

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 ----- |
|---|------------------------|----------------------------|----------------------|
| | | | Unit: Million Wo |
| Number of authorized capital stock | - | 1,000,000,000 | 1,000,000,0 |
| Number of shares issued and outstanding | Common stock | 309,083,890 | 320,952,4 |
| | Preferred stock | 97,304,564 | 97,304,5 |
| Paid-in-capital | - | 2,031,942 | 2,091,2 |
| Capital reserve | - | 3,537,940 | 3,758,4 |

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"> - Per Article 62-2 of Financial Holding Companies Act and Article 15 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. - Common stock of Good Morning Shinhan Securities <ul style="list-style-type: none"> * Volume weighted average of the closing prices for two (2) months: 3,229 Won * Volume weighted average of the closing prices for one (1) month: 3,371 Won * Volume weighted average of the closing prices for one (1) week: 3,390 Won * Standard purchase price (Arithmetic mean of A, B, C): 3,330 Won - Preferred stock of Good Morning Shinhan Securities <ul style="list-style-type: none"> * Volume weighted average of closing prices for two (2) months: 1,811 Won * Volume weighted average of closing prices for one (1) month: 1,916 Won * Volume weighted average of closing prices for one (1) week: 2,070 Won - Standard purchase price (Arithmetic mean of A, B, C): 1,933 Won |
| Method of disposition in the event an agreement is not reached | Per Article 62-2 of Financial Holding Companies Act and Article 15 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 |

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

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-sub-subsidiary (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 Youn | 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 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-Mar |
| March 25, 2004 | Employee of Affiliated Company | Hong Gon Kam and other 400 officers | Common Stock | 582,700 | - | 582,700 | March 26, 2006-Marc |
| 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

| | | | | | | | | |
|----------------------------|-------------------|--|--------------------|-----------------|--------------------|---------------|---------------|------|
| | | | | | 362,227 | 603,9311 | | |
| | | | | | 952 | 2,066 | | |
| | | | | | 747,706 | 590,061 | | |
| | | | | | 66.84 | 26.08 | | |
| Details of dividends | Cash dividends | A. Dividend per share | | Majority | Common share | 600 | 600 | |
| | | | | | Preferred share | - | - | |
| | | | | Minority | Common share | 600 | 600 | |
| | | | | | Preferred share | 857 | - | |
| | | B. Total amount of dividends (KRW) | | Majority | Common share | 8,134,699,200 | 7,016,260,200 | 346, |
| | | | | | Preferred share | - | - | |
| | | Minority | Common share | 150,582,065,400 | 150,476,210,400 | 150,466, | | |
| | | | Preferred share | 83,397,139,955 | - | | | |
| | | C. Dividend ratio at market price (%) | | Majority | Common share | 3.24 | 4.34 | |
| | | | | | Preferred share | - | - | |

55

| CLASSIFICATION | | | | THE 3RD PERIOD | THE 2ND PERIOD | THE 1ST |
|----------------|----------------------|----------|--------------------|----------------|----------------|---------|
| ----- | | | | ----- | ----- | ----- |
| | | Minority | Common share | 3.24 | 4.34 | |
| | | | Preferred share | - | - | |
| Stock | A. Stock dividend | | Common | - | - | |

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 | 11,211 |
| Total liabilities | 25,337 | 27,916 | 99 |
| Total stockholders' equity | 63,588 | 58,585 | 10,221 |
| Capital | 19,585 | 38,775 | 3,071 |
| Operating revenue | 1,845 | 280 | 211 |
| Operating expense | 392 | 1,795 | 111 |

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 |

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:

| 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

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

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

-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) | (Unit: 100 M) 2ND FY (ANNUAL) |
|---|-------------------------|--------------------|-------------------------------------|
| ----- | | | |
| [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 |
| ----- | | | |
| [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 |
| ----- | | | |
| [Stockholders' equity] | 20,319 | 19,585 | 14,618 |
| ----- | | | |
| [Capital surplus] | 35,379 | 33,164 | 19,766 |
| ----- | | | |
| -Paid-In Capital in Excess of Par Value | 35,379 | 33,164 | 19,766 |
| ----- | | | |
| [Retained earnings] | 10,411 | 8,664 | 6,725 |
| ----- | | | |
| [Capital adjustments] | 549 | -238 | -1,007 |
| ----- | | | |
| TOTAL STOCKHOLDERS' EQUITY | 66,658 | 61,175 | 40,102 |
| ----- | | | |

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 |
|--------------------------|-------------------------|-------|
| Assets | | |
| 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 |
|---|------------------|------------------|
| 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 | |

(Unit

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 |
|--------------------------------------|------------------|------------------|
| (Unit) | | |
| 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"> 1. Other Extraordinary Loss | | |
| 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 INTERESTS |
|-----------------------------------|---------------|------------------------------|--------------------------------|---------------------------------|-----------------|
| 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 | <p>(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.</p> <p>(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.</p> <p>(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</p> |
|--------|--|

-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 YEARS |
|---------------------------------------|-----------------------|----------------|---|---|--|
| 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 OF TRANSACTIONS WITH THE COMPANY RECENTLY (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 | REMARK |
|----|----------------|---|-----------------|--------|
| | | ----- 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 | - |