 2004

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

- Appendix 5) The Independent Accountant's Audit Report (under Korean GAAP) to the Non-consolidated Financial Statements of Good Morning Securities as of and for the year ended March 31, 2002
- Appendix 6) The Independent Accountant's Audit Report (under Korean GAAP) to the Non-consolidated Financial Statements of Good Morning Shinhan Securities as of and for the year ended March 31, 2003
- Appendix 7) The Independent Accountant's Audit Report (under Korean GAAP) to the Non-consolidated Financial Statements of Good Morning Shinhan Securities as of and for the year ended March 31, 2004
- Appendix 8) The Independent Accountant's Review Report (under Korean GAAP) to the Non-consolidated Financial Statements of Good Morning Shinhan Securities as of and for the 3 months ended June 30, 2004
- Appendix 9) Shinhan Financial Group's Article of Incorporation
- Appendix 10) Good Morning Shinhan Securities' Article of Incorporation
- Appendix 11) The Minutes of Extraordinary Meeting of the Board of Directors (Shinhan Financial Group)
- Appendix 12) The Minutes of Extraordinary Meeting of the Board of Directors (Good Morning Shinhan Securities)

REGISTRATION STATEMENT RELATING TO EXCHANGE OFFER FOR COMMON STOCK AND PREFERRED STOCK OF GOOD MORNING SHINHAN SECURITIES CO., LTD.

### CHAPTER 1. SUMMARY OF SHARE SWAP

Company Name: Shinhan Financial Group Co., Ltd. and Good Morning Shinhan Securities Co., Ltd.

#### 1. PURPOSE OF SHARE SWAP

- The purpose of the share swap is to incorporate Good Morning Shinhan Securities Co., Ltd. into Shinhan Financial Group Co., Ltd.'s wholly-owned subsidiary, thereby preventing conflicts of interest from arising among the shareholders of each company while enabling strategic operations of the business such as promoting business synergy within the group and providing for efficiency in its distribution of resources.

#### 2. METHOD OF SHARE SWAP

##### A. Election Regarding Share Swap and Share Transfer

- Share swap

- \* Shinhan Financial Group Co., Ltd. will execute the share swap as a small-sized share swap under Article 360-10 of Commercial Code. (The number of shares to be newly issued for the proposed share swap will not exceed 5% of the total number of shares issued by Shinhan Financial Group Co., Ltd.)

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

\* The common stock and the preferred stock of Good Morning Shinhan Securities Co., Ltd. will be exchanged with common stock of Shinhan Financial Group Co. Ltd. at the applicable exchange rate set for each such common and preferred stock.

### B. Summary Information concerning Parties to of the Share swap

1

Company becoming a wholly-controlling parent company	Company name Address Representative Director Stock listed company or registered company	Shinhan Financial Group Co., Ltd. 120 Taepyung-ro 2-ga, Jung-gu, Seoul Young Hwi Choi, Eung Chan Ra Stock listed company
Company becoming a wholly-owned subsidiary	Company name Address Representative Director Stock listed company or registered company	Good Morning Shinhan Securities Co., Ltd. 23-2 Yoeuido-dong, Youngdeungpo-gu, Seoul Kangwon Lee Stock listed company
Existing wholly-owned subsidiaries	Company name Address Representative Director	Shinhan Bank 120 Taepyung-ro 2-ga, Jung-gu, Seoul Sang Hoon Shin
	Company name Address Representative Director	Shinhan Capital Co., Ltd. 526-3 Gojan-dong, Danwon-gu, Ansan-si, Kyunggido Dong Girl Lee
	Company name Address Representative Director	Shinhan Card Co., Ltd. 120 Taepyung-ro 2-ga, Jung-gu, Seoul Seong Gyoon Hong
	Company name Address Representative Director	Chohung Bank Co., Ltd. 14 Namdaemoon-rol-ga, Jung-gu, Seoul Dong Soo Choi
	Company name Address Representative Director	Shinhan Credit Information Co., Ltd. 983-16 Doksan-dong, Geumchun-gu, Seoul Bum Seong Shin

### 3. SUMMARY OF THE SHARE SWAP

#### A. The name and address, etc. of the wholly-controlling parent company and the wholly-owned subsidiary

- Wholly-controlling parent company

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

\* Company name: Shinhan Financial Group Co., Ltd. (hereinafter, "Shinhan Financial Group")

\* Address: 120 Taepyung-ro 2-ga, Jung-gu, Seoul

2

- Wholly-owned subsidiary

\* Company name: Good Morning Shinhan Securities Co., Ltd. (hereinafter, "Good Morning Shinhan Securities")

\* Address: 23-2 Yeoido-dong, Youngdeungpo-gu, Seoul

B. Contents of any change in the articles of incorporation of the wholly-controlling parent company

- Not applicable

C. Changes in the number of the authorized capital stock, etc. of the wholly-controlling parent company

CLASSIFICATION	TYPE OF STOCK	BEFORE SHARE SWAP	AFTER SHARE SWAP
Number of authorized capital stock	-	1,000,000,000	1,000,000,000
Number of shares issued and outstanding	Common stock	309,083,890	320,952,400
	Preferred stock	97,304,564	97,304,564
Paid-in-capital	-	2,031,942	2,091,200
Capital reserve	-	3,537,940	3,758,400

Unit: Million Won

Note 1) The number of shares issued and outstanding, paid-in-capital and capital reserve after the share swap were each calculated on the basis of the maximum possible number of shares that can be issued for the share swap. Such numbers may change subject to the number of shares

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

actually issued for the share swap.

\* The maximum possible number of common shares to be issued(11,868,549) has been calculated by multiplying (i) the share exchange rate for the common and preferred shares, as the case may be, and (ii) the sum of (A) the number of shares issued by Good Morning Shinhan Securities and held by shareholders other than Shinhan Financial Group (common stock:61,491,966 [and] preferred stock: 3,823,314) and (B) the number of shares subject to stock options granted by Good Morning Shinhan Securities that have been exercised on or before the date immediately preceding the swap date (8,900,025 of common shares)

- Common stock = (61,491,966+8,900,025) \* 0.1633 = 11,495,012

3

- Preferred stock = 3,823,314 \* 0.0977 = 373,537

\* As preferred stock of Good Morning Shinhan Securities will be exchanged into common stock of Shinhan Financial Group in accordance with applicable stock exchange rate, the increase in the number of issued stock of Shinhan Financial Group after the share swap will only take place with respect to its common stock.

\* The maximum possible number of shares to be issued calculated as described above is 2.92% of the total number of issued and outstanding shares of Shinhan Financial Group, and therefore, the proposed share swap meets the requirements for a small-sized share swap under the Korean Commercial Code.

\* The number of common shares that are to be actually issued will be within the maximum possible number of shares that will be issued for the share swap and will be calculated by multiplying the applicable exchange rate set forth in Paragraph E and the number of common and preferred shares of Good Morning Shinhan Securities held by shareholders other than Shinhan Financial Group as of the due date for the submission of the share certificates for the share swap (December 22, 2004) (Such number of actual shares to be issued will be determined pursuant to the result of the tender offer to be executed by Shinhan Financial Group before the share swap for the preferred stock of Good Morning Shinhan Securities and the number of stock options granted by Good Morning Shinhan Securities that have been exercised by the due date for the submission of share certificates).

2) The amount of capital reserve after the share swap may change as a result of calculations carried out in accordance with the applicable laws and regulations and the accounting principles, in addition to the changes in the number of issued and outstanding shares referred to above.

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

D. Par Value of 1 share

- Par value of 1 share: 5,000 Won

E. Matters regarding the allocation of new shares to shareholders of the company which is becoming a wholly-owned subsidiary

- As of the due date for the submission of stock certificates for the share swap (December 22, 2004), Shinhan Financial Group will allocate 0.1633 and 0.0977 common shares in registered form of Shinhan Financial Group for 1 share each of common stock or preferred stock in registered form of Good Morning Shinhan

4

Securities held by the shareholders other than Shinhan Financial Group ("shareholders subject to the share swap") as of the due date for the submission of the share certificates (December 22, 2004) for the share swap.

- Provided however, the shareholders who are subject to the share swap shall be paid in cash with respect to any fractional shares that result from the share swap, which amount will be calculated based on the market closing price of the new shares issued by Shinhan Financial Group for the share swap on the first day of their listing.

F. Matters regarding the cash amount to be paid to shareholders of the company which is becoming a wholly-owned subsidiary.

- Not applicable

G. Ownership status of treasury stock by the company executing share swap

CLASSIFICATION	TYPE	BEFORE SHARE SWAP (RATE)
Company becoming a wholly-controlling parent company	Treasury stock	Common stock -
		Preferred stock -
	Shares issued by a company becoming a wholly-owned subsidiary	Common stock 94,084,384 (59.0%)
		Preferred stock -



Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

Company becoming a wholly-owned subsidiary	Treasury stock	Common stock	4,795 (0.003%)
		Preferred stock	1,042,418 (0.654%)
	Shares issued by a company becoming a wholly-controlling parent company	Common stock	-
		Preferred stock	-
Existing wholly-owned subsidiary (Chohung Bank)	Shares issued by a wholly-controlling parent company	Common stock	8,985,567 (2.21%)
		Preferred stock	-

Note 1) As of the end of June, 2004

5

- 2) Each rate appearing in a parenthesis above is a percentage of shares based on the total number of issued shares.
- 3) In the case of Shinhan Financial Group, 18,979 shares newly issued with respect to fractional shares that resulted from the share swap with Chohung Bank implemented in June, 2004 were acquired as treasury shares on July 7th, 2004.
- 4) Common shares comprising the treasury stock of Good Morning Shinhan Securities were acquired through disposition of shares newly issued with respect to fractional shares that resulted from a capital decrease for value effected on January 2003, and the preferred shares comprising the treasury stock were acquired for the purpose of price stabilization and also constituted acquisition of shares newly issued with respect to fractional shares that resulted from the above capital decrease.
- 5) In the case of Chohung Bank, the treasury shares acquired as a result of exercise of appraisal right by shareholders who opposed the share swap with Shinhan Financial Group effected during June of 2004 were exchanged to common shares in accordance with the share swap, and as such shares must be disposed of within three years from the date of their acquisition in accordance with Financial Holding Companies Act, such shares are expected to be disposed of at an appropriate time by appropriate means as share price movements warrant.

H. Plan for disposal of treasury stock, etc.

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

### 1) Treasury stock held by Shinhan Financial Group

- Treasury stock (18,979) held by Shinhan Financial Group will be disposed at an appropriate time by appropriate means.
- In addition to the stock mentioned above, shares newly issued with respect to fractional shares that result from the proposed share swap will be acquired, and such new additional shares will also be disposed of at an appropriate time by appropriate means at a later date.

### 2) Treasury stock held by Good Morning Shinhan Securities

- Common stock: Common shares will be exchanged to the common stock of Shinhan Financial Group in accordance with the share swap and they will be disposed of at an appropriate time and by appropriate means within six month of their swap date.

6

- Preferred stock: Preferred shares will be disposed of by tendering such stock in its entirety at a tender offer to be issued by Shinhan Financial Group prior to the proposed share swap.
- Others: In the case of Good Morning Shinhan Securities, it may acquire treasury shares upon the exercise of appraisal right by dissenting shareholders in the course of the proposed share swap, and such treasury shares will be exchanged into the common shares of Shinhan Financial Group pursuant to the share swap. As the foregoing common shares of Shinhan Financial Group are required to be disposed of within three years from their acquisition date under the Financial Holding Companies Act, they are expected to be disposed of at an appropriate time by appropriate means in the future.

### I. Maximum amount in the case of dividend (including quarterly dividend) to be declared until the date of share swap

- Not applicable

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

J. Name and background of any directors and statutory auditors (including the members of the audit committee) to be appointed for the wholly-controlling parent company

- No director or statutory auditor will be newly appointed at the company becoming the wholly controlling parent company in connection with the share swap.
  
- In addition, the term of office for the directors and members of the audit committee of Shinhan Financial Group, the wholly controlling parent company, who were appointed before the proposed share swap will remain unchanged.
  
- Under Article 360-13 of the Commercial Code, the directors and statutory auditors of the company, which is to become the wholly-controlling parent company pursuant to a share swap, who were appointed before the share swap are to leave their offices at the end of the first ordinary general meeting of shareholders held with respect to the fiscal year in which the share swap is implemented, unless otherwise provided in the share swap agreement.

K. Share swap schedule

7

\* The present share swap is a share swap being effected pursuant to Article 360-3 of the Commercial Code (the case of Shinhan Financial Group, it is a small-sized share swap undertaken pursuant to Article 360-10 of the Commercial Code), and the details of the schedule for the swap will be determined in accordance with Article 62-2 of the Financial Holding Companies Act (special provisions regarding share swaps and transfers).

(1) The date of the resolution of the board of directors and the date of the share swap agreement

- Shinhan Financial Group and Good Morning Shinhan Securities: September 17, 2004 (Fri)

\* As the meeting of the board of directors of Shinhan Financial Group is to be held in New York, US, the local date for the meeting is September 16 (Thu) but according to Korean standard time, the date of the meeting is September 17 (Fri).

(2) The record date for the determination of shareholders for the general

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

meeting of shareholders for the share swap

- Good Morning Shinhan Securities: October 27, 2004 (Wed)
  
- \* Only Good Morning Shinhan Securities will need to convene a general meeting of shareholders for the approval of the share swap.
  
- \* In the case of Shinhan Financial Group, the approval of shareholders may be replaced with an approval of the board of directors pursuant to Article 360-10 of the Commercial Code. Provided however that if the shareholders holding 20/100 of total number of shares issued and outstanding notify their objection to the share swap, the share swap may not be implemented as a small-sized share swap. The date on which the identity of shareholders who are eligible to express their objections will be determined is September 30, 2004 (Thu).
  
- The record date for the determination of shareholders holding preferred stock of Good Morning Shinhan Securities for the general meeting of preferred shareholders is October 27, 2004 (Wed).

8

- \* In the case of present share swap, as the preferred stock of Good Morning Shinhan Securities will be exchanged into common stock of Shinhan Financial Group, the approval of preferred shareholders of Good Morning Shinhan Securities convened at a class meeting of preferred shareholders will be needed, and accordingly, the record date for the determination of shareholders for such class meeting of preferred shareholders will be needed to be set.
- (3) The date of the general meeting of shareholders for the share swap approval
- Good Morning Shinhan Securities general meeting of shareholders: November 26, 2004 (Fri)
  
  - Good Morning Shinhan Securities' class meeting of preferred shareholders: November 26, 2004 (Fri)
  
  - \* In the case of the present share swap, as the preferred stock of Good Morning Shinhan Securities will be exchanged into common stock of Shinhan Financial Group, the approval of the preferred shareholders of Good Morning Shinhan Securities convened at a class meeting of preferred shareholders is needed, and

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

accordingly the record date for the determination of shareholders for such class meeting of preferred shareholders will be needed to be set.

- \* In the case of Shinhan Financial Group, since the share swap is a small-sized share swap pursuant to Article 360-10 of the Commercial Code, the approval of shareholders is replaced with the approval of the board of directors.

### (4) Exercise period of appraisal rights

- Good Morning Shinhan Securities: November 26, 2004 (Fri) ~ December 6, 2004 (Mon)

- \* In accordance with Article 62-2 of the Financial Holding Companies Act, the exercise period of the shareholders' appraisal right will be reduced from 20 days to 10 days from the date of the resolution adopted at the applicable general shareholders meeting.

9

- \* In the case of Shinhan Financial Group, since the present share swap is a small-sized share swap being effected under Article 360-10 of the Commercial Code, the appraisal right of dissenting shareholders will not be granted

### (5) The expected date of public notice and the individual notice of invalidation of share certificates of the company becoming a wholly-owned subsidiary

- Good Morning Shinhan Securities: November 27, 2004 (Sat)

### (6) Date of share swap

- December 23, 2004 (Thu)

### (7) Other Dates

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

- Date of public notice of share swap: September 24, 2004 (Fri)
  - \* In accordance with Article 360-10 of the Commercial Code and Article 62-2 of the Financial Holding Companies Act, Shinhan Financial Group will make a public notice regarding the terms of the share swap within 7 days after the execution of the applicable share swap agreement (In the case of Good Morning Shinhan Securities, on the date of public and individual notice for the convening the general meeting of shareholders.)
  
- Notice of opposition by shareholders of Shinhan Financial Group: Shareholders of Shinhan Financial Group do not have dissenting shareholders' appraisal right, but they may express their opposition to the proposed share swap within 7 days from the date of public notice for the share swap as provided in Article 62-2 of the Financial Holding Companies Act and Article 360-10 of the Commercial Code. Such opposition should be made by October 1, 2004 (Fri), but as the relevant period includes chu-suk holidays, the period for opposition will be extended until October 6, 2004 (Wed).
  
- L. Other major items subject to resolution of the board of directors or material terms of the share swap agreement
  - (1) As the present share swap is a small-sized share swap under Article 360-10 of the Commercial Code, if the shareholders holding 20/100 of the total number of

10

shares issued by Shinhan Financial Group notify their objections to the share swap, the share swap may not be implemented as a small-sized share swap.

- (2) The present share swap requires an approval by the general meeting of shareholders of Good Morning Shinhan Securities as well as the class meeting of preferred shareholders of Good Morning Shinhan Securities, and in the event that foregoing approvals are not obtained, the share swap may not be implemented.

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

- \* As the preferred stock of Good Morning Securities will be exchanged into the common stock of Shinhan Financial Group, an approval by a class meeting of the preferred shareholders is required.

(3) Although not provided for in the agreement related to the small-sized share swap, Shinhan Financial Group has decided to issue a tender offer for the preferred stock of Good Morning Shinhan Securities under Chapter 4 of the Securities and Exchange Act. Material terms of the tender offer are as follows:

- Total number of shares to be purchased by the tender offer: 1,529,326 shares of preferred stock in registered form of Good Morning Shinhan Securities (equivalent to 40 % of all issued and outstanding preferred shares)
- Tender offer price: Won 2,500 per share
- Tender offer period: September 24, 2004 (Fri) ~ October 13, 2004 (Wed) (20 days)
- Conditions of tender offer: In the event that the shares tendered in response to the tender offer is less than the target number of shares solicited for purchase, all of the tendered shares will be purchased (since the amount of shares solicited for purchase equals 100% of all issued and outstanding preferred shares, the number of tendered shares will not exceed the target amount of shares to be purchased).

#### 4. SHARE EXCHANGE AND TRANSFER RATE AND THE BASIS OF CALCULATION

##### A. Share exchange and transfer rate

- The share exchange rate for the common stock of Good Morning Shinhan Securities: 0.1633

11

- \* 0.1633 shares of common stock in registered form of Shinhan Financial Group (par value: 5,000 Won ) will be allocated per 1 share of common stock in registered form of Good Morning Shinhan

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

Securities (par value: 5,000 Won ).

- The Share exchange rate for the preferred stock of Good Morning Shinhan Securities: 0.0977

\* 0.0977 shares of common stock in registered form of Shinhan Financial Group (par value: 5,000 Won ) will be allocated per 1 share of common stock in registered form of Good Morning Shinhan Securities (par value: 5,000 Won).

### B. Basis of calculation

#### (1) Summary

- In the case of share swap between Shinhan Financial Group and Good Morning Shinhan Securities, as both are listed companies, the share exchange rate will be calculated by using the base share price method set forth in Article 190-2 of the Securities and Exchange Act, Article 84-7 of the related Enforcement Decree, and Article 36-12 of the related Enforcement Regulation.

#### (2) Exchange ratio

- The share swap price will be the lower of the following item (1) or (2), determined as of the date (September 16, 2004) immediately preceding the date of the board of directors' resolution (the submission date of the share swap statement)
  - (1) The arithmetic mean of (i) the trading volume-weighted average of market closing price for the past one (1) month, (ii) the trading volume-weighted average of market closing price for the past one (1) week, and (iii) the market closing price for the most recently ended trading day
  - (2) The closing market price for the most recently ended trading day
- The exchange ratio will be calculated based on the exchange price calculated using the method described above

- Details of the exchange ratio calculation



Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

(A) Exchange ratio

1) Common stock of Good Morning Shinhan Securities

Classification -----	Shinhan Financial Group -----	Good Morning Shinhan Securities -----	Remarks -----
Exchange price	Won 20,492	Won 3,345	
Exchange ratio	1	0.1633	

Note) The exchange ratio will be rounded up to the fourth decimal place.

2) Preferred stock of Good Morning Stock Securities

Classification -----	Shinhan Financial Group -----	Good Morning Shinhan Securities -----	Remarks -----
Exchange price	Won 20,492	Won 2,002	
Exchange ratio	1	0.0977	

Note) The exchange ratio will be rounded up to the fourth decimal place

(B) Calculation of base share price (exchange price)

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

Details of the calculation of base share price of Shinhan Financial Group

Date ----	Closing price (Won) -----	Trading volume (share) -----	Closing price*trading v -----
2004.09.16	20,950	1,066,290	22,338,775,500
2004.09.15	20,550	1,281,269	26,330,077,950
2004.09.14	20,500	940,256	19,275,248,000
2004.09.13	20,250	1,525,350	30,888,337,500

13

2004.09.10	20,150	1,345,086	27,103,482,900
2004.09.09	19,900	1,725,520	34,337,848,000
2004.09.08	20,150	1,138,789	22,946,598,350
2004.09.07	20,500	642,396	13,169,118,000
2004.09.06	21,000	642,012	13,482,252,000
2004.09.03	21,050	923,219	19,433,759,950
2004.09.02	21,250	1,679,757	35,694,836,250
2004.09.01	20,850	1,602,996	33,422,466,600
2004.08.31	19,500	493,808	9,629,256,000
2004.08.30	19,750	496,774	9,811,286,500
2004.08.27	19,900	1,286,517	25,601,688,300
2004.08.26	20,000	1,519,008	30,380,160,000
2004.08.25	19,800	1,260,027	24,948,534,600
2004.08.24	18,700	1,026,953	19,204,021,100
2004.08.23	19,050	704,527	13,421,239,350
2004.08.20	19,150	507,339	9,715,541,850
2004.08.19	19,000	1,019,290	19,366,510,000
2004.08.18	18,750	902,377	16,919,568,750
2004.08.17	19,150	1,083,724	20,753,314,600

Volume weighted average of share price for one month	20,077 Won
Volume weighted average of share price for one week	20,450 Won
Most recent closing price (September 16, 2004)	20,950 Won
Arithmetic Average	20,492 Won
Base share price (exchange price)	22,143 Won

Details of the calculation of base share price of common stock of Good Morning  
Shinhan Securities

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

Date	Closing price (Won)	Trading volume (share)	Closing price*trading v
----	-----	-----	-----
2004.09.16	3,345	1,091,350	3,650,565,750
2004.09.15	3,285	2,158,013	7,089,072,705
2004.09.14	3,430	956,627	3,281,230,610
2004.09.13	3,595	911,038	3,275,181,610
2004.09.10	3,500	475,270	1,663,445,000
2004.09.09	3,500	629,930	2,204,755,000
2004.09.08	3,445	618,720	2,131,490,400
2004.09.07	3,550	490,971	1,742,947,050
2004.09.06	3,600	963,293	3,467,854,800
2004.09.03	3,450	676,510	2,333,959,500
2004.09.02	3,480	1,433,206	4,987,556,880

14

2004.09.01	3,325	1,004,370	3,339,530,250
2004.08.31	3,165	1,061,065	3,358,270,725
2004.08.30	3,225	651,960	2,102,571,000
2004.08.27	3,350	529,949	1,775,329,150
2004.08.26	3,380	1,900,330	6,423,115,400
2004.08.25	3,265	399,499	1,304,364,235
2004.08.24	3,210	491,120	1,576,495,200
2004.08.23	3,290	513,625	1,689,826,250
2004.08.20	3,260	350,430	1,142,401,800
2004.08.19	3,320	846,771	2,811,279,720
2004.08.18	3,240	400,145	1,296,469,800
2004.08.17	3,200	616,290	1,972,128,000

Volume weighted average of share price for one month	3,371 Won
Volume weighted average of share price for one week	3,390 Won
Most recent closing price (September 16, 2004)	3,345 Won
Arithmetic Average	3,369 Won
Base share price (exchange price)	3,345 Won

Details of the calculation of the base share price of preferred stock of Good Morning Shinhan Securities

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

Date ----	Closing price (Won) -----	Trading volume (share) -----	Closing price*trading v -----
2004.09.16	2,020	1,970	3,979,400
2004.09.15	1,985	2,710	5,379,350
2004.09.14	2,040	5,040	10,281,600
2004.09.13	2,105	19,030	40,058,150
2004.09.10	2,030	4,910	9,967,300
2004.09.09	1,965	840	1,650,600
2004.09.08	1,980	12,940	25,621,200
2004.09.07	1,960	7,253	14,215,880
2004.09.06	1,980	17,203	34,061,940
2004.09.03	1,860	8,130	15,121,800
2004.09.02	1,860	13,170	24,496,200
2004.09.01	1,795	9,370	16,819,150

15

2004.08.31	1,770	4,420	7,823,400
2004.08.30	1,760	3,152	5,547,520
2004.08.27	1,785	2,011	3,589,635
2004.08.26	1,840	2,950	5,428,000
2004.08.25	1,785	871	1,554,735
2004.08.24	1,770	221	391,170
2004.08.23	1,785	4,732	8,446,620
2004.08.20	1,800	3,380	6,084,000
2004.08.19	1,805	7,721	13,936,405
2004.08.18	1,780	6,861	12,212,580
2004.08.17	1,775	4,444	7,888,100

Volume weighted average of share price for one month	1,916 Won
Volume weighted average of share price for one week	2,070 Won
Most recent closing price (September 16, 2004)	2,020 Won
Arithmetic Average	2,002 Won
Base share price (exchange price)	2,002 Won

5. SUMMARY OF THE APPRAISAL OPINION PROVIDED BY AN APPRAISAL AGENCY

- Not applicable since the exchange ratio has been calculated based on the market price pursuant to the Securities and Exchange Act.

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

### 6. DETAILS OF EQUITY CONTRIBUTIONS, GUARANTEES OF LIABILITY AND OTHER TRANSACTIONS BY THE COMPANY PARTY TO THE SHARE SWAP

[Company Name: Shinhan Financial Group Co., Ltd.]

#### A. Details of equity contributions

(Unit: Million Won, 1000 shares)

COMPANY NAME -----	RELATION -----	NUMBER OF SHARE -----	OWNERSHIP -----	ACQUISITION -----
Shinhan Bank	Subsidiary	244,807	100.00%	2,994,51
Chohung Bank	Subsidiary	719,118	100.00%	2,196,39
Good Morning Shinhan Securities	Subsidiary	94,084	59.41%	507,76

16

Shinhan Card	Subsidiary	30,569	100.00%	246,95
Shinhan Capital	Subsidiary	16,000	100.00%	54,09
Shinhan BNP Paribas ITMC	Subsidiary	4,000	50.00%	20,62
Jeju Bank	Subsidiary	9,692	62.42%	42,93
SH&C	Subsidiary	3,000	50.00%	15,00
e-Shinhan	Subsidiary	415	73.67%	8,27
Shinhan Macquarie	Subsidiary	102	51.00%	51
Shinhan Credit Information	Subsidiary	600	100.00%	4,57

Note) as of June 30, 2004

#### B. Details of guarantees of liability

(Unit: million)

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

COMPANY NAME -----	RELATION -----	CREDITOR -----	LIABILITY -----	GUARANTEE PERIOD -----	A -----
Good Morning Shinhan Securities	Subsidiary	Macquairie Capital Korea	Guarantee of performance of liability relating to lease of IT equipment	2003. 7. 1 ~ 2006. 6.30 July 1, 2004 ~ June 30, 2006	60, Lea fee (50 bil Won int the

Note) as of June 30, 2004

C. Details of provision of security

COMPANY NAME -----	RELATION -----	CREDITOR -----	SECURITY -----	SECURITY PERIOD -----	PRIORITY AND MAXIMUM AMOUNT OF SECURITY -----	AMOUN -----
	N/A	None				

(Unit: )

17

Note) A promissory note has been pledged as collateral in connection with a loan from KorAm Bank.

D. Other transactions

- Currently holding subordinated bonds in the aggregate principal amount of 130 billion Won issued by Good Morning Shinhan Securities which is the counterparty to the present share swap transaction

\* Maturity date: September 26, 2004 (Date of issuance: September 26, 2002)

\* Interest rate: 6.23%

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

[Company name: Good Morning Shinhan Securities Co., Ltd.]

A. Details of equity contributions

(Unit: Million Won, s

COMPANY NAME -----	RELATION -----	NUMBER OF SHARE -----	OWNERSHIP -----	ACQUISITION -----
SAEHAN INDUSTRIES INC	None	202,666	0.15	1
Sub-total of marketable shares		202,666		1
Korea Securities Computer Corporation	None	8,735	0.16	
Korea Securities Corporation	None	2,304,469	3.39	11
Korea Securities Depository	None	9,882	1.60	
Kihyup Technology Banking Corp.	None	100,000	1.72	
KOSDAQ	None	92,000	2.19	
Hanwha Investment Trust Management Co., Ltd.	None	270,000	4.50	1
Korea Money Broker Corp.	None	20,000	1.00	
Madas International Asset Management Ltd.	None	85,714	4.29	
IGLOO SECURITY, INC.	None	25,000	0.42	
I Investment Trust Management Co., Ltd.	None	100,000	3.16	
Korea ENC Securities Co., Ltd.	None	319,999	6.25	1
SYSPOL CO., Ltd	None	187,500	1.19	
SEOKYUNG TSC CO., LTD	None	100,454	1.23	
Mp man.com	None	2,722	0.43	
THE & COMPANY. CO., LTD.	None	1,334	1.06	
Institute for Social Development and Policy Research	None	10,000	1.70	
Daehan Investment Trust Securities Co., Ltd.	None	266,000	0.05	1
Korea Investment & Securities Co., Ltd.	None	271,515	0.03	2
Shinhan Life Insurance Co., Ltd.	None	464,800	1.16	2
Korea Tarpaulin Inc	None	631	0.15	
Sub-total of non-marketable shares				26
Total number of shares				28
KOREA STOCK EXCHANGE	None		3.40	2
Securities Market Stabilization Funds	None		10.30	4

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

Good-KDB 2nd Securitization Specialty Co., Ltd	None		6.00	3
S.S Koram Securitization Specialty Co., Ltd	None		2.90	
SMI V ABS Securitization Specialty Co., Ltd.	None		2.00	
Dream Pool ABS Specialty, Co. Ltd	None		1.50	
New Expert ABS Specialty Co., Ltd.	None		1.00	
Expert ABS Specialty Co., Ltd	None		1.00	
Grand Consortium Specialty Securitization Co., LTD	None		1.00	
Total equity contributions				10
Good Morning Securities USA Inc.	Application of equity method	15,000	100.00	3
Good Morning Securities Europe Limited	Application of equity method	5,000,000	100.00	9
Total number of shares of companies subject to equity method				13
Total				51

Note) As of June 30, 2004

B. Details of guarantees of liability

- Not applicable

19

C. Details of provisions of security

							(Unit: Mil
COMPANY NAME	RELATION	CREDITOR	SECURITY	SECURITY PERIOD	PRIORITY AND MAXIMUM AMOUNT OF SECURITY	AMOUNT	REM
-----	-----	-----	-----	-----	-----	-----	---
Good Morning Shinhan Securities	Related	Shinhan Bank	Head office building	-	-	91,000	Mortga
"	Related	Shinhan ITMC	Head office annex building	-	-	850	Mortga



Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

"	Related	Shinhan ITMC	Head office annex building	-	-	2,646	Mortga
"	None	PCA Investment Trust Management Corp.	Head office annex building	-	-	3,678	Mortga
"	None	National Pension Corporation	Gumi office building	-	-	800	Mortga
"	None	DONGBU INSURANCE CO., LTD	Gumi office building	-	-	20	Jeonsa
"	None	Samsung Life Insurance Co., Ltd.	Gumi office building	-	-	130	Mortga
"	None	HYUNDAI CAPITAL SERVICES, INC.	Gumi office building	-	-	82	Mortga
"	None	Cheju Ko Family Association	Kunsan office building	-	-	25	-
"	None	KB Investment Trust Management Co., Ltd (KB Asset Management)	Kunsan office building	-	-	419	Mortga
"	None	Agere Systems Korea Ltd.	Kunsan office building	-	-	219	Mortga
20							
"	None	Shinhan Life Insurance Co., Ltd.	Kunsan office building	-	-	15	Mortga
"	None	DAEKYO CO., LTD Korea	Kunsan office building	-	-	110	Mortga

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

"	None	Broadcasting Advertising Corp. (KOBACO)	Woolsan office building	-	-	350	Mortga
"	None	3Com Korea Limited	Woolsan office building	-	-	165	-
"	None	Kyobo life insurance co., ltd	Woolsan office building	-	-	350	Mortga
"	None	Korean Teachers' Mutual Fund	Woolsan office building	-	-	208	Mortga
"	None	Duo information, Inc.	Kwangju office building	-	-	184	-
"	None	China Eastern Airlines	Kwangju office building	-	-	125	-
"	None	Lucky Travel Service Co., Ltd	Kwangju office building	-	-	100	-
"	None	TRC Korea Ltd.	Kwangju office building	-	-	373	Mortga
"	None	Hungkuk Life Insurance Co., Ltd.	Yeochun office building	-	-	16	Mortga
"	None	Shinhan Life Insurance Co., Ltd.	Yeochun office building	-	-	208	Mortga
"	None	LG TeleCom, Ltd.	Tongkwang office building	-	-	240	Mortga
Total						102,313	

Note) As of June 30, 2004

D. Details of other transactions

- Shinhan Financial Group holds subordinated bonds in the aggregate principal amount of 130 billion Won issued by Good Morning Shinhan Securities which is the counterparty to the present share swap

\* Maturity date: September 26, 2004 (Date of issuance: September 26, 2002)

\* Interest rate: 6.23%

7. MATTERS CONCERNING THE TERMS AND EXERCISE OF SHAREHOLDERS' APPRAISAL RIGHT

A. Summary

(1) Wholly controlling parent company (Shinhan Financial Group)

- Because the share swap will be implemented in accordance with the procedures in effect for a small-sized share swap stated in Article 360-10 of the Commercial Code, shareholders' appraisal right does not apply
- Provided however, if any shareholder with more than 20/100 of the total number of the issued and outstanding shares of Shinhan Financial Group Co., Ltd. provides a notice of objection to the proposed share swap, the share swap will not be implemented as a small-sized share swap.

(2) Wholly owned subsidiary (Good Morning Shinhan Securities)

- Relevant Regulatory Basis: Article 360-5 of the Commercial Code, Article 191 of the Securities and Exchange Act and Article 62-2 of the Financial Holding Companies Act
- A shareholder objecting to the board's resolution regarding the share swap may request the company to purchase the shares in his/her own possession only if he/she notifies Good Morning Shinhan Securities of his/her objection in writing prior to the convening of the general shareholders' meeting. The request for the share purchase shall be made by a written notice stating the type and number of shares subject to purchase within ten (10) days from the date on which the relevant resolution is adopted at a general shareholders' meeting.
- In the event that a shareholder makes a request for a share

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

purchase, Good Morning Shinhan Securities, the company party to the share swap, shall purchase relevant shares within one (1) month from the date on which it receives such shareholder's request.

- The purchase price of shares subject to such purchase shall be determined by a mutual agreement between the company and the relevant shareholder.

22

Provided however, in the event the parties are unable to reach an agreement, the purchase price shall be the arithmetic average of the volume weighted average of the market closing price for each of two (2) month period, one (1) month period and one (1) week period ending on the date immediately preceding the date of the board resolution approving the share swap (hereinafter, referred to as the "standard purchase price") as determined pursuant to Article 84-9, Paragraph 2 of the Enforcement Decree of the Securities and Exchange Act.

- If the company or shareholders with more than 30/100 of the number of shares with respect to which appraisal right has been exercised object to the purchase price calculated as described above, the Financial Supervisory Commission may adjust the purchase price. In such a case, the application for adjustment of the purchase price shall be filed within 10 days prior to the date by which the purchase must be completed.

### B. Shareholders eligible to exercise appraisal right

- Per Article 360-5 of the Commercial Code, Article 191 of the Securities and Exchange Act and Article 62-2 of the Financial Holding Companies Act, the appraisal right shall be granted only to the shareholders, who (i) is registered as a shareholder (including holders of preferred shares) as of the closing date for the shareholders' registry (the record date for determination of the shareholders eligible to exercise appraisal right) which is October 27, 2004 17:00 (Wed), (ii) has given a written notice of objection to the company regarding the board resolution approving the share swap by a date prior to the date of the shareholders' meeting, (iii) has submitted a written request for the purchase of shares within 10 days from the date of the general shareholders' meeting approving the share swap and (iv) has held his/her shares continuously during the period from the closing date for the shareholders' registry (the record date for determination of the shareholders eligible to exercise appraisal right) to the appraisal exercise date. However, the shareholders may not exercise appraisal rights with respect to shares which were purchased during such period.

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

C. Estimated purchase price of the shares

23

Price offered by the	Won 3,330 per common stock
Company for negotiation (Won)	Won 1,933 per preferred stock
- Basis for calculation	<ul style="list-style-type: none"> <li>- Per Article 62-2 of Financial Holding Companies Act and Article 203 of the Securities and Exchange Act, the offer price shall be the mean of the volume-weighted average price in effect for the past 3 months, one (1) month and one (1) week from the date immediately preceding the date of the board resolution.</li> <li>- Common stock of Good Morning Shinhan Securities <ul style="list-style-type: none"> <li>* Volume weighted average of the closing prices for two (2) months: 3,229 Won</li> <li>* Volume weighted average of the closing prices for one (1) month: 3,371 Won</li> <li>* Volume weighted average of the closing prices for one (1) week: 3,390 Won</li> <li>* Standard purchase price (Arithmetic mean of A, B, C): 3,330 Won</li> </ul> </li> <li>- Preferred stock of Good Morning Shinhan Securities <ul style="list-style-type: none"> <li>* Volume weighted average of closing prices for two (2) months: 1,811 Won</li> <li>* Volume weighted average of closing prices for one (1) month: 1,916 Won</li> <li>* Volume weighted average of closing prices for one (1) week: 2,070 Won</li> <li>- Standard purchase price (Arithmetic mean of A, B, C): 1,933 Won</li> </ul> </li> </ul>
Method of disposition in the event an agreement is not reached	Per Article 62-2 of Financial Holding Companies Act and Article 203 of the Securities and Exchange Act, in case where the company fails to reach an agreement with respect to the share swap or shareholders holding 30/100 or more of the shares, the company shall be subject to appraisal right has been exercised with respect to which subject to appraisal right has been exercised.

to the standard purchase price, the dissenting parties may request the Financial Supervisory Commission to adjust the purchase price accordingly, the purchase price is subject to such adjustment

- \* Method for adjustment of share purchase price (Article 95 of Regulations on Issuance and Public Disclosure of Securities)

(1) In the event that the Financial Supervisory Commission adjusts the share purchase price in accordance with the provisions of Article 95, Item 3 of the Securities and Exchange Act, such price shall be determined in accordance with the following clause:

24

1. In the case where the stock price index as of the last day of the period during which shareholders may exercise appraisal rights is higher than the stock price index as of the date of the board resolution.
  - A. In the event that the standard adjusted price calculated according to the following formula based on the amount determined pursuant to Article 84-9, Paragraph 2, Item 1 (hereinafter referred to as "standard purchase price") is higher than the share market price of the company (hereinafter referred to as the "market price") as of the last day of the period during which shareholders may exercise appraisal right, the higher of the standard purchase price and the market price.
    - \* Standard adjusted price = standard purchase price \* (stock price index effective as of the last day of the period during which shareholders may exercise appraisal right / stock price index as of the date of the board resolution)
  - B. In the event that the standard adjusted price is lower than the market price, the standard adjusted price:
2. In a case where the stock price index as of the last day of the period during which shareholders exercise their appraisal right is lower than the stock price index as of the date of the Board resolution
  - A. In a case where the standard adjusted price is higher than the market price, the standard adjusted price
  - B. In a case where the standard adjusted price

is lower than the market price, the lower of the standard purchase price and the market price

(2) In applying the provisions of Section 1 above, the share price index as of the date of the board resolution or such index as of the last day of the period during which shareholders may exercise their appraisal right shall mean the arithmetic average of the stock price index for the business category applicable to the types of business engaged in by the company (which means the stock price index per industry as calculated and announced by the Korea Stock Exchange and the Korea Securities Dealers Association), for the period of seven (7) trading days commencing on the date of the board resolution concerning a merger or a business transfer or a share swap or the last day of the period during which shareholders may

25

exercise their appraisal right. The market price shall mean the trading volume weighted average of the price (based on the market closing price) of the shares as traded on the securities market of the company or KOSDAQ market.

Provided however, in applying the business category stock index, if on the last day of the period during which shareholders may exercise the appraisal right, the number of companies that comprise a business category to which the company belongs is less than ten, or if the company's market capitalization is more than 10/100 of the aggregate traded share value for the applicable business category, or if it is not feasible to determine the applicable business category stock index, then the composite stock price index, rather than a business category stock price index, shall be used.

(3) The application for adjustment to the purchase price per item 1 above must be made within 10 days prior to the date on which the purchase must be completed.

C. Procedures, method, period and place for the exercise of appraisal rights

(1) Procedures and methods for the exercise of shareholders' appraisal right

(1) Notice regarding the objection to the board resolution

- A shareholder of Good Morning Shinhan Securities who objects to the proposed share swap shall give a written notice of his/her objection to the company by a date not later than the date immediately preceding the date of the shareholders' meeting for the approval of such share swap. However, a beneficiary shareholder who owns shares through a securities company may give a notice of his/her objection through the securities company. In such case, a beneficiary shareholder shall give such notice of objection at least two (2) or three (3) business days prior to the date of the shareholders' meeting, given the additional time needed for the administrative processing of such notice by the relevant securities company. (A beneficial shareholder will need to confirm the specific deadline for such notice with the relevant securities company).

- \* The securities company shall collect the objection notices of the beneficiary shareholders, and notify the same to the Korea Securities Depository by the date immediately preceding the date of the

26

shareholders' meeting. The Korea Securities Depository shall, on behalf of the beneficiary shareholders, give a notice to the company of their objection by the date immediately preceding the date of the shareholders meeting.

(2) Exercise of appraisal rights

- In the event that the share swap agreement is approved at both the general meeting of shareholders and the class meeting of the preferred shareholders of Good Morning Shinhan Securities, only those who have given a written notice of his/her objection to the board resolution according to the foregoing procedures may, within ten (10) days from the date of resolution of the shareholders' meeting, request the company to purchase his/her shares. However, a beneficiary shareholder who holds shares through a securities company may make such a request through the relevant securities company. In such case, a beneficiary shareholder shall make a request for purchase of his/her shares at least one (1) or two (2) business days prior to the last day of the exercise period for the appraisal right, given the additional time needed for the administrative processing of such



## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

notice by the relevant securities company (A beneficial shareholder will need to confirm the specific deadline applicable to the exercise of appraisal right with the relevant securities company).

\* The securities company shall collect the notices by the beneficiary shareholders regarding their exercise of appraisal right, and notify the same to the Korea Securities Depository.

### (2) Exercise period

- Notwithstanding the provisions of Article 360-5 of the Commercial code and Article 191 of the Securities and Exchange Act, the exercise period for the shareholders' appraisal right shall be shortened from 20 days to 10 days, commencing from the date of the shareholders' meeting, pursuant to Article 62-2 of the Financial Holding Companies Act.

\* A beneficiary shareholder may exercise his or her appraisal right through the securities company with which he/she holds the shares. In such case, a beneficiary shareholder shall exercise such appraisal rights at least one (1) or two (2) business days prior to the last day of the exercise period, given the time required for the administrative

27

processing of such request by the relevant securities company (A beneficial shareholder will need to confirm the specific deadline applicable to such exercise with the relevant securities company).

- Exercise period of appraisal rights: From November 26, 2004 (Fri) to December 6, 2004 (Mon)

### E. Miscellaneous

(1) Method of funding the share purchase price: The company's existing funds or funds raised by borrowing.

(2) Expected date of payment for the share purchase price: December 21, 2004 (Tue)

(3) Method of payment

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

- Registered shareholder: The share purchase price will be paid in cash or wire transferred to a designated account.
  - Beneficiary shareholder: The share purchase price will be paid to his or her account maintained with the relevant securities company.
- (4) Please note that to the extent necessary other matters regarding the share purchase price and the exercise of appraisal rights may change in the course of negotiations with the shareholders and/or the relevant authorities.
- (5) Details of the calculation of the proposed purchase price of the shares of Good Morning Shinhan Securities

### 1) Common stock

Date ----	Closing price (Won) -----	Trading volume (share) -----	Closing price * trading -----
2004.09.16	3,345	1,091,350	3,650,565,750
2004.09.15	3,285	2,158,013	7,089,072,705
2004.09.14	3,430	956,627	3,281,230,610
2004.09.13	3,595	911,038	3,275,181,610
2004.09.10	3,500	475,270	1,663,445,000
2004.09.09	3,500	629,930	2,204,755,000
2004.09.08	3,445	618,720	2,131,490,400

28

2004.09.07	3,550	490,971	1,742,947,050
2004.09.06	3,600	963,293	3,467,854,800
2004.09.03	3,450	676,510	2,333,959,500
2004.09.02	3,480	1,433,206	4,987,556,880
2004.09.01	3,325	1,004,370	3,339,530,250
2004.08.31	3,165	1,061,065	3,358,270,725
2004.08.30	3,225	651,960	2,102,571,000
2004.08.27	3,350	529,949	1,775,329,150
2004.08.26	3,380	1,900,330	6,423,115,400
2004.08.25	3,265	399,499	1,304,364,235
2004.08.24	3,210	491,120	1,576,495,200
2004.08.23	3,290	513,625	1,689,826,250
2004.08.20	3,260	350,430	1,142,401,800
2004.08.19	3,320	846,771	2,811,279,720

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

2004.08.18	3,240	400,145	1,296,469,800
2004.08.17	3,200	616,290	1,972,128,000
2004.08.16	3,230	590,810	1,908,316,300
2004.08.13	3,265	2,380,102	7,771,033,030
2004.08.12	3,110	714,702	2,222,723,220
2004.08.11	3,080	991,670	3,054,343,600
2004.08.10	3,100	809,349	2,508,981,900
2004.08.09	3,105	683,560	2,122,453,800
2004.08.06	3,025	621,421	1,879,798,525
2004.08.05	3,030	1,286,234	3,897,289,020
2004.08.04	2,910	525,833	1,530,174,030
2004.08.03	2,865	630,430	1,806,181,950
2004.08.02	2,750	353,926	973,296,500
2004.07.30	2,815	245,690	691,617,350
2004.07.29	2,790	274,784	766,647,360
2004.07.28	2,905	373,489	1,084,985,545
2004.07.27	2,845	285,459	812,130,855
2004.07.26	2,860	241,260	690,003,600
2004.07.23	2,930	476,132	1,395,066,760

29

2004.07.22	3,000	619,120	1,857,360,000
2004.07.21	2,995	1,609,408	4,820,176,960
2004.07.20	2,905	297,214	863,406,670
2004.07.19	2,930	469,641	1,376,048,130

Trading volume weighted average of share price for the past two (2) months			3,229 Won
Trading volume weighted average of share price for the past one (1) month			3,371 Won
Volume weighted average of share price for the past one (1) week			3,390 Won
Base share purchase price			3,330 Won

2) Preferred stock

Date	Closing price (Won)	Trading volume (share)	Closing price * trading
----	-----	-----	-----
2004.09.16	2,020	1,970	3,979,400
2004.09.15	1,985	2,710	5,379,350
2004.09.14	2,040	5,040	10,281,600
2004.09.13	2,105	19,030	40,058,150
2004.09.10	2,030	4,910	9,967,300
2004.09.09	1,965	840	1,650,600
2004.09.08	1,980	12,940	25,621,200

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

2004.09.07	1,960	7,253	14,215,880
2004.09.06	1,980	17,203	34,061,940
2004.09.03	1,860	8,130	15,121,800
2004.09.02	1,860	13,170	24,496,200
2004.09.01	1,795	9,370	16,819,150
2004.08.31	1,770	4,420	7,823,400
2004.08.30	1,760	3,152	5,547,520
2004.08.27	1,785	2,011	3,589,635
2004.08.26	1,840	2,950	5,428,000
2004.08.25	1,785	871	1,554,735
2004.08.24	1,770	221	391,170
2004.08.23	1,785	4,732	8,446,620
2004.08.20	1,800	3,380	6,084,000

30

2004.08.19	1,805	7,721	13,936,405
2004.08.18	1,780	6,861	12,212,580
2004.08.17	1,775	4,444	7,888,100
2004.08.16	1,785	5,010	8,942,850
2004.08.13	1,850	41,290	76,386,500
2004.08.12	1,710	2,150	3,676,500
2004.08.11	1,675	2,720	4,556,000
2004.08.10	1,680	2,290	3,847,200
2004.08.09	1,675	2,370	3,969,750
2004.08.06	1,655	3,990	6,603,450
2004.08.05	1,710	6,990	11,952,900
2004.08.04	1,680	13,080	21,974,400
2004.08.03	1,685	15,270	25,729,950
2004.08.02	1,620	940	1,522,800
2004.07.30	1,650	4,420	7,293,000
2004.07.29	1,600	7,290	11,664,000
2004.07.28	1,685	5,470	9,216,950
2004.07.27	1,660	3,990	6,623,400
2004.07.26	1,670	14,910	24,899,700
2004.07.23	1,690	2,090	3,532,100
2004.07.22	1,720	19,140	32,920,800
2004.07.21	1,730	14,730	25,482,900
2004.07.20	1,700	6,400	10,880,000
2004.07.19	1,725	6,960	12,006,000
Volume weighted average of share price of the past two (2) months			1,811 Won
Volume weighted average of share price of the past one (1) month			1,916 Won
Volume weighted average of share price of the past one (1) week			2,070 Won
Base share purchase price			1,933 Won

8. OTHER MATTERS REGARDING THE PROTECTION OF INVESTORS

A. Matters regarding (i) listing of the new shares issued in share swap with the Korea Stock Exchange; (ii) registration of such shares with the KOSDAQ; and (iii) the trading thereof

- The expected date of listing of such newly issued common shares is January 7, 2005, provided that such date may change during the course of negotiations with the relevant authorities (the expected date of the share issuance will be determined based on negotiations with the relevant authorities).

B. Details of changes in the shareholding ratio of the largest shareholders and the major shareholders resulting from the share swap

(1) Status of the largest shareholders and the major shareholders of the wholly-controlling parent company before and after the share swap

(Unit : )

CLASSIFICATION	NAME OF SHAREHOLDERS	CLASS OF SHARES	NUMBER OF SHARES	SHAREHOLDING RATIO
Largest shareholders	BNP Parisbas Luxembourg	Common stock	13,557,832	4.22
		Preferred stock	-	-
	Total	Common stock	13,557,832	4.22
		Preferred stock	-	-
Other shareholders	Korea Deposit Insurance Corporation	Common stock	-	-
		Preferred stock	91,304,564	21.83

Note 1) The shareholding ratio after the share swap has been calculated by adding the maximum number of shares to be issued for the share swap to the number of existing issued and outstanding shares.

2) After the share swap, no major shareholder, as defined by the Securities and Exchange Act, will exist for Shinhan Financial Group.

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

\* Currently, Korea Deposit Insurance Corporation owns non-voting preferred shares

- 3) Shinhan Bank sold all of its 29,873,359 shares of common stock of Shinhan Financial Group, owned as of December 31, 2003, in an after hours block trading before the commencement of session on March 3, 2004.

32

- 4) While the shareholding ratio of BNP Paribas Luxembourg is based on the number of common stock, the preferred stock shareholding ratio of Korea Deposit Insurance Corporation is based on the total number of issued and outstanding shares of the company, including the shares of common and preferred stock.

- (2) Status of the largest shareholders and the major shareholders before the share swap

Shinhan Financial Group

(Unit: )

CLASSIFICATION -----	NAME OF SHAREHOLDERS -----	CLASS OF SHARES -----	NUMBER OF SHARES -----	SHAREHOLDI -----
Largest shareholders	BNP Paribas Luxembourg	Common stock	13,557,832	4
		Preferred stock	-	
	Total	Common stock	13,557,832	4
		Preferred stock	-	
Other shareholders	Korea Deposit Insurance Corporation	Common stock	-	
		Preferred stock	91,304,564	22

- Note 1) As of June 30, 2004.
- 2) Shares of preferred stock held by the Korea Deposit Insurance Corporation do not have voting rights (except that if no dividends are declared with respect to such shares at the general meeting of shareholders for a fiscal year, it may exercise voting rights during the period that follows such general meeting of shareholders until the time of the general meeting of shareholders at which such dividends are declared). Therefore, BNP Paribas Luxembourg is the largest shareholder based on the number of shares with voting rights.
- 3) 29,873,359 shares of Shinhan Financial Group held by Shinhan Bank as of December 31, 2003 were sold in an after hours block trading

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

prior to the commencement of session on March 3, 2004.

- 4) While the shareholding ratio of BNP Paribas Luxembourg is based on the number of shares of common stock, the preferred stock shareholding ratio of Korea Deposit Insurance Corporation is based on the total number of issued and outstanding shares of the company, including the shares of common and preferred stock.

### C. Other matters regarding investment decisions

33

- (1) With respect to the details of changes in the shareholding ratio of the largest shareholders and the major shareholders of Shinhan Financial Group, a wholly-controlling parent company, before and after the share swap

- Details of changes in the shareholding ratio described above have been calculated based on their equity holdings as of June 30, 2004, and, therefore, may differ from their actual equity holdings.
- Details of changes in the shareholding ratio after the share swap described above have been calculated based on the maximum number of shares to be issued for the proposed share swap, and, therefore, may change based on the actual number of shares issued for the share swap.

- (2) With respect to tender offer by Shinhan Financial Group for the preferred stock of Good Morning Shinhan Securities

- Shinhan Financial Group has decided to executed tender offer for the preferred stock of Good Morning Shinhan Securities pursuant to Article 4 of Securities Exchange Act, and the material terms of such tender offer are as follows:
  - \* the number of shares targeted for purchase: 1,529,326 preferred shares in registered form of Good Morning Shinhan Securities (equivalent to 40 % of the issued and outstanding preferred shares)
  - \* Tender offer price: Won 2,500 per share
  - \* Tender offer period: From September 24, 2004 (Fri) to October 13, 2004 (Wed) (20 days)
  - \* Terms and conditions of the tender offer :

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

If the number of shares tendered pursuant to the tender offer is less than that the number of shares solicited for purchase, Shinhan Financial Group shall purchase all of the tendered shares (as the number of shares solicited for purchase is equivalent to 100 % of issued and outstanding preferred stock, the number of tendered shares will not exceed the number of shares to be purchased).

- \* Shinhan Financial Group will announce and give a public notice of the details of the tender offer through the publication of tender offer and the tender offer statement.

34

CHAPTER 2. MATTERS CONCERNING THE COMPANY

I. COMPANY OVERVIEW

[Company Name: Shinhan Financial Group Co., Ltd.]

1. OBJECTIVES OF THE COMPANY

A. Business being conducted by the Company

OBJECTIVES  
-----

REMARKS  
-----

1. To control or manage a financial company or a company having close relation with the financial business;
2. To provide the financial support to its subsidiary, etc. (which expression shall include the subsidiary, sub-subsidiary, and the company under the control of sub-subsidiary; hereinafter the same shall apply.);
3. To invest in the subsidiary or to raise the fund for financial support to its subsidiary, etc.;
4. To develop and sell the products jointly with its subsidiary, etc., and to provide the business support for joint use of facility, computer system, etc. with its subsidiary, etc.; and
5. To engage in the other business incidental or related to the foregoing.

B. Business not being conducted by the Company



	OBJECTIVES -----	REMARKS -----
N/A		
C.	Business being conducted by the Subsidiaries	

	OBJECTIVES -----	REMARKS -----
	Shinhan Bank -----	
	1. Banking business under the Banking Act;	
	2. Trust business;	
	3. Foreign exchange business; and	
	4. Other businesses incidental or related to the foregoing.	

	Chohung Bank -----	
	1. Banking business under the Banking Act;	
	2. Trust business;	
	3. Foreign exchange business; and	
	4. Other businesses incidental or related to the foregoing.	

	Objectives	Remarks
	Good Morning Shinhan Securities Co., Ltd. -----	
	1. Trading of securities;	
	2. Brokerages of securities trading;	
	3. Intermediation or agency of securities trading;	
	4. Intermediation, arrangement or agency for brokerage of securities trading	

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

on the Korea Stock Exchange, the Korea Securities Dealers Association, or a similar market in a foreign country;

5. Underwriting of securities;
6. Arrangement of offering or sale of securities;
7. Arrangement of a public offering of new or outstanding securities;
8. Intermediation or agency of securities trading conducted through the Korea ECU Securities Co., Ltd.; trading of securities associated with intermediation services;
9. Margin loan service;
10. Secured loan (collateralized by securities);
11. Securities saving account service;
12. Stock (index) futures business;
13. OTC derivatives transactions; Intermediation, arrangement or agency thereof;
14. Advisory service for investment and total investment service;
15. Evaluation of securities and equity holdings;
16. Intermediation, arrangement, or agency of corporate mergers & acquisitions;
17. Transactions and intermediation of certificate of deposits (CDs);
18. Trustee business for offering of corporate bonds;
19. Proxy business related to securities trading;
20. Financial advisory services on corporate management, restructuring and financing;
21. Lending and borrowing of securities; Intermediation, arrangement or agency thereof;
22. Underwriting of securities issued through a method other than a public offering; Intermediation, arrangement or agency thereof;
23. Transactions of loan receivables and other transactions related thereto; Intermediation, arrangement or agency thereof;
24. Securities custody business;
25. Real estate leasing;
26. Business related to management of vault for customers;
27. Lending of securities held by the Company to institutional investors;
28. Sales of lottery tickets, admission tickets and other similar services;
29. training related to securities;
30. Publication of periodicals and books;

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

31. Rental or sale of IT system or software in relation to securities business;
32. Fiduciary service regarding service and special purpose company (SPC) businesses pursuant to the Asset Securitization Act;
33. Trading, brokerage, intermediation or agency of futures and options; Intermediation, arrangement or agency for brokerage of futures and options trading;
34. Paying agency service related to corporate bonds;
35. Securities business in overseas markets;
36. Discount and trading of corporate papers (CPs);
37. Intermediation of trading of CPs;
38. Brokerage of sale of investment trust beneficiary certificates;
39. Brokerage of sale of mutual funds;
40. Wrap account service;

36

Objectives

Remarks

41. Agency and intermediation for sale of insurance products; and
42. Other businesses incidental or related to the foregoing.

Shinhan Card Co., Ltd.  
-----

1. Credit card services defined by the Specialized Credit Financial Business Act;
2. Agency and entrustment of the business set forth in Item 1 above;
3. Telemarketing, insurance agency service, travel-related services;
4. Exchange of money;
5. Card production services;
6. Organization and operation of various clubs for members;
7. Business-related publications;
8. Real estate leasing;

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

9. Conduct of the foregoing services through the Internet; and
10. Other businesses incidental to the foregoing and prescribed by the relevant laws and regulations.

Shinhan Capital Co., Ltd.  
-----

1. Leasing of facilities, equipment, machinery, heavy machinery, vehicles, vessels and aircrafts, and real estates and property rights directly related thereto (hereinafter the "Products");
2. Sale of the Products through a deferred payment method;
3. Installment financing;
4. New technology financing;
5. Grant of credit loans or collateral loans;
6. Discount of notes;
7. Assumption and collection of accounts receivables held by a company from the supply of the goods and services;
8. Payment guarantees;
9. Purchase of credits held by other specialized or crossover credit finance companies and securities backed by such credits; and
10. Credit check and other incidental businesses related to the foregoing Items 1 through 7.

Jeju Bank  
-----

1. Banking business under the Banking Act;
2. Trust business;
3. Foreign exchange business; and
4. Other businesses incidental or related to the foregoing.

Shinhan BNP Paribas Investment Trust Management Co., Ltd.  
-----

1. Investment and trust of securities;
2. Advisory services for investment;
3. Raising of futures investment funds;
4. Call transactions;
5. Purchase of notes; and

Objectives	Remarks
6. Other businesses incidental or related to the foregoing Items 1 through 5.	
Shinhan Macquarie Financial Advisory Co., Ltd. -----	
1. Asset-based financing; 2. Advisory services for project financing; 3. Infrastructure management; 4. Structured finance; 5. Cross-border leasing; 6. Technology and infrastructure mergers and acquisitions; 7. Specialized funds management; and 8. Other businesses incidental or related to the foregoing.	
e-Shinhan Inc. -----	
1. Processing of comprehensive financial information and provision of information through the Internet; 2. Financial advisory service through the Internet; 3. Brokerage of financial products sold through the Internet; 4. Provision of real estate information and brokerage of real estate-related products through the Internet; 5. Development and sale of software; 6. Advertising services and advertising agency services; 7. Development of various Internet contents and sale of products; 8. Telemarketing for brokerage of financial products; 9. Specific telecommunications service; and 10. Other businesses incidental or related to the foregoing.	
Shinhan Credit Information Co., Ltd. -----	

1. Debt collection services;
2. Credit check;
3. Civil affairs and petitions handling agency; and
4. Other businesses incidental or related to the foregoing.

SH&C Life Insurance Co., Ltd.  
-----

1. Personal insurance;
2. Reinsurance of personal insurance policies;
3. Operation of assets incidental or related to life insurance; and
4. Other businesses incidental or related to the foregoing.

D. Business to be implemented by stock swap and transfer in the future

- N/A

2. HISTORY OF THE COMPANY

38

A. History of Relevant Company

(1) Proceedings of the Establishment and Changes Thereafter

- 1) Date of Establishment: September 1, 2001
- 2) Location of the Head Office and the Change Thereof: 120, 2Ga, Taepyung-Ro, Jung-Gu, Seoul, Korea
- 3) Branch, Business Office and Office, etc.

- N/A

4) Material Change of the Management

September 1, 2001  
March 31, 2003

Chairman/President  
Chairman  
CEO/President

Eung Chan Ra  
Eung Chan Ra  
Choi, Young Hwi

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

### 5) Change of Largest Shareholder

December 14, 2001: The largest shareholder was changed from Daekyo Co., Ltd. and two others (4,754,679 shares, 1.63%) to BNP Paribas (11,693,767 shares, 4%).

February 7, 2002: The largest shareholder was changed from BNP Paribas to BNP Paribas Luxembourg (11,693,767 shares, 4%), an affiliate of BNP Paribas.

\* The number of shares held by BNP Paribas Luxembourg is 13,557,832 shares and its equity share is 4.39% as of the end of December 2003. (additional acquisition of 1,864,065 shares by capital increase via third-party allotment)

### 6) Material Change of Business Objectives

N/A

### 7) Any Other Material Change after the Establishment

- April 4, 2002 Execution of purchase agreement of 51% equity shares owned by Korea Deposit Insurance Corporation and Jeju Bank

39

- April 8, 2002 Execution of purchase agreement of 30% common shares held by Good Morning Securities with Asia Pacific Growth II, LP etc.
- May 10, 2002 Obtaining of approval of incorporation of Jeju Bank as SFG subsidiary
- June 4, 2002 Credit card division of Shinhan Bank was spun off and established Shinhan Card Co, Ltd.
- July 8, 2002 Establishment of Shinhan Credit Information
- August 1, 2002 Good Morning Securities was launched followed by the merger between Good Morning Securities Co., Ltd. and Shinhan Securities Co., Ltd.
- September 16, 2002 Withdrawal of Good Morning ITMC from sub-subsiary
- September 23, 2002 Execution of agreement for sale of 50%-1 equity shares owned by Shinhan ITMC to BNP Paribas Asset Management Group [the company name was changed to Shinhan BNP Paribas Investment Trust Management Co., Ltd.]

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

- October 1, 2002 Establishment of SH&C life Insurance
- June 9, 2003 Execution of agreement for sale of 49% equity share of Shinhan Credit Information Co., Ltd. to Loan Star Fund
- July 9, 2003 Execution of agreement for acquisition of 80.04% equity ownership of Chohung Bank from the Korea Deposit Insurance Corporation
- August 18, 2003~August 19, 2003 Acquisition of 80.04% equity ownership of Chohung Bank from the Korea Deposit Insurance Corporation
- September 5, 2003 Obtaining of approval of incorporation of Chohung Bank as SFG subsidiary
- September 16, 2003 Registration with U.S. Securities Exchange Commission and listing on New York Stock Exchange
- November 20, 2003 Acquisition of bank holding company license in the US market from the Federal Reserve Board

40

- December 26, 2003 Chohung Bank's additional investment equivalent to 200 billion won (81.15% shareholding after investment)
- March 5, 2004 Sold 29,873,359 shares (10.15%) of the Company owned by Shinhan Bank
- April 12, 2004 Resolution of implementation of share swap and tender offer in order to make Chohung Bank its wholly-owned subsidiary
- April 29, 2004 In credit information business unit, the termination of affiliation with Lone Star and determination of purchase of equity in Shinhan Credit Information Co., Ltd.
- June 22, 2004 Completion of small scale share swap for wholly-owned subsidiary of Chohung Bank
- July 2, 2004 Delisting of Chohung Bank

### (2) Change of Corporate Name

N/A

### (3) Stock Swap and Transfer and Business Sale and Purchase

- Establishment of the financial holding company by stock transfer method on September 1, 2001

\* Subject Companies: Shinhan Bank, Shinhan Securities, Shinhan Capital, Shinhan ITMC) (former company names used)



## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

- \* Issuance of common shares of 292,344,192 shares by stock transfer.
- Pursuant to Article 360, Paragraph (9) and (10) of Commercial Code, small scale and simple stock swaps with Shinhan Bank are carried out as below.

- \* 1st: June 6, 2002 (Issuance of 15,891 new shares in common shares)

- \* 2nd: October 1, 2002 (Issuance of 786 new shares in common shares)

41

- \* 3rd: December 31, 2002 (Issuance of 256 new shares in common shares)

- \* 4th: October 1, 2003 (Issuance of 11,626 new shares in common shares)

- \* 5th: December 31, 2003 (Issuance of 164,484 new shares in common shares)

- \* The foregoing stock swaps are between additionally issued common shares of Shinhan Bank and common shares of 'Shinhan Financial Group' pursuant to the enforcement of the rights of bonds with warrants that Shinhan Bank has already issued.

- The small scale share swap with Chohung Bank as subsidiary was implemented pursuant to Article 360-3 and 360-10 of the Commercial Code as follows:

- \* Share swap date: June 22, 2004

- \* Number of common stock issued upon share swap: 14,682,590 Won

- There is no applicable information on business transfer.

#### (4) Occurrence of Important Matters relating to the Management

- December 12, 2001 Execution of "Agreement for strategic alliance and establishment of a joint-venture company (bancassurance and consumer banking part)" with BNP Paribas Group
- April 4, 2002 Execution of "Jeju Bank's Share (51%) Purchase Agreement" with Korea Deposit Insurance Corporation

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

- April 8, 2002 Execution of "Good Morning Securities Co., Ltd.'s Share (30% of common shares) Purchase Agreement" with Asia Pacific Growth II, LP and others
- August 9, 2002 Execution of "Strategic alliance agreement on investment trust management business" with BNP Paribas Group (BNP PAM)
- September 23, 2002 Execution of "Agreement for sale of 3,999,999 shares (50%-1 shares) owned by Shinhan ITMC" with BNP Paribas Asset Management Group
- June 9, 2003 Execution of "Agreement for sale of shares of Shinhan Credit Information Co., Ltd. [49% of total number of

42

issued and outstanding shares (294,000 shares)]" with Loan Star Fund

- July 9, 2003 Execution of "Chohung Bank's Share [543,570,144 shares (80.04% of total number of issued and outstanding shares)] Purchase Agreement" with Korea Deposit Insurance Corporation
- December 26, 2003 Chohung Bank's additional investment equivalent to 200 billion won (equity share of 81.15% after the investment)
- March 5, 2004 Sold 29,873,359 shares (10.15%) of the Company owned by Shinhan Bank
- April 12, 2004 Resolution of implementation of share swap and tender offer in order to make Chohung Bank its wholly-owned subsidiary
- April 29, 2004 In credit information business unit, the termination of affiliation with Lone Star and determination of purchase of equity in Shinhan Credit Information Co., Ltd.
- June 22, 2004 Completion of small scale share swap for wholly-owned subsidiary of Chohung Bank
- July 2, 2004 Delisting of Chohung Bank

### B. Corporate Group to which the Company belongs

#### (1) Summary of the Corporate Group

- 1) Corporate Name: Shinhan Financial Group
- 2) History
  - May 24, 2000 Announcement of establishment of Shinhan Financial Group Co., Ltd. (hereinafter, Shinhan Financial Group)
  - June 28, 2001 Resolution of the Board of Directors' meeting of Shinhan Bank, Shinhan Securities, Shinhan Capital, Shinhan ITMC for establishment of financial holding company; execution of MOU

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

for strategic alliance

43

- with BNP Paribas Group; application for preliminary approval of establishment of Shinhan Financial Group
- July 27, 2001 Obtaining of preliminary approval of establishment of Shinhan Financial Group
- August 9, 2001 Approval of share transfer for establishment of Shinhan Financial Group at an extraordinary general meeting of shareholders
- August 22, 2001 Application for approval of establishment of Shinhan Financial Group
- August 31, 2001 Obtaining of approval of establishment of Shinhan Financial Group
- September 1, 2001 Registration of establishment of Shinhan Financial Group; incorporation of E-Shinhan and Shinhan Macquarie as SFG subsidiary
- September 10, 2001 Listing of SFG's shares
- December 12, 2001 Execution of the strategic alliance agreement with BNP Paribas Group and establishment of joint corporation
- December 31, 2001 Registration of dissolution of Shinhan Complex Laboratory as sub-subsiidiary (subsidiary of Shinhan Bank)
- April 4, 2002 Execution of purchase agreement of 51% equity shares owned by Korea Deposit Insurance Corporation and Jeju Bank
- April 8, 2002 Execution of purchase agreement of 30% common shares held by Good Morning Securities with Asia Pacific Growth II, LP etc.
- May 10, 2002 Obtaining of approval of incorporation of Jeju Bank as SFG subsidiary
- May 24, 2002 Obtaining of approval of incorporation of Shinhan Card as SFG subsidiary
- July 8, 2002 Establishment of Shinhan Credit Information
- July 26, 2002 Obtaining of approval of incorporation of Good Morning Shinhan Securities (merged with Good

44

Morning Securities and Shinhan Securities) as SFG subsidiary

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

- August 1, 2002 Launching of Good Morning Shinhan Securities
- September 16, 2002 Withdrawal of Good Morning ITMC from sub-subsidiary
- September 23, 2002 Execution of agreement for sale of 50%-1 equity shares (3,999,999 shares) owned by Shinhan ITMC to BNP Paribas Group
- October 1, 2002 Establishment of SH&C life Insurance
- June 9, 2003 Execution of agreement for sale of 49% equity shares (294,000 shares) owned by Shinhan Credit Information to Lone Star Fund
- July 9, 2003 Execution of "Chohung Bank's Share [543,570,144 shares (80.04% of issued and outstanding shares)] Purchase Agreement" with Korea Deposit Insurance Corporation
- August 18, 2003~August 19, 2003 Acquisition of 80.04% equity ownership of Chohung Bank from Korea Deposit Insurance Corporation
- September 5, 2003 Obtaining of approval of incorporation of Chohung Bank as SFG subsidiary
- September 16, 2003 Registration with U.S. Securities Exchange Commission and listing on New York Stock Exchange
- November 20, 2003 Acquisition of bank holding company license in the US market from the Federal Reserve Board
- December 26, 2003 Chohung Bank's additional investment equivalent to 200 billion won (81.15% shareholding after investment)
- April 12, 2004 Resolution of implementation of share swap and tender offer in order to make Chohung Bank its wholly-owned subsidiary (tender offer period: April 26, 2004 ~ May 17, 2004)
- April 29, 2004 In credit information business unit, the termination of affiliation with Lone Star and determination

45

of purchase of equity in Shinhan Credit Information Co., Ltd.

- June 22, 2004 Completion of small scale share swap for wholly-owned subsidiary of Chohung Bank
- July 2, 2004 Delisting of Chohung Bank

(2) Companies belonging to the Corporate Group

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

CLASSIFICATION	NUMBER OF COMPANY	COMPANY NAME	REMARKS
Listed Company	1	Shinhan Financial Group	Parent Company
	2	Good Morning Shinhan Securities, Jeju Bank	Subsidiary
Unlisted Company	9	Shinhan Bank, Chohung Bank, Shinhan Card, Shinhan Capital, Shinhan BNP Paribas ITMC, E-Shinhan, Shinhan Macquarie, Shinhan Credit Information, SH&C life Insurance	Subsidiary
	12	Shinhan Data System, Shinhan Finance, Chohung ITM, Chohung Finance, CHB America Bank, Chohung Bank GmbH, Chohung Vina Bank CHB Valuemeet 2001 year 1st Securitization CHB Valuemeet 2001 year 2nd Securitization CHB Valuemeet 2002 year 1st Securitization Good Morning Shinhan Securities Europe Ltd. Good Morning Shinhan Securities USA Inc.	Sub-subsidia
Total	24	-	-

Note 1) Pursuant to the "Resolution of debt-equity swap by the creditor financial institutions of Samyang Foods Co., Ltd.", the subsidiaries, Shinhan Bank and Shinhan Capital converted the loan receivables of Samyang Foods Co., Ltd. into equity as of June 26, 2003, and thereby became the largest shareholder of Samyang Foods Co., Ltd.

Note 2) Pursuant to the "Resolution made at the council of the creditor financial institutions of Ssangyong Corporation", the subsidiaries, Chohung Bank and Shinhan Bank converted the loan receivables into equity, and thereby became the largest shareholder of Ssangyong Corporation with the equity share of 45.5%.

(3) Relevant Laws and Regulations

- See to the Financial Holding Company Act and its Supervisory Regulations, Securities and Exchange Act and its Supervisory Regulations, and the Fair Trade Act and Regulations.

3. CHANGE OF CAPITAL STOCK

A. Changes of Capital Stock

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

(Unit :

DATE	CAUSE	TYPE	VOLUME	DESCRIPTION OF INCREASED (DECREASED) SHARES		
				PAR VALUE PER SHARE	ISSUE PRICE PER SHARE	CAPITAL STOCK AFTER CAPITAL INCREASE (DECREASE)
2001.09.01	Incorporation	Common share	292,344,192	5,000	11,761	1,461,720,960,000
2002.06.06	Share swap	Common share	15,891	5,000	-	1,461,800,415,000
2002.10.01	Share swap	Common share	786	5,000	-	1,461,804,345,000
2002.12.31	Share swap	Common share	256	5,000	-	1,461,805,625,000
2003.08.19	Right issue	Redeemable preferred share	6,000,000	5,000	150,000	1,491,805,625,000
2003.08.19	Right issue	Redeemable preferred share	46,583,961	5,000	18,086 Note 1)	1,724,725,430,000
2003.08.19	Right issue	Redeemable convertible preferred share	44,720,603	5,000	18,086 Note 1)	1,948,328,445,000
2003.09.26	Right issue	Common share	1,864,065	5,000	14,832	1,957,648,770,000
2003.10.01	Share swap	Common share	11,626	5,000	-	1,957,706,900,000
2003.12.31	Share swap	Common share	164,484	5,000	-	1,958,529,320,000
2004. 6.22	Share swap	Common share	14,682,590	5,000	-	2,031,942,270,000

Note 1) The issue price per share under the financial statements in accordance with Paragraphs 12 and 14 of the Financial Holding Company's Accounting Rules is KRW 10,181.

Note 2) Capital increase ratio = Number of shares increased/Total number of issued and outstanding shares just prior to the capital increase

B. Convertible Bond

- N/A

C. Bond with Warrants

- N/A

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

\* Contribution in Kind

- (1) Name: Korea Deposit Insurance Corporation
- (2) Type and volume: 266,349,371 common shares of Chohung Bank

47

- (3) Price: The certified appraisal firm (KPMG Samjong Accounting Corp.) assessed at KRW 6,207 per share.
- (4) Type and volume of the shares granted: 46,583,961 redeemable preferred shares and 44,720,603 redeemable convertible preferred shares newly issued by Shinhan Financial Group
- (5) Date of Contribution: August 18, 2003
- (6) Results of the Court's Review: On July 29, 2003, Shinhan Financial Group obtained the approval on the certified appraisal firm's appraisal results, submitted by Shinhan Financial Group, from the 50th Civil Division of the Seoul District Court.

4. TOTAL NUMBER OF SHARES, ETC.

A. Total Number of Shares

(As of Jun

TOTAL NUMBER OF SHARES TO BE ISSUED	TOTAL NUMBER OF SHARES ISSUED	TOTAL NUMBER OF SHARES UN-
-----	-----	-----
1,000,000,000 Shares	406,388,454 Shares	593,611,546 Shares

B. Description of Shares Issued

[Par Value per Share: 5,000 Won] (Unit: Won, Share) (As of June 30, 2004)

CLASSIFICATION	TYPES OF SHARE	NUMBER OF SHARES ISSUED	TOTAL AMOUNT OF PAR VALUE	REMARKS
-----	-----	-----	-----	-----
Registered form	Common share	309,083,890	1,545,419,450,000	
Registered form	Redeemable preferred shares	52,583,961	262,919,805,000	
Registered form	Redeemable convertible preferred shares	44,720,603	223,603,015,000	

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

Total 406,388,454 2,031,942,270,000

C. Treasury Stock

- (1) Acquisition and disposition of treasury stock for retirement by profit
  - N/A
- (2) Acquisition and disposition of treasury stock for reasons other than retirement by profit
  - 18,979 fractional shares resulted from small scale share swap made by and between Chohung Bank and the Company on June 22, 2004 (acquisition cost per share: KRW 17,000) were paid out to the

48

minority shareholders of Chohung Bank and the Company acquired 18,979 treasury shares on July 7, 2004

- The fractional shares which were resulted from the computation on a basis of ratio of share swap (SFG: CHB = 1: 0.1354) were purchased by the Company and the cost was paid to the shareholders.
- Unit cost per share was determined as KRW 17,000 which was the closing price as of the first date of listing new shares of the Company (July 2).
- These shares will be disposed at the appropriate time and in accordance with the appropriate procedure.
- N/A

D. Treasury Stock Fund

- N/A

E. Stock Option

[As of June 30, 2004]

(Unit: Won, Share)

GRANT DATE	RELATIONSHIPS	NAME OF THE GRANTEE	TYPE OF SHARE	NO. OF GRANTED STOCK OPTION	NO. OF EXERCISABLE OPTION	NO. OF NO-EXERCISE OPTION	EXERCISE PERIOD
------------	---------------	---------------------	---------------	-----------------------------	---------------------------	---------------------------	-----------------



Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

May 22, 2002	Registered Officer	Eung Chan Ra	Common Stock	94,416	-	94,416	May 23, 2004~May 2
May 22, 2002	Registered Officer	Young Hwi Choi	Common Stock	47,208	-	47,208	May 23, 2004~May 2
May 22, 2002	Non-registered Officer	Sang Hoon Shin	Common Stock	28,325	-	28,325	May 23, 2004~May 2
May 22, 2002	Non-registered Officer	Bhang Gil Choi	Common Stock	18,883	-	18,883	May 23, 2004~May 2
May 22, 2002	Officer of Affiliated Company	In Ho Lee	Common Stock	32,162	-	32,162	May 23, 2004~May 2
May 22, 2002	Officer of Affiliated Company	Hong Soon Moon	Common Stock	17,426	-	17,426	May 23, 2004~May 2
May 22, 2002	Officer of Affiliated Company	Jae Woo Lee	Common Stock	18,873	-	18,873	May 23, 2004~May 2

49

GRANT DATE	RELATIONSHIP	NAME OF THE GRANTEE	TYPE OF SHARE	NO. OF GRANTED STOCK OPTION	NO. OF EXERCISABLE OPTION	NO. OF NO-EXERCISE OPTION	EXERCISE PERIOD
May 22, 2002	Officer of Affiliated Company	Joong Ok Huh	Common Stock	15,564	-	15,564	May 23, 2004~May 2
May 22, 2002	Officer of Affiliated Company	Sahng Dae Kim	Common Stock	18,873	-	18,873	May 23, 2004~May 2
May 22, 2002	Officer of Affiliated Company	Gwang Lim Yoon	Common Stock	18,873	-	18,873	May 23, 2004~May 2
May 22, 2002	Officer of Affiliated Company	Young Kook Oh	Common Stock	8,041	-	8,041	May 23, 2004~May 2

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

May 22, 2002	Officer of Affiliated Company	Kee Do Nam	Common Stock	8,041	-	8,041	May 23, 2004~May 2
May 22, 2002	Officer of Affiliated Company	Myoung Kee Jang	Common Stock	14,918	-	14,918	May 23, 2004~May 2
May 22, 2002	Officer of Affiliated Company	Yong Soon Shin	Common Stock	11,673	-	11,673	May 23, 2004~May 2
May 22, 2002	Officer of Affiliated Company	Dae Woon Lee	Common Stock	11,673	-	11,673	May 23, 2004~May 2
May 22, 2002	Officer of Affiliated Company	Dong Girl Lee	Common Stock	26,953	-	26,953	May 23, 2004~May 2
May 22, 2002	Officer of Affiliated Company	Yun Kang Jung	Common Stock	7,409	-	7,409	May 23, 2004~May 2
May 22, 2002	Officer of Affiliated Company	Woong Man Son	Common Stock	3,828	-	3,828	May 23, 2004~May 2
May 22, 2002	Officer of Affiliated Company	Jung Hun Hwang	Common Stock	3,828	-	3,828	May 23, 2004~May
May 22, 2002	Employee	Byung Kuk Song and other 6 persons	Common Stock	13,325	-	13,325	May 23, 2004~May
May 22, 2002	Employee of Affiliated Company	Duck Joong Kim and other 329 persons	Common Stock	449,929	-	449,929	May 23, 2004~May

50

GRANT DATE	RELATIONSHIP	NAME OF THE GRANTEE	TYPE OF SHARE	NO. OF GRANTED STOCK OPTION	NO. OF EXERCISABLE OPTION	NO. OF NO-EXERCISE OPTION	EXERCISE PERIOD
-----	-----	-----	-----	-----	-----	-----	-----
May 15, 2003	Registered Officer	Eung Chan Ra	Common Stock	100,000	-	100,000	May 16, 2005~May 15, 20

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

May 15, 2003	Registered Officer	Young Hwi Choi	Common Stock	90,000	-	90,000	May 16, 2005~May 15, 20
May 15, 2003	Non-registered Officer	Bhang Gil Choi	Common Stock	20,000	-	20,000	May 16, 2005~May 15, 20
May 15, 2003	Non-registered Officer	Min Ky Han	Common Stock	20,000	-	20,000	May 16, 2005~May 15, 20
May 15, 2003	Non-registered Officer	Young Soo Song	Common Stock	20,000	-	20,000	May 16, 2005~May 15, 20
May 15, 2003	Officer of Affiliated Company	Sang Hoon Shin	Common Stock	80,000	-	80,000	May 16, 2005~May 15, 20
May 15, 2003	Officer of Affiliated Company	Hong Soon Moon	Common Stock	20,000	-	20,000	May 16, 2005~May 15, 20
May 15, 2003	Officer of Affiliated Company	Jae Woo Lee	Common Stock	20,000	-	20,000	May 16, 2005~May 15, 20
May 15, 2003	Officer of Affiliated Company	Joong Ok Huh	Common Stock	20,000	-	20,000	May 16, 2005~May 15, 20
May 15, 2003	Officer of Affiliated Company	Sahng Dae Kim	Common Stock	20,000	-	20,000	May 16, 2005~May 15, 20
May 15, 2003	Officer of Affiliated Company	Gwang Lim Youn	Common Stock	20,000	-	20,000	May 16, 2005~May 15, 20
May 15, 2003	Officer of Affiliated Company	Woo Seop Cho	Common Stock	20,000	-	20,000	May 16, 2005~May 15, 20
May 15, 2003	Officer of Affiliated Company	Hee Soo Kim	Common Stock	20,000	-	20,000	May 16, 2005~May 15, 20
May 15, 2003	Officer of Affiliated Company	Do Heui Han	Common Stock	20,000	-	20,000	May 16, 2005~May 15, 20
May 15, 2003	Officer of Affiliated Company	Yong Soon Shin	Common Stock	15,000	-	15,000	May 16, 2005~May 15, 20
May 15, 2003	Officer of Affiliated Company	Dae Woon Lee	Common Stock	15,000	-	15,000	May 16, 2005~May 15, 20

GRANT DATE	RELATIONSHIP	NAME OF THE GRANTEE	TYPE OF SHARE	NO. OF GRANTED STOCK OPTION	NO. OF EXERCISABLE OPTION	NO. OF NO-EXERCISE OPTION	EXERCISE PERIOD
May 15, 2003	Officer of Affiliated Company	Sung Kyun Hong	Common Stock	30,000	-	30,000	May 16, 2005~May 15, 2010
May 15, 2003	Officer of Affiliated Company	Tae Kyu Lee	Common Stock	10,000	-	10,000	May 16, 2005~May 15, 2010
May 15, 2003	Officer of Affiliated Company	Seong Won Kim	Common Stock	10,000	-	10,000	May 16, 2005~May 15, 2010
May 15, 2003	Officer of Affiliated Company	Woo Yeob Shim	Common Stock	10,000	-	10,000	May 16, 2005~May 15, 2010
May 15, 2003	Officer of Affiliated Company	Dong Gurl Lee	Common Stock	30,000	-	30,000	May 16, 2005~May 15, 2010
May 15, 2003	Officer of Affiliated Company	Yun Kang Jung	Common Stock	10,000	-	10,000	May 16, 2005~May 15, 2010
May 15, 2003	Officer of Affiliated Company	Myoung Kee Jang	Common Stock	10,000	-	10,000	May 16, 2005~May 15, 2010
May 15, 2003	Officer of Affiliated Company	Beom Seong Shin	Common Stock	10,000	-	10,000	May 16, 2005~May 15, 2010
May 15, 2003	Employee	Byung Kuk Song and other 7 officers	Common Stock	14,600	-	14,600	May 16, 2005~May 15, 2010
May 15, 2003	Employee of Affiliated Company	Jin Won Seo and other 329 officers	Common Stock	501,700	-	501,700	May 16, 2005~May 15, 2010
March 25, 2004	Registered Officer	Eung Chan Ra	Common Stock	100,000	-	100,000	March 26, 2006~March 25, 2011

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

March 25, 2004	Registered Officer	Young Hwi Choi	Common Stock	90,000	-	90,000	March 26, 2006~March
March 25, 2004	Non-registered Officer	Bhang Gil Choi	Common Stock	30,000	-	30,000	March 26, 2006~March
March 25, 2004	Non-registered Officer	Chil Sun Hong	Common Stock	20,000	-	20,000	March 26, 2006~March

52

Grant Date	Relationship	Name of the Grantee	Type of Share	No. of Granted Stock Option	No. of Exercisable Option	No. of No-exercise option	Exercise Period
March 25, 2004	Non-registered Officer	Heed Soo Kim	Common Stock	20,000	-	20,000	March 26, 2006~March
March 25, 2004	Non-registered Officer	Byung Jae Cho	Common Stock	20,000	-	20,000	March 26, 2006~March
March 25, 2004	Non-registered Officer	Baek Soon Lee	Common Stock	20,000	-	20,000	March 26, 2006~March
March 25, 2004	Officer of Affiliated Company	Sang Hoon Shin	Common Stock	80,000	-	80,000	March 26, 2006~March
March 25, 2004	Officer of Affiliated Company	Jae Ho Cho	Common Stock	20,000	-	20,000	March 26, 2006~March
March 25, 2004	Officer of Affiliated Company	Jae Woo Lee	Common Stock	20,000	-	20,000	March 26, 2006~March
March 25, 2004	Officer of Affiliated Company	Gwang Lim Youn	Common Stock	20,000	-	20,000	March 26, 2006~March 2
March 25, 2004	Officer of Affiliated Company	Woo Seop Cho	Common Stock	20,000	-	20,000	March 26, 2006~March 2

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

March 25, 2004	Officer of Affiliated Company	Min Ky Han	Common Stock	20,000	-	20,000	March 26, 2006~March 2007
March 25, 2004	Officer of Affiliated Company	Youn Soo Song	Common Stock	20,000	-	20,000	March 26, 2006~March 2007
March 25, 2004	Officer of Affiliated Company	Do Heui Han	Common Stock	20,000	-	20,000	March 26, 2006~March 2007
March 25, 2004	Officer of Affiliated Company	Jin Won Seo	Common Stock	20,000	-	20,000	March 26, 2006~March 2007
March 25, 2004	Officer of Affiliated Company	Shin Keun Yang	Common Stock	20,000	-	20,000	March 26, 2006~March 2007
March 25, 2004	Officer of Affiliated Company	Sang Young Oh	Common Stock	15,000	-	15,000	March 26, 2006~March 2007
March 25, 2004	Officer of Affiliated Company	Sung Kyun Hong	Common Stock	30,000	-	30,000	March 26, 2006~March 2007

53

Grant Date	Relationship	Name of the Grantee	Type of Share	No. of Granted Stock Option	No. of Exercisable Option	No. of exercise option	Exercise Period
March 25, 2004	Officer of Affiliated Company	Tae Kyu Lee	Common Stock	10,000	-	10,000	March 26, 2006~March 2007
March 25, 2004	Officer of Affiliated Company	Seong Won Kim	Common Stock	10,000	-	10,000	March 26, 2006~March 2007

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

March 25, 2004	Officer of Affiliated Company	Woo Yeob Shim	Common Stock	10,000	-	10,000	March 26, 2006-March
March 25, 2004	Officer of Affiliated Company	Moon Han Kim	Common Stock	10,000	-	10,000	March 26, 2006-March
March 25, 2004	Officer of Affiliated Company	Dong Girl Lee	Common Stock	30,000	-	30,000	March 26, 2006-March
March 25, 2004	Officer of Affiliated Company	Sahng Dae Kim	Common Stock	10,000	-	10,000	March 26, 2006-March
March 25, 2004	Officer of Affiliated Company	Seung Keun Oh	Common Stock	10,000	-	10,000	March 26, 2006-March
March 25, 2004	Officer of Affiliated Company	Beom Seong Shin	Common Stock	10,000	-	10,000	March 26, 2006-March
March 25, 2004	Employee	Byung Kuk Song and other 7 officers	Common Stock	13,900	-	13,900	March 26, 2006-March
March 25, 2004	Employee of Affiliated Company	Hong Gon Kam and other 400 officers	Common Stock	582,700	-	582,700	March 26, 2006-March
Total	-	-	-	3,328,121	-	3,328,121	-

Note 1) The number of shares granted and relationship with the Company are recorded as of the date of granting of stock option.

Note 2) The initial volume of the stock options granted as of May 22, 2002 was 1,004,200 options. Among them, the volume of the stock options which was finally determined in May and June of 2004 to be granted in accordance with the condition at the time of execution of stock option agreement is 406,976 shares to officers and 463,254 shares to team head. The total volume is 870,221 shares. Accordingly, the number of shares granted as of May 22, 2004 is the number of shares which was

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

finally determined. Further, it was determined that the finally determined shares for stock option will be treated as granting of difference.

Note 3) The initial volume of stock option granted as of May 15, 2003 is 1,156,300 shares.

Note 4) The initial volume of stock option granted as of March 25, 2004 is 1,301,600 shares.

Note 5) The volume of stock option granted as of May 22, 2002 and May 15, 2003 may be exercised for 4 years after 2 years from the date of granting of stock option. The volume of stock option as of March 25, 2004 may be exercised for 3 years after 2 years from the date of granting of stock option.

54

Note 6) The most current stock price is the closing price as of September 16, 2004.

### F. Status of the Equity Ratio of Employee Stockownership Association

TYPE OF SHARE -----	OPENING BALANCE -----	INCREASE -----	DECREASE -----	ENDING BALANCE -----	REMARKS -----
Common share	357,888	292,655	-241	650,302	-
Total	357,888	292,655	-241	650,302	-

Note) On December 5, 2002, the Employee Stockownership Program was introduced. The record date for 650,302 shares for ending balance is July 15, 2004, consisting of 10,370 shares (SFG), 633,085 shares (Shinhan Bank), 6,847 shares (Shinhan Capital).

\* The volume of decrease is the decrease resulted from retirement under the age limit of the employees of Shinhan Bank.

### 5. MATTERS WITH RESPECT TO THE DIVIDEND DURING THE RECENT FIVE (5) FISCAL YEARS

[Par Value per Share: 5,000 Won]

CLASSIFICATION	THE 3RD PERIOD	THE 2ND PERIOD	THE 1ST
----------------	----------------	----------------	---------





Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

dividends	rate (%)	Majority	share		
			Preferred	-	-
			share		
		Minority	Common	-	-
			share		
			Preferred	-	-
			share		
	B.			-	-
	Number				
	of stock				
	dividend				
	per		Common		
	share	Majority	share		
	(Share)				
			Preferred	-	-
			share		
		Minority	Common	-	-
			share		
			Preferred	-	-
			share		
Book-value per share	(KRW)			15,618	13,717
Ordinary income per share	(KRW)			952	2,066

Note 1) The basis for the calculation of the net earnings per share during the 3rd period

(1) Net earnings : KRW 362,227 million

(2) Preferred share dividend : KRW 83,397 million

(3) Common share net earnings((1)-(2)) : KRW 278,830 million

(4) Weighted average number of traded common shares : 292,856,507 shares

(5) Net Earnings per share((3)/(4)) : KWR 952

Note 2) The payout ratio of the 3rd period was calculated by dividing the total dividends on common share and preferred share by the net earnings before deducting the dividends on preferred share. For your reference, the payout ratio of common share [Dividend on common share/(Net earnings-Dividends on preferred share)] is 56.92%.

Note 3) Dividend per share of each period is not different between shareholders (largest shareholders and minority shareholders).

Provided, however, that KRW 30 (5,000x12%x18/365) was paid as a dividend per share on the shares held by BNP Paribas for the 1st period in proportion to the date of holding.

Note 4) Dividends on shares held by the subsidiary Shinhan Bank as of the end of the 1st, 2nd and 3rd period are not paid.

Note 5) Dividends per share on preferred stock are calculated by dividing the total dividends on preferred stock by total number of issued preferred stock. (KRW 83,397,139,955/97,304,564 shares = KRW 857 per share)

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

Dividends per share on preferred stock are as follows:

- Series 1 to series 5 Redeemable preferred shares : KRW 270,249
- Series 6 Redeemable preferred shares : KRW 10,500
- Series 7 Redeemable preferred shares : KRW 11,190
- Series 8 Redeemable preferred shares : KRW 11,790

56

- Series 9 Redeemable preferred shares : KRW 135,125

Note 6) In case of preferred stock, the dividend ratio at market price was not calculated since the market price was not calculated.

Note 7) Net earnings per share are the amount calculated by dividing total net worth by the total number of issued common share and preferred share.

57

## II. DETAILS OF BUSINESS

### 1. OUTLINE OF BUSINESS

#### A. Status of the Industry

\*\* The Trend toward Expansions and Business Cross-overs, and the Existence of Pressure for the Restructuring in the Finance Industry

Expansions of financial institutions through alliances, and business crossovers resulting from a loosening of regulations by the government are the major trend in the global financial market. In Korea, as the barriers between the different business areas are rapidly being dismantled in the financial industry, forming financial groups or expansion coupled with the progression towards crossing over has become the major trend in the Korean finance industry. Following the introduction of bankassurance last year, providing one-stop financial services, which provide all major financial services including banking, securities, investment, and insurance through a single distribution channel, is emerging as a major task.

In the meantime, the restructuring of the finance sector which has continued since the IMF crisis, is changing from a government-initiated restructuring aimed at resolving past deficiencies to the current private-initiated restructuring aimed at increasing the competitiveness of Korean financial institutions, and this trend is expected to remain a key issue in the changing finance industry of Korea. Accordingly, a small number of large financial institutions, including enlarged financial institutions centered around banking and financial groups in the form of holding companies,

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

will fiercely compete for a leading position in the market based on an enlarged customer base and relevant channels. Small or medium sized financial institutions will struggle to survive through differentiation and by addressing a niche market. However, in cases where even this proves impossible, in losing its competitiveness, the small or medium institutions will become subject to merger during the restructuring process.

### \*\* Incorporation of a Global Competition System within the Financial Market upon Accelerated Entry of Foreign Funds into the Korean Financial Market

In the future, the domestic finance industry will become fully incorporated into the global competition system. Foreign financial institutions have already accelerated their inroads into the Korean financial market, and the type of investments are clearly changing from past short-term investments aimed at simple capital gains to acquiring managerial control for the purpose of making mid to long-term advancements into the financial market.

Under these circumstances, competition with leading foreign financial institutions is inevitable in the Korean market, and it is imperative to the

58

long-term survival and growth of domestic financial institutions to secure competitiveness at a world class level and establish world class standards.

From a wider perspective, the rapid growth of the Chinese economy is another threat to our finance industry, while being recognized as a chance for infinite growth. Many global financial institutions have already begun full-scale advancements into the Chinese market. The potential of the Korean financial market is expected to attract considerable attention as a bridgehead to the Chinese market and as a banking hub of Northeast Asia.

### \*\* Diversification of Financial Needs and Offering Customized Financial Services

Despite the delayed recovery rate of the economy resulting from the decrease in domestic demand, it appears that the domestic financial industry has steadily established a foundation for growth, both in quantity and quality. This is because, while floating liquidity on the market fails to find appropriate investment outlets due to long-term low interest rates and remains around the financial sector, a financial deepening is forecast pursuant to an increase in financial assets during the process of economic growth. In particular, the improvement of services and an increase of hybrid financial products offered by each financial institution in response to the changing quality of financial demands during the progressing financial deepening, together with the convergence trend of different service fields during the process of IT-based industrial development, are expected to become further accelerated.

As for individual customers, pursuant to the changes in lifestyle patterns resulting from the development of an aging society, a gentrification of consumption, and an increase in the high-income HNWI

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

class, the growth of the PB market is likely to be further accelerated. The wealth-management service has made rapid growth as a new area in the finance industry, and as such, the importance of customized service which responds to the nature of the demands of each class is increasing. In addition, the development of hybrid stores and hybrid financial products in line with the cross-over tendency of the finance industry is also expected to be accelerated. Also, in the case of corporate customers, a reduction in the indirect financial market which relies on bank loans, and an enlargement of the direct financial market are expected to be the established trend, and the polarization of the supply and demand of funds according to the size and credibility of corporations will be more clearly defined.

### \*\* Banking Business

Despite the fact that the domestic economy is gradually recovering based on the recovery of the world economy and the increase in exports, it has been predicted that the domestic financial market will focus on management for internal interest, which emphasizes risk management rather than external growth because of a serious decrease in domestic consumption, excessive

59

household debts, and individual credit problems which have become extended long-term.

It seems the tendency towards the short term instability of market funds will be difficult to solve for a while due to basic conditions of prolonged low interest rates and delayed economic recovery, and thus, relying on a simple earnings-based structure centered on deposit-loan margins in order to secure revenue will hit a limit. Therefore, each bank is likely to make more efforts to develop new revenue sources such as revenue from fees and cross-selling of financial products in order to secure a proper rate of returns from asset management.

From the viewpoint of the structure of the industry, there is always the possibility for additional market reorganization including mergers and acquisitions during the process of expansion and of the formation of bank-centered holding companies. In particular, it is anticipated that foreign banks' advances in the Korean market will gradually become a reality through the process of the withdrawal of existing foreign funds, domestic commercial banks will compete for leading positions through expansion measures, a movement towards differentiation will be pervasive among small to medium sized banks, and the restructuring of the financial sector will enter the final phase.

### \*\* Securities/Investment Trust Business

In the securities/investment trust industry, where the restructuring has been relatively late compared to the banking sector, it is expected that the restructuring will start in earnest this year. Restructuring of the investment trust industry is under way in earnest with overseas sales of ailing companies surfacing, and in the securities industry where the pricing competition has already hit its limit with the increase in cyber securities transactions, the industry is centering around the large security companies in the struggle for

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

control of the industry. Under these conditions, small and medium companies that fail to find a model for independent survival will inevitably be driven out of the market. Accordingly, large security companies will actively seek changes in the revenue model from simple brokering services to asset management services represented by wrap accounts and corporate banking services, and small to medium sized companies, with the exception of a small number of online security companies which lead discount brokering, face a limit in continually generating revenue and will inevitably be subject to mergers and acquisitions in the process of restructuring.

### \*\* Credit Cards

As the household debt and individual credit problems that had become serious since the latter half of the year 2002 have not yet been solved, for the time being, it does not seem that the credit card industry will be able to rely on rapid growth-type recovery as in the past. This is because the

60

improvement and maintenance of asset quality, including the default rate, will be the key issue. However, while the position of specialized credit card companies that were previously in the leading position in the market is being weakened, bank credit card companies are expected to do well. At the same time, the latecomers who are relatively free from insolvency problems will seek to expand their market share through aggressive marketing. However, because of the tightening of regulations by the government and delay in the economic recovery rate due to the decrease in domestic consumption, it is unlikely that the card market will easily be normalized.

It follows that the credit card industry is likely to focus its efforts on strategic alliances with other industries such as telecommunications rather than focusing on competing in quantity through expanding the number of customers and credit sales as it did in the past, in order to cope with the changing credit card industry.

### B. Status of the Company

#### (1) General Condition of Operations and Classification of Business Sectors

##### (A) General Condition of Operations

\*\* There were many changes in the financial sector in 2001, including the emergence of large banks through mergers between banks and the launch of state-initiated financial holding companies. Shinhan also successfully established a privately initiated holding company, taking full advantage of its strengths in having various customers and many affiliated companies across the financial industry.

\*\* Since its incorporation, Shinhan Financial Group has set its strategic goal as building its business structure as a universal financial group, and specified systematic strategies centering on the following four major tasks: (1) consolidation of the structure of the holding company; (2) materialization of strategic alliance negotiations; (3) promotion of the strategy of early synergistic expansion(4)

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

strengthening of internal and external communications.

- \*\* First of all, in order to establish the holding company structure, Shinhan Financial Group reorganized the governance structure and management system to secure managerial transparency, and solidified the mutual assistance and support systems among member companies by forming various councils according to each business division, including retail, corporate banking, and asset management to build the foundation for a one portal, one stop comprehensive financial service provider.
- \*\* Shinhan Financial Group signed a strategic alliance agreement on December 12, 2001 with BNP Paribas for equity investment (4% equity, KRW 155.4 billion), and a joint venture for consumer finance and bankassurance.

61

- \*\* Shinhan Financial Group signed an agreement with the Korea Deposit Insurance Corporation on April 4, 2002 for the transfer of Korea Deposit Insurance Corporation's 51% equity in Jeju Bank, and signed another share transfer agreement with Asia Pacific Growth II, LP, etc. for the acquisition of 30% of the common shares in Good Morning Securities on April 8, 2002. Good Morning Shinhan Securities was launched upon the merger between Shinhan Securities and Good Morning Securities.
- \*\* The credit card division of Shinhan Bank was spun off and officially established as an independent, wholly-owned subsidiary on June 4, 2002. Shinhan Credit Information Co., Ltd was incorporated on July 8, 2002 as to engage in the business of debt collection services and credit research.
- \*\* Shinhan Financial Group sold Good Morning Investment Trust Management Co. to Prudential Corporation Holdings to resolve the redundant investment in the investment trust management sector, and in order to enhance the sales power, signed an agreement with BNP Paribas Asset Management Group for an alliance in the investment trust management sector and the sale of 50% equity in the Shinhan Investment Trust Management Co., Ltd., which has been renamed to Shinhan BNP Paribas ITMC.
- \*\* On October 1, 2002, SH&C Life Insurance was incorporated as a result of the ongoing efforts for a joint venture in the bankassurance industry.
- \*\* On June 9, 2003, Shinhan Financial Group sold 49% equity shares of Shinhan Credit Information to Loan Star Fund, and signed an alliance agreement for the debt collection operations, but on April 29, 2004 it decided to repurchase 49% of equity in Shinhan Credit Information (24,000 shares) held by Lone Star again. After repurchase, the equity ratio held by Shinhan Financial Group was changed into 100%.
- \*\* Shinhan Financial Group acquired 80.04% equity ownership (543,570,144 shares) of Chohung Bank from the Korea Deposit Insurance Corporation on August 18 and 19, 2003, and the

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

inclusion of Chohung Bank as a Shinhan Financial Group subsidiary was officially granted on September 5, 2003. Thereafter, Shinhan Financial Group resolved the share swap and tender offer in order to make Chohung Bank its wholly-owned subsidiary at its board of directors' meeting held on April 12, 2004, and during the period from April 26, 2004 until May 17, 2004, Shinhan Financial Group implemented tender offer with respect to 27,109,657 shares of common stock of CHB at the price of 3,500 Won per share. On June 22, 2004, Shinhan Financial Group implemented share swap at the rate of 0.1354 share per one common share of Chohung Bank, and included Chohung Bank as its wholly-owned subsidiary.

- \*\* Upon completion of its incorporation of the banks, security, credit card, investment trust, capital and insurance companies as its subsidiaries, the Shinhan Financial Group has become systemized as a universal financial

62

group covering all financial sectors, and has pursued cross sales including funds and FNA security savings deposit among its subsidiaries, and is concentrating its efforts on the development of hybrid or tie-in-sale products between insurance and credit cards. In addition, as a consolidated group database has been completed, database-marketing activities are being conducted at the group level.

- \*\* In addition, Shinhan Financial Group is informing customers and shareholders of our new transformation process being endeavored under the holding company system through IR activities for investors and group advertising. Internally, the company is pursuing workshops for group officers and executives, synergy forums, survival summit and other various programs in order to expand understanding of and sympathy towards the group vision and strategy direction, and is deriving various tasks to generate synergy which is being pursued through close consultation among member companies.
- \*\* Shinhan Financial Group was registered with the U.S. Securities and Exchange Commission on September 16, 2003 in an attempt to enhance the corporate governance and managerial transparency, and the American Depositary Shares were listed on the New York Stock Exchange on the same day.
- \*\* Especially in 2004, Shinhan Financial Group will strive to realistically construct One-Bank structure through the stable and efficient operation of its two banks: Chohung Bank, which has been incorporated as a new subsidiary, and Shinhan Bank, while securing the basis for the emergence of a New-Bank, in which will be completely new in terms of its quality.
- \*\* Furthermore, Shinhan Financial Group will strengthen its synergistic capabilities by extending the scope of its business and target markets based on the wide expansion of its customer base and channels with the inclusion of Chohung



## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

Bank, and construct a new performance-centered and market-oriented corporate culture, whereby securing its position as a leader in the Korean financial industry. In the meantime, Shinhan will exert constant efforts to build a managerial system which conforms to world-class standards and secure world-class competency for its long-term survival and as the basis for growth in the global financial competition.

### (B) Classification of Business Divisions to be Disclosed

Shinhan Financial Group's business divisions subject to disclosure are restricted to the administration management business and incidental businesses thereto of Shinhan Financial Group and its subsidiaries.

#### (2) Outline of Businesses and Products-Services

63

The administration management business of a Subsidiary and incidental businesses thereto (See Article 15 of the Financial Holding Companies Act and Article 11 of the Enforcement Decree of the Act).

#### (3) Market Share

As there are currently three financial holding companies including Woori and Dongwon besides Shinhan in Korea, it is difficult to determine the accurate market share due to the special characteristics of a holding company, such as the relations with other financial businesses.

(Unit: 100 Million)

AS OF MARCH 31, 2004

CLASSIFICATION	SHINHAN FINANCIAL GROUP	WOORI FINANCE HOLDINGS	DONGWON FINANCE HOLDINGS
Total assets	88,925	86,501	11,210
Total liabilities	25,337	27,916	99
Total stockholders' equity	63,588	58,585	10,220
Capital	19,585	38,775	3,070
Operating revenue	1,845	280	210
Operating expense	392	1,795	100

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

Operating income	1,453	-1,515	19
Ordinary income	1,456	-1,514	21
Net earnings	1,456	-1,514	21

(4) Details and Prospects of New Business, etc.

- Not Applicable

(5) Organization Chart (as of end of August, 2004)

64

2. STATUS OF BUSINESS

A. Business Performance

(Unit: Milli

CLASSIFICATION	2ND QUARTER OF 4TH FY (2004.1.1~2004.6.30)	3RD FY (2003.1.1~2003.12.31)	2ND FY (2002.1.1~2002.12.31)
Operating income	550,199	617,147	
Valuation gain using the equity method	491,697	519,360	
Interest income	58,502	97,787	
Other income			
Operating expense	81,195	252,199	
Valuation gain using the equity method	4,049	130,719	
Operating profit	469,004	364,948	

According to the Statements Korea Accounting Standards ("SKAS") No. 15, the gain and loss using the equity method is recorded respectively. As a result, the business results for the previous period are also prepared for disclosure, which does not affect the operating gain.

B. Financing and Performance of its Operation

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

(1) Performance of Financing

(Unit: Million Won)

Classification	4th FY (Semi-annual) (2004.1.1~2004.6.30)		3rd FY (2003.1.1~2003.12.31)		2nd FY (2002.1.1~2002.12.31)	
	Average Balance	Ratio	Average Balance	Ratio	Average Balance	Ratio
Aggregate Amount of Equity Capital	6,380,716	72.97	4,768,492	73.82	3,877,215	89.4
Capital Stock	1,983,000	22.68	1,660,319	25.70	1,461,770	33.7
Capital Surplus	3,390,233	38.77	2,512,502	38.89	1,976,637	45.6
Retained Earnings	893,120	10.21	692,409	10.72	379,170	8.7
Capital Adjustment	114,364	1.31	-96,738	-1.50	59,638	1.3

-65-

(Unit: Million Won, %)

Classification	4th FY (Semi-annual) (2004.1.1~2004.6.30)		3rd FY (2003.1.1~2003.12.31)		2nd FY (2002.1.1~2002.12.31)	
	Average Balance	Ratio	Average Balance	Ratio	Average Balance	Ratio
Borrowings	2,363,857	27.03	1,691,375	26.18	457,359	10.5
Debentures	2,030,154	23.22	1,434,951	22.21	359,240	8.2
Borrowings from other Banks	333,702	3.82	256,424	3.97	98,119	2.2
					-	
					-	
Total	8,744,572	100.00	6,459,867	100.00	4,334,574	100.0

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

Note) The Average Balance was calculated by arithmetically averaging the ending balance (including the beginning balance) of each quarter.

(2) Operating Performance of Funds

Classification	4th FY (Semi-annual) (2004.1.1~2004.6.30)		3rd FY (2003.1.1~2003.12.31)		(Unit: Million Won, %) 2nd FY (2002.1.1~2002.12.31)	
	Average Balance	Ratio	Average Balance	Ratio	Average Balance	Ratio
Investment shares	6,606,094	75.55	5,882,011	77.81	3,874,018	89.3
Shinhan Bank	3,517,304	40.22	3,139,126	41.53	3,134,106	72.3
Chohung Bank	2,178,747	24.92	1,831,964	24.24	-	
Good Morning Shinhan Securities	551,578	6.31	537,265	7.11	447,117	10.3
Shinhan Card	150,363	1.83	191,094	2.53	149,800	3.4
Shinhan Capital	107,906	1.23	95,384	1.26	71,171	1.6
Shinhan BNP Paribas ITMC	22,389	0.26	22,109	0.29	39,010	0.9
e-Shinhan	2,641	0.03	3,331	0.04	4,281	0.1
Shinhan Macquarie	1,387	0.02	578	0.01	583	0.0
Jeju Bank	47,391	0.54	44,783	0.59	23,855	0.5
Shinhan Credit Information	3,263	0.04	2,392	0.03	1,169	0.0

-66-

Classification	4th FY (Semi-annual) (2004.1.1~2004.6.30)		3rd FY (2003.1.1~2003.12.31)		2nd FY (2002.1.1~2002.12.31)	
	Average Balance	Ratio	Average Balance	Ratio	Average Balance	Ratio

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

	-----	-----	-----	-----	-----	-----
SH&C life Insurance	13,126	0.15	13,985	0.19	2,926	0.0
Investment bonds	-	0.00	905	0.01	1,279	0.0
Loan receivables	2,019,786	23.10	1,618,091	21.41	390,275	9.0
Tangible assets	1,564	0.02	1,434	0.02	1,272	0.0
Intangible assets	392	0.00	471	0.01	163	0.0
Deposit in cash	76,806	0.88	25,326	0.34	57,241	1.3
Other assets	39,930	0.46	30,808	0.41	10,325	0.2
Total	8,744,572	100.00	7,559,046	100.00	4,334,574	100.0

Note) The average balance was calculated by arithmetically averaging the ending balance (including the beginning balance) of each quarter.

3. REQUIRED MATTERS FOR DECISION-MAKING OF INVESTMENT

A. Ratio of Equity Capital relative to Requisite Capital Ratio

(Unit: Million)

CLASSIFICATION	4TH FY (SEMI-ANNUAL)	3RD FY	2ND FY
-----	-----	-----	-----
Aggregate Amount of Equity Capital (A)	10,052,694	8,847,673	4,8
Requisite Capital (B)	7,744,421	7,472,030	3,6
Requisite Capital Ratio (A/B) 1)	129.81%	118.41%	1

Note 1) Ratio of equity capital relative to requisite capital ratio (Article 25 of the Supervisory Regulations on Financial Holding Companies and Exhibit to the Detailed Regulations thereof)  

$$= \frac{\text{total(Equity capital by financial institution - Contributions to subsidiaries)}}{\text{total Requisite capital by financial institution}}$$

B. Won Liquidity Ratio

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

(Unit: Mill)

CLASSIFICATION	4TH FY (SEMI-ANNUAL)	3RD FY	2ND FY
Current Assets (A)	253,038	16,687	
Current Liabilities (B)	242,469	15,504	
Won Liquidity Ratio (A/B) 1)	104.36%	107.63%	

-67-

Note) Won liquidity ratio(Article 25 of Supervisory Regulations on Financial Holding Companies and Exhibit to Detailed Regulations thereof)

= (Current assets due within 3 months)/(Current liabilities due within 3 months)

C. Won Liquidity Ratio

N/A

D. Liability Ratio

(Unit: M)

CLASSIFICATION	4TH FY (SEMI-ANNUAL)	3RD FY	2ND FY
Liability(A)	2,380,977	2,176,875	
Aggregate Amount of Equity Capital(B)	6,665,810	6,117,555	4,...
Liability Ratio(A/B)	35.72%	35.58%	

E. Credit Rating for recent three (3) Years

VALUATION DATE	SUBJECT OF VALUATION (MARKETABLE SECURITIES, ETC)	CREDIT RATING	CREDIT RATING AGENCY	T
2001.09.17	Debentures	AAA	Korea MGT Consulting & Credit Rating Corp. (AAA ~ D)	D
	Debentures	AAA	National Information & Credit Evaluation Inc.	D

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

	Commercial papers	A1	(AAA ~ D) National Information & Credit Evaluation Inc. (A1 ~ D)	D
2001.12.12	Non-guaranteed bonds	AAA	Korea MGT Consulting & Credit Rating Corp. (AAA ~ D)	D
	Non-guaranteed bonds	AAA	National Information & Credit Evaluation Inc. (AAA ~ D)	D
2002.01.21	Non-guaranteed bonds	AAA	National Information & Credit Evaluation Inc. (AAA ~ D)	D
2002.01.22	Non-guaranteed bonds	AAA	Korea MGT Consulting & Credit Rating Corp. (AAA ~ D)	D

68

VALUATION DATE	SUBJECT OF VALUATION (MARKETABLE SECURITIES, ETC)	CREDIT RATING	CREDIT RATING AGENCY	
-----	-----	-----	-----	-----
2002.03.20	Non-guaranteed bonds	AAA	National Information & Credit Evaluation Inc. (AAA ~ D)	D
	Non-guaranteed bonds	AAA	Korea MGT Consulting & Credit Rating Corp. (AAA ~ D)	D
2002.04.19	Non-guaranteed bonds	AAA	National Information & Credit Evaluation Inc. (AAA ~ D)	D
	Non-guaranteed bonds	AAA	Korea MGT Consulting & Credit Rating Corp. (AAA ~ D)	D
2002.05.10	Non-guaranteed bonds	AAA	National Information & Credit Evaluation Inc. (AAA ~ D)	D
	Non-guaranteed bonds	AAA	Korea MGT Consulting & Credit Rating Corp. (AAA ~ D)	D
2002.06.14	Non-guaranteed bonds	AAA	National Information & Credit Evaluation Inc. (AAA ~ D)	D
	Non-guaranteed bonds	AAA	Korea MGT Consulting & Credit Rating Corp. (AAA ~ D)	D
	Commercial papers	A1	National Information & Credit Evaluation Inc. (A1 ~ D)	
	Commercial papers	A1	Korea MGT Consulting & Credit Rating Corp. (A1 ~ D)	D
2002.07.19	Non-guaranteed bonds	AAA	National Information & Credit Evaluation Inc.	D

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

	Non-guaranteed bonds	AAA	(AAA ~ D) Korea MGT Consulting & Credit Rating Corp.	D
2002.09.13	Non-guaranteed bonds	AAA	(AAA ~ D) National Information & Credit Evaluation Inc.	D
	Non-guaranteed bonds	AAA	(AAA ~ D) Korea MGT Consulting & Credit Rating Corp.	D

69

VALUATION DATE	SUBJECT OF VALUATION (MARKETABLE SECURITIES, ETC)	CREDIT RATING	CREDIT RATING AGENCY	
-----	-----	-----	-----	-----
2002.11.07	Non-guaranteed bonds	AAA	National Information & Credit Evaluation Inc. (AAA~D)	D
2002.11.08	Non-guaranteed bonds	AAA	Korea MGT Consulting & Credit Rating Corp. (AAA~D)	D
2002.12.06	Non-guaranteed bonds	AAA	National Information & Credit Evaluation Inc. (AAA~D)	D
	Non-guaranteed bonds	AAA	Korea MGT Consulting & Credit Rating Corp. (AAA~D)	D
2003.01.14	Non-guaranteed bonds	AAA	National Information & Credit Evaluation Inc. (AAA~D)	D
2003.01.15	Non-guaranteed bonds	AAA	Korea MGT Consulting & Credit Rating Corp. (AAA~D)	D
2003.02.10	Non-guaranteed bonds	AAA	Korea MGT Consulting & Credit Rating Corp. (AAA~D)	D
2003.02.12	Non-guaranteed bonds	AAA	National Information & Credit Evaluation Inc. (AAA~D)	D
2003.02.13	Non-guaranteed bonds	AAA	Korea Investors Service Inc. (AAA~D)	D
2003.03.03	Non-guaranteed bonds	AAA	Korea MGT Consulting & Credit Rating Corp. (AAA~D)	D
2003.04.14	Non-guaranteed bonds	AAA	Korea Investors Service Inc. (AAA~D)	D
2003.04.15	Non-guaranteed bonds	AAA	Korea MGT Consulting & Credit Rating Corp. (AAA~D)	D
2003.05.15	Non-guaranteed bonds	AAA	Korea MGT Consulting & Credit Rating Corp. (AAA~D)	D



VALUATION DATE -----	SUBJECT OF VALUATION (MARKETABLE SECURITIES, ETC) -----	CREDIT RATING -----	CREDIT RATING AGENCY -----	T
	Non-guaranteed bonds	AAA	National Information & Credit Evaluation Inc. (AAA~D)	D
	Non-guaranteed bonds	AAA	Korea Investors Service Inc. (AAA~D)	D
2003.06.16	Non-guaranteed bonds	AAA	National Information & Credit Evaluation Inc. (AAA~D)	D
	Non-guaranteed bonds	AAA	Korea Investors Service Inc. (AAA~D)	D
	Non-guaranteed bonds	AAA	Korea MGT Consulting & Credit Rating Corp. (AAA~D)	D
2003.07.14	Non-guaranteed bonds	AAA	Korea MGT Consulting & Credit Rating Corp. (AAA~D)	D
	Non-guaranteed bonds	AAA	National Information & Credit Evaluation Inc. (AAA~D)	D
	Non-guaranteed bonds	AAA	Korea Investors Service Inc. (AAA~D)	D
2003.10.13	Non-guaranteed bonds	AAA	National Information & Credit Evaluation Inc. (AAA~D)	D
2003.10.14	Non-guaranteed bonds	AAA	Korea MGT Consulting & Credit Rating Corp. (AAA~D)	D
	Non-guaranteed bonds	AAA	Korea Investors Service Inc. (AAA~D)	D
2003.12.12	Non-guaranteed bonds	AAA	National Information & Credit Evaluation Inc. (AAA~D)	D
	Non-guaranteed bonds	AAA	Korea MGT Consulting & Credit Rating Corp. (AAA~D)	D
	Non-guaranteed bonds	AAA	Korea Investors Service Inc. (AAA~D)	D
2004.03.16	Non-guaranteed bonds	AAA	Korea MGT Consulting & Credit Rating Corp. (AAA~D)	D

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

VALUATION DATE	SUBJECT OF VALUATION (MARKETABLE SECURITIES, ETC)	CREDIT RATING	CREDIT RATING AGENCY	TY
2004.6.16	Non-guaranteed bonds	AAA	National Information & Credit Evaluation Inc. (AAA~D)	D
	Non-guaranteed bonds	AAA	Korea Investors Service Inc. (AAA~D)	D
	Non-guaranteed bonds	AAA	National Information & Credit Evaluation Inc. (AAA~D)	D
	Non-guaranteed bonds	AAA	Korea MGT Consulting & Credit Rating Corp. (AAA~D)	D
2004.6.29	Non-guaranteed bonds	AAA	Korea Investors Service Inc. (AAA~D)	D
	Non-guaranteed bonds	AAA	Korea MGT Consulting & Credit Rating Corp. (AAA~D)	D
	Non-guaranteed bonds	AAA	National Information & Credit Evaluation Inc. (AAA~D)	D
	Non-guaranteed bonds	AAA	Korea Investors Service Inc. (AAA~D)	D

F. Ratio of Shareholder's Equity of Subsidiaries

1) Shinhan Bank

-72-

CLASSIFICATION	2004 (SEMI-ANNUAL)	AS OF THE END OF 2003	AS OF THE END OF 2002
Aggregate Amount of Equity Capital (A)	57,781	49,365	
Risk Weighted Asset (B)	493,580	470,649	
Shareholders' Equity on the basis of BIS(A/B)	11.71	10.49	

2) Chohung Bank

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

(Unit: KRW 100 Milli

CLASSIFICATION	2004 (SEMI-ANNUAL)	AS OF THE END OF 2003	AS OF THE END OF 2002
Aggregate Amount of Equity Capital (A)	36,369	35,724	37,000
Risk Weighted Asset (B)	406,884	402,609	428,000
Shareholders' Equity On The Basis Of BIS (A/B)	8.94	8.87	8.87

3) Good Morning Shinhan Securities

(Unit: KRW 100 Million, %

CLASSIFICATION	AS OF END OF JUNE, 2004	AS OF THE END OF MARCH, 2004	AS OF THE END OF MARCH, 2003
Operating net capital (A)	4,016	4,218	3,961
Risk-weighted Amount (B)	864	878	960
Operating Net Capital Ratio (A/B)	464.54	480.69	412.6

Note) Good Morning Securities and Shinhan Securities were merged on August 1, 2002

4) Shinhan Card

(Unit: KRW 100 Million, %

CLASSIFICATION	2004 (SEMI-ANNUAL)	AS OF THE END OF 2003	AS OF THE END OF 2002
Adjusted Equity Capital (A)	2,506	2,619	2,685
Adjusted Total Assets (B)	15,391	19,012	24,737
Adjusted Equity Capital Ratio (A/B)	16.30	13.78	10.86

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

5) Shinhan Capital

-73-

(Unit: KRW 100 Million,

CLASSIFICATION	2004 (SEMI-ANNUAL)	AS OF THE END OF 2003	AS OF THE END OF 2002
-----	-----	-----	-----
Adjusted Equity Capital(A)	1,377	1,128	910
Adjusted Total Assets(B)	13,276	11,393	9,467
Equity Capital Ratio(A/B)	10.37	9.90	9.61

6) Shinhan BNP Paribas ITMC

(Unit: Million Won, %)

CLASSIFICATION	AS OF THE END OF JUNE, 2004	AS OF THE END OF MARCH, 2004	AS OF THE END OF MARCH, 2003
-----	-----	-----	-----
Net Capital Equity(A)	43,094	46,004	43,575
Risk-weighted Amount(B)	12,838	11,711	8,226
Equity Capital Ratio to Risk(A/B)	335.68	392.83	529.72

7) Jeju Bank

(Unit: KRW 100 Millio

CLASSIFICATION	2004 (SEMI-ANNUAL)	AS OF THE END OF 2003	AS OF THE END OF 2
-----	-----	-----	-----
Aggregate Amount of Equity Capital(A)	1,290	1,369	1,
Risk Weighted Asset(B)	12,108	12,491	12,
Shareholders' Equity on the Basis of BIS(A/B)	10.66	10.96	11

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

8) SH&C life Insurance

(Unit: Million)

CLASSIFICATION	AS OF THE END OF JUNE, 2004	AS OF THE END OF MARCH, 2004	AS OF THE END OF MARCH, 2003
Solvency Margin(A)	25,688	24,950	28,065
Solvency Margin Standard(B)	2,511	2,202	151
Solvency Margin Ratio(A/B)	1,023.02	1,132.98	18,606.45

G. Status of Non-Performing Loans of Subsidiaries and others

1) Shinhan Bank

23rd Semi-Annual: 2004.1.1. ~ 2004.6.30  
 22nd FY : 2003.1.1 ~ 2003.12.31  
 21st FY : 2002.1.1 ~ 2002.12.31

-74-

[Status of Increase/Decrease in Non-performing Loans]

(Unit: Million)

23RD FY (SEMI-ANNUAL)		22ND FY		21ST FY	
Non-performing loan balance	Ratio	Non-performing loan balance	Ratio	Non-performing loan balance	Ratio
4,581	0.88	3,985	0.82	2,983	0.69

[Loan Loss Allowance]

(Unit: KRW 100 Million)

CLASSIFICATION	23RD FY (SEMI-ANNUAL)	22ND FY	21ST FY
----------------	--------------------------	---------	---------

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

Loan Loss Allowance	Domestic	General	8,291	8,664	4,925
		Special	-	-	-
		Subtotal	8,291	8,664	4,925
-----					
	Overseas	General	741	745	733
		Special	-	-	-
		Subtotal	741	745	733
-----					
	Total		9,032	9,409	5,658
-----					
	Provision for Guarantee		24	34	37
-----					
	Provision for Write-Offs		192	249	315
-----					
Write-Offs for the Period	Bank Account	Domestic	1,439	627	1,047
		Overseas	120	74	160
		Subtotal	1,559	701	1,207
-----					
	Trust Account		145	14	168
-----					
	Total		1,704	715	1,375
-----					

2) Chohung Bank

173rd FY (Semi-Annual): 2004.1.1.~ 2004.6.30  
 172nd FY : 2003.1.1 ~ 2003.12.31  
 171st FY: 2002.1.1 ~ 2002.12.31

[Status of Increase/Decrease in Non-performing Loans]

(Unit: KRW

173RD (SEMI-ANNUAL)		172ND FY		171ST FY		I
Non-performing loan balance	Ratio	Non-performing loan balance	Ratio	Non-performing loan balance	Ratio	Non-p loan
15,146	3.43	18,796	4.0	19,811	4.02	

-75-

[Loan Loss Allowance]

(Unit: KRW 100 Mill

CLASSIFICATION	173RD FY (SEMI-ANNUAL)	172ND FY	171ST
----------------	------------------------	----------	-------

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

Loan Loss Allowance	Domestic	General	14,456	16,026	16,9
		Special	-	-	
		Subtotal	14,456	16,026	16,9
	Overseas	General	620	563	5
		Special	-	-	
		Subtotal	620	563	5
Total			15,076	16,589	17,5
Provision for Guarantee			393	540	
Provision for Write-Offs			187	384	
Write-Offs for the Period			4,690	17,812	11,0

3) Good Morning Shinhan Securities

1st Quarter of 6th FY: 2004.4.1. ~ 2004.6.30

5th FY : 2003.4.1 ~ 2003.3.31

4th FY : 2002.4.1 ~ 2003.3.31

[Status of Increase/Decrease in Non-performing Loans ]

(Unit: KRW 1

1ST QUARTER OF 6TH FY		5TH FY		4TH FY		INCREASE/DE
Non-performing loan balance	Ratio	Non-performing loan balance	Ratio	Non-performing Loan balance	Ratio	Non-perform Loan balance
392	15.85	382	13.48	410	19	

\* Non-performing loan is selected among substandard loans pursuant to the asset soundness classification criteria and the present value discount account shall be calculated after including in the estimated loss.

[Loan Loss Allowance]

-76-

(Unit: KRW 100 Millio

CLASSIFICATION		1ST QUARTER OF 6TH FY	5TH FY	4TH F
Domestic	General	329	309	370
	Special	-	-	-
	Subtotal	329	309	370
Loan Loss				

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

Allowance	Overseas	General	-	-	-
		Special	-	-	-
		Subtotal	-	-	-
Total			329	309	370
Write-Offs for the Period			211	-	75

4) Shinhan Card

3rd FY (Semi-Annual) : 2004.1.1~2004.6.30  
 2nd FY : 2003.1.1 ~ 2003.12.31  
 1st FY:2002.9.1 ~ 2002.12.31

[Status of Increase/Decrease in Non-performing Loans]

(Unit: KRW 100 Million)

3RD FY (SEMI-ANNUAL)		2ND FY		1ST FY		INCREASE/DECREASE
Non-performing loan balance	Ratio	Non-performing loan balance	Ratio	Non-performing loan balance	Ratio	Non-performing loan balance
553	5.40	747	6.34	714	2.82	-1

\* Ratio shall be the ratio of non-performing loans relative to those assets for which provision is to be established.

[Loan Loss Allowance]

(Unit: KRW 100 Million)

CLASSIFICATION			3RD FY (SEMI-ANNUAL)	2ND FY	1ST FY
Loan Loss Allowance	Domestic	General	696	946	961
		Special	-	-	-
		Subtotal	696	946	961
	Overseas	General	-	-	-
		Special	-	-	-
		Subtotal	-	-	-
Total			696	946	961
Write-Offs for the Period			1,291	2,770	544

5) Shinhan Capital



Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

-77-

14th FY (Semi-Annual): 2004.1.1~2004.6.30

13th FY: 2003.1.1 ~ 2003.12.31

12th FY: 2002.4.1 ~ 2002.12.31

[Status of Increase/Decrease in Non-performing Loans]

14TH FY (SEMI-ANNUAL)		13TH FY		12TH FY	
Non-performing loan balance	Ratio	Non-performing loan balance	Ratio	Non-performing loan balance	Ratio
298	2.49	281	2.74	436	5.0

\* Non-performing loans: Substandard loan under the asset soundness classification criteria

[Loan Loss Allowance]

CLASSIFICATION		14TH FY (SEMI-ANNUAL)	13TH FY	12TH FY
Loan Loss Allowance	Domestic			
	General	218	179	266
	Special	-	-	-
	Subtotal	218	179	266
	Overseas			
	General	-	-	-
Special	-	-	-	
Subtotal	-	-	-	
Total		218	179	266
Write-Offs for the Period		9	160	789

\* Loan Loss Allowance includes the provision for disposition of lease assets and the loan loss allowance.

6) Shinhan BNP Paribas ITMC

1st Quarter of 9th FY: 2004.4.1 ~ 2004.6.30

8th FY: 2003.4.1 ~ 2003.3.31

7th FY: 2002.4.1 ~ 2003.3.31

[Status of Increase/Decrease in Non-performing Loans]

N/A

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

[Loan Loss Allowance]  
N/A

7) Jeju Bank

-78-

45th FY (Semi-Annual): 2004.1.1 ~ 2004.6.30

44th FY: 2003.1.1 ~ 2003.12.31

43rd FY: 2002.1.1 ~ 2002.12.31

[Status of Increase/Decrease in Non-performing Loans]

(Unit: K)

45TH FY (SEMI-ANNUAL)		44TH FY		43RD FY		INCR
Non-performing loan balance	Ratio	Non-performing loan balance	Ratio	Non-performing loan balance	Ratio	Non-bala
568	4.41	298	2.27	238	1.86	

[Loan Loss Allowance]

(Unit: KRW 100 Million)

CLASSIFICATION		45TH FY (SEMI-ANNUAL)	44TH FY	43RD FY
Loan Loss Allowance	Domestic			
	General	429	345	273
	Special	-	-	-
	Subtotal	429	345	273
	Overseas			
	General	-	-	-
Special	-	-	-	
Subtotal	-	-	-	
Total		429	345	273
Write-Offs for the Period		106	179	240

8) SH&C LIFE INSURANCE

1st Quarter of 3rd FY: 2004.4.1~2004.6.30

2nd FY: 2003.4.1 ~ 2003.3.31

1st FY: 2002.10.1 ~ 2003.3.31

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

[Status of Increase/Decrease in Non-performing Loans]

N/A

[Loan Loss Allowance]

N/A

-79-

### III. FINANCIAL MATTERS

#### 1. SUMMARY OF FINANCIAL INFORMATION

CLASSIFICATION	4TH FY (SEMI-ANNUAL)	3RD FY (ANNUAL)	2ND FY (ANNUAL)
			(Unit: 100 M)
<hr/>			
[Assets]			
-Cash and due from banks	80	54	106
-Investment securities under the equity method	69,625	63,085	39,908
-Available-for-sale securities			10
-Loans	20,437	19,352	7,653
-Fixed assets	19	20	18
-Other assets	307	433	155
Total assets	90,468	82,944	47,850
<hr/>			
[Liabilities]			
-Borrowings	2,742	1,659	360
-Debentures	20,802	19,805	7,320
-Other liabilities	266	305	68
TOTAL LIABILITIES	23,810	21,769	7,748
<hr/>			
[Stockholders' equity]	20,319	19,585	14,618
<hr/>			
[Capital surplus]	35,379	33,164	19,766
<hr/>			
-Paid-In Capital in Excess of Par Value	35,379	33,164	19,766
<hr/>			
[Retained earnings]	10,411	8,664	6,725
<hr/>			
[Capital adjustments]	549	-238	-1,007
<hr/>			
TOTAL STOCKHOLDERS' EQUITY	66,658	61,175	40,102
<hr/>			

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

Operating revenue	5,502	4,864	6,434
<hr style="border-top: 1px dashed black;"/>			
Operating expense	812	1,215	412
<hr style="border-top: 1px dashed black;"/>			
Operating income	4,690	3,649	6,022
<hr style="border-top: 1px dashed black;"/>			
Ordinary income	4,695	3,622	6,039
<hr style="border-top: 1px dashed black;"/>			
Net income for the year	4,695	3,622	6,039
<hr style="border-top: 1px dashed black;"/>			

[- means (-)]

### 2. BASIS OF FINANCIAL STATEMENTS PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

-80-

#### A. Basis of financial statements presentation

The Company prepared the financial statements in accordance with the generally accepted accounting principles in the Republic of Korea ("Korean GAAP") and the accounting rules applicable to financial holding companies of Korea, and the significant accounting policies are summarized below.

##### (1) Allowance for loan losses

Allowance for loan losses is provided to cover estimated losses on loan receivables, such as loans and privately-placed bonds, based on past experience of collection and analysis of the collectibility of individual outstanding loans.

##### (2) Investments in securities

Securities should be classified into one of the three categories of held-to-maturity, available-for-sale, or trading securities at the time of acquisition and such determination should be reassessed at each balance sheet date.

Held-to-maturity securities are those with fixed and determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity. Securities that are bought and held principally for the purpose of selling them in the near term (thus held for only a short period of time) are classified as trading securities. Trading generally reflects active and frequent buying and selling, and trading securities are generally used to generate profit on short-term differences in price. Investments not classified as either held-to-maturity or trading securities are classified as available-for-sale securities.

Marketable securities are initially stated at cost plus incidental expenses with the individual moving average method. Held-to-maturity securities are stated at amortized cost, and trading securities and available-for-sale securities are carried at fair value. Of available-for-sale securities, investments in equity that do not have readily determinable fair values are stated at cost. Unrealized holding gains and losses on valuation of trading securities are included in earnings, and unrealized holding gains and losses on

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

valuation of available-for-sale securities are included in capital adjustments. Accumulated capital adjustment of securities is charged to current operations in lump-sum at the time of disposal or impairment recognition.

Marketable securities are at the quoted market prices as of the period end. Non-marketable debt securities are recorded at the fair values derived from the discounted cash flows by using an interest rate deemed to approximate the market interest rate. The market interest rate is determined by the issuers' credit rate announced by the accredited credit rating agencies in Korea.

-81-

### (3) Investment securities under the equity method

Equity securities in companies over which the Company has significant management control are stated at an amount as determined using the equity method.

Under the equity method, the Company's initial investment is recorded at cost plus incidental expenses with the individual moving average method, and the resulting figure is deemed the balance sheet value. If any difference between the book value and the balance sheet value of investments in securities under the equity method is (i) due to the investor's share in net income or net loss of investee, such amount is reflected as current operations of the investor under the account title of valuation gain using the equity method; (ii) due to the changes in the retained earnings of the investee, such amount is reflected as the retained earnings of the investor; or (iii) due to changes in the capital surplus or other capital adjustments of the investee, such amount is reflected as changes in capital adjustments of the investor under the account title of valuation gains on investment securities accounted for by the equity method.

For the equity method, the Company applies the same criteria for allowances for loan losses with respect to loan receivables from its affiliated companies to the extent that the degree of risk involved and the borrower of the loan receivables are identical. Accordingly, additional allowances provided for the year ended December 31, 2003 for Chohung and Jeju Bank amount to KRW32,390 million and KRW1,143 million, respectively, by the equity method.

Of investment elimination difference arising from valuation gain using the equity method, the difference stemming from the book value and fair value is amortized or reversed in accordance with the accounting method of the investee. Any excess is generally recorded as goodwill (negative goodwill). Goodwill (negative goodwill) is amortized over a reasonable period, generally less than 20 years. Provided, that if the investee using the equity method is a subsidiary, the difference stemming from the acquisition value arising from additional acquisition of subsidiary's securities and the additional securities acquisition portion out of subsidiary's net assets is recorded as valuation gain (loss) on investment securities accounted for by the equity method.

### (4) Tangible assets

Tangible assets are initially stated at cost plus incidental expenses. Depreciation is computed over 5 years using the declining-balance method (straight-line method for leasehold improvements) based on the estimated useful lives of the assets. Expenditures that result in the enhancement of the value or the extension of the useful lives of the facilities involved are

-82-

capitalized as additions to tangible assets, and routine maintenance and repairs are expensed as incurred.

(5) Intangible assets

Intangible assets are stated at cost plus incidental expenses, less amortization computed using the straight-line method over 5 years.

(6) Income taxes

Income tax on the earnings or loss for the year comprises current and deferred tax. The difference between the amount currently payable for the period and the income tax expense is accounted for as deferred income tax assets or liabilities and offset against income tax assets and liabilities in future periods. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. Changes in net tax effects resulting from changes in tax rates are recognized in earnings for the year in which the relevant tax rates are enacted.

(7) Discounts on debentures

Discounts on debentures issued, which represent the difference between the face value of debentures issued and the issuance price of debentures (the value of debentures less the debenture issuance fees and other direct costs associated with the issuance of debentures) are reflected in the accompanying balance sheets as a deduction from the face value of debentures, and are amortized on the effective interest method over the life of the debentures. The amount amortized is included in interest expense.

(8) Retirement and severance benefits

Employees who have been with the Company for more than one year are entitled to lump-sum payments based on current rates of pay and length of service when they leave the Company. The Company's estimated liability under the plan which would be payable if all employees left on the balance sheet date is accrued in the accompanying non-consolidated balance sheets. A portion of the liability is covered by an employees' severance pay insurance where the employees have a vested interest in the deposit with the insurance company. The deposit for severance benefit insurance is, therefore, reflected in the accompanying balance sheets as a deduction from the liability for retirement and severance benefits.

(9) Translation of foreign currency denominated assets and liabilities

Non-monetary assets and liabilities denominated in foreign

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

currencies are translated into Korean Won based on the prevailing exchange rate effective

-83-

on the acquisition or assumption date of such assets or liabilities. On the other hand, monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at KRW1,152.50 and KRW1,197.80 to US\$1, the base exchange rate announced by Seoul Money Brokerage Services Limited on the balance sheet date. The resulting gains (losses) are recognized in current operations.

### (10) Stock options

The stock option program allows the Company's employees to acquire shares of the Company or to be compensated for the market price difference. In case of stock grant type, the Company values stock options based upon an option pricing model under the fair value method and recognizes this value as an expense and a capital adjustment (stock option) over the period in which the options vest. When the Company issues new shares upon employees' exercise of stock options, difference between the sum of the stock options and the exercise price thereof and the face value of new shares is accounted for as subscription premium paid for the shares. On the other hand, when the Company delivers treasury shares, difference between the sum of the stock options and the exercise price thereof and the book value of treasury stocks is accounted for as loss on disposition of treasury stocks. In case of price compensation type, the Company recognizes the compensation expense as an expense and a liability (long-term outstanding expenses) over the period in which the options vest.

In case officers and employees fail to perform their obligations due to death, retirement or resignation during the period in which the options vest, the stock options granted to such officers and employees become null and void. In such a case, the relevant amounts are reduced from capital adjustments (stock options) or long-term outstanding expenses recorded in the balance sheet in respect of stock options, and the corresponding amounts are deducted from compensation expenses. In case stock options of stock grant type are not exercised after the period in which the options vest and become null and void, the relevant amounts are reduced from capital adjustments, and the corresponding amounts are transferred to other capital surplus.

### (11) Contingent liabilities

Contingent losses are generally recognized as a liability when probable and reasonably estimable as of the balance sheet date.

### (12) Use of estimates

The preparation of financial statements in accordance with the Korean GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes to financial statements in respect of the amounts of assets and liabilities,

-84-

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

disclosure of contingent liabilities, estimates of revenues and expenses. The foregoing applies to the valuation of the book value of tangible assets, accounts receivable, inventories, deferred income tax assets or liabilities, and derivatives. Actual results could differ from those estimates.

(13) Adoption of new accounting standard

The Company adopted Statements of Korea Accounting Standards ("SKAS") Nos. 10, 12 and 13, effective from the first fiscal year beginning after December 31, 2003, and early adopted SKAS No. 15, effective from the first fiscal year beginning after December 31, 2004, to prepare this semi-annual financial statements. The annual and semi-annual financial statements for the prior FY, marked comparatively with this semi-annual financial statement due to the application of SKAS No. 15, was reclassified pursuant to the accounting titles of this semi-annual financial statement.

B. Violation of the GAAP, etc.

(1) Violation that may require the financial statements to be adjusted

N/A

(2) Violation irrelevant to the adjustment of the financial statements

N/A

C. Other matters to be noted

N/A

3. Financial Statements

A. Balance Sheet

Balance Sheet

The 4th Fiscal Year (Semi-annual) (As of June 30, 2004)

The 3rd Fiscal Year (As of December 31, 2003)

The 2nd Fiscal Year (As of December 31, 2002)

DESCRIPTION	4TH FY (SEMI-ANNUAL)	3RD F
<b>Assets</b>		
I. Cash & Due from Banks	7,983	5,



Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

DESCRIPTION	4TH FY (SEMI-ANNUAL)	3RD F
1. Due from Banks	7,983	5,
II. Securities	6,962,491	6,308,
(1) Equity Securities Accounted for by the Equity Method	6,962,491	6,308,
1. Stocks		6,308,
(2) Available-for-Sale Securities		
1. Bonds		
III. Loans	2,043,702	1,935,
(Allowance for Possible Loan Losses)	-10,270	-9,
1. Loans in Won	1,747,200	1,637,
2. Loans in Foreign Currency	103,632	107,
3. Privately Placed Bonds	203,140	200,
IV. Fixed Assets	1,891	2,
(1) Premises and Equipment	1,517	1,
1. Vehicles	405	
Accumulated Depreciation	-226	-
2. Equipments	1,126	
Accumulated Depreciation	-669	-
3. Other	1,479	1,
Accumulated Depreciation	-598	-
(2) Intangible Assets	374	
1. Organization Costs		
2. Other	374	
V. Other Assets	30,720	43,
1. Guarantee Deposits	7,840	7,
2. Accounts Receivables	7,317	7,
3. Accrued Income	11,234	11,
4. Advance Payments	10	

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

5. Prepaid Expenses	1,506	1,
6. Prepaid Income Tax	1,008	13,
7. Sundry Assets	1,805	1,
Total Assets	9,046,787	8,294,
Liabilities		
1. Borrowings	274,150	165,
1. Borrowings in Won	205,000	94,
2. Borrowings in Foreign Currency	69,150	71,
II. Debentures	2,080,227	1,980,
1. Debentures in Won	2,050,000	1,950,
Discounts	-4,306	-5,

-86-

DESCRIPTION	4TH FY (SEMI-ANNUAL)	3RD F
2. Debentures in Foreign Currency	34,575	35,
Discounts	-42	
III. Other Liabilities	26,601	30,
1. Taxes Withheld	230	1,
2. Dividends Payable	1,296	
3. Accounts Payable	14,097	14,
4. Accrued expenses	10,782	12,
5. Unearned income	94	1,
6. Accrued Severance Benefits	546	
Deposits with Insurance Company for Severance Benefits	-444	-
Total Liabilities	2,380,978	2,176,
Stockholders' Equity		
I. Capital Stock	2,031,942	1,958,
1. Common Stock	1,545,419	1,472,

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

2. Preferred Stock	486,523	486,
II. Capital Surplus	3,537,940	3,316,
1. Paid-In Capital in Excess of Par Value	3,537,940	3,316,
III. Retained Earnings	1,041,145	866,
1. Legal Reserve	118,692	82,
2. Retained Earnings Before Appropriations	922,453	783,
(Net Income for the Year:		
For 3rd FY: KRW 362,227 million)		
For 2nd FY: KRW 603,931 million)		
IV. Capital Adjustments	54,782	-23,
1. Change in Capital by the Equity Method	215,232	181,
2. Change in Capital by the Negative Equity Method	-165,123	-214,
3. Valuation Loss on Available-for Sale Securities		
4. Stock Option	4,673	9,
Total Stockholders' Equity	6,665,809	6,117,
Total Liabilities and Stockholders' Equity	9,046,787	8,294,

As a result of application of SKAS No. 15 from this fiscal year, changes in capital by the equity method were recorded as the total amount respectively; therefore, the prior fiscal year's financial statements were also reclassified. This reclassification does not result in any material change to the total capital.

-87-

B. Income Statement

Income Statement

The 4th Fiscal Year (Semi-annual) (January 1, 2004 ~ June 30, 2004)

The 3rd Fiscal Year (Semi-annual) (January 1, 2003 ~ June 30, 2003)

The 3rd Fiscal Year (January 1, 2003 ~ December 31, 2003)

The 2nd Fiscal Year (January 1, 2002 ~ December 31, 2002)

DESCRIPTION	4TH FY (SEMI-ANNUAL) (SECOND HALF YEAR)	3RD FY (SEMI-ANNUAL) (FIRST HALF YEAR)	3RD FY (ANNUAL)
			(U

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

1. Operating Revenues	362,503	550,199	78,081	225,150	617,14
(1) Valuation Gain using the Equity Method of Accounting	332,749	491,697	51,058	182,870	519,36
(2) Interest Income	29,569	58,502	27,023	42,280	97,78
1. Interest on Due from Banks	423	507	231	321	63
2. Interest on Loans	25,787	51,280	23,462	35,277	83,72
3. Interest on Privately Placed Bonds	3,359	6,715	3,330	6,682	13,43
(3) Other Operating Income	185				
1. Reversal of Allowance for Bad Debt	185				
II. Operating Expenses	38,757	81,195	33,248	121,742	252,19
(1) Valuation Loss using the Equity Method of Accounting	629	4,049	2,007	69,097	130,71
(2) Interest Expenses	31,305	61,671	25,349	39,635	92,61
1. Interest on Borrowings	2,919	5,461	6,290	6,861	11,02
2. Interest on Debentures	28,231	55,901	19,051	32,758	81,36
3. Other	155	309	8	16	23
(3) Commission Expenses	19	71	27	29	4,96
(4) Selling and Administrative Expenses	6,804	15,404	5,865	12,981	23,90
1. Salaries	673	4,461	2,343	3,974	9,82
2. Retirement Allowance	53	106			14
3. Employee Benefits	222	448	101	268	60
4. Rent	147	254	24	40	14
5. Entertainment	138	299	47	312	1,45
6. Depreciation	160	310	126	232	56

-88-

DESCRIPTION	4TH FY (SEMI-ANNUAL)	3RD FY (SEMI-ANNUAL)	3RD FY
-------------	-------------------------	-------------------------	--------

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

	(SECOND HALF YEAR)		(FIRST HALF YEAR)		(ANNUAL)
7. Amortization on Intangible Asset	28	55	27	54	10
8. Bad Debt		545	2,032	6,148	5,87
9. Taxes and Dues	24	92	13	66	36
10. Advertising	1	8	3	4	2
11. Commissions	2,407	5,368	389	938	1,37
12. Other	2,951	3,458	760	945	3,43
III. Operating Income	323,746	469,004	44,833	103,408	364,94
IV. Non-Operating Income	205	4,543	5,038	626	42
1. Gain on Foreign Currency Translation	99	4,077	2,712	440	23
2. Gain on Foreign Currency Transaction			1	1	
3. Gain on Disposition of Equity Securities					
4. Miscellaneous	106	466	2,325	185	19
IV. Non-Operating Expenses	109	4,089	3,882	1,611	3,14
1. Loss on Foreign Currency Transaction	1	2			
2. Loss on Foreign Currency Translation	99	4,075	2,713	438	23
3. Loss on Disposition of Equity Securities			166	166	16
4. Loss on Disposition of Available-for-Sale Securities					1,72
5. Contribution	9	12	16	19	3
6. Miscellaneous			987	988	98
IV. Ordinary Income	323,842	469,458	45,989	102,423	362,22
VII. Extraordinary Gain or Loss			-	-	
VIII. Income Before Income Tax Expense	323,842	469,458	45,989	102,423	362,22
IX. Income Tax Expense			-	-	
X. Net Income for the Period	323,842	469,458	45,989	102,423	362,22

(Earning per Share and Ordinary Income Diluted Earning per

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

Share and Ordinary Income)

-89-

	EARNING PER SHARE AND ORDINARY INCOME	DILUTED EARNING ORDINARY
4th FY (Semi-annual) (3 months)	998	
4th FY (Semi-annual) (Accumulation)	1,397	1
3rd FY (Semi-annual) (3 months)	157	
3rd FY (Semi-annual) (Accumulation)	350	
3rd FY (Annual)	831	
2nd FY (Annual)	1,483	1

As a result of application of SKAS No. 15, accounts related to the equity method were recorded as the total amount, respectively, and the previous financial statements were also reclassified. This reclassification does not result in any material change to the operating income and the net income for the period.

C. Statement Of Appropriation Of Retained Earnings Or Statement Of Disposition Of Deficit

Statement Of Appropriation Of Retained Earnings

The 3rd Fiscal Year (January 1, 2003 ~ December 31, 2003)  
 The 2nd Fiscal Year (January 1, 2003 ~ December 31, 2002)  
 The 1st Fiscal Year (September 1, 2001 ~ December 31, 2001)

DESCRIPTION	3RD FY AMOUNT	2ND FY AMOUNT	(Unit)
1. Retained Earnings Before Appropriation	783,928	650,454	
1. Unappropriated Retained Earnings carried over from prior years	432,569	47,033	
2. Change in Retained Earnings of Subsidiaries	-10,848	-510	
3. Cumulative Effect of Change in Accounting Policy	-20		

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

4. Net Income for the Period	362,227	603,931
II. Appropriation of Retained Earnings	278,337	217,885
1. Legal Reserve	36,223	60,393
2. Dividends	242,114	157,492
a. Cash Dividends on Common Stock	158,717	157,492
b. Cash Dividends on Preferred Stock	83,397	
III. Unappropriated Retained Earnings carried over to Subsequent Year	505,591	432,569

D. Cash Flow Statements

Cash Flow Statements

-90-

The 4th Fiscal Year (Semi-annual) (January 1, 2004 ~ June 30, 2004)  
 The 3rd Fiscal Year (Semi-annual) (January 1, 2003 ~ June 30, 2003)  
 The 3rd Fiscal Year (January 1, 2003 ~ December 31, 2003)  
 The 2nd Fiscal Year (January 1, 2002 ~ December 31, 2002)

DESCRIPTION	4TH FY (SEMI-ANNUAL)		3RD FY (SEMI-ANNUAL)	
	3 MONTHS	ACCUMULATION	3 MONTHS	ACCUMULATION
I. Cashflows From Operating Activities	-4,481	-11,481	-5,319	-8,955
1. Net Income for the Semi-annual Period	323,842	469,458	45,988	102,423
2. Addition of expense not involving cash outflows	1,767	10,710	45,210	77,789
a. Valuation Loss using the Equity Method	629	4,049	39,229	69,097
b. Interest Expenses	798	1,570	602	1,084
c. Depreciation	160	310	126	232
d. Amortization on Intangible Assets	28	55	27	54
e. Bad Debt	0	545	2,032	6,148
f. Loss on Foreign Currency	99	4,075	2,711	438

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

Translation

g. Loss on Disposition of Equity Securities	0	0	166	166
h. Loss on Disposition of Available-for-Sale Securities	0	0	0	0
i. Retirement Allowance	53	106	0	0
j. Stock Option	0	0	317	570
3. Deduction Of Revenues Not Involving Cash Inflows	334,325	496,711	91,329	183,378
a. Valuation Gain using the Equity Method of Accounting	332,749	491,697	88,280	182,870
b. Gain on Disposition of Investment Securities	0	0	0	0
c. Gain on Foreign Currency Translation	99	4,077	2,712	438
d. Reversal of Allowance for Bad Debts	185	0	0	0
e. Stock Option	1,292	937	0	0
f. Sundry Income	0	0	337	70

-91-

DESCRIPTION	4TH FY (SEMI-ANNUAL)		3RD FY (SEMI-ANNUAL)	
	3 MONTHS	ACCUMULATION	3 MONTHS	ACCUMULATION
4. Change in Assets and Liabilities Resulting from Operations	4,235	5,062	-5,188	-5,789
a. Increase in Accounts Receivable	-3,728	-3,720	462	0
b. Increase in Accrued Income	-261	100	-3,163	-5,385
c. Increase in Prepaid Expenses	324	162	312	-2,438
d. Increase in Prepaid Income Taxes	13,367	12,859	-2,520	-4,867
e. Increase in Taxes Withheld	-4,084	-947	-4,276	-288
f. Decrease in Accounts Payable	37	-396	776	-691



Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

g. Increase in Accrued Expenses	392	-1,406	3,486	5,484
h. Increase in Unearned Income	-1,812	-1,586	-268	2,406
i. Payment of Severance Benefits	0	-90	0	-35
j. Increase in Deposits with Insurance Company for Severance Benefits	0	86	3	25
k. Increase in Advance Payments	0	0	0	0
II. Cash Flows From Investing Activities	-56,595	45,385	-413,665	-1,047,900
1. Cash Inflows From Investing Activities	43,730	256,536	1,558	187,454
a. Dividend Income	3,730	256,536	0	185,896
b. Disposition of Equity Securities Accounted for Using the Equity Method	0	0	1,529	1,529
c. Disposition of Available-for-sale Securities	0	0	0	0
d. Decrease in Sundry Assets	0	0	0	0
e. Disposition of Vehicles	0	0	29	29
f. Decrease in Loans in Won	40,000	0	0	0
2. Cash Outflows From Investing Activities	100,325	211,151	415,223	1,235,354
a. Increase in Investment Securities	96,979	96,979	0	0
b. Increase in Loans in Won	0	110,000	410,000	1,230,000
c. Increase in Loans in Foreign Currency	0	0	0	0

-92-

DESCRIPTION	4TH FY (SEMI-ANNUAL)		3RD FY (SEMI-ANNUAL)	
	3 MONTHS	ACCUMULATION	3 MONTHS	ACCUMULATION
d. Increase in Privately Placed Bonds	3,140	3,140	0	0

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

e. Increase in Vehicles	14	14	151	151
f. Increase in Equipment	21	132	72	73
g. Increase in Other Premises and Equipment	74	75	386	427
h. Increase in Organization Costs	14	14	0	0
i. Increase in Other Intangible Assets	0	0	0	0
j. Increase in Guarantee Deposits	0	0	771	771
k. Increase in Advance Payments	0	0	3,589	3,589
l. Increase in Sundry Assets	83	797	254	343
III. Cashflows From Financing Activities	-148,023	-31,274	382,184	1,070,346
1. Cash Inflows From Financing Activities	65,000	211,000	510,000	1,230,000
a. Increase in Borrowings in Won	15,000	111,000	30,000	330,000
b. Increase in Borrowings in Foreign Currency	0	0	0	0
c. Increase in Debentures in Won	50,000	100,000	480,000	900,000
d. Increase in Debentures in Foreign Currency	0	0	0	0
e. Common Stock Issuance	0	0	0	0
f. Preferred Stock Issuance	0	0	0	0
2. Cash Outflows from Financing Activities	213,023	242,274	127,816	159,654
a. Disbursement of Debenture Issue Costs	230	528	1,451	2,781
b. Decrease in Borrowings in Won	0	0	0	0
c. Disbursement of Dividend Payables	212,793	241,746	126,365	156,873
d. New Stock Issuance Costs	0	0	0	0
IV. Increase In Cash ([+][+][+])	-209,099	2,630	-36,800	13,491
V. Cash at Beginning of the Year	217,082	5,353	60,904	10,613
VI Cash at End of the Year	7,983	7,983	24,104	24,104

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

### 4. Consolidated Financial Statement

#### A. Summary of Consolidated Financial Information

DESCRIPTION	3RD FY	2ND FY
[Assets]		
- Cash & Due from Banks	64,183	28,171
- Marketable Securities	48,766	20,763
- Investment Securities	231,270	134,079
- Loans	949,212	452,444
- Fixed Assets	28,537	11,004
- Other Assets	70,126	21,215
Total Assets	132,094	667,676
[Liabilities]		
-Deposits	875,926	387,223
- Borrowings	172,096	113,518
- Debentures	177,479	83,954
- Other Liabilities	105,517	43,367
Total Liabilities	1,331,018	628,062
[Capital Stock]	19,585	14,618
[Consolidated Capital Surplus]	32,008	18,877
[Consolidated Retained Earnings]	8,721	6,708
[Capital Adjustment]	-5,194	-3,798
[Minority Interest]	5,956	3,209
Total Assets	61,076	39,614
Operating Revenues	80,721	59,289
Operating Expenses	72,863	49,904
Operating Income	7,858	9,385
Ordinary Income	6,310	8,523
Total Net Income for the Period	3,770	5,977

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

Consolidated Net Income for the Period	3,630	6,022
Number of Subsidiaries	18 (the Company, Subsidiaries 8, Sub-subsidiaries 7, Bank Trust 3)	13 (the Company, Subsidiaries 7, Sub-subsidiaries 2, Bank Trust 2)

Note) As a result of early application of SKAS No. 6, the amount of liabilities in the financial statements of the first fiscal year decreased by KRW 150,812 million and stockholders' equity increased by KRW 150,812 million, both of which were described for reference purposes.

-94-

**B. Basis of financial statements presentation and summary of significant accounting policies**

The Company and the consolidated subsidiaries (collectively referred to as the "Company") prepared the accompanying consolidated financial statements in accordance with the generally accepted accounting principles in the Republic of Korea ("Korean GAAP"), the consolidated financial statements accounting rules and the business-specific accounting rules, such as the banking business accounting rules, the securities business accounting rules, the securities investment trust business accounting rules, the lease accounting rules and the insurance business accounting rules. The Company adopted Statements of Korea Accounting Standards (SKAS) No. 2 through No. 9, effective from the first fiscal year beginning after December 31, 2002, while SKAS No. 6, "Events Occurring after the Balance Sheet Date", has been adopted since the year ended December 31, 2002 with encouraged earlier application. Significant accounting policies adopted by the Company in the preparation for the consolidated financial statements for the current year are consistent with those applied in the year-end consolidated financial statements ended December 31, 2002, except for the application of the aforesaid SKAS.

**(1) Investments in securities**

Securities should be classified into one of the three categories of held-to-maturity, available-for-sale, or trading securities at the time of acquisition and such determination should be reassessed at each balance sheet date.

Held-to-maturity securities are those with fixed and determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity. Securities that are bought and held principally for the purpose of selling them in the near term (thus held for only a short period of time) are classified as trading securities. Trading generally reflects active and frequent buying and selling, and trading securities are generally used to generate profit on short-term differences in price. Investments not classified as either held-to-maturity or trading securities are classified as available-for-sale securities.

Marketable securities are initially stated at cost plus incidental expenses with the individual moving average method.

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

Held-to-maturity securities are stated at amortized cost, and trading securities and available-for-sale securities are carried at fair value. Of available-for-sale securities, investments in equity that do not have readily determinable fair values are stated at cost. Unrealized holding gains and losses on valuation of trading securities are included in earnings, and unrealized holding gains and losses on valuation of available-for-sale securities are included in capital adjustments. Accumulated capital adjustment of securities is charged to current operations in lump-sum at the time of disposal or impairment recognition.

-95-

Marketable securities are at the quoted market prices as of the period end. Non-marketable debt securities are recorded at the fair values derived from the discounted cash flows by using an interest rate deemed to approximate the market interest rate. The market interest rate is determined by the issuers' credit rate announced by the accredited credit rating agencies in Korea. Money market funds are recorded at the fair value determined by the investment management companies.

(2) Investment securities under the equity method

Equity securities in companies over which the Company has significant management control are stated at an amount as determined using the equity method.

Under the equity method of accounting, changes in the investor's initial investment arising from changes in the net asset of the investee is reflected in the investor's investment in securities. Based on the sources of changes, changes in the investor's investments in securities are reflected as valuation gain (loss) using the equity method (current operations of the investor), the retained earnings of the investor, or valuation gains on investment securities accounted for by the equity method (capital adjustments of the investor). However, the Company does not record its share of losses of affiliate companies when such losses would make the Company's investment in such entity less than zero. Of investment elimination difference arising from valuation gain under the equity method, the difference stemming from the book value and fair value is amortized or reversed in accordance with the accounting method of the investee for the relevant asset. Any excess is generally recorded as goodwill (negative goodwill). Goodwill (negative goodwill) is amortized over a reasonable period, generally less than 20 years.

In case of translating financial statements denominated in foreign currencies, where the balances are determined by the equity method, assets and liabilities are translated at current rate as of the balance sheet date and capital accounts at historical rate. The investor's share in differences between capital accounts translated at historical rate and assets translated at current rate as of the balance sheet date less liabilities translated at current rate as of the balance sheet date is accounted for as overseas operation translation credit (debit), a component of capital adjustments in the stockholder's equity.

(3) Allowance for loan losses

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

The Company establishes the credit risk-rating model, which considers the borrowers' capacity to repay and credit risk ("Forward Looking Criteria: FLC") in classifying its corporate loans and making provisions for loan losses, while household loans and credit card loans are classified by considering current financial status including delinquency period, bankruptcies and collaterals value.

-96-

(4) Troubled loans restructuring

Restructured loans which are related to companies involved in bankruptcy proceedings, composition proceedings or workout programs with creditors are stated at present value of expected future cash flows, and the difference between carrying amount and the present value of expected future cash flows is presented as a present value discount, and amortized and credited to operations as interest income using the effective interest rate method.

In addition, an allowance for the present value on restructured loans is made depending on the credit conditions of borrowers.

(5) Tangible assets

Tangible assets are initially stated at cost plus incidental expenses. Expenditures that result in the enhancement of the value or the extension of the useful lives of the facilities involved are capitalized as additions to tangible assets, and routine maintenance and repairs are expensed as incurred.

Depreciation is computed over 5 years using the declining-balance method (straight-line method for buildings and leasehold improvements) based on the estimated useful lives of the assets.

(6) Intangible assets

Intangible assets are stated at cost plus incidental expenses, less amortization computed using the straight-line method over useful lives of related intangible assets.

(7) Bonds under resale or repurchase agreements

Bonds purchased under resale agreements are recorded as loans and bonds sold under repurchase agreements are recorded as borrowings. When the Company purchases or sells securities under resale or repurchase agreements, the amount calculated by applying the conditional selling interest rate for each period is recorded as interest on bonds purchased (sold) under resale or repurchase agreements.

(8) Discounts on debentures

Discounts on debentures issued, which represent the difference between the face value of debentures issued and the issuance price of debentures (the value of debentures

less the debenture issuance fees and other direct costs associated with the issuance of debentures) are reflected in the accompanying balance sheets as a deduction from the face value of

-97-

debentures, and are amortized on the effective interest method over the life of the debentures. The amount amortized is included in interest expense.

(9) Retirement and severance benefits

In accordance with the Regulation on Severance Payment to Officers and Employees, the Company's estimated liability under the severance payment plan which would be payable if all employees left on the balance sheet date is accrued in the accompanying balance sheets. Under the National Pension Scheme of Korea, the Company transferred a certain portion of retirement allowances of employees to the National Pension Fund. The amount transferred will reduce the retirement and severance benefit amount to be payable to the employees when they leave the Company and is accordingly reflected in the accompanying financial statements as a reduction from the retirement and severance benefit liability. The Company obtains and maintains employees' severance pay insurance where the employees have a vested interest in the deposit with the insurance company. The deposit for severance benefit insurance is, therefore, reflected in the accompanying balance sheets as a deduction from the liability for retirement and severance benefits.

(10) Allowance for guarantees and acceptances

The Company provides an allowance for losses on guarantees and acceptances, which are classified as substandard, doubtful and estimated loss using the same method as that used to provide for losses on its corporate loans.

(11) Income taxes

Income tax on the earnings or loss for the year comprises current and deferred tax. The difference between the amount currently payable for the period and the income tax expense is accounted for as deferred income tax assets or liabilities and offset against income tax assets and liabilities in future periods. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. Changes in net tax effects resulting from changes in tax rates are recognized in earnings for the year in which the relevant tax rates are enacted.

(12) Translation of foreign currency denominated assets and liabilities

Assets and liabilities denominated in foreign currencies are translated into Korean Won at KRW1,197.80 and KRW1,200.40 to US\$1, the base exchange rate announced by Seoul Money Brokerage Services Limited on the balance sheet date, and

the resulting gains (losses) are recognized in current operations. However, the SWAP funds provided by the Bank of

-98-

Korea under the repurchase agreement are translated at the agreed exchange rate. In addition, operating leases that (i) were contracted before March 31, 1998, (ii) the funds used in purchasing the operating lease assets are denominated in foreign currencies, (iii) the base lease expense or the adjusted lease expense is denominated in foreign currencies and, thus, the exchange rate risk is hedged, the resulting gains (losses) are reflected as translation gains (losses) related to operating leases, which is amortized or reversed when the Company recognizes the above lease expense as earnings. In addition, financial statements of overseas branches are also translated into Korean Won at the above base rates on the balance sheet dates.

(13) Derivatives

Derivative instruments are presented as assets or liabilities valued principally at the fair value of rights or obligations associated with the derivative contracts. The unrealized gain or loss from derivative transactions is recognized in current operations.

However, for derivative instruments for the purpose of hedging the exposure to the variability of cash flows of a forecasted transaction, the hedge-effective portion of the derivative's gain or loss is deferred as a capital adjustment, a component of stockholder's equity. The ineffective portion of the gain or loss is charged or credited to current results of operations.

(14) Stock options

The stock option program allows the Company's employees to acquire shares of the Company or to be compensated for the market price difference. In case of stock grant type, the Company values stock options based upon an option pricing model under the fair value method and recognizes this value as an expense and a capital adjustment (stock option) over the period in which the options vest. When the Company issues new shares upon employees' exercise of stock options, the difference between the sum of the exercise price of the stock options and the sum of face value of new shares is accounted for as subscription premium paid for the shares. On the other hand, when the Company delivers treasury shares, the difference between the sum of the exercise price of the stock options and the sum of the book value of treasury stocks is accounted for as loss on disposition of treasury stocks. In case of price compensation type, the Company recognizes the compensation expense as an expense and a liability (long-term outstanding expenses) over the period in which the options vest.

In case officers and employees fail to perform their obligations due to death, retirement or resignation during the period in which the options vest, the stock options



granted to such officers and employees become null and void. In such a case, the relevant amounts are reduced from capital adjustments (stock options) or long-term outstanding expenses recorded in the balance sheet in respect of stock options, and the corresponding amounts are

-99-

deducted from compensation expenses. In case stock options of stock grant type are not exercised after the period in which the options vest and become null and void, the relevant amounts are reduced from capital adjustments, and the corresponding amounts are transferred to other capital surplus.

(15) Accounting for leases and rentals

The Company accounts for and classifies its lease transactions as either the operating or capital lease, depending on the terms of the lease under the Korean Lease Accounting Standards.

If a lease is substantially non-cancelable and meets one or more of the criteria listed below, the present value of future minimum lease payments is reflected as an obligation under capital lease. Otherwise, it is classified as an operating lease with lease payments expensed as incurred.

- o Ownership of the leased property shall be transferred to the lessee at the end of the lease term without additional payment or for a contract price.
- o The lease has a bargain purchase option.
- o The lease term is equal to 75% or more of the estimated economic useful life of the leased property in respect of lease transactions that were contracted before January 1, 1998.
- o The present value at the beginning of the lease term of the minimum lease payments equals or exceeds 90% of the fair value of the leased property.

In case of capital leases, the portion originated from principal is accounted for as collections of outstanding receivables and the remaining interest income is accounted for as revenue in the current period. Revenue from operating leases is recognized on a straight-line basis over the lease term.

All costs and charges incurred in connection with acquiring lease assets by inception date of the lease are recorded as advance payments on operating lease assets or capital lease receivables.

Additionally, depreciation of assets for operating leases is computed using the straight-line method over the economic useful lives (or lease terms if contracted before March 31, 1998).

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

(16) Interest income recognition

The Company recognizes the interest income earned on loan receivables and other loans on an accrual basis. For the interest income on loans having

-100-

overdue interest and principal, dishonored bills and checks and all credits to the customers that are given a grace period or a reduction or exemption of interest payments or listed as watch list clients, the Company discontinues the recognition of interest accrual.

(17) Contingent liabilities

Contingent losses are generally recognized as a liability when probable and reasonably estimable as of the balance sheet date.

(18) Use of estimates

The preparation of financial statements in accordance with the Korean GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes to financial statements in respect of the amounts of assets and liabilities, disclosure of contingent liabilities, estimates of revenues and expenses. The foregoing applies to the valuation of the book value of tangible assets, accounts receivable, inventories, deferred income tax assets or liabilities, and derivatives. Actual results could differ from those estimates.

(19) Reclassification of account titles

Certain accounts of prior year's non-consolidated financial statements were reclassified to conform to the current year's presentation. These reclassifications did not result in any material change to reported net earnings or stockholders' equity.

C. Consolidated Financial Statements

(1) Consolidated Balance Sheet

Consolidated Balance Sheet

The 3rd Fiscal Year (As of December 31, 2003)  
The 2nd Fiscal Year (As of December 31, 2002)  
The 1st Fiscal Year (As of December 31, 2001)

(Unit

---

DESCRIPTION	3RD FY AMOUNT
-------------	------------------

---

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

Assets

I. Cash & Due from Banks	6,418,280
1. Cash	1,742,777
2. Foreign Currency	165,006
3. Due from Banks in Won	4,119,983

-101-

DESCRIPTION	3RD FY AMOUNT
4. Due from Banks in Foreign Currency	390,514
II. Securities	28,003,660
(1) Trading Securities	4,876,614
1. Stocks	188,922
2. Government Bonds	1,712,070
3. Finance Debentures	1,656,756
4. Corporate Bonds	996,699
5. Beneficiary Certificates	57,446
6. Commercial Paper	59,579
7. Securities denominated in Foreign Currency	1,330
8. Other	203,812
(2) Available-for-Sale Securities	19,443,355
1. Stocks	1,123,476
2. Equity Investment	64,489
3. Government Bonds	2,575,282
4. Finance Debentures	4,625,283
5. Corporate Bonds	6,481,937
6. Beneficiary Certificates	2,525,018
7. Securities In Foreign Currency	1,415,713
8. Other	632,157

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

(3) Investment Securities under the Equity Method	19,631
(4) Held-to-Maturity Securities	3,664,060
1. Government Bonds	558,336
2. Finance Debentures	543,791
3. Corporate Bonds	2,389,916
4. Securities In Foreign Currency	172,017
5. Other	-
III. Loans	94,921,179
(Allowance for Possible Loan Losses)	(2,808,118)
(Present Value Premium (Discounts))	80,236
1. Loans in Won	72,853,369
2. Loans in Foreign Currency	6,779,634
3. Domestic Import Usance Bills	2,714,909
4. Call Loans	1,438,737
5. Bills Bought in Won	1,058,981
6. Bills Bought in Foreign Currency	3,610,006
7. Advances for Customers	107,743
8. Credit Card Accounts	4,931,496

-102-

DESCRIPTION	3RD FY AMOUNT
9. Bonds Purchased under Repurchase Agreements	470,300
10. Privately Placed Bonds	2,416,843
11. Factoring Receivables	174,955
12. Receivables to be converted into Equity	80,933
13. Financing Leases	807,396
14. Bill Management Account Assets	186,369
15. Other	17,390

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

IV. Fixed Assets	2,853,680
(1) Tangible Assets	1,878,795
(Accumulated Depreciation)	(974,792)
1. Land	995,168
2. Building	729,315
3. Other	1,129,104
(2). Intangible Assets	974,573
1. Goodwill	964,788
2. Negative Goodwill	(5,655)
3. Other	15,440
(3) Other Fixed Assets	312
V. Other Assets	7,012,593
(Allowance for Doubtful Accounts)	(26,036)
(Present Value Discounts)	(146)
1. Accounts Receivable	1,570,819
2. Advance Payments	42,827
3. Prepaid Expense	29,146
4. Prepaid Income Tax	13,988
5. Accrued Income	696,940
6. Operating Lease Assets	405,794
(Accumulated Depreciation)	(182,375)
(Allowance for Losses on Disposition of Lease Assets)	(2,210)
7. Guarantee Deposits	956,596
8. Deferred Income Tax Assets	78,135
9. Derivative Assets	518,836
10. Sundry Assets	2,910,279
Total Assets	139,209,392
Liabilities	
I. Deposits	87,592,605
(Present Value Premium)	45,166
1. Deposits in Won	75,496,450

-103-

DESCRIPTION	3RD FY AMOUNT
2. Negotiable Certificate of Deposits	7,118,586
3. Deposits in Foreign Currency	4,932,403
II. Borrowings	17,209,576
1. Borrowings in Won	4,401,380
2. Borrowings in Foreign Currency	7,193,596
3. Bonds Sold under Repurchase Agreements	4,427,073
4. Bills Sold	705,954
5. Due to the Bank of Korea in Foreign Currency	64,051
6. Call Money	417,522
III. Debentures	
(Present Value Premium)	135,445
1. Debentures in Won	16,177,484
(Discounts)	(144,500)
2. Debentures in Foreign Currency	1,591,121
(Discounts)	(11,671)
IV. Other Liabilities	10,551,701
1. Accrued Severance Benefits	347,913
(Deposits with Insurance Company for Severance Benefits)	(133,645)
(Transfer to National Pension)	(8,317)
2. Allowance or Doubtful Accounts on Acceptances and Guarantees	57,398
3. Other Allowances	68,025
4. Borrowings from Trust Accounts	665,158
5. Foreign Exchange Remittances Pending	159,954
6. Securities Sold	353,732

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

7. Accounts Payable	1,397,803
8. Accrued Expense	1,742,597
9. Income Taxes Payable	103,873
10. Dividends Payable	1,645
11. Advance Receipts	95,116
12. Unearned Revenues	163,650
13. Taxes Withheld	78,271
14. Guarantee Deposits	270,766
15. Derivative Liabilities	471,442
16. Deferred Income Tax Liabilities	34
17. Deposits for Stock Subscription	19,090
18. Sundry Liabilities	4,697,196
Total Liabilities	133,101,761
Stockholders' Equity	

-104-

DESCRIPTION	3RD FY AMOUNT
I. Capital Stock	1,958,530
1. Common Stock	1,472,007
2. Preferred Stock	486,523
II. Consolidated Capital Surplus	3,200,805
III. Consolidated Retained Earnings	872,053
(Consolidated Net Income for the Period:	
For the Year: KRW 362,988 million Won	
For the Previous Year: KRW 602,163 million	
IV. Consolidated Capital Adjustment	(-) 519,362
1. Treasury Stock	(391,300)
2. Valuation Gain (Loss) on Available-for-Sale Securities	(153,786)

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

3. Valuation Gain on Investment Securities Accounted for by the Equity Method	137
4. Stock Option	10,552
5. Adjustment for Foreign Currency Translation	15,035
V. Minority Interest	595,605
Total Stockholders' Equity	6,107,631
Total Liabilities and Stockholders' Equity	139,209,392

As a result of application of SKAS No. 8 upon closing of the third fiscal year, the financial statements for the second fiscal year were also reclassified, which does not result in any material change to the total assets.

Consolidated Balance Sheet

The 3rd Fiscal Year (As of December 31, 2003)  
 The 2nd Fiscal Year (As of December 31, 2002)  
 The 1st Fiscal Year (As of December 31, 2001)

DESCRIPTION	3RD FY AMOUNT	2ND FY AMOUNT
Assets	See the above	See the above
I. Cash & Due from Banks		
1. Cash		
2. Foreign Currency		
3. Due from Banks in Won		
4. Due from Banks in Foreign Currency		
5. Other		
II. Marketable Securities		
1. Stocks		

-105-

DESCRIPTION	3RD FY AMOUNT	2ND FY AMOUNT
-------------	---------------	---------------



-----  
2. Government Bonds  
-----

3. Finance Debentures  
-----

4. Corporate Bonds  
-----

5. Beneficiary Certificates  
-----

6. Commercial Paper  
-----

7. Marketable Securities denominated in Foreign Currency  
-----

8. Other  
-----

III. Investment Securities  
-----

1. Stocks  
-----

2. Equity Investment  
-----

3. Government Bonds  
-----

4. Finance Debentures  
-----

5. Corporate Bonds  
-----

6. Beneficiary Certificates  
-----

7. Investment Securities In Foreign Currency  
-----

8. Other  
-----

IV. Loans  
-----

(Allowance for Possible Loan Losses)  
-----

(Present Value Discounts)  
-----

1. Loans in Won  
-----

2. Loans in Foreign Currency  
-----

3. Domestic Import Usance Bills  
-----

4. Call Loans  
-----

5. Bills Bought in Won  
-----

6. Bills Bought in Foreign Currency  
-----

7. Advances for Customers  
-----

8. Credit Card Accounts  
-----

9. Bonds Purchased under Repurchase Agreements  
-----

10. Privately Placed Bonds  
-----

11. Factoring Receivables  
-----

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

12. Receivables to be converted into Equity

13. Financing Leases

14. Termination Financing Lease Receivables

15. Other

V. Fixed Assets

1. Investments

2. Premises and Equipment

-106-

DESCRIPTION	3RD FY AMOUNT	2ND FY AMOUNT
(1) Land		
(2) Building		
(3) Other		
(Accumulated Depreciation)		
3. Intangible Assets		
(1) Goodwill		
(2) Negative Goodwill		
(3) Other		
4. Other		
VI. Other Assets		
(Allowance for Doubtful Accounts)		
(Present Value Discounts)		
1. Accounts Receivable		
2. Advance Payments		
3. Prepaid Expense		
4. Accrued Income		
5. Operating Lease Assets		
(Accumulated Depreciation)		

(Allowance for Losses on Disposition of Lease Assets)

6. Guarantee Deposits

7. Deferred Income Tax Assets

8. Derivative Assets

9. Sundry Assets

Total Assets

Liabilities

I. Deposits

(Present Value Premium)

1. Deposits in Won

2. Negotiable Certificate of Deposits

3. Deposits in Foreign Currency

II. Borrowings

1. Borrowings in Won

2. Borrowings in Foreign Currency

3. Bonds Sold under Repurchase Agreements

4. Bills Sold

5. Due to the Bank of Korea in Foreign Currency

6. Call Money

III. Debentures

-107-

DESCRIPTION	3RD FY AMOUNT	2ND FY AMOUNT
(Present Value Premium)		
1. Debentures in Won		
(Discounts)		
2. Debentures in Foreign Currency		
(Discounts)		

-----  
IV. Other Liabilities  
-----

1. Accrued Severance Benefits  
-----

(Deposits with Insurance Company for Severance Benefits)  
-----

(Transfer to National Pension)  
-----

2. Allowance or Doubtful Accounts on Acceptances and Guarantees  
-----

3. Other Allowances  
-----

4. Borrowings from Trust Accounts  
-----

5. Foreign Exchange Remittances Pending  
-----

6. Securities Sold  
-----

7. Accounts Payable  
-----

8. Accrued Expense  
-----

9. Income Taxes Payable  
-----

10. Dividends Payable  
-----

11. Advance Receipts  
-----

12. Unearned Revenues  
-----

13. Taxes Withheld  
-----

14. Guarantee Deposits  
-----

15. Derivative Liabilities  
-----

16. Deferred Income Tax Liabilities  
-----

17. Deposits for Stock Subscription  
-----

18. Sundry Liabilities  
-----

Total Liabilities  
-----

Stockholders' Equity  
-----

I. Capital Stock  
-----

1. Common Stock  
-----

2. Preferred Stock  
-----

II. Consolidated Capital Surplus  
-----

III. Consolidated Retained Earnings  
-----

(Consolidated Net Income for the Period:  
-----

For the Year: KRW 362,987,975,940  
-----

For the Previous Year: KRW 602,163,036,549)  
-----

IV. Consolidated Capital Adjustment

-108-

DESCRIPTION	3RD FY AMOUNT	2ND FY AMOUNT
1. Treasury Stock		
2. Gain (Loss) on Valuation Of Investment Securities		
3. Stock Option		
4. Adjustment for Foreign Currency Translation		
V. Minority Interest		
Total Stockholders' Equity		
Total Liabilities and Stockholders' Equity		

As a result of early application of SKAS No. 6 (Un-appropriated dividends payable) upon closing of the second fiscal year, the amount of liabilities in the financial statements of the first fiscal year decreased by KRW 150,812 million and stockholders' equity increased by KRW 150,812 million.

(2) Consolidated Income Statements

Consolidated Income Statements

The 3rd Fiscal Year (January 1, 2003 ~ December 31, 2003)

The 2nd Fiscal Year (January 1, 2002 ~ December 31, 2002)

The 1st Fiscal Year (September 1, 2001

(Date of Incorporation) ~ December 31, 2001)

DESCRIPTION	3RD FY AMOUNT
I. Operating Revenues	8,072,077
(1) Interest Income	4,995,954
1. Interest on Due from banks	56,845
2. Interest on Trading Securities	181,706

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

3. Interest on Available-for-Sale Securities	644,001
4. Interest on Held-to-Maturity Securities	297,186
5. Interest on Loans	3,779,897
6. Others	36,319
(2) Commission Income	1,355,949
1. Commissions Received	1,341,942
2. Guarantee Fees	13,462
3. Commissions Received from Termination of Commodities	545
(3) Insurance Income	42,934
1. Premium Income	42,824
2. Reinsurance Income	110
(4) Other Operating Income	1,677,240

-109-

DESCRIPTION	3RD FY AMOUNT
1. Gain on Sale of Trading Securities	133,377
2. Gain on Valuation of Trading Securities	32,063
3. Dividend on Trading Securities	2,439
4. Dividend on Available-for-Sale Securities	6,057
5. Gain on Foreign Currency Trading	256,046
6. Fees and Commissions from Trust Account	48,812
7. Gain on Disposition of Operating Lease Properties	7,232
8. Gain on Derivatives Trading	1,043,246
9. Reversal of Allowance for Bad Debts	21,338
10. Reversal of Acceptance and Guarantees Allowance	35,258
11. Reversal of Other Allowances	3,653

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

12. Reversal of Negative Goodwill	685
13. Securitization Assets Operating Income	52,440
14. Other	34,594
II. Operating Expenses	7,286,291
(1) Interest Expenses	2,996,896
1. Interest on Deposits	1,865,645
2. Interest on Borrowings	473,069
3. Interest on Debentures	630,406
4. Other	27,776
(2) Commission Expenses	195,099
1. Commissions Paid	101,100
2. Commissions on Credit Cards	93,999
3. Other Commission Expenses	-
(3) Insurance Expenses	47,618
1. Claims Paid	955
2. Reinsurance Expenses	167
3. Increase in Policy Reserve	37,103
4. Operating Expenses	9,393
(4) Other Operating Expenses	2,698,539
1. Loss on Sale of Trading Securities	111,004
2. Loss on Valuation of Trading Securities	53,776
3. Loss on Foreign Currency Trading	135,622
4. Contribution to Fund	80,627
5. Bad Debt Expense	1,150,491
6. Provision for Other Allowance	6,151
7. Loss on Disposition of Operating Lease	4,386

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

DESCRIPTION	3RD FY AMOUNT
Properties	
8. Depreciation Expense on Operating Lease Properties	35,165
9. Loss on Derivatives Trading	989,540
10. Loss on Operation of Trust Business	13,327
11. Other	118,450
(5) Selling and Administrative Expenses	1,348,139
1. Salaries	514,793
2. Retirement Allowance	46,003
3. Other Employee Benefits	179,065
4. Rent	47,598
5. Entertainment	13,665
6. Depreciation	139,486
7. Amortization on Intangible Asset	43,269
8. Taxes and Dues	53,816
9. Advertising	42,922
10. Research	3,300
11. Other	264,222
III. Operating Income	785,786
IV. Non-Operating Income	224,874
1. Gain on Sale of Available-for-Sale Securities	89,579
2. Recovery of Available-for Sale Securities Impairment Loss	15,562
3. Valuation Gain using the Equity Method	2,410
4. Gain on Valuation of Fund-Invested Money	-
5. Gain on Sale of Loans	3,684
6. Gain on Sale of Tangible Assets	28,879
7. Rental Income	12,006
8. Other	72,754



Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

V. Non-Operating Expenses	379,681
1. Loss on Disposition of Available-for-Sale Securities	32,938
2. Available-for-Sale Securities Impairment Loss	103,110
3. Valuation Loss using the Equity Method	-
4. Loss on Disposition of Investment Securities using the Equity Method	166
5. Loss on Sale of Loans	169,786
6. Loss on Disposition of Tangible Assets	2,282
7. Losses on Redemption of Debentures	-

-111-

DESCRIPTION	3RD FY AMOUNT
8. Contribution	1,206
9. Other	70,193
VI. Ordinary Income	630,979
VII. Extraordinary Loss/Gain	-
VIII. Income Before Income Tax Expense	630,979
IX. Income Tax Expense	253,947
X. Net Income	377,032
XI. Net Gain (Loss) in Minority Interest	14,044
XII. Consolidated Net Income	362,988
(Ordinary Income / Earning per Share)	
For the year (3rd FY): 1,063 Won/1,063 Won	
For the previous year (2nd FY): 2,294 Won/2,294 Won)	
1st FY: 883 Won/882 Won	
(Diluted Ordinary Income / Earning per Share)	
For the year (3rd FY): 1,022 Won/1,022 Won	
For the previous year (2nd FY): 2,294 Won/2,294 Won)	

# Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

1st FY: 883 Won/882 Won

As a result of application of SKAS No. 8 upon closing of the third fiscal year, the financial statements for the second fiscal year were also reclassified, which does not result in any material change to the operating income and the consolidated net income for the period.

## Consolidated Income Statements

The 3rd Fiscal Year (January 1, 2003 ~ December 31, 2003)  
 The 2nd Fiscal Year (January 1, 2002 ~ December 31, 2002)  
 The 1st Fiscal Year (September 1, 2001  
 (Date of Incorporation) ~ December 31, 2001)

	3RD FY AMOUNT	2ND FY AMOUNT
DESCRIPTION		
-----		
I. Operating Revenues		
-----		
(1) Interest Income		
-----		
1. Interest on Due from banks		
-----		
2. Interest on Marketable Securities		
-----		
3. Interest on Investment Securities		
-----		
4. Interest on Loans		
-----		
5. Others		

-112-

	3RD FY AMOUNT	2ND FY AMOUNT
DESCRIPTION		
-----		
(2) Commission Income		
-----		
1. Commissions Received		
-----		
2. Guarantee Fees		
-----		
3. Commissions Received from Termination of Commodities		
-----		
4. Other		
-----		
(3) Insurance Income		

-----  
1. Premium Income  
-----

2. Reinsurance Income  
-----

(4) Other Operating Income  
-----

1. Gain on Sale of Marketable Securities  
-----

2. Gain on Valuation of Marketable Securities  
-----

3. Dividend on Marketable Securities  
-----

4. Dividend on Investment Securities  
-----

5. Gain on Foreign Currency Trading  
-----

6. Fees and Commissions from Trust Account  
-----

7. Gain on Disposition of Operating Lease Properties  
-----

8. Gain on Derivatives Trading  
-----

9. Reversal of Allowance for Bad Debts  
-----

10. Reversal of Acceptance and Guarantees Allowance  
-----

11. Other  
-----

II. Operating Expenses  
-----

(1) Interest Expenses  
-----

1. Interest on Deposits  
-----

2. Interest on Borrowings  
-----

3. Interest on Debentures  
-----

4. Other  
-----

(2) Commission Expenses  
-----

1. Commissions Paid  
-----

2. Commissions on Credit Cards  
-----

3. Other Commission Expenses  
-----

(3) Insurance Expenses  
-----

1. Claims Paid  
-----

2. Reinsurance Expenses  
-----

3. Increase in Policy Reserve  
-----

4. Operating Expenses  
-----

(4) Other Operating Expenses  
-----

-113-

DESCRIPTION	3RD FY AMOUNT	2ND FY AMOUNT
1. Loss on Sale of Marketable Securities		
2. Loss on Valuation of Marketable Securities		
3. Loss on Foreign Currency Trading		
4. Contribution to Fund		
5. Bad Debt Expense		
6. Provision for Possible Losses of Acceptances and Guarantees		
7. Provision for Other Allowance		
8. Loss on Disposition of Operating Lease Properties		
9. Depreciation Expense on Operating Lease Properties		
10. Loss on Derivatives Trading		
11. Other		
(5) Selling and Administrative Expenses		
1. Salaries		
2. Retirement Allowance		
3. Other Employee Benefits		
4. Rent		
5. Entertainment		
6. Depreciation		
7. Amortization on Intangible Asset		
8. Taxes and Dues		
9. Advertising		
10. Research		
11. Other		
III. Operating Income		
IV. Non-Operating Income		

- 1. Gain on Sale of Tangible Assets
- 2. Rental Income
- 3. Gain on Sale of Investment Securities
- 4. Recovery of Investment Securities Impairment Loss
- 5. Gain on Valuation of Fund-Invested Money
- 6. Gain on Sale of Loans
- 7. Amortization on Negative Goodwill
- 8. Other
- V. Non-Operating Expenses
  - 1. Loss on Disposition of Tangible Assets

-114-

DESCRIPTION	3RD FY AMOUNT	2ND FY AMOUNT
2. Loss on Disposition of Investment Securities		
3. Investment Securities Impairment Loss		
4. Loss on Sale of Loans		
5. Loss on Valuation of Fund-Invested Money		
6. Losses on Redemption of Debentures		
7. Contribution		
8. Loss on Valuation of Equity Method		
9. Other		
10. Loss on Disposition of Equity Securities by the Equity Method		
VI. Ordinary Income		
VII. Extraordinary Loss <ul style="list-style-type: none"> <li>1. Other Extraordinary Loss</li> </ul>		
VIII. Income Before Income Tax Expense		

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

IX. Income Tax Expense

X. Net Income

XI. Net Loss in Minority Interest)

XII. Consolidated Net Income

(Ordinary Income/Earning per Share)

For the year (3rd FY): 1,063 Won/1,063 Won

For the previous year (2nd FY): 2,294 Won/2,294 Won)

1st FY: 883 Won/882 Won

(Diluted Ordinary Income/Earning per Share)

For the year (3rd FY): 1,022 Won/1,022 Won

For the previous year (2nd FY): 2,294 Won/2,294 Won)

1st FY: 883 Won/882 Won

Consolidated Statements of Changes in Shareholders' Equity

The 3rd Fiscal Year (January 1, 2003 ~ December 31, 2003)

The 2nd Fiscal Year (January 1, 2002 ~ December 31, 2002)

The 1st Fiscal Year (September 1, 2001  
(Date of Incorporation) ~ December 31, 2001)

-115-

	(Unit				
DESCRIPTION	CAPITAL STOCK	CONSOLIDATED CAPITAL SURPLUS	CONSOLIDATED RETAINED EARNINGS	CONSOLIDATED CAPITAL ADJUSTMENT	MINOR INTER
2001.9.1 (Beginning of the previous year)					
Incorporation of Company by the Method of Stock Swap)	1,461,721	1,976,650	0	0	
Consolidated Net Income	0	0	220,763	0	
Subsidiaries	0	0	0	0	
Changes in Retained Earnings	0	0	-840	0	
Acquisition of Treasury	0	0	0	-394,475	
	0	0	0	0	

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

Changes in Consolidated Capital Adjustment	0	0	0	-335	
2001.12.31 (End of the Previous Year)	1,461,721	1,976,650	219,923	-394,810	
2002.1.1.(Beginning of the Previous Year)	1,461,721	1,976,650	219,923	-394,810	
Issuance of new stock for cash of Controlling Company	85	-25	0	0	
Subsidiaries' Issuance of new stock for cash	0	730	0	0	
Subsidiaries' Acquisition of treasury	0	-62,939	0	0	
Merger between Subsidiaries	0	-40,110	0	0	
Other Changes in Consolidated Capital Surplus	0	13,402	0	0	
Consolidated Net Income	0	0	602,163	0	
Dividends	0	0	-150,812	0	
Changes in Retained Earnings of Subsidiaries	0	0	-511	0	
Changes in Capital Adjustment	0	0	0	15,013	
Net Loss in Minority Interests	0	0	0	0	-4,
Other Changes in Minority Interests	0	0	0	0	325,
2002.12.31.(End of the Previous Year)	1,461,806	1,887,708	670,763	-379,797	320,

-116-

DESCRIPTION	CAPITAL STOCK	CONSOLIDATED CAPITAL SURPLUS	CONSOLIDATED RETAINED EARNINGS	CONSOLIDATED CAPITAL ADJUSTMENT	MINOR INTER
2003.1.1.(Beginning of the Year)	1,461,806	1,887,708	670,763	-379,797	320,
Issuance of new stock for	496,724	1,339,756	0	0	

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

cash of Controlling Company

Other Changes in Consolidated Capital Surplus	0	-26,659	0	0	
Consolidated Net Income	0	0	362,988	0	
Dividend	0	0	-157,493	0	
Changes in Retained Earnings of Subsidiaries	0	0	-4,205	0	
Changes in Consolidated Capital Adjustment	0	0	0	-139,565	
Net Income in Minority Interests	0	0	0	0	14,
Other Changes in Minority Interests	0	0	0	0	260,
2003.12.31.(End of the Year)	1,958,530	3,200,805	872,053	-519,362	595,

(4) Consolidated Statements of Cash Flow

Consolidated Statements of Cash Flows

The 3rd Fiscal Year (January 1, 2003 ~ December 31, 2003)  
 The 2nd Fiscal Year (January 1, 2002 ~ December 31, 2002)  
 The 1st Fiscal Year (September 1, 2001  
 (Date of Incorporation) ~ December 31, 2001)

DESCRIPTION	3RD FY	2ND FY
I. Cashflows from Operating Activities	1,497,636	1,544,032
1. Consolidate Net Income for the Period	362,988	602,163
2. Addition of expense not involving cash outflows	3,321,059	742,297
a. Other Interest Expenses	364,953	
b. Depreciation	139,486	89,064
c. Depreciation of Operating Lease Properties	35,165	28,225
d. Amortization on Intangible Assets	43,269	12,328
e. Bad Debt	1,150,491	192,690
g. Provision for Other Allowance	6,151	29,296
h. Retirement Allowance	46,003	73,657



-117-

DESCRIPTION	3RD FY	2ND FY
i. Loss on Disposition of Marketable Securities	111,004	69,901
j. Loss on Valuation of Marketable Securities	53,776	16,280
k. Loss on Disposition of Investment Securities	33,104	100,705
l. Loss on Valuation of Investment Securities	103,110	109,279
m. Loss on Valuation of Fund-Invested Money		
n. Loss on Valuation of Equity Method		414
o. Loss on Disposition of Tangible Assets	2,282	394
p. Loss on Disposal of Operating Lease Properties	4,385	3,443
q. Loss on Foreign Currency Trading	133,250	3,645
r. Losses on Redemption of Debentures		476
s. Allowance for Possible Losses of Acceptances and Guarantees		
t. Loss on Derivatives Trading	836,379	968
u. Stock Option	10,911	3,718
v. Other Miscellaneous Operating Expenses	1,637	
w. Other Selling and Administrative Expenses		
x. Loss on Sale of Loans	169,786	7,815
y. Amortization of Present Value Premium	24,770	
z. Increase in Policy Reserve	37,103	
aa. Net Income in Minority Interest	14,044	
3. Deduction of revenues not involving cash inflows	-1,586,820	-236,915
a. Other Interest Income		
b. Gain on Sale of Marketable Securities	133,377	89,965
c. Gain on Valuation of Marketable Securities	32,063	4,238
d. Gain on Sale of Investment Securities	89,579	84,089

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

e. Recovery of Investment Securities Impairment Loss	15,562	14,192
f. Gain on Valuation of Fund-Invested Money		8,613
g. Reversal of Allowance for Bad Debts	21,338	2,022
h. Gain on Sale of Loans	3,684	11,636
i. Gain on Disposition of Tangible Assets	28,879	788
j. Gain on Disposal of Property under Operating Lease	7,232	2,105
k. Amortization on Negative Goodwill	685	514
l. Reversal of Acceptance and Guarantees Allowance	35,258	9,418
m. Gain on Derivatives Trading	858,478	1,271
n. Commissions Received		
o. Gain on Foreign Currency Trading	251,744	3,645
p. Other Miscellaneous Operating Income	16,675	
q. Net Loss in Minority Interest)		4,419
r. Reversal of Present Value Discounts	19,106	
s. Amortization of Withholdings Premium	38,844	

-118-

DESCRIPTION	3RD FY	2ND FY
t. Amortization of debenture premium	28,253	
u. Reversal of Other Allowance Accounts	3,653	
v. Gain on Valuation Using Equity Method	2,410	
4. Change in assets and liabilities resulting from operations	-599,591	436,486
a. Decrease (Increase) in Accounts Receivables	1,152,210	1,062,000
b. Decrease (Increase) in Advance Payments	-294,515	19,771
c. Decrease (Increase) in Prepaid Expenses	5,734	-9,201
d. Prepaid Expenses in Prepaid Income Taxes	-10,720	-801
e. Decrease in Accrued Income	97,841	156,116
f. Increase in Deferred Income Tax Assets	35,121	-50,151

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

g. Payment of Severance Benefits	-29,114	-60,720
h. Increase in Deposits with Insurance Company for Severance Benefits	-27,292	-12,492
i. Decrease (Increase) in Transfer to National Pension	551	2,125
j. Increase (Decrease) in Accounts Payable	-1,245,009	-1,145,478
k. Decrease in Accrued Expenses	-326,919	-106,901
l. Increase (decrease) in Accrued Income Taxes	-74,519	162,463
m. Increase(Decrease) in Advance Receipts	89,059	-2,228
n. Increase (Decrease) in Unearned Revenue	-19,910	5,971
o. Increase in Taxes Withheld	42,625	34,807
p. Increase (Decrease) in Deferred income tax credits	-228	-33,409
q. Decrease in Trading Securities	5,494	
II Cashflows from Investing Activities	-6,472,550	9,903,317
1. Cash inflows from investing activities	24,010,832	3,067,539
a. Decrease in Marketable Securities		384,614
b. Disposition of Investment Securities	16,274,371	1,390,229
c. Decrease in Loans in Won		
d. Decrease in Loans in Foreign Currency		
e. Decrease in Domestic Import Usance Bills		
f. Decrease in Call Loans	-	1,359,616
g. Decrease in Bills Bought in Won		
h. Decrease in Bills Bought in Foreign Currency	640,197	
i. Decrease in Advances for Customers	64,798	23,931
j. Decrease in Bonds Bought under Resale Agreements	684,700	6,631
k. Decrease in Factoring Loans		
l. Decrease in Loans for Debt-Equity Swap	156,951	118,851
m. Decrease in Financing Lease Receivables	188,213	
n. Decrease in Other Loans	-	7,227
o. Disposition of Tangible Assets	610,680	80,636

-119-

DESCRIPTION	3RD FY	2ND FY
p. Disposition of Intangible Assets	1,090	35
q. Disposition of Non-Business Use Fixed Assets		1,821
r. Disposition of Other Fixed Assets		653
s. Disposition of Operating Lease Properties	23,587	
t. Decrease in Guarantee Deposits	90,987	69,593
u. Decrease in Loan to Trust Account		
v. Decrease in Sundry Assets	944,806	
w. Increase in Derivative Liabilities		8,316
x. Decrease in Investment Securities	2,197,657	
y. Decrease in Credit Card Accounts	1,883,623	
z. Decrease in Cash Management Accounts	249,172	
2. Cash outflows from investing activities	-30,483,382	-12,970,857
a. Increase in Marketable Securities		
b. Increase in Investment Securities	20,427,161	1,974,920
c. Increase in Loans in Won	5,507,202	7,338,497
d. Increase in Loans in Foreign Currency	483,464	378,299
e. Increase in Domestic Import Usance Bills	423,431	1,143,729
f. Increase in Call Loans	295,439	
g. Increase in Bills Bought in Won	141,232	101,410
h. Increase in Bills Bought in Foreign Currency	-	385,243
i. Increase in Advances for Customers	-	
j. Increase in Credit Card Accounts	-	622,193
k. Increase in Bonds Bought under Resale Agreements	-	
l. Increase in Privately Placed Bonds	669,261	307,481
m. Increase in Factoring Receivables	18,964	31,810

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

n. Increase in Financing Lease Receivables	-	61,065
o. Increase in Terminated Financing Lease Receivables	-	10,939
p. Increase in Other Loans	173	
q. Increase in Investments	-	1,569
r. Increase in Tangible Assets	724,345	204,780
s. Increase in Intangible Assets	9,870	6,821
t. Increase in Operating Lease Properties	34,693	87,349
u. Increase in Guarantee Deposits	109,784	88,524
v. Increase in Derivative Assets	-	27,549
w. Increase in Sundry Assets	1,049,322	198,679
x. Decrease in Derivative Liabilities	589,041	
III. Cashflows from Financing Activities	6,194,314	8,146,681
1. Cash inflows from financing activities	41,132,762	35,014,972

-120-

DESCRIPTION	3RD FY	2ND FY
a. Increase in Deposits in Won	1,806,760	2,437,289
b. Increase in Deposits in Foreign Currency	1,087,676	284,080
c. Increase in Negotiable certificate of deposits	1,186,446	
d. Increase in Borrowings in Won	13,829,740	10,523,052
e. Increase in Borrowings in Foreign Currency	8,861,502	9,618,190
f. Increase in Bonds Sold under Repurchase Agreements	4,856,950	406,675
g. Increase in Due to Bank of Korea in Foreign Currency		580,663
h. Increase in Call Money		
i. Issuance of Debentures in Won Currency	6,808,337	6,384,522
j. Issuance of Debentures in Foreign Currency	646,465	447,906
k. Increase in Borrowings from Trust Accounts		

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

l. Increase in Securities Sold	6,755	
m. Increase in Deposits for Letter of Guarantees and Others	54,538	3,589,815
n. Increase in Foreign Exchange Remittances Pending		76,633
o. Increase in Sundry Liabilities	1,056,765	637,296
p. Issuance of new stock for cash		2,007
q. Sale of Treasury Stock	1	3,176
r. Increase in Minority Interest		-
s. Disposal of Capital Stock of Subsidiaries		23,668
t. Issuance of Common Stock	27,648	
u. Issuance of Preferred Stock	900,000	
v. Increase in Deposits for Stock Subscription	3,179	
2. Cash outflows from financing activities	-34,938,448	-26,868,291
a. Decrease in Deposits in Won		
b. Decrease in Deposits in Foreign Currency		
c. Decrease in Negotiable certificate of deposits		93,561
d. Decrease in Borrowings in Won	12,720,479	10,973,617
e. Decrease in Borrowings in Foreign Currency	9,459,701	8,152,056
f. Decrease in Bonds Sold under Repurchase Agreements	5,963,184	
g. Decrease in Bills Sold	64,703	51,469
h. Decrease in Due to Bank of Korea in Foreign Currency	17,117	645,126
i. Decrease in Call Money	446,667	146,524
j. Redemption of Debentures in Won Currency	5,553,602	1,965,899
k. Redemption of Debentures in Foreign Currency	201,666	347,213
l. Decrease in Allowance for Possible Losses of Acceptances and Guarantees		
m. Decrease in Borrowings from Trust Accounts	242,957	378,767
n. Decrease in Foreign Exchange Remittances Pending	77,581	
o. Decrease in Securities Sold		12,461
p. Decrease in Deposits for Letter of Guarantees and Others		3,556,324

DESCRIPTION	3RD FY	2ND FY
q. Decrease in Deposits for Stock Subscription		21,710
r. Decrease in Sundry Liabilities		
s. Disbursement of Dividend Payables	159,616	150,359
t. Acquisition of Treasury	26	373,180
u. Cash Outflows from Stock Swap on a Small Scale		26
v. Disbursement of Debentures Expenses	9,541	
w. Disbursement of Stock issue costs	21,608	
IV. Increase (Decrease) in Cash ([ ]+ [ ]+ [ ])	3,571,146	490,989
V. Increase in Cash from Change of Scope subject to Consolidated Financial Statements	2,351,746	703,594
VI. Cash at Beginning of the Year	2,847,134	2,356,145
VII. Cash at End of the Year	6,418,280	2,817,134

D. Companies Excluded from the Consolidated Financial Statements

As of the end of 2003: e-Shinhan Inc., Shinhan Credit Information Co., Ltd, Shinhan Macquarie Financial Advisory Co., Ltd.  
(from among the subsidiaries)

5. Financial Status per Business Division

- N/A

IV. AUDITOR'S OPINION

1. AUDITOR'S (CPA) OPINION. ETC.

A. Auditor

4TH FY (SEMI-ANNUAL)	3RD FY (SEMI-ANNUAL)	3RD FY	2
Samjong Accounting Corp.	Samjong Accounting Corp.	Samjong Accounting Corp.	Ahnkw

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

B. Auditor's Opinion

FISCAL YEAR	AUDITOR'S OPINION AND OTHER COMMENTS
4TH FY (SEMI-ANNUAL)	Unqualified opinion
3RD FY (SEMI-ANNUAL)	Unqualified opinion
3RD FY	Unqualified opinion
2ND FY	Unqualified opinion

C. Summary of Particular Comments

-122-

ACCOUNTING PERIOD	PARTICULAR COMMENTS (OR REFERENCES)
-------------------	-------------------------------------

- |     |   |
|-----|---|
| (1) | <p>Changes in Subsidiary</p> <p>As described in Note 1 to the semi-annual financial statements, the Company resolved a tender off of stock and the share swap to include Chohung Bank, a subsidiary of the Company as its wholly-owned subsidiary through the resolution of the Board of Directors Meeting on April 12, 2004. Pursuant thereto, through the public notice on April 20, 2004, the Company made a tender offer of shares representing 3.77% among 18.85% of ownership interest, at KRW 3,500 per share for the period from April 26, 2004 to May 17, 2004. The Company made an off-setting purchase of 15.08% of ownership interest at the price of KRW 3,067 per share from May 25, 2004 to June 3, 2004 through the resolution of the extraordinary general meeting of shareholders of Chohung Bank on May 24, 2004. Also the Company completed the share swap (swap rate: 1 share of Chohung Bank to 0.1354 share of the Company) of the remaining shares on June 22, 2004. Thus, Chohung Bank was classified as a wholly-owned subsidiary. Pursuant to the share swap of the shares subject to the exercise of appraisal right of the shareholders of Chohung Bank who opposed to the share swap (66,363,126 shares on the basis of the shares of Chohung Bank), Chohung Bank held 8,985,567 shares of common stock in the Company. In addition, the Company terminated the joint alliance in the credit information sector with LSH Holdings and acquired 49% of the ownership interest in Shinhan Credit Information Co., Ltd. held by LSH Holdings</p> |
|-----|---|



## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

4TH FY (SEMI-ANNUAL)

on May 21, 2004 and it became a wholly-owned subsidiary of the Company.

- (2) Credits and Securities for LG Card Co., Ltd.  
As described in Note 4 to the semi-annual financial statements, as of the end of this half, Shinhan Bank and Chohung Bank, the subsidiaries, are holding loans provided to and securities issued by LG Card Co., Ltd., which has been controlled by creditor banks due to its liquidity crisis, amounting to KRW 273,517 million and KRW 235,408 million, respectively. Actual amount of collection from these loans and securities may differ from the management's assessments. The impact of the uncertainty on the financial position of the Company is not reflected when applying the equity method to Shinhan Bank and Chohung Bank. Additionally, Shinhan Bank and Chohung Bank, the subsidiaries, newly provided fund amounting to KRW 81,000 million and KRW 73,400 million, respectively, during this period, and made debt-equity swap on July 28, 2004, after the balance sheet date.
- (3) Loans to SK Networks Held by Subsidiaries  
As described in Note 4 to the semi-annual financial statements, Shinhan Bank and Chohung Bank, subsidiaries of the Company, are holding loans (including securities and guarantees and acceptances) provided to

-123-

ACCOUNTING PERIOD

PARTICULAR COMMENTS (OR REFERENCES)

-----

and securities issued by SK Networks Co., Ltd., which has been controlled by creditor banks amounting to KRW 367,257 million and KRW 306,031 million, respectively. As regards to those loans and securities, they provide allowances for loan losses amounting to KRW 43,636 million and KRW 42,319 million, respectively. Actual losses on these loans and securities may differ materially from the management's assessments. The impact of the uncertainty on the financial position of the Company is not reflected when applying the equity method to Shinhan Bank and Chohung Bank.

- (4) Related Party Transaction  
As described in Note 8 to the semi-annual financial statements, the Company recorded KRW 58,502 million of operating revenue (representing 10.61% of the Company's total operating revenue) for this half through its transactions with related parties including Shinhan Card Co., Ltd.

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

and KRW 2,088,179 million of receivables (representing 23.1% of the Company's total assets) as of the end of this half.

- (5) Disposition of Stock Held by Subsidiaries  
As described in Note 1 to the semi-annual financial statements, on March 3, 2004, Shinhan Bank, a subsidiary, sold 29,873,295 shares (10.2%) of total outstanding shares in the Company at KRW 627,339 million (KRW 21,000 per share), through after-hour block trading.
- (6) Change of Accounting  
As described in Note 2 to the financial statements, the Company adopted Statements of Korea Accounting Standards ("SKAS") Nos. 10, 12 and 13, effective from the first fiscal year beginning after December 31, 2003, and early adopted SKAS No. 15, effective from the first fiscal year beginning after December 31, 2004, to prepare this semi-annual financial statements. The annual and semi-annual financial statements for the prior FY, marked comparatively with this semi-annual financial statement due to the application of SKAS No. 15, was reclassified pursuant to the accounting titles of this semi-annual financial statement.
- (7) Contingent Events  
As described in No. 11 to the semi-annual financial statements, on July 9, 2003, the Company made an agreement with the Korea Deposit Insurance Corporation ("KDIC") to acquire 543,570,144 shares (80.04% of total outstanding shares) in Chohung Bank. In accordance with the agreement, the Company purchased 266,349,371 shares among the total number of shares in exchange for the Company's shares on August 18, 2003 and the remaining 277,220,773 shares in cash on August 19, 2003. The acquisition of the aforementioned shares was accounted for using the purchase method, and the acquisition cost of the shares and goodwill were KRW 1,857,983 million and KRW

-124-

ACCOUNTING PERIOD

PARTICULAR COMMENTS (OR REFERENCES)

840,244 million, respectively. Additionally, with respect to the foregoing acquisition, there is a provision of paying the contingent purchase prices to the KDIC related to changes of fair value of Chohung Bank's assets and liabilities and its

profit and loss in the future. Accordingly, the Company would be required to pay contingent purchase prices to the KDIC at the maximum amount of KRW 652,284 million related to Asset Indemnity Payment, KRW 166,516 million related to General Indemnity Payment and additional Earn Out Payment based on net income of Chohung Bank in future periods. These contingent purchase prices are not included in the acquisition cost on the date of acquisition, for the possibility of occurrence or the amount of the contingent purchase is not reasonably determinable or quantified.

- 
- (1) Changes in Subsidiary  
As described in Note 1 to the semi-annual financial statements, on June 18, 2003, the Company sold 294,000 shares (49%) in Shinhan Credit Information Co., Ltd. to LSH Holdings.
- (2) Change of Accounting  
As described in Note 1 to the semi-annual financial statements, the Company adopted SKAS No. 2 through No. 9 in preparing this semi-annual financial statements, as it is obligated to apply from this half of FY. Such change of accounting policy seems reasonable, while, SKAS No. 6 "Events Occurring after the Balance Sheet Date" has been adopted since the prior year with encouraged earlier application. The cumulative effect on the assets or liabilities due to the change of accounting standards was reflected to the un-appropriated retained earning carried over from prior years. The financial statements for the prior FY, marked comparatively, was classified pursuant to the existing standards and the change was not applied retroactively, unless specifically required by the amended standards.
- (3) Loans to SK Global Co., Ltd. Held by Subsidiaries  
As described in Note 4 to the semi-annual financial statements, Shinhan Bank, a subsidiary of the Company, is holding loans (including securities and guarantees and acceptances) provided to and securities issued by SK Global Co., Ltd. amounting to KRW 505,532 million. As regards to those loans and securities, Shinhan Bank provides KRW 223,678 million of allowance for loan losses and recorded KRW 4,677 million of impairment loss on available-for-sale securities, in accordance with the standards for provision of allowances of Shinhan Bank. Actual losses on these loans and securities may differ materially from the management's assessments. The impact of the uncertainty on the financial position of the Company is not reflected when applying the equity method to Shinhan Bank.

3RD FY (SEMI-ANNUAL)

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

ACCOUNTING PERIOD

PARTICULAR COMMENTS (OR REFERENCES)

- 
- (4) Related Party Transaction  
 As described in Note 9 to the semi-annual financial statements, the Company recorded KRW 42,280 million of operating revenue (representing 27.1% of the Company's total operating revenue) for this half through its transactions with related parties including Shinhan Card Co., Ltd. and KRW 2,045,723 million of receivables (representing 34.3% of the Company's total assets) as of the end of this half year.
- (5) Major Events after Interim Financial Statement Date  
 As described in Note 24 to the semi-annual financial statements, the Company resolved to acquire 543,570,144 shares of Chohung Bank (80.04% of total outstanding shares) at the price of maximum KRW 6,200 per share, through the resolution of the Board of Directors Meeting on June 21, 2003. On July 9, 2003, the Company executed a share purchase agreement with the Korea Deposit Insurance Corporation.

- 
- (1) Changes in Subsidiary  
 As described in Notes 1 and 5 to the quarterly financial statements, on July 9, 2003, the Company made an agreement with the Korea Deposit Insurance Corporation ("KDIC") to acquire 543,570,144 shares (80.04% of total outstanding shares) in Chohung Bank. In accordance with the agreement, the Company purchased 266,349,371 shares among the total number of shares in exchange for the Company's shares on August 18, 2003 and the remaining 277,220,773 shares in cash on August 19, 2003. The acquisition of the aforementioned shares was accounted for using the purchase method, and the acquisition cost of the shares and goodwill were KRW 1,856,593 million and KRW 803,589 million, respectively. Additionally, with respect to the foregoing acquisition, there is a provision of paying additional considerations to the KDIC related to changes of fair value of Chohung Bank's assets and liabilities and its profit and loss in the future. Accordingly, the Company would be required to pay contingent consideration to the KDIC at the maximum amount of KRW 652,284 million related to Asset Indemnity Payment, KRW 166,516 million related to General Indemnity Payment and additional Earn Out Payment based on earnings of Chohung Bank in future periods. These contingent considerations are not included in the acquisition cost on the date of acquisition, for the possibility of occurrence or the amount is not reasonably determinable or quantified. In addition, on June 18, 2003, the Company sold

3RD FY

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

294,000 shares (49%) in Shinhan Credit Information Co., Ltd. to LSH Holdings LLC.

- (2) Listing on the New York Stock Exchange  
As described in Note 1 to the quarterly financial statements, the Company was registered with the U.S. Securities and Exchange Commission on September 16, 2003 and the Company's American

-126-

### ACCOUNTING PERIOD

### PARTICULAR COMMENTS (OR REFERENCES)

-----  
Depository Shares were listed on the New York Stock Exchange on the same day.

- (3) Loans to SK Networks (Formerly known as SK Global Co., Ltd Held by Subsidiaries  
As described in Note 4 to the quarterly financial statements, Shinhan Bank and Chohung Bank, subsidiaries of the Company, are holding loans (including securities and guarantees and acceptances) provided to and securities issued by SK Networks Co., Ltd. (formerly known as SK Global Co., Ltd.) amounting to KRW 473,912 million and KRW 346,332 million, respectively, as of the end of this quarter. As regards to those loans and securities, Shinhan Bank provides KRW 225,430 million of allowance for loan losses and recorded KRW 4,768 million of impairment loss on available-for-sale securities, and Chohung Bank provides KRW 133,498 million of allowance for loan losses. Actual losses on these loans and securities may differ materially from the management's assessments. The impact of the uncertainty on the financial position of the Company is not reflected when applying the equity method to Shinhan Bank and Chohung Bank.
- (4) Credits and Securities for Credit Card Companies Including LG Card Co., Ltd.  
As described in Note 4 to the financial statements, Shinhan Bank, Chohung Bank and Good Morning Shinhan Securities Co., Ltd. are holding loans provided to and securities issued by LG Card Co., Ltd., which has been controlled by creditor banks due to its liquidity crisis, amounting to KRW 189.3 billion, KRW 172.9 billion and KRW 22.6 billion, respectively as of December 31, 2003. Actual losses on these loans and securities may differ materially from the management's assessments. The impact of the uncertainty on the financial position of the Company is not reflected when applying the equity method to the foregoing subsidiaries. Additionally, Shinhan Bank and

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

Chohung Bank have agreed with creditor banks to provide additional capital, amounting to KRW 81.3 billion and KRW 73.4 billion, respectively.

- (5) Related Party Transaction  
As described in Note 10 to the non-consolidated financial statements, the Company recorded KRW 97,787 million of operating revenue (representing 20.1% of the Company's total operating revenue) for the year ended December 31, 2003 through its transactions with related parties including Shinhan Card Co., Ltd. and KRW 1,976,841 million of receivables (representing 23.8% of the Company's total assets) as of December 31, 2003.
- (6) Transactions after the Balance Sheet Date  
As described in Note 1 to the financial statements, on March 3, 2004,

-127-

ACCOUNTING PERIOD

PARTICULAR COMMENTS (OR REFERENCES)

Shinhan Bank, a subsidiary, sold 29,873,295 shares (10.2%) of total outstanding shares in the Company at KRW 627,339 million (KRW 21,000 per share), through after-hour block trading.

- (7) Change of Accounting  
As described in Note 2 to the financial statements, the Company adopted Statements of Korea Accounting Standards ("SKAS") Nos. 2 through 9, effective from the first fiscal year beginning after December 31, 2002, while, SKAS No. 6, "Events Occurring after the Balance Sheet Date" has been adopted since the year ended December 31, 2002 with encouraged earlier application.

2ND FY

- (1) Changes in Subsidiary  
As described in Note 1 to the financial statements, on April 4, 2002, the Company took over a 51% share of Jeju Bank from the Korea Deposit Insurance Corporation ("KDIC") pursuant to the share purchase agreement with the KDIC and its percentage of ownership subsequently increased to 62% with the acquisition of additional common shares at KRW 20,177 million on July 5th of the same year. In addition, on June 1, 2002, Shinhan Card Co., Ltd. was established as 100% subsidiary of the Company through the spin-off of Shinhan Bank's credit card division, and on July 8, 2002, Shinhan Credit Information Co., Ltd. was established as a 100% subsidiary of the Company with KRW 3 billion of initial capital stock. On

October 1, 2002, SH&C Life Insurance Co., Ltd. was established under a joint venture agreement with KRW 30 billion of initial capital stock and the Company owns 3,000,001 shares (50% of total outstanding shares + 1 share). Additionally, on June 18, 2002, the Company acquired a 29% share of Good Morning Securities Co., Ltd., and on July 31, 2002, Good Morning Securities Co., Ltd. was merged with Shinhan Securities Co., Ltd., which was one of subsidiaries of the Company, at the exchange rate of 1.9976 Good Morning Securities Co., Ltd. shares for each Shinhan Securities Co., Ltd. share, and renamed to Good Morning Shinhan Securities Co., Ltd. In addition, on October 24, 2002, the Company sold 3,999,999 shares (50% of total outstanding shares - 1 share) of Shinhan BNP Paribas Investment Trust Management Co., Ltd. (formerly known as Shinhan Investment Trust Management Co., Ltd.) to BNP Paribas Asset Management.

- (2) Use of Other Reports When Applying the Equity Method  
As described in Note 4 to the financial statements, the Company used the financial statements that were reviewed or audited by other accountants in applying the equity method of accounting to Good Morning Shinhan Securities Co., Ltd. and Jeju Bank. Those statements reflect total investment securities and operating revenues upon the equity method of accounting as KRW 578,258 million (12.1% of total assets of the Company) and KRW 5,934 million (1.0% of total

-128-

ACCOUNTING PERIOD

PARTICULAR COMMENTS (OR REFERENCES)

operating revenue of the Company).

- (3) Loans to SK Networks (Formerly known as SK Global Co., Ltd.) Held by Subsidiary  
As described in Note 4 to the financial statements, Shinhan Bank, a subsidiary, is holding KRW 461,867 million of loans (including guarantees and acceptances) provided to SK Global Co., Ltd. that recently confirmed its accounting fraud. Actual losses on these loans in the future may differ materially from the management's assessments. The financial statements do not reflect the impact of the uncertainty on the financial position of the Company, for the equity method of accounting.
- (4) Related Party Transaction

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

As described in Note 9 to the financial statements, the Company recorded KRW 24,670 million of operating revenue for the year then ended through transactions with its related party including Shinhan Capital Co., Ltd. and KRW 793,336 million of receivables as of December 31, 2002.

- (5) Early Application of the Korea Accounting Standards No. 6  
 As described in Note 2 to the financial statements, the Company adopted the Statement of Korea Accounting Standards (SKAS) No. 6, "Events Occurring after the Balance Sheet Date", in preparation for financial statements as of and for the year ended December 31, 2002. The adoption of SKAS No. 6 had no effects on earnings for the year ended December 31, 2002 and resulted in a decrease in liabilities and an increase in stockholders' equity, amounting to KRW 157,492 million, respectively. According to the adoption of the new statement, the Company amended financial statements of 1st FY, presented herein for comparative purposes, and its liabilities decreased and stockholders' equity increased, amounting to KRW 150,812 million, respectively.

2. AUDITOR'S OPINION REGARDING CONSOLIDATED BALANCE SHEET

A. Auditor

3RD FY	2ND FY	1ST FY
Samjong Accounting Corp.	Samjong Accounting Corp.	Ahnkwon Co., Ltd.

B. Consolidated Auditor's Opinion

FISCAL YEAR	AUDITOR'S OPINION AND OTHER COMMENTS
3rd FY	Unqualified opinion
2nd FY	Unqualified opinion
1st FY	Unqualified opinion

C. Summary of Particular Comments



Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

FISCAL YEAR

PARTICULAR COMMENTS

- 3RD FY
- (1) Changes in Consolidated Subsidiaries and Companies Subject to Equity Method  
As described in Notes 1 and 4 to the consolidated financial statements, on July 9, 2003, the Company made an agreement with the Korea Deposit Insurance Corporation ("KDIC") to acquire 543,570,144 shares (80.04% of total outstanding shares) in Chohung Bank. In accordance with the agreement, the Company purchased 266,349,371 shares among the total number of shares in exchange for the Company's shares on August 18, 2003 and the remaining 277,220,773 shares in cash on August 19, 2003. The acquisition of the aforementioned shares was accounted for using the purchase method, and the acquisition cost of the shares and goodwill were KRW 1,857,983 million and KRW 840,244 million, respectively. Additionally, with respect to the foregoing acquisition, there is a provision of paying additional considerations to the KDIC related to changes of fair value of Chohung Bank's assets and liabilities and its profit and loss in the future. Accordingly, the Company would be required to pay contingent consideration to the KDIC at the maximum amount of KRW 652,284 million related to Asset Indemnity Payment, KRW 166,516 million related to General Indemnity Payment and additional Earn Out Payment based on earnings of Chohung Bank in future periods. These contingent considerations are not included in the acquisition cost on the date of acquisition, for the possibility of occurrence or the amount is not reasonably determinable or quantified. On December 30, 2003, its percentage of ownership subsequently increased to 81.15% through additional equity acquisition at KRW 200,000 million. In addition, on June 18, 2003, the Company sold 294,000 shares of total outstanding shares (49%) in Shinhan Credit Information Co., Ltd. to LSH Holdings LLC.
- (2) Listing on the New York Stock Exchange  
As described in Note 1 to the consolidated financial statements, the Company was registered with the U.S. Securities and Exchange Commission on September 2003 and the Company's American Depository Shares were listed on the New York Stock Exchange on the same day.
- (3) Loans to SK Networks (Formerly known as SK Global Co., Ltd.) Held by Subsidiaries  
As described in Note 29 to the consolidated financial statements, Shinhan Bank and Chohung Bank, subsidiaries of the Company, are holding loans (including securities and guarantees and acceptances) provided to and securities issued by SK Networks Co., Ltd. (formerly known as SK Global

-130-

FISCAL YEAR

PARTICULAR COMMENTS

Co., Ltd.) amounting to KRW 396,058 million and KRW 303,011 million, respectively as of December 31, 2003. As regards to those loans and securities, Shinhan Bank provides KRW 110,982 million of allowance for loan losses and recorded KRW 1,178 million of impairment loss on available-for-sale securities, and Chohung Bank provides KRW 93,784 million of allowance for loan losses. Actual losses on these loans and securities may differ materially

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

from the management's assessments. The impact of the uncertainty on the financial position of the Company is not reflected when applying the equity method to Shinhan Bank and Chohung Bank.

- (4) Credits and Securities for Credit Card Companies Including LG Card Co., Ltd. As described in Note 29 to the consolidated financial statements, Shinhan Bank, Chohung Bank and Good Morning Shinhan Securities Co., Ltd. are holding loans provided to and securities issued by LG Card Co., Ltd., which has been controlled by creditor banks due to its liquidity crisis, amounting to KRW 189.3 billion, KRW 172.9 billion and KRW 22.6 billion, respectively, as of December 31, 2003. Actual losses on these loans and securities may differ materially from the management's assessments. The impact of the uncertainty on the financial position of the Company is not reflected when applying the equity method to the foregoing subsidiaries. Additionally, Shinhan Bank and Chohung Bank have agreed with creditor banks to provide additional capital, amounting to KRW 81.3 billion and KRW 73.4 billion, respectively.
- (5) Transactions after the Balance Sheet Date  
As described in Note 1 to the consolidated financial statements, on March 3, 2004, Shinhan Bank, a subsidiary, sold 29,873,295 shares (10.2%) of total outstanding shares in the Company at KRW 627,339 million (KRW 21,000 per share), through after-hour block trading.
- (6) Change of Accounting  
As described in Note 2 to the consolidated financial statements, the Company adopted Statements of Korea Accounting Standards ("SKAS") Nos. 2 through 9, effective from the first fiscal year beginning after December 31, 2002, while, SKAS No. 6, "Events Occurring after the Balance Sheet Date" has been adopted since the year ended December 31, 2002 with encouraged earlier application.

-----  
2ND FY

- (1) Change of Consolidated Companies  
As described in Note 1 to the accompanying consolidated financial statements, on April 4, 2002, the Company took over shares of Jeju Bank and on June 1, 2002, Shinhan Card Co., Ltd. was established through the spin-off of Shinhan Bank's credit card division. Additionally, on June 18, 2002, the Company acquired shares of Good Morning Securities Co., Ltd., and on July 31, 2002, Good Morning Securities Co., Ltd. was merged with

-131-

FISCAL YEAR

PARTICULAR COMMENTS

-----

Shinhan Securities Co., Ltd (renamed to Good Morning Shinhan Securities Co., Ltd. after such merger). On October 1, 2002, SH&C Life Insurance Co., Ltd. was established under the joint venture agreement. According to the change of consolidated companies mentioned above, assets, capital, operating income and net earnings as of and for the year ended December 31, 2002 increased by KRW 3,401,577 million, KRW 722,190 million, KRW 469,421

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

million and KRW 246 million, respectively than when the consolidated companies were not included in the consolidated balance sheet.

(2) Early Application of the Korea Accounting Standards No. 6  
As described in Note 2 to the consolidated financial statements, the Company adopted the Statement of Korea Accounting Standards (SKAS) No. 6, "Events Occurring after the Balance Sheet Date", in preparation for financial statements as of and for the year ended December 31, 2002. The adoption of SKAS No. 6 had no effects on earnings for the year ended December 31, 2002 and resulted in a decrease in liabilities and an increase in stockholders' equity, amounting to KRW 157,492 million, respectively. According to the adoption of the new statement, the Company amended financial statements of 1st FY, presented herein for comparative purposes, and its liabilities decreased and stockholders' equity increased, amounting to KRW 150,812 million, respectively.

(3) Loans to SK Networks (Formerly known as SK Global Co., Ltd.) Held by Subsidiary  
As described in Note 4 to the financial statements, Shinhan Bank, a subsidiary, is holding KRW 461,867 million of loans (including guarantees and acceptances) provided to SK Global Co., Ltd. that recently confirmed its accounting fraud. Actual losses on these loans in the future may differ materially from the management's assessments. The financial statements do not reflect the impact of the uncertainty on the financial position of the Company, for the equity method of accounting.

---

1ST FY	(1) Re-issuance of the Audit Report The Auditor has audited the accompanying financial statements of the fiscal year that ends as of December 31, 2001 and issued the Audit Report on January 25, 2002. However, dividend ratio and accrued dividends under the financial statements attached to the Audit Report of the same date were amended according to resolutions at the shareholders' meeting, held on March 20, 2002. Accordingly, the Audit Report was reissued upon reflecting such amendments.
	(2) Uncertainty in Economic Conditions The operations of the Company have been affected, and may continue to be affected for the foreseeable future, by the general unstable economic conditions in the Republic of Korea and in the Asia pacific region. The ultimate effect of these uncertainties of the financial position of the

-132-

FISCAL YEAR

PARTICULAR COMMENTS

---

Company as of December 31, 2001 cannot presently be determined. Therefore, any amendments related to the foregoing uncertainties have not been reflected in the Company's financial statements.

3. OTHERS

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

- N/A

V. STATUS OF CORPORATE GOVERNANCE AND AFFILIATES, ETC.

1. OUTLINE OF CORPORATE GOVERNANCE

A. Matters relating to Board of Directors

(1) Matters concerning Organization of Board of Directors

(A) Authority of Board of Directors

- (1) The board of directors shall approve the managerial strategy and goal of the company and its subsidiaries and oversee its performance.
- (2) The board of directors shall have environment and system for the risk management consistent with the business strategy of the company and its subsidiaries.

\*\* Resolutions, etc.

- (1) Matters relating to convening of the general meeting of shareholders
- (2) Matters relating to agendas to be submitted to the general meeting of shareholders
- (3) Matters relating to establishment and alteration or abolition of important regulations
  - a. Regulations of the board of directors, regulations of committee within the board of directors, regulations on the management operation and regulations on the management for the operation of subsidiaries
  - b. Other important regulations deemed necessary by the resolution of the board of directors
- (4) Matters relating to basic operation

-133-

- a. Establishment and approval of the company's business plan containing the subsidiaries' business plan
- b. Approval on the budget including the compensation for directors, management and employees and closing
- c. Change of shares and capital
- (5) Matters relating to including and excluding of subsidiaries
- (6) Matters relating to the corporate governance structure
- (7) Matters relating to directors, etc.
  - a. Appointment and dismissal of the management other than the representative director & chairman, representative

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

director & president, vice-president and other non-director management

- b. Establishment of committee and appointment and dismissal of the members of committee (except the appointment and dismissal of the members of audit committee)
  - c. Determination of the compensation for the director to the extent authorized by the general meeting of shareholders
  - d. Approval on the transactions between directors and the company
- (8) Matters relating to material contracts, etc.
- a. Capital contribution exceeding 1/100 of equity capital for each case
  - b. Fund raising to provide to subsidiaries, etc. exceeding 3/100 of equity capital for each case
  - c. Matters relating to strategic alliance or agreements for the comprehensive business alliance with foreign financial institutions and participation in capital
- (9) Matters relating to entrustment of counsel, honorary director and advisor
- (10) Matters specially submitted by committee or president
- (11) Other matters that shall be determined by the Board of Directors under the laws and regulations or the articles of incorporation

-134-

- (B) Whether personal information on director candidates was announced prior to the General Meeting of Shareholders and whether they were recommended by shareholders

Announced on March 8, 2004 in accordance with Paragraph 2 of Article 191-10 of the Securities and Exchange Act

-- Director and Outside Director Candidates (Public announcement on March 8, 2004)

CLASSIFICATION	NAME (DATE OF BIRTH)	TERM OF OFFICE	MAJOR CAREER	RECOMMENDER	DETAILS
					TRANSACTION WITH THE COMPANY RECENT THREE YEAR
-----					

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

Director Candidate (Director)	Eung Chan Ra (1938.11.25)	3 years	-President of Shinhan Bank (former) -Representative Director & Chairman of Shinhan Financial Group (current)	Steering Committee	Non
Director Candidate (Director)	Young Hwi Choi (1945.10.28)	3 years	-Vice-president of Shinhan Bank (former) -Representative Director & President of Shinhan Financial Group (current)	Steering Committee	Non
Director Candidate (Director)	In Ho Lee (1943.11.02)	3 years	-President of Shinhan Bank (former) -Director of Shinhan Financial Group (current)	Steering Committee	Non
Director Candidate (Director)	Young Seok Choi (1929.7.2)	3 years	-Representative Director of CYS (current) -Director of Shinhan Financial Group (current)	Steering Committee	Non
Director Candidate (Director)	Young Woong Yang (1948.8.4)	3 years	-Outside Director of Shinhan Financial Group (former) -Representative Director of Doen (Limited) (current)	Steering Committee	Non
Director Candidate (Outside Director)	Pyung Joo Kim (1939.2.6)	1 year	-Professor of KDI International Policy Graduate School (current) -Outside Director of Shinhan Financial Group (current)	Outside Director Candidate Recommendation Committee	Non

-135-

CLASSIFICATION	NAME (DATE OF BIRTH)	TERM OF OFFICE	MAJOR CAREER	RECOMMENDER	DETAILS TRANSACTIONS WITH THE COMPANY RECENT THREE YEAR
Director Candidate (Outside Director)	Il Sup Kim (1946.7.1)	1 year	-Vice-President for Planning & Finance at Ewha Woman's University (current) -Outside Director of Shinhan Financial Group (current)	Outside Director Candidate Recommendation Committee	Non
			-Non-standing Vice Chairman of Korea Foods	Outside	

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

Director Candidate (Outside Director)	Sang Yoon Lee (1942.9.13)	1 year	Industry Association (current) -Representative Director & President of Nongshim (current)	Director Candidate Recommendation Committee	Non
Director Candidate (Outside Director)	Yoon Soo Yoon (1946.3.5)	1 year	-Non-standing director of Hanvit Bank (former) -Representative Director of FILA Korea (current)	Outside Director Candidate Recommendation Committee	Non
Director Candidate (Outside Director)	Sang Chul Lee (1948.2.20)	1 year	-Minister of Information & Communication (former) -Professor of Korea University (Endowed Chair System) (current)	Outside Director Candidate Recommendation Committee	Non
Director Candidate (Outside Director)	Byung Hun Park (1928.9.10)	1 year	-Chairman of Daesung Electric Industries Co., Ltd. (current) -Outside Director of Shinhan Financial Group (current) Committee	Outside Director Candidate Recommendation Committee	Non
Director Candidate (Outside Director)	Moon Pil Oh (1930.12.31)	1 year	-President of Hwanhwa Heung San Co., Ltd. -Outside Director of Shinhan Financial Group (current)	Outside Director Candidate Recommendation Committee	Non
Director Candidate (Outside Director)	Young Soo Lee (1934.4.4)	1 year	-President of Teni Corporation (current) -Director of Shinhan Financial Group (current)	Outside Director Candidate Recommendation Committee	Non

-136-

CLASSIFICATION	NAME (DATE OF BIRTH)	TERM OF OFFICE	MAJOR CAREER	RECOMMENDER	DETAILS TRANSACTIONS WITH THE COMPANY RECENT THREE YEARS
Director Candidate (Outside Director)	Dong Hyun Kwon (1936.11.27)	1 year	-Outside Director of Shinhan Financial Group (former) -President of King Koo Tour Co., Ltd. (current)	Outside Director Candidate Recommendation Committee	Non
Director Candidate	Philippe Reynieix	1 year	-General Manager of BNP Paribas Singapore (former)	Outside Director Candidate	Non

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

(Outside Director) (1949.6.24) -BNP Paribas Seoul Branch (Current) Recommendation Committee

-- Shareholder's Recommendation on the Director Candidate : None

(C) Status of Establishment and Organization of Outside Director Candidate Recommendation Committee

Through the partial amendment to the articles of incorporation as resolved by the general meeting of shareholders at March 24, 2004, the existing steering committee was reorganized as steering committee for the board of directors, outside director candidate recommendation committee, and compensation committee. The organization and operation of the newly established outside director candidate recommendation committee will be separately determined by the resolution of the board of directors.

(D) Status of Outside Director (After the Ordinary General Meeting of Shareholders on March 25, 2004)

NAME	CAREER	INTEREST WITH LARGEST SHAREHOLDER	R
Pyung Joo Kim	- Dean of the Graduate School of International Studies at Sogang University - Professor of KDI International Policy Graduate School (current)	None	Chairman of Management Committee Board of Directors
Il Sup Kim	- Vice Chairman of Samil Pricewaterhouse Coopers - Professor for Planning & Finance at Ewha Woman's University (current)	None	Chairman of Company Member of Board of Directors

-137-

NAME	CAREER	INTEREST WITH LARGEST SHAREHOLDER	R
Sang Yoon Lee	- Non-standing Vice Chairman of Korea Foods Industry Association (current) - Representative Director & President of Nongshim (current)	None	Member of Board of Directors

Chairman of Compensation Committee



Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

Yoon Soo Yoon	- Non-standing director of Hanvit Bank - Representative Director of FILA Korea (current)	None	Member of Management Committee Board
Sang Chul Lee	- Minister of Information & Communication - Senior Counsel of Kolon (current)	None	Member of Board of Directors
Byung Hun Park	- Head of Central Headquarter of the Korean Residents Union in Japan (current) - Chairman of Daesung Eltec Co., Ltd. (current)	None	Member of Management Committee Board
Moon Pil Oh	- Outside Director of Shinhan Bank (current) - President of Hwanhwa Heung San Co., Ltd.	None	Member of Board of Directors
Young Soo Lee	- President of Teni Corporation (current) - Chief Director of Baekdoo Academy, Kunkuk High School in Japan (current)	None	
Dong Hyun Kwon	- Chief Director of Aichi Commercial Bank in Japan (Current) - President of King Koo Tour Co., Ltd. (current)	None	Member of Board of Directors
Philippe Reynieix	- General Manager of BNP Paribas Singapore (former) - BNP Paribas Seoul Branch (Current)	None	Member of Management Committee

(E) Whether Directors' Liability Insurance is Subscribed or not

NAME	INSURANCE PREMIUM	INSURANCE PROCEEDS	AMOUNT PAID BY THE COMPANY	REMARKS
Officers of Shinhan Financial Group and subsidiaries	KRW 1,197.5 million	KRW 30 billion	KRW 1,197.5 million	*Amount of insurance premium shared

-138-

(2) Matters relating to the Operation of Board of Directors

(A) Major Contents of the Regulations on the Operation of Board of Directors

- \*\* Organization of Board of Directors
- (1) The board of directors shall consist of directors.
  - (2) The chairman of the board of directors shall be the representative director and chairman.
  - (3) In case of the occurrence of accidents of the chairman

of the board of directors, such officers who rank in the order of priority determined by the board of directors shall perform the duties.

\*\* Role of the Board of Directors

- (1) The board of directors shall approve the managerial strategy and goal of the company and its subsidiaries and oversee its performance.
- (2) The board of directors shall have environment and system for the risk management consistent with the business strategy of the company and its subsidiaries.

\*\* Convening of the Board of Directors' Meeting

- (1) The board of directors' meeting shall consist of ordinary and extraordinary board of directors' meeting, and the chairman shall convene the board of directors' meeting.
- (2) The ordinary board of directors' meeting shall be held at least once per fiscal quarter and the extraordinary board of directors' meeting may be convened whenever deemed to be necessary by the chairman.

\*\* Resolutions, etc.

- (1) Resolution of the board of directors' meeting shall be obtained in any of the following cases; provided, however, the Board of Directors may delegate a part of the authorities to the committee within the board of directors

-139-

to the extent permissible under applicable laws and regulations and articles of incorporation.

- a. Matters relating to convening of general meeting of shareholders
- b. Matters relating to the agenda to be brought to the general meeting of shareholders
- c. Matters relating to establishment and alteration or abolition of important regulations
- d. Matters relating to basic operation
- e. Matters relating to including and excluding of subsidiaries
- f. Matters relating to director, etc.
- g. Matters relating to material contracts, etc.
- h. Matters relating to entrustment of counsel, honorary director and advisor

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

- i. Matters specially submitted by committee or president
- j. Other matters that shall be determined by the board of directors under the laws and regulations or the articles of incorporation

(B) Details of Major Activities of the Board of Directors

FY	CONVENING DATE	AGENDA	APPROVED OR NOT	REMARKS
1	2004. 1.13	1. Appointment of Non-director Management Major Contents: Appointment of Managing Directors, Hee Soo Kim and Baek Soon Lee	Approved	-
2	2004. 2.9	1. Closing of the 3rd FY (2003.1.1~2003.12.31) Major Contents: Settlement documents including the net profit for the year of the holding company: KRW 362.2 billion	Approved	-
3	2004.2.24	1. Convening of the 3rd Ordinary General Meeting of Shareholders Major Contents: Meeting shall be held on March 25, 10 a.m.	Approved	-

-140-

FY	CONVENING DATE	AGENDA	APPROVED OR NOT	REMARKS
		2. Partial Amendment to the Articles of Incorporation Major Contents: Specialization of Small Committees and Introduction of Electric Disclosure System	Approved	-
		3. Limit of Directors' Compensation Major Contents: KRW 3 billion, same as pervious year	Approved	-
		4. Granting Stock Option to the Management Major Contents: The stock option was granted to 27 persons with respect to 705,000 shares	Approved	-
		5. Granting stock Option to the Head of the Department Major Contents: individually granted within the limit of total 700,000 shares	Approved	-
		1. Appointment of Representative Director Major Contents:		

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

		Representative Director & Chairman: Eung Chan Ra Representative Director & President: Young Hwi Choi	Approved	-
4	2004.3.25	----- 2. Appointment of Member of the Risk Management Committee Major Contents: Chairman: Pyung Joo Kim, Member: Yoon Soo Yoon, Philippe Reynieix	Approved	-
5	2004.4.12	----- 1. Implementation of Share Swap and Tender Offer in order to make Chohung Bank its Wholly-owned Subsidiary Major Contents: Exchange ratio: 1 share of Chohung Bank = 0.1354 share of Shinhan Financial Corp, etc.	Approved	-
6	2004.5.10	----- 1. Establishment and Amendment for the provision relating to the Improvement of Governance Structure Major Contents: New Establishment of Steering Committee for the Board of Directors, Outside Director Candidate Recommendation Committee, and Compensation Committee	Approved	-
		----- 2. Appointment of Members of Steering Committee for the Board of Directors, Outside Director Candidate Recommendation Committee, and Compensation Committee Major Contents: Appointment of 5 Members for Steering Committee for the Board of Directors, and 5 Members for Compensation Committee, etc.	Approved	-

-141-

FY	CONVENING DATE	AGENDA	APPROVED OR NOT	REMARKS
		3. Approval for the Limit of Corporate Bond at the latter half of 2004 Major Contents: Limit : KRW 1,100 billion (including US\$50 million)	Approved	-
		4. Adjustment of the Number of Shares executed by Stock Option which was granted at 2002 Major Contents: 13 officers who retired within two years	Approved	-
7	2004.9.17	-----		

(C) Major Activities of Outside Directors at the Board of Directors'

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

Meeting

FY	CONVENING DATE	NUMBER OF OUTSIDE DIRECTOR PRESENT	REMARKS
1	2004.1.13	5 (9)	Appointment of Non-Director Management - Generally affirmative for the candidates of non-director management
2	2004.2.9	7 (9)	Closing of the 3rd FY (2003) - Inquiries on the details to the closing: nothing special.
3	2004.2.24	8 (9)	Granting Stock Option to the Group Management - Requested to clarify the increase ratio for the stock price index of banking industry, which is the basis of granting stock option
4	2004.3.25	8 (10)	Appointment of Representative Director and Member of the Risk Management Committee - Upon the appointment of representative director and member of the risk management committee, expressed their active opinion with respect to the professionalism
5	2004.4.12	9 (10)	Implementation of Share Swap and Tender Offer order to make Chohung Bank its Wholly-owned S - Activation of the disclosure for the general with respect to the matters which are not obligated to disclose publicly, Chohung Bank includes in the supervised issues, so that outside director contributed to the public
6	2004.5.10	9 (10)	Establishment and Amendment for the Provision to the Improvement of Governance Structure - With respect to the improvement of governance structure, discussion of necessity for the

-142-

FY	CONVENING DATE	NUMBER OF OUTSIDE DIRECTOR PRESENT	REMARKS
7	2004.9.17		deliberation of the board of directors to t appointment of non-director standing manage

Note) The parenthesized number is the total number of the outside directors.

## Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

(D) Organization and Activities of the Committee within the Board of Directors

1) Steering Committee

A. Organization

- Chairman: Eung Chan Ra
- Members: Young Hwi Choi, Byung Hun Park (Outside Director), Moon Pil Oh (Outside Director), Myung Ho Kim (Outside Director), Pyung Joo Kim (Outside Director), Young Seok Choi

B. Purpose

- Recommendation of Director Candidate
- Deliberation on Management Candidate for the Company and Subsidiaries, Evaluation of Management and Deliberation and Adjustment of Compensation Plan
- Operation of Board of Directors

C. Details of Activities

FY	CONVENING DATE	AGENDA	APPROVED OR NOT	REMARKS
		1. Deliberation on Non-director Management Candidate Major Contents: Appointment of Managing Directors, Hee Soo Kim and Baek Soon Lee	Approved	-
1	2004. 1.13	2. Deliberation on Management Candidate of Subsidiaries Major Contents: Shinhan Bank: 6 Persons, Chohung Bank: 2 Persons, Jeju Bank: 2 Persons, Shinhan Capital: 2 Persons	Approved	-
2	2004.2.24	1. Evaluation of Management of Subsidiaries, Establishment of Compensation Plan (Draft) Major Contents: Establishment of Compensation Plan for Chohung Bank	Approved	-

-143-

FY	CONVENING DATE	AGENDA	APPROVED OR NOT	REMARKS
		2. Evaluation of and Compensation for the Management of the Company and Subsidiaries in 2003		

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

Major Contents: 34 Persons including Holding Company and Subsidiaries	Approved	-
3. Establishment of KPI in 2004 Major Contents: Increase Ratio of Total Yield for Shareholders, Increase Ratio of Total Asset, and Ratio of Profit to Total Capital	Approved	-
4. Guidelines (Draft) for Evaluation of Management of the Company in 2004 Major Contents: Core Strategic Assignment by Management	Approved	-
5. Compensation for the Management of the Company in 2004 Major Contents: same level as 2003	Approved	-
6. Approval on the Limit of Compensation for Directors of Certain Subsidiaries Major Contents: 6 Subsidiaries including Shinhan Bank	Approved	-
7. Recommendation of Director Candidate of the Company Major Contents: Recommendation of 15 Director Candidates, and 5 Candidates for the Member of Audit Committee	Approved	-
8. Deliberation on the Management Candidate of Subsidiaries Major Contents: Vice-President In Jun Choi for Chohung Bank	Approved	-

2) Risk Management Committee

A. Organization

- Chairman: Pyung Joo Kim (Outside Director)
- Members: Moon Pil Oh (Outside Director), Alain Penicaut (Outside Director)

B. Purpose

- Establishment of Basic Policy for Risk Management Consistent With Management Strategy
- Approval on the Appropriate Investment Ceiling or Permissible Limit of Loss by each Subsidiary

-144-

C. Details of Activities

FY	CONVENING DATE	AGENDA	APPROVED OR NOT	REMARKS
--	----	-----	-----	-----

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

1 2004.2.24 1. Minimum Capital Adequacy Ratio and Plan Approved -  
for Risk Management by each Type in 2004

3) Audit Committee

Please refer to "B. Matters relating to the Audit System".

\* Through the partial amendment to the articles of incorporation as resolved by the general meeting of shareholders at March 25, 2004, the existing steering committee was reorganized as steering committee for the board of directors, outside director candidate recommendation committee, and compensation committee.

-- After the Ordinary General Meeting of Shareholders held at March 25, 2004

1) Steering Committee for the Board of Directors

A. Organization

- Chairman: Eung Chan Ra
- Members: Young Hwi Choi, Byung Hun Park (Outside Director), Pyung Joo Kim (Outside Director), Yoon Soo Yoon (Outside Director)

B. Purpose

- Deliberation of Matters relating to Governance Structure of the Company
- Recommendation of Members of Committee within the Board of Directors
- Recommendation of Non-outside Director Candidates of the Company
- Deliberation of Appointment and Termination of Non-director Management of the Company
- Other Determination relating to the Operation of the Board of Directors

C. Details of Activities

FY	CONVENING DATE	AGENDA	APPROVED OR NOT	REMARK
--	-----	-----	-----	-----
1	2004.5.10	1. Appointment of Chairman of Steering	Approved	-

FY	CONVENING DATE	AGENDA	APPROVED OR NOT	REMARK
----	----------------	--------	-----------------	--------



Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

Committee for the Board of Directors  
 Major Contents : Appointment of Representative  
 Director Eung Chan Ra as Chairman

2) Risk Management Committee

A. Organization

- Chairman: Pyung Joo Kim (Outside Director)
- Members: Yoon Soo Yoon (Outside Director), Reynieix (Outside Director)

B. Purpose

- Establishment of Basic Policy for Risk Management Consistent With Management Strategy
- Approval on the Appropriate Investment Ceiling or Permissible Limit of Loss by each Subsidiary

C. Details of Activities

FY	CONVENING DATE	AGENDA	APPROVED OR NOT	REMARKS
--	-----	-----	-----	-----
2	2004.5.10	- Nothing Approved		
		- Reported Matters: Status of Capital Adequacy Ratio of Group and of Risk Limit by each Type, etc.	Approved	-
3	2004.9.7	- Nothing Approved		
		- Reported Matters: Status of Capital Adequacy Ratio of Group and of Risk Limit by each Type, etc.	Approved	-

3) Audit Committee

Please refer to "B. Matters relating to the Audit System".

4) Outside Director Candidate Recommendation Committee

A. Organization

To be determined (to be organized upon the occurrence of relevant matters in the future)

B. Purpose

Edgar Filing: SHINHAN FINANCIAL GROUP CO LTD - Form CB

- Recommendation of Outside Director Candidate
- Determination of Other Matters Necessary to recommend the Outside Director Candidate of the Company

5) Compensation Committee

A. Organization

- Chairman: Yoon Soo Yoon (Outside Director)
- Members: Young Seok Choi, Il Sup Kim (Outside Director), Sang Chul Lee (Outside Director), Sang Yoon Lee (Outside Director)

B. Purpose

- Determination of Evaluation and Compensation Plan for the Management of the Company
- Evaluation and Compensation Plan for the Management of the Company

C. Details of Activities

FY --	CONVENING DATE -----	AGENDA -----	APPROVED OR NOT -----	REMARKS -----
1	2004.5.10	1. Appointment of Chairman of Compensation Committee  Major Contents : Appointment of Director Yoon Soo Yoon as Chairman	Approved	-

B. Matters on Audit System

(1) Matters relating to Audit Organization

- (A) Establishment and Organization of Audit Committee (Auditors), etc.

CLASSIFICATION -----	CONTENTS -----	REMARKS -----
Establishment of Audit Committee	Established the Audit Committee on September 1, 2001.	-
Constitution	Within five members	-