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Shinhan Financial Group

Changing the way you finance.

Shinhan Financial Group Co. Ltd., incorporated on September 1, 2001, is leading the Korean financial industry as Korea's first financial holding company, delivering comprehensive financial solutions through its powerful "**One-Portal**" network.

The company and its 12 subsidiaries (three banking and nine non-banking) provide quality products and services in all financial sectors including banking, brokerage, asset management, credit card, leasing, investment advisory and insurance to customers in Korea.

Our mission is to secure our position as the leading financial service group in Asia and to develop into a world-class enterprise, while contributing to the society we serve. To this end, we are implementing the "**One Bank-New Bank**" strategy to create a new leading financial institution through our scheduled merger of Shinhan Bank and Chohung Bank. Such efforts include utilizing joint management and building up new business models, processes and infrastructures among all our subsidiaries for services that extend beyond banking.

Our immediate goal is to pursue "**Triple A**" — "**Accomplishment,**" "**Advancement,**" and "**Aspiration**" — strategic mandates of Shinhan Financial Group.

At the end of 2004, we had total assets of W167.5 trillion (US\$162 billion) and total shareholders' equity of W7.8 trillion. Net income amounted to W1,050.3 billion, increasing 189.3% over the year. Supported by approximately 15,000 employees, our expanding network comprised 1,074 branches, including 24 offices in nine foreign countries (US, UK, Japan, China, Hong Kong, Germany, India, Vietnam and Singapore) to serve about 22 million customers.

Currently, Shinhan Financial Group shares are traded on the Korea Stock Exchange and ADR on the New York Stock Exchange.



Diversified Services

Just like one, meeting various financial needs of customers.

Shinhan Bank	<ul style="list-style-type: none">- A commercial bank offering products and services to retail, SME, and large corporate customers- Serves as flagship within the holding company fleet
Chohung Bank	<ul style="list-style-type: none">- The oldest commercial bank in Korea with 108 years of history- Incorporated as a new member of the SFG in August 2003
Good Morning Shinhan Securities	<ul style="list-style-type: none">- A securities brokerage company- Along with SHB and CHB, serves as a primary distribution channel for the Group's wide range of products- Created in August 2002 through the acquisition of Good Morning Securities
Shinhan Card	<ul style="list-style-type: none">- A credit card company- Credit card operation was spun off from SHB in June 2002
Shinhan Capital	<ul style="list-style-type: none">- A leasing company established in 1991- Provides financing and operating leases of industrial equipment
Shinhan BNP Paribas ITMC	<ul style="list-style-type: none">- An Investment Trust Company- Joint venture with BNP Paribas established in October 2002
Jeju Bank	<ul style="list-style-type: none">- A regional bank operating in Jeju Island- Acquired in April 2002 and incorporated into the SFG in May 2002
SH&C Life Insurance	<ul style="list-style-type: none">- A bancassurance company- Joint venture with Cardif, a wholly-owned subsidiary of BNP Paribas established in October 2002
Shinhan Macquarie Financial Advisory	<ul style="list-style-type: none">- An investment advisory company established in 2001- Joint venture with Macquarie Bank
E-Shinhan	<ul style="list-style-type: none">- An Internet-based financial services provider- Jointly established by Shinhan and Boston Consulting Group in 2001
Shinhan Credit Information	<ul style="list-style-type: none">- Manages collections and credit investigations for all non-performing credits of the SFG's subsidiaries- Established in July 2002 to strengthen and maintain the SFG's financial soundness
Shinhan Private Equity	<ul style="list-style-type: none">- Provides investment advisory service- Manages domestic and foreign private equity funds



(In Billions of Korean Won , as of 2004)

	OWENSHIP	ASSETS	EQUITY	NET INCOME	CUSTOMERS('000)	BRANCHES
	100%	83,811	4,125	844.1	5,998	384
	100%	69,844	2,611	265.2	9,211	539
and services	100%	2,955	671	43.6	1,119	95
	100%	1,470	163	5.8	2,561	12
	100%	1,321	119	23.1	1	4
	50%	49	46	4.6	n.a	1
	62.4%	1,883	109	6.3	375	31
	50%	286	29	0.4	105	1
	51%	11	2	2.0	n.a	1
	73.7%	5	4	0.2	2,256	1
	100%	9	7	3.0	n.a	4
	100%	10	10	-0.2	n.a	1



Vision & Strategy

ONE & NEW

In Pursuit of "Best of the Best"



>> VISION

As a leading *"One Portal"* provider of comprehensive financial services in Korea, Shinhan Financial Group aims to mature further into a *"world-class financial services group."*

Accordingly, we seek to grow our banking, securities and credit card businesses to rank first, second and third in their respective markets, thus positioning SFG as one of the top five listed companies in Korea by 2008, based on total market value.

With that objective, SFG has developed and launched "Tops" as a joint brand name to provide a sense of unity and identification as a single body and to maximize synergies among SFG companies. "Tops" marks SFG's pride as an advanced bank and its promise to provide higher-level and quality financial services through "Top Services," "Top System" and "Top Satisfaction."

To fulfill our vision, SFG has set forth six mid and long-term missions.

First, SFG will grow into a prestige financial services group leading the Korean economy. Specifically, by 2008, we will foster banking to stand as the leading comprehensive financial distribution channel (Top 1), Good Morning Shinhan Securities as a Korean-style investment banking leader (Top 2), Shinhan Card as a marketing and risk management pioneer (Top 3), Shinhan BNP Paribas ITMC as an asset management specialist providing the "best of breeds" (Top 3), Shinhan Capital as a smart player leading the capital finance market (Top 1) and SH&C Life Insurance as a new power to provide valuable products (Top 3).

Second, SFG will present new business models for Korean finance. We will provide customers with comprehensive financial services (Beyond Banking), and actively carry forward specialization by separating production from distribution through the "One Portal" network, while deploying segmented and differentiated businesses targeting all economic strata. In addition, we will enforce win-win strategies for all

our subsidiaries while delivering customer values through organic linkage among business realms.

Third, SFG will contribute to society to fulfill our social responsibilities with ultimate ethics and transparency. Accordingly, for the people, we will render services toward the accumulation of individual wealth and building the national economy via optimal asset management and creation of maximum earnings. For corporations, we will add to the nation's economic and industrial development by supplying necessary investment resources according to life stages. For society, we will do much toward the materialization of a happy community through active public service as a leading enterprise as well as a member of society.

Fourth, SFG will nurture global talents with professionalism. We will continue to foster talented individuals with professional and global competitiveness who can develop and create specialized products and services; who are oriented toward the highest performance; and who are equipped with superior creativity.

Fifth, SFG will continue to be a standard-setter for Korean financial industry. We have taken initiative in the introduction of "World-Class Best Practice" by implementing the business division system, the holding company structure and the Millennium Retail Branch (MRB), and in establishing the Credit Scoring System (CSS), customer relationship management (CRM) and information resource management (IRM), while continuously generating relevant outcomes. Moving forward, we will be committed to crafting global-level comprehensive financial models including innovative and advanced systems.

Sixth, SFG will maximize shareholder value. We plan to continue heightening corporate competitiveness to match that of a world top-ranking enterprise. On this note, we will bring in advanced management practices, observe market principles and realize transparent corporate governance.

>> Triple A: Strategic Goals for 2005

For the immediate future, 2005, we plan to build up best-of-the-best brand value as a market leader and standard setter, and to establish a foundation for a new SFG network creating a market-oriented corporate culture.

To do so, we will relentlessly pursue our three strategic goals : **“Triple A”**

“Accomplishment” to fortify our position as a leading bank and complete the creation of “One Bank-New Bank”

“Advancement” to build up our synergy creation by strengthening the production and sales capabilities of the non-banking sector with change and innovation

“Aspiration” to create a market-oriented corporate culture in conformity with our vision

>> “ONE BANK-NEW BANK” STRATEGY

Since the establishment of Shinhan Bank in 1982, we have implemented constant innovation and stretched through scale and scope expansion. We introduced our holding company structure in 2001, securing a basis to offer a comprehensive range of financial services, and to create synergies and market leadership in terms of scale. We took over Good Morning Securities and launched Good Morning Shinhan Securities in 2002, and acquired Chohung Bank in 2003, growing into the second largest financial services group in Korea, based on asset volume. In 2004, we secured 100% ownership in those subsidiaries by acquiring further stakes in Chohung Bank and Good Morning Shinhan Securities through small-scale-share swaps and tender offer-bids.

Our acquisition of Chohung Bank (CHB) was considered a win-win combination, joining CHB's experience and relationship over a century-long history with the high-caliber human resources of Shinhan Bank (SHB). Since then, we have been working closely together for successful integration and consolidation prior to their scheduled merger in 2006. Particularly, SFG presented a new integration model in the

domestic financial sector wherein the Group established a “dual bank” period to avoid unnecessary competition and focus on the creation of synergies through fine tuning and sharing. As a “holding company,” SFG has also guided the pre-merger integration strategy to define the synergy portfolio and obtain maximum advantage for our “New Bank-One Bank” implementation

The integration initiatives aim to secure a superior brand, distribution network and funding profile. This also involves collaborative efforts for cross selling throughout the group's expanded customer bases while achieving efficiencies of scale. The resulting organization will be the No.1 banking brand and market leader in Korea and beyond. The faster the two companies are able to intermesh their functions, the greater the benefits of the merger.

To this end, we are pursuing the **“One Bank-New Bank”** strategy in earnest as we strive to achieve our vision of becoming a **“world-class financial group.”**

>> "ONE BANK-NEW BANK" STRATEGY

One Bank: Just Like One

The "One Bank" strategy aims to implant a new leading bank image prior to the scheduled merger of Shinhan Bank and Chohung Bank in 2006, and to maximize outcomes by developing synergy of the two banks early.

To implement our "One Bank" strategy, we have launched initiatives in four task areas: Improvement of customer service; Synergy creation through joint operations and marketing; Consolidation of standards and systems and sharing of functions and organizations, and Development of consensus among management and employees.

To improve customer services, we held "One Bank Festivals" in 2004, through which we implemented a variety of customer benefits such as channel sharing enabling customers of each bank to visit the other bank's branches for simple transactions. We also introduced employee education programs through diverse schemes, including standardized customer satisfaction manuals.

To create synergies, we actively deployed joint marketing campaigns mainly targeted at overlapping corporate and prime customers; established and executed policies for the joint operations of neighboring branches between the two banks by sharing real estate agencies and safety deposits; and installed "Branch in Branch" corners of Good Morning Shinhan Securities in both SHB and CHB outlets, expanding synergy-linked businesses.

To consolidate standards and systems, we implemented groupwide communications for customers; and fine-tuned the CHB and SHB retail banking systems, including risk management and internal interest rate schemes and the restructuring of overseas branches.

To develop consensus among management and employees, we held a wide array of events and programs including "Run Together, Jump Together" in May 2004, improved understanding and cooperation among the staff of both banks through spontaneous exchanges, including voluntary services, and undertook joint job training courses.

New Bank: Beyond Banking

The "New Bank" project aims to construct new business models, processes and infrastructures befitting to an upgraded comprehensive financial service group.

Ultimately, we will create a "New Bank" which would align banking, securities, credit card, ITMC, insurance service and other new businesses in the most optimal manner. Our ultimate goal is to provide a wider range of comprehensive financial services for various customer segments, including private banking (PB), retail, small office home office (SOHO), small and medium-sized enterprise (SME), large corporate/investment banking (IB) customers and specialty organizations. Six strategic initiatives will be put into action to achieve this objective.

First, we will construct a "One Portal" network by integrating separate subsidiary channels into group channels by customer; diversifying and differentiating the types and sizes of branches in accordance with regional characteristics; and establishing a comprehensive channel management system through optimal placement within group-level networks.

Second, we will materialize professional comprehensive financial services by customer segment to provide products and services of all our subsidiaries in one stop, while offering specialized hybrid products and services by individual and corporate customer.

Third, we will realign group management systems with a focus on customer groupings, seeking groupwide customer relationship management and securing a variety of businesses to support the financial needs of each customer group including SMEs, venture firms and private banking customers.

Fourth, we will integrate and share administrative support sectors on a groupwide level including the groupwide business process re-engineering.

Fifth, we will manage portfolios to create group values by (1) systematically linking the overall values of the group and each business sector, (2) establishing business strategies and (3) controlling future growth engines through active exploration of new business opportunities and M&As.

Sixth, we will build up SFG culture and leading brands by establishing performance-based common values befitting the image of the leading financial group, most trusted and preferred by customers and society, while willingly fulfilling our social responsibilities.

Creating a “New Bank” through our beyond-banking, universal financial services



“SFG provides a single platform with excellence in everything we deliver!”

Chairman's Letter

To Our Constituents

We have entered the fifth year since initiating our far-reaching plan to maximize customer satisfaction and shareholder values and implant a new financial culture in Korea by providing advanced comprehensive financial services.

So far, domestic financial markets have repeated steady growth despite a number of difficulties such as sluggish domestic demand and increasing uncertainties in real economies. Today, we are witnessing a rising wave of fundamental change with intensifying competition in the industry, primarily behind the diversifying needs of customers and full-scale inroads into Korea's markets by major global players.

In retrospect, the history of Shinhan Financial Group (SFG) has been a course of change and innovation, adapting to the rapidly changing economic environment. Having started with the small but healthy Shinhan Bank as a nucleus, we have grown into one of the top comprehensive financial services groups in Korea, in name and quality as well as in terms of size. We accepted the Asian foreign exchange risk as an opportunity for growth, resolutely employing a variety of cutting edge financial techniques, and we earned a listing on the New York Stock Exchange. Additionally, we strived for reform in our financial industry, primarily by introducing the holding company structure to Korea. Above all, we secured a balanced customer base and a nationwide network by embracing Chohung Bank within the SFG family. Accordingly, we are now equipped with the essential foundations to provide more profound and sophisticated financial services to meet the increasingly complicated and comprehensive needs of our customers.

Backed by the dedicated efforts of our employees, we have ensured our position as the standardsetter in domestic financial markets and completed the blueprint for a "New Bank," our beyond-banking, universal financial services concept. The "New Bank" model, designed for customer segment-centered comprehensive financial services, is becoming an important drive engine for SFG's blending of Shinhan Bank and Chohung Bank, while gaining recognition both at home and abroad as a new and exemplary integration standard.

By successfully completing the integration, our greatest challenge at the moment, SFG will present new business models as a trailblazer and the top financial group leading the national economy. We also pledge to continue maximizing shareholder value as a corporate citizen as well as a financial partner for all—individuals, business and society.

We will continue demonstrating confidence and competence in assuring world-class competitiveness as a pioneer in the "New Bank" age, focusing on the achievement of "Top Brand Value," construction of a "New SFG Network" and making resolute investments in human capital for financial competitiveness.

We thank you again for your ongoing support and encouragement, and we look forward to your continued interest and confidence in SFG.



Eung-Chan Ra

Chairman of Shinhan Financial Group

CEO's Message

To Our Constituents

2004 IN REVIEW – ECONOMY AND THE FINANCIAL MARKETS

The year 2004 was marked by serious concerns over economic uncertainties due mainly to the still lackluster domestic demand, peaking oil prices, and rapidly rising raw material prices. The economic growth rate remained at the 4% level, adding to external and internal difficulties. In addition, competition among financial institutions was increasingly intensified amid the full-fledged advance by foreign-based global players, including Citibank and Standard Chartered Bank, into the domestic market and ongoing restructuring within the financial industry.

2004 MANAGEMENT OUTCOMES

In this operating landscape, Shinhan Financial Group (SFG) firmly positioned itself as a market leader, not only when measured by financial outcomes but also in non-financial terms such as integration and synergy creation. Furthermore, we solidified our base for greater qualitative growth.

EARNINGS

We attained outstanding earnings results in 2004. Net income amounted to 1.05 trillion won as of year-end, soaring 189.3% from our 2003 outcome. In particular, all SFG subsidiaries performed in the black, with the exception of Shinhan Private Equity which was inaugurated in December 2004. The totals included 844.1 bil-

lion won for Shinhan Bank, 265.2 billion won for Chohung Bank, 5.8 billion won for Shinhan Card and 23.1 billion won for Shinhan Capital. These dramatic accomplishments enabled SFG to confirm its position as the most successful and balanced comprehensive financial services provider in Korea.

ASSET GROWTH & ASSET QUALITY

In 2004, we achieved stable asset growth rate of 6.6% due to sluggish domestic growth. However, it was a year of remarkable improvements in asset qualities of the Group. Due to the enhanced risk management control of Shinhan Bank and Chohung Bank, substandard and below loans of the Group decreased by 50.6% over the year and the proportion of such loans fell from 3.49% to 1.71%. Particularly, Chohung Bank's substandard and below loans decreased by 61.5% and its proportion dropped from 4.82% to 1.93% in 2004. Chohung Bank's coverage ratio against substandard and below loans also dramatically improved from 81.7% to 126.4%.

CAPITAL ADEQUACY RATIO

The capital structure of the Group has been improved as well. Shinhan Financial Group's required capital ratio marked 129.4% in 2004, exceeding not only the regulatory ratio of 100% but also that of last year by 11.0%p. BIS ratios of banks also showed improvements, with Shinhan Bank at 11.94% and Chohung Bank at 9.40%, increasing 1.45%p and 0.53%p, respectively, from the previous year.



Positioned as a market leader as well as a standardsetter in
Korean financial industry with top brand values



"We are focused on delivering value through one-stop services with heightened service and confidence."

2004 MAJOR BUSINESS OUTCOMES

The year 2004 was very meaningful in that we led the market and realigned our framework for further growth. This was made possible by the complete preparation of our unique “One Portal” business model through continuous reorganization of our business portfolios and smooth progress on the integration of SHB and CHB, in addition to the invigoration of synergistic operations.

During the year, we not only advanced the harmonious blending of Shinhan Bank and Chohung Bank but also our “New Bank” strategy for the provision of customer segment-centered comprehensive financial services.

To begin with, we realigned the group’s overall business portfolio by including our core business lines as 100% owned subsidiaries and, in December 2004, establishing Shinhan Private Equity (specializing in the private equity funds). Above all, we secured 100% ownership in Chohung Bank and Good Morning Shinhan Securities by acquiring further stakes through small-scale-share swaps during the year. With this, we were able to heighten consistency in groupwide execution of strategies and efficiency in resource allocation. In addition, we were able to expand our earnings by enjoying completely the increased enterprise values of our subsidiaries including their net incomes. Furthermore, we are poised to continue the improvement of SFG’s entire earnings structures, the heightening of competitiveness for our core businesses and the advancement of symbiosis systems in the investment banking sector, by establishing Shinhan Private Equity, our 12th subsidiary.

Next, we completed the “New Bank” design work and reinforced a foundation for integrating SHB and CHB. We successfully embedded our “One Bank” image among customers and markets and created a business model called the “separation of manufacturing and distribution” to fit the new financial environment. Accordingly, upgraded channel design has been also completed. Particularly, we are unfolding what an exemplary integration should be, seeking to imbue shared passion within the staffs at the two banks and the creation of a new financial culture. Harvard Business School, even chose SFG’s unique integration model as an official case study.

Meanwhile, we established the basis for our “One Portal” model which we have continuously carried forward since our foundation. We reaped 303.3 billion won worth of mutual benefits in the operational and cost synergy sectors in 2004, firmly securing our market position as a “synergy leader” going beyond the “synergy frontier.”

2005 MANAGEMENT PLANS

In 2005, we plan to build up best of the best brand recognition, “Top Brand Value,” and establish a foundation for the new SFG network. This 2005 strategic objective intends to reinforce our management outcomes and present upgraded financial services. To do so, we will pursue “Triple A” as our strategic agenda: “Accomplishment,” “Advancement” and “Aspiration” and continue to practice and prove our objectives through these initiatives.



“Accomplishment” relates to completing the structure of a solid foundation for the “New Bank” and fortifying our position as a “Leading Bank.” On this note, we will continue to strengthen our market dominance in the banking sector, a core distribution line for our advanced comprehensive financial business model, materializing and executing business strategies by customer segment in accordance with the already established plan for a “New Bank.”

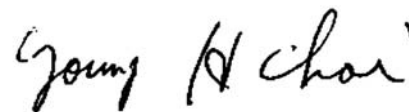
“Advancement” aims to complement our interdependent structure by strengthening our capabilities for the non-banking sector. Having secured a basis for our most powerful distribution channel through the enlargement of banking operations, we will further activate our unique "One Portal" businesses to substantially develop groupwide synergy creation through our manufacturing and distribution capabilities.

“Aspiration” aims to create a market-oriented corporate culture in conformity with our vision of becoming a world-class financial group. We will not spare our efforts to step up future competitiveness on a groupwide level by actively making investments in human capital.

Ultimately, we will concentrate our energies on achieving our challenging “New Bank” model earlier than scheduled so that we can continue to attain growth and development. Most importantly, we pledge to continue our unflinching commitment to delivering shareholder value by achieving the number one ranking in the domestic financial industry, taking pride in our accomplishment and assuming the responsibilities of standard-setter in further advancing Korean financial industry.

During the course, we look forward to your unchanging support and confidence in Shinhan Financial Group.

Thank you.



Young-Hwi Choi

President & Chief Executive Officer
Shinhan Financial Group

Financial Highlights

Notes:

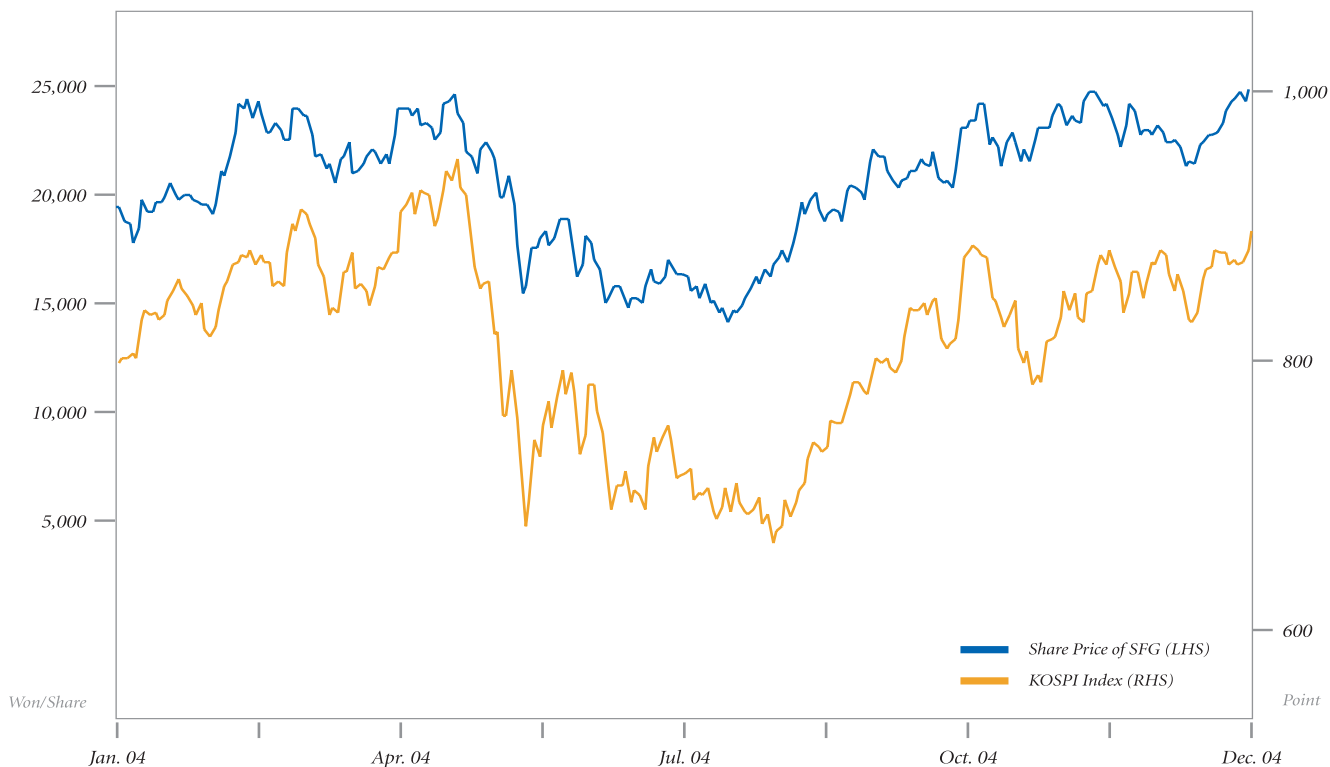
1) Translated into U.S. dollars at rate of W1,043.8 per US\$1.00, the prevailing rate on December 31, 2004.

2) Calculated based on the sum of all subsidiaries minus intra-group transactions.

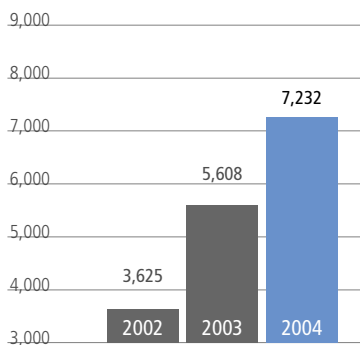
	Korean Won in Billions		U.S. Dollars in Millions ¹⁾	
	2004	2003	2004	2003
For the Year				
Operating Revenue	14,343	8,072	13,741	7,733
Net Income	1,050	363	1,006	348
At Year End				
Total Assets ²⁾	167,479	159,354	160,451	152,667
Total Loans ²⁾	95,669	94,344	91,655	90,385
Total Deposits ²⁾	95,677	99,280	91,662	95,114
Total Securities ²⁾	33,179	35,218	31,788	33,740
Total Shareholders' Equity	7,748	6,118	7,423	5,861
Financial Ratios				
Return on Average Shareholders' Equity	15.82%	8.66%		
Return on Average Assets	0.77%	0.39%		
Cost Income Ratio	43.39%	41.73%		
Substandard & Below Ratio	1.71%	3.49%		
Net Interest Margin-Shinhan Bank	2.22%	2.26%		
Net Interest Spread(won)-Shinhan Bank	2.60%	2.51%		
Net Interest Margin-Chohung Bank	3.16%	3.04%		
Net Interest Spread(won)-Chohung Bank	3.96%	3.94%		
BIS Capital Adequacy Ratio-Shinhan Bank (Tier 1 Capital Ratio)	11.94%	10.49%		
(Tier 2 Capital Ratio)	7.45%	6.34%		
BIS Capital Adequacy Ratio-Chohung Bank (Tier 1 Capital Ratio)	4.49%	4.15%		
(Tier 2 Capital Ratio)	9.40%	8.87%		
	4.99%	4.47%		
	4.42%	4.40%		
Share Information				
Earnings Per Share(won)	2,577	1,003		
Net Asset Value Per Share(won)	19,006	15,234		
Dividend Per Share(won)	750	600		
Market Capitalization	7,232	5,608		



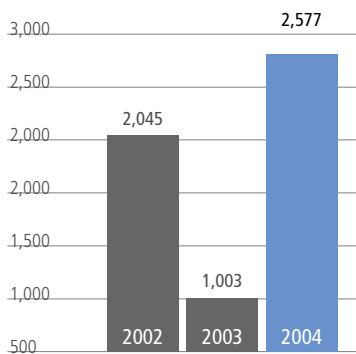
Stock Performance



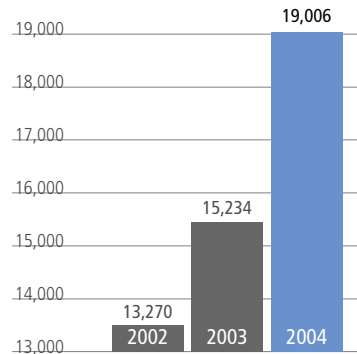
Market Capitalization
(In Billions of Korean Won)



Earnings Per Share
(In Billions of Korean Won)



Book Value Per Share
(In Billions of Korean Won)



Board of Directors & Management

SHINHAN FINANCIAL GROUP

>> Executive Directors

Eung-Chan Ra
Chairman

Young-Hwi Choi
President & CEO

>> Non-Executive Directors

In-Ho Lee
Director

Young-Seok Choi
Director

Yong-Woong Yang
Director

>> Outside Directors

Pyung-Joo Kim
Director

Il-Sup Kim
Director

Sang-Yoon Lee
Director

Yoon-Soo Yoon
Director

Shee-Yul Ryoo
Director

Byung-Hun Park
Director

Young-Hoon Choi
Director

Si-Jong Kim
Director

Dong-Hyun Kwon
Director

Philippe Reynieix
Director

>> Executive Officers

Jae-Woo Lee
Senior Executive Vice President

Chil-Sun Hong
Senior Executive Vice President

Byung-Jae Cho
Senior Executive Vice President

Baek Soon Lee
Senior Executive Vice President

SHINHAN BANK

>> Executive Directors

Sang-Hoon Shin
President & CEO

Jae-Ho Cho
Director & Standing Auditor

>> Outside Directors

Young-Hwi Choi
Director

Kap-Young Jeong
Director

Kyung-Suh Park
Director

Sang-Rock Seo
Director

Jae-Woo Lee
Director

>> Executive Officers

Gwang-Lim Youn
Deputy President

Min-Ky Han
Deputy President

Do-Heui Han
Deputy President

Jin-Won Suh
Deputy President

Shin-Keun Yang
Deputy President

Sang-Young Oh
Deputy President

Hyu Won Lee
Deputy President

Sang Woon Choi
Deputy President

Eun Sik Kim
Deputy President

CHOHUNG BANK

>> Executive Directors

Dong-Soo Choi
President & CEO

Jee-Hong Yoo
Director & Standing Auditor

>> Outside Directors

Young-Hwi Choi
Director

Byung-Jae Cho
Director

Yong-Sung Park
Director

Dae-Sik Kim
Director

Gi-Don Kim
Director

>> Executive Officers

Bhang-Gil Choi
Deputy President

Hee-Soo Kim
Deputy President

Kwang-Yub Chung
Deputy President

Hong-Hee Chae
Deputy President

Yong-Uk O
Deputy President

Jeong-Woo Chang
Deputy President

Jae-Yoo Kim
Deputy President

In-Joon Chaey
Deputy President

Chang-Seong Moon
Deputy President

Sung-Yoon Kim
Deputy President

JEJU BANK

>> Executive Directors

Kook-Joo Kim
Chairman and President

Young-Sin Kim
Director and Auditor

>> Outside Directors

Hyung-Joon Song
Director

Boo-In Ko
Director

Kang-Nam Lee
Director

Jae-Woo Lee
Director

Hyang-Jin Huh
Director

>> Executive Officers

Ki-Hyung Seong
Deputy President

Tae-Sang Moon
Deputy President

GOODMORNING SHINHAN SECURITIES

>> Executive Directors

Woo-Keun Lee
Representative Director, Vice-Chairman

Kang-Won Lee
Representative Director, President & CEO

Sung-No Lee
Audit Committee Director

>> Non-Executive Directors

Chil-Sun Hong
Director

>> Outside Directors

Jin-Won Park
Director

Hyoung-Tae Kim
Director

Kyung-Ho Kim
Director

Jae-Kyu Ahn
Director

>> Executive Officers

Hyeon-Jae Han
Senior Executive Vice President

Seok-Joong Kim
Senior Executive Vice President

Chae-Young Jung
Senior Executive Vice President

Jin-Kook Lee
Senior Executive Vice President

Yoo-Shin Jung
Senior Executive Vice President



SHINHAN CARD

>> Executive Directors

Sung-Kyun Hong
President & CEO
Tae-Gyu Lee
Director and Standing Auditor

>> Non-Executive Director

Sang-Woo Kim
Director

>> Outside Directors

Chil-Sun Hong
Director
Seong-Yoon Kim
Director
Chul-Joo Choi
Director

>> Executive Officers

Seoun-Won Kim
Deputy CEO
Woo-Yeop Shim
Executive Deputy CEO
Moon-Han Kim
Executive Deputy CEO

SHINHAN CAPITAL

>> Executive Director

Dong-Girl Lee
President & Chairman

>> Non-Executive Directors

Byung-Jae Cho
Director
Jeum-Joo Gweon
Director

>> Non-Executive Officer

Wong-Man Son
Auditor

>> Executive Officers

Sahng-Dae Kim
Deputy President
Seung-Keun Oh
Executive Vice President

E-SHINHAN

>> Executive Director

Nam-Jun Kim
President & CEO

>> Non-Executive Directors

Joung-Soo Kim
Director
Seung-Woo Nam
Director

>> Non-Executive Officer

Cheol-Soo Joo
Auditor

SHINHAN CREDIT INFORMATION

>> Executive Director

Beom-Seong Shin
CEO

>> Non-Executive Directors

Seong-Yoon Kim
Director
Young-Kyu Hwang
Director

>> Executive Officer

Kang-Mo Lee
Auditor

SHINHAN PRIVATE EQUITY

>> Executive Director

Jin-Yeong Lee
Chief Executive Officer

>> Non-Executive Directors

Byung-Jae Cho
Director
Dong-Hwan Lee
Director

>> Non-Executive Officer

Moo-IL Sohn
Auditor

SHINHAN BNP PARIBAS ITMC

>> Executive Director

Richard Valenti
President & CEO

>> Non-Executive Directors

Guy De Froment
Director
Joung-Soo Kim
Director
Dong-Hwan Lee
Director

>> Outside Directors

Francois Petit-Jean
Director
Chil-Sun Hong
Director
Moo-IL Sohn
Director

>> Executive Officers

Ui-Hyun Ro
Auditor
Al Noor Premji
Deputy CEO

Seung-Tae Kang
Deputy CEO

Ho-Jin Kwon
Chief Investment Officer

Myoun-Wook Kang
Chief Marketing Officer

Deog-Jin Jang
Chief Operating Officer

SHINHAN MACQUARIE FINANCIAL ADVISORY

>> Executive Director

John William Walker
President & CEO

>> Non-Executive Directors

Simon Clow
Director
Moo-IL Sohn
Director
Yong-Kyun Park
Director

>> Non-Executive Officer

Dong-Hwan Lee
Auditor

SH&C LIFE INSURANCE

>> Executive Director

François Xavier Hussonot
Chief Executive Officer

>> Non-Executive Directors

Gerald Binet
Director
Byung-Kook Song
Director
Hak-Ju Kim
Director
Dong-Hwan Lee
Director

>> Executive Officers

Oeih-Hwan Cha
Auditor
Jean-Patrick Simon
Deputy CEO
Woo-Sung Kim
Chief Marketing Officer

Corporate Governance



>> Committed to ensuring fair, transparent and accountable management

We realize the significance of corporate governance for the economic health of our corporations and society in general. Accordingly, we are committed not only to securing efficient management and improving our financial performance, but also to promoting corporate fairness, transparency and accountability by a full spectrum of structures and mechanisms.

Ultimately, we aim to increase value for our shareholders as we stretch further to become a world-class financial services group through fair and transparent operation of the Board of Directors (BOD) and responsible business execution and performance by our management. As a holding company, we have simplified our ownership structure and we focus on transparent decision making at the group-wide level.

>> Composition of the Board of Directors and Committees

Shinhan Financial Group attaches great importance to the professionalism and independence of the BOD. To improve the board's proficiency, we expanded the number of outside directors with professional expertise from three to five. We also fully support the BOD members providing a broad arrange of transparent information on company management so that they can represent the interests of our shareholders and other concerned parties while checking and suggesting sound alternative plans for business operations by management. The BOD works through multiple committees, enabling the expertise and capabilities of individual directors to be fully reflected in its activities.

We also are committed to reinforcing disclosure procedures so that our corporate and financial information can be delivered to investors at home and overseas in the most transparent and fair manner. We provide regular, detailed and accurate disclosure through quarterly reports and interim reports, and utilize a monitoring system to improve existing procedures and set clearer disclosure rules through our Disclosure Committee.

In addition, we disclose matters related to legal obligations and decisions pertaining to important developing matters. To ensure ease of access, all information subject to disclosure is posted in the Korean and English languages on our website: www.shinhangroup.com.





>> A Promise for a New Financial World

The Board of Directors consists of two executive directors and 13 non-executive directors (including 10 outside directors). The BOD's main duties are to:

- Approve the managerial strategies and goals of the company and its subsidiaries;
- Oversee its performance; and
- Assure an environment and system for the risk management consistent with the business strategy of the company and its subsidiaries.

Committees of the BOD

Board Steering Committee, Risk Management Committee, Audit Committee, Outside Director Recommendation Committee and Compensation Committee

Board Steering Committee

Comprised of five directors, the committee shall:

- Deliberate on matters relating to governance structure of the company;
- Recommend members of committees within the BOD;
- Recommend non-outside director candidates of the company;
- Deliberate on appointment and termination of non-director management of the company; and
- Determine other matters relating to the operation of the BOD.

Risk Management Committee

Comprised of three outside directors, the committee is charged with establishing basic policy for controlling risks consistent with management strategy, and setting the appropriate investment ceiling or permissible limit of loss for each subsidiary.

Audit Committee

Comprised of five directors (four outside directors and one non-executive director), the committee mainly oversees, reviews and audits the company's accounting and auditing-related businesses, backed by the auditing team.

Outside Director Recommendation Committee

With membership to be determined and organized when circumstance necessitates, the committee recommends outside director candidates and determines related matters

Compensation Committee

Comprised of five directors (four outside directors and one non-executive director), the committee determines the evaluation and compensation plans for the management of the Group.



ACCOMPLISH

>> High Performance Delivered through Challenge

We will fortify our position as a leading bank and complete the creation of "One Bank-New Bank".

We will complete an optimal system to help customers succeed, operating business models and channeling strategies by customer segment, while improving operational processes and customer relationship management systems.

Together we will honestly implement the upgrade projects for overall operations, establishing structures to guard against management risk and giving shape to advanced internal processes. For all businesses, including operations and marketing, our training programs will advance employees' behavior patterns, capabilities and mindset to world-class levels. The ultimate goal is to become a world-class financial services group, providing customized universal financial services and products through "One-Portal."

>> Committed to securing a superior branding, distribution network and funding profile

Korea's financial industry has been marked by a few key issues of late, including globalization, consolidation through mergers and acquisitions, the move towards a full universal banking model and attempts for crossovers in the holding company structure.

Customer needs have become increasingly sophisticated and diversified, demonstrating a distinct preference for a single or integrated channel for all their financial transactions. Meeting such a trend, SFG has moved to separate our manufacturing and distribution functions, followed by the enlargement of distribution channels centered on banking, with subdivision and specialization within the manufacturing sectors.

as a leading bank

MENT



Commercial Banking

Retail Banking

Introducing the seamless integration of financial services

The retail banking market faced deepening competition in 2004. The operating environment was marked by increasing unemployment behind delayed economic recovery, expanding market risk due to price uncertainties including the rising cost of oil, the accelerated movement of capital to safety, lagging growth in the real estate market, rapid increase in problematic household debts, and aggressive marketing by financial institutions seeking high-net-worth (HNW) customers amid crossovers and consolidations. In addition, hybrid financial products such as bancassurance and beneficiary certificates (BCs) were introduced and stressed in the marketplace.

Coping with such change, SFG sought qualitative asset growth through sales expansion. We particularly focused on the establishment of efficient and select retail sales strategies, improvement of risk management functions and the enhancement of asset quality. We endeavored to maximize synergies under our "One Portal" network, activating sales of affiliated products within the group companies, and to provide sophisticated comprehensive financial services. We also looked to advance retail banking business, concentrating on the development of marketing solutions to realize full-scale customer relationships based on client satisfaction, and to present tailor-made products and services for individual customers through reinforced staff capabilities.

As a result, despite the challenging environment, retail loans increased KRW2,650.2 billion YoY to KRW36,338.3 billion at the end of 2004. Total usable deposits decreased, however, by KRW243.9 billion, to KRW75,889.5 billion led by the continued low interest rates and the flight of capital.

In our lending activities, SFG implemented a flexible operating strategy for secured loans to account for the risk created through greater household delinquencies and a dormant real estate market. We strengthened relationship marketing with our real estate agencies and introduced Shinhan long-term mortgage loans earlier than scheduled to preoccupy the secured loans market in advance of competitors. Consequently, Shinhan long-term mortgage loans and CHB's mortgage loans amounted to KRW4,007.8 billion and KRW1,740.6 billion, respectively.

In the unsecured loans sector, we sought continuous expansion of our high net-worth (HNW) customer base. We strived to reinforce strategic product sales to our target customers, given an upturn in credit risks resulting from delayed economic recoveries. As a consequence, Shinhan Bank (SHB) recorded KRW109.3 billion in High Class Loans (for professionals), KRW565.3 billion in Elite Loans (for high income earners) and KRW202.0 billion in Public Servant Prime Loans.

In the small business area, the small office and home office (SOHO) sector remained stagnant following prolonged sluggish domestic demand and declining collateral values for such businesses, leading to increased risk. Accordingly, we endeavored to expand our market share through targeted services to small businesses and risk-weighted marketing strategies. As a result, SOHO loans increased KRW750.0 billion over the year to KRW11,282.1 billion, primarily attributed to our expanded market share on the strength of differentiated services and target marketing.

Given the trend of capital movement away from financial institutions due to continued low interest rates, SFG concentrated on the sale of hybrid financial instruments rather than traditional banking products to meet diversifying customer needs.

We bolstered marketing efforts further to expand low-cost deposits such as Cash Management Service and our B2B (business-to-business) Settlement Account with a view to strengthened earnings.

As to beneficiary certificates, including overseas mutual funds that were introduced as popular financial products in the banking sector during 2004, we concentrated on timely product sales and marketing that reflected upward movements in the stock markets at home and abroad to help meet the financial needs of customers seeking higher investment returns. As a result, BC sales amounted to KRW4,592.5 billion.

Further, we moved to strengthen our market dominance and to create synergy effects by expanding sales of multi-purpose financial products in linkage with SFG affiliates, while strengthening sales of highly profitable bancassurance and Financial Network Account (FNA) securities savings deposits, which combine securities trading and savings deposits.



During the year, we also advanced our Millennium Retail Branch (MRB) structure, a "One Portal" business model designed to focus marketing activities on relationship-based, customer-segmented financial solutions. We improved our operational systems to realize full relationship marketing with differentiated suggestion sales in accordance with the investment tendencies of our clients, further securing competitiveness in the HNW customers market.

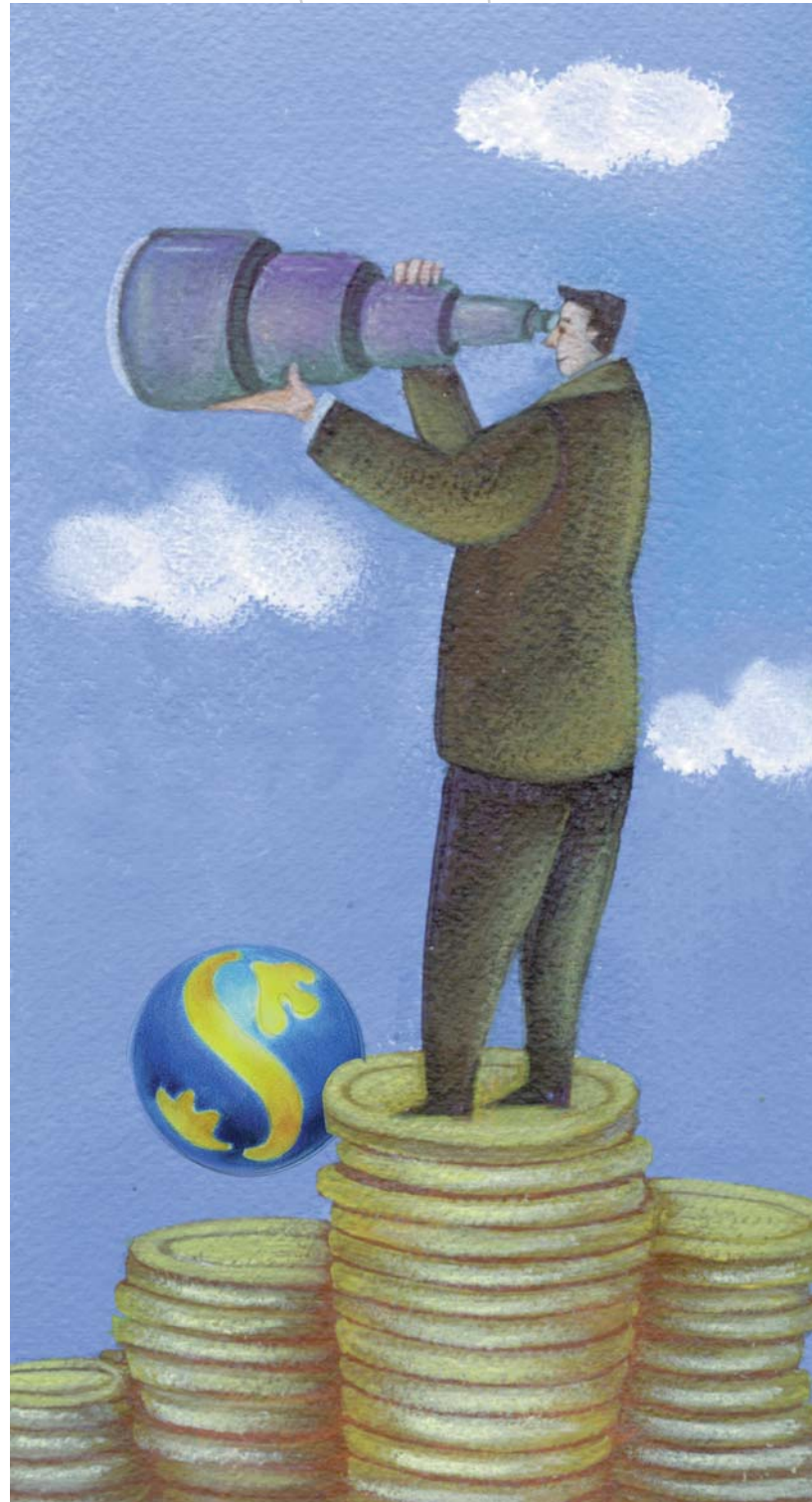
Utilizing accumulated customer relationship know-how, we concentrated on customer relationship management (CRM)-based scientific marketing to retain loyalty of our existing customers. Above all, we deployed marketing efforts and activities for cross-selling and up-selling within the group via unique approaches.

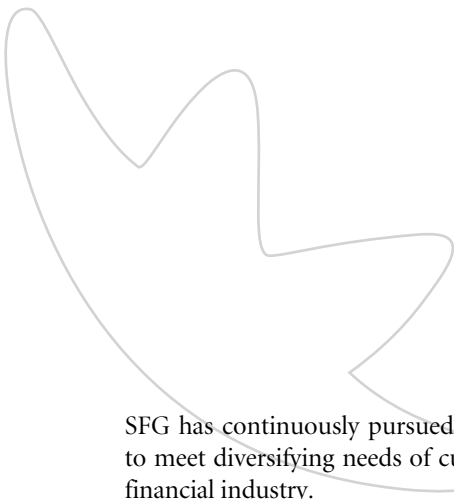
Other efforts included differentiated prestige services, targeting and focusing our product development and marketing on HNW customers and the private banking (PB) market to expand our customer base and assure a competitive edge.

As a result, the number of major customers who use SHB or CHB as their primary bank steadily grew, increasing 3.9% YoY to 1,214,000 at 2004-end. Driven by strengthened relationship marketing to target higher income customers and our steady pursuit of sophisticated services, the number of HNW customers climbed up 45,917 from the figures seen in the preceding year. Thus, we expanded our core customer base while heightening the loyalty of our quality customers.

With increasing non-performing loans (NPLs), the financial environment surrounding retail banking in 2005 likely will bring increasing competition among large post-merger banks. Also expected to affect the industry are uncertainties due to the polarization of exports and domestic demand, plus a static lackluster economic outlook. Accordingly, in order to overcome risk factors and to accomplish our management objectives, we pledge to preemptively cope with such market conditions.

Specifically with an aim to secure competitive advantages and to play a leading role in the retail banking market, we will (1) optimize our financial and non-financial services in accordance with customer development and segmentation, (2) enhance customer relationship marketing to induce HNW customers, and (3) build an expanded efficient marketing infrastructure.





SFG has continuously pursued the development of strategies to meet diversifying needs of customers in every sector of the financial industry.

In 2004, our customer base expanded to about 14 million customers, (excluding eShinhan), behind the acquisition of CHB. Based on this, we attained noticeable results from synergy generation, providing a broad array of products and services to meet the varied needs of customers through our cooperative systems following the separation of production and distribution.



Such accomplishment was greatly attributed to SFG's integrated CRM model we identify as CROSS, or the Customer Relationship Optimizing System of Shinhan. CROSS supports comprehensive relationship management on a group-wide level, analyzing and contacting customers utilizing our enterprise data warehouse (EDW) with integrated information from each SFG unit.

By full-scale CROSS utilization in 2004, we were able to share and analyze accumulated information on customers amongst SFG companies and to develop sound marketing algorithms while providing optimal products and channels to our customers.

As a consequence, our cross selling indicators improved. The number of holding accounts per customer rose to 3.3 from 3.1 at 2004-end, and the customer retention ratio for HNW customers edged up 2.3%p over the year from 88.3%, demonstrating the system's remarkable contribution to the improvement of customer loyalty and the maximization of customers' lifetime values. Of note, the ratio of customers who use more than one SFG company to total customers also expanded, pulling up SFG's Share of Wallet (SOW) of customers and thereby proving synergy effects from our competitive edge generated through the holding company structure.

SME Banking

Leveraging differentiated strategies tailored to the needs of each client group.

Despite unfavorable conditions, including overall slowdowns and sluggish domestic demand in the Korean economy, SFG recorded KRW30,398.8 billion in total loans in the small and medium-sized enterprise (SME) market. Our 1.6% rise over the year was led by the sales of customized products.

In 2004, we particularly maintained our firm leadership in the market for those SMEs whose financial statements are examined by independent auditors, with a market share of 19%. In addition, low-cost SME deposits noticeably increased by about KRW160.0 billion over the year, backed by intensive marketing of such deposits to seek stable improvement in our funding structure.

Meanwhile, we expanded our average operating margin by 0.3~0.4% over the year, utilizing strategic products including higher-yield loans. We also strived to develop new earnings sources with new financial technologies.

Additionally, we focused on the segmentation of SMEs into target groups for product development and marketing to create differentiated strategies for each segment and to attract quality SMEs. We provided a broad array of products and services based on such marketing strategies.



SFG introduced several marketing programs tailored to the needs of each client group. We provided 'Premier Club' membership to our best-quality corporate customers and offered a variety of products and services targeting their CEOs, CFOs and key executives. In addition, we launched 'High-Touch Marketing' to strengthen our relationship with HNW corporate customers.

Likewise, we operated a business service center, comprised of corporate finance experts from respective fields, to activate affiliated businesses among SFG companies, contributing to the generation of new revenue drivers.

Meeting the diverse needs of corporate customers, the center provides customized financial services. These include initial public offerings (IPOs), mergers and acquisitions (M&As) and asset-backed securities (ABS) issuance to assist healthy SMEs advance into the direct financing markets. In 2005, we established a consulting team within the business service center to enable guidance on overall management for corporate customers.

With regard to corporate electronic financial products, we continuously improved Biz-BANK, a cash management service (CMS) which support funds management, and also expanded virtual account business. At the same time, we provided B2B Purchasing Loans, E-biz Loans With No Recourse and Future Bond-Backed Loans on Future Accounts Receivable, solidifying our leadership in the electronic corporate banking sector.

In 2005, competition for the SME market likely will intensify even more with foreign-based advanced financial institutions. SFG will continue to fortify its role as a leader in corporate banking by developing innovative products and services based on our accumulated banking business capabilities and competitiveness in the market for those well-established SMEs audited by certified public accountants.

Large Corporate Banking

Meeting the diverse financial needs of large corporate customers

SFG launched the Large Corporate Banking Division in 1999 among its long-term strategies to develop and expand new

businesses while meeting the diverse financial needs of large corporate customers. We also focused on building our Relationship Manager (RM)-oriented marketing and risk management systems for the traditional business sector.

Consequently, we attained noticeable results in the large corporate banking sector in 2004. Despite the unfavorable financial environment at home and abroad, large corporate loans by SFG increased KRW373.2 billion, or 6.2%, over the year to KRW6,316.5 billion at 2004-end, leading to impressive rises in interest income and commission income as well.

As to traditional banking, we will strategically expand the scale and scope of fee-based businesses including e-banking and derivative financial products. In addition, we will concentrate on the establishment of an advanced earning structure, primarily by improving net interest margins (NIM).

We also established foundations for securing earnings by expanding commission income-centered business capabilities, mainly through: active market penetration for asset-backed securities (ABS), real estate financing, social overhead capital (SOC) and syndicated loans, and concentration on system marketing to increase low-cost funds.

In 2005, we plan to attract core corporate customers who will use SFG as their main financial service provider, by expanding our coverage ratio and cross selling. To do so, we will unfold differentiated marketing activities to target institutional customers and invigorate customers.

To further strengthen our position in large corporate finance, we will continue to brace our investment banking (IB) business as a future growth engine, expanding our market share and earnings power in each sector of IB. To this end, we will set up a co-marketing system for each IB sector to develop diversified products in multiple areas.

In addition, we will seek to estimate and observe proper EBIT-DA-based borrowings for individual affiliates, and improve the capabilities of compliance officers to obtain/process/utilize information on companies to set preemptive risk management in preparation for implementation of the Basel II Accord.

Private Banking

Maintaining leadership with personal touch



Shinhan Bank (SHB) introduced private banking (PB) in 2002, a first among domestic banks, to take charge of comprehensive asset management services for targeted customers with more than KRW1 billion worth of financial assets. Selective PB services were provided through an advanced membership system in a separately located center named Sky Branch. Subsequently, other banks opened similar membership-based customer management systems.

Within two years, SHB had two PB centers, one opened in September 2002 in the Gangnam area and the other at Seoul Finance Center in December 2002. Combined assets under their management amounted to approximately W1.0 trillion at the end of 2004, the largest in Korea. Such stellar performance was notable as the volume was similar to that for five to six branches with good sales results.

SHB opened three more PB branches in 2004, each located on the top floor of a landmark high-rise building, seeking both customer convenience and specialized strategies by locale. In 2005, we expect substantial growth in our PB business as the newly opened centers begin services in earnest.

To enhance customer relationship services and attract prospects, SFG has held a variety of customer events and programs. These included quarterly seminars on investment topics, drawing some 800 participants annually, a ProAm golf tournament, anti-aging skin care classes and jewelry shows.

Backed by such strategies and the nation-wide branch network of Chohung Bank, the combined private banking assets under our management sharply climbed to KRW3,278 billion at 2004-end from KRW 2,360 billion in 2003. This KRW918

billion YoY growth was particularly attributed to new customers secured through diverse marketing activities, plus an increase in the SOW among existing customers, while providing HNW clients exclusive services through PB centers.

In addition to external growth, with the rise in total PB assets under our management we also sharply expanded the sales of diverse investment products with an aim to realize balanced growth between total assets under management and earnings in the PB sector.

The ratio of PB assets to total banking assets stood at around 5%, but sales of bancassurance and investment products to total banking sales exceeded 10% ~ 20%. This proves that not only the PB sector is a major generator for total funding volume, but also can provide a stable earnings source. As such, PB is indeed playing a role of core supply and provides a channel for providing a variety of products from SFG subsidiaries

We have employed a strategy to support diverse businesses in PB centers with highly qualified staff. By actively utilizing professionals such as tax accountants, real estate experts and property appraisers, we have been able to increase customer satisfaction. To improve our private banking services, we provided many value-added amenities such as financial trend reports, monthly e-mail alerts and investment information magazines. In addition, we developed software to protect the financial privacy and information of PB customers.

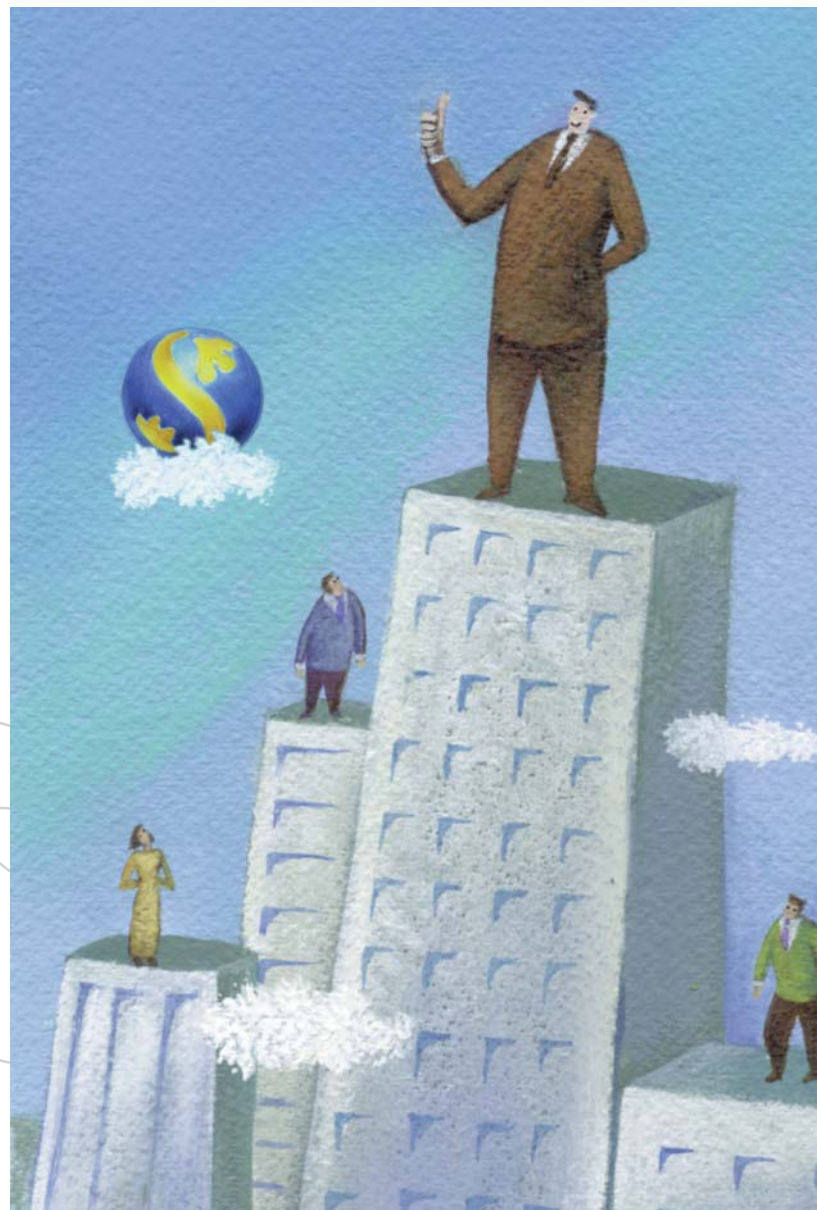
Beyond the goal of value growth through comprehensive asset management, at the core of our PB operations is a guarantee of privacy for customers' financial information. To meet this standard, we have implemented a number of proper compli-



ance programs such as complete separation of consultations and online computation to block any possible improper relationships with customers or mistakes by relevant PB team managers. We utilize a computerized telephone conversation recording and monitoring system within the PB centers. We also have assigned an auditor to take exclusive charge of PB, providing professional audits on the PB sector.

PB is probably the most fought-over field in the financial markets. For 2005, we will further define our leadership in the sector, making the most of the characteristics and strong points of each PB center, leveraging the experience we have gained to date. Also in 2005, we plan to open additional PB centers in the metropolitan areas and provincial cities, further positioning SFG as the best and largest PB market leader in line with our pursuit of a “One Bank-New Bank” identity.

In furthering customer relationships, we are poised to execute truly comprehensive asset management services targeting not only PB customers, but also their offspring. Our diverse marketing strategies will reach "Beyond Generation" from 2005, with activities including matchmaking events or etiquette and attitude classes for singles or the younger children of our customers.



A vibrant, stylized illustration. In the upper left, a blue globe with yellow and orange continents is set against a blue sky. A large, multi-colored rainbow arches over a cluster of white, blocky buildings on a green hill. A white, winding path leads from the foreground up the hill towards the buildings. Several stylized human figures are running along this path. In the foreground, a man in a brown jacket runs towards the right, carrying a small globe. Further up the path, a group of three people is running together. In the middle ground, another cluster of white buildings sits on a lower green hill. The overall style is painterly and optimistic, with a focus on progress and global unity.

ADVANCEM

ENT

through stronger synergies

>> Through powerful synergy creation

We will complete our synergy creation system by strengthening the production and sales capabilities of the non-banking sector .

To this end, we will activate diverse policies that enable us to foster market-leading products, reestablish investment banking (IB) models, and improve the application of our integrated customer relationship management (CRM) system.

We will secure differentiated competitiveness in the credit card and investment trust sectors which play a pivotal role in deepening relationships with our retail customers.

In addition, we will further advance into the IPO and bond markets, and ensure our position as a first mover in the private equity market.

The ultimate goal is to become a world-class financial marketplace, providing customized universal financial services and products through "One Portal."

>> Committed to generating synergies through forward-looking initiatives

We earnestly push ahead with a broad array of sophisticated financial services while maximizing synergies through cross-selling and synchronized businesses, including the branch-in-branch and Financial Network Account (FNA) systems that exist between Shinhan affiliates through the holding company and the group's financial infrastructure.

The development and operation of hybrid branch models, such as BIB (Branch in Branch), BWB (Branch with Branch) and BIFC (Branch in Financial Center), will be expanded further to help construct comprehensive financial service channels. At the same time we will explore new businesses, such as a private equity fund (PEF) company, and provide a greater spectrum of financial services to the group's diversified customer segments.

Investment Banking

Meeting complex needs with advanced techniques

The investment banking (IB) sector is contributing to the development of financial markets by meeting complex needs with advanced techniques.

Investment banking's major businesses include: corporate restructuring and M&As, based on long-term growth strategies of companies, social overhead capital (SOC) project financing which consolidates the mainstay of Korea's economic growth, real estate development financing to transform underutilized land into highly profitable assets, substantial liquidity support through the securitization of corporate assets, and large-volume credit granting to assist super-large projects by companies at home and overseas.

Our IB business is mainly conducted through the Corporate Banking Division at Shinhan Bank (SHB), Chohung Bank(CHB) and the IB Division at Good Morning Shinhan Securities (GMSH). Particularly, we have maintained solid leadership in Korea in the IB market including IPO, Debt Capital and M&A sectors. Backed by SFG's "One Portal" services, we provide diverse competitive products that can only be arranged through a financial service group, not only to GMSH clients but also to corporate banking customers of SHB and CHB.

In the M&A sector, The Korea Deposit Insurance Corporation jointly nominated GMSH with Morgan Stanley as advisors for the sale of Korea Investment & Securities and Daehan Investment & Securities. GMSH also successfully performed advisory service with Merrill Lynch for the takeover of Giga Telecom's business, and completed four large-scale take-over-bids including Nexans Korea, Kukdong Electric Wire and Chohung Bank.

SOC financing also posted noteworthy results in 2004. SFG concluded four SOC underwriter-consulting contracts, recording an impressive 132% increase in volume and thereby preparing a foundation to create significant revenues in the long-term. SOC financing has grown into an important part of our investment portfolio.

In real estate project financing, SFG recorded 34 new projects valued at KRW539.0 billion. This sector has become a core earnings source for our investment banking business, together with ABS. Given changes in real estate financing, we will further develop a variety of vehicles and models to lead the market in preparation for the emergence of after-construction apartment sales and real estate funds.

In 2004, Total ABS market volume plunged 40% YoY, due to (1) a contraction in the issuance volume by major target firms, such as credit card companies and installment finance companies, and (2) more stringent government regulations. So far, the ABS public offering business greatly contributed to solidifying SFG's position as the IB market leader in Korea. SHB recorded KRW1.2 trillion in the issuance of asset-backed commercial paper (ABCP) with a 17% rise in earnings over the year, despite a decline in market volume. This was possible through our 'Goldwing' ABCP conduit structure, in operation for the first time in Korea.

In the IPO sector, GMSH recorded the largest number of IPO contracts in 2004, arranging IPOs for CJCGV, Mega Study, and Sejinn TS. In addition, we continued to provide a variety of market-focused services for the equity market including new rights issues for Ssangyong Information & Communication and Hansol Telecom.



In 2005, we plan to actively support SMEs entering the global markets, providing active investments and assistance. To this end, we will spur venture companies to help power further development for the national economy. We will unfold multi-lateral support, sharing know-how among SFG affiliates, and activate affiliated businesses in the entire group by utilizing our Marketing Support Team which consists of specialists from each SFG company.

To further support our investment banking business, SFG established Shinhan Macquarie Financial Advisory (SMFA) in 2001, a joint venture with Macquarie Bank Limited, an Australian based investment bank renowned globally in the SOC and real estate investment areas.

SMFA ranks as the leader in Korea specifically related to social infrastructure investment advisory for projects such as roads and railways. SMFA is backed by Shinhan's extensive local network and know-how plus the expertise and experience of Macquarie which is currently providing financial and SOC related investment banking services in 18 countries with more than 5,000 employees.

SMFA's business is not limited to SOC investment advisory, but also includes general corporate advisory, cross-border leasing, and M&A. Since its establishment, SMFA has built a reputation based on innovation and commitment to creating total solutions tailored to meet the specific needs of clients, while providing them special benefits and value.

SMFA now has more than 40 permanent executives dedicated

to creating synergy within the Shinhan Financial Group and creating values for our clients. The staff holds a combination of global and specific Korean experience and has been involved in closing both global and domestic deals, giving SMFA a unique blend of expertise.

In 2004, SMFA received "2004 Recognition Award" from Korea Highway Corporation for contribution to the private infrastructure business in Korea.



Brokerage

Seeking profit-centered growth via integrated customer relationship channels

In 2004, domestic securities houses faced their most difficult year ever. This was principally attributed to strong performances by foreign-based players on the back of an upturn in foreign trading volume and greater market share by online brokers offering low commission fees to capture customers during a decline in total market activity. Realizing the necessity for innovation in such an operating environment, we are committed to establish new business models under our holding company structure.

In 2004, SFG's brokerage business via Good Morning Shinhan Securities (GMSH) focused on "One Portal" services provided through its extensive network comprising 78 branches, 10 branch-in-branch units (securities offices located within bank branches), five PB branches, and two business offices, along with over 800 bank branches of SHB and CHB.

We continuously maintained and developed our strong points, such as domestically and globally recognized research capabilities, leadership in international sales and the futures & options business, and our systematic and exhaustive risk management systems.

The number of Financial Network Accounts (FNA), a multi-purpose financial product we had introduced in 2002 to enable banking and securities transactions within a single account, had topped 600,000 by 2004-end as a result of our network of affiliated businesses with the banking sector.

Continuing stabilization of our group in 2005, we will be particularly devoted to: (1) improved efficiency and enhanced business capabilities in the retail sector, (2) enhanced business models and creation of revenue drivers in the wholesale sector, and (3) full-scale pursuit of synergy businesses and earnings maximization.

GMSH will continue efforts to achieve both quantitative and qualitative growth in FNAs, and will strive to become one of the top three in the brokerage business.

As for Korea's stock markets, daily trading volume declined to W2.9 trillion at 2004-end from KRW3.3 trillion in 2003. However, for 2005 the markets are expected to be positively influenced by favorable factors such as: (1) a lack of investment alternatives due to continued low interest rates and a sluggish real estate market; (2) the possibility of Korea's inclusion in Britain's Financial Times Stock Exchange (FTSE) Index for "Developed Countries" which likely will be determined in September 2005; and (3) continued upturns in operating margins and dividend yield ratios by companies and the expansion of stock investments by pension funds. In addition, recent government policies to activate venture companies and the securities industries should contribute to market animation.

Collectively, in 2005 the markets are expected to escape from extremely deteriorating trading values, helped by the government's active policies to promote indirect investments and diverse products including installment-type funds, ship funds, and equity-linked securities (ELS) in stimulating investment demand.

Based on this market outlook, we lay emphasis on (1) profit-centered management; (2) balanced development by customer group and function, and (3) the maximization of synergies in 2005.

To promote profit-centered management, we reorganized all Key Performance Indicator (KPIs) and incentive & compensation systems to be centered on earnings performance. We will select and concentrate on high-end businesses through strategic cost cuts and active risk management.

To achieve balanced development by customer group and function, we will concentrate on the IT and online business sectors to grow; continuously strengthen sales of installment-type wrap accounts and expand customers and earnings basis through the use of trust and retirement pension products, while actively coping with deregulation.

We will utilize our expanded networks and improve competitiveness for individual business lines. On this note, we will rely on multi-channel synergy to expand the scope of such businesses through integrated customer relationship channels, sales strategies and premiere brands.



Asset management

Committed to ensuring transparency and expertise

The year 2004 was a landmark year for the Korean investment trust industry. With the “Indirect investment asset management act” which took effect in January 2004, the industry was able to seek fundamental changes and all sectors, including banks (trust products), insurance carriers (variable life insurance), asset management companies (mutual funds) and investment management companies (beneficiary certificates), came under control of the new law. This enabled a broad range of investments, breaking away from stocks, bonds and derivatives and expanding into broad fields of investment such as real estate, gold and crude oil.

Diverse issues were brought up in relation to the investment trust market, such as the popularity of installment-type investment funds, high performances of dividend stock funds and bond-type funds and the introduction of new products including a “Fund of Funds” and “Real estate funds.” This augmented the volume of assets under management (AuM). Subsequently, the market had an affluent year in terms of quantity.

Amidst such an environment, SFG provided principal-guaranteed products using offshore over-the-counter (OTC) derivatives, jointly developed by Shinhan BNP Paribas ITMC and BNP Paribas Asset Management. In particular, our “Bonjour China Stock Investment Trust,” an investment fund targeting China, was recognized in the industry as a represen-

tative overseas investment fund. In addition, stock installment-type funds and dividend stock funds were greatly favored by investors, due to their outstanding performances, thus contributing to a rise in stock AuM for Shinhan ITMC.

A 50-50 joint venture, Shinhan BNP Paribas ITMC (Shinhan ITMC), the asset management arm of SFG, was established in 2002 with BNP Paribas Asset Management (BNP PAM). The firm will continue to concentrate its efforts on the retail side, strengthening relationships with SFG’s bank subsidiaries including Shinhan Bank, Chohung Bank and Jeju Bank. It also will continue to expand its share in the corporate customer market, including private and state-run pension funds via partnerships with major securities firms. In addition, it is poised to lead the corporate funds market slated for introduction at the end of 2005, combining SFG’s sales capabilities with BNP PAM’s know-how in product development.

Foremost, SFG will continually seek to improve the structure of products and to introduce new products befitting the needs of customers, spurring the development of advanced vehicles by utilizing BNP PAM’s global network. We will be committed to the solidification of transparency and expertise in our asset management.



Credit Cards

Advancing the “one card” age with innovative services

The credit card industry in Korea escaped a difficult period and was primed for a new take-off in 2004. Shinhan Card posted most satisfactory results, exhibiting SFG’s distinguished risk management ability even in the hardest period of 2003, and was ranked one of the best performers among Korea’s credit card issuers in 2004. Chohung Bank’s credit card division also sharply reduced losses through strong risk management, leading to expectations for earlier-than-scheduled management normalization.

As of 2004-end, Shinhan Card recorded net income of KRW5.8 billion, maintaining its surplus since it turned into the black in March on a monthly basis. Together, the combined delinquency ratio of Shinhan Card and CHB’s credit card division (based on 1+ months delinquency ratios) stood at the 3% level, remarkably lower than the industry average ratios of over 10%. Accordingly, we expect the profitability of both SHC and CHB’s credit card division to improve noticeably in 2005.

We reaped outstanding results from the card marketing sector. We rolled out the ‘Shinhan F1 Card’ series, combining the distinguished financial services of SFG family companies including SHB, GMSH, Shinhan Capital and SH&C. Creating a sensation, these new vehicles were selected as the 2004 hit card products by a number of domestic news media, including Mael Business Newspaper, Korea Economic Daily, Seoul Economic Daily and Herald Business.

We also caused a new wave in the credit card industry with a credit card mileage point donation plan. This innovative scheme enables and encourages card users to donate their accumulated mileage points to charity. This led to the introduction of another unparalleled card product, enabling cardholders to donate mileage points to celebrity fan clubs they support. Targeting future customers, these financial service cards contributed to the expansion of our market share in the credit card industry.

Through CHB’s credit card division, we developed a new low risk product named “Check Plus” cards in an effort to meet the needs of customers. By offering four types for individual members and three for corporate credit card carriers, the bank recorded 0.6 million new membership accounts and KRW210.0 billion of usage volume in 2004, ranking first in terms of growth among the member banks of BC consortium (comprised of member bank credit card divisions).

Other new-concept credit cards introduced and receiving favorable response during the year included our Wine Club Card, another industry first, targeting wine related services. This service also aimed to protect niche markets and diminish breakaways by quality members behind the expansion of a “well-being” culture in Korea.

In 2005, given negative factors such as lingering economic uncertainties and high household delinquencies for the last two years in the credit card market, we plan to generate stable revenues and keep our balance in the black through substantial growth. To do so, we will

focus on quality member-targeted marketing, rather than seeking quantitative expansion.

Shinhan Card will firmly position itself as an exemplary monoline credit card issuer under SFG. We will activate businesses aimed at enhancing the loyalty of customers, utilizing its strength as a subsidiary of the largest financial service group in Korea, properly leveraging the group’s sales network.

We also will implement efficient risk management while activating sales, and concentrate on the consolidation and re-development of its business infrastructure. Specifically, it will realign credit rating systems based on risks and earnings, and heighten asset quality by minimizing non-performing assets. We continuously upgrades our credit evaluation systems, and through this, we expect to reduce pre and post-delinquencies.

In addition, we will be committed to securing and nurturing core talents. We will make investments to solidify infrastructures, extending IT systems and improving customer satisfaction levels by upgrading the call center operating systems and enhancing the quality of consultation services. Through such diverse management goals, Shinhan Card will play a pivotal role in consumer finance while leading the upcoming “one card” age.

Meanwhile, Chohung Bank’s credit card division plans to strengthen relationship marketing, improving services for quality members and providing market data to relevant branches for target customers, in order to strengthen loyalty through differentiation.

In a bid to activate pure credit sales, we will move to prevent the alienation of customers by developing revolving products to enable selective inducement of quality members, and also expand installment option systems. Enhanced marketing techniques to reach existing valued customers will help strengthen market position.

We will seek increased earnings by fortifying product competitiveness in Check Plus cards, based on a diversity of products developed for segmented customer groups in 2004.

We will elaborate our Credit Scoring System (CSS) by installing Credit Bureau (CB) information from external credit rating agencies to advance risk management and asset quality. The CSS system will serve to support both risk management and marketing. We will pursue further efficiency by concentrating management functions at headquarters so that business contacts can be devoted to marketing as well.

Overall, SFG should be able to emerge as a representative and leading player in the credit card industry in every aspect including size, earnings performance and customer services, as Shinhan Card and CHB’s credit card division are slated to be merged.



Bancassurance

Expanding synergies built on our extensive network and brand power

Since full-scale sales of insurance products through banks came about in September 2003, SFG enjoyed amazing results with bancassurance sales in 2004 through the efforts of SH&C Life Insurance (manufacturer) and SHB and CHB (sellers). The two banks have been dedicated to the expansion of bancassurance as the lynchpin of synergy business creation.

As of end-2004, our bancassurance premium revenues amounted to W20.0 billion, soaring by more than ten times the W2.0 billion recorded the previous year, the result of synergy generating businesses which SFG has pursued. This growth, substantial enough to threaten the status of existing traditional insurance carriers, was due to SH&C Life Insurance providing differentiated bancassurance products, combined with sales efforts by employees of SHB and CHB, utilizing SFG's extensive network and brand power.

Korea's first insurance company specializing in bancassurance, SH&C is an SFG joint venture offering variable annuity life policies based on the expertise and know-how of Cardif in France, the home of bancassurance. SH&C's Deux-Plus Variable Annuity Life Insurance was particularly successful in the market, helping the firm rank first among variable annuity life insurance products in terms of premium revenues.

Such differentiation strategy was well received by domestic consumers. Variable life insurance products are popular in developed countries as long-term investment products, because they provide stable and profitable retirement funds.

An important factor for our success in the bancassurance business is our effort to expand synergy businesses. Apart from bancassurance, SH&C sells group credit life insurance through insurance-related businesses, and guaranteed non-life insurance products by telemarketing that targets Shinhan Card customers. Currently, we are marketing non-dividend paying casualty insurance via the nationwide network of 966 branches of SHB, CHB, Cheju Bank and Shinhan Card. The group credit life insurance is a new concept service which SH&C introduced in Korea.

We were able to attain considerable positive outcomes from our insurance-linked businesses in 2004, and this is greatly attributed to the symbiotic relationship of the various businesses linked through SFG's holding company structure.



ASPIRATION

to be a world-class group

>> Forging a market-oriented culture

We aspire to instill a market-oriented corporate culture in conformity with our vision: to be a world-class comprehensive financial services group.

We will expand a performance-based culture throughout the SFG companies. To heighten corporate transparency, we will bring in advanced bank-level systems and procedures, and will steadily improve our corporate governance.

In addition, we readily and willingly accept our obligations as a corporate citizen and aspire to further enhance our social contribution activities.

The ultimate goal is to become a world-class financial marketplace, providing customized universal financial services and products through "One Portal."





>> Devoted to sharing and growing together with communities we serve

As ever, we are devoted to ensuring a “great work place” with the aim of maximizing our corporate and shareholder values by way of implementing and practicing transparent and ethical management. These activities are based on our core values and fundamental group philosophy.

We also advocate the significance of “humanism” and “sharing” in this rapidly changing society. With our management goal of becoming an “Enterprise of Community” and “One

Enterprise,” all our subsidiaries and members actively participate in a broad spectrum of community activities. These include volunteer services and donations, supporting diverse events and programs to share with our neighbors and help build a better tomorrow.

SFG will always be committed to innovation and challenge for a better future and society, envisioning a Shinhan spirit that is open, flexible, and progressive.

SFG in the Community

Sharing with community while building trust and respect among the people



In the rapidly changing world where all pursue speed and efficiency, the importance of “humanism” and “sharing” has become more apparent. As the largest financial group with 12 subsidiaries and assets totaling approximately W167.5 trillion, SFG has participated in diverse social activities to fulfill its roles and duties. The ultimate goal is to become an “Enterprise of Community” realizing our responsibilities as a corporate citizen. These mandates begin from volunteer services and donations and further develop into social leadership, supported by proactive operations and the execution of specific programs.



PUBLIC SERVICES

Aspiring to achieve the “New Bank-One Bank” with the inclusion of CHB into the group, we inaugurated a joint voluntary service group for the two banks, “Happy Messenger” in November 2003, to vigorously unfold social service activities visiting a broad spectrum of social welfare facilities.

Visits to Social Welfare Facilities

Volunteer service clubs of SFG families make regular visits to social welfare institutions, such as sanitariums and nurseries, to help provide comfort and encouragement for the less fortunate and the underprivileged in our society.

Business-Linked Social Contributions

In a bid to actively and systematically fulfill our social roles and responsibilities, we support credit recovery for those with bad credit records, reducing their outstanding debts for their participation in social service activities. Shinhan Cards also provides the “F1 Violet” card to create a new donation culture for sharing with our neighbors.

Other activities (Contributions, Blood Donations, etc.)

All SFG offices participate in the annual Christmas Seal sales drives and community chest campaigns, known as “Fruits of Love” campaigns.

We also actively participates in various events to help and share with neighbors in hardship, through such activities as blood donations, relief funds for flood victims and volunteer service for farm families suffering from heavy snowfalls.

In an effort to overcome economic slowdowns with less fortunate neighbors and specifically to help teenaged breadwinners, we held “Shinhan Family Walk” in May 2004. The event was funded by voluntary donations from our employee salaries, resulting in a gift of KRW50 million to the Korea Welfare Foundation.





Other contributions included KRW20 million to Korea Welfare Promotion Association for the Disabled, KRW50 million to the Smile Foundation (for the support of electric wheel chairs for the differently-abled), KRW100 million to Konkun University for its development, KRW300 million to help the victims of Daegu subway disaster and KRW380 million to help flood sufferers, KRW60 million for the Love of Habitat Campaign and KRW200 million to Community Chest of Korea participating in the year-end campaign to help the underprivileged.

EDUCATIONAL SUPPORT

Broadening the knowledge and experience of children

Since 1983, SFG has participated in the invitation of young children from the remote islands and communities. Working together with Seoul City, this annual event aims to help these young citizens extend their knowledge and experience. Usually held over a period of four days, the program includes field trips to financial institutions, the National Assembly, National Cemetery, and other interesting places. In addition, visiting children are presented with sports equipment, school supplies and souvenirs.

Sending Teachers Overseas

Begun in 1988, the "Sending Teachers Overseas" program has enabled dedicated teachers to visit and experience educational systems of foreign countries. To date, over 5,000 teachers have participated.

Scholarship Programs

SFG provides financial assistance to students in need, enabling them to concentrate on their studies. We also support educational institutions and related organizations in their efforts to further develop and improve Korea's educational systems. To date, SFG has provided scholarships and educational funds to

the Korea Advanced Institute of Science and Technology (KAIST), Korea Scholarship Foundation, Dongkuk University, Jeollanam-do Office of Education, Ulsan Metropolitan Office of Education and Ewha Woman's University, and also helped to support students in China and Russia.

Other

In addition, SFG runs special classes in basic economics for younger children in cooperation with Maeil Business Newspaper and supports the Chohung Museum of Finance, which was opened in 1997 to promote understanding of Korea's banking history and general information on finance.

SPORTS AND CULTURAL SUPPORT

Sponsorship of Shinhan Donghae Open Golf Tournament

SFG founded the Shinhan Donghae Open Golf Championship in 1981 to promote golf and other sports activities in Korea. Among the oldest sponsored golf tournaments in Korea, this event has greatly contributed to the growth and development of the sport. SFG also contributed to the nation's tourism promotion program by officially sponsoring the 2004 PGA TOUR Shinhan Korea Golf Championship in cooperation with the Korea National Tourism Organization.

Supporting Sports Teams

In our efforts to promote and develop sports and physical fitness activities in Korea, SFG contributes to the fostering of talented athletes and the activation of regional sports. This includes supporting Chohung Bank's Track & Field Team and Swimming Team, and Shinhan Bank "S-Birds," a women's professional basketball team.

Human Resources Development

Fostering talents with expertise, professionalism and global competitiveness

Shinhan Financial Group is deeply committed to the cultivation and development of high-caliber human resources (HR), talented people with expertise, professionalism and global competitiveness. The ultimate goal is to fully serve and support our customers while contributing to society within a customer and market-oriented corporate culture and a performance-centered work environment.

SFG's HR operations focus on four major areas:

- Support the maximization of business competence while strengthening employee capabilities
- Improve systems to strengthen employee capabilities and reinforce education
- Expand performance-based personnel management
- Seek the placement of knowledgeable and skilled employees in all levels and operations in order to strengthen competence in all SFG endeavors

Going forward, SFG's HR operations will be directed toward:

- HR strategies with a focus on new business models (six business units) through differentiated HR support systems for each business unit
- Development of performance-based personnel via the establishment of global-level performance management systems with fair and tailored evaluation and compensation schemes
- Cultivation of talents with global-level competitiveness through diverse programs for candidate advancement, core talent management and specialist nurturing
- Forward-looking HR management through systematic individual Career Management Program (CDP) management and personnel operations with improved objectivity and transparency

In addition, Shinhan's human resource development is aimed at providing a variety of performance solutions to resolve current and future major management tasks and to improve business outcomes. Basic directions are to seek performance-based education, strengthen education for the cultivation of specialists by sector, and promote self-led learning.

Particularly, we are utilizing advanced education approaches via Shinhan HRD Portal System and Shinhan Game-Based Learning System.

The Shinhan HRD Portal system (<http://educast.shinhan.com>) was developed as a total learning architecture for cyber education to provide a wide array of tools for the support of active learning and the expansion of educational applicability, and to meet the need for expansion of self-led learning.

We developed the Shinhan Game-Based Learning System to improve and evaluate business capabilities at all times by enhancing concentration and understanding through challenging and interesting study materials. This edutainment (education + entertainment) system provides user-centered individualized education service, rather than supplier-centered packaged education services.

In addition, we operate a full spectrum of educational programs to cultivate comprehensive business skills through capability-centered educational systems, including professional education programs by outside organizations. These also aim to nurture professional manpower by job and function, and they include:

- Courses to cultivate regional specialists who will contribute to creating new business opportunities in emerging overseas markets
- Shinhan School of Business Administration, for employees of both Shinhan Bank (SHB) and Chohung Bank (CHB), provides a 6-month financial MBA program at university and corporate banking specialist courses at Korea Banking Institute
- Shinhan MBA courses, jointly operated by SHB and CHB, at quality schools of business administration
- Foreign exchange and legal specialists programs at diverse organizations, including Korea International Finance Institute, Korea Banking Institute, and law firms



Risk Management

Seeking diversified risk management tools

Shinhan Financial Group (SFG) manages a diversity of risks that could arise within each business sector. Major targets include credit, market and liquidity risks. These risks are recognized, measured, controlled and reported in accordance with guidelines for risk management determined by the holding company.

Organization

SFG's basic policies and strategies for dealing with such risks are established by the holding company's Risk Management Committee. Those SFG managers responsible for such matters assist the committee and work with subsidiaries through the Group Risk Management Council, which includes personnel charged with risk management responsibilities within each subsidiary. Group policies and strategies are applicable to each subsidiary, and each also has its own risk management structure and detailed risk policies and strategies.

SFG has implemented a hierarchical system of limits to manage risks at a reasonable level. The Group Risk Management Committee (GRMC) establishes sustainable risk limits for the group and for each subsidiary. In turn, each subsidiary sets and manages detailed risk limits by division, desk, type and product.

Group Risk Management Committee

The Group Risk Management Committee (GRMC) develops frameworks for managing risks for the holding company and each subsidiary, and coordinates group risk-related matters, establishing group risk policies and limits. The committee is comprised of three outside directors of the holding company. Responsibilities of the committee are as follows:

- Establishment of basic policies for risk management in accordance with management strategies;
- Determining permissible risk levels by group and subsidiary;
- Approval of appropriate investment limits and permissible loss limits by subsidiary;
- Enactment and revision of regulations for risk management; and Other matters which the board of directors and the committee decide necessary.

Decisions by the GRMC are reported to the Board of Directors.

Group Risk Management Council

The Group Risk Management Council (GRMC) discusses detailed matters in order to maintain risk policies and strategies in a consistent manner. The council consists of the holding company's managing director in charge of risks (chairman), the holding company's Planning and Financial Management Team manager, plus each subsidiary's risk management coordinator.

Issues to be deliberated at the GRMC are as follows:

- Changes in risk policies and strategies of subsidiaries
- Matters requiring joint discussion on group-wide risk management
- Influence of the external environment on group risk and
- Other matters presented by chairman.

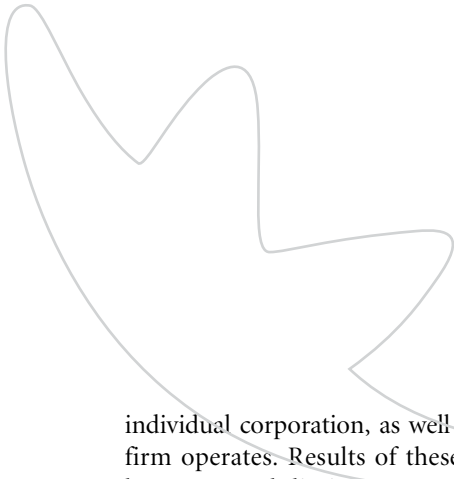
A working-level team within the council enables smooth operation through prior review and discussion in preparing the meeting agendas.

Credit Risk Management

Credit risk refers to those financial hazards which arise when customers fail to discharge their liabilities according to contract. This is the greatest risk which SFG has to bear, and the majority of such exposure is derived from Shinhan Bank (SHB) and Chohung Bank (CHB).

Basic policies for SHB and CHB credit risks are determined by credit committees within each bank. These committees are led by the chief credit officer (CCO) and are mainly comprised of the head of the credit-related division and the general manager of the Credit Policy & Risk Management Department. The committees establish company-wide loan policies and inspect loans for amounts beyond normal limits.

Credit risk management for individual loans begins by determining the creditworthiness of the debtor. All corporate loan requests undergo a credit analysis using assessment models which consider the financial and non-financial factors of the



individual corporation, as well as the industries in which the firm operates. Results of these evaluations set the basis for loan approval, limit management, price decision, and loan loss provisioning.

SFG grants appropriate credit to small individual companies by developing and applying separate assessment models for such firms. Credit ratings for individual loans are calculated on the basis of individual credit scores.

Corporate loans are objectively and carefully examined through the decision-making process. General loans are approved by an agreement among the Relationship Manager (RM) of each branch and the credit officer of each division. Approvals for larger and complex loans are primarily made by the Credit Officer Committee. Individual loans are screened by the Credit Scoring System (CSS) operating team, using objective statistical methods and the automated assessment system, based on SFG's credit policies

SFG also utilizes a system that monitors all loans at all times. Among corporate loan customers, companies with a probability of insolvency are automatically reviewed on a weekly basis by RMs and credit officers. The appropriateness of loan review results and the credit ratings of relevant companies are decided and adjusted, when necessary, by credit management divisions which are independent from business group headquarters.

Under these procedures, borrowers are classified into three categories—"companies showing signs of abnormality," "companies to be observed" and "normal companies." Loans to troubled companies are monitored and managed according to risk guidelines in order to prevent their deterioration to non-performing loan (NPL) status. Loan screening and management operations are supported by the Industrial Information Team, which provides relevant data on industrial trends and companies, and the Financial Analysis Support System in cooperation with professional credit rating agencies.

Meanwhile, credit risk is classified into 'expected loss' and 'unexpected loss' to be measured and managed. Expected loss

is calculated on the basis of bankruptcy and recovery ratios by credit rating in past experience. SFG earmarks loan loss provisions based on such expected loss amounts. Unexpected loss refers to the situation when loan-related losses exceed loan loss reserves, such as during the foreign exchange crisis in 1997. Unexpected loss is measured and managed based on the maximum potential amount of loss going forward.

Market Risk Management

Market risk refers to those perils generated by fluctuations in market prices, such as interest rates, share prices, exchange rates and product prices. SFG divides and manages such market hazards into "price risk" on trading assets, "interest rate mismatch risk" on interest-bearing assets and liabilities and "foreign exchange (F/X) risk" on transactions involving foreign currency.

Market risk management basically aims to control the maximum amount of possible loss within certain levels. To this end, SFG allocates and operates value-at-risk limits (VaR), investment limits, position limits, transaction limits, loss limits and stop-loss selling limits from portfolios to individual desks and dealers. Monitoring adherence to these limits is the responsibility of independent risk management teams and risk management officers within business units.

SFG also requires that new products (or transactions) of each business group are objectively analyzed and reviewed for risk factors prior to their execution.

To measure market risk, Shinhan Bank uses VaR which is a statistical system to calculate potential losses that could occur due to market fluctuation. VaR relies on a methodology called historical simulation and yields a 99% confidence level. In addition, the bank conducts a stress test to complement risk measurement and to manage losses that can result from rapid changes in the economic environment.

The bank also uses Duration Basis Point Value (BPV), Delta, Vega, and other systems for the purpose of portfolio management. To monitor interest rate mismatch risk, the interest rate gap analysis is used. For its operations, Goodmorning-Shin-





han Securities (GMSH) applies risk equivalent figures that are computed by the relevant supervisory organization. In case of stock price futures and options, the company uses VaR calculated by Delta and Gamma methods.

To effectively manage market risk, SHB and CHB allow only selected divisions, such as the Securities Investment Department, to trade securities including stocks that generate price volatility risk. Interest rate mismatch risk and F/X risk at bank branches are coordinated by the Treasury Division.

Liquidity Risk Management

Liquidity risk refers to the potential of being unable to fulfill contractual payment obligations on time, or being forced to raise capital at higher-than-market prices, or maintaining operational funds at lower-than-market rates. Each subsidiary observes liquidity-related guidelines (including liquidity ratios) set by relevant supervisory organizations, and also establishes contingency plans against unexpected shortage of available cash which could occur with sudden changes in the capital markets or monetary policies.

SFG also utilizes a system which simultaneously manages the maturities of raised funds and operating funds to schedule maturity dates in order to meet capital requirements at any time, with contingency plans for dealing with any liquidity-related situation. SHB, specifically, has established permissible gap limits so that compliance can be examined by the Asset & Liability Management (ALM) Committee on a monthly basis.

Overall, SFG diversifies the maturity dates on its investments and obligations, securing a stable capital foundation to prevent liquidity problems.

Preparations for the Introduction of Basel II

International Convergence of Capital Measurement and Capital Standards: a Revised Framework, the new capital adequacy framework commonly known as Basel II.

Basel II is an effort by international banking supervisors to update the original international bank capital accord (Basel I),

which has been in effect since 1988. The Basel II Capital Accord aims to improve the consistency of capital regulations internationally, make regulatory capital more risk sensitive, and promote enhanced risk-management practices among large, internationally active banking organizations.

Korea's Financial Supervisory Service (FSS) has announced that it will introduce Basel II from the end of 2007.

Accordingly, since February 2004, SHB and CHB have operated a joint project team to effectively prepare for implementation of this revised international capital framework. The Basel II team has completed the first stage of its project, analyzing Basel II requirements and establishing detailed policies to meet such requirements. Based on the knowledge gained from the first stage project, the team plans to design related systems for such as credit risk, operational risk and capital adequacy evaluation in 2005 to assist management and business decision making.

In turn, SFG is seeking to employ the AIRB method for credit risk and the AMA method for operational risk. These methods are the most well-developed risk measuring tools among diverse methods suggested by Basel II. As for credit risk, however, the group intends to use the FIRB method for the time being, as a backup if failing to satisfy the fundamental requirements of Basel II.

We will continue our efforts to meet the qualitative requirements of Basel II for overall management and business processes, advance our risk management capabilities and expand risk management culture. To this end, we will reconstruct (1) consistent and transparent credit processes reflecting the combined requirements for SHB and CHB and (2) credit rating systems given the borrowers' default risk and the characteristics of transaction exposure, and apply profit and loss evaluations considering estimated losses and the expanded Risk Adjusted Performance Measures (RAPMs).

E-Biz

Leading the way, with customer convenience assured

Shinhan Bank started Internet banking service in July 1999, the first in Korea. Since then, the bank has been a leader in e-banking, introducing Internet loans and constructing its own Internet banking system. SHB has always sought to maximize customer convenience in Internet banking services.

Today, SFG's Internet banking offers easy and full access to all banking services with only a couple of clicks, from the opening and closing of deposit accounts and the payment of taxes and public fees to overseas remittances and foreign exchange transactions. In addition, we provide optimal Internet services with consultations on a real-time basis by specialists within our Internet call center.

Demonstrating our strength in e-banking, we have been singled out for a variety of professional accolades. SHB obtained the highest rating from Stockpia for eight consecutive quarters from 2001 till 2003 and received the 2003 Best New Financial Product award and the Ministry of Finance and Economy Award in 2004.

Our Internet banking customers continuously increased in 2004, with the number of online banking service users reaching 4 million at year-end, rising 700 thousand over the year. In addition to this quantitative growth, transaction volume and profitability by channel, such as Internet deposits, remittances and exchanges, also expanded significantly due to our highly loyal customers.

Of note, commission revenues from indirect distribution channels including Internet banking, CDs/ATMs and mobile banking, jumped 25% for the year to W50.0 billion by 2004-end.

We also launched a variety of new products and services which can be easily accessed by anyone on the Internet. We introduced Gold Banking, attracting explosive interest from domestic investors, plus the investment trust Internet service in 2004.

Our ezPlus service is a customer-based banking solution introduced in February 2002 to provide stable Internet banking services. ezPlus meets the diverse needs of customers, including securities and insurance services, and has attracted many new customers due to its easy and convenient usage. We also have continuously sought to develop advanced services. In February, we launched "EzPlus V 2.0," the first client banking service-type comprehensive online banking service in Korea. Others were "IC chip-based mobile banking service" in March, and "Shinhan EzPlus for Mac" for Macintosh computer users, another first in Korea.

Through the e-Moden online portal, a "Wealth Planner" was introduced to customers of SFG affiliates in 2004 and receiving great response. The Wealth Planner is a personal financial solution, integrating financial accounts and combining a wide array of services such as electronic household budget books and financial analyses. For 2005, we will continue to reinforce private asset management services, by constructing a financial shopping mall which will link the financial networks of Shinhan affiliates, preemptively meeting the distinct needs of our customers by upgrading the present electronic household books and account integration services.

In 2005, competition in e-banking should intensify further behind the move towards boundless banking, including mobile, IC cards and web TV. To actively cope with such market conditions and to continue leading in e-banking services, we will convert to a structure that enables collective management of all indirect channels including mobile, call centers and CDs/ATMs with a focus on Internet banking.



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Management's Discussion & Analysis

I. Overview

The Korean economy in 2004 witnessed investor and consumer sentiment daunted by sluggish domestic demand, subsequent reductions in sales and facility investments by companies and aggravated household debts, coupled externally by rising oil prices, rapidly surging raw materials prices and the Korean currency's revaluation.

Moreover, staggering domestic demand and the failure of the overall economy to fully recover from the insolvencies of credit card and household loans in 2003 led to poor performances by small and medium sized domestic companies and small-scale self-employed businesses, further worsening the operational environment for financial institutions including banks.

Despite this deteriorating market environment, Shinhan Financial Group (SFG) attained the largest-ever net income of KRW1.05 trillion since its foundation. This record performance was led by Shinhan Bank's (SHB) solid earnings basis, Chohung Bank's (CHB) rapid recoveries from net losses in the prior years, and continued profit contributions by our non-banking subsidiaries including Good Morning Shinhan Securities (GMSH), Shinhan Card (SH Card) and Shinhan Capital (SH Capital), demonstrating the benefits of our financial holding company structure.

Observing our 2004 management results, SFG's total assets increased 5.5% over the year to record KRW167.5 trillion at year-end. Net income soared 189.3% year-on-year (YoY) to KRW1.05 trillion. Asset quality also sharply improved. The ratio of substandard and below loans to total loans significantly boosted to 1.71% at 2004-end from 3.49% a year earlier, and the loan loss coverage ratio surged to 114.1% from 81.9% in 2003. Such improved asset quality was mainly attributed to a substantial decline in CHB's ratio of substandard and below loans to total loans to 1.93% from 4.82% in the preceding year, thanks to its strengthened credit risk management.

Total assets by subsidiary amounted to KRW70.1 trillion for SHB (banking accounts), KRW65.4 trillion for CHB (banking accounts), KRW3.0 trillion for GMSH, KRW1.9 trillion for Jeju Bank (banking accounts), and KRW1.5 trillion for SH Card. In brief, SHB's total assets remained similar to the previous year's level. Specifically, the bank's won-currency loans increased by KRW4.1 trillion over the year, led by equal upturns in household and corporate loans, although securities holdings contracted by KRW3.9 trillion. As for CHB, the bank's total assets advanced KRW6.2 trillion over the year, mainly driven by rises in securities (KRW2 trillion) and other assets including accounts receivable (KRW4 trillion).

Observing profit contribution of each subsidiary, SHB made up KRW844.1 billion to SFG's net income, plus KRW265.2 billion by CHB, KRW43.6 billion by GMSH, KRW23.1 billion by SH Capital, and KRW5.8 billion by SH Card.

SHB's net income included proceeds of KRW160.4 billion from the sale of its SFG share holdings.

CHB successfully turned into the black after a net loss of KRW966.0 billion at 2003-end, just one year after its inclusion in the SFG family. This was driven by a sharp decline in loan loss provisions to KRW1 trillion from KRW2.1 trillion in 2003, following the bank's credit risk reinforcement policy.

Among our non-banking subsidiaries, GMSH recorded the industry's top-tier net earnings despite unfavorable operating environment, including downfalls in customer deposits and fee rates due to a bearish stock market. And in case of SH Card displayed the industry's fastest recovery from the non-performing loan (NPL) problems in the credit card sector.

With regard to Shinhan BNP Paribas Investment Trust Company (SH BNP ITMC), the company attained net income of KRW4.6 billion to revamp its market position as the Group's core asset management arm. Financial advisory service provider Shinhan Macquarie Financial Advisory (SMFA) also posted a satisfactory net income of KRW2.0 billion.

Meanwhile, SFG secured 100% ownership in Chohung Bank and Good Morning Shinhan Securities by acquiring further stakes in these subsidiaries through small-scale-share swaps and tender offer. This enabled SFG to enjoy 100% of the net incomes and enterprise values of its core subsidiaries, while allowing for groupwide strategy execution and resource allocation efficiency. In addition, the Group is completing its unique "One Portal" business model by continuously realigning and expanding corporate portfolios through the synergistic establishment of a private equity company, Shinhan Private Equity (Shinhan PE).



Management's Discussion & Analysis

II. Summary of Profit/Loss

1. Shinhan Financial Group (Holding Company)

SFG's consolidated net income shot up 189.3% over the year to reach KRW1,050.3 billion at 2004-end from KRW363.0 billion in 2003.

Such widened growth in net income was primarily attributable to the profit contribution of CHB, in the wake of its successful turnaround to surpluses in 2004. CHB was incorporated into the Group in September 2003. Growth was also led by a dramatic 43.6% expansion in earnings by our existing core subsidiary, SHB, and the turnaround to surpluses or increases in earnings by all SFG companies excluding Shinhan PE which was established at the end of 2004 to specialize in private equity funds.

Noticeably, satisfactory earnings performances by SHB, CHB and SH Card were significantly attributable to (1) the completed settlement of NPLs to SK Networks and LG Card, which undermined the Group's net earnings performance in 2003, and (2) the decline in loan loss provisions against NPLs in credit card debts, which sharply increased in 2002 and 2003.

Subsidiaries' Contribution to Consolidated Net Income

In Billions of Korean Won

	FY2002	FY2003	FY2004	Chg Amt	YoY
SHB	595.9	476.2	683.7	207.5	43.6%
CHB		(42.7)	378.0	420.7	n.a.
GMSH	(0.7)	8.8	8.0	(0.8)	-9.1%
SHCard	0.5	(84.3)	5.6	89.9	n.a.
SHC	13.4	26.2	23.0	(3.2)	-12.2%
SHBNPITM	4.0	0.9	2.3	1.4	155.6%
Jeju	6.7	5.2	5.2	0.0	0.0%
SH&C Life	(0.5)	(1.7)	0.2	1.9	n.a.
e-Shinhan	(0.8)	(1.2)	0.1	1.3	n.a.
SMFA	0.1	1.4	1.0	(0.4)	-28.6%
SH Credit Information	0.1	0.5	1.8	1.3	260.0%
SHPE			(0.2)	(0.2)	n.a.
SFG	(16.5)	(26.3)	(58.4)	(32.1)	122.1%
Total	602.2	363.0	1,050.3	687.3	189.3%

Consolidated net income of the Group advanced sharply in 2004, reflecting 81% of net income from CHB for January through June and 100% for July through December. Accordingly, the Group's operating income, pre-provisioning income and net income moved up 53.1%, 58.5%, and 189.3%, respectively, from 2003 figures.

Specifically, interest revenues jumped 51.6% YoY following CHB's inclusion in the Group and a rise in loan assets at SHB. Non-interest revenues also swelled 63.7% over the year. This is attributed to (1) CHB's contribution to SFG's non-interest revenues, (2) sales commissions from insurance products generated as new earnings sources subsequent to the first-stage bancassurance market openings in Korea, allowing banks to deal with insurance products and (3) a sharp upturn in sales commissions for investment trust products including funds.

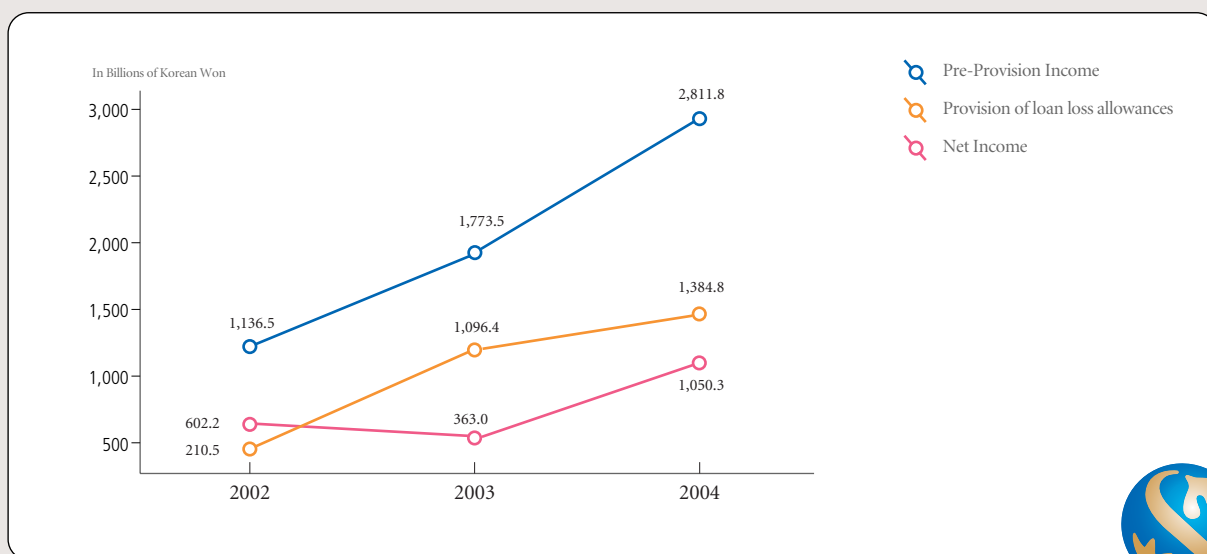
Management's Discussion & Analysis

However, loan loss provisions increased marginally (up 29.4% YoY) compared to the rise in earnings. This was due to a significant YoY improvement in CHB's asset quality.

In Billions of Korean Won

	FY2002	FY2003	FY2004	YoY	
				Chg Amt	Chg %
Operating Income	1,222.6	1,928.3	2,951.4	1,023.1	53.1%
Interest Income	1,294.2	1,999.1	3,030.6	1,031.5	51.6%
Non-interest income	796.5	1,231.3	2,015.5	784.2	63.7%
G&A	868.1	1,302.1	2,094.7	792.6	60.9%
Non-operating Income	-86.1	-154.8	-139.6	15.2	n.a.
Pre-provision Income	1,136.5	1,773.5	2,811.8	1,038.3	58.5%
Provision ¹⁾	284.2	1,142.4	1,478.0	335.6	29.4%
Loan Loss Provision	210.5	1,096.4	1,384.8	288.4	26.3%
Taxes	254.6	253.9	212.7	-41.2	-16.2%
Minority Interests	-4.4	14.0	70.8	56.8	405.7%
Net Income	602.2	363.0	1,050.3	687.3	189.3%

Note 1) Loan Loss Provision & Retirement Provision are included



SFG has realigned existing business lines while expanding and improving unsatisfactory or insufficient sectors since its establishment in September 2001, thereby fostering group synergies. The acquisition and securing of 100% ownership in GMSH and CHB was an exceptional event aimed at strengthening forward-looking capabilities for the continuance of earnings creation. Moving forward, SFG expects to create groupwide synergies on a full scale while attaining continuous earnings growth. To this end, it will actively unfold customer relationship management (CRM), utilize highly loyal bank customers based on an expanded distribution channel centered around banking, and improve manufacturing capabilities of the non-banking subsidiaries.



Management's Discussion & Analysis

2. Shinhan Bank

(1) Overview

In Billions of Korean Won

	FY2002	FY2003	FY2004	YoY	
				Chg Amt	Chg %
Operating Income	1,109.9	1,149.5	1,270.6	121.1	10.5%
Interest Income	1,261.3	1,450.7	1,517.0	66.3	4.6%
Non-interest income	427.7	317.2	463.2	146.0	46.0%
G&A	579.1	618.4	709.7	91.3	14.8%
Non-operating Income	-100.7	15.4	158.1	142.7	926.4%
Pre-provision Income	1,009.2	1,164.9	1,428.6	263.7	22.6%
Provision ¹⁾	166.2	479.3	228.9	-250.4	-52.2%
Loan Loss Provision	117.3	426.2	205.5	-220.7	-51.8%
Taxes	247.1	209.7	355.6	145.9	69.5%
Net Income	595.9	475.9	844.1	368.2	77.4%

Note 1) Loan Loss Provision & Retirement Provision are included

As for 2004 results by SHB, one of SFG's core subsidiaries, the bank's operating income climbed 10.5% over the year while non-operating income and net income shot up by 926.4% and 77.4%, respectively. Loan loss provisions backed off 52.2%. Interest income advanced 4.6% YoY following an increase in interest earning assets despite a downturn in market interest rates. Non-interest income, including sales commissions from investment trust products and bancassurance products and gains on foreign currency trading surged 46% over the year.

Non-operating income sharply contributed to SHB's gain of KRW228.2 billion on a disposal of its share holdings in the parent company (SFG). However, SFG did not reflect this in the Group's net income when preparing consolidated financial statements, considering the money as gains from the disposal of treasury stocks. Of note, SHB recorded the largest-ever net income of KRW844.1 billion in 2004 since its founding.

The following table shows details of SHB earnings by sector.

(2) Interest Income

Interest income edged up 4.6% YoY backed by the growth of assets centering around corporate loans and retail loans.

Interest revenues on loans went up 8% YoY, led by a rise in interest earning loan assets in spite of overall interest rate downturns throughout the year. However, interest revenues on securities fell 20% over the year due to a decline in securities holdings.

With regard to interest expenses, interests on deposits and borrowings dropped from 2003 figures by 5.1% and 11.6%, respectively, as caused by downturns in market interest rates. Interest expenses on financial debentures surged 17.8% due to an increase in the issuance of financial debentures following a rise in loans.

In Billions of Korean Won

	FY2002	FY2003	FY2004	YoY	
				Chg Amt	Chg %
Interest Revenue(A)	3,451.4	3,650.1	3,672.9	22.8	0.6%
Interest on Loans	2,461.7	2,717.8	2,935.5	217.7	8.0%
Interest on Sec	944.7	883.4	708.4	-175.0	-19.8%
Int. on Due from Banks	45.0	48.9	29.0	-19.9	-40.6%
Interest Expense(B)	2,190.1	2,199.4	2,155.9	-43.5	-2.0%
Interest on Deposits	1,450.2	1,397.7	1,326.2	-71.5	-5.1%
Interest on Debentures	303.5	411.6	484.8	73.2	17.8%
Interest on Borrowings	436.4	390.1	344.9	-45.2	-11.6%
Interest Income (A-B)	1,261.3	1,450.7	1,517.0	66.3	4.6%

Management's Discussion & Analysis

(3) Net Interest Spread and Net Interest Margin

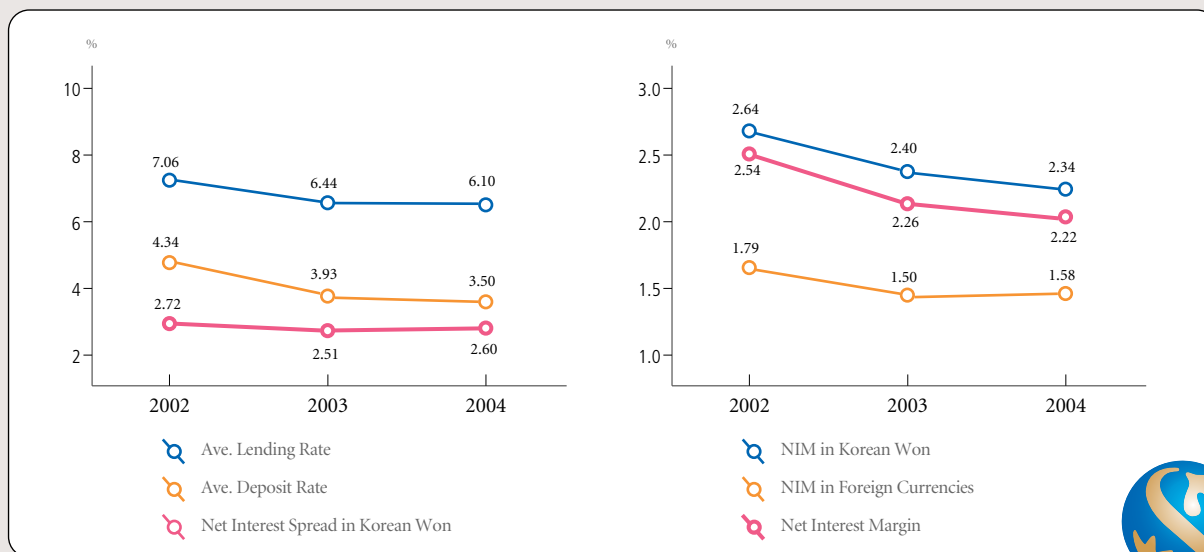
SHB's interests on loans and deposits also continued to decline, reflecting downfalls in market interest rates over the last three years. In 2004, net interest spread (NIS) expanded 9bp YoY to 2.60%, as interest rates on deposits fell at a greater pace than those on loans.

Still, despite improved NIS, net interest margin (NIM) shrank 4bp over the year to 2.22% at 2004-end, because gains on securities, which greatly contribute to NIM improvement, continued to back off following downfalls in market interest rates and the redemption of securities with high interest rates.

A rise in foreign-currency NIM at 2004-end resulted from interest rate hikes on foreign-currency loans. However, this growth did not exert significant influence on overall NIM improvement as foreign currency assets comprised only a small portion of total assets at SHB.

SHB has retained a policy to maintain superior asset quality with higher-standard in risk management and higher coverage ratios than competitors in the corporate and household loan sectors. This should explain why SHB's net interest spread and net interest margins are not above than those of its competitors. However, when it comes to NIM after write-off, SHB has long maintained the highest level on average in Korea.

NIS vs. NIM by Year



2004 NIM by Quarter

In Billions of Korean Won

	FY2002	FY2003	FY2004	YoY
NIM in Total	2.34%	2.24%	2.24%	2.22%
Interest bearing Asset(A)	60,991.7	61,512.2	61,977.9	62,082.0
Interest Income(B)	356.1	687.5	1,039.5	1,378.1



Management's Discussion & Analysis

(4) Non-interest Income

Non-interest income sharply grew by 46% over the year. This mainly resulted from rises in sales commissions on investment trust products (up KRW13.3 billion YoY to KRW20.7 billion) and bancassurance products (up KRW13.1 billion to KRW25 billion). It was also driven by an increase in dividend income (KRW 56.2 billion) and investment banking-related commissions. However, fees and commissions on credit cards and trust fees & income decreased, reflecting reductions in related assets.

With regard to non-operating income, SHB revised its guidelines for the payment of employee severance benefits as of January 2004. Severance benefits formerly increased faster than the proportional rate to the number of years in employment, whereas the new structure pays out one month's worth of salary for every year in employment. Consequently, SHB paid rewards of KRW115.0 billion to its officers and employees as a compensation for the change, reflecting this amount as additional non-operating expenses. This should result in a substantial decline in severance benefits for the future. As explained above, the drastic change in non-operating income was due to the gain of KRW228.2 billion generated from the disposal of the bank's shareholdings in SFG.

In Billions of Korean Won

	FY2002	FY2003	FY2004	YoY	
				Chg Amt	Chg %
Non-interest Income(A)	427.6	317.2	463.2	146.1	46.0%
Fee & Commissions	324.5	268.2	291.5	23.3	8.7%
(Credit Card)	217.2	68.9	38.8	-30.1	-43.7%
Trust Fees & Income	38.0	30.2	27.2	-3.1	-10.1%
F/X Commissions	89.5	60.2	38.5	-21.7	-36.1%
Others	-24.4	-41.4	106.1	147.5	-356.3%
Non-Operating Income(B)	-100.7	15.4	158.1	142.6	924.4%
Total(A+B)	326.9	332.6	621.3	288.7	86.8%

(5) Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses surged 14.8% YoY, led by increases in (1) incentive compensations to employees following a rise in net income, (2) expenses for consulting services and system configurations in relation to the integration of SHB and CHB, (3) advertising expenses, and (4) social service activities including the acquisition of a professional women's basketball team and expanded donations. Nonetheless, SHB's cost-to-income ratio stood at only 36.7% as of 2004-end, demonstrating its high efficiency.

In Billions of Korean Won

	FY2002	FY2003	FY2004	YoY	
				Chg Amt	Chg %
Labor Cost	205.6	233.1	248.8	15.6	6.7%
Admin. Expense	284.6	288.3	362.5	74.2	25.7%
D&A Cost	62.8	72.2	69.6	-2.6	-3.6%
Taxes & Dues	26.1	24.7	28.8	4.1	16.5%
Total	579.1	618.3	709.7	91.4	14.8%

Management's Discussion & Analysis

3. Chohung Bank

(1) Overview

In Billions of Korean Won

	FY2002	FY2003	FY2004	YoY	
				Chg Amt	Chg %
Operating Income	1,529.6	1,484.3	1,407.0	(77.3)	-5.2%
Interest Income	1,212.0	1,330.5	1,399.4	68.9	5.2%
Non-Interest Income	1,141.2	1,029.0	914.4	(114.6)	-11.1%
G&A Expense	823.6	875.3	906.8	31.5	3.6%
Non-Operating Income	(476.4)	(233.9)	(55.1)	178.8	-76.4%
Pre-provisioning Income	1,053.2	1,250.4	1,351.9	101.5	8.1%
Provision	1,664.3	2,166.2	1,084.1	(1,082.1)	-50.0%
Loan Loss Provision	1,631.6	2,133.2	1,030.1	(1,103.1)	-51.7%
Taxes	(25.1)	50.2	2.5	(47.7)	-95.0%
Net Income	(586.0)	(966.0)	265.2	1,231.2	-

CHB successfully turned into profit with net income of KRW265.2 billion at 2004-end, after recording deficits for the past two years.

This was made possible by the bank's efforts to expand interest earning assets, leading to a marginal YoY increase in interest income despite a decline in operating revenues under pressure from intensified competition and the clean-up of non-performing assets. In addition, non-operating revenues also substantially improved with the settlement of expenses for equity stocks in problematic companies, including SK Networks and LG Card.

Another contributor was an impressive 50% contraction in loan loss provisions for the credit card and household loan sectors, which was significantly reduced by KRW1.08 trillion over the year.

(2) Interest Income

Interest income increased by KRW68.8 billion or 5.2% for FY2004 compared with FY2003.

Although interest revenues narrowed due to the low interest rate trend following continued economic slowdowns at home and overseas, funding costs contracted based on a low-cost funding structure including court-related deposits. Net interest margin (NIM) also improved 0.12%p to 3.16% at 2004-end, from 3.04% in 2003, thanks to the bank's heightened asset quality following a reduction in non-performing assets.

In Billions of Korean Won

	FY2002	FY2003	FY2004	YoY	
				Chg Amt	Chg %
Interest Revenue(A)	3,318.2	3,370.2	3,048.2	(322.0)	-9.6%
Interest on Loans	2,473.0	2,798.6	2,593.9	(204.7)	-7.3%
Interest on Securities	753.3	515.3	411.7	(103.6)	-20.1%
Interest on Due from Banks & Others	91.9	56.3	42.6	(13.7)	-24.3%
Interest Expenses(B)	2,106.2	2,039.6	1,648.8	(390.8)	-19.2%
Interest on Deposits	1,508.1	1,409.8	1,154.6	(255.2)	-18.1%
Interest on Debentures	264.3	386.9	335.0	(51.9)	-13.4%
Interest on Borrowings & Others	333.8	242.9	159.2	(83.7)	-34.5%
Interest Income(A-B)	1,212.0	1,330.6	1,399.4	68.8	5.2%

In Billions of Korean Won

	2003	2004. 1Q	2004. 2Q	2004. 3Q	2004. 4Q
NIM in Total	3.04%	3.12%	3.14%	3.10%	3.16%
Interest bearing Asset(A)	52,845.4	49,888.5	49,729.9	49,463.7	49,537.7
Interest Income(B)	1,606.3	387.5	777.3	1,149.7	1,564.3

Note) Based on accumulative basis



Management's Discussion & Analysis

(3) Non-Interest Income

Despite a rise in commission income from the increased sales of affiliated products among SFG companies, including bancassurance and beneficiary certificates. Fees and commissions on credit cards abated 15% YoY to KRW853.3 billion at 2004-end, due to the decrease in credit card related income. This was primarily attributable to a decline in installment purchases, which generated higher revenues than other fees and commissions on credit cards, following sluggish domestic demand and dampened household consumption. Non-operating expenses tumbled 76% (KRW178.8 billion) over the year to KRW55.1 billion. This was primarily driven by a sharp decline in impairment losses (including KRW22.4 billion for Ssangyong Cement and KRW13.1 billion for LG Card), as compared to impairment losses of KRW233.9 billion on equity stocks and bonds in 2003 (including KRW158.9 billion for Ssangyong Cement).

In Billions of Korean Won

	FY2002	FY2003	FY2004	YoY	
				Chg Amt	Chg %
Non-interest Income(A)	1,141.2	1,029.0	914.4	(114.6)	-11.1%
Fee & Commissions	1,143.3	1,004.1	853.3	(150.8)	-15.0%
(Credit Card)	994.0	828.3	600.3	(228.0)	-27.5%
Trust Fees & Income	(8.7)	47.0	48.3	1.3	2.8%
F/X Commissions	40.8	78.1	115.8	37.7	48.3%
Others	(34.2)	(100.2)	(103.0)	(2.8)	2.8%
Non-Operating Income(B)	(476.4)	(233.9)	(55.1)	178.8	-76.4%
Total(A+B)	664.8	795.1	859.3	64.2	8.1%

(4) Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses edged up 3.6% (KRW31 billion) over the year to reach KRW906.9 billion at 2004-end. Of these, personnel expenses surged 22% YoY mainly due to the payment of incentive compensations following the bank's realization of net income. Depreciation expenses were significantly reduced by 54%, or KRW114.3 billion, over the year due to the termination of fixed-amount depreciation of goodwill (KRW537.0 billion) in 2003, which stretched over a period of five years after the acquisition of Chungbuk Bank and Kangwon Bank in 1999.

4. Good Morning Shinhan Securities

In Millions of Korean Won

	CY2002	CY2003	CY2004	Chg Amt	Chg %
Operating Revenues	420,892	340,777	331,884	(8,893)	-2.6%
Commissions Received	340,880	262,735	228,112	(34,623)	-13.2%
Net Trading Gain	51,633	56,975	79,505	22,530	+39.5%
Net Interest Income	26,195	13,127	23,708	10,581	+80.6%
Other operating Income	2,185	7,940	559	(7,381)	-93.0%
Operating Expenses	407,038	310,769	288,355	(22,414)	-7.2%
Commissions Expense	52,165	40,863	43,432	2,569	+6.3%
G&A Expenses	354,873	269,907	244,923	(24,984)	-9.3%
Operating Income	13,854	30,008	43,529	13,521	+45.1%
Non-Operating Income(loss)	31,980	38,606	198	(38,408)	-99.5%
Ordinary Income	45,834	68,614	43,727	(24,887)	-36.3%
Extraordinary Gains	0	2	0	(2)	
Net Income Before Taxes	45,834	68,616	43,727	(24,889)	-36.3%
Income Tax	(13,143)	32,801	190	(32,611)	-99.4%
Net Income (loss) for the Year	58,977	35,813	43,537	7,724	+21.6%

Management's Discussion & Analysis

GMSH's operating income swelled 45.1% to KRW43.5 billion while net income surged 21.6% to KRW43.5 billion in 2004. Specifically, commissions received, making up 68.7% of operating revenues, declined 13.2% YoY to KRW228.1 billion. This was due to a 12% YoY decrease in overall stock market trading value, which exerts great influence on the revenues of securities firms. Daily average market turnover contracted to KRW2.9 trillion in 2004 from KRW3.3 trillion in 2003, due mainly to a significant decline of 42% in the KOSDAQ market's trading volume behind its bearish movements. Operating income expanded despite the decrease in fees and commissions, primarily because gains on trading securities rose sharply by 39.5% over the year to KRW79.5 billion, accounting for 24% of operating revenues.

Gains on trading securities included gains on short-term trading securities, valuation gains/losses, and other gains on derivatives-related trading and valuation gains. Among these, gains in the bonds sector boosted by 12.3% YoY to KRW40.9 billion, while gains in the futures and options sector edged up 4.5% YoY to KRW15.0 billion and gains in the stocks sector increased 3.5% YoY to KRW11.5 billion. This resulted from the company's endeavors to secure high-caliber manpower for proprietary trading and continuously develop operating know-how, while maintaining strong risk management systems even amidst sluggish market conditions.

Interest revenues jumped 80.6% YoY to KRW23.7 billion, making up 7% of total operating revenues. This was driven by a 61.8% YoY increase in the average balance of loans to KRW129.1 billion in 2004, plus a 65% YoY surge in interest revenues on loans to KRW11.9 billion.

As to the operating expenses, SG&A expenses contracted 9.3% YoY to KRW244.9 billion at 2004-end. This was principally caused by a KRW8.9 billion decrease in securities trading-related expenses following a decline in trading securities volume and a drop of KRW5.6 billion in advertising and marketing expenses. In addition, personnel expenses are anticipated to contract by about KRW15.0 billion on an annual basis from 2005 and onwards, following the launch of restructuring initiatives(ERP) in October 2004.

Fees and commissions at GMSH

In Millions of Korean Won

	CY2002	CY2003	CY2004	Chg Amt	Chg %
Commission Income	340,888	262,735	228,112	(34,623)	-13.2%
Equity	263,340	189,640	155,943	(33,697)	-17.8%
Futures / Options	33,299	34,214	34,342	128	+0.4%
Beneficiary Certificates	27,245	15,273	10,064	(5,209)	-34.1%
Underwriting	9,777	10,555	7,770	(2,785)	-26.4%
M&A	4,340	437	918	481	+110.1%
Others *	2,880	12,615	19,077	6,462	+51.2%

* includes ELS sales commission

G&A Expenses of GMSH

In Millions of Korean Won

	CY2002	CY2003	CY2004	Chg Amt	Chg %
G&A Expenses	354,873	269,907	244,923	(24,984)	-9.3%
Staff Expense	205,192	147,995	147,198	(797)	-0.5%
Other General Expenses	99,737	95,915	91,783	(4,132)	-4.3%
Depreciation	27,400	18,082	10,082	(8,000)	-44.2%
Credit Loss Expense	22,545	7,915	(4,140)	(12,055)	-152.3%

Management's Discussion & Analysis

5. Shinhan Card

The domestic credit card market was marked by prolonged economic slowdowns and the continued credit crunch of individual customers in 2004. In such a hostile operating environment, most credit card issuers posted deficits from the provisioning burden, liquidation of non-performing assets, demarketing of troubled card holders and a sharp decline in credit card usage (down 28% YoY) following delayed recovery in private consumption.

However, credit card usage marginally increased beginning from the fourth quarter (+5% quarter-on-quarter), as the burden of accumulating provisions on loan losses was mitigated thanks to the settlement of large-scale NPLs during the first half of 2004, leading to an improvement in profitability. Consequently, the deficits of most credit card companies sharply reduced by 83% over the year (from KRW7.7 trillion to KRW1.3 trillion, based on five monoline credit card issuers).

Shinhan Card successfully turned into the black in 2004 posting a net income of KRW5.8 billion, with pre-provisioning income and loan loss provisions amounting to KRW1,816.1 billion and KRW 175.8 billion, respectively. This earlier than expected turnaround was attributable to the company's commitment to quality customer-centered operations and stringent risk management.

Shinhan Card usage volume marginally declined 7.6% over the year to KRW10.4 trillion as of 2004-end (excluding those by corporate purchasing cards and card loans) although the credit card market's overall usage volume plunged by 28% YoY.

The table below shows the company's profit and loss summary.

In Millions of Korean Won

	FY 2002	FY 2003	FY2004	YoY % Chg.
Operating Income	228,954	431,863	423,829	-1.9%
Credit Card Income	227,049	378,999	276,438	-27.1%
Revenue from Securitization	0	52,440	139,080	165.2%
Interest income	1,881	71	1,000	1304.8%
Other operating income	25	353	7,311	1971.2%
Operating Expenses	228,213	506,606	417,407	-17.6%
Credit card expenses	79,636	118,806	117,435	-1.2%
Interest expense	60,425	109,824	76,731	-30.1%
G&A expenses	88,120	277,915	223,209	-19.7%
Other expenses	33	61	33	-47.1%
Operating Income	742	-74,743	6,422	n.a.
Non-Operating Income	228	282	870	208.2%
Non-Operating Expenses	172	15,602	1,469	-90.6%
Ordinary Income	798	-90,063	5,822	n.a.
Income Taxes	294	-239	0	n.a.
Net Income for the Year	504	-89,824	5,822	n.a.

Operating revenues edged down KRW8.0 billion (-1.9%) over the year due to a decline in credit card usage. Operating expenses also retreated by KRW89.2 billion (including KRW33.1 billion declines in interest expenses and loan loss provisions of KRW60.1 billion). Therefore, operating income swelled KRW81.2 billion to KRW6.4 billion.

Non-operating loss amounted to KRW0.6 billion, enabling the company to record a profitable net income of W5.8 billion.

Management's Discussion & Analysis

6. Shinhan Capital

The non-bank financing industry in Korea had a busier than ever year in 2004, whipped up by the restructuring and operational rationalization efforts of credit card issuers and venture capitals, along with business diversification and the expansion of automobile leasing business led by leasing and installment financing companies.

Observing operational results of the industry by business type, leasing contracts executed by the leasing and installment financing business surged by more than 35% over the year, backed by continued demand for leasing and installment financing, an expansion in the automobile operating lease products market and a rise in the number of companies handling ship and heavy construction equipment leasing.

The results of installment financing also increased by more than 5% over the year due to an extension in automobile installment financing.

Credit card and new technology financing businesses focused on management rationalization mainly by setting aside large amount of loan loss provisions, and through the disposal of NPLs and recapitalization.

As for the corporate restructuring company (CRC) sector, demand for investments and loans was continuously generated amidst an expansion in M&A deals centering around domestic companies, while transactions of NPLs were also steadily carried out with a focus on the secondary market.

Amidst such circumstances, Shinhan Capital expanded ship financing into loans based on affiliated businesses with SFG companies, including SHB and CHB, and an extended operational network opening more branches.

The company also pursued leasing and installment financing operations with a focus on automobiles and heavy construction equipment while attaining favorable results from new businesses including CRC and real estate project financing.

As a result, the company's total assets increased 14.5% over the year. Net income also surged by more than 45% to reach KRW23.1 billion with ROE standing at 20.8%. This was attributed to (1) maintaining leasing and installment financing-related earnings at the previous year's levels and (2) an increase in CRC and real estate financing-related earnings. Apart from such sales and earnings growth, the ratio of substandard and below loans to total loans and their delinquency ratio also improved 0.3%p each over the year to 2.4% and 1.4%, respectively. Reflecting such improved management results, domestic credit rating agencies again adjusted the company's corporate bonds rating upward by one notch from A- to A0 in 2004.

The company further heightened its profile at home and overseas. SH Capital successfully issued USD30 million worth of foreign-currency floating rate notes (FRNs) with its own credit in September 2004. The company was also selected as a managing company of CRC Associates by the Small Business Corporation, a non-profit Korean Government agency mandated to implement government policies for the promotion of small and medium sized businesses, and commended by the president of Korea in recognition of its contribution to the shipping industry's development.

New Lease Contracts

In Billions of Korean Won

	FY 2002	FY 2003	FY 2004	
			YoY Chg.	YoY Chg.
Industry Total	2,466	3,001	21.7%	4,059 35.3%
Shinhan Capital	345	409	18.6%	345 -15.7%
(Market Share)	14.01%	13.6%	-0.40%p	8.5% -5.13%p

Note) 2002 Shinhan Capital figures excluded KRW82.6billion in asset underwriting.

New lease contracts by Shinhan Capital in 2004 declined 15.7% over the year to record KRW345 billion and its market share also fell 5.13%p YoY to 8.5%. This resulted from 1) overall expansion of the market volume, with a significant increase in the automobile lease market, 2) breakaway of clients for shipping financing to other financing services such as loans and 3) reduction in low margin operations including leasing for public organizations from the activation of the CRC and real estate PF operations.



Management's Discussion & Analysis

As for the company's profit and loss, operating income increased 13.7% YoY to KRW33.3 billion while before-tax income and net income swelled by more than 40% each to KRW32.7 billion and KRW23.0 billion, respectively, at 2004-end.

This is mainly attributed to a substantial increase in interest revenues on CRC and real estate PF-related loans and other gains on disposal of NPLs. The greater expansion in before-tax income and net income than operating income can be explained by FY2003's non-operating losses amounting to KRW6.0 billion, including losses from the disposal and reduction of securities generated in 2003.

In Billions of Korean Won

	FY2002	FY2003	FY2004	Chg Amt	Chg %
Operating Revenues	152.3	145.4	221.1	75.7	52.1%
Lease-related Income	102.4	116.3	122.6	6.3	5.4%
Interest Income from Loans	7.6	13.5	27.7	14.2	105.2%
Interest Income from Installment Financing Receivable	2.6	3.3	2.8	-0.5	-15.2%
Other Interest Income	3.0	3.2	4.9	1.7	53.1%
Others	36.7	9.1	63.1	54.0	593.4%
Operating Expenses	139.3	116.1	187.8	71.7	61.8%
Lease-related Expenses	43.1	46.7	59.4	12.7	27.2%
Interest Expense	43.0	47.9	54.1	6.2	12.9%
Bad Debt Expenses	17.4	7.5	12.4	4.9	65.3%
Others	35.7	14.0	61.9	47.9	342.1%
Operating Income	13.0	29.3	33.3	4.0	13.7%
Income Before Tax	11.0	22.6	32.7	10.1	44.7%
Tax Expenses	3.4	6.8	9.7	2.9	42.6%
Net Income	7.6	15.8	23.0	7.2	45.6%

7. Shinhan BNP Paribas ITMC

Shinhan BNP Paribas Investment Trust Company (SH BNPP ITMC) recorded net income of KRW4.6 billion at 2004-end, soaring 156%, or KRW2.8 billion, over the year. The special factor of litigation costs incurred during 2003 resulted in a significant improvement, but even excluding unusual factors this was generally a good year for the company. After a few years of coordination with BNP Paribas Asset Management (BNP PAM), SH BNPP ITMC was able to launch its first internationally coordinated products and showed a significant increase in its volume of sales. While costs were under control, the increase of business volume contributed to improving its performance in 2004.

Shinhan ITMC'S Income Statements

In Billions of Korean Won

	FY2002	FY2003	FY2004	Chg Amt	Chg %
Operating Revenue	12.8	12.7	13.9	1.2	9.4%
Fees on Trust Accounts	10.5	10.7	12.2	1.5	14.0%
Others	0.3	0.2	0.0	-0.2	-100.0%
Interest Income	2.0	1.8	1.7	-0.1	-5.6%
Operating Expenses	6.3	10.6	7.4	-3.2	-30.2%
Loss on Trust accounts	0.0	2.8	0.0	-2.8	-100.0%
G&A expenses	6.1	7.3	7.4	0.1	1.4%
Salaries & Employee Benefits	3.1	4.8	4.9	0.1	2.1%
Others	3.0	2.5	2.5	0.0	0.0%
Operating Income	6.5	2.1	6.5	4.4	209.5%
Non-operating Income	-0.4	0.5	0.0	-0.5	-100.0%
Income Before Tax	6.5	2.6	6.6	4.0	153.8%
Tax Expenses	1.9	0.8	2.0	1.2	150.0%
Net Income	4.6	1.8	4.6	2.8	155.6%

Management's Discussion & Analysis

8. Jeju Bank

Jeju Bank's net income surged 31.2% over the year to reach KRW6.3 billion as of 2004-end. This was due mainly to a decline in operating expenses (down 9.4% YoY), led by a reduction in other expenses (down 27.3% YoY). As a consequence, operating income soared KRW7.4 billion over the year to reach KRW7.6 billion.

NIS backed off 0.27%p YoY to 3.54% at 2004-end. NIM edged down 0.27%p YoY to 3.56% from 3.83% in the previous year, although still remaining at the highest level among domestic banks. ROA and ROE inched up to 0.37% and 6.04%, respectively, reflecting an increase in net income.

In Billions of Korean Won

	FY2002	FY2003	FY2004	Chg Amt	Chg %
Operating Revenues	145.6	137.1	131.6	-5.5	-4.0%
Interest Income	118.8	116.0	112.1	-3.9	-3.4%
Fees & Commissions	23.0	18.4	17.6	-0.8	-4.3%
Fees from Trust Account	1.3	0.4	0.2	-0.2	-50.0%
Others	2.5	2.3	1.7	-0.6	-26.1%
Operating Expenses	129.4	136.9	124.0	-12.9	-9.4%
Interest Expenses	65.0	60.7	56.4	-4.3	-7.1%
Commission Expenses	3.2	3.4	3.2	-0.2	-5.9%
Loss on Trust Account	0.0	0.0	0.0	0.0	n.a
Others	28.5	36.3	26.4	-9.9	-27.3%
G&A Expenses	32.7	36.5	38.0	1.5	4.1%
Operating Income	16.2	0.2	7.6	7.4	n.a
Non-operating Income	4.3	5.1	2.8	-2.3	-45.1%
Non-operating Expenses	8.0	4.5	3.1	-1.4	-31.1%
Ordinary Income	12.5	0.8	7.3	6.5	n.a
Tax Expenses	0.0	-4.0	1.0	5.0	n.a
Net Income	12.5	4.8	6.3	1.5	31.2%

9. Others

SFG's Internet financial portal subsidiary, [e-Shinhan](#), recorded surpluses for the first time since its inception, thanks to a rise in electronic housekeeping book sales and contributions by the newly advanced membership business. Nevertheless, it wasn't able to escape a tough time in the financial business sector due to aggravated financial portal business environments.

As of 2004-end, the number of e-Shinhan members marginally increased by 75 thousand YoY to 2.3 million. However, the membership business secured 94 thousand actual members in 2004, its first year of business.

Operating revenues swelled 103% YoY to KRW3.5 billion and net income amounted to KRW0.2 billion. Sales were comprised of financial commissions for loans and insurance products (KRW0.42 billion), content fees such as electronic housekeeping book software (KRW1.5 billion), advertising fees (KRW0.35 billion), revenues on membership fees (KRW0.8 billion), and other fees (KRW0.42 billion).

[Shinhan Macquarie Financial Advisory \(SMFA\)](#) provides financial advisory services including project financing, M&A, Cross Border Lease and Structured Finance, and in 2004 posted sales of KRW14.6 billion and net income of KRW2 billion. This was particularly boosted by the development of the Korea Road Infrastructure Fund (KRIF), Korea's first indirect investment fund for social overhead capital (SOC) facilities (fee-based roads).

[Shinhan Credit Information](#) was established in September 2002 to improve the asset quality of SFG subsidiaries through the prevention of NPLs and the steady collection of debts by professional post-management, concentrating on the management of SFG's NPL collection work. In 2004, the company posted sales of KRW21.6 billion and net income of KRW3 billion.

Management's Discussion & Analysis

SH&C Life Insurance, founded in October 2002 as a joint venture between SFG and Cardif SA, a life insurance subsidiary of BNP Paribas, is the first life insurance carrier in Korea to specialize in bancassurance. The company has provided bancassurance products and services to SFG customers through more than 800 SFG branch networks in affiliation with SHB, CHB, Jeju Bank, GMSH and other SFG subsidiaries.

The company recorded total premium income of KRW191.7 billion and net income of KRW3.2 billion as of 2004-end, realizing surpluses within a short period after its establishment.

III. Summary of Balance Sheet Factor

1. Shinhan Financial Group (Holding Company)

(1) Total Assets

SFG's total assets amounted to KRW167.5 trillion at 2004-end, rising 5.1% (KRW8.1 trillion) from the previous year's figure. This growth resulted from increased assets of subsidiaries, including the rise of CHB by 10.3% (KRW6.5 trillion), Shinhan Capital by 14.5% (KRW167.0 billion), and Shinhan BNP ITMC by 28.5% (KRW1.3 trillion).

In the case of CHB, which showed the most significant asset growth, the bank's securities expanded by KRW2.3 trillion while other assets including receivables advanced by KRW3.8 trillion.

As for SHB, which used to lead the Group's asset growth, the bank's loan assets expanded by KRW3.2 trillion while securities holdings decreased KRW3.8 trillion, leading to a marginal contraction in total assets reaching KRW83.8 trillion at the year end.

Change in Total Assets

In Billions of Korean Won

	2002	2003	2004	Chg Amt	YoY
SHB	69,715.1	84,135.9	83,811.1	-324.8	-0.4%
B/A	58,889.4	70,071.2	70,125.9	54.7	0.1%
T/A	11,090.4	14,471.9	14,098.9	-373.0	-2.6%
CHB		63,331.3	69,843.9	6,512.6	10.3%
B/A		59,227.9	65,890.8	6,662.9	11.2%
T/A		4,261.9	4,634.4	372.5	8.7%
GMSH	1,569.6	2,926.2	2,954.9	28.7	1.0%
SHCard	2,473.7	1,778.2	1,469.9	-308.3	-17.3%
Jeju	1,802.2	1,795.7	1,883.0	87.2	4.9%
SHC	960.2	1,153.9	1,320.9	167.0	14.5%
SHITMC	47.1	47.5	49.5	2.0	4.2%
(AUM)	4,618.0	4,725.7	6,071.4	1,345.7	28.5%
SH&C	29.7	114.0	286.3	172.3	151.1%
(-) Intra Transaction	386.1	654.2	212.1	-442.1	-67.6%
Total	76,211.6	154,628.5	161,407.3	6,778.8	4.4%
(Including AUM)	80,829.6	159,354.2	167,478.7	8,124.5	5.1%

Note) Total assets included (1) SHB's & CHB's trust accounts and (2) SH ITMC's AuM, thereby differing from total assets on SFG's consolidated balance sheet.

(2) Total Deposits

SFG's total deposits backed off 3.6% over the year to KRW95.7 trillion at 2004-end. This downturn was mainly attributed to the breakaway of a few deposit customers from SHB and CHB behind low interest trends and a fall in overall market interest rates, coupled with a decline in GMSH customer deposits following a bearish stock market.

Management's Discussion & Analysis

However, this should be translated as a temporary phenomenon generated by a small number of customers who prefer risk seeking high yields. Transactions by the majority of long-term customers with high loyalty form the keynote of SFG's banking revenues, and these figures have not contracted. Deposits should continue increasing with the development of new products to fit changes in market conditions, as well as continuous advancement of asset management capabilities and improvement of customer services.

Change in Total Deposits

In Billions of Korean Won

	2002	2003	2004	Chg Amt	YoY
SHB	45,896.8	51,669.9	49,499.0	-2,170.9	-4.2%
B/A	39,627.8	45,612.6	43,690.6	-1,922.0	-4.2%
T/A	6,269.0	6,057.3	5,808.4	-248.9	-4.1%
CHB		45,236.5	44,158.7	-1,077.8	-2.4%
B/A		41,297.8	40,554.4	-743.4	-1.8%
T/A		3,938.7	3,604.3	-334.4	-8.5%
GMSH	540.5	1,032.8	614.5	-418.3	-40.5%
SHCard	0.0	0.0	0.0	0.0	n.a
Jeju	1,415.1	1,452.1	1,542.7	90.6	6.2%
SHC	0.0	0.0	0.0	0.0	n.a
SHITM	0.0	0.0	0.0	0.0	n.a
SH&C	0.0	0.0	0.0	0.0	n.a
(-) Intra Transaction	60.5	111.6	138.2	26.6	23.9%
Total	47,791.8	99,279.8	95,676.7	-3,603.1	-3.6%

(3) Total Loans

SFG's total loans edged up 1.4% over the year to reach KRW95.7 trillion at 2004-end. SHB contributed KRW51.4 trillion (+6.9% YoY) to the total, while Shinhan Capital made up KRW1.0 trillion (+11.4% YoY). CHB's total assets declined 2.5% YoY despite a surge of 13.6% in mortgage loans following the bank's large-scale write-off on non-performing assets with an eye to the improvement of asset quality. Total assets at GMSH fell 64.4% over the year affected by sluggish market conditions, while those of Shinhan Card dropped 25.3% YoY due to a decline in the usage volume of cash advances.

Change in Total Loans

In Billions of Korean Won

	2002	2003	2004	Chg Amt	YoY
SHB	40,850.3	48,064.4	51,385.4	3,321.0	6.9%
B/A	40,579.0	47,783.9	51,028.8	3,244.8	6.8%
T/A	271.3	280.4	356.6	76.2	27.2%
CHB		42,852.1	41,761.1	-1,091.0	-2.5%
B/A		42,701.7	41,702.4	-999.2	-2.3%
T/A		150.4	58.7	-91.8	-61.0%
GMSH	125.7	397.4	141.6	-255.7	-64.4%
SHCard	2,439.1	1,058.7	790.3	-268.3	-25.3%
Jeju	1,319.1	1,327.3	1,226.3	-101.0	-7.6%
SHC	746.7	899.1	1,001.5	102.4	11.4%
SHITM	0.4	0.2	0.5	0.3	156.9%
SH&C	0.0	0.0	0.3	0.2	570.5%
(-) Intra Transaction	140.3	255.6	638.0	382.4	149.6%
Total	45,341.1	94,343.6	95,669.0	1,325.4	1.4%

Note: The figures for 1999 and 2000 are based on pro forma financial statements.



Management's Discussion & Analysis

2. Shinhan Bank

(1) Total Loans

In Billions of Korean Won

	2002	2003	2004	Chg.	YoY
Bank Account	40,579.0	47,783.9	51,028.8	3,244.9	6.8%
Loans in Won	31,734.1	37,057.3	41,153.7	4,096.4	11.1%
Retails	15,992.7	17,864.9	20,556.8	2,691.9	15.1%
Mortgage	10,738.6	11,923.6	13,751.6	1,828.0	15.3%
Others	5,254.1	5,941.3	6,805.2	863.9	14.5%
SMEs	11,876.0	15,492.8	16,747.8	1,255.0	8.1%
Large Corp.	3,754.3	3,396.6	3,461.5	64.9	1.9%
Public & Others	111.1	303.0	387.6	84.6	27.9%
Loans in FC	3,719.3	4,728.5	3,688.6	-1,039.9	-22.0%
Credit Card Accounts	181.0	0.1	0.0	-0.1	n.a.
Bills Bought in FC	2,242.4	1,844.9	2,022.2	177.3	9.6%
Call Loans, RPs	502.9	1,309.2	1,297.9	-11.3	-0.9%
Others	2,774.9	3,717.0	3,609.9	-107.1	-2.9%
(Loan Loss Allowance)	565.8	866.4	743.5	-122.9	-14.2%
(Present Value Discount)	9.8	6.7	0.0	-6.7	n.a.
Trust Account	271.3	280.4	356.6	76.2	27.2%
Total Loans	40,850.3	48,064.3	51,385.4	3,321.1	6.9%

SHB's total loans increased 6.9% YoY to record KRW51.4 trillion at 2004-end. Of this total, won-currency loans increased KRW4.1 trillion and foreign-currency loans crept down by KRW1 trillion over the year. Of won-currency loans, mortgage loans ballooned KRW1.8 trillion in 2004, thanks to great customer response in step with SHB's landmark introduction of this kind new product to Korea. SME loans also shot up KRW1.3 trillion, presenting balanced growth in both household loans and corporate loans.

Quarterly Increase of Loans in Korean Won

In Billions of Korean Won

2004	1Q	2Q	3Q	4Q	Total
Household loans	375.6	705.9	863.3	747.1	2,691.9
SME loans	1,077.3	374.3	254.7	-451.3	1,255.0
Large Corp. loans	218.4	-222.5	198.8	-130.0	64.7
Public & other loans	13.1	4.4	47.4	19.7	84.6
Total	1,684.4	862.1	1,364.2	185.5	4,096.2

Observing change in won-currency loans by quarter, household loans continued similar growth in every quarter. Conversely, corporate loans increased most during the first quarter, dwindled in the second and third quarters and then contracted by KRW581.3 billion in the fourth quarter. This is because the bank collected part of its high-risk loans after a rise in credit risk for SME loans under pressure from sluggish domestic demand.

Management's Discussion & Analysis

(2) Total Deposits

In Billions of Korean Won

	2002	2003	2004	Chg.	YoY
Bank Account	39,627.8	45,605.5	43,690.6	-1,914.9	-4.2%
Low-cost Deposits	10,857.5	12,974.1	12,629.1	-345.0	-2.7%
Demand	1,384.3	1,434.5	1,444.7	10.2	0.7%
Low-cost Savings	9,473.1	11,539.6	11,184.4	-355.2	-3.1%
Time Deposits	17,756.7	18,818.3	18,359.5	-458.8	-2.4%
Installment Deposits	1,761.1	1,764.6	1,719.8	-44.8	-2.5%
CDs	2,772.2	5,136.0	4,938.2	-197.8	-3.9%
RPs, Bills Sold	4,444.2	3,620.8	3,022.5	-598.3	-16.5%
Deposits in F/C	2,036.1	3,291.7	3,021.5	-270.2	-8.2%
Trust Account	6,269.0	6,057.3	5,808.4	-248.9	-4.1%
Total Deposit	45,896.8	51,662.8	49,499.0	-2,163.8	-4.2%

SHB's total deposits thinned out 4.2% over the year to KRW49.5 trillion as of 2004-end, with deposits in both banking and trust accounts declining. Of banking accounts, low cost deposits and time deposits shrank 2.7% and 2.4%, respectively, while certificates of deposit (CDs) and repurchase agreements (RPs), which are marketable deposits, contracted by 3.9% and 16.5%. This can be ascribed to capital movement into competitors, who offer high-risk high-yield products or higher interest rates, driven by the continued low interest environment as customers were highly sensitive to interest rates. On this note, SHB is striving to develop banking account deposit products with enhancing commodity value so that it can expand its deposit base even under low interest rate conditions.

Observing the funding portfolio, there were no significant changes in 2004 as compared to 2003-end portfolios. The following depicts the respective portion of SHB's total deposits.

In Millions of Korean Won

	FY 2002	FY 2003	FY 2004
Low-cost Deposits	27%	28%	29%
Demand	3%	3%	3%
Low-cost Saving	24%	25%	26%
Time Deposits	45%	41%	42%
Installment Deposits	4%	4%	4%
CDs	7%	11%	11%
RPs, Bills Sold	11%	8%	7%
Loans in F/C	5%	7%	7%
Total	100%	100%	100%

(3) Securities

In Billions of Korean Won

	2002		2003		2004	
		%		%		%
Stock	640.5	5%	973.9	6%	838.4	7%
Sovereign & Public Bonds	1,145.0	8%	1,987.7	13%	2,163.7	18%
Corporate Bonds	2,686.6	19%	2,602.4	17%	3,405.4	29%
Finance Debentures	2,926.7	21%	4,089.9	26%	4,457.3	38%
Beneficiaries' Certificates	2,432.1	18%	2,505.9	16%	0.0	0%
Others	3,237.7	23%	2,000.2	13%	9.0	0%
Foreign Securities	786.5	6%	1,432.3	9%	832.9	7%
Total	13,855.0	100%	15,592.3	100%	11,706.7	100%

Note) Bank Account only



Management's Discussion & Analysis

In 2004, the ending balance of Securities amounted to KRW11.7 trillion, falling 25% over the year. This is generally due to the bank's conservative strategy to lower the weighting of securities and heighten that of loan assets, given the possibility of interest rate upturns in the future. The bank's securities holdings will likely be maintained at the current level for the time being.

Observing the composition of securities, the portions of beneficiary certificates (BCs) and others contracted in 2004 while those of stocks, government and public bonds, corporate bonds, and financial debentures were significantly heightened. This is due to the reclassification of beneficiary certificates into stocks, bonds and others, and there were no actual dramatic changes in the composition.

3. Chohung Bank

In Billions of Korean Won

	FY 2002	FY 2003	FY 2004	Chg.	YoY
Bank Account					
Loans in Won					
Retails	15,456.5	15,823.2	15,781.4	-41.8	-0.3%
Home Equity Loan	6,755.7	6,923.1	7,864.3	941.2	13.6%
Others	8,700.8	8,900.1	7,917.1	-983.0	-11.0%
SMEs	13,213.4	14,426.8	13,651.0	-775.8	-5.4%
Large Corp.	3,742.1	2,591.5	2,900.0	308.5	11.9%
Public & Others	369.9	487.5	436.5	-51.0	-10.5%
Total	32,781.9	33,329.0	32,768.9	-560.1	-1.7%
Loans in Foreign Currencies (F/C)	3,480.8	3,165.3	1,654.1	-1,511.2	-47.7%
Credit Card Accounts	5,898.5	3,698.7	2,702.0	-996.7	-26.9%
Bills Bought in F/C	1,775.6	1,736.3	1,687.8	-48.5	-2.8%
Call Loans, RPs	655.8	351.0	198.3	-152.7	-43.5%
Others	2,361.1	2,098.3	3,683.7	1,585.4	75.6%
(Loan Loss Allowance)	-(1,604.6)	-(1,658.9)	-(992.4)	666.5	-40.2%
(Present Value Discount)	-(20.5)	-(18.0)	(0.0)	18.0	-100.0%
Total	45,328.5	42,701.7	41,702.4	-999.3	-2.3%
Trust Account	170.5	150.4	58.7	-91.7	-61.0%
Total	45,499.0	42,852.1	41,761.1	-1,091.0	-2.5%

CHB's total loans in banking accounts edged down 2.3% to KRW41,702.4 billion at 2004-end, from KRW42,701.7 billion in 2003. The decline was owing to the ongoing asset cleanup of approximately KRW1.2 trillion including aggressive write-off (KRW0.7 trillion) to control problematic customers and sale of non-performing assets (KRW0.5 billion), including the issuance of asset-backed securities (ABS) in August and November 2004.

Loans in won currency amounted to KRW32,768.9 billion as of 2004-end, down by KRW560.1 billion from KRW33,329.0 billion in 2003.

By sector, household loans reduced 0.3% (KRW41.8 billion) to KRW15.8 trillion. Mortgage loans rose 13.6% YoY (KRW941.2 billion), although total loans decreased marginally over the year, mainly due to ABS issuance and write-off. Particularly, long-term mortgage loans sold during 2004 amounted to KRW1.7 trillion, backed by strengthened operational capabilities such as the revolving of matured existing three-year mortgage loans and a active marketing in secured assets.

SME loans diminished KRW775.8 billion (5.4%) to KRW13,651.0 billion from KRW14,426.8 billion in 2003. This resulted from the bank's efforts to suppress new loans to individual businesses and SMEs who are not audited by certified public accountants, and to improve the quality of loans through write-off and ABS issuance.

Large corporate loans moved up 12% (KRW308.5 billion) to KRW2.9 trillion at 2004-end, although demand reduced amidst a heightened dependence on the direct financing market such as the issuance of corporate bonds. This was primarily due to expansions (1) in market share by five major conglomerate through the reinforcement of relationships with existing customers and (2) in quality loans of upper credit rating.

Management's Discussion & Analysis

4. Good Morning Shinhan Securities

GMSH's total assets amounted to approximately KRW3.0 trillion at 2004-end, rising slightly by 1% from a year earlier. Of these, current assets totaled KRW2,6 trillion, making up 88.6% of the total.

Customers' deposits slumped 46.3% over the year to KRW583.8 billion. However, these remained at the previous year's level taking into consideration of the temporary rise of KRW411.0 billion in subscription deposits in 2003 related to IPO for STX in 2003.

Trading securities surged 35.6% YoY to KRW1.04 trillion. Of these, bonds amounted to KRW813.8 billion, accounting for 79.4% of the total. This is attributable to a rise in the purchase of bonds for trading, following an increase in the issuance of equity-linked securities (ELS) in addition to the existing amount of bonds.

A rise of KRW537.9 billion in other current assets was the result of purchasing ELS issued by GMSH itself for hedging purposes in the ELS/warrant sector. The volume was similar to the increased amount in other current liabilities.

Loans, mainly comprised of securities-backed loans, contributed significantly to interest revenues thanks to its high margin rate.

Total liabilities amounted to KRW2.3 trillion as of 2004-end, edging down 0.5% from a year earlier.

Customers' deposits slumped 40.5% over the year to KRW614.4 billion in 2004. However, this remained at an annual average level as decreases included a slip of KRW411.0 billion in STX IPO-related deposits.

An increase of KRW714.5 billion in other current liabilities included ELS issued by GMSH, mainly in relation to ELS/warrants. Long-term borrowings plunged 98% over the year to reach KRW3.3 billion, resulting from the redemption of subordinated bonds of KRW130.0 billion and debentures of KRW31.0 billion in late September 2004.

Total shareholders' equity climbed 6.3% YoY to reach KRW678.3 billion as of 2004-end.

GMSH's Balance Sheet

In Millions of Korean Won

	CY2002	CY2003	CY2004	Chg Amt	Chg %
Current assets	1,111,778	2,566,108	2,618,111	52,003	2.0%
Deposits	512,244	1,087,498	583,865	(503,633)	-46.3%
Trading securities	379,464	764,160	1,035,878	271,718	35.6%
Loans	74,075	381,475	127,489	(253,986)	-66.6%
Others	145,994	332,975	870,879	537,904	161.5%
Non-current assets	458,467	361,910	338,072	(23,838)	-6.6%
Investment assets	156,908	151,337	128,656	(22,681)	-15.0%
Tangible assets	301,558	210,573	209,416	(1,157)	-0.5%
Total assets	1,570,244	2,928,017	2,956,183	28,166	1.0%
Current liabilities	816,862	2,125,291	2,274,535	149,244	7.0%
Call money	50,000	0	205,000	205,000	
Short-term borrowings	61,348	441,000	89,000	(352,000)	-79.8%
Customers' deposits	540,521	1,032,769	614,473	(418,296)	-40.5%
Others	164,993	651,522	1,366,062	714,540	109.7%
Long-term liabilities	165,406	164,753	3,333	(161,420)	-98.0%
Total liabilities	982,268	2,290,044	2,277,868	(12,176)	-0.5%
Total stockholders' equity	587,976	637,973	678,315	40,342	6.3%
Total liab. & stockholders' equity	1,570,244	2,928,017	2,956,183	28,166	1.0%

GMSH's stock trading volume decreased by 25% YoY to KRW73.0 trillion and the company's market share slipped 0.45% over the year to 5.62% affected by the overall bearish market conditions. In 2004, stock markets were led by foreign investors while foreign-based brokerage houses and online securities firms continued to fare well in terms of market share due to a rise in online transactions.

Consequently, domestic major players suffered sharp declines in their market share, as affected by these companies.

Management's Discussion & Analysis

However, trading values of the futures and options markets advanced 15%p and 8.3%p, respectively, over the year to KRW465.0 trillion and KRW33.0 trillion at 2004-end. Their market shares also moved up to 8.49% and 12.13%, respectively, rising 0.94%p and 2.60%p from a year earlier.

In futures and options trading, GMSH registered a strong performance in the corporate market on the strength of its specialized business systems. The company has continued its leading market position since 2002, and this bullish performance is predicted to remain steady in 2005.

Market Share

%

	CY2002	CY2003	CY2004	Chg Amt
Stocks	6.53	6.07	5.62	(0.45)
Futures	3.91	7.55	8.49	0.94
Options	4.00	9.53	12.13	2.60

Trade Volume

In Trillions of Korean Won

	CY2002	CY2003	CY2004	Chg Amt	Chg %
Stocks	135	99	74	(25)	-25.1%
Futures	156	404	465	61	+15.0%
Options	10	30	33	3	+8.3%

5. Shinhan Card

Shinhan Card's total assets amounted to KRW1,470 billion at 2004-end, down 17.3% over the year, due mainly to a decline in credit card usage and a contraction in cash advances.

Below is the summary of Shinhan Card's balance sheet at the end of 2004.

In Millions of Korean Won

	FY 2002	FY 2003	FY 2004	Chg Amt	Chg %
Assets					
Current Assets	15,958	175,675	15,905	-159,770	-90.9%
Credit Card Assets	2,439,076	1,057,167	1,427,837	370,671	35.1%
Advance Payment	1,109,226	586,826	496,805	-90,021	-15.3%
Cash Advance	953,123	327,351	104,951	-222,401	-67.9%
Card Loans	472,641	260,274	234,226	-26,048	-10.0%
Other			663,879	663,879	-
(Allowances)	(95,913)	-117,285	-72,023	45,261	-38.6%
Fixed Assets	18,661	545,350	26,183	-519,167	-95.2%
Total	2,473,694	1,778,191	1,469,925	-308,266	-17.3%
Liabilities					
Current Liabilities	1,815,992	568,900	652,053	83,153	14.6%
Long-term Liabilities	410,242	1,051,656	654,415	-397,241	-37.8%
Total	2,226,234	1,620,555	1,306,467	-314,088	-19.4%
Shareholders' Equity					
Paid-in Capital	152,847	152,847	152,847	0	0.0%
Capital Surplus	94,109	94,109	94,109	0	0.0%
Retained Earnings	503,964	-89,320	-83,498	5,822	-6.5%
Total	247,460	157,636	163,458	5,822	3.7%

During the first half of 2004, the credit card industry executed the large-scale liquidation of delinquent credit card members and contraction of higher-risk assets (such as cash advances and re-aged card loans) to reduce risk, executing corporate safeguards in the wake of the LG Card crisis. Overall credit card usage also rapidly declined, due to prolonged weak private consumption and the elimination of poor credit holders.

Management's Discussion & Analysis

In the second half, overall profitability picked up with an improvement in risk conditions including delinquency ratios and a downfall in loan loss provisions. Accordingly, credit card risk appeared to be subdued.

In such an operating environment, SH Card actively carried forward quality customer-oriented operations. Sales volume for lump-sum and installment transactions grew 4.2% YoY (30.7% when excluding those by corporate purchasing cards) even amidst an overall contraction in operations. The company reduced the volume of cash advances by 34.5% YoY to shrink high-risk cash advance assets.

The number of credit card members passed the 3 million mark, rising 8.3% over the year thanks to the company's active inducement of new quality members.

The number of affiliated merchants surged 19% YoY, exceeding 2.5 million at 2004-end, helping to consolidate its credit card infrastructure backed by steady expansion in the company's affiliated merchant network.

In Billions of Korean Won

	FY 2002	FY 2003	FY 2004				YOY
			1Q	2Q	3Q	4Q	
Members (thousand)							
Card holders	2,548	2,773	2,858	2,878	2,981	3,002	8.3%
Merchant Line	1,545	2,112	2,212	2,313	2,402	2,513	19.0%
Transaction volume (cumulative amount)							
Lump-sum	6,849.0	8,106.2	1,861.0	3,879.2	6,001.3	8,275.5	2.1%
Installment	704.6	1,036.1	306.0	589.5	895.8	1,246.9	20.3%
Cash advance	7,822.4	6,648.6	1,184.0	2,277.5	3,313.7	4,355.4	-34.5%
Total	15,376.0	15,790.9	3,350.9	6,746.2	10,210.8	13,877.8	-12.1%
Assets in balance							
General billings	1,109.2	586.8	564.0	544.2	498.6	497.7	-15.2%
(Allowance for losses)	(42.7)	(65.4)	(67.6)	(62.9)	(56.4)	(37.1)	-43.3%
Cash advances	953.1	260.3	187.7	155.0	106.8	105.0	-59.7%
(Allowance for losses)	(36.7)	(33.3)	(31.8)	(26.1)	(16.8)	(3.8)	-88.6%
Card loans	472.6	327.4	296.7	268.0	246.8	234.2	-28.5%
(Allowance for losses)	(16.5)	(18.6)	(14.5)	(10.1)	(9.0)	(7.6)	-59.2%
Other	-	-	-	-	-	663.9	
(Allowance for losses)	-	-	-	-	-	(24.4)	
Total	2,535.0	1,174.5	1,048.4	967.2	852.2	1,500.8	27.8%
(Allowance for losses)	(95.9)	(117.3)	(113.9)	(99.1)	(82.2)	(72.9)	-37.8%
Re-aged Card Loans	38.3	27.2	22.5	17.1	13.1	9.9	-63.7%

Note: including Purchase Card, reported basis

5-1. Chohung Bank Credit Card Business

(1) Business Overview

The number of credit card members as of December 2004 decreased by 12.0% (386 thousand) to 2.82 million, due to the membership cancellation of delinquents in the process of active liquidation and disposal of non-performing assets.

Credit card assets backed off 27% or KRW996.7 billion over the year to reach KRW2,702.0 billion as of 2004-end. This was because the company wrote off the majority of its non-performing assets with active risk management by continuously disposing of delinquent card holders and strengthening its screening guidelines for re-aged card loans (requiring more than 30% of partial principal payment when postponing).

Management's Discussion & Analysis

In Billions of Korean Won

	FY 2002	FY 2003	FY 2004	Chg Amt	Chg %
Members (thousand)	4,266	3,205	2,819	-386	-12.0%
Merchants (thousand)	285	253	249	-4	-1.6%
Account balance	5,898.4	3,698.7	2,702.0	-996.7	-26.9%
Lump sum	766.3	739.6	753.1	13.5	1.8%
Installment	1,601.9	790.9	564.2	-226.7	-28.7%
Cash advance	2,854.3	1,418.7	853.7	-565.0	-39.8%
Card loan	675.9	749.5	531.0	-218.5	-29.2%
(Re-aged card loans)	(539.0)	(681.9)	(496.7)	-185.2	-27.2%

(2) Credit Card Usage and Pre-provisioning Income

In Billions of Korean Won

	FY2002	FY2003	FY2004	Chg Amt	Chg %
Total transaction volume					
Lump sum	5,341.1	5,484.3	5,519.2	34.9	0.6%
Installment	4,341.5	2,504.8	2,098.5	(406.3)	-16.2%
Cash advance	20,224.3	12,585.4	6,875.5	(5,709.9)	-45.4%
Total	29,906.9	20,574.5	14,493.2	(6,081.3)	-29.6%

Total credit card sales volume slipped 29% over the year to KRW14,493.2 billion, caused by 16% declines in installment usage and 45% reductions in cash advances. This can be attributed to a decrease in the payment of installment sales, under the aggravated consumer sentiment, prolonged economic slowdowns and a sharp downturn in the volume of cash advances during the course of eliminating delinquent members.

Pre-provisioning income of the bank's credit card business fell 17% or KRW165.6 billion over the year to KRW831.4 billion in 2004. This was led by a significant reduction in cash advances.

6. Shinhan Capital

In 2004, Shinhan Capital recorded total assets of KRW1.32 trillion to see a rise of 14.5% (KRW167.0 billion) over the year, stemming from gains in loans and other investment assets.

By sector, loans and other assets (including stocks and bonds) ballooned by a respective 95.8% and 22.2% over the year. Lease assets and installment financing assets marginally decreased. This is because the company (1) contracted leasing for public organizations with relatively lower margins behind the activation of CRC and real estate PF operations, and (2) diversified ship financing into a form of loans, breaking away from leasing only practices.

Borrowings amounted to KRW1.0 trillion, up 11.2% (KRW102.2 billion) at 2004-end, with borrowings from Shinhan Financial Group, its parent company, accounting for 62.7% (KRW635.6 billion). The increase in borrowings from SFG is due to the company's efforts to maximize synergies from a funding perspective, as it was able to reduce average funding costs by about 100 basis points when borrowing through SFG, which boasts a domestic credit rating of "AAA."

Management's Discussion & Analysis

In Millions of Korean Won

	FY 2002	FY 2003	FY 2004	Chg Amt	Chg %
Assets					
Current assets	74,742	85,063	136,664	51,601	60.7%
Loans/Factoring	114,585	203,630	398,693	195,063	95.8%
Installment Financing	22,226	22,770	20,647	-2,123	-9.3%
Lease Assets	703,227	771,062	677,725	-93,337	-12.1%
Others	45,454	71,382	87,200	15,818	22.2%
Total	960,234	1,153,907	1,320,929	167,022	14.5%
Liabilities					
Borrowings	788,040	911,043	1,013,300	102,257	11.2%
Others	88,511	140,640	188,282	47,642	33.9%
Total	876,551	1,051,683	1,201,582	149,899	14.3%
Shareholders' Capital					
Paid-in Capital	80,000	80,000	80,000	0	0.0%
Retained Earnings	7,098	22,852	37,908	15,056	65.9%
Capital Adjustment	-3,414	-628	1,439	2,067	
Total	83,683	102,224	119,347	17,123	16.8%

7. Shinhan BNP Paribas ITMC

In Billions of Korean Won

	FY 2002	FY 2003	FY 2004	Chg Amt	Chg %
Assets	47.1	49.1	49.5	0.4	0.8%
(Cash and Due)	29.8	30.9	22.2	-8.7	-28.2%
(Trading Securities)	12.7	9.6	19.8	10.2	106.3%
Bonds	9.5	9.6	19.8	10.2	106.3%
Others	3.2	-	-	-	-
Liabilities	1.9	3.0	3.8	0.8	26.7%
(Short-term Borrowings)	1.5	2.5	3.5	1.0	40.0%
(Long-term Borrowings)	0.4	0.4	0.3	-0.1	-25.0%
Shareholders' Equity	45.2	46.1	45.6	-0.5	-1.1%
(Paid-in Capital)	40.0	40.0	40.0	0.0	0.0%
(Retained Earnings)	5.2	6.1	5.6	-0.5	-8.2%

Total assets at Shinhan BNP Paribas Investment Trust Management Company (SH BNPP ITMC) increased by 0.8% (+KRW0.4 billion). The gain in liabilities reflects unpaid amount costs such as employee incentives and other general administrative costs for the fiscal year 2004 (as of March 2005).

With the new liberalization of the asset management business during 2004 several factors contributed to its development in Korea, including a continuing trend for low interest rates. The traditionally low penetration of investment products among retail customers has started to pick up since the second half of 2004, showing signs of future growth.



Management's Discussion & Analysis

Assets Under Management in Industry

In Billions of Korean Won

	FY 2002	FY 2003	FY 2004	Chg Amt	Chg %
Total AUM	164,050.6	135,101.4	171,457.5	36,356.1	26.9%
Equity Funds	54,537.4	40,391.3	38,157.2	-2,234.1	-5.5%
Bond Funds	60,031.0	52,658.0	74,582.4	21,924.4	41.6%
MMF	49,482.2	42,052.2	58,717.8	16,665.6	39.6%

Under such favorable conditions, SH BNPP managed to outperform the market by increasing its AUM by 28.5% YoY (+KRW1.3 trillion) at 2004-end. Such growth was only possible thanks to well coordinated synergy among SFG's distribution channels and SH BNPP's product development skills. With solid support from BNP PAM, SH BNPP has started to develop an image as an innovative provider of investment products in Korea.

SH ITMC's AUM

In Billions of Korean Won

	FY 2002	FY 2003	FY 2004	Chg Amt	Chg %
Total AUM	4,618.5	4,725.7	6,071.4	1,345.7	28.48%
Equity Funds	453.5	327.7	748.0	420.3	128.3%
Equity	53.6	76.8	138.4	61.6	80.2%
Hybrid	399.9	250.9	609.6	358.7	143.0%
Bond Funds	2,544.5	3,244.4	3,360.4	116.0	3.6%
Long-term	208.2	383.8	819.5	435.7	113.5%
Short-term	2,336.3	2,860.6	2,540.9	-319.7	-11.2%
MMF	1,620.5	1,153.6	1,963.0	809.4	70.2%

8. Jeju Bank

Total assets of Jeju Bank increased 5% over the year to KRW1.87 trillion at the end of 2004. Of these, loans increased KRW40.0 billion while short-term trading securities and available-for-sale securities advanced 61% and 22%, respectively, over the year.

A detailed breakdown indicates that the bank's loans increased marginally, while its trading securities (KRW32.0 billion) were drastically reduced. Total liabilities also edged up 5% over the year to KRW1.76 trillion, with deposits increasing KRW89.5 billion and other liabilities falling by 7% over the year.

Won-currency loans marginally contracted in comparison to 2003 results. SME loans and large corporate loans advanced by KRW20.9 billion (2.7%) and KRW10.5 billion (244.2%) while retail loans declined KRW40.7 billion (9.0%).

At the end of 2004, Jeju Bank's loans were comprised of SME loans (63.8%), household loans (33.6%), large corporate loans (1.2%), and public & other loans (1.4%).

Management's Discussion & Analysis

In Billions of Korean Won

	<i>FY 2002</i>	<i>FY 2003</i>	<i>FY 2004</i>	<i>Chg Amt</i>	<i>Chg %</i>
Assets					
Cash & Due from Bank	59.5	72.5	71.5	-1.0	-1%
Trading Securities	50.7	18.6	30.0	11.4	61%
Investment Securities	225.9	224.5	273.6	49.1	22%
Loans	1,317.8	1,326.1	1,366.1	40.0	3%
Fixed Assets	55.0	52.2	50.6	-1.6	-3%
Other Assets	91.8	92.1	80.6	-11.5	-12%
Total Assets	1,800.6	1,786.0	1,872.4	86.4	5%
Liabilities					
Deposits	1,399.1	1,438.3	1,527.8	89.5	6%
Borrowings	106.3	83.3	83.9	0.6	1%
Debentures	35.0	35.0	35.0	0.0	0%
Other Liabilities	159.2	125.8	117.2	-8.6	-7%
Total Liabilities	1,699.6	1,683.4	1,763.9	80.5	5%
Stockholders' Equity					
Capital Stock	77.6	77.6	77.6	0.0	0%
Capital Surplus	10.3	10.3	10.3	0.0	0%
Retained Earnings	8.4	13.2	19.5	6.3	48%
Capital Adjustment	4.7	2.5	1.1	-1.4	-56%
Total Stockholders' Equity	101.1	103.6	108.5	4.9	5%
Total Liabilities and Stockholders' Equity	1,800.6	1,786.0	1,872.4	86.4	5%

Note: Bank Account only

Bank's Loan Portfolio

In Billions of Korean Won

	<i>FY 2002</i>	<i>FY 2003</i>	<i>FY 2004</i>	<i>Chg Amt</i>	<i>Chg %</i>	<i>Portfolio</i>
Corporate	724.4	767.7	799.1	31.4	4.1%	65.0%
SME	712.5	763.4	784.3	20.9	2.7%	63.8%
Large Corp.	11.9	4.3	14.8	10.5	244.2%	1.2%
Retail	439.5	453.8	413.1	-40.7	-9.0%	33.6%
Public & Others	32.2	18.9	16.7	-2.2	-11.6%	1.4%
Total Loans in Korean Won	1,196.1	1,240.4	1,228.9	-11.5	-0.9%	100.0%

Note: Bank Account only



Management's Discussion & Analysis

IV. Asset Quality

1. Shinhan Financial Group

In Billions of Korean Won

	FY2002	FY2003	FY2004	YoY
Normal	92,065.1	92,408.5	95,535.7	3.4%
Precautionary	2,707.1	2,980.8	2,427.7	-18.6%
Substandard	1,056.8	1,877.6	892.7	-52.5%
Doubtful	1,274.5	971.2	420.1	-56.7%
Estimated Loss	376.7	596.0	389.3	-34.7%
Total	97,480.2	98,834.1	99,665.4	0.8%
Bad Loan ratio	1.69%	1.59%	0.81%	-0.77%p
Substandard & below ratio	2.78%	3.49%	1.71%	-1.78%p
Precautionary & below ratio	5.56%	6.50%	4.14%	-2.36%p
Provisions	2,574.4	2,823.1	1,941.8	-31.2%
Coverage Ratio against				
Bad Loans	155.9%	180.1%	239.9%	59.8%p
Substandard & below	95.1%	82.0%	114.1%	32.1%p
Precautionary & below	47.5%	43.9%	47.0%	3.1%p

As of 2004-end, SFG's total loans amounted to KRW99.7 trillion. This represented an increase of 0.8% (KRW0.83 billion) over the year, led by a rise of KRW3.2 trillion in SHB's total loans. At the same time, total loans of CHB and SH Card decreased by KRW1.9 trillion and KRW396.4 billion, respectively.

SFG has accomplished the most remarkable outcome of 2004 in terms of asset quality. The Group's ratio of substandard and below loans, which struggled up to 3.49% in 2003 due to the acquisition of CHB, was lowered to less than half of this amount by 2004-end, down to an astonishing 1.71%. The coverage ratio against substandard and below loans also significantly stabilized to 114.1% at 2004-end from 82.0% in 2003.

Such a dramatic turnaround of CHB's asset quality within a year was attributed to the bank's utmost endeavors for write-offs of NPLs and appropriate loss provisioning, as well as deterring the generation of additional NPLs. It also proved SFG's outstanding risk management capabilities. SFG has applied strict guidelines to ensure asset quality management, and will continue maintaining Korea's top-tier asset quality for all its subsidiaries as well.

Management's Discussion & Analysis

2. Shinhan Bank

(1) Classification of Asset Quality and Coverage Ratio

In Billions of Korean Won

	FY2002	FY2003	FY2004	YoY
Normal	42,005.8	46,916.7	50,287.7	7.2%
Precautionary	643.8	832.9	1,007.0	20.9%
Substandard	487.5	895.6	539.0	-39.8%
Doubtful	57.2	54.5	39.6	-27.3%
Estimated Loss	71.7	121.6	144.9	19.2%
Total	43,266.0	48,821.3	52,018.2	6.5%
Bad Loan ratio	0.30%	0.36%	0.35%	-0.01%p
Substandard & below ratio	1.42%	2.20%	1.39%	-0.80%p
Precautionary & below ratio	2.91%	3.90%	3.33%	-0.57%p
Provisions	565.5	855.2	726.1	-15.1%
Coverage Ratio against				
Bad Loans	438.7%	485.6%	393.5%	-92.1%p
Substandard & below	91.7%	79.8%	100.4%	20.6%p
Precautionary & below	44.9%	44.9%	42.0%	-2.9%p

As of the end of 2004, total loans of Shinhan Bank increased 6.5% YoY to KRW 52 trillion, showing balanced growth in household and corporate loans. In terms of asset quality, precautionary loans rose sharply behind a plunge in substandard and below loans. This was mainly due to the change and reclassification of SK Network and LG Card's corporate loans from subordinated into precautionary.

Substandard and below loans and precautionary and below loans improved 0.80%p and 0.57%p, respectively, over the year, while the coverage ratio against substandard and below loans surged 20.6%p YoY to 100.4% at 2004-end, presenting the highest-level loan loss provisioning ratio within the few last years.

The details of asset disposals and depreciation by year are shown below.

In Billions of Korean Won

	FY2002	FY2003	FY2004
NPL Sale	0.0	0.0	0.0
ABS Issue	116.1	0.0	153.3
Write-off	111.1	62.8	180.1
Total	227.2	62.8	333.4



Management's Discussion & Analysis

The ratio of loan loss provisions to total loans stood at 1.4% at 2004-end. By sector, the ratio posted 1.2% for household loans and 1.6% for corporate loans. SHB has carried forward conservative asset quality classification and loan loss provisioning practices, as a policy and accordingly, accumulated more loan loss provisions by asset quality classification than recommended by FSS guidelines. The table below shows SHB's loan loss provision ratios by loan quality classification.

In Billions of Korean Won

	<i>Normal</i>	<i>Precaut.</i>	<i>Substandard</i>	<i>Doubtful</i>	<i>Est. Loss</i>	<i>Total</i>
Asset Classification	50,287.7	1,007.0	539.0	39.6	144.9	52,018.2
Corporate	29,512.2	949.2	315.0	28.4	113.9	30,918.7
Household	20,388.4	57.3	224.0	11.2	31.0	20,711.9
Provisions	374.6	66.7	108.0	32.6	144.1	726.1
Corporate	216.2	62.1	63.0	27.0	113.5	481.9
Household	154.9	4.6	45.1	5.6	30.6	240.7
Provision Ratio	0.7%	6.6%	20.0%	82.3%	99.4%	1.4%
Corporate	0.7%	6.5%	20.0%	95.0%	99.6%	1.6%
Household	0.8%	8.0%	20.1%	50.0%	98.7%	1.2%

Note 1: As of the end of 2004

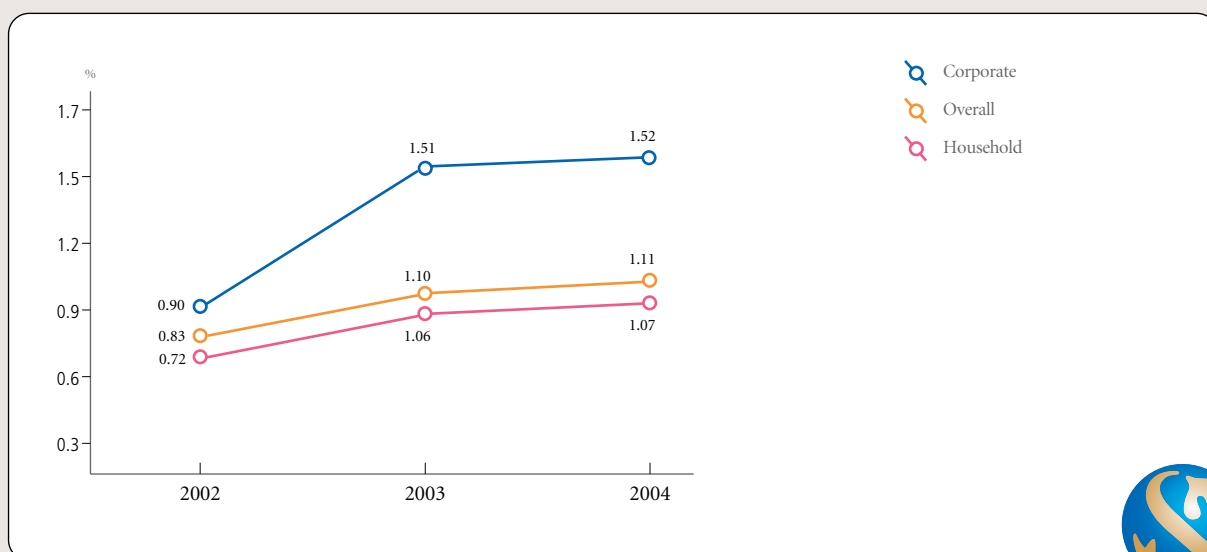
(2) Delinquency Ratio

	2002.12	2003.12	2004			
			1Q	2Q	3Q	4Q
Overall	0.83%	1.10%	1.35%	1.17%	1.34%	1.11%
Retail	0.72%	1.06%	1.26%	1.02%	1.16%	1.07%
Corporate	0.90%	1.51%	1.82%	1.64%	1.88%	1.52%
SME	1.07%	1.75%	2.11%	1.91%	2.20%	1.80%
Large Corp.	1.42%	0.26%	0.50%	0.11%	0.08%	0.01%

Note) Retail & Corporate delinquency ratios are based on 'Loans in Korean Won' only.

Management's Discussion & Analysis

In 2004, SHB's delinquency ratios by sector surged during the first quarter before settling back to 2003 levels by year-end. Overall delinquency ratio stood at 1.11%, while those for household loans and corporate loans among won-currency loans amounted to 1.07% and 1.52%, respectively. Banks in Korea experienced serious difficulties throughout the year, particularly in the SME sector, due to sluggish domestic demand and dampened corporate activities. However, SHB has continuously posted the most satisfactory delinquency ratios since its establishment in Korea, on the back of its high volumes transactions with financially healthy companies and straight risk management.



3. Chohung Bank

In Billions of Korean Won

	FY2002	FY2003	FY2004	YoY	
				Chg Amt	Chg %
Normal	45,547.0	40,934.5	40,912.2	-22.3	-0.1%
Precautionary	1,891.4	1,789.5	1,216.2	-573.3	-32.0%
Substandard	477.4	941.2	327.9	-613.3	-65.2%
Doubtful	1,150.4	816.8	314.5	-502.3	-61.5%
Estimated Loss	220.8	407.8	190.8	-217.0	-53.2%
Total	49,287.0	44,889.8	42,961.6	-1,928.2	-4.3%
Bad Loan ratio	2.78%	2.73%	1.18%	-	-1.55%p
Substandard & below ratio	3.75%	4.82%	1.94%	-	-2.88%p
Precautionary & below ratio	7.59%	8.81%	4.77%	-	-4.04%p
Provisions	1,755.1	1,751.3	1,053.0	-698.3	-39.9%
Coverage Ratio against					
Bad loans	128.0%	143.0%	208.4%	-	65.4%p
Substandard & below	94.9%	80.9%	126.4%	-	45.5%p
Precautionary & below	46.9%	44.3%	51.4%	-	7.1%p

Note: Bad loans are defined as 'Doubtful + Estimated Loss.'



Management's Discussion & Analysis

CHB's NPL ratio fell 2.88%p over the year to 1.94% as of 2004-end from 4.82% in 2003. Non-performing assets also sharply contracted on the back of active charge-offs and asset disposal through ABS issuance. The ratio of precautionary and below loans dropped significantly as well, by 4.04%p to 4.77% at 2004-end down from 8.81% in 2003.

The loan loss provision balance fell by approximately KRW700.0 billion to KRW1,053.0 billion at 2004-end, chiseled down from W1,751.3 billion in 2003. The coverage ratio for substandard and below loans was maintained at 126.4%, much higher than that of domestic competitors. This was mainly attributed to the bank's additional provisioning of KRW90.0 billion against doubtful loans.

4. Shinhan Card

Shinhan Card's substandard and below loans and precautionary and below loans to total loans backed off by a respective 1.21%p and 4.34%p over the year to 2.63% and 9.25% at 2004-end, thanks to the active liquidation of delinquent credit card members and quality member-centered operations.

The company secured the year's most satisfactory asset quality among domestic credit card issuers, as a result of multifaceted endeavors to advance asset soundness and bring management back on track early. Such activities included the disposal of non-performing assets, reductions in delinquencies and cash advances, and the expansion of financially healthy new members.

Credit Card Asset Classification

In Billions of Korean Won

	FY 2002	FY 2003	FY 2004				YoY
			1Q	2Q	3Q	4Q	
Asset Classification							
Normal	2,352.9	2,072.3	1,801.1	1,744.8	1,777.9	1,818.6	-12.2%
Precautionary	104.3	233.9	217.0	184.7	152.6	132.7	-43.3%
Substandard	0.0	0.0	0.0	0.0	0.0	0.0	-
Doubtful	45.3	68.4	71.1	54.8	45.6	37.7	-44.9%
Estimated Loss	32.8	23.6	23.1	25.8	17.3	15.0	-36.4%
Total Credit	2,535.2	2,398.2	2,112.3	2,010.2	1,993.4	2,004.0	-16.4%
NPL Ratio							
Substandard & below	3.08%	3.84%	4.46%	4.01%	3.16%	2.63%	-1.21%p
Precautionary & below	7.19%	13.59%	14.73%	13.20%	10.81%	9.25%	-4.34%p
Provisions							
	95.9	119.3	113.9	99.1	82.2	72.9	-38.9%
NPL Coverage Ratio							
Substandard & below	122.8%	129.7%	120.9%	122.9%	130.7%	138.3%	8.66%p
Precautionary & below	52.6%	36.6%	36.6%	37.3%	38.1%	39.3%	2.71%p

Note: including Purchase Card, managed basis

Shinhan Card's over one month delinquency ratio and over one day delinquency ratio posted the industry's best levels with a decline of 2.3%p and 3.7%p, respectively, down to 3.8% and 4.84% as of 2004-end. This was led by business normalization through the large-scale cancellation of delinquent memberships and write-offs, plus a downturn in the generation of delinquencies due to the inducement of new quality members during 2004.

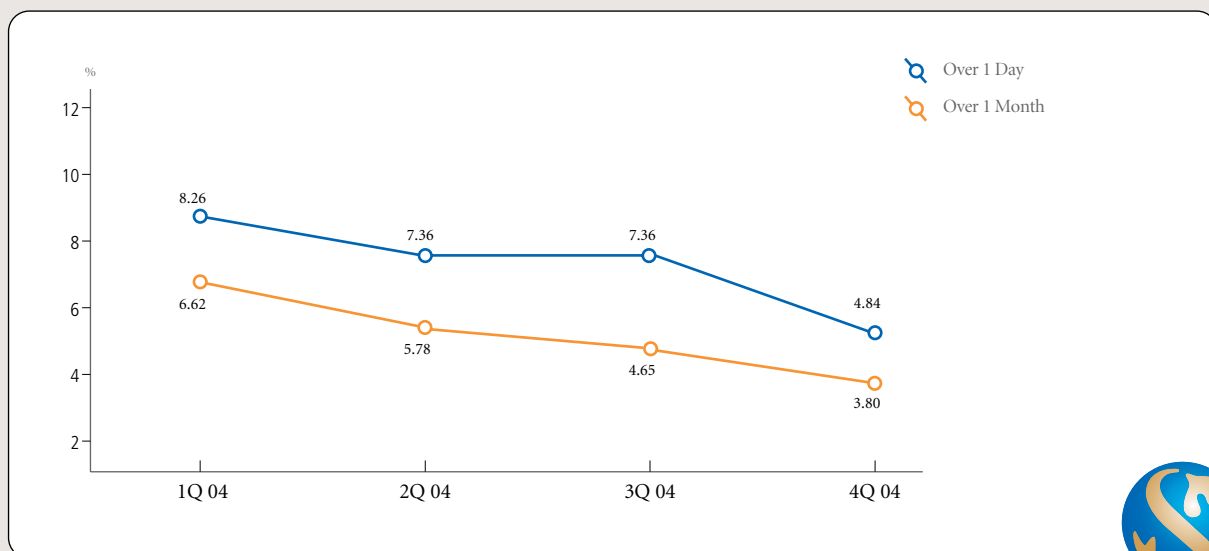
Management's Discussion & Analysis

Shinhan Card Delinquency Ratios

In Billions of Korean Won

	FY 2002	FY 2003	FY 2004				YoY
			1Q	2Q	3Q	4Q	
Delinquency Amount							
Over 1 Month	132.9	147.4	139.9	116.1	92.6	76.2	-48.3%
Over 1 Day	233.3	205.6	174.4	148.0	146.7	97.0	-52.8%
Delinquency Ratio							
Over 1 Month	5.24%	6.15%	6.62%	5.78%	4.65%	3.80%	-2.3%P
Over 1 Day	9.20%	8.57%	8.26%	7.36%	7.36%	4.84%	-3.7%P
NPL Sold and Written-off							
NPL Sold	0.0	450.6	0.0	0.0	0.0	0.0	n.a
Written-off	54.3	277.0	64.5	128.8	187.9	233.0	-15.9%
Total	54.3	727.7	64.5	128.8	187.9	233.0	-68.0%

Note: Based on Shinhan Card(including purchase card) / Managed basis



Management's Discussion & Analysis

4-1. Chohung Bank Credit Card

(1) Asset Quality

In Billions of Korean Won

	FY 2003	FY 2004				YoY
		1Q	2Q	3Q	4Q	
Asset Classification	3,698.6	3,322.5	3,080.0	3,159.9	2,702.0	-26.9%
Normal	2,678.3	2,467.0	2,371.2	2,521.1	2,253.1	-15.9%
Precautionary	594.5	415.6	311.9	279.3	250.2	-57.9%
Substandard	0.9	2.0	2.4	2.4	1.7	91.1%
Doubtful	361.8	371.1	312.9	262.3	134.7	-62.8%
Estimated Loss	63.1	66.8	81.5	94.8	62.3	-1.3%
NPL Ratio						
Substandard & below	11.51%	13.24%	12.88%	11.38%	7.35%	-4.2%p
Precautionary & below	27.59%	25.75%	23.01%	20.22%	16.61%	-11.0%p
Provisions	378.6	364.4	330.9	330.6	221.0	-157.6
NPL Coverage Ratio						
Substandard & below	88.9%	82.8%	83.4%	92.0%	111.2%	22.3%p
Precautionary & below	37.1%	42.6%	46.7%	51.8%	49.2%	12.1%p

The ratio of substandard and below loans to total loans as of 2004 decreased 4.16%p over the year to 7.35%, mainly due to an improvement in asset quality, following the bank's efforts to control asset growth and liquidate delinquent members. Coverage ratio against substandard and below loans sharply improved 22%p to 111.2% at 2004-end, led by the additional provisioning of KRW25.0 billion for doubtful loans.

(2) Delinquency Ratios

In Billions of Korean Won

	FY 2003	FY 2004				YoY
		1Q	2Q	3Q	4Q	
Toatal Credit Card Blance	3,698.7	3,322.5	3,080.0	3,159.9	2,702.0	-26.9%
Delinquency Amount						
Over 1 Day	413.7	348.8	280.3	272.8	150.6	-63.6%
Over 1 Month	274.3	255.1	200.1	170.8	97.8	-64.3%
Delinquency Ratio						
Over 1 Day	11.19%	10.50%	9.10%	8.63%	5.57%	-5.6%p
Over 1 Month	7.42%	7.68%	6.50%	5.41%	3.62%	-3.8%p
Re-aged Loans	681.9	723.4	713.7	665.5	496.7	-27.2%
Delinquency Amount						
Over 1 Day	116.5	131.2	151.1	139.6	78.2	-32.9%
Over 1 Month	77.4	86.3	110.1	101.5	49.5	-36.00%
Delinquency Ratio						
Over 1 Day	17.08%	18.14%	21.17%	20.98%	15.74%	-1.3%p
Over 1 Month	11.35%	11.93%	15.43%	15.25%	9.97%	-1.4%p

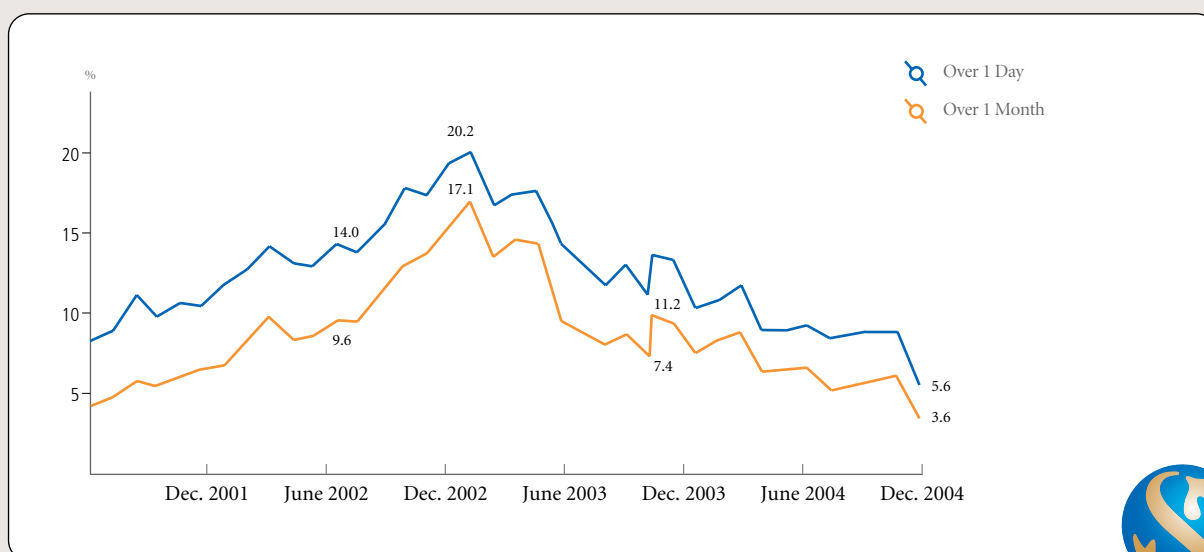
Note: including Purchase Card, managed basis

Management's Discussion & Analysis

The over one day delinquency ratio sharply declined 5.6%p over the year to 5.57% at 2004-end, while over one month delinquency ratio also backed off sharply alongside the improvement of asset soundness. The re-aged card loan balance diminished by 27% (KRW185.2 billion) over the year to KRW496.7 billion, as the company preemptively blocked the generation of additional delinquencies with active write-offs and reinforced screening guidelines.

The following table illustrates change in asset quality and delinquency ratio by quarter.

* Change in Credit Card Delinquency Ratios



5. Jeju Bank

In Billions of Korean Won

	FY 2002	FY 2003	FY 2004	Chg Amt	Chg %
Total Credit	1,281.6	1,312.5	1,298.7	-13.8	-1.05%
Substandard & below (Ratio)	33.6 2.62%	38.0 2.90%	36.6 2.82%	-1.4 -0.08%p	-3.68% -2.82%
Precautionary & below (Ratio)	83.1 6.48%	137.9 10.51%	101.6 7.82%	-36.3 -2.69%p	-26.32% -25.56%
Provisions for Loan Losses	28.2	34.6	32.2	-2.4	-6.94%
Coverage Ratio					
Substandard & below	83.80%	91.05%	87.98%	-3.07%p	-3.37%
Precautionary & below	33.89%	25.09%	31.69%	6.60%p	26.31%
Delinquency Ratio	3.63%	3.15%	2.27%	-0.88%p	-27.94%



Management's Discussion & Analysis

As of 2004-end, Jeju Bank's total loans decreased KRW13.8 billion over the year to KRW1,298.7 billion. The ratios of substandard and below loans and precautionary and below loans to total loans also declined 0.08%p and 2.69%p, respectively, to 2.82% and 7.82% at 2004-end.

The bank's loan loss provision coverage ratios for substandard and below loans and precautionary and below loans stood at a respective 87.98% and 31.69% by 2004-end, presenting a year-on-year decline of 3.07%p for the former and an ascent of 6.60%p for the latter. The bank is believed to have set aside appropriate levels of loan loss provisions for the mitigation of its current credit risk.

The bank's delinquency ratio stood at 2.27% at 2004-end, slipping 0.88%p over the year.

V. Capital Adequacy Ratio

1. Shinhan Financial Group

Capital Adequacy Ratio = Net Capital / Required Capital
 = KRW9,867.9 billion / KRW7,625.3 billion = 129.4%

※ Minimum Guideline by FSS : 100%

2. Shinhan Bank

In Billions of Korean Won

	2002. 12	2003. 12	2004. 12	YoY
Capital	4,407.6	4,936.5	5,801.6	17.5%
Tier 1	2,749.4	2,984.8	3,618.3	21.2%
Tier 2	1,658.0	1,951.7	2,183.3	11.9%
Risk-weighted Assets	40,358.2	47,064.9	48,579.0	3.2%
BIS Capital Adequacy Ratio	10.92%	10.49%	11.94%	1.45%p
Tier 1 Ratio	6.81%	6.34%	7.45%	1.11%p
Tier 2 Ratio	4.11%	4.15%	4.49%	0.35%p

Note: 2002.12 based on credit risk, 2003.12 & 2004.12 based on Market risk

At the end of 2004, SHB's BIS ratio stood at 11.94%, up 1.45%p over the year. Both the Tier 1 ratio and Tier 2 ratio advanced, growing 1.11%p and 0.35%p, respectively.

The rise in BIS ratio was due to (1) an increase in retained earnings following the accomplishment of a large-scale net income (KRW844.1 billion) and (2) a rise in Tier 1 capital behind the issuance of hybrid securities (KRW222.5 billion). It was also attributed to an expansion in Tier 2 capital mainly through the issuance of Upper Tier 2 securities (USD50 million) and Lower Tier 2 securities (KRW350 billion) in a form of refunding for the redemption of maturing securities.

Risk-weighted assets edged up 3.2% over the year, and capital surged 17.5% YoY to result in a sharp ascent in BIS ratio. Risk-weighted assets moved up only KRW1.5 trillion despite the swelling of total loans by KRW 3.2 trillion, because a considerable portion of loan assets were covered by home equity loans. Currently, the bank's BIS capital adequacy ratio remains at the industry's top-tier level in Korea.

Management's Discussion & Analysis

3. Chohung Bank

In Billions of Korean Won

	2002. 12	2003. 12	2004. 12	YoY
Capital	3,708.8	3,572.4	3,815.7	6.8%
Tier 1	1,973.1	1,800.9	2,023.1	12.3%
Tier 2	1,735.7	1,771.5	1,792.7	1.2%
Risk-weighted Assets	42,840.9	40,260.9	40,580.9	0.8%
BIS Capital Adequacy Ratio	8.66%	8.87%	9.40%	0.53%p
Tier 1 Ratio	4.61%	4.47%	4.99%	0.52%p
Tier 2 Ratio	4.05%	4.40%	4.42%	0.02%p

Note: Based on Market risk

At 2004-end, CHB's BIS capital adequacy ratio increased by 0.53 percentage points to 9.40%. Total qualifying capital rose 6.8% over the year to KRW3,815.7 billion from KRW3,572.4 billion in 2003, but risk-weighted assets only marginally increased to KRW40,580.9bn, leading to an improvement in BIS ratio.

Tier 1 capital went up 12.3% over the year to KRW2,023.1 billion from KRW1,800.9 billion in the prior year. This was led by the generation of net income in 2004, despite a loss of KRW59.3 billion from disposal of treasury stocks following stock swaps with SFG. Tier 1 capital ratio also climbed to 4.99% from 4.47% in 2003.

Tier 2 capital increased 1.2% to KRW1,792.7 billion from KRW1,771.5 billion in 2003, principally caused by the issuance of foreign-currency subordinated debts of USD400 million and a rise in valuation gains on investment securities. The BIS capital recognized experienced a slight contraction, as Tier 2 capital cannot exceed Tier 1 capital.

As a result of share swaps on June 22, 2004, CHB held 8,985,567 shares in Shinhan Financial Group that the bank received in exchange for its treasury shares. These were acquired pursuant to the exercise of dissenter's rights by its shareholders, in connection with a small-scale share swap by Shinhan Financial Group to acquire the remaining minority interest in CHB.



Management's Discussion & Analysis

4. Good Morning Shinhan Securities

Capital Adequacy Ratio = Operational Net Capital / Total Risk
= KRW421.2 billion / KRW96.1 billion = 438.4%
※ Minimum Guideline by FSS: 150.0% (300% to conduct OTC derivatives business)

5. Shinhan Card

Capital Adequacy Ratio = Adjusted Capital / Adjusted Total Assets
= KRW260.9 billion / KRW1,583.4 billion = 16.5%
※ Minimum Guideline by FSS: 8.0%

6. Shinhan Capital

Capital Adequacy Ratio = Adjusted Capital / Adjusted Total Assets
= KRW149.6 billion / KRW1,280.7 billion = 11.7%
※ Minimum Guideline by FSS: 7.0%

7. Jeju Bank

Total Capital	KRW134.4 billion
Tier 1	KRW103.4 billion
Tier 2	KRW31.0 billion
Risk-weighted Assets	KRW1,232.2 billion

BIS Ratio	10.91%
Tier 1	8.40%
Tier 2	2.51%

※ Minimum Guideline by FSS : 8%

Independent Auditors' Report

Based on a report originally issued in Korean

KPMG Samjong Accounting Corp.



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To the Board of Directors and Stockholders Shinhan Financial Group Co., Ltd.:

We have audited the accompanying non-consolidated balance sheets of Shinhan Financial Group Co., Ltd. (the "Company") as of December 31, 2004, and 2003, and the related non-consolidated statements of income, appropriation of retained earnings and cash flows for the years then ended. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2004 and 2003, and the results of its operations, the changes in its retained earnings and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

The accompanying non-consolidated financial statements as of and for the years ended December 31, 2004 and 2003 have been translated into United States dollars solely for the convenience of the reader and on the basis set forth in Note 2(b) to the non-consolidated financial statements.

Without qualifying our opinion, we draw attention to the following:

As discussed in note 2(a) to the non-consolidated financial statements, accounting principles and auditing standards and their application in practice vary among countries. The accompanying non-consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying non-consolidated financial statements are for use by those knowledgeable about Korean accounting procedures and auditing standards and their application in practice.

As described in Note 1(a) to the non-consolidated financial statements, on March 3, 2004, Shinhan Bank sold 10.2% (29,873,295 shares) of total outstanding shares in the Company for ₩627,339 million (₩21,000 per share), through after-hour block trading.



As described in Note 1(b) to the non-consolidated financial statements, the Company decided to acquire 18.85% of minority shares in Chohung Bank through tender offer and share exchange, at the Board of Directors' Meeting held on April 12, 2004, and provided a tender offer for 3.77% of shares in Chohung Bank at ₩3,500 per share from April 26, 2004 to May 17, 2004. With respect to share exchange for 15.08% of shares in Chohung Bank, the shareholders, who were against the share exchange, were entitled for a right to sell their shares at ₩3,067 per share from May 25, 2004 to June 3, 2004, with a resolution of an extraordinary shareholders' meeting of Chohung Bank held on May 24, 2004, and the remaining shares were subject to share exchange, at the exchange ratio of 0.1354 share in the Company to each Chohung Bank share, on June 22, 2004. As a result, the Company's percentage of ownership increased to 100% and Chohung Bank became a wholly-owned subsidiary of the Company. Upon the acquisition of 66,363,126 shares in Chohung Bank from shareholders, who were against the share exchange, Chohung Bank became the shareholder of the Company with 8,985,567 shares of common stock in the Company.

As described in Note 1(c) to the non-consolidated financial statements, the Company decided to incorporate Goodmorning Shinhan Securities as a wholly owned subsidiary of the Company through tender offer and share exchange, at the Board of Directors' Meeting held on September 17, 2004. Pursuant to the resolution, the Company provided a tender offer for 11.99% of preferred shares in Goodmorning Shinhan Securities at ₩2,500 per from September 24, 2004 to October 13, 2004, and the Company purchased 8.95% of preferred shares at the market and through over the counter trading during the period. Additionally, the Company purchased 27.26% of preferred shares in Goodmorning Shinhan Securities at ₩2,495 per share in cash, which shares were held by Goodmorning Shinhan Securities, and with respect to the remaining shares, one share of common and preferred stock of Goodmorning Shinhan Securities were exchanged for 0.1633 share and 0.0977 share in the Company, respectively, on December 23, 2004. As a result, the Company's percentage of ownership increased to 100% and Goodmorning Shinhan Securities became a wholly-owned subsidiary of the Company.

As described in Note 1(k) to the non-consolidated financial statements, on April 29, 2004, the Company decided to acquire 49% of total outstanding shares in Shinhan Credit Information Co., Ltd. from LSH Holdings LLC. As a result, on March 21, 2004, Shinhan Credit Information Co., Ltd. became a wholly-owned subsidiary of the Company.

As described in Note 1(l) to the non-consolidated financial statements, on December 16, 2004, the Company incorporated Shinhan Private Equity ("Shinhan PE"), which is engaged in providing financial advisory services and operating assistance to domestic and overseas private equity funds.

As described in Note 2(c) and 24 to the non-consolidated financial statements, effective January 1, 2004, Company has adopted Statements of Korean Financial Accounting Standards (the "SKAS") No. 10 "Inventories", No. 12 "Construction-type Contracts" and No. 13 "Troubled Debt Structuring", in addition, the Company has adopted SKAS No. 15 "Equity Method of Accounting", effective from the first fiscal year beginning after December 31, 2004 with encouraged earlier application. As a result, the effect from application of those accounting standards was to decrease investment securities accounted for by the equity method and capital adjustments by ₩226,808 million and ₩227,622 million, and increase retained earnings and net income by ₩814 million and ₩1,007 million, respectively, as of December 31, 2004. Additionally, non-consolidated financial statements as of and for the year ended December 31, 2003, which are presented for comparative purposes, were retroactively restated, as a result, investment securities accounted for by the equity method, retained earnings and capital adjustments decrease by ₩594,146 million, ₩1,821 million and ₩593,139 million, respectively, as of December 31, 2003.

As described in Note 4 to the non-consolidated financial statements, as of December 31, 2004, Shinhan Bank and Chohung Bank had loans receivable and others (including securities) in the total amounts of ₩173,848 million and ₩164,090 million, respectively, which had been provided to LG Card Co., Ltd., an entity that has been under control by creditor banks due to its liquidity crisis. For those loans, Shinhan Bank and Chohung Bank provided ₩13,661 million and ₩14,764 million, respectively, of allowance for loan losses as of December 31, 2004. Actual losses on those loans might differ materially from management's assessment. The accompanying non-consolidated financial statements did not reflect the impact of the uncertainty on the financial position of the Company when its holdings in Shinhan Bank and Chohung Bank were accounted for using the equity method. In addition, for the year ended December 31,

Independent Auditors' Report

Based on a report originally issued in Korean

2004, Shinhan Bank and Chohung Bank provided ₩81,000 million and ₩73,400 million, respectively, of additional loans, and converted ₩162,300 million and ₩147,100 million, respectively, of loans to equity shares.

As described in Note 4 to the non-consolidated financial statements, as of December 31, 2004, Shinhan Bank and Chohung Bank had loans receivable and others (including securities and guarantees and acceptances) amounting to ₩357,295 million and ₩252,237 million, respectively, which had been provided to SK Networks Co., Ltd. The debtor company has been under control by creditor banks in accordance with the Corporate Restructuring Promotion Act of the Republic of Korea. For those loans, Shinhan Bank and Chohung Bank provided ₩31,025 million and ₩18,744 million, respectively, of allowance for loan losses as of December 31, 2004. Actual losses on those loans might differ materially from management's assessment. The accompanying non-consolidated financial statements did not reflect the impact of the uncertainty on the financial position of the Company when its holdings in Shinhan Bank and Chohung Bank were accounted for using the equity method.

As described in Note 12 to the non-consolidated financial statements, the Company recorded ₩1,814,820 million of assets (representing 18.0% of non-consolidated total assets) as of December 31, 2004 and ₩114,264 million of operating revenue (representing 9.3% of non-consolidated total operating revenue) for the year ended December 31, 2004 through its related party transactions.

As described in Note 14(a) to the non-consolidated financial statements, on July 9, 2003, the Company made an agreement with the Korea Deposit Insurance Corporation (the "KDIC") to acquire 80.04% (543,570,144 shares) of total outstanding shares in Chohung Bank. Pursuant to the agreement, the Company would be required to pay contingent consideration to the KDIC at the maximum amount of ₩652,284 million related to Asset Indemnity Payment, ₩166,516 million related to General Indemnity Payment and additional Earn Out Payment based on earnings of Chohung Bank in future periods. As regards General Indemnity, eligibility of most of indemnifiable items, as provided for in a stock purchase agreement, expired during the year ended December 31, 2004. As for the remaining such items, indemnification appeared unlikely as of December 31, 2004. Accordingly, the Company made adjustment to reflect the aforementioned General Indemnity Payment as an addition to goodwill. The other two contingent considerations are not included in the acquisition cost, for the amount is not determinable.

KPMG Samjong Accounting Corp.

KPMG Samjong Accounting Corp.

Seoul, Korea

January 27, 2005

This report is effective as of January 27, 2005, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying non-consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.



Non-Consolidated Balance Sheets

December 31, 2004 and 2003

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
Assets				
Cash and due from banks (notes 3 and 12)	₩ 31,145	5,353	\$ 29,838	5,128
Securities (note 4)	8,262,439	5,714,392	7,915,730	5,474,604
Loans (notes 5, 12 and 13)	1,749,955	1,935,180	1,676,523	1,853,976
Fixed assets (note 6)	2,164	2,020	2,074	1,936
Other assets (notes 7, 12 and 13)	26,949	43,340	25,818	41,521
	₩ 10,072,652	7,700,285	\$ 9,649,983	7,377,165
Liabilities and Stockholders' equity				
Liabilities:				
Borrowings (notes 8 and 13)	₩ 154,380	165,868	\$ 147,902	158,908
Debentures (notes 9 and 13)	1,948,102	1,980,543	1,866,356	1,897,435
Retirement and severance benefits (note 10)	224	-	215	-
Other liabilities (notes 11 and 13)	222,337	30,464	213,007	29,186
Total liabilities	2,325,043	2,176,875	2,227,480	2,085,529
Stockholders' equity:				
Capital stock of ₩5,000 par value (note 15)				
Common stock	1,596,595	1,472,007	1,529,599	1,410,239
Authorized - 1,000,000,000 shares				
Issued and outstanding - 319,319,011 shares in 2004 294,401,300 shares in 2003				
Preferred stock				
Issued and outstanding - 97,304,564 shares	486,523	486,523	466,107	466,107
Capital surplus	3,718,623	3,316,380	3,562,582	3,177,218
Retained earnings (note 16)	1,608,185	865,391	1,540,702	829,077
Capital adjustments (notes 4 and 17)	337,683	(616,891)	323,513	(591,005)
Total stockholder's equity	7,747,609	5,523,410	7,422,503	5,291,636
Commitments and contingencies (note 14)				
	₩ 10,072,652	7,700,285	\$ 9,649,983	7,377,165

See accompanying notes to non-consolidated financial statements.



Non-Consolidated Statements of Income

For the years ended December 31, 2004 and 2003

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
Operating revenue:				
Gain from equity method (notes 4 and 28)	₩ 1,108,952	519,287	\$ 1,062,418	497,497
Interest income (note 12)	114,264	97,787	109,469	93,683
Other	931	-	892	-
	1,224,147	617,074	1,172,779	591,180
Operating expense:				
Loss from equity method (notes 4 and 28)	212	129,886	203	124,436
Interest expense	122,967	92,616	117,807	88,730
Fees and commission expense	235	4,962	225	4,754
General and administrative expenses (note 19)	24,224	23,902	23,208	22,898
	147,638	251,366	141,443	240,818
Operating income	1,076,509	365,708	1,031,336	350,362
Non-operating income (expense):				
Loss from disposition of available-for-sale securities	-	(1,725)	-	(1,653)
Loss from disposition of securities accounted for by equity method	-	(166)	-	(159)
Foreign currency related gain, net	15	1	14	1
Donation	(13)	(34)	(12)	(33)
Other, net	(9,184)	(796)	(8,799)	(762)
	(9,182)	(2,720)	(8,797)	(2,606)
Earnings before income taxes	1,067,327	362,988	1,022,539	347,756
Income taxes (note 20)	17,032	-	16,317	-
Net income	₩ 1,050,295	362,988	\$ 1,006,222	347,756
Ordinary income and net earnings per share in Won and U.S. dollars (note 21)	₩ 3,197	1,063	\$ 3.06	1.02
Diluted ordinary income and net earnings per share in Won and U.S. dollars (note 21)	₩ 2,820	1,022	\$ 2.70	0.98

See accompanying notes to non-consolidated financial statements.



Non-Consolidated Statements of Appropriation of Retained Earning

For the years ended December 31, 2004 and 2003

Date of Appropriation for 2003: March 25, 2004

Date of Appropriation for 2004: March 30, 2005

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
Unappropriated retained earnings:				
Balance at beginning of year	₩ 504,585	432,569	\$ 483,412	414,418
Changes in retained earnings of subsidiaries (note 4)	(65,387)	(10,848)	(62,643)	(10,393)
Cumulative effect of accounting changes (note 24)	-	(1,787)	-	(1,712)
Net income	1,050,295	362,988	1,006,222	347,756
	1,489,493	782,922	1,426,991	750,069
Appropriation of retained earnings:				
Legal reserve	105,030	36,223	100,623	34,703
Dividends (note 22)	347,890	242,114	333,291	231,954
	452,920	278,337	433,914	266,657
Unappropriated retained earnings to be carried over to subsequent year	₩ 1,036,573	504,585	\$ 993,077	483,412

See accompanying notes to non-consolidated financial statements.



Non-Consolidated Statements of Cash Flows

For the years ended December 31, 2004 and 2003

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
Cash flows from operating activities:				
Net income	₩ 1,050,295	362,988	\$ 1,006,222	347,756
Adjustments to reconcile net income to net cash used in operating activities:				
Gain from equity method, net	(1,108,740)	(389,401)	(1,062,215)	(373,061)
Provision for retirement and severance benefit	505	140	484	134
Depreciation expense	652	568	625	544
Amortization expense	111	109	106	104
Provision for loan losses	-	5,879	-	5,632
Interest expense	3,097	2,492	2,967	2,387
Loss from disposition of available-for-sale securities	-	1,725	-	1,653
Loss from disposition of investment securities accounted for by equity method	-	166	-	159
Foreign currency related gain, net	(9)	-	(8)	-
Decrease (increase) in other assets	15,797	(21,526)	15,134	(20,623)
Increase in other liabilities	24,657	23,510	23,623	22,524
Retirement and severance benefit paid	(259)	(180)	(248)	(172)
Increase in deposit for severance benefit insurance	(22)	(198)	(21)	(189)
Other, net	(321)	1,381	(308)	1,323
Net cash used in operating activities	(14,237)	(12,347)	(13,639)	(11,829)
Cash flows from investing activities:				
Cash provided by investing activities:				
Proceeds from disposition of available-for-sale securities	-	2	-	1
Proceeds from disposition of investment securities accounted for by the equity method	-	1,529	-	1,465
Decrease in loans	214,060	-	205,078	-
Disposition of fixed assets	8	29	7	28
Dividends received	256,536	186,896	245,771	179,053
	470,604	188,456	450,856	180,547
Cash used in investing activities:				
Purchase of investment securities accounted for by the equity method	(111,894)	(1,128,423)	(107,199)	(1,081,072)
Increase in loans	(46,036)	(1,176,009)	(44,104)	(1,126,661)
Purchase of fixed assets	(915)	(993)	(877)	(951)
Increase in other assets	(798)	(1,105)	(764)	(1,058)
	(159,643)	(2,306,530)	(152,944)	(2,209,742)
Net cash provided by (used in) investing activities	310,961	(2,118,074)	297,912	(2,029,195)

Continued



Non-Consolidated Statements of Cash Flows, Continued

For the years ended December 31, 2004 and 2003

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
Cash flows from financing activities:				
Cash provided by financing activities:				
Increase in borrowings	₩ 411,036	130,009	\$ 393,788	124,554
Increase in debentures	200,000	1,250,000	191,608	1,197,547
Issuance of common shares	-	27,648	-	26,488
Issuance of preferred shares	-	900,000	-	862,234
Proceeds from disposition of treasury stock	381	-	365	-
	611,417	2,307,657	585,761	2,210,823
Cash used in financing activities:				
Decrease in borrowings	(409,000)	-	(391,838)	-
Decrease in debentures	(230,000)	-	(220,349)	-
Issuance cost on debentures paid	(921)	(3,871)	(882)	(3,709)
Issuance cost on shares issued	-	(21,608)	-	(20,701)
Dividends paid	(242,105)	(157,017)	(231,946)	(150,428)
Acquisition of treasury stock	(323)	-	(309)	-
	(882,349)	(182,496)	(845,324)	(174,838)
Net cash provided by (used in) financing activities	(270,932)	2,125,161	(259,563)	2,035,985
Net increase (decrease) in cash and cash equivalents	25,792	(5,260)	24,710	(5,039)
Cash and cash equivalents at beginning of year	5,353	10,613	5,128	10,167
Cash and cash equivalents at end of year	₩ 31,145	5,353	\$ 29,838	5,128

See accompanying notes to non-consolidated financial statements.



Notes to Non-Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(1) General Description of the Company

Shinhan Financial Group Co., Ltd. (the "Company") was incorporated on September 1, 2001 by way of the transfer of all issued shares owned by shareholders of Shinhan Bank, Shinhan Securities Co., Ltd., Shinhan Capital Co., Ltd. and Shinhan Investment Trust Management Co., Ltd. to the Company. The Company was formed for the purpose of providing management services and financing to affiliated companies with ₩1,461,721 million of initial capital stock and the Company's shares were listed on the Korea Stock Exchange on September 10, 2001.

On September 16, 2003, the Company's American depository shares were listed on the New York Stock Exchange.

As of December 31, 2004, the Company has 12 subsidiaries and its capital stock consists of ₩1,596,595 million in common stock and ₩486,523 million in preferred stock. Details of its subsidiaries are as follows:

(a) Shinhan Bank

Shinhan Bank was established on September 15, 1981 to engage in commercial banking and trust operations. Shinhan Bank operates through 380 branches and 162 automated teller machine locations and its capital stock amounts to ₩1,224,034 million as of December 31, 2004.

Additionally, on March 3, 2004, Shinhan Bank sold 10.2% (29,873,295 shares) of total outstanding shares in the Company for ₩627,339 million (₩21,000 per share), through after-hour block trading.

(b) Chohung Bank

Chohung Bank was established on October 1, 1943 through the merger of Han Sung Bank, which was established on February 19, 1897, and Dong Il Bank, which was established on August 8, 1906, to engage in commercial banking and trust operations. The shares of Chohung Bank were listed on the Korea Stock Exchange on June 3, 1956, and Chohung Bank operates through 450 domestic branches, 82 depository offices and 6 overseas branches and its capital stock amounts to ₩3,595,592 million as of December 31, 2004.

On July 9, 2003, the Company made an agreement with the Korea Deposit Insurance Corporation (the "KDIC") to acquire 80.04% (543,570,144 shares) of total outstanding shares in Chohung Bank. Additionally, the Company's percentage of ownership increased to 81.15% through additional equity acquisition for ₩200,000 million on December 30, 2003.

Additionally, the Company decided to acquire 18.85% of minority shares in Chohung Bank through tender offer and share exchange, at the Board of Directors' Meeting held on April 12, 2004, and provided a tender offer for 3.77% of shares in Chohung Bank at ₩3,500 per share from April 26, 2004 to May 17, 2004. With respect to share exchange for 15.08% of shares in Chohung Bank, the shareholders, who were against the share exchange, were entitled for a right to sell their shares at ₩3,067 per share from May 25, 2004 to June 3, 2004, with a resolution of an extraordinary shareholders' meeting of Chohung Bank held on May 24, 2004, and the remaining shares were subject to share exchange, at the exchange ratio of 0.1354 share in the Company to each Chohung Bank share, on June 22, 2004. As a result, the Company's percentage of ownership increased to 100% and Chohung Bank became a wholly-owned subsidiary of the Company. Upon the acquisition of 66,363,126 shares in Chohung Bank from shareholders, who were against the share exchange, Chohung Bank became the shareholder of the Company with 8,985,567 shares of common stock in the Company.

(c) Goodmorning Shinhan Securities Co., Ltd.

Goodmorning Shinhan Securities Co., Ltd. ("Goodmorning Shinhan Securities") was incorporated on April 2, 1973 to engage in



Notes to Non-Consolidated Financial Statements, Continued

December 31, 2004 and 2003

securities trading, underwriting and brokerage services. Its shares were listed on the Korea Stock Exchange on December 19, 1986. As of December 31, 2004, it operates through 79 branches and its capital stock amounts to ₩796,998 million (including ₩19,117 million of preferred stock).

Additionally, the Company decided to incorporate Goodmorning Shinhan Securities as a wholly owned subsidiary of the Company through tender offer and share exchange, at the Board of Directors' Meeting held on September 17, 2004. Pursuant to the resolution, the Company provided a tender offer for 11.99% of preferred shares in Goodmorning Shinhan Securities at ₩2,500 per share from September 24, 2004 to October 13, 2004, and the Company purchased 8.95% of preferred shares at the market and through over the counter trading during the period. Additionally, the Company purchased 27.26% of preferred shares in Goodmorning Shinhan Securities at ₩2,495 per share in cash, which shares were held by Goodmorning Shinhan Securities, and with respect to the remaining shares, one share of common and preferred stock of Goodmorning Shinhan Securities were exchanged for 0.1633 share and 0.0977 share in the Company, respectively, on December 23, 2004. As a result, the Company's percentage of ownership increased to 100% and Goodmorning Shinhan Securities became a wholly-owned subsidiary of the Company.

(d) Shinhan Card Co., Ltd.

Shinhan Card Co., Ltd. ("Shinhan Card") was established on June 1, 2002 under the Credit Specialty Finance Law through the spin-off of the credit card division of Shinhan Bank. Shinhan Card is engaged principally in credit card services, factoring, consumer loan and installment financing. As of December 31, 2004, Shinhan Card holds 2.51 million franchise accounts and 3 million credit card holders, and its capital stock amounts to ₩152,847 million.

(e) Shinhan Capital Co., Ltd.

Shinhan Capital Co., Ltd. ("Shinhan Capital") was incorporated on April 19, 1991 to engage in the leasing and rental business and it changed its name on May 27, 1999 from Shinhan Leasing Co., Ltd. to Shinhan Capital. Its capital stock as of December 31, 2004 amounts to ₩80,000 million.

(f) Shinhan BNP Paribas Investment Trust Management Co., Ltd.

On August 1, 1996, Shinhan BNP Paribas Investment Trust Management Co., Ltd. ("Shinhan BNP Paribas ITMC") was established and obtained a license to engage in the business of investment and trust of securities and advisory services under the Investment and Trust of Securities Law. Additionally, on October 24, 2002, the Company sold to BNP Paribas Asset Management Group 3,999,999 shares (50% of total outstanding shares less 1 share) of Shinhan Investment Trust Management Co., Ltd., which was renamed to Shinhan BNP Paribas ITMC. Its capital stock as of December 31, 2004 amounts to ₩40,000 million.

(g) Jeju Bank

Jeju Bank was incorporated on March 18, 1969 under the General Banking Act of the Republic of Korea to engage in the commercial banking and trust business and listed its shares on the Korea Stock Exchange on December 28, 1972. On April 4, 2002, Jeju Bank became one of the subsidiaries of the Company through acquiring a 51% share from the KDIC. Additionally, the Company's percentage of ownership increased to 62% with the acquisition of additional common shares for ₩20,177 million on July 5, 2002 and its capital stock as of December 31, 2004 amounts to ₩77,644 million.

(h) SH&C Life Insurance Co., Ltd.

SH&C Life Insurance Co., Ltd. ("SH&C Life Insurance") was established on October 1, 2002 to engage in the insurance business and other related business. Its capital stock as of December 31, 2004 amounts to ₩30,000 million.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(i) e-Shinhan Inc.

e-Shinhan Inc. (“e-Shinhan”) was incorporated on February 21, 2001 to engage in the business of internet brokerage service and comprehensive management services on customer accounts. Its capital stock as of December 31, 2004 amounts to ₩2,820 million.

(j) Shinhan Macquarie Financial Advisory Co., Ltd.

Shinhan Macquarie Financial Advisory Co., Ltd. (“Shinhan Macquarie”) was incorporated on August 1, 2001 to engage in the business of financial advisory services and cross border leasing. Its capital stock as of December 31, 2004 amounts to ₩1,000 million.

(k) Shinhan Credit Information Co., Ltd.

Shinhan Credit Information Co., Ltd. (“Shinhan Credit Information”) was established on July 8, 2002 as a wholly-owned subsidiary of the Company to engage in the business of debt collection services and credit research. Its capital stock as of December 31, 2004 amounts to ₩3,000 million.

On April 29, 2004, the Company decided to acquire 49% of total outstanding shares in Shinhan Credit Information from LSH Holdings LLC. As a result, the Company’s percentage of ownership increased to 100% and Shinhan Credit Information will become a wholly-owned subsidiary of the Company.

(l) Shinhan Private Equity

Shinhan Private Equity (“Shinhan PE”) was established on December 16, 2004 to provide financial advisory services and operating assistance to domestic and overseas private equity funds. Its capital stock as of December 31, 2004 amounts to ₩10,000 million.

Ownerships of the Company’s subsidiaries as of December 31, 2004 and 2003 are as follows:

		2004		2003	
Investor	Investee	Number of shares	Ownership percentage(%)	Number of shares	Ownership percentage(%)
The Company	Shinhan Bank	244,806,782	100.0	244,806,782	100.0
	Chohung Bank	719,118,429	100.0	583,570,144	81.2
	Goodmorning Shinhan Securities	159,399,664	100.0	94,084,384 ^(*)	59.4
	Shinhan Card	30,569,400	100.0	30,569,400	100.0
	Shinhan Capital	16,000,000	100.0	16,000,000	100.0
	Shinhan BNP Paribas ITMC	4,000,001	50.0	4,000,001	50.0
	Jeju Bank	9,692,369	62.4	9,692,369	62.4
	SH&C Life Insurance	3,000,001	50.0	3,000,001	50.0
	e-Shinhan	415,495	73.7	415,495	73.7
	Shinhan Macquarie	102,000	51.0	102,000	51.0
	Shinhan Credit Information	600,000	100.0	306,000	51.0
Shinhan Bank	Shinhan PE	2,000,000	100.0	-	-
	The Company	-	-	29,873,359 ^(**)	10.2
	The Company	8,985,567	2.9	-	-
Goodmorning Shinhan Securities	The Company	1,444	-	-	-

(*) Outstanding shares; that is, less 1,047,213 shares of treasury stock.

(**) Preferred stocks are excluded and 10.2% (29,873,295 shares) of shares in Shinhan Bank were sold for ₩627,339 million (at ₩21,000 per share) on March 3, 2004 through after-hour block trading.



Notes to Non-Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(2) Basis of Financial Statements Presentation and Summary of Significant Accounting Policies

(a) Basis of Financial Statements Presentation

The Company maintains its accounting records in Korean Won and prepares statutory non-consolidated financial statements in the Korean language (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these non-consolidated financial statements are intended for use only by those who are informed about Korean accounting principles and practices. The accompanying non-consolidated financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language financial statements.

Certain information included in the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations or cash flows, is not presented in the accompanying financial statements.

The accompanying non-consolidated financial statements include only the accounts of the Company, and do not include the accounts of any of its subsidiaries.

(b) Basis of Financial Statements Translation

The non-consolidated financial statements are expressed in Korean Won and, solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ₩1,043.80 to US\$1, the basic exchange rate on December 31, 2004. These translations should not be construed as a representation that any or all of the amounts shown could be converted into U.S. dollars at this or any other rate.

(c) Application of the Statements of Korean Financial Accounting Standards

Effective January 1, 2004, Company has adopted Statements of Korean Financial Accounting Standards (the "SKAS") No. 10 "Inventories", No. 12 "Construction-type Contracts" and No. 13 "Troubled Debt Structuring". In addition, the Company has adopted SKAS No. 15 "The Equity Method of Accounting", effective from the first fiscal year beginning after December 31, 2004 with encouraged earlier application. Except for the adoption of aforementioned accounting standards, the same accounting policies are applied for the non-consolidated financial statements both as of and for the years ended December 31, 2004 and 2003.

(d) Allowance for Loan Losses

Allowance for doubtful accounts is estimated based on an analysis of individual accounts and past experience of collection.

(e) Investments in Securities

Upon acquisition, the Company classifies certain debt and equity securities into one of the three categories: held-to-maturity, available-for-sale, or trading securities. Investments in debt securities that the Company has the positive intent and ability to hold to maturity are classified as held-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.

Trading securities are carried at fair value, with unrealized holding gains and losses included in income. Available-for-sale securities are carried at fair value, with unrealized holding gains and losses reported as a capital adjustment. Investments in equity secu-

Notes to Non-Consolidated Financial Statements, Contined

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urities that do not have readily determinable fair values are stated at cost. Declines in value judged to be other-than-temporary on available-for-sale securities are charged to current results of operations. Investments in debt securities that are classified into held-to-maturity are reported at amortized cost at the balance sheet date and such amortization is included in interest income.

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.

(f) Investment Securities Accounted for by the Equity Method

Investments in affiliated companies with the Company's ownership of 20% or more or 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 and is subsequently increased to reflect the Company's share of the investee income and reduced to reflect the Company's share of the investee losses or dividends received. Any excess in the Company's acquisition cost over the Company's share of the investee's identifiable net assets is considered as goodwill (negative goodwill) and amortized by the straight-line method over a reasonable period, generally less than 20 years. The amortization of goodwill is recorded against the equity income of affiliates. When events or circumstances indicate that carrying amount may not be recoverable, the Company reviews the goodwill amount for any impairment.

Under the equity method, the Company does not record its share of loss of an affiliate company when such loss would make the Company's investment in such entity less than zero. If the Company holds preferred stock or long-term debt issued by the affiliate, the Company's share of loss of the affiliate remains recorded until such investment is reduced to zero.

(g) Fixed Assets

i) Tangible Assets

Tangible assets are stated at cost. Significant additions or improvements extending value or useful lives of assets are capitalized, where normal maintenance and repairs are charged to expense when incurred.

The depreciation method and useful lives of tangible assets are as follows:

<i>Descriptions</i>	<i>Depreciation method</i>	<i>Useful lives</i>
Vehicles	Declining-balance	Five years
Furniture, fixtures and other	Declining-balance	Five years
Leasehold improvement	Straight-line	Five years

ii) Intangible Assets

Intangible assets are stated at acquisition cost less amortization computed using the straight-line method over five years.

(h) Discount on Debentures

Discount on debentures issued, which represents the difference between the face value of debentures issued and the issuance price of debentures, is amortized on the effective interest method over the life of the debentures. The amount amortized is included in interest expense.



Notes to Non-Consolidated Financial Statements, Continued

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(2) Basis of Financial Statements Presentation and Summary of Significant Accounting Policies, Continued

(i) Income Taxes

Income tax on the income or loss for the year comprises current and deferred tax. Income tax is recognized in the statement of income except to the extent that it relates to items recognized directly to equity, in which case it is recognized in equity.

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. 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.

A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(j) 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.

(k) Translation of Foreign Currency Denominated Assets and Liabilities

Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the balance sheet date, with the resulting gains and losses recognized in current results of operations. Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at ₩1,043.80 and ₩1,197.80 to US\$1, the rates of exchange on December 31, 2004 and 2003, respectively, that are permitted by the Financial Accounting Standards. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into Korean Won at the foreign exchange rate ruling at the date of the transaction.

(l) 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 over the period in which the options vest. In case of price compensation type, the Company recognizes the compensation expense as an expense and a liability over the period in which the options vest.

(m) Contingent Liabilities

Contingent losses are generally recognized as a liability when probable and reasonably estimable.

(n) Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the Republic of Korea

Notes to Non-Consolidated Financial Statements, Contined

December 31, 2004 and 2003

requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes to financial statements. Actual results could differ from those estimates.

(3) Cash and Due from Banks

As of December 31, 2004 and 2003, ₩2.5 million of cash and due from banks is restricted for guarantee deposits on bank accounts.

(4) Securities

Securities as of December 31, 2004 and 2003 consist solely of investment securities accounted for by the equity method and details are as follows:

In Millions of Korean Won						
2004						
<i>Subsidiaries</i>	<i>Beginning balance</i>	<i>Acquisition and dividend, net</i>	<i>Equity method gain (loss)</i>	<i>Retained earnings</i>	<i>Capital adjustments</i>	<i>Ending balance</i>
Shinhan Bank	₩ 2,946,530	(244,807)	683,687	(1,353)	741,535	4,125,592
Chohung Bank	1,861,649	(308,202)	378,026	(10,204)	353,346	2,891,019
Goodmorning Shinhan Securities	546,872	(292,116)	7,992	(53,800)	50,320	843,500
Shinhan Card	163,136	-	5,572	-	-	168,708
Shinhan Capital	105,448	(8,000)	23,009	-	2,068	122,525
Shinhan BNP Paribas ITMC	22,486	(2,000)	2,279	-	45	22,810
Jeju Bank	48,713	-	5,216	(38)	(855)	53,036
SH&C Life Insurance	13,021	-	187	-	1,406	14,614
e-Shinhan	2,725	-	162	-	-	2,887
Shinhan Macquarie	1,843	(1,730)	977	8	-	1,098
Shinhan Credit Information	1,969	1,529	1,845	-	1,519	6,862
Shinhan PE	-	10,000	(212)	-	-	9,788
	₩ 5,714,392	355,310	1,108,740	(65,387)	1,149,384	8,262,439

(*) Additional goodwill through additional equity acquisition, ₩248,736 million for Chohung Bank and ₩55,375 million for Goodmorning Shinhan Securities, is included.

As of December 31, 2004, Shinhan Bank and Chohung Bank had loans receivable and others (including securities) in the total amounts of ₩173,848 million and ₩164,090 million, respectively, which had been provided to LG Card Co., Ltd., an entity that has been under control by creditor banks due to its liquidity crisis. For those loans, Shinhan Bank and Chohung Bank provided ₩13,661 million and ₩14,764 million, respectively, of allowance for loan losses as of December 31, 2004. Actual losses on those loans might differ materially from management's assessment. The accompanying non-consolidated financial statements did not reflect the impact of the uncertainty on the financial position of the Company when its holdings in Shinhan Bank and Chohung Bank were accounted for using the equity method. In addition, for the year ended December 31, 2004, Shinhan Bank and Chohung Bank provided ₩81,000 million and ₩73,400 million, respectively, of additional loans, and converted ₩162,300 million and ₩147,100 million, respectively, of loans to equity shares.



Notes to Non-Consolidated Financial Statements, Continued

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As of December 31, 2004, Shinhan Bank and Chohung Bank had loans receivable and others (including securities and guarantees and acceptances) amounting to ₩357,295 million and ₩252,237 million, respectively, which had been provided to SK Networks Co., Ltd. The debtor company has been under control by creditor banks in accordance with the Corporate Restructuring Promotion Act of the Republic of Korea. For those loans, Shinhan Bank and Chohung Bank provided ₩31,025 million and ₩18,744 million, respectively, of allowance for loan losses as of December 31, 2004. Actual losses on those loans might differ materially from management's assessment. The accompanying non-consolidated financial statements did not reflect the impact of the uncertainty on the financial position of the Company when its holdings in Shinhan Bank and Chohung Bank were accounted for using the equity method.

The changes in goodwill (negative goodwill) for the year ended December 31, 2004 are as follows:

In Millions of Korean Won					
		<i>Beginning balance</i>	<i>Increase (decrease)</i>	<i>Amortization (reversal)</i>	<i>Ending balance</i>
Chohung Bank	₩	820,239	166,516	64,287	922,468
Goodmorning Shinhan Securities		144,538	-	17,004	127,534
Jeju Bank		(5,655)	-	(685)	(4,970)
	₩	959,122	166,516	80,606	1,045,032

The market values of the shares of Jeju Bank owned by the Company are ₩34,117 as of December 31, 2004 (₩3,520 per share).

In Millions of Korean Won						
2003						
<i>Subsidiaries</i>	<i>Beginning balance</i>	<i>Acquisition and dividend, net</i>	<i>Equity method gain (loss)</i>	<i>Retained earnings</i>	<i>Capital adjustments</i>	<i>Ending balance</i>
Shinhan Bank	₩ 2,474,864	(182,592)	476,273	937	177,048	2,946,530
Chohung Bank	-	(*) 2,031,471	(42,712)	621	(127,731)	1,861,649
Goodmorning Shinhan Securities	531,566	-	8,787	(12,342)	18,861	546,872
Shinhan Card	247,460	-	(84,324)	-	-	163,136
Shinhan Capital	76,458	-	26,204	-	2,786	105,448
Shinhan BNP Paribas ITMC	22,581	(1,000)	917	(37)	25	22,486
Jeju Bank	47,386	(2,423)	5,116	-	(1,366)	48,713
SH&C Life Insurance	14,630	-	(1,684)	-	75	13,021
e-Shinhan	3,892	-	(1,166)	(1)	-	2,725
Shinhan Macquarie	423	-	1,446	(26)	-	1,843
Shinhan Credit Information	3,121	(1,696)	544	-	-	1,969
	₩ 3,422,381	1,843,760	389,401	(10,848)	69,698	5,714,392

(*) ₩26,513 million of additional goodwill through additional equity acquisition is included.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2004 and 2003

The changes in goodwill (negative goodwill) for the year ended December 31, 2003 are as follows:

In Millions of Korean Won					
		<i>Beginning balance</i>	<i>Increase (decrease)</i>	<i>Amortization (reversal)</i>	<i>Ending balance</i>
Chohung Bank	₩	-	840,245	20,006	820,239
Goodmorning Shinhan Securities		161,542	-	17,004	144,538
Jeju Bank		(6,340)	-	(685)	(5,655)
	₩	155,202	840,245	36,325	959,122

(5) Loans

(a) Loans as of December 31, 2004 and 2003 consist of the following:

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
Loans in Won	₩ 1,550,000	1,637,200	\$ 1,484,959	1,568,500
Loans in foreign currencies	135,609	107,705	129,918	103,185
Privately placed bonds	73,140	200,000	70,071	191,608
	1,758,749	1,944,905	1,684,948	1,863,293
Less: allowance for loan losses	(8,794)	(9,725)	(8,425)	(9,317)
	₩ 1,749,955	1,935,180	\$ 1,676,523	1,853,976

(b) Details of loans as of December 31, 2004 and 2003 are as follows:

In Millions of Korean Won				
	<i>Borrower</i>	<i>Interest rate (%)</i>	2004	2003
Loans in Won	Shinhan Card	4.95 - 6.28%	₩ 1,050,000	1,100,000
Loans in Won	Shinhan Capital	5.22 - 8.12%	500,000	537,200
			1,550,000	1,637,200
Loans in foreign currencies	Shinhan Capital	Libor+0.9 - 1.2	135,609	107,705
Privately placed bonds	Shinhan Bank	7.42	50,000	50,000
Privately placed bonds	Goodmorning Shinhan Securities	6.23	-	130,000
Shinhan Securities	Jeju Bank	8.14	23,140	20,000
			73,140	200,000
			1,758,749	1,944,905
Less: allowance for loan losses			(8,794)	(9,725)
			₩ 1,749,955	1,935,180



Notes to Non-Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(c) The maturities of loans as of December 31, 2004 and 2003 are as follows:

In Millions of Korean Won					
<i>At December 31, 2004</i>		<i>Loans in Won</i>	<i>Loans in foreign currencies</i>	<i>Privately placed bonds</i>	<i>Total</i>
Due in 3 months or less	₩	180,000	31,314	-	211,314
Due in 6 months or less		160,000	-	-	160,000
Due after 6 months through 12 months		230,000	31,229	-	261,229
Due after 1 years through 3 years		760,000	73,066	3,140	836,206
Thereafter		220,000	-	70,000	290,000
	₩	1,550,000	135,609	73,140	1,758,749

In Millions of Korean Won					
<i>At December 31, 2003</i>		<i>Loans in Won</i>	<i>Loans in foreign currencies</i>	<i>Privately placed bonds</i>	<i>Total</i>
Due in 3 months or less	₩	-	-	-	-
Due in 6 months or less		90,000	-	-	90,000
Due after 6 months through 12 months		97,200	-	130,000	227,200
Due after 1 years through 3 years		1,220,000	107,705	-	1,327,705
Thereafter		230,000	-	70,000	300,000
	₩	1,637,200	107,705	200,000	1,944,905

(6) Fixed Assets

Fixed assets as of December 31, 2004 and 2003 consist of the following:

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
Property and equipment:				
Vehicles	₩ 425	391	\$ 407	375
Furniture and fixtures	1,168	993	1,119	951
Leasehold improvements and other	1,493	1,404	1,431	1,345
	3,086	2,788	2,957	2,671
Less: accumulated depreciation	(1,784)	(1,182)	(1,709)	(1,132)
	1,302	1,606	1,248	1,539
Intangible assets:				
Other	862	414	826	397
	₩ 2,164	2,020	\$ 2,074	1,936

As of December 31, 2004, the Company maintains insurance policies covering loss and liability arising from automobile accidents.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(7) Other Assets

Other assets as of December 31, 2004 and 2003 consist of the following:

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
Guarantee deposits paid	₩ 7,840	7,840	\$ 7,511	7,511
Accounts receivable	6,234	7,612	5,973	7,293
Accrued income	11,044	11,334	10,581	10,858
Advance payments	10	10	9	9
Prepaid expenses	12	1,667	11	1,597
Prepaid income taxes	-	13,867	-	13,285
Other	1,809	1,010	1,733	968
	₩ 26,949	43,340	\$ 25,818	41,521

(8) Borrowings

(a) Borrowings as of December 31, 2004 and 2003 consist of the following:

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
Borrowings in Won	₩ 50,000	94,000	\$ 47,902	90,056
Borrowings in foreign currencies	104,380	71,868	100,000	68,852
	₩ 154,380	165,868	\$ 147,902	158,908

(b) The maturities of borrowings as of December 31, 2004 and 2003 are as follows:

<i>At December 31, 2004</i>	In Millions of Korean Won		
	<i>Borrowings in Won</i>	<i>Borrowings in foreign currencies</i>	<i>Total</i>
Due in 3 months or less	₩ -	31,314	31,314
Due in 6 months or less	-	-	-
Due after 6 months through 12 months	50,000	-	50,000
Due after 1 years through 3 years	-	73,066	73,066
Thereafter	-	-	-
	₩ 50,000	104,380	154,380



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December 31, 2004 and 2003

				In Millions of Korean Won
<i>At December 31, 2003</i>		<i>Borrowings in Won</i>	<i>Borrowings in foreign currencies</i>	<i>Total</i>
Due in 3 months or less	₩	-	-	-
Due in 6 months or less		90,000	-	90,000
Due after 6 months through 12 months		4,000	-	4,000
Due after 1 years through 3 years		-	71,868	71,868
Thereafter		-	-	-
	₩	94,000	71,868	165,868

(9) Debentures

(a) Debentures as of December 31, 2004 and 2003 consist of the following:

		In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
		2004	2003	2004	2003
Korean Won debentures	₩	1,920,000	1,950,000	\$ 1,839,433	1,868,174
Foreign currency debentures		31,314	35,934	30,000	34,426
		1,951,314	1,985,934	1,869,433	1,902,600
Less: discount on debentures		(3,212)	(5,391)	(3,077)	(5,165)
	₩	1,948,102	1,980,543	\$ 1,866,356	1,897,435

(b) The maturities of debentures as of December 31, 2004 and 2003 are as follows:

				In Millions of Korean Won
<i>At December 31, 2004</i>		<i>Korean Won debentures</i>	<i>Foreign currency debentures</i>	<i>Total</i>
Due in 3 months or less	₩	180,000	-	180,000
Due in 6 months or less		160,000	-	160,000
Due after 6 months through 12 months		230,000	31,314	261,314
Due after 1 years through 3 years		1,130,000	-	1,130,000
Thereafter		220,000	-	220,000
	₩	1,920,000	31,314	1,951,314

				In Millions of Korean Won
<i>At December 31, 2003</i>		<i>Korean Won debentures</i>	<i>Foreign currency debentures</i>	<i>Total</i>
Due in 3 months or less	₩	-	-	-
Due in 6 months or less		-	-	-
Due after 6 months through 12 months		230,000	-	230,000
Due after 1 years through 3 years		1,590,000	35,934	1,625,934
Thereafter		130,000	-	130,000
	₩	1,950,000	35,934	1,985,934

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(10) Retirement and Severance Benefits

Changes in retirement and severance benefits for the years ended December 31, 2004 and 2003 are as follows:

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
Estimated severance liability at beginning of year	₩ 530	570	\$ 508	546
Provision	(259)	(180)	(248)	(172)
Payment	505	140	484	134
Estimated severance liability at end of year	776	530	744	508
Less: deposit for severance benefit insurance	(552)	(530)	(529)	(508)
Net balance at end of year	₩ 224	-	\$ 215	-

(11) Other Liabilities

Other liabilities as of December 31, 2004 and 2003 consist of the following:

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
Withholding taxes	₩ 464	1,176	\$ 445	1,127
Dividends payable	937	928	897	889
Accounts payable	180,980	14,492	173,386	13,884
Accrued expenses	14,627	12,189	14,013	11,678
Income tax payable	25,329	-	24,266	-
Unearned revenue	-	1,679	-	1,608
	₩ 222,337	30,464	\$ 213,007	29,186



Notes to Non-Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(12) Related Party Transactions

(a) Details of transactions

Significant transactions with the related parties for the years ended December 31, 2004 and 2003 are as follows:

			In Millions of Korean Won		
<i>Revenue earned</i>	<i>Expense incurred</i>	<i>Account</i>		2004	2003
The Company	Shinhan Bank	Interest income	₩	4,352	4,340
The Company	Goodmorning Shinhan Securities	Interest income		5,941	8,099
The Company	Shinhan Card	Interest income		63,146	54,006
The Company	Shinhan Capital	Interest income		39,066	29,714
The Company	Jeju Bank	Interest income		1,759	1,628
				114,264	97,787
Shinhan Bank	The Company	Rental income		32	-
Shinhan Bank	Chohung Bank	Interest income		54	-
Shinhan Bank	Chohung Bank	Gain on derivatives		2,277	1,838
Shinhan Bank	Chohung Bank	Rental income		59	-
Shinhan Bank	Goodmorning Shinhan Securities	Interest income		2,237	3,121
Shinhan Bank	Goodmorning Shinhan Securities	Rental income		253	29
Shinhan Bank	Shinhan Card	Interest income		3,463	4,445
Shinhan Bank	Shinhan Card	Fees and commission income		35,516	57,941
Shinhan Bank	Shinhan Card	Rental income		883	859
Shinhan Bank	Shinhan Capital	Interest income		2,529	3,136
Shinhan Bank	Shinhan Capital	Rental income		309	309
Shinhan Bank	Shinhan Capital	Gain on derivatives		587	361
Shinhan Bank	Jeju Bank	Interest income		75	237
Shinhan Bank	Shinhan Credit Information	Rental income		244	-
Shinhan Bank	SH&C Life Insurance	Fees and commission income		12,677	2,723
Chohung Bank	Shinhan Bank	Interest income		316	996
Chohung Bank	Shinhan Bank	Gain on derivatives		7,208	139
Chohung Bank	Shinhan Bank	Rental income		163	-
Chohung Bank	Shinhan Capital	Interest income		80	-
Chohung Bank	Shinhan Capital	Gain on derivatives		732	-
Chohung Bank	Shinhan Card	Interest income		1,047	-
Chohung Bank	Goodmorning Shinhan Securities	Interest income		47	26
Chohung Bank	Goodmorning Shinhan Securities	Fees and commission income		4	-
Chohung Bank	SH&C Life Insurance	Fees and commission income		12,565	744
Goodmorning Shinhan Securities	Shinhan Bank	Interest income		532	1,391
Goodmorning Shinhan Securities	Shinhan Bank	Rental income		301	-
Goodmorning Shinhan Securities	Shinhan Bank	Fees and commission income		-	466
Goodmorning Shinhan Securities	Chohung Bank	Interest income		411	136
Goodmorning Shinhan Securities	Shinhan Card	Rental income		294	242
Goodmorning Shinhan Securities	Shinhan Card	Fees and commission income		572	-
Goodmorning Shinhan Securities	Shinhan BNP Paribas ITMC	Rental income		204	201
Goodmorning Shinhan Securities	SH&C Life Insurance	Fees and commission income	₩	15	-

Notes to Non-Consolidated Financial Statements, Contined

December 31, 2004 and 2003

			In Millions of Korean Won	
<i>Revenue earned</i>	<i>Expense incurred</i>	<i>Account</i>	2004	2003
Shinhan Card	Shinhan Bank	Interest income	₩ 69	7
Shinhan Card	Shinhan Bank	Fees and commission income	87	29
Shinhan Card	Goodmorning Shinhan Securities	Fees and commission income	6	-
Shinhan Card	Jeju Bank	Fees and commission income	-	81
Shinhan Card	SH&C Life Insurance	Fees and commission income	3,980	338
Shinhan Card	Shinhan Credit Information	Fees and commission income	35	-
Shinhan Capital	Shinhan Bank	Interest income	1,463	437
Shinhan Capital	Shinhan Bank	Gain on derivatives	2,216	1,111
Shinhan Capital	Chohung Bank	Interest income	642	690
Shinhan Capital	Chohung Bank	Gain on derivatives	3,881	-
Shinhan BNPParibas ITMC	Shinhan Bank	Interest income	446	393
Jeju Bank	Shinhan Bank	Interest income	3	99
Jeju Bank	Chohung Bank	Interest income	13	-
Jeju Bank	SH&C Life Insurance	Fees and commission income	182	-
SH&C Life Insurance	Shinhan Bank	Interest income	207	498
SH&C Life Insurance	Shinhan Bank	Insurance income	1,020	514
SH&C Life Insurance	Jeju Bank	Insurance income	1	-
e-Shinhan	Shinhan Bank	Interest income	65	132
e-Shinhan	Shinhan Bank	Fees and commission income	635	-
e-Shinhan	Shinhan Card	Fees and commission income	-	22
e-Shinhan	The Company	Fees and commission income	179	62
e-Shinhan	Goodmorning Shinhan Securities	Fees and commission income	100	-
e-Shinhan	Chohung Bank	Fees and commission income	600	-
Shinhan Macquarie	Shinhan Bank	Interest income	22	-
Shinhan Credit Information	Shinhan Bank	Fees and commission income	2,804	2,614
Shinhan Credit Information	Shinhan Bank	Interest income	74	35
Shinhan Credit Information	Chohung Bank	Fees and commission income	3,816	-
Shinhan Credit Information	Goodmorning Shinhan Securities	Fees and commission income	13	31
Shinhan Credit Information	Shinhan Card	Fees and commission income	8,333	8,646
Shinhan Credit Information	Shinhan Capital	Fees and commission income	113	61
Shinhan Credit Information	Jeju Bank	Fees and commission income	203	623
			116,894	95,763
			₩ 231,158	193,550



Notes to Non-Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(b) Account balances

Significant balances with the related parties as of December 31, 2004 and 2003 are as follows:

			In Millions of Korean Won	
<i>Creditor</i>	<i>Debtor</i>	<i>Account</i>	2004	2003
The Company	Shinhan Bank	Due from banks	₩ 31,145	5,327
The Company	Shinhan Bank	Loans	50,000	50,000
The Company	Shinhan Bank	Other assets	13,251	14,644
The Company	Goodmorning Shinhan Securities	Loans	-	130,000
The Company	Goodmorning Shinhan Securities	Other assets	-	134
The Company	Shinhan Card	Loans	1,050,000	1,100,000
The Company	Shinhan Card	Other assets	6,661	6,541
The Company	Shinhan Capital	Loans	635,609	644,905
The Company	Shinhan Capital	Other assets	4,739	5,066
The Company	Jeju Bank	Loans	23,140	20,000
The Company	Jeju Bank	Other assets	186	186
The Company	Shinhan Credit Information	Other assets	89	38
			1,814,820	1,976,841
Shinhan Bank	Chohung Bank	Securities	21,332	132,708
Shinhan Bank	Chohung Bank	Other assets	587	797
Shinhan Bank	Goodmorning Shinhan Securities	Loans	-	30,000
Shinhan Bank	Goodmorning Shinhan Securities	Other assets	5,753	4,418
Shinhan Bank	Shinhan Card	Loans	7,500	28,500
Shinhan Bank	Shinhan Card	Other assets	2,474	87
Shinhan Bank	Shinhan Capital	Loans	63,823	75,933
Shinhan Bank	Shinhan Capital	Derivative assets	-	97
Shinhan Bank	Shinhan Capital	Other assets	310	136
Shinhan Bank	Jeju Bank	Loans	-	3,140
Shinhan Bank	Jeju Bank	Other assets	-	561
Shinhan Bank	SH&C Life Insurance	Other assets	1,199	1,455
Chohung Bank	Shinhan Bank	Securities	-	96,515
Chohung Bank	Shinhan Bank	Other assets	8,373	4,324
Chohung Bank	Shinhan Capital	Loans	732	392
Chohung Bank	SH&C Life Insurance	Other assets	1,956	-
Goodmorning Shinhan Securities	Shinhan Bank	Due from banks	5,640	53,064
Goodmorning Shinhan Securities	Shinhan Bank	Other assets	7,747	6,791
Goodmorning Shinhan Securities	Chohung Bank	Due from banks	7,195	2,011
Goodmorning Shinhan Securities	Chohung Bank	Other assets	2,075	8
Goodmorning Shinhan Securities	SH&C Life Insurance	Other assets	1	-
Shinhan Card	The Company	Other assets	-	906
Shinhan Card	Shinhan Bank	Cash and due from banks	427	102
Shinhan Card	Shinhan Bank	Other assets	1,189	1,189
Shinhan Card	Chohung Bank	Cash and due from banks	1	-
Shinhan Card	Goodmorning Shinhan Securities	Other assets	4,635	4,635
Shinhan Card	SH&C Life Insurance	Other assets	₩ 431	338

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2004 and 2003

In Millions of Korean Won

<i>Revenue earned</i>	<i>Expense incurred</i>	<i>Account</i>		2004	2003
Shinhan Capital	The Company	Other assets	₩	-	773
Shinhan Capital	Shinhan Bank	Short-term financial instruments		72,105	58,231
Shinhan Capital	Shinhan Bank	Other assets		3,293	2,341
Shinhan Capital	Chohung Bank	Securities		5,743	6,714
Shinhan Capital	Chohung Bank	Other assets		3,577	173
Shinhan BNP Paribas ITMC	Shinhan Bank	Cash and due from banks		12,626	4,436
Shinhan BNP Paribas ITMC	Shinhan Bank	Other assets		360	105
Shinhan BNP Paribas ITMC	Goodmorning Shinhan Securities	Other assets		3,496	3,496
Jeju Bank	Shinhan Bank	Other assets		-	561
Jeju Bank	SH&C Life Insurance	Other assets		26	-
SH&C Life Insurance	Shinhan Bank	Cash and cash equivalents		853	33,563
SH&C Life Insurance	Shinhan Bank	Other assets		3	46
SH&C Life Insurance	Chohung Bank	Cash and cash equivalents		873	-
e-Shinhan	Shinhan Bank	Cash and cash equivalents		980	2,158
e-Shinhan	Shinhan Bank	Other assets		7	-
e-Shinhan	Shinhan Bank	Loans		1,850	-
Shinhan Macquarie	Shinhan Bank	Cash and cash equivalents		4,027	1,187
Shinhan Credit Information	Shinhan Bank	Cash and cash equivalents		900	1,686
Shinhan Credit Information	Shinhan Bank	Other assets		1,041	1,146
Shinhan Credit Information	Chohung Bank	Other assets		435	-
Shinhan Credit Information	Goodmorning Shinhan Securities	Other assets		1	-
Shinhan Credit Information	Shinhan Card	Other assets		702	892
Shinhan Credit Information	Jeju Bank	Other assets		71	161
Shinhan PE	Shinhan Bank	Cash and cash equivalents		9,412	-
				265,761	565,776
			₩	2,080,581	2,542,617

(c) Guarantees and acceptances

The guarantees and acceptances provided between the related parties as of December 31, 2004 are as follows:

In Millions of Korean Won

<i>Creditor</i>	<i>Debtor</i>	<i>Account</i>		<i>Amount guaranteed</i>
The Company	Goodmorning Shinhan Securities	Lease guarantee	₩	50,000
Shinhan Bank	Shinhan Capital	Letter of credit		13,601
Shinhan Bank	Shinhan Finance	Guarantees for loans		11,515
Chohung Bank	Chohung Finance	Guarantees for letter of credit		731
			₩	75,847



Notes to Non-Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(13) Assets and Liabilities Denominated in Foreign Currency

Assets and liabilities denominated in foreign currency as of December 31, 2004 and 2003 are as follows:

	In Thousands of U.S. Dollars (note 2)			In Millions of Korean Won		
	<i>Foreign currency</i>		<i>Won equivalent</i>			
	2004	2003	2004	2003		
Assets:						
Loans	\$ 129,919	89,919	₩ 135,609		107,705	
Other assets	853	426	890		510	
	\$ 130,772	90,345	₩ 136,499		108,215	
Liabilities:						
Borrowings	\$ 100,000	60,000	₩ 104,380		71,868	
Debentures	30,000	30,000	31,314		35,934	
Discount on debentures	(20)	(51)	(21)		(60)	
Other liabilities	791	382	825		457	
	\$ 130,771	90,331	₩ 136,498		108,199	

(14) Commitments and Contingencies

(a) Acquisition of Chohung Bank

On July 9, 2003, the Company made an agreement with the KDIC to acquire 80.04% (543,570,144 shares) of total outstanding shares in Chohung Bank. Additionally, in accordance with the agreement, the Company would be required to pay contingent consideration to the KDIC in relation to the earnings in the future and changes in fair value of assets and liabilities of Chohung Bank and the details are as follows:

- **Asset Indemnity Payment**
Amount : ₩652,284 million - asset indemnity amount for corporate loans, returned KAMCO loans and credit card loans
Payment date : earlier of 60 days after the date asset indemnity is determined as of June 30, 2005 or the date as agreed on
Interest : 4.3% per annum
- **General Indemnity Payment**
Amount : ₩166,516 million (may be offset by any amounts due and payable by the KDIC to the Company in connection with the breach of representation or warranty)
Payment date : the second anniversary date of cash portion closing date
Interest : 4.3% per annum
- **Earn Out Payment**
Amount : 20% of the total excess amount, which means net income of Chohung Bank for fiscal years of 2004, 2005 and 2006 in excess of ₩1,800 billion
Payment date : within 30 days after the date excess amount is determined for the fiscal year of 2006

As regards General Indemnity, eligibility of most of indemnifiable items, as provided for in a stock purchase agreement, expired during the year ended December 31, 2004. As for the remaining such items, indemnification appeared unlikely as of December 31, 2004. Accordingly, the Company made adjustment to reflect the aforementioned General Indemnity Payment as an addition to goodwill. The other two contingent considerations are not included in the acquisition cost, for the amount is not determinable.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(b) Indemnification on contingent loss

Pursuant to the sale agreement of 50% shares in Shinhan ITMC, entered into between BNP Paribas Asset Management Group and the Company, the Company agreed to compensate BNP Paribas Asset Management Group for contingent loss arising from lawsuit in which Bumun Mutual Savings Bank filed against Shinhan BNP Paribas ITMC totaling ₩100 million. As of December 31, 2004, the lawsuit is in the first trial however, the ultimate outcome of this lawsuit cannot be presently determined.

(15) Capital Stock

(a) The Company issued new preferred stock for the year ended December 31, 2003, and the details are as follows:

	Number of shares	Predetermined dividend rate (%) ^(*)	Redeemable period
Redeemable preferred stock:			
Series 1	9,316,792	4.04	August 19, 2004 - August 18, 2006
Series 2	9,316,792	4.04	August 19, 2005 - August 18, 2007
Series 3	9,316,792	4.04	August 19, 2006 - August 18, 2008
Series 4	9,316,792	4.04	August 19, 2007 - August 18, 2009
Series 5	9,316,793	4.04	August 19, 2008 - August 18, 2010
Series 6	3,500,000	7.00	July 19, 2006 - August 18, 2006
Series 7	2,433,334	7.46	July 19, 2008 - August 18, 2008
Series 8	66,666	7.86	July 19, 2010 - August 18, 2010
	52,583,961		
Redeemable convertible preferred stock:			
Series 9 ^(**)	44,720,603	2.02	August 19, 2006 - August 18, 2008
	97,304,564		

(*) Based on issue price

(**) Convertible period : August 19, 2004 - August 18, 2007

Conversion ratio : 1 common share to 1 preferred share

Conversion price in Won : ₩18,086

Details of changes in capital stock for the years ended December 31, 2004 and 2003 are as follows:

	In Millions of Korean Won		
	2004		
	Number of shares	Capital stock	Capital surplus
Balance at beginning of the period	391,705,864	1,958,530	3,316,380
Share exchange	24,917,711	124,588	402,184
Disposition of treasury stock	-	-	59
Balance at end of the year	416,623,575	2,083,118	3,718,623



Notes to Non-Consolidated Financial Statements, Continued

December 31, 2004 and 2003

In Millions of Korean Won			
2003			
	<i>Number of shares</i>	<i>Capital stock</i>	<i>Capital surplus</i>
Balance at beginning of the year	292,361,125	1,461,806	1,976,625
Redeemable preferred stock issued:			
Series 1 to 5	46,583,961	232,920	237,784
Series 6 to 8	6,000,000	30,000	855,530
Redeemable convertible preferred stock issued:			
Series 9	44,720,603	223,603	228,271
Common stock issued	1,864,065	9,320	18,183
Share exchange	176,110	881	(13)
Balance at end of the year	391,705,864	1,958,530	3,316,380

(16) Retained Earnings

Retained earnings as of December 31, 2004 and 2003 consist of the following:

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
Legal reserve	₩ 118,692	82,469	\$ 113,711	79,008
Retained earnings before appropriation	1,489,493	782,922	1,426,991	750,069
	₩ 1,608,185	865,391	\$ 1,540,702	829,077

The Korean Financial Holding Company Act requires the Company to appropriate a minimum of 10% of annual net income as legal reserve whenever dividends are paid until such reserve equals its paid-in capital. This reserve is not available for payment of cash dividends. However, subject to the stockholders' approval, it may be transferred to common stock in connection with stock dividends or used to reduce any accumulated deficit.

(17) Capital Adjustment

Capital adjustments as of December 31, 2004 and 2003 consist of the following:

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
Unrealized gain on investment securities accounted for by the equity method	₩ 383,437	13,871	\$ 367,347	13,289
Unrealized loss on investment securities accounted for by the equity method	(53,932)	(640,388)	(51,669)	(613,516)
Stock options (note 18)	8,178	9,626	7,835	9,222
	₩ 337,683	(616,891)	\$ 323,513	(591,005)

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(18) Stock Options

(a) Details of stock options as of December 31, 2004 and 2003 are as follows:

In Millions of Korean Won			
<i>Grant date</i>	<i>March 25, 2004</i>	<i>May 15, 2003</i>	<i>May 22, 2002</i>
Shares granted	1,301,600 shares	1,156,300 shares	1,004,200 shares
Share expired or exercise to date	64,421 shares	157,868 shares	139,610 shares
Shares outstanding	1,237,179 shares	998,432 shares	864,590 shares
Type of stock options	Stock grant or price compensation	Stock grant or price compensation	Price compensation
Exercise price	W21,595	W11,800	W18,910
Exercise period	Within three years after two years from grant date	Within three years after two years from grant date	Within three years after two years from grant date
Forfeited period	After five years from grant date	After six years from grant date	After six years from grant date
Assumptions used to determine the fair value of options:			
Risk-free interest rate	4.39%	4.25%	-
Expected exercise period	3.5 years	4 years	-
Expected stock price volatility	19.85%	22.11%	-
Expected dividend yield	0%	0%	-
Expected ratios of no-exercise	0%	0%	-
Weighted average fair value	W7,696	W5,292	-

With respect to the stock options granted on May 22, 2002, the Company decided to pay the difference between the market price and the exercise price in cash for the year ended December 31, 2004. As a result, the Company determined to apply the intrinsic value method to those stock options, stock options, accounts receivable and stock compensation costs decreased by ₩7,694 million, ₩6,113 million and ₩1,581 million, respectively, for the year ended December 31, 2004.

(b) Changes in stock compensation costs for the year ended December 31, 2004 are as follows:

In Millions of Korean Won				
<i>Grant date</i>	<i>Stock compensation cost</i>	<i>Personnel of</i>		<i>Total</i>
		<i>The Company</i>	<i>Subsidiaries</i>	
March 25, 2004	Recorded at beginning of the period	₩ -	-	-
	Incurred during the period	935	2,850	3,785
	To be recorded in subsequent periods	1,394	4,343	5,737
May 15, 2003	Recorded at beginning of the period	442	1,489	1,931
	Incurred during the period	593	1,871	2,464
	To be recorded in subsequent periods	213	676	889
May 22, 2002	Recorded at beginning of the period	1,581	6,113	7,694
	Incurred during the period	(917)	(3,730)	(4,647)
	To be recorded in subsequent periods	-	-	-

For stock options granted at March 25, 2004 and May 15, 2003, the difference between the exercise price and the fair value on the date of exercise would be assumed by the subsidiaries of the Company. Therefore, in relation to those stock options, stock compensation costs have been recorded as long-term payables by the subsidiaries and as accounts receivable by the Company.



Notes to Non-Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(19) General and Administrative Expenses

Details of general and administrative expenses for the years ended December 31, 2004 and 2003 are as follows:

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
Salaries and wages	₩ 13,363	9,821	\$ 12,802	9,409
Provision for retirement and severance benefits	505	140	484	134
Other employees benefits	866	601	830	576
Rental	497	142	476	136
Entertainment	663	1,455	635	1,394
Depreciation	652	568	625	544
Amortization	111	109	106	104
Bad debts	-	5,879	-	5,632
Taxes and dues	835	361	800	346
Advertising	28	22	27	21
Fees and commission	3,600	1,374	3,449	1,316
Other	3,104	3,430	2,974	3,286
	₩ 24,224	23,902	\$ 23,208	22,898

(20) Income Taxes

(a) The Company is subject to income taxes based on taxable earnings, which results in the normal tax rate of 29.7%.

The Korean government reduced the corporate income tax rate beginning in 2005. Specifically, effective from January 1, 2005, the income tax rate will be reduced from 29.7% to 27.5%. As a result, the statutory income tax rate of 29.7% is applied for deferred income tax assets (liabilities) that will be realized before 2005 and statutory income tax rate of 27.5% is applied for deferred income tax assets (liabilities) that will be realized after 2004, reflecting the corporate tax rate cut from 2005.

The components of income taxes for the years ended December 31, 2004 and 2003 are as follows:

	In Millions of Korean Won	
	2004	2003
Current income taxes	₩ 17,032	-
Changes in deferred taxes: temporary differences	-	-
	₩ 17,032	-

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(b) The reconciliation of accounting income and taxable income for the years ended December 31, 2004 and 2003 is as follows:

In Millions of Korean Won

Description	Temporary difference		Permanent difference	
	2004	2003	2004	2003
Additions:				
Dividends received	₩ 256,536	186,896	-	-
Accrued income earned in prior year	11,334	4,332	-	-
Investment securities accounted for by the equity method	-	10,848	956,752	-
Retirement and severance benefits	215	-	-	-
Entertainment expense in excess of tax limit	-	-	569	1,434
Retained earnings	91,066	-	834	-
Other	-	20	48,326	1,415
	359,151	202,096	1,006,481	2,849
Deductions:				
Dividends received	-	-	217,640	186,058
Investment securities accounted for by the equity method	956,643	-	26,513	10,848
Retained earnings	-	-	65,497	20
Accrued income earned in current period	299	11,334	-	-
Deposit for retirement and severance benefits insurance	215	198	-	-
Gain from equity method	1,108,740	388,641	-	-
Other	5	-	-	-
	2,065,902	400,173	309,650	196,926
	₩ (1,706,751)	(198,077)	696,831	(194,077)

(c) Changes in significant accumulated temporary differences and tax effects for the years ended December 31, 2004 and 2003 are as follows:

In Millions of Korean Won

	2004			
	Beginning balance ^(*)	Increase	Decrease	Ending balance
Temporary differences:				
Securities	₩ 12,199	91,066	-	103,265
Retirement and severance benefits	251	215	-	466
Gain from equity method	(268,310)	(1,108,740)	(256,536)	(1,120,514)
Accrued income	(11,334)	(299)	(11,334)	(299)
Deposit for severance benefit insurance	(251)	(215)	-	(466)
Other	10	-	6	5
	(267,435)	(1,017,973)	(267,864)	(1,017,543)
Unrealizable temporary differences on gain from equity method	263,171			1,017,503
Net temporary differences	₩ (4,264)			(40)
Tax effects of temporary differences	(1,172)			(11)
Tax effects of tax loss carryforwards	13,706			-
Net tax effects	₩ 12,534			(11)
Tax effects recorded in financial statements	₩ -			-

(*) Amount resulting from prior year tax return is reflected in the current year.



Notes to Non-Consolidated Financial Statements, Continued

December 31, 2004 and 2003

In Millions of Korean Won				
2003				
	<i>Beginning balance</i> ^(*)	<i>Increase</i>	<i>Decrease</i>	<i>Ending balance</i>
Deductible temporary differences:				
Securities	₩ 1,351	10,848	-	12,199
Retirement and severance benefits	342	-	-	342
	1,693	10,848	-	12,541
Taxable temporary differences:				
Gain from equity method	203,714	388,641	186,896	405,459
Accrued income	4,332	11,334	4,332	11,334
Deposit for severance benefit insurance	332	198	-	530
Other	4	-	20	(16)
	208,382	400,173	191,248	417,307
Net	(206,689)	(389,325)	(191,248)	(404,766)
Unrealizable temporary differences on gain from equity method	191,135			386,200
Net temporary differences	₩ (15,554)			(18,566)
Tax effects of temporary differences	(4,619)			(5,106)
Tax effects of tax loss carryforwards	6,295			13,706
Net tax effects	₩ 1,676			8,600
Tax effects recorded in financial statements ^(*)	₩ -			-

(*) Tax effects on temporary differences and tax loss carryforwards are not recognized due to uncertainty of realization. Total amount of tax loss carryforwards which are not recognized as deferred taxes, is ₩49,842 million, with the tax benefit maturity of ₩5,553 million in 2006, ₩14,363 million in 2007 and ₩29,926 million in 2008.

(d) Effective tax rates for the years ended December 31, 2004 and 2003 are as follows:

In Millions of Korean Won, except income tax rate			
2004			
		2004	2003
Earnings before income taxes	₩	1,067,327	362,988
Income taxes	₩	17,032	-
Effective income tax rate (%)		1.60	-

Notes to Non-Consolidated Financial Statements, Contined

December 31, 2004 and 2003

(21) Earnings Per Share

(a) Earnings per share

Earnings per common share is calculated by dividing net income less preferred stock dividend requirement by the weighted average number of shares of common stock outstanding. The Company's ordinary income and net earnings per share for the years ended December 31, 2004 and 2003 are computed as follows:

		In Millions of Korean Won, except share	
		2004	2003^(*)
Net income for year	₩	1,050,295	362,988
Less: extraordinary gain (loss)		-	-
dividends on preferred stock		115,141	83,397
Ordinary income available for common stock		935,154	279,591
Weighted average number of common shares outstanding ^(**)		292,467,357	262,983,207
Ordinary income per share in Won	₩	3,197	1,063
Net earnings per share in Won	₩	3,197	1,063

(*) The effect arising from the adoption of SKAS No. 15 "The Equity Method of Accounting" is reflected.

(**) Shares held by subsidiaries are considered.

(b) Diluted earnings per share

For the year ended December 31, 2004, if convertible preferred stock and stock options were exercised, 46,956,214 shares of common stock would be issued, and if preferred stock were converted into common stock on issue date, weighted average number of common shares outstanding would be 337,600,441.

Details of diluted ordinary/net earnings per share due to dilutive effect for the years ended December 31, 2004 and 2003 are as follows:

		In Millions of Korean Won, except share	
		2004	2003^(*)
Ordinary income available for common stock	₩	935,154	279,591
Add: dividends on convertible preferred stock		16,338	6,043
Add: stock compensation costs		583	-
Diluted ordinary income/net earnings		952,075	285,634
Weighted average number of common shares outstanding		337,600,441	279,523,704
Diluted ordinary income per share in Won	₩	2,820	1,022
Diluted net earnings per share in Won	₩	2,820	1,022

(*) The effect arising from the adoption of SKAS No. 15 "The Equity Method of Accounting" is reflected.

(**) Shares held by subsidiaries are considered.

(c) Securities applicable to common shares

	<i>Convertible period</i>	<i>Number of shares to be issued</i>
Redeemable convertible preferred stock	August 19, 2004 - August 18, 2007	44,720,603
Stock options	May 15, 2005 - June 15, 2009	998,432
Stock options	March 26, 2006 - March 25, 2009	1,237,179
		46,956,214



Notes to Non-Consolidated Financial Statements, Contined

December 31, 2004 and 2003

(d) (Diluted) earnings per share for each quarters in 2004 are as follows:

	In Millions of Korean Won				
	<i>Quarter ended</i>				
	<i>March 31, 2004</i>	<i>June 30, 2004</i>	<i>September 30, 2004</i>	<i>December 31, 2004</i>	
Earnings per share in Won	₩	429	1,003	984	753
Diluted earnings per share in Won		381	881	867	669

(22) Dividends

(a) Dividends for the years ended December 31, 2004 and 2003 are calculated as follow:

	In Millions of Korean Won, except per share		
	2004		
	<i>Common shares</i>	<i>Preferred shares</i>	<i>Total</i>
Total number of share issued and outstanding	319,319,011	97,304,564	416,623,575
Shares excluded ^(*)	8,987,011	-	8,987,011
	310,332,000	97,304,564	407,636,564
Face value per share in Won	5,000	5,000	5,000
Dividend per share in Won (rate per share) ^(**)	₩ 750 (15%)	1,183 (23.66%)	853 (17.06%)
Dividends	₩ 232,749	115,141	347,890

(*) Dividends on shares held by subsidiaries as of December 31, 2004 are not paid.

(**) Dividends per share on preferred stock are weighted average amount and details are as follows:

	In Millions of Korean Won, except per share			
	<i>Number of shares</i>	<i>Dividends per share in Won</i>	<i>Dividend rate per share (%)</i>	<i>Dividends</i>
Redeemable preferred stock:				
Series 1	9,316,792	730.674	14.61	6,807
Series 2	9,316,792	730.674	14.61	6,807
Series 3	9,316,792	730.674	14.61	6,807
Series 4	9,316,792	730.674	14.61	6,807
Series 5	9,316,793	730.674	14.61	6,808
Series 6	3,500,000	10,500	210.00	36,750
Series 7	2,433,334	11,190	223.80	27,230
Series 8	66,666	11,790	235.80	786
	52,583,961			98,802
Redeemable convertible preferred stock:				
Series 9	44,720,603	365.337	7.31	16,339
	97,304,564			115,141

Notes to Non-Consolidated Financial Statements, Contined

December 31, 2004 and 2003

In Millions of Korean Won, except per share			
2003			
	<i>Common shares</i>	<i>Preferred shares</i>	<i>Total</i>
Total number of share issued and outstanding	294,401,300	97,304,564	391,705,864
Shares excluded ⁽¹⁾	(29,873,359)	-	(29,873,359)
	264,527,941	97,304,564	361,832,505
Face value per share in Won	5,000	5,000	5,000
Dividend per share in Won (rate per share) ⁽²⁾	₩ 600 (12%)	857(17.14%)	669 (13.38%)
Dividends	₩ 158,717	83,397	242,114

(*) Dividends on shares held by subsidiaries as of December 31, 2003 are not paid.

(**) Dividends per share on preferred stock are weighted average amount and details are as follows:

In Millions of Korean Won, except per share				
	<i>Number of shares</i>	<i>Dividends per share in Won</i>	<i>Dividend rate per share (%)</i>	<i>Dividends</i>
Redeemable preferred stock:				
Series 1	9,316,792	270	5.40	2,518
Series 2	9,316,792	270	5.40	2,518
Series 3	9,316,792	270	5.40	2,518
Series 4	9,316,792	270	5.40	2,518
Series 5	9,316,793	270	5.40	2,518
Series 6	3,500,000	10,500	210.0	36,750
Series 7	2,433,334	11,190	223.8	27,229
Series 8	66,666	11,790	235.8	786
	52,583,961			77,355
Redeemable convertible preferred stock:				
Series 9	44,720,603	135	2.70	6,042
	97,304,564			83,397

(b) Payout ratios for the years ended December 31, 2004 and 2003 are calculated as follows:

In Millions of Korean Won, except payout ratio							
		<i>Common shares</i>	<i>Preferred shares</i>	<i>Total</i>	<i>Common shares</i>	<i>Preferred shares</i>	<i>Total</i>
Dividends in Won	₩	232,749	115,141	347,890	158,717	83,397	242,114
Net earning in Won	₩	935,154	115,141	1,050,295	279,591	83,397	362,988
Payout ratios (%)		24.89		33.12	56.77		66.70

(c) Dividend yields on common shares for the years ended December 31, 2004 and 2003 are calculated as follows:

In Millions of Korean Won, except dividends yields				
		2004	2003	
Dividends per share in Won	₩	750	600	
Stock price in Won at the balance sheet date	₩	22,840	18,513	
Dividends yields (%)		3.28	3.24	



Notes to Non-Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(23) Statements of Cash Flows

Significant transactions not involving cash inflows or outflows for the years ended December 31, 2004 and 2003 are as follows:

	In Millions of Korean Won	
	2004	2003
Acquisition of investment securities accounted for by the equity method through shares exchange	₩ 526,798	929,559
Contingent liabilities recorded as accounts payable	166,516	-
Changes in capital adjustments due to application of the equity method	956,022	69,698
Changes in retained earnings due to application of the equity method	65,387	10,848
Stock options recorded as accounts receivable	1,393	5,241
Changes in unrealized gain on available-for-sale securities	-	668
Amortization charged to retained earnings due to accounting change	-	20
Shares exchange	-	881

(24) Application of New Accounting Standards

Effective January 1, 2004, Company has adopted Statements of Korean Financial Accounting Standards (the "SKAS") No. 10, 12 and 13, in addition, the Company has adopted SKAS No. 15, effective from the first fiscal year beginning after December 31, 2004 with encouraged earlier application. As a result, the effect from application of those accounting standards was to decrease investment securities accounted for by the equity method and capital adjustments by ₩226,808 million and ₩227,622 million, and increase retained earnings and net income by ₩814 million and ₩1,821 million, respectively, as of December 31, 2004. Additionally, non-consolidated financial statements as of and for the year ended December 31, 2003, which are presented for comparative purposes, were retroactively restated, as a result, investment securities accounted for by the equity method, retained earnings and capital adjustments decrease by ₩594,146 million, ₩1,007 million and ₩593,139 million, respectively, as of December 31, 2003.

If the Company adopted the aforementioned accounting standards retroactively to prior years, the following amounts would be changed:

	In Millions of Korean Won		
	2003	2002	2001
Investment securities accounted for by the equity method	₩ 5,714,392	3,622,124	3,277,296
Net income	362,988	602,163	220,763
Net earnings per share	1,063	2,294	875
Capital adjustments	(616,892)	(468,713)	(394,810)

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(25) Financial Performance

Financial performance for the quarters ended December 31, 2004 and 2003 are as follows:

	In Millions of Korean Won, except net earnings per share		
	Quarter ended December 31,		
		2004	2003 ^(*)
Operating revenue	₩	314,541	141,207
Operating income		282,648	106,422
Net income		255,714	104,756
Net earnings per share in Won		753	132

(*) Financial performance for the quarter ended December 31, 2003 reflected the adoption of new accounting standards, as presented in Note 24.

(26) Condensed Financial Statements of Subsidiaries

(a) Balance sheets

Condensed balance sheets of subsidiaries as of December 31, 2004 and 2003 are as follows:

Subsidiaries	In Millions of Korean Won			
	2004			
		Total assets	Total liabilities	Total stockholders' equity
Shinhan Bank	₩	70,125,920	66,000,578	4,125,342
Chohung Bank		65,389,100	62,778,172	2,610,928
Goodmorning Shinhan Securities		2,956,183	2,277,868	678,315
Shinhan Card		1,469,925	1,306,467	163,458
Shinhan Capital		1,320,929	1,201,582	119,347
Shinhan BNP Paribas ITMC		49,463	3,845	45,618
Jeju Bank		1,872,414	1,763,877	108,537
SH&C Life Insurance		286,304	257,077	29,227
e-Shinhan		4,813	893	3,920
Shinhan Macquarie		11,307	9,154	2,153
Shinhan Credit Information		9,228	2,366	6,862
Shinhan PE		9,844	57	9,787
	₩	143,505,430	135,601,936	7,903,494



Notes to Non-Consolidated Financial Statements, Continued

December 31, 2004 and 2003

In Millions of Korean Won				
2003				
<i>Subsidiaries</i>		<i>Total assets</i>	<i>Total liabilities</i>	<i>Total stockholders' equity</i>
Shinhan Bank	₩	70,066,189	66,550,821	3,515,368
Chohung Bank		59,227,864	57,289,224	1,938,640
Goodmorning Shinhan Securities		2,928,017	2,290,044	637,973
Shinhan Card		1,778,191	1,620,555	157,636
Shinhan Capital		1,153,907	1,051,683	102,224
Shinhan BNP Paribas ITMC		47,461	2,489	44,972
Jeju Bank		1,785,961	1,682,328	103,633
SH&C Life Insurance		114,012	87,970	26,042
e-Shinhan		3,924	225	3,699
Shinhan Macquarie		11,255	7,642	3,613
Shinhan Credit Information		13,588	9,726	3,862
	₩	137,130,369	130,592,707	6,537,662

(b) Statements of Earnings

Condensed statements of earnings of subsidiaries for the years ended December 31, 2004 and 2003 are as follows:

In Millions of Korean Won						
2004						
<i>Subsidiaries</i>		<i>Operating revenue</i>	<i>Operating expense</i>	<i>Operating income (loss)</i>	<i>Ordinary income (loss)</i>	<i>Net income (loss)</i>
Shinhan Bank	₩	5,917,768	4,881,890	1,035,878	1,201,938	844,113
Chohung Bank		6,782,762	6,459,908	322,854	267,736	265,238
Goodmorning Shinhan Securities ^(*)		658,328	614,709	43,619	44,113	43,576
Shinhan Card		423,829	417,407	6,422	5,822	5,822
Shinhan Capital		221,072	187,764	33,308	32,738	23,056
Shinhan BNP Paribas ITMC ^(*)		13,950	7,402	6,548	6,551	4,557
Jeju Bank		131,659	123,982	7,676	7,366	6,334
SH&C life Insurance ^(*)		36,489	37,850	(1,362)	182	373
e-Shinhan		3,487	3,293	194	220	220
Shinhan Macquarie ^(*)		14,556	11,633	2,923	3,098	1,984
Shinhan Credit Information		29,367	28,972	395	610	3,000
Shinhan PE		-	212	(212)	(212)	(212)
	₩	14,233,267	12,775,022	1,458,243	1,570,162	1,198,061

(*) For the period from January 1, 2004 to December 31, 2004 reflected.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2004 and 2003

In Millions of Korean Won

2003					
<i>Subsidiaries</i>	<i>Operating revenue</i>	<i>Operating expense</i>	<i>Operating income (loss)</i>	<i>Ordinary income (loss)</i>	<i>Net income (loss)</i>
Shinhan Bank	₩ 4,851,995	4,180,640	671,355	685,756	476,023
Chohung Bank	5,416,552	6,103,681	(687,129)	(918,764)	(968,940)
Goodmorning Shinhan Securities (*)	649,701	619,693	30,008	68,616	35,813
Shinhan Card	431,863	506,606	(74,743)	(90,063)	(89,824)
Shinhan Capital	145,355	116,084	29,271	22,565	15,755
Shinhan BNP Paribas ITMC (*)	12,728	10,604	2,124	2,629	1,834
Jeju Bank	137,162	137,005	157	727	4,751
SH&C life Insurance (*)	44,986	47,478	(2,492)	(3,369)	(3,369)
e-Shinhan	1,714	3,361	(1,647)	(1,583)	(1,583)
Shinhan Macquarie (*)	11,454	7,816	3,638	3,804	2,559
Shinhan Credit Information	25,557	24,309	1,248	1,096	741
	₩ 11,729,067	11,757,277	(28,210)	(228,586)	(526,240)

(*) For the period from January 1, 2003 to December 31, 2003 reflected.

(27) Financing and Operating Status of the Company and Subsidiaries

(a) The financing status of the Company and its subsidiaries as of December 31, 2004 and 2003 are as follows:

In Millions of Korean Won

2004				
	<i>Deposits</i>	<i>Borrowings</i>	<i>Debentures^(*)</i>	<i>Total</i>
The Company	₩ -	154,380	1,948,102	2,102,482
Shinhan Bank	40,668,095	9,164,921	10,835,048	60,668,064
Chohung Bank	41,313,073	5,057,559	7,115,575	53,486,207
Goodmorning Shinhan Securities	614,473	290,508	-	904,981
Shinhan Card	-	1,232,500	-	1,232,500
Shinhan Capital	-	805,718	195,595	1,001,313
Jeju Bank	1,527,788	83,871	35,000	1,646,659
Shinhan Macquarie	-	6,471	-	6,471
	₩ 84,123,429	16,795,928	20,129,320	121,048,677

(*) Net of discount on debentures



Notes to Non-Consolidated Financial Statements, Continued

December 31, 2004 and 2003

In Millions of Korean Won

2003					
		<i>Deposits</i>	<i>Borrowings</i>	<i>Debentures^(*)</i>	<i>Total</i>
The Company	₩	-	165,868	1,980,543	2,146,411
Shinhan Bank		41,991,839	10,621,963	9,115,997	61,729,799
Chohung Bank		40,030,091	5,711,922	6,424,165	52,166,178
Goodmorning Shinhan Securities		1,032,769	657,838	161,000	1,851,607
Shinhan Card		-	1,318,182	259,991	1,578,173
Shinhan Capital		-	787,433	114,814	902,247
Jeju Bank		1,438,284	83,299	35,000	1,556,583
	₩	89,492,983	19,346,505	18,091,510	121,930,998

(*) Net of discount on debentures

(b) The operating status of the Company and its subsidiaries as of December 31, 2004 and 2003 are as follows:

In Millions of Korean Won

2004					
		<i>Loans^(*)</i>	<i>Securities</i>	<i>Cash and due from banks</i>	<i>Total</i>
The Company	₩	1,749,955	8,250,648	31,145	10,031,748
Shinhan Bank		51,028,772	11,706,747	2,386,837	65,122,356
Chohung Bank		41,586,846	11,499,243	1,754,215	54,840,304
Goodmorning Shinhan Securities		1,001,505	1,852,357	636,049	3,489,911
Shinhan Card		790,320	1,643	880	792,843
Shinhan Capital		993,143	77,548	103,405	1,174,096
Shinhan BNP Paribas ITMC		454	20,101	22,198	42,753
Jeju Bank		1,366,068	303,688	31,574	1,701,330
SH&C Life Insurance		294	56,819	2,704	59,817
e-Shinhan		36	74	2,832	2,942
Shinhan Macquarie		-	-	4,027	4,027
Shinhan Credit Information		-	-	4,213	4,213
Shinhan PE		-	-	9,412	9,412
	₩	98,517,393	33,768,868	4,989,491	137,275,752

(*) Net of allowance for loan losses and present value discounts

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2004 and 2003

In Millions of Korean Won

2003					
		<i>Loans^(*)</i>	<i>Securities</i>	<i>Cash and due from banks</i>	<i>Total</i>
The Company	₩	1,935,180	6,308,538	5,353	8,249,071
Shinhan Bank		47,783,925	15,592,202	2,697,780	66,073,907
Chohung Bank		42,701,666	9,208,341	548,249	52,458,256
Goodmorning Shinhan Securities		397,354	1,020,131	1,154,647	2,572,132
Shinhan Card		1,058,667	682,841	3,886	1,745,394
Shinhan Capital		899,140	54,388	58,232	1,011,760
Shinhan BNP Paribas ITMC		176	680	29,498	30,354
Jeju Bank		1,326,103	243,024	21,122	1,590,249
SH&C Life Insurance		44	38,650	38,511	77,205
e-Shinhan		36	107	2,160	2,303
Shinhan Macquarie		-	-	1,187	1,187
Shinhan Credit Information		-	-	1,691	1,691
	₩	96,102,291	33,148,902	4,562,316	133,813,509

(*) Net of allowance for loan losses and present value discounts

(28) Contribution of Subsidiaries to the Company's Net Income

Effects under the equity method on the Company's net income for the years ended December 31, 2004 and 2003 are as follows:

In Millions of Korean Won, except ratio

	2004		2003	
	<i>Amount</i>	<i>Ratio (%)</i>	<i>Amount</i>	<i>Ratio (%)</i>
Gain (loss) from equity method on:				
Shinhan Bank	₩ 683,687	61.66	₩ 476,273	122.31
Chohung Bank	378,026	34.10	(42,711)	(10.97)
Goodmorning Shinhan Securities	7,992	0.72	8,787	2.26
Shinhan Card	5,572	0.50	(84,324)	(21.65)
Shinhan Capital	23,009	2.08	26,204	6.73
Shinhan BNP Paribas ITMC	2,278	0.21	917	0.24
Jeju Bank	5,216	0.47	5,116	1.31
SH&C Life Insurance	187	0.02	(1,684)	(0.43)
e-Shinhan	162	0.01	(1,166)	(0.30)
Shinhan Macquarie	977	0.09	1,446	0.37
Shinhan Credit Information	1,846	0.17	544	0.14
	(212)	(0.02)	-	-
	1,108,740	100.00	389,402	100.00
Other income	134,183		98,210	
Other expense	(192,628)		(124,624)	
Net income for year	₩ 1,050,295		₩ 362,988	



Notes to Non-Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(29) Allowance for Loan Losses of the Company and its Subsidiaries

Changes in allowance for loan losses of the Company and its subsidiaries for the years ended December 31, 2004 and 2003 are as follows:

In Millions of Korean Won				
2004				
		<i>Beginning balance</i>	<i>Increase (decrease)</i>	<i>Ending balance</i>
The Company	₩	9,725	(931)	8,794
Shinhan Bank		866,428	(122,922)	743,506
Chohung Bank		1,686,350	(679,629)	1,006,721
Goodmorning Shinhan Securities		43,048	(13,632)	29,416
Shinhan Card		118,609	(70,778)	47,831
Shinhan Capital		17,899	9,122	27,021
Shinhan BNP Paribas ITMC		14	(1)	13
Jeju Bank		35,270	(3,125)	32,145
SH&C Life Insurance		1	14	15
e-Shinhan		8	-	8
Shinhan Macquarie		98	(45)	53
Shinhan Credit Information		36	(36)	-
	₩	2,777,486	(881,963)	1,895,523

In Millions of Korean Won				
2003				
		<i>Beginning balance</i>	<i>Increase (decrease)</i>	<i>Ending balance</i>
The Company	₩	3,846	5,879	9,725
Shinhan Bank		565,844	300,584	866,428
Chohung Bank (**)		1,604,607	81,743	1,686,350
Goodmorning Shinhan Securities (*)		87,442	(44,394)	43,048
Shinhan Card		96,074	22,535	118,609
Shinhan Capital (*)		33,787	(15,888)	17,899
Shinhan BNP Paribas ITMC		8	6	14
Jeju Bank (*) (**)		29,318	5,952	35,270
SH&C Life Insurance		-	1	1
e-Shinhan		1	7	8
Shinhan Macquarie		22	76	98
Shinhan Credit Information		-	36	36
	₩	2,420,949	356,537	2,777,486

(*) W12,952 million of additional allowance for loan losses is included in beginning balance.

(**) W28,170 million of additional allowance for loan losses is included in ending balance.

(30) Effective Date for Financial Statements

The accompanying non-consolidated financial statements are to be approved at the Board of Directors' meeting on February 2, 2005.

Independent Auditors' Report

Based on a report originally issued in Korean

KPMG Samjong Accounting Corp.



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To the Board of Directors and Stockholders Shinhan Financial Group Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Shinhan Financial Group Co., Ltd. and its subsidiaries (the "Consolidated Company") as of December 31, 2004 and 2003, and the related statements of income, changes of stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of Shinhan Financial Group Co., Ltd. ("Shinhan Financial Group")'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Chohung Bank, a wholly-owned subsidiary, which statements reflect total assets constituting 40.9% and total revenues constituting 22.03% in 2003 of the related consolidated totals. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Chohung Bank in 2003, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Consolidated Company as of December 31, 2004 and 2003, and the results of their operations, the changes in their stockholders' equity and their cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

The accompanying consolidated financial statements as of and for the years ended December 31, 2004 and 2003 have been translated into United States dollars solely for the convenience of the reader and have been translated on the basis set forth in note 2(b) to the consolidated financial statements.

Without qualifying our opinion, we draw attention to the following:

As discussed in note 2(a) to the consolidated financial statements, accounting principles and auditing standards and their application in practice vary among countries. The accompanying consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial state-



ments may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying consolidated financial statements are for use by those knowledgeable about Korean accounting procedures and auditing standards and their application in practice.

As described in Note 1(b) to the consolidated financial statements, on March 3, 2004, Shinhan Bank sold 10.2% (29,873,295 shares) of total outstanding shares in Shinhan Financial Group for ₩627,339 million (₩21,000 per share), through after-hour block trading.

As described in Note 1(b) to the consolidated financial statements, Shinhan Financial Group decided to acquire 18.85% of minority shares in Chohung Bank through a tender offer and share exchange, at the Board of Directors' Meeting held on April 12, 2004, and provided a tender offer for 3.77% of shares in Chohung Bank at ₩3,500 per share from April 26, 2004 to May 17, 2004. With respect to the share exchange for 15.08% of shares in Chohung Bank, the shareholders, who were against the share exchange, were entitled for a right to sell their shares at ₩3,067 per share from May 25, 2004 to June 3, 2004, with a resolution of an extraordinary shareholders' meeting of Chohung Bank held on May 24, 2004, and the remaining shares were subject to the share exchange, at the exchange ratio of 0.1354 share in Shinhan Financial Group to each Chohung Bank share, on June 22, 2004. As a result, on June 22, 2004, Shinhan Financial Group's percentage of ownership increased to 100% and Chohung Bank became a wholly-owned subsidiary of Shinhan Financial Group. Upon the acquisition of 66,363,126 shares in Chohung Bank from the shareholders who were against the share exchange, Chohung Bank became a shareholder of Shinhan Financial Group with 8,985,567 shares of common stock in Shinhan Financial Group.

As described in Note 1(b) to the consolidated financial statements, Shinhan Financial Group decided to incorporate Goodmorning Shinhan Securities as a wholly owned subsidiary of Shinhan Financial Group through a tender offer and share exchange, at the Board of Directors' Meeting held on September 17, 2004. Pursuant to the resolution, Shinhan Financial Group provided a tender offer for 11.99% of preferred shares in Goodmorning Shinhan Securities at ₩2,500 per share from September 24, 2004 to October 13, 2004, and Shinhan Financial Group purchased 8.95% of preferred shares in the market and through over-the-counter trading during the period. Additionally, on October 21, 2004, Shinhan Financial Group purchased 27.26% of preferred shares in Goodmorning Shinhan Securities at ₩2,495 per share in cash, which shares had been held by Goodmorning Shinhan Securities, and with respect to the remaining shares, one share of common and preferred stock of Goodmorning Shinhan Securities were exchanged for 0.1633 share and 0.0977 share in Shinhan Financial Group, respectively, as of December 23, 2004. As a result, as of December 23, 2004, Shinhan Financial Group's percentage of ownership increased to 100% and Goodmorning Shinhan Securities became a wholly-owned subsidiary of Shinhan Financial Group.

As described in Note 1(b) to the consolidated financial statements, on May 21, 2004, Shinhan Financial Group decided to acquire 49% of total outstanding shares in Shinhan Credit Information from LSH Holdings LLC. As a result, Shinhan Financial Group's percentage of ownership increased to 100%. In addition, Shinhan Credit Information and Shinhan Macquarie Financial Advisory were consolidated as of December 31, 2004, where they had been accounted for under the equity method for the year ended December 31, 2003.

As described in Note 1(b) to the consolidated financial statements, on December 8, 2004, Shinhan Financial Group incorporated Shinhan Private Equity as a wholly-owned subsidiary, which is included in the consolidated financial statements as of December 31, 2004.

As described in Note 28(a) to the consolidated financial statements, on July 9, 2003, Shinhan Financial Group entered into an agreement with the Korea Deposit Insurance Corporation (the "KDIC") to acquire 80.04% (543,570,144 shares) of total outstanding shares in Chohung Bank. Pursuant to the agreement, Shinhan Financial Group would be required to pay contingent consideration to the KDIC at the maximum amount of ₩652,284 million related to Asset Indemnity Payment, ₩166,516 million related to General Indemnity Payment and additional Earn-Out Payment based on earnings of Chohung Bank in future periods. With regards to the General Indemnity clause in the Stock Purchase Agreement, eligibility of most of indemnifiable items expired during 2004 and as for the remaining items, indemnification appeared unlikely as of December 31, 2004. Accordingly, Shinhan Financial Group made an adjustment of ₩166,516 million to reflect the aforementioned General Indemnity Payment as an addition to goodwill. The other two contingent considerations are not included in the acquisition cost as the amount is not determinable.

Independent Auditors' Report

Based on a report originally issued in Korean

As described in Note 28(h) to the consolidated financial statements, as of December 31, 2004, Shinhan Bank and Chohung Bank had loans receivable (including securities) in the total amounts of ₩173,848 million and ₩164,090 million, respectively, which had been provided to LG Card Co., Ltd., an entity that has been under control by creditor banks due to its liquidity crisis. For those loans, Shinhan Bank and Chohung Bank provided ₩13,661 million and ₩14,764 million, respectively, of allowance for loan losses as of December 31, 2004. Actual losses on those loans might differ materially from management's assessment. The accompanying consolidated financial statements do not reflect the impact of the uncertainty on the financial position of the Consolidated Company. For the year ended December 31, 2004, pursuant to the resolution of Creditor Banks Committee, Shinhan Bank and Chohung Bank additionally loaned ₩81,000 million and ₩73,400 million, respectively, to LG Card Co., Ltd. and converted ₩162,300 million and ₩147,100 million of their respective loans to equity securities.

As described in Note 28(h) to the consolidated financial statements, as of December 31, 2004, Shinhan Bank and Chohung Bank had loans receivable (including securities, guarantees and acceptances) amounting to ₩357,295 million and ₩254,157 million, respectively, which had been provided to SK Networks Co., Ltd. (including its subsidiaries), an entity that has been under control by creditor banks in accordance with the Corporate Restructuring Promotion Act of the Republic of Korea. For those loans, Shinhan Bank and Chohung Bank provided ₩31,025 million and ₩18,984 million, respectively, of allowance for loan losses as of December 31, 2004. Actual losses on those loans might differ materially from management's assessment. The accompanying consolidated financial statements do not reflect the impact of the uncertainty on the financial position of the Consolidated Company.

KPMG Samjong Accounting Corp.

KPMG Samjong Accounting Corp.
Seoul, Korea
January 27, 2005

This report is effective as of January 27, 2005, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.



Consolidated Balance Sheets

December 31, 2004 and 2003

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
Assets				
Cash and due from banks (notes 4, 16, 17 and 18)	₩ 6,859,088	6,418,280	\$ 6,571,266	6,148,955
Securities (notes 5, 16 and 18)	27,534,174	28,003,660	26,378,783	26,828,568
Loans (notes 6, 18 and 28)	97,359,580	94,921,178	93,274,171	90,938,091
Fixed assets (notes 7, 16 and 17)	2,921,611	2,853,681	2,799,014	2,733,934
Other assets (notes 8, 9, 18 and 27)	12,185,674	7,023,977	11,674,339	6,729,237
	₩ 146,860,127	139,220,776	\$ 140,697,573	133,378,785
Liabilities and Stockholders' Equity				
Liabilities:				
Deposits (notes 10 and 18)	₩ 87,528,060	87,592,605	\$ 83,855,202	83,917,038
Borrowings (notes 11 and 18)	14,895,034	17,209,576	14,270,007	16,487,428
Debentures (notes 12 and 18)	20,114,170	17,747,879	19,270,138	17,003,141
Retirement and severance benefits (note 13)	79,238	205,951	75,913	197,309
Other liabilities (notes 14, 18 and 27)	16,408,400	10,345,750	15,719,870	9,911,621
Total liabilities	139,024,902	133,101,761	133,191,130	127,516,537
Stockholders' equity:				
Capital stock of ₩ 5,000 par value (note 19)				
Common stock	1,596,595	1,472,007	1,529,599	1,410,239
Authorized - 1,000,000,000 shares				
Issued and outstanding : 319,319,011 shares in 2004 294,401,300 shares in 2003				
Preferred stock	486,523	486,523	466,107	466,107
Issued and outstanding - 97,304,564 shares				
Consolidated capital surplus	3,775,345	3,200,950	3,616,924	3,066,632
Consolidated retained earnings	1,608,185	865,391	1,540,702	829,077
Consolidated capital adjustments (notes 20 and 21)	280,961	(501,461)	269,172	(480,419)
Minority interest in consolidated subsidiaries	87,616	595,605	83,939	570,612
Total stockholders' equity	7,835,225	6,119,015	7,506,443	5,862,248
Commitments and contingencies (note 28)				
	₩ 146,860,127	139,220,776	\$ 140,697,573	133,378,785

See accompanying notes to consolidated financial statements.



Consolidated Statements of Income

For the years ended December 31, 2004 and 2003

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
Interest income and dividends:				
Interest on due from banks	₩ 50,716	56,846	\$ 48,588	54,461
Interest and dividends on securities	1,171,089	1,131,389	1,121,948	1,083,912
Interest on loans	6,174,273	4,129,873	5,915,188	3,956,575
Other	186,489	55,031	178,664	52,722
	7,582,567	5,373,139	7,264,388	5,147,670
Interest expense:				
Interest on deposits	2,565,471	1,865,645	2,457,819	1,787,359
Interest on borrowings	483,078	473,069	462,807	453,218
Interest on debentures	891,013	630,406	853,624	603,953
Other	46,228	27,776	44,288	26,610
	3,985,790	2,996,896	3,818,538	2,871,140
Net interest income	3,596,777	2,376,243	3,445,850	2,276,530
Provision for loan losses	1,316,956	1,150,491	1,261,694	1,102,214
Net interest income after provision for loan losses	2,279,821	1,225,752	2,184,156	1,174,316
Non-interest income:				
Fees and commission income	1,379,773	946,940	1,321,874	907,204
Insurance income	32,025	42,934	30,681	41,132
Realized gain from disposition of trading securities	234,841	133,377	224,987	127,780
Unrealized gain on trading securities	148,014	32,063	141,803	30,718
Realized gain from disposition of available-for-sale securities	102,221	89,579	97,932	85,820
Reversal of impairment loss on available-for-sale securities	6,565	15,562	6,290	14,909
Gain from equity method	1,961	2,410	1,879	2,309
Gain from disposition of loans	51,550	3,684	49,387	3,530
Gain on foreign currency transactions	730,054	256,046	699,419	245,302
Gain on derivatives	3,928,524	1,043,246	3,763,675	999,469
Others	344,995	317,651	330,517	304,323
	₩ 6,960,523	2,883,492	\$ 6,668,444	2,762,496

Continued



Consolidated Statements of Income, Continued

For the years ended December 31, 2004 and 2003

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
Non-interest expenses:				
Fees and commission expense	₩ 293,074	195,099	\$ 280,776	186,912
Insurance expense	55,498	47,618	53,169	45,620
Realized loss from disposition of trading securities	115,205	111,004	110,371	106,346
Unrealized loss on trading securities	142,975	53,776	136,975	51,519
Realized loss from disposition of available-for-sale securities	4,189	32,938	4,013	31,556
Impairment loss on available-for-sale securities	105,411	103,110	100,988	98,783
Loss from disposition of investment securities accounted for under the equity method	-	166	-	159
Loss from disposition of loans	58,330	169,786	55,882	162,661
General and administrative expenses (note 22)	2,187,887	1,348,139	2,096,079	1,291,568
Loss on foreign currency transactions	580,739	135,622	556,370	129,931
Loss on derivatives	3,794,821	989,540	3,635,583	948,017
Others	568,434	291,467	544,581	279,238
	7,906,563	3,478,265	7,574,787	3,332,310
Net non-interest income (loss)	(946,040)	(594,773)	(906,343)	(569,814)
Ordinary income	1,333,781	630,979	1,277,813	604,502
Extraordinary gain (loss)	-	-	-	-
Earnings before income taxes	1,333,781	630,979	1,277,813	604,502
Income taxes (note 23)	212,652	253,947	203,729	243,291
Net income	1,121,129	377,032	1,074,084	361,211
Net income in minority interest	70,834	14,044	67,862	13,455
Consolidated net income	₩ 1,050,295	362,988	\$ 1,006,222	347,756
Ordinary income and net earnings per share in Won and U.S. dollars (note 24)	₩ 3,197	1,063	\$ 3.06	1.02
Diluted ordinary income and net earnings per share in Won and U.S. dollars (note 24)	₩ 2,820	1,022	\$ 2.70	0.98

See accompanying notes to consolidated financial statements



Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2004 and 2003

	In Millions of Korean Won					In Thousands of U.S. Dollars (note 2)						
	Capital stock	Consolidated capital surplus	Consolidated retained earnings	Consolidated capital adjustments	Minority interest	Total	Capital stock	Consolidated capital surplus	Consolidated retained earnings	Consolidated capital adjustments	Minority interest	Total
Balance at January 31, 2003	₩1,461,806	1,887,708	670,763	(379,797)	320,887	3,961,367	\$ 1,400,466	1,808,496	642,616	(363,860)	307,422	3,795,140
Stock issuance	496,724	1,339,756	-	-	-	1,836,480	475,880	1,283,537	-	-	-	1,759,417
Consolidated net income	-	-	362,988	-	-	362,988	-	-	347,756	-	-	347,756
Dividends paid	-	-	(157,492)	-	-	(157,492)	-	-	(150,883)	-	-	(150,883)
Changes in retained earnings of subsidiaries	-	-	(10,868)	-	-	(10,868)	-	-	(10,412)	-	-	(10,412)
Changes in consolidated capital adjustments	-	-	-	(121,664)	-	(121,664)	-	-	-	(116,559)	-	(116,559)
Net income in minority interest	-	-	-	-	14,044	14,044	-	-	-	-	13,455	13,455
Other	-	(26,514)	-	-	260,674	234,160	-	(25,401)	-	-	249,735	224,334
Balance at December 31, 2003	1,958,530	3,200,950	865,391	(501,461)	595,605	6,119,015	1,876,346	3,066,632	829,077	(480,419)	570,612	5,862,248
Stock issuance	124,588	402,183	-	-	-	526,771	119,360	385,306	-	-	-	504,666
Disposition of treasury stock	-	59	-	-	-	59	-	57	-	-	-	57
Acquisition of equity in subsidiaries	-	11,727	-	-	-	11,727	-	11,235	-	-	-	11,235
Disposition of treasury stock by a subsidiary	-	160,426	-	-	-	160,426	-	153,694	-	-	-	153,694
Consolidated net income	-	-	1,050,295	-	-	1,050,295	-	-	1,006,222	-	-	1,006,222
Dividends paid	-	-	(242,114)	-	-	(242,114)	-	-	(231,954)	-	-	(231,954)
Changes in retained earnings of subsidiaries	-	-	(65,387)	-	-	(65,387)	-	-	(62,643)	-	-	(62,643)
Changes in consolidated capital adjustments	-	-	-	782,422	-	782,422	-	-	-	749,591	-	749,591
Net income in minority interest	-	-	-	-	70,834	70,834	-	-	-	-	67,861	67,861
Other	-	-	-	-	(578,823)	(578,823)	-	-	-	-	(554,534)	(554,534)
Balance at December 31, 2004	₩2,083,118	3,775,345	1,608,185	280,961	87,616	7,835,225	\$ 1,995,706	3,616,924	1,540,702	269,172	83,939	7,506,443

See accompanying notes to consolidated financial statements



Consolidated Statements of Cash Flows

For the years ended December 31, 2004 and 2003

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
Cash flows from operating activities:				
Net income	₩ 1,050,295	362,988	\$ 1,006,222	347,756
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation expense	182,349	139,486	174,697	133,633
Amortization expense	88,456	43,269	84,744	41,453
Bad debt expense	1,316,956	1,150,491	1,261,694	1,102,214
Provision for retirement and severance benefits	93,231	46,003	89,319	44,073
Realized gain from disposition of trading securities, net	(119,636)	(22,373)	(114,616)	(21,434)
Unrealized loss (gain) on trading securities, net	(5,039)	21,713	(4,828)	20,801
Realized gain from disposition of available-for-sale securities, net	(98,032)	(56,641)	(93,919)	(54,264)
Impairment loss on of available-for-sale securities	105,411	103,110	100,988	98,783
Reversal of impairment loss on available-for-sale securities	(6,565)	(15,562)	(6,290)	(14,909)
Gain from equity method	(1,961)	(2,410)	(1,879)	(2,309)
Loss from disposition of investment securities accounted for under the equity method	-	166	-	159
Loss from disposition of loans, net	6,780	166,102	6,495	159,131
Gain on foreign currency transactions, net	(129,238)	(118,494)	(123,815)	(113,521)
Gain on derivatives, net	(133,703)	(22,099)	(128,093)	(21,171)
Stock compensation costs	2,318	10,911	2,221	10,453
Net income in minority interest	70,834	14,044	67,862	13,455
Changes in assets and liabilities:				
Decrease (increase) in trading securities	(2,055,209)	5,494	(1,968,968)	5,263
Decrease (increase) in other assets	(2,873,820)	985,671	(2,753,228)	944,310
Increase (decrease) in other liabilities	3,073,146	(1,534,901)	2,944,190	(1,470,493)
Retirement and severance benefits paid	(266,697)	(29,114)	(255,506)	(27,892)
Decrease in deposit for severance benefit insurance	38,368	(27,292)	36,758	(26,147)
Decrease in National Pension Fund	8,207	551	7,862	528
Other, net	350,522	276,523	335,813	264,920
Net cash provided by operating activities	696,973	1,497,636	667,723	1,434,792
Cash flows from investing activities:				
Cash provided by investing activities:				
Decrease in securities	13,011,972	18,472,028	12,465,963	17,696,904
Decrease in loans	2,902,362	3,867,654	2,780,574	3,705,359
Disposition of fixed assets	29,908	611,770	28,653	586,099
Decrease in other assets	2,731,372	1,059,380	2,616,758	1,014,926
Transfer of business segment	1,181	-	1,131	-
	₩ 18,676,795	24,010,832	\$ 17,893,079	23,003,288

Continued



Consolidated Statements of Cash Flows, Continued

For the years ended December 31, 2004 and 2003

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
Cash used in investing activities:				
Increase in securities	₩ (10,979,238)	(19,499,618)	\$ (10,518,527)	(18,681,374)
Increase in loans	(5,175,404)	(7,539,166)	(4,958,234)	(7,222,807)
Purchases of fixed assets	(197,506)	(734,215)	(189,218)	(703,406)
Increase in other assets	(1,268,564)	(1,193,799)	(1,215,332)	(1,143,705)
Decrease in other liabilities	(2,464,250)	(589,041)	(2,360,845)	(564,324)
Acquisition of equity in subsidiaries	-	(927,543)	-	(888,621)
	(20,084,962)	(30,483,382)	(19,242,156)	(29,204,237)
Net cash used in investing activities	(1,408,167)	(6,472,550)	(1,349,077)	(6,200,949)
Cash flows from financing activities:				
Cash provided by financing activities:				
Increase in deposits	932,119	4,080,882	893,005	3,909,640
Increase in borrowings	24,447,528	27,548,192	23,421,659	26,392,213
Increase in debentures	10,859,083	7,454,802	10,403,414	7,141,983
Increase in other liabilities	1,397,217	1,121,237	1,338,588	1,074,188
Issuance of common shares	-	27,648	-	26,488
Issuance of preferred shares	-	900,000	-	862,234
Disposition of treasury stock	619,879	1	593,868	1
	38,255,826	41,132,762	36,650,534	39,406,747
Cash used in financing activities:				
Decrease in deposits	(963,785)	-	(923,343)	-
Decrease in borrowings	(26,801,189)	(28,671,851)	(25,676,556)	(27,468,721)
Decrease in debentures	(8,533,619)	(5,755,268)	(8,175,530)	(5,513,765)
Payments of issuance cost on debentures	(141,488)	(9,541)	(135,551)	(9,141)
Decrease in other liabilities	(117,659)	(320,538)	(112,722)	(307,088)
Stock issuance costs	-	(21,608)	-	(20,701)
Dividends paid	(245,835)	(159,616)	(235,519)	(152,918)
Acquisition of treasury stock	(323)	(26)	(309)	(25)
Acquisition of equity in consolidated subsidiaries	(312,804)	-	(299,678)	-
	(37,116,702)	(34,938,448)	(35,559,208)	(33,472,359)
Net cash provided by financing activities	1,139,124	6,194,314	1,091,326	5,934,388
Increase in cash and cash equivalents due to changes in consolidation scope	12,878	2,351,746	12,338	2,253,062
Net increase in cash and cash equivalents	440,808	3,571,146	422,310	3,421,293
Cash and cash equivalents at beginning of year	6,418,280	2,847,134	6,148,956	2,727,662
Cash and cash equivalents at end of year	₩ 6,859,088	6,418,280	\$ 6,571,266	6,148,955

See accompanying notes to consolidated financial statements.



Notes to Consolidated Financial Statements

December 31, 2004 and 2003

(1) General Description on the Consolidated Company

Shinhan Financial Group Co., Ltd., the controlling company, and its subsidiaries included in consolidation or accounted for under the equity method are summarized as follows:

(a) Controlling Company

Shinhan Financial Group Co., Ltd. (the "Shinhan Financial Group"), was incorporated on September 1, 2001 by way of the transfer of all issued shares owned by shareholders of Shinhan Bank, Shinhan Securities Co., Ltd., Shinhan Capital Co., Ltd. and Shinhan BNP Paribas Investment Trust Management Co., Ltd. (formerly Shinhan Investment Trust Management Co., Ltd.) to Shinhan Financial Group. Shinhan Financial Group was formed for the purpose of providing management services and financing to subsidiaries with ₩1,461,721 million of initial capital stock and Shinhan Financial Group's shares were listed on the Korea Stock Exchange on September 10, 2001. In addition, on September 16, 2003, Shinhan Financial Group issued American Depository Shares ("ADS"). These ADS are listed on the New York Stock Exchange.

As of December 31, 2004, Shinhan Financial Group has 25 subsidiaries, which are consolidated or accounted for under the equity method, and its capital stock amounts to ₩1,596,595 million in common stock and ₩486,523 million in preferred stock, respectively.

(b) Subsidiaries included in Consolidation

a. Shinhan Bank

Shinhan Bank was established on September 15, 1981 to engage in commercial banking and trust operations. Shinhan Bank operates through 380 branches and 162 automated teller machine locations. Shinhan Bank's capital stock amounts to ₩1,224,034 million as of December 31, 2004. Additionally, on March 3, 2004, Shinhan Bank sold 10.2% (29,873,295 shares) of total outstanding shares in Shinhan Financial Group for ₩627,339 million (₩21,000 per share), through after-hour block trading.

b. Chohung Bank

Chohung Bank was established on October 1, 1943 through the merger of Han Sung Bank, which was established on February 19, 1897, and Dong Il Bank, which was established on August 8, 1906, to engage in commercial banking and trust operations. The shares of Chohung Bank were listed on the Korea Stock Exchange on June 3, 1956, and Chohung Bank operates through 450 domestic branches, 82 depository offices and 6 overseas branches. Chohung Bank's capital stock amounts to ₩3,595,592 million as of December 31, 2004.

On July 9, 2003, Shinhan Financial Group made an agreement with the Korea Deposit Insurance Corporation (the "KDIC") to acquire 80.04% (543,570,144 shares) of total outstanding shares in Chohung Bank. Additionally, Shinhan Financial Group's percentage of ownership increased to 81.15% through additional equity acquisition for ₩200,000 million on December 30, 2003.

During 2004, the Shinhan Financial Group decided to acquire 18.85% of minority shares in Chohung Bank through a tender offer and share exchange, at the Board of Directors' Meeting held on April 12, 2004, and provided a tender offer for 3.77% of shares in Chohung Bank at ₩3,500 per share from April 26, 2004 to May 17, 2004. With respect to the share exchange for 15.08% of shares in Chohung Bank, the shareholders, who were against the share exchange, were entitled for a right to sell their shares at ₩3,067 per share from May 25, 2004 to June 3, 2004, with a resolution of an extraordinary shareholders' meeting of Chohung Bank held on May 24, 2004, and the remaining shares were subject to the share exchange, at the exchange ratio of 0.1354 share in Shinhan Financial Group to each Chohung Bank share, on June 22, 2004.

As a result, on June 22, 2004, Shinhan Financial Group's percentage of ownership increased to 100% and Chohung Bank became a wholly-owned subsidiary of Shinhan Financial Group. Upon the acquisition of 66,363,126 shares in Chohung Bank from the shareholders who were against the share exchange, Chohung Bank became a shareholder of Shinhan Financial Group with 8,985,567 shares of common stock in the Shinhan Financial Group.

Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

c. Goodmorning Shinhan Securities Co., Ltd.

Goodmorning Shinhan Securities Co., Ltd. ("Goodmorning Shinhan Securities") was incorporated on April 2, 1973 to engage in securities trading, underwriting and brokerage services. Its shares were listed on the Korea Stock Exchange on December 19, 1986. As of December 31, 2004, Goodmorning Shinhan Securities operates through 79 branches and Goodmorning Shinhan Securities's capital stock amounts to ₩796,998 million (including ₩19,117 million of preferred stock).

Additionally, Shinhan Financial Group decided to incorporate Goodmorning Shinhan Securities as a wholly owned subsidiary of Shinhan Financial Group through a tender offer and share exchange, at the Board of Directors' Meeting held on September 17, 2004. Pursuant to the resolution, Shinhan Financial Group provided a tender offer for 11.99% of preferred shares in Goodmorning Shinhan Securities at ₩2,500 per from September 24, 2004 to October 13, 2004, and Shinhan Financial Group purchased 8.95% of preferred shares in the market and through over-the-counter trading during the period. Additionally, on October 21, 2004, Shinhan Financial Group purchased 27.26% of preferred shares in Goodmorning Shinhan Securities at ₩2,495 per share in cash, which shares had been held by Goodmorning Shinhan Securities, and with respect to the remaining shares, one share of common and preferred stock of Goodmorning Shinhan Securities were exchanged for 0.1633 share and 0.0977 share in Shinhan Financial Group, respectively, as of December 23, 2004. As a result, as of December 23, 2004, Shinhan Financial Group's percentage of ownership increased to 100% and Goodmorning Shinhan Securities became a wholly-owned subsidiary of Shinhan Financial Group.

d. Shinhan Card Co., Ltd.

Shinhan Card Co., Ltd. ("Shinhan Card") was established on June 1, 2002 under the Credit Specialty Finance Law through the spin-off of the credit card division of Shinhan Bank. Shinhan Card is engaged principally in credit card services, factoring, consumer loan and installment financing. As of December 31, 2004, Shinhan Card holds 2.51 million franchise accounts and 3 million credit card holders, and Shinhan Card's capital stock amounts to ₩152,847 million.

e. Shinhan Capital Co., Ltd.

Shinhan Capital Co., Ltd. ("Shinhan Capital") was incorporated on April 19, 1991 to engage in the leasing and rental business and it changed its name on May 27, 1999 from Shinhan Leasing Co., Ltd. to Shinhan Capital. Shinhan Capital's capital stock as of December 31, 2004 amounts to ₩80,000 million.

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

On August 1, 1996, Shinhan BNP Paribas Investment Trust Management Co., Ltd. ("Shinhan BNP Paribas ITMC") was established and obtained a license to engage in the business of investment and trust of securities and advisory services under the Investment and Trust of Securities Law. Additionally, on October 24, 2002, Shinhan Financial Group sold to BNP Paribas Asset Management Group 3,999,999 shares (50% of total outstanding shares less 1 share) of Shinhan Investment Trust Management Co., Ltd., which was renamed to Shinhan BNP Paribas ITMC. Shinhan BNP Paribas ITMC's capital stock as of December 31, 2004 amounts to ₩40,000 million.

g. Jeju Bank

Jeju Bank was incorporated on March 18, 1969 under the General Banking Act of the Republic of Korea to engage in the commercial banking and trust business and listed its shares on the Korea Stock Exchange on December 28, 1972. On April 4, 2002, Jeju Bank became a subsidiary through Shinhan Financial Group acquiring a 51% share from the KDIC. Additionally, Shinhan Financial Group's percentage of ownership increased to 62% with the acquisition of additional common shares for ₩20,177 million on July 5, 2002 and Jeju Bank's capital stock as of December 31, 2004 amounts to ₩77,644 million.

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

SH&C Life Insurance Co., Ltd. ("SH&C Life Insurance") was established in October 1, 2002 to engage in the insurance and other related businesses. SH&C Life Insurance's capital stock as of December 31, 2004 amounts to ₩30,000 million.



Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

i. Shinhan Macquarie Financial Advisory Co., Ltd.

Shinhan Macquarie Financial Advisory Co., Ltd. (“Shinhan Macquarie”) was incorporated on August 1, 2001 to engage in the business of financial advisory services and cross border leasing. Shinhan Macquarie’s capital stock as of December 31, 2004 amounts to ₩1,000 million.

j. Shinhan Credit Information Co., Ltd.

Shinhan Credit Information Co., Ltd. (“Shinhan Credit Information”) was established on July 8, 2002 as a wholly-owned subsidiary of Shinhan Financial Group to engage in the business of debt collection services and credit research. Shinhan Credit Information’s capital stock as of December 31, 2004 amounts to ₩3,000 million.

On May 21, 2004, Shinhan Financial Group decided to acquire 49% of total outstanding shares in Shinhan Credit Information from LSH Holdings LLC. As a result, Shinhan Financial Group’s percentage of ownership increased to 100% and Shinhan Credit Information became a wholly-owned subsidiary of Shinhan Financial Group.

k. Shinhan Private Equity Inc.

Shinhan Private Equity Inc. (“Shinhan PE”) was established on December 8, 2004 to provide financial advisory services and operating assistance to domestic and overseas private equity funds. Shinhan PE’s capital stock as of December 31, 2004 amounts to ₩10,000 million.

l. Trust accounts of Shinhan, Chohung and Jeju Bank

Trust accounts in which Shinhan Bank, Chohung Bank and Jeju Bank guarantees repayment of principal and, in certain cases, minimum interest earnings are included in Shinhan Financial Group’s consolidation.

m. Shinhan Finance Ltd.

Shinhan Finance Ltd. (“Shinhan Finance”) was incorporated in November 1990 in Hong Kong as a wholesale bank and Shinhan Finance’s capital stock as of December 31, 2004 amounts to US\$ 55.600 thousand.

n. Chohung Investment Trust Management Co., Ltd.

Chohung Investment Trust Management Co., Ltd. (“Chohung ITMC”) was established in 1988 and engages in securities management services and conducts surveys of the economic and capital markets. Chohung ITMC’s capital stock as of December 31, 2004 amounts to ₩45,000 million.

o. Chohung Finance Ltd.

Chohung Finance Ltd. (“Chohung Finance”) engages in merchant banking activities in Hong Kong. Chohung Finance’s capital stock as of December 31, 2004 amounts to US\$15,000 thousand.

p. CHB America Bank

CHB America Bank (“CHB America”) was established on March 24, 2003 through the merger of Chohung Bank of New York and California Chohung Bank. CHB America’s capital stock as of December 31, 2004 amounts to US\$14,000 thousand.

q. Chohung Bank (Deutschland) GmbH

Chohung Bank (Deutschland) GmbH (“Chohung Deutschland”) was established in 1994. Chohung Deutschland’s capital stock as of December 31, 2004 amounts to EUR 15,339 thousand.

r. Good Morning Securities Europe Limited

Good Morning Securities Europe Limited (“Good Morning Europe”) was established in 1991 and has been providing securities trading, underwriting and derivative brokerage services in Europe under the Securities and Futures Authority (SFA) of UK. Good Morning Europe’s capital stock as of December 31, 2004 amounts to GBP 5,000 thousand.

Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

s. Good Morning Securities USA Inc.

Good Morning Securities USA Inc. ("Good Morning USA") was established in 1993 and has been providing securities trading, underwriting and derivative brokerage services under the Federal Securities Act of USA. Good Morning USA's capital stock as of December 31, 2004 amounts to US\$4,200 thousand.

Ownerships between Shinhan Financial Group and its subsidiaries included in consolidation as of December 31, 2004 and 2003 are as follows:

Investor	Investee	2004		2003	
		Number of shares	Ownership (%)	Number of shares	Ownership (%)
Shinhan Financial Group	Shinhan Bank	244,806,782	100.0	244,806,782	100.0
	Chohung Bank	719,118,429	100.0	583,570,144	81.2
	Goodmorning Shinhan Securities	159,399,664	100.0	94,084,384 ^(*)	59.4
	Shinhan Card	30,569,400	100.0	30,569,400	100.0
	Shinhan Capital	16,000,000	100.0	16,000,000	100.0
	Shinhan BNPP ITMC	4,000,001	50.0	4,000,001	50.0
	Jeju Bank	9,692,369	62.4	9,692,369	62.4
	SH&C Life Insurance	3,000,001	50.0	3,000,001	50.0
	Shinhan Macquarie ^(**)	102,000	51.0	-	-
	Shinhan Credit Information ^(**)	600,000	51.0	-	-
	Shinhan PE	2,000,000	100.0	-	-
Shinhan Bank	Shinhan Financial Group	-	^(*) -	29,873,359	^(**) 10.2
	Shinhan Finance	55,600	100.0	55,600	100.0
Chohung Bank	Shinhan Financial Group	8,985,567	2.9	-	-
	Chohung ITMC	7,179,678	79.8	7,179,678	79.8
	Chohung Finance	149,999	100.0	149,999	100.0
	CHB America	400,000	100.0	400,000	100.0
	Chohung Deutschland	-	100.0	-	100.0
Goodmorning Shinhan Securities	Shinhan Financial Group	1,444	-	-	-
	Good Morning Europe	5,000,000	100.0	5,000,000	100.0
	Good Morning USA	15,000	100.0	15,000	100.0

(*) 1,047,213 shares of treasury stock were considered.

(**) Preferred stocks were excluded and 10.2% (29,873,295 shares) of shares in Shinhan Financial Group were sold at ₩627,339 million (₩21,000 per share) on March 3, 2004 through after-hour block trading.

(***) Shinhan Macquarie and Shinhan Credit Information are newly included in consolidation as of December 31, 2004.

(c) Subsidiaries accounted for under the Equity Method

a. e-Shinhan Inc.

e-Shinhan Inc. ("e-Shinhan") was incorporated on February 21, 2001 to engage in the business of internet brokerage service and comprehensive management services on customer accounts. e-Shinhan's capital stock as of December 31, 2004 amounts to ₩2,820 million.

b. Shinhan Data System Co., Ltd. (Formerly Shinhan System Co. Ltd.)

Shinhan Data System Co., Ltd. ("Shinhan Data System") was incorporated in May 1991 to engage in computer services and Shinhan Data System's capital stock as of December 31, 2004 amounts to ₩1,000 million.



Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

c. Chohung Vina Bank

Chohung Vina Bank (“Chohung Vina”) engages in banking activities in Vietnam. Chohung Vina’s capital stock as of December 31, 2004 amounts to US\$20,000 thousand, in which Chohung Bank owns 50%.

Ownerships in subsidiaries accounted for under the equity method of accounting as of December 31, 2004 and 2003 is as follows:

Investor	Investee (equity method)	2004		2003		Reason for exclusion from the scope of consolidation
		Number of shares	Ownership (%)	Number of shares	Ownership (%)	
Shinhan Financial Group	e-Shinhan	415,495	73.7	415,495	73.7	Assets under W 7 billion
	Shinhan Macquarie ^(*)	-	-	102,000	51.0	Assets under W 7 billion
	Shinhan Credit Information ^(*)	-	-	306,000	51.0	Assets under W 7 billion
Shinhan Bank	Shinhan Data System	200,000	100.0	200,000	100.0	Assets under W 7 billion
	Macquarie Shinhan Infrastructure Management ^(**)	140,000	35.0	-	-	Assets under W 7 billion
Chohung Bank	Chohung Vina	-	50.0	-	50.0	Absence of control

(*) Shinhan Macquarie and Shinhan Credit Information are newly included in consolidation as of December 31, 2004.

(**) Macquarie Shinhan Infrastructure Management is newly accounted for under equity method accounting as of December 31, 2004.

(2) Basis of Financial Statements Presentation and Summary of Significant Accounting Policies

(a) Basis of Financial Statements Presentation

Shinhan Financial Group Co. Ltd. and its subsidiaries (the “Consolidated Company”) maintains its accounting records in Korean Won and prepares statutory consolidated financial statements in the Korean language (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Consolidated Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these consolidated financial statements are intended for use only by those who are informed about Korean accounting principles and practices. The accompanying consolidated financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language financial statements.

Certain information included in the Korean language financial statements, but not required for a fair presentation of the Consolidated Company’s financial position, results of operations or cash flows, is not presented in the accompanying consolidated financial statements.

(b) Basis of Financial Statements Translation

The consolidated financial statements as of and for the years ended December 31, 2004 and 2003 are expressed in Korean Won and, solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ₩1,043.80 to US\$1, the basic exchange rate on December 31, 2004. These translations should not be construed as a representation that any or all of the amounts shown could be converted into U.S. dollars at this or any other rate.

(c) Application of the Statements of Korean Financial Accounting Standards

Effective January 1, 2004, the Consolidated Company adopted Statements of Korean Financial Accounting Standards (the “SKAS”) No. 13 “Troubled Debt Structuring”. In addition, effective January 1, 2004, the Consolidated Company early adopted SKAS No. 15 “The Equity Method of Accounting”. Except for the adoption of aforementioned accounting standards, the same accounting policies are applied for the consolidated financial statements both as of and for the years ended December 31, 2004 and 2003.

Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(d) Investments in Securities

Debt and equity 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. Investments in debt securities that the Consolidated Company has the positive intent and ability to hold to maturity are classified as held-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.

Trading securities are carried at fair value, with unrealized holding gains and losses included in earnings. Available-for-sale securities are carried at fair value, with unrealized holding gains and losses reported as a capital adjustment. Investments in equity that do not have readily determinable fair values are stated at cost. Declines in value judged to be other-than-temporary on available-for-sale securities are charged to current results of operations. Investments in debt securities that are classified into held-to-maturity are reported at amortized cost at the balance sheet date and such amortization is included in interest income.

Marketable securities are at the quoted market prices as of the year 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.

(e) Investment Securities Accounted for under the Equity Method

Investments in affiliated companies with the Consolidated Company's ownership of 20% or more or over which Shinhan Financial Group has significant management control are stated at an amount as determined using the equity method.

Under the equity method of accounting, the Consolidated Company's initial investment is recorded at cost and is subsequently increased to reflect the Consolidated Company's share of the investee income and reduced to reflect the Consolidated Company's share of the investee losses or dividends received. Any excess in the Consolidated Company's acquisition cost over the Consolidated Company's share of the investee's identifiable net assets is generally recorded as goodwill or other intangibles and amortized by the straight-line method over the estimated useful life. Goodwill (negative goodwill) is amortized over a reasonable period, generally less than 20 years. When events or circumstances indicate that carrying amount may not be recoverable, the Consolidated Company reviews goodwill for any impairment. Under the equity method of accounting, Shinhan Financial Group does not record its share of losses of affiliate companies when such losses would make the Consolidated Company's investment in such entity less than zero.

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. Any differences resulting from such foreign currency translation are accounted for as valuation gains (losses) under the equity method, a component of capital adjustments in the stockholders' equity.

(f) Allowance for Loan Losses

The Consolidated 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.

(g) Troubled Loans Structuring

Effective from January 1, 2004, the Consolidated Company adopted SKAS No. 13, "Troubled Debt Structuring". In accordance with SKAS No. 13, a loan which contractual terms are modified in a troubled debt structuring program is accounted for at present



Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

value of future cash flows in the modified contract discounted using the effective interest rate in the original contract. If the present value differs from the face value of the loans, the difference is recorded as an allowance for loan losses or provision for loan losses in the current period if additional allowances need to be provided for.

Additionally, a loan, which is to be payable through transfer of assets or issuance of equity interest by debtors, is recorded at the lower of fair value of assets transferred or equity issued or nominal value of restructured loans, and the differences are recorded as an allowance for loan losses or provision for loan losses in the current year if additional allowances need to be provided for. Unamortized present value discounts as of the beginning of the current period are reclassified to allowance for loan losses pursuant to the SKAS No. 13.

(h) Fixed Assets

i) Tangible Assets

Tangible assets are stated at cost, except for the case of revaluation made in accordance with the Asset Revaluation Law. Significant additions or improvements extending value or useful lives of assets are capitalized, while normal maintenance and repairs are charged to expense when incurred.

Depreciation is computed using the declining-balance method, except straight-line method for building and leasehold improvement, over estimated useful lives of the related assets.

ii) Intangible Assets

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

(i) Discount on Debentures

Discount on debenture issued, which represents the difference between the face value and issuance price of debentures, is amortized using the effective interest method over the life of the debentures. The amount amortized is included in interest expense.

(j) Retirement and Severance Benefits

Employees who have been with the Consolidated 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 Consolidated Company. The Consolidated 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 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 companies. Deposits for retirement insurance is, therefore, reflected in the accompanying balance sheet as a deduction from the liability for retirement and severance benefits.

Under the National Pension Scheme of Korea, the Consolidated 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 Consolidated Company and is accordingly reflected in the accompanying financial statements as a reduction from the retirement and severance benefit liability.

(k) Allowance for Guarantees and Acceptances

The Consolidated 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.

(l) Income Taxes

Income tax on the earnings or loss for the year comprises current and deferred tax. Income tax is recognized in the statement of earnings except to the extent that it relates to items recognized directly to equity, in which case it is recognized in equity.

Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. 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.

A deferred tax asset is recognized only to the extent that it is probable that future taxable earnings will be available against which the unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(m) Translation of Foreign Currency Denominated Assets and Liabilities

Assets and liabilities denominated in foreign currencies are translated into Korean Won at ₩1,043.80 and ₩1,197.80 to US\$1, the rate of exchange on December 31, 2004 and 2003, respectively, that is permitted by the Financial Accounting Standards at the balance sheet date, with the resulting gains and losses recognized in current results of operations. Financial statements of overseas branches are also translated into Korean Won at the above base rates on the balance sheet dates.

(n) 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 stockholders' equity. The ineffective portion of the gain or loss is charged or credited to current results of operations.

(o) Stock Options

The stock option program allows the Consolidated Company's employees to acquire shares of the Consolidated Company or to be compensated for the market price difference. In case of stock grant type, the Consolidated 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 over the period in which the options vest. In case of price compensation type, the Consolidated Company recognizes the compensation expense as an expense and a liability over the period in which the options vest.

(p) Accounting for Leases and Rentals

The Consolidated Company accounts for lease transactions as operating or financing leases, depending upon the terms of the lease contracts. In general, non-cancelable leases are recognized as financing leases when ownership transfers at expiration of the lease term, when a bargain purchase option exists, or when the lease term exceeds the estimated economic life of the related asset.

Under the financing lease method, aggregate lease rentals are recorded as financing leases receivable, net of unearned interest, based on the excess of rental revenue over the cost of the related assets. Unearned interest is recognized as interest income on financing leases using the effective interest method over the lease term.

The Consolidated Company capitalized interest costs on debt borrowed to finance the purchase of lease assets as part of the cost of such assets prior to the assets being ready for lease.

Operating lease equipment is stated at cost and depreciated over the lease term. Operating lease income is recognized as operating income on an accrual basis over the lease term.

Foreign currency translation gains or losses incurred from foreign currency borrowings used to finance purchases of operating lease equipment have been deferred and amortized over the period that the related lease rental revenues are recognized.

Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(q) Interest Income Recognition

Interest income on loans is recognized on the accrual basis, except for interest income on loans having overdue interest and principal and loans to customers who are bankrupt.

(r) Contingent Liabilities

Contingent losses are generally recognized as a liability when probable and reasonably estimable.

(s) Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the Republic of Korea requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes to financial statements. Actual results could differ from those estimates.

(3) Standards applied for Preparing Consolidated Financial Statements

(a) The investment account of Shinhan Financial Group is offset against the stockholders' equity account of each subsidiary as of the date of acquisition.

(b) The Consolidated Company records differences between the cost of investment accounts and the corresponding fair value of subsidiaries' net assets at the time of acquisition as goodwill (negative goodwill) and those are amortized over certain periods, which are less than 20 years.

(c) All significant inter-company transactions and account balances among the consolidated companies have been fully eliminated in consolidation.

(d) With regards to the same borrowers' loans with same credit risk, the Consolidated Company applies the same provision policy for the consolidated financial statements.

(4) Cash and Due from Banks

(a) Cash and due from banks as of December 31, 2004 and 2003 consist of the following:

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
Cash on hand in Won	₩ 1,732,631	1,742,777	\$ 1,659,926	1,669,646
Cash on hand in foreign currencies	174,242	165,006	166,930	158,082
	1,906,873	1,907,783	1,826,856	1,827,728
Due from banks in Won	4,222,907	4,119,983	4,045,705	3,947,100
Due from banks in foreign currencies	729,308	390,514	698,705	374,127
	4,952,215	4,510,497	4,744,410	4,321,227
	₩ 6,859,088	6,418,280	\$ 6,571,266	6,148,955

Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(b) Restricted due from banks as of December 31, 2004 and 2003 are as follows:

In Millions of Korean Won			
	2004	2003	Restrictions
Due from banks in Won:			
Reserve deposits in the Bank of Korea	₩ 2,615,574	2,407,044	General banking act
Due from banks for customers' accounts	583,859	1,038,745	Reserve for customers' deposits
Other	8,851	157,037	Deposit for severance benefit insurance and other
	3,208,284	3,602,826	
Due from banks in foreign currencies	30,492	72,833	Pledged for contract performance
	₩ 3,238,776	3,675,659	

(c) The maturities of the due from banks by remaining period as of December 31, 2004 and 2003 are as follows:

In Millions of Korean Won			
At December 31, 2004	Due from banks in Won	Due from banks in foreign currencies	Total
Due in 3 months or less	₩ 1,306,079	708,699	2,014,778
Due after 3 months through 6 months	217,421	13,374	230,795
Due in 12 months	211,048	-	211,048
Due in 3 years	4	-	4
Thereafter	2,488,355	7,235	2,495,590
	₩ 4,222,907	729,308	4,952,215

In Millions of Korean Won			
At December 31, 2003	Due from banks in Won	Due from banks in foreign currencies	Total
Due in 3 months or less	₩ 1,482,708	366,364	1,849,072
Due after 3 months through 6 months	40,254	11,990	52,244
Due in 12 months	38,335	3,371	41,706
Due in 3 years	-	-	-
Thereafter	2,558,686	8,789	2,567,475
	₩ 4,119,983	390,514	4,510,497

(5) Securities

Securities as of December 31, 2004 and 2003 consist of the following:

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
Trading securities	₩ 7,065,560	4,876,614	\$ 6,769,074	4,671,980
Available-for-sale securities	17,307,536	19,443,355	16,581,277	18,627,473
Held-to-maturity securities	3,144,662	3,664,060	3,012,705	3,510,308
Investment securities accounted for using the equity method	16,416	19,631	15,727	18,807
	₩ 27,534,174	28,003,660	\$ 26,378,783	26,828,568



Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(a) Trading securities

i) Trading securities as of December 31, 2004 and 2003 consist of the following:

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
Equity securities:				
Stocks	₩ 245,184	188,922	\$ 234,895	180,994
Debt securities:				
Government bonds	2,554,280	1,712,070	2,447,097	1,640,228
Finance debentures	1,880,829	1,656,756	1,801,906	1,587,235
Corporate bonds	1,192,995	996,699	1,142,934	954,875
	5,628,104	4,365,525	5,391,937	4,182,338
Beneficiary certificates	20,907	57,446	20,030	55,035
Commercial paper	328,782	59,579	314,986	57,079
Securities in foreign currencies	29,035	1,330	27,816	1,274
Other	813,548	203,812	779,410	195,260
	₩ 7,065,560	4,876,614	\$ 6,769,074	4,671,980

ii) Details of debt securities classified as trading securities as of December 31, 2004 and 2003 are as follows:

	In Millions of Korean Won				
	2004				
		Face value	Acquisition cost	Fair value ^(*)	Book value ^(**)
Government bonds	₩	2,530,110	2,551,241	2,562,017	2,554,280
Finance debentures		1,904,370	1,873,864	1,886,826	1,880,829
Corporate bonds		1,180,504	1,192,457	1,195,248	1,192,995
	₩	5,614,984	5,617,562	5,644,091	5,628,104

	In Millions of Korean Won				
	2003				
		Face value	Acquisition cost	Fair value ^(*)	Book value ^(**)
Government bonds	₩	1,730,282	1,716,317	1,723,726	1,712,070
Finance debentures		1,696,152	1,671,623	1,677,283	1,656,756
Corporate bonds		991,446	1,005,953	999,576	996,699
	₩	4,417,880	4,393,893	4,400,585	4,365,525

(*) Debt securities are recorded at fair value using the market yield of bonds provided by the bond credit rating and pricing associations.

(**) The difference between fair value and book value is recorded as accrued income.

Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(b) Available-for-sale securities

i) Available-for-sale securities as of December 31, 2004 and 2003 consist of the following:

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
Equity securities:				
Stocks	₩ 1,891,056	1,123,476	\$ 1,811,703	1,076,333
Investment in special fund	31,227	64,489	29,917	61,783
	1,922,283	1,187,965	1,841,620	1,138,116
Debt securities:				
Government bonds	3,522,285	2,575,282	3,374,483	2,467,218
Finance debentures	4,446,648	4,625,283	4,260,057	4,431,197
Corporate bonds	6,450,743	6,481,937	6,180,057	6,209,942
	14,419,676	13,682,502	13,814,597	13,108,357
Beneficiary certificates	51,926	2,525,018	49,747	2,419,063
Securities in foreign currencies	866,077	1,415,713	829,735	1,356,307
Other	47,574	632,157	45,578	605,630
	₩ 17,307,536	19,443,355	\$ 16,581,277	18,627,473

ii) Details of debt securities classified as available-for-sale securities as of December 31, 2004 and 2003 are as follows:

	In Millions of Korean Won			
	2004			
	Face value	Acquisition cost	Fair value ^(*)	Book value ^(**)
Government bonds	₩ 3,356,019	3,437,218	3,585,482	3,522,285
Finance debentures	4,444,540	4,412,727	4,482,575	4,446,648
Corporate bonds	6,746,567	6,508,527	6,480,383	6,450,743
	₩ 14,547,126	14,358,472	14,548,440	14,419,676

	In Millions of Korean Won			
	2003			
	Face value	Acquisition cost	Fair value ^(*)	Book value ^(**)
Government bonds	₩ 2,540,013	2,532,025	2,622,940	2,575,282
Finance debentures	4,704,000	4,614,120	4,697,923	4,625,283
Corporate bonds	6,673,214	6,471,921	6,521,275	6,481,937
	₩ 13,917,227	13,618,066	13,842,138	13,682,502

(*) Debt securities are recorded at fair value using the market yield of bonds provided by the bond credit rating and pricing associations.

(**) The difference between fair value and book value is recorded as accrued income.



Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

iii) Equity securities classified as available-for-sale securities as of December 31, 2004 and 2003 are as follows:

In Millions of Korean Won				
2004				
	<i>Ownership (%)</i>	<i>Acquisition cost</i>	<i>Net asset or fair value</i>	<i>Book value</i>
Stock:				
SK Telecom Co., Ltd.	0.12	₩ 15,907	18,835	18,835
SK Networks Co., Ltd.	9.50	110,450	150,363	150,363
SK Networks Co., Ltd. (Preferred shares)	0.57	84,668	103,137	103,137
LG Card Co., Ltd.	9.04	57,695	185,920	185,920
Hyundai Engineering and Construction Co., Ltd.	6.91	83,072	75,518	75,518
Hynix Semiconductor Inc.	10.26	175,494	529,987	529,987
Ssangyong Motors Co., Ltd.	10.31	80,783	75,443	75,443
Samyang Foods Co., Ltd.	44.81	4,918	13,311	13,311
Feel Max Co., Ltd.	12.00	3,000	3,393	3,000
Shinho Paper Manufacturing Co., Ltd.	0.54	5,345	2,423	2,423
NamSun Co., Ltd.	4.87	3,195	600	600
Daewoo International Corp.	4.00	5,186	15,835	15,835
Korea Securities Finance Corporation	3.39	11,576	17,230	11,576
Other	-	706,364	712,598	705,108
		1,347,653	1,904,593	1,891,056
Investment in special fund:				
Stock Market Stabilization Fund		4,612	9,437	9,437
Korea Stock Exchange		2,612	24,015	2,612
Good KDB 2nd Securitization Specialty Co., Ltd.		3,000	2,646	3,000
Other		16,658	16,304	16,178
		26,882	52,402	31,227
	₩	1,374,535	1,956,995	1,922,283

Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

In Millions of Korean Won

2003				
	Ownership (%)	Acquisition cost	Net asset or fair value	Book value
Stock:				
Hyundai Engineering and Construction Co., Ltd.	5.07	₩ 54,514	29,413	29,413
Hynix Semiconductor Inc.	10.24	175,398	254,346	254,346
Ssangyong Motors Co., Ltd.	10.31	68,506	128,292	129,292
Ssangyong Cement Industrial Co., Ltd.	10.16	54,096	54,096	54,096
Ssangyong Corporation	45.22	30,589	30,589	30,589
Daewoo Engineering and Construction Co., Ltd.	2.82	11,487	24,609	24,609
Korea Securities Finance Corporation	6.35	21,633	25,597	21,633
SK Telecom Co., Ltd.	0.12	17,106	20,478	20,478
Handsome Co., Ltd.	1.43	3,533	3,288	3,288
Ssangyong Engineering and Construction Co., Ltd.	5.37	6,080	3,248	3,248
NamSun Co., Ltd.	4.87	3,195	1,639	1,639
Feel Max Co., Ltd.	12.00	3,000	3,000	3,000
Other	-	609,366	554,972	547,845
		1,058,503	1,133,567	1,123,476
Investment in special fund:				
Stock Market Stabilization Fund		21,438	48,039	48,039
Korea Stock Exchange		2,612	21,134	2,612
Good KDB 2nd Securitization Specialty Co., Ltd.		3,000	3,088	3,000
Other		6,012	6,092	10,838
		33,062	78,353	64,489
	₩	1,091,565	1,211,920	1,187,965

iv) The maturity of available-for-sale securities by remaining period as of December 31, 2004 and 2003 are as follows:

In Millions of Korean Won

At December 31, 2004	Government bonds	Finance debentures	Corporate bonds	Total
Due in 3 months or less	₩ 986,376	1,413,772	438,838	2,838,986
Due after 3 months through 6 months	18,659	355,107	98,674	472,440
Due in 12 months	220,305	816,819	400,974	1,438,098
Due in 3 years	1,046,435	1,798,523	4,058,976	6,903,934
Thereafter	1,250,510	62,427	1,453,281	2,766,218
	₩ 3,522,285	4,446,648	6,450,743	14,419,676

In Millions of Korean Won

At December 31, 2003	Government bonds	Finance debentures	Corporate bonds	Total
Due in 3 months or less	₩ 103,419	1,128,796	178,732	1,410,947
Due after 3 months through 6 months	95,735	799,242	448,949	1,343,926
Due in 12 months	168,840	1,262,752	630,835	2,062,427
Due in 3 years	1,252,751	1,385,682	4,161,545	6,799,978
Thereafter	954,537	48,811	1,061,876	2,065,224
	₩ 2,575,282	4,625,283	6,481,937	13,682,502



Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

v) Available-for-sale securities denominated in foreign currencies classified by issuing country as of December 31, 2004 and 2003 are as follows:

In Millions of Korean Won and Thousands of U.S. Dollars, except Ratio

	2004			2003		
	U.S. dollar	Equivalent Won	Ratio (%)	U.S. dollar	Equivalent Won	Ratio (%)
Korea	\$ 670,628	₩ 700,002	80.82	\$ 731,852	₩ 876,612	61.92
U.S.A.	73,782	77,014	8.89	317,771	380,626	26.89
Malaysia	20,782	21,692	2.50	11,703	14,018	0.99
Philippines	16,607	17,334	2.00	588	704	0.05
Germany	-	-	-	14,037	16,814	1.19
Japan	8,437	8,807	1.02	5,029	6,023	0.43
Other	39,499	41,228	4.77	100,946	120,916	8.53
	\$ 829,735	₩ 866,077	100.00	\$ 1,181,926	₩ 1,415,713	100.00

(c) Held-to-maturity securities

i) Held-to-maturity securities as of December 31, 2004 and 2003 consist of the following:

In Millions of Korean Won In Thousands of U.S. Dollars (note 2)

	2004		2003	
	₩		\$	
Government bonds	₩ 431,651	558,336	\$ 413,538	534,907
Finance debentures	1,173,752	543,791	1,124,499	520,972
Corporate bonds	1,403,050	2,389,916	1,344,175	2,289,630
Securities in foreign currencies	136,209	172,017	130,493	164,799
	₩ 3,144,662	3,664,060	\$ 3,012,705	3,510,308

ii) Details of debt securities classified as held-to-maturity securities as of December 31, 2004 and 2003 consist of the following:

In Millions of Korean Won

	2004				
	₩	Face value	Acquisition cost	Fair value ^(*)	Book value
Government bonds	₩	424,352	430,114	481,720	431,651
Finance debentures		1,201,070	1,175,122	1,222,427	1,173,752
Corporate bonds		1,401,046	1,409,387	1,510,981	1,403,050
	₩	3,026,468	3,014,623	3,215,128	3,008,453

In Millions of Korean Won

	2003				
	₩	Face value	Acquisition cost	Fair value ^(*)	Book value
Government bonds	₩	550,292	553,294	632,545	558,336
Finance debentures		551,144	544,773	569,935	543,791
Corporate bonds		2,380,892	2,398,606	2,461,181	2,389,916
	₩	3,482,328	3,496,673	3,663,661	3,492,043

(*) Debt securities are recorded at fair value using the market yield of bonds provided by the bond credit rating and pricing associations.



Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

iii) The maturity of held-to-maturity securities by remaining period as of December 31, 2004 and 2003 are as follows:

In Millions of Korean Won					
At December 31, 2004		<i>Government bonds</i>	<i>Finance debentures</i>	<i>Corporate bonds</i>	<i>Total</i>
Due in 3 months or less	₩	6,903	548,010	103,807	658,720
Due after 3 months through 6 months		4,232	110,158	-	114,390
Due in 12 months		89,912	215,749	197,338	502,999
Due in 3 years		196,341	179,982	306,026	682,349
Thereafter		134,263	119,853	795,879	1,049,995
	₩	431,651	1,173,752	1,403,050	3,008,453

In Millions of Korean Won					
At December 31, 2003		<i>Government bonds</i>	<i>Finance debentures</i>	<i>Corporate bonds</i>	<i>Total</i>
Due in 3 months or less	₩	354	82,160	45,005	127,519
Due after 3 months through 6 months		476	66,650	91,340	158,466
Due in 12 months		65,171	57,672	1,301,399	1,424,242
Due in 3 years		301,321	146,381	1,119,998	1,567,700
Thereafter		172,183	49,905	655,661	877,749
	₩	539,505	402,768	3,213,403	4,155,676

iv) Held-to-maturity securities denominated in foreign currencies classified by issuing country as of December 31, 2004 and 2003 are as follows:

	2004			2003		
	<i>U.S. dollar</i>	<i>Equivalent Won</i>	<i>Ratio (%)</i>	<i>U.S. dollar</i>	<i>Equivalent Won</i>	<i>Ratio (%)</i>
Korea	\$ 92,434	₩ 96,484	70.84	\$ 127,308	₩ 152,489	88.65
U.S.A.	32,514	33,938	24.92	1,965	2,354	1.37
Indonesia	2,574	2,687	1.97	3,449	4,131	2.40
Other	2,971	3,100	2.27	10,889	13,043	7.58
	\$ 130,493	₩ 136,209	100.00	\$ 143,611	₩ 172,017	100.00

(d) Investment securities accounted for using the equity method

Details of investment securities accounted for using the equity method as of December 31, 2004 and 2003 are as follows:

In Millions of Korean Won						
2004						
<i>Subsidiaries</i>	<i>Beginning balance</i>	<i>Investment and sale, net</i>	<i>Equity method gain (loss)</i>	<i>Retained earnings</i>	<i>Capital adjustments</i>	<i>Ending balance</i>
e-Shinhan	₩ 2,725	-	162	-	-	2,887
Shinhan Data System	2,153	-	221	-	-	2,374
Macquarie Shinhan Infrastructure Management	7	-	(7)	-	-	-
Chohung Vina	10,940	-	1,585	36	(1,406)	11,155
	₩ 15,825	-	1,961	36	(1,406)	16,416



Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

Shinhan Macquarie and Shinhan Credit Information are newly included in Shinhan Financial Group for consolidation as of December 31, 2004. Additionally, Macquarie Shinhan Infrastructure Management are newly accounted for using equity method as of December 31, 2004.

In Millions of Korean Won						
2003						
Subsidiaries	Beginning balance	Investment and sale, net	Equity method gain (loss)	Retained earnings	Capital adjustments	Ending balance
e-Shinhan	₩ 3,892	-	(1,166)	(1)	-	2,725
Shinhan Macquarie	423	-	1,446	(26)	-	1,843
Shinhan Credit Information	3,121	(1,695)	544	-	-	1,970
Shinhan Data System	2,001	-	152	-	-	2,153
Chohung Vina	-	9,166	1,434	-	340	10,940
	₩ 9,437	7,471	2,410	(27)	340	19,631

(6) Loans

(a) Loans outstanding as of December 31, 2004 and 2003 consist of the following:

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
Loans in Won	₩ 74,243,023	72,853,369	\$ 71,127,633	69,796,291
Loans in foreign currencies	5,436,593	6,779,634	5,208,462	6,495,147
Domestic import usance bills	2,560,931	2,714,909	2,453,469	2,600,986
Call loans	1,770,735	1,438,737	1,696,431	1,378,365
Korean Won bills bought	3,292,679	1,058,981	3,154,511	1,014,544
Foreign currency bills bought	3,730,195	3,610,006	3,573,668	3,458,523
Payments on guarantees and acceptances	30,563	107,743	29,281	103,222
Credit card loans	4,248,288	4,931,496	4,070,021	4,724,560
Bonds purchased with resale agreements	160,000	470,300	153,286	450,565
Privately placed bonds	2,543,897	2,416,843	2,437,150	2,315,428
Factoring receivables	163,775	174,955	156,903	167,614
Loans convertible into equity securities	11,813	80,933	11,317	77,537
Financing lease receivables	675,272	807,396	646,936	773,516
Cash management account	314,056	186,369	300,878	178,549
Other	22,233	17,390	21,300	16,660
	99,204,053	97,649,061	95,041,246	93,551,507
Less : allowance for loan losses	(1,916,982)	(2,835,642)	(1,836,541)	(2,716,653)
Add : present value premiums	72,509	107,759	69,466	103,237
	₩ 97,359,580	94,921,178	\$ 93,274,171	90,938,091

Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(b) The maturities of loans by remaining period as of December 31, 2004 and 2003 are as follows:

In Millions of Korean Won					
<i>At December 31, 2004</i>		<i>Loans in Won</i>	<i>Loans in foreign currencies</i>	<i>Other</i>	<i>Total</i>
Due in 3 months or less	₩	13,207,015	1,081,771	10,902,877	25,191,663
Due after 3 months through 6 months		15,632,440	839,399	2,498,709	18,970,548
Due in 12 months		23,850,838	1,581,403	1,566,347	26,998,588
Due in 3 years		10,295,005	632,997	2,066,229	12,994,231
Thereafter		11,257,725	1,301,023	2,490,275	15,049,023
	₩	74,243,023	5,436,593	19,524,437	99,204,053

In Millions of Korean Won					
<i>At December 31, 2003</i>		<i>Loans in Won</i>	<i>Loans in foreign currencies</i>	<i>Other</i>	<i>Total</i>
Due in 3 months or less	₩	15,160,538	885,099	8,318,745	24,364,382
Due after 3 months through 6 months		13,263,016	1,451,347	1,324,392	16,038,755
Due in 12 months		21,080,434	2,039,158	1,552,614	24,672,206
Due in 3 years		16,806,243	1,156,538	3,868,644	21,831,425
Thereafter		6,543,138	1,247,492	2,951,663	10,742,293
	₩	72,853,369	6,779,634	18,016,058	97,649,061

(c) Loans classified by country as of December 31, 2004 and 2003 are as follows:

In Millions of Korean Won, except Ratio						
2004						
		<i>Loans in Won</i>	<i>Loans in foreign currencies</i>	<i>Other loans</i>	<i>Total</i>	<i>Ratio (%)</i>
Korea	₩	74,243,023	2,909,436	19,131,333	96,283,792	97.06
U.S.A.		-	625,080	35,489	660,569	0.67
U.K.		-	59,923	109,104	169,027	0.17
Japan		-	932,006	496	932,502	0.94
Germany		-	768	-	768	-
Italy		-	-	44,969	44,969	0.05
Canada		-	-	67,847	67,847	0.07
Panama		-	81,315	-	81,315	0.08
Indonesia		-	18,888	-	18,888	0.02
Thailand		-	522	-	522	-
Vietnam		-	66,421	1,695	68,116	0.07
Hong Kong		-	29,706	8,568	38,274	0.04
China		-	417,302	20,556	437,858	0.44
Other		-	295,226	104,380	399,606	0.39
	₩	74,243,023	5,436,593	19,524,437	99,204,053	100.00



Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

In Millions of Korean Won, except Ratio					
2003					
	<i>Loans in Won</i>	<i>Loans in foreign currencies</i>	<i>Other loans</i>	<i>Total</i>	<i>Ratio (%)</i>
Korea	₩ 72,853,369	4,426,217	17,910,007	95,189,593	97.48
U.S.A.	-	803,204	678	803,882	0.82
U.K.	-	63,047	19,182	82,229	0.09
Japan	-	936,055	1,105	937,160	0.96
Germany	-	1,165	-	1,165	-
Ireland	-	-	62,168	62,168	0.07
Indonesia	-	31,605	-	31,605	0.03
Thailand	-	599	-	599	-
Vietnam	-	52,456	2,403	54,859	0.06
Panama	-	78,414	-	78,414	0.08
Russia	-	2,096	-	2,096	-
Hong Kong	-	63,486	14,578	78,064	0.08
China	-	192,572	5,937	198,509	0.20
Other	-	128,718	-	128,718	0.13
	₩ 72,853,369	6,779,634	18,016,058	97,649,061	100.00

(d) Loans classified by consumer as of December 31, 2004 and 2003 are as follows:

In Millions of Korean Won, except Ratio					
2004					
	<i>Loans in Won</i>	<i>Loans in foreign currencies</i>	<i>Other loans</i>	<i>Total</i>	<i>Ratio (%)</i>
Corporate	₩ 36,291,643	4,667,474	14,568,214	55,527,331	55.97
Household	37,020,155	84,071	3,288,317	40,392,543	40.72
Public and other	931,225	685,048	1,667,906	3,284,179	3.31
	₩ 74,243,023	5,436,593	19,524,437	99,204,053	100.00

In Millions of Korean Won, except Ratio					
2003					
	<i>Loans in Won</i>	<i>Loans in foreign currencies</i>	<i>Other loans</i>	<i>Total</i>	<i>Ratio (%)</i>
Corporate	₩ 37,321,076	6,134,976	12,729,866	56,185,918	57.53
Household	34,527,896	97,993	5,113,230	39,739,119	40.70
Public and other	1,004,397	546,665	172,962	1,724,024	1.77
	₩ 72,853,369	6,779,634	18,016,058	97,649,061	100.00

Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(e) Restructured loans due to commencement of bankruptcy proceedings, composition proceedings or workout programs during the years ended December 31, 2004 and 2003 are as follows:

In Millions of Korean Won

2004							
	<i>Creditor banks receivership</i>	<i>Composition</i>	<i>Bankruptcy</i>	<i>Workout</i>		<i>Total</i>	
				<i>Corporate loans</i>	<i>Individuals loans</i>		
Loans for equity conversion	₩ 117,100	284	7,936	192,100	-	317,420	
Reduction in principal	-	-	19,049	-	-	19,049	
Reduction in interest rate	-	6,174	4,860	-	11,394	22,428	
Balance before restructuring	117,100	6,458	31,845	192,100	11,394	358,897	
Balance after restructuring	37,570	6,174	12,796	58,694	6,607	121,841	
Loss resulting from restructuring	₩ 79,530	284	19,049	133,406	4,787	237,056	

In Millions of Korean Won

2003						
		<i>Bankruptcy</i>	<i>Workout</i>		<i>Total</i>	
			<i>Corporate loans</i>	<i>Individuals loans</i>		
Loans for equity conversion	₩	29,083	410,140	-	439,223	
Loans converted into convertible bonds		2,159	38,545	40,704		
Reduction in interest rate		149,903	164,223	1,539	315,665	
Loan balance before restructuring		181,145	612,908	1,539	795,592	
Loan balance after restructuring		160,019	501,076	1,242	662,337	
Loss resulting from restructuring	₩	21,126	111,832	297	133,255	



Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(f) Changes in allowance for losses on loans, accounts receivable and accrued income for the years ended December 31, 2004 and 2003 are as follows:

In Millions of Korean Won				
2004				
		<i>Beginning balance</i>	<i>Increase (Decrease)</i>	<i>Ending balance</i>
Shinhan Bank	₩	873,234	(127,475)	745,759
Shinhan Bank (Trust account)		18,336	(7,584)	10,752
Shinhan Finance		3,875	(2,342)	1,533
Chohung Bank		1,723,689	(708,960)	1,014,729
Chohung Bank (Trust account)		23,359	(20,272)	3,087
Chohung ITMC		11	-	11
Chohung Finance		4,549	(551)	3,998
CHB America		4,252	(1,644)	2,608
Chohung Deutschland		2,696	(1,617)	1,079
Goodmorning Shinhan Securities		36,260	(14,584)	21,676
Shinhan Card		119,553	(45,360)	74,193
Shinhan Capital		18,936	8,086	27,022
Shinhan BNPP ITMC		14	(2)	12
Jeju Bank		35,270	(3,125)	32,145
SH&C Life Insurance		-	15	15
Shinhan Macquarie		-	53	53
	₩	2,864,034	(925,362)	1,938,672

Allowance for losses on other assets and disposition of operating lease assets is included in allowance for loan losses.

In Millions of Korean Won				
2003				
		<i>Beginning balance^(*)</i>	<i>Increase (Decrease)^(**)</i>	<i>Ending balance^(***)</i>
Shinhan Financial Group	₩	3,846	(3,846)	-
Shinhan Bank		576,329	296,905	873,234
Shinhan Bank (Trust accounts)		24,023	(5,687)	18,336
Shinhan Finance		3,266	609	3,875
Chohung Bank		-	1,723,689	1,723,689
Chohung Bank (Trust accounts)		-	23,359	23,359
Chohung ITMC		-	11	11
Chohung Finance		-	4,549	4,549
Chohung America		-	4,252	4,252
Chohung Deutschland		-	2,696	2,696
Goodmorning Shinhan Securities		56,260	(20,000)	36,260
Shinhan Card		96,104	23,449	119,553
Shinhan Capital		34,883	(15,947)	18,936
Shinhan BNPP ITMC		10	4	14
Jeju Bank		29,318	5,952	35,270
Jeju Bank (Trust accounts)		142	(142)	-
	₩	824,181	2,039,853	2,864,034

(*) Additional allowance for loan losses of Goodmorning Shinhan Securities, Shinhan Capital and Jeju Bank, amounting to ₩12,952 million, is included in the beginning balance.

(**) Allowance for loan losses of Chohung Bank, amounting to ₩2,172,379 million as of August 31, 2003 (acquisition date), is reflected as an increase.

(***) Additional allowance for loan losses of Chohung and Jeju Bank, amounting to ₩28,170 million, is included in the ending balance.

Allowance for losses on other assets and disposition of operating lease assets is included in allowance for loan losses.

Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(g) As of December 31, 2004, details of loan balances and the related allowance for loan losses by asset credit risk classification are as follows:

		In Millions of Korean Won, except provision ratio			
		<i>Balance</i>	<i>Allowance</i>	<i>Provision ratio (%)</i>	
Corporate loans	Normal	₩ 52,610,092	384,688	0.73	
	Precautionary	1,647,412	181,937	11.04	
	Substandard	582,924	156,863	26.91	
	Doubtful	74,941	70,363	93.89	
	Estimated loss	193,538	193,538	100.00	
		55,108,907	987,389	1.79	
Household loans	Normal	36,226,793	274,744	0.76	
	Precautionary	209,884	27,707	13.20	
	Substandard	325,986	65,405	20.06	
	Doubtful	158,558	141,093	88.98	
	Estimated loss	98,934	98,934	100.00	
		37,020,155	607,883	1.64	
Credit card loans	Normal	3,607,750	40,473	1.12	
	Precautionary	385,369	47,083	12.22	
	Substandard	1,705	340	19.94	
	Doubtful	174,809	129,978	74.35	
	Estimated loss	78,655	78,655	100.00	
		4,248,288	296,529	6.98	
Loans convertible into equity securities		11,813	2,263	19.16	
Other		338,945	20,824	6.14	
Present value discount		-	23,784	-	
		₩ 96,728,108	1,938,672	2.00	

(7) Fixed Assets

Fixed assets as of December 31, 2004 and 2003 consist of the following:

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
Tangible assets:				
Land	₩ 996,790	995,168	\$ 954,963	953,408
Buildings	758,747	729,315	726,908	698,711
Other	1,172,142	1,129,104	1,122,957	1,081,724
	2,927,679	2,853,587	2,804,828	2,733,843
Less : accumulated depreciation	(1,069,141)	(974,792)	(1,024,278)	(933,887)
	1,858,538	1,878,795	1,780,550	1,799,956
Intangible assets:				
Goodwill	1,050,013	964,788	1,005,952	924,304
Negative goodwill	(4,970)	(5,655)	(4,761)	(5,418)
Other	17,718	15,440	16,974	14,792
	1,062,761	974,573	1,018,165	933,678
Other fixed assets	312	313	299	300
	₩ 2,921,611	2,853,681	\$ 2,799,014	2,733,934



Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

The officially declared value of land used in domestic branches at December 31, 2004 and 2003, as announced by the Minister of Construction and Transportation, is as follows:

	In Millions of Korean Won				
	<i>Book value</i>		<i>Declared value</i>		
	2004	2003	2004	2003	
Land (Domestic only)	₩	993,997	991,993	1,017,147	975,097

The officially declared value, which is used for government purposes, does not represent the fair value.

(8) Other Assets

Other assets as of December 31, 2004 and 2003 consist of the following:

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)		
	2004	2003	2004	2003	
Accounts receivable	₩	4,503,163	1,570,819	\$ 4,314,201	1,504,904
Advance payments		30,698	42,827	29,410	41,030
Prepaid expenses		40,835	29,146	39,121	27,923
Prepaid income taxes		3,883	13,988	3,720	13,401
Accrued interest income		529,019	696,940	506,820	667,695
Operating lease assets (note 9)		413,204	405,794	395,865	388,766
Less : accumulated depreciation		(213,045)	(182,375)	(204,105)	(174,722)
Less : allowance for loss on disposition of operating lease assets		(1,729)	(2,210)	(1,656)	(2,117)
Guarantee deposits paid		960,688	956,596	920,376	916,455
Deferred tax assets		251,826	78,135	241,259	74,856
Derivative assets		1,722,538	518,836	1,650,257	497,065
Other		3,964,555	2,921,663	3,798,194	2,799,064
		12,205,635	7,050,159	11,693,462	6,754,320
Less : allowance for losses		(19,961)	(26,182)	(19,123)	(25,083)
	₩	12,185,674	7,023,977	\$ 11,674,339	6,729,237

(9) Operating Lease Assets

(a) Operating lease assets classified by industry as of December 31, 2004 and 2003 are as follows:

	In Millions of Korean Won		
	2004	2003	
Machinery and equipment	₩	380,959	352,535
Office equipment		32,245	53,259
		413,204	405,794
Less : accumulated depreciation		(213,045)	(182,375)
allowance for losses on disposition of lease assets		(1,729)	(2,210)
	₩	198,430	221,209

Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(b) The collection schedule of future lease receivables as of December 31, 2004 is as follows:

				In Millions of Korean Won
		<i>Operating lease</i>	<i>Financing lease</i>	<i>Total</i>
January 1, 2005 - December 31, 2005	₩	54,752	318,583	373,335
January 1, 2006 - December 31, 2006		48,030	225,351	273,381
January 1, 2007 - December 31, 2007		24,001	123,968	147,969
January 1, 2008 - December 31, 2008		17,768	47,616	65,384
Thereafter		84,126	21,951	106,077
		228,677	737,469	966,146
Unrealized interest income on financing leases		-	62,196	62,196
	₩	228,677	675,273	903,950

(10) Deposits

(a) Deposits as of December 31, 2004 and 2003 consist of the following:

		In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
		2004	2003	2004	2003
Deposits in Korean Won	₩	74,764,329	75,496,450	\$ 71,627,064	72,328,463
Deposits in foreign currencies		4,702,413	4,932,403	4,505,090	4,725,429
Negotiable certificates of deposits		8,050,705	7,118,586	7,712,881	6,819,875
		87,517,447	87,547,439	83,845,035	83,873,767
Add: present value premium		10,613	45,166	10,167	43,271
	₩	87,528,060	87,592,605	\$ 83,855,202	83,917,038

(b) The maturities of deposits by remaining period as of December 31, 2004 and 2003 are as follows:

					In Millions of Korean Won
At December 31, 2004		<i>Deposits in Korean Won</i>	<i>Deposits in foreign currency</i>	<i>Negotiable certificates of deposits</i>	<i>Total</i>
Due in 3 months or less	₩	16,913,503	3,281,757	3,843,013	24,038,273
Due after 3 months through 6 months		6,200,518	419,208	2,257,692	8,877,418
Due in 12 months		17,855,972	318,957	1,758,159	19,933,088
Due in 3 years		4,986,553	646,547	191,450	5,824,550
Thereafter		28,807,783	35,944	391	28,844,118
	₩	74,764,329	4,702,413	8,050,705	87,517,447

					In Millions of Korean Won
At December 31, 2003		<i>Deposits in Korean Won</i>	<i>Deposits in foreign currency</i>	<i>Negotiable certificates of deposits</i>	<i>Total</i>
Due in 3 months or less	₩	22,326,297	3,267,799	3,563,065	29,157,161
Due after 3 months through 6 months		6,003,790	357,334	1,759,652	8,120,776
Due in 12 months		19,203,989	710,832	1,674,109	21,588,930
Due in 3 years		5,373,674	595,357	120,675	6,089,706
Thereafter		22,588,700	1,081	1,085	22,590,866
	₩	75,496,450	4,932,403	7,118,586	87,547,439



Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(11) Borrowings

(a) Borrowings as of December 31, 2004 and 2003 consist of the following:

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
Borrowings in Won	₩ 3,555,560	4,401,380	\$ 3,406,361	4,216,689
Borrowings in foreign currencies	5,813,467	7,193,596	5,569,522	6,891,738
Bonds sold with repurchase agreements	3,533,025	4,427,073	3,384,772	4,241,304
Bills sold	722,978	705,954	692,640	676,331
Due to the Bank of Korea in foreign currencies	46,394	64,051	44,447	61,364
Call money	1,223,610	417,522	1,172,265	400,002
	₩ 14,895,034	17,209,576	\$ 14,270,007	16,487,428

(b) Details of subordinated borrowings as of December 31, 2004 and 2003 are as follows:

Lender	Period of contract	Interest rate (%)	In Millions of Korean Won	
			2004	2003
Hungkuk Life Insurance	December 31, 1997 - December 31, 2007	4.0	₩ -	40,000
Kyobo Life Insurance	June 30, 1998 - June 30, 2008	5.5	-	30,000
			₩ -	70,000

(c) The maturities of borrowings as of December 31, 2004 and 2003 are as follows:

At December 31, 2004	In Millions of Korean Won			
	Borrowings in Won	Borrowings in foreign currencies	Other	Total
Due in 3 months or less	₩ 1,772,092	2,630,376	2,801,386	7,203,854
Due after 3 months through 6 months	59,493	1,532,872	1,283,120	2,875,485
Due in 12 months	136,528	1,232,075	1,302,696	2,671,299
Due in 3 years	441,868	394,373	138,805	975,046
Thereafter	1,145,579	23,771	-	1,169,350
	₩ 3,555,560	5,813,467	5,526,007	14,895,034a

At December 31, 2003	In Millions of Korean Won			
	Borrowings in Won	Borrowings in foreign currencies	Other	Total
Due in 3 months or less	₩ 2,309,091	3,855,897	2,871,796	9,036,784
Due after 3 months through 6 months	288,131	1,689,287	1,478,867	3,456,285
Due in 12 months	191,984	1,162,733	1,110,451	2,465,168
Due in 3 years	399,962	387,229	153,179	940,370
Thereafter	1,212,212	98,450	307	1,310,969
	₩ 4,401,380	7,193,596	5,614,600	17,209,576

Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(12) Debentures

(a) Debentures as of December 31, 2004 and 2003 consist of the following:

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
Debentures in Korean Won	₩ 18,020,775	16,177,484	\$ 17,264,586	15,498,643
Debentures in foreign currencies	2,142,441	1,591,121	2,052,540	1,524,354
	20,163,216	17,768,605	19,317,126	17,022,997
Less : discounts	(133,110)	(156,171)	(127,524)	(149,618)
Add : present value premiums	84,064	135,445	80,536	129,762
	₩ 20,114,170	17,747,879	\$ 19,270,138	17,003,141

(b) Details of debentures in Korean Won as of December 31, 2004 and 2003 are as follows:

	In Millions of Korean Won, except interest rate			
	2004		2003	
	Face value	Interest rate (%)	Face value	Interest rate (%)
Discounted debentures	₩ 6,658,000	3.93 - 6.91	₩ 6,436,500	3.93 - 6.91
Coupon debentures	7,608,469	4.17 - 7.47	6,554,434	0.24 - 7.47
Subordinated debentures	3,360,202	5.58 - 14.45	2,910,292	5.58 - 18.00
Hybrid securities (*)	272,564	7.80	272,564	7.80
Other	95,480	4.5 - 4.63	-	-
	17,994,715		16,173,790	
Add : loss on fair value hedge	26,060		3,694	
	₩ 18,020,775		₩ 16,177,484	

(*) Hybrid securities issued by Chohung Bank

Redemption : Redeemable for five years after issuance date

Interest rate : 7.8% for 10 years after issuance date

Thereafter - 50% of the difference between 7.8% and five-year maturity government bonds rate is added.

Interest payment : Quarterly paid

Maturity date : 30 years after issuance date (renewable by Chohung Bank)

(c) Details of debentures in foreign currencies as of December 31, 2004 and 2003 are as follows:

	In Millions of Korean Won and Thousands of U.S. Dollars, except Ratio					
	2004			2003		
	U.S. dollar	Equivalent Won	Interest rate (%)	U.S. dollar	Equivalent Won	Interest rate (%)
MTN ^(*)	\$ 1,120,792	₩ 1,169,885	1.59 - 6.25	\$ 800,000	₩ 967,791	1.59 - 6.25
Non-guaranteed debentures	34,061	35,553	Libor+0.85	30,000	35,934	Libor+0.85
Subordinated debentures	897,685	937,003	11.50 - 11.88	490,396	587,396	11.50 - 11.88
	\$ 2,052,538	₩ 2,142,441		\$ 1,320,396	₩ 1,591,121	

(*) Shinhan Bank established two programs with Merrill Lynch International Limited and other four financial institutions to issue Euro Medium Term Note (EMTN) on November 9, 1995 and Global Medium Term Note (GMTN) on August 20, 1999. Details of the programs are as follows:

Total amount which can be issued : US\$ 2,000,000 (including US\$500,000 thousand for year 1995)

Place of trading : London Stock Exchange

Issue price : Face value or discounted value

Maturity date and interest date : Various depending on date of issuance

Redemption : Lump-sum payment at maturity date



Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(d) The maturities of debentures by remaining period as of December 31, 2004 and 2003 are as follows:

In Millions of Korean Won				
<i>At December 31, 2004</i>		<i>Due from banks in Korean Won</i>	<i>Due from in foreign currencies</i>	<i>Total</i>
Due in 3 months or less	₩	2,378,450	104,380	2,482,830
Due after 3 months through 6 months		2,759,009	-	2,759,009
Due in 12 months		5,318,130	356,009	5,674,139
Due in 3 years		3,843,013	208,760	4,051,773
Thereafter		3,722,173	1,473,292	5,195,465
	₩	18,020,775	2,142,441	20,163,216

In Millions of Korean Won				
<i>At December 31, 2003</i>		<i>Due from banks in Korean Won</i>	<i>Due from in foreign currencies</i>	<i>Total</i>
Due in 3 months or less	₩	2,460,384	-	2,460,384
Due after 3 months through 6 months		2,735,660	-	2,735,660
Due in 12 months		3,144,010	179,670	3,323,680
Due in 3 years		4,537,860	388,560	4,926,420
Thereafter		3,299,570	1,022,891	4,322,461
	₩	16,177,484	1,591,121	17,768,605

(13) Retirement and Severance Benefits

Changes in retirement and severance benefits for the years ended December 31, 2004 and 2003 are as follows:

		In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
		2004	2003	2004	2003
Beginning balance	₩	347,913	225,188	\$ 333,314	215,739
Changes in consolidation scope		202	105,794	193	101,355
Adjustment due to foreign exchange rate		(69)	42	(66)	40
Payment		(266,697)	(29,114)	(255,506)	(27,892)
Retirement benefit transferred		(151)	-	(145)	-
Provision		93,427	46,003	89,507	44,072
Ending balance		174,625	347,913	167,297	333,314
Less : contribution to National Pension Fund		(95,277)	(133,645)	(91,279)	(128,037)
deposit for severance benefit insurance		(110)	(8,317)	(105)	(7,968)
	₩	79,238	205,951	\$ 75,913	197,309

Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(14) Other Liabilities

Other liabilities as of December 31, 2004 and 2003 consist of the following:

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
Allowance for losses on guarantees and acceptances (note 15)	₩ 36,894	57,398	\$ 35,346	54,989
Other allowances	183,397	68,025	175,701	65,171
Borrowings from trust accounts	547,499	665,158	524,525	637,247
Foreign exchange remittances pending	200,414	159,954	192,004	153,242
Securities sold	1,080,355	353,732	1,035,021	338,889
Accounts payable	4,617,670	1,397,803	4,423,904	1,339,148
Accrued expenses	1,806,359	1,742,597	1,730,560	1,669,474
Income tax payable	289,242	103,873	277,105	99,514
Dividend payable	1,653	1,645	1,584	1,576
Advance receipts	2,941	95,116	2,818	91,125
Unearned revenues	149,547	163,650	143,272	156,783
Taxes withheld	44,521	78,271	42,653	74,986
Guarantee deposits received	289,281	270,766	277,142	259,404
Derivatives liabilities	1,640,592	471,442	1,571,749	451,659
Miscellaneous	5,518,035	4,716,320	5,286,486	4,518,414
	₩ 16,408,400	10,345,750	\$ 15,719,870	9,911,621

(15) Guarantees and Acceptances

(a) The guarantees and acceptances as of December 31, 2004 and 2003 are as follows:

	In Millions of Korean Won	
	2004	2003
Guarantees and acceptances outstanding		
Guarantees and acceptances in Won:		
Guarantees for contract performance	₩ 155,786	122,759
Guarantees on loan collaterals	103,718	118,261
Guarantees on debentures	344	32,331
Other	827,134	765,517
	1,086,982	1,038,868
Guarantees and acceptances in foreign currencies:		
Acceptances on letters of credit	366,215	422,945
Acceptances for letters of guarantee for importers	117,547	161,993
Other	890,145	651,416
	1,373,907	1,236,354
Contingent guarantees and acceptances		
Letters of credit	2,913,678	2,611,654
Other	536,652	550,917
	3,450,330	3,162,571
	₩ 5,911,219	5,437,793



Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(b) Outstanding commitments as of December 31, 2004 and 2003 are as follows:

				In Millions of Korean Won	
				2004	2003
Commitments for loans in Won	₩	3,661,894		3,383,264	
Commitments for loans in foreign currencies		205,020		237,610	
Other commitments in foreign currencies		10,442		42,890	
	₩	3,877,356		3,663,764	

(c) The guarantees and acceptances provided by country as of December 31, 2004 and 2003 are as follows:

							In Millions of Korean Won, except ratio	
							2004	
	<i>Guarantees and acceptances outstanding in</i>				<i>Contingent guarantees and acceptances</i>			
	<i>Won</i>		<i>Foreign currencies</i>		<i>and acceptances</i>			
	<i>Balance</i>	<i>Ratio (%)</i>	<i>Balance</i>	<i>Ratio (%)</i>	<i>Balance</i>	<i>Ratio (%)</i>		
Korea	₩ 1,086,982	100.00	₩ 1,208,927	87.99	₩ 3,322,834	96.30		
U.S.A.	-	-	99,490	7.24	63,987	1.85		
Japan	-	-	33,239	2.42	10,673	0.31		
U.K.	-	-	13,423	0.98	9,756	0.28		
China	-	-	6,730	0.49	22,299	0.65		
Vietnam	-	-	2,013	0.15	6,154	0.18		
Hong Kong	-	-	9,229	0.67	9,112	0.26		
Other	-	-	856	0.06	5,515	0.17		
	₩ 1,086,982	100.00	₩ 1,373,907	100.00	₩ 3,450,330	100.00		

							In Millions of Korean Won, except ratio	
							2003	
	<i>Guarantees and acceptances outstanding in</i>				<i>Contingent guarantees and acceptances</i>			
	<i>Won</i>		<i>Foreign currencies</i>		<i>and acceptances</i>			
	<i>Balance</i>	<i>Ratio (%)</i>	<i>Balance</i>	<i>Ratio (%)</i>	<i>Balance</i>	<i>Ratio (%)</i>		
Korea	₩ 1,038,868	100.00	₩ 1,160,272	93.84	₩ 3,017,786	95.42		
U.S.A.	-	-	51,740	4.18	92,943	2.94		
Japan	-	-	19,474	1.58	24,972	0.79		
U.K.	-	-	2,134	0.17	9,582	0.30		
China	-	-	1,222	0.10	3,569	0.11		
Vietnam	-	-	445	0.04	12,867	0.41		
Other	-	-	1,067	0.09	852	0.03		
	₩ 1,038,868	100.00	₩ 1,236,354	100.00	₩ 3,162,571	100.00		

Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(d) The guarantees and acceptances provided by consumer as of December 31, 2004 and 2003 are as follows:

In Millions of Korean Won, except ratio						
2004						
	<i>Guarantees and acceptances outstanding in</i>				<i>Contingent guarantees and acceptances</i>	
	<i>Won</i>		<i>Foreign currencies</i>			
	<i>Balance</i>	<i>Ratio (%)</i>	<i>Balance</i>	<i>Ratio (%)</i>	<i>Balance</i>	<i>Ratio (%)</i>
Corporate	₩ 1,066,835	98.15	₩ 1,372,446	99.89	₩ 3,410,728	98.85
Household	18,726	1.72	1,426	0.11	352	0.01
Public and other	1,421	0.13	35	-	39,250	1.14
	₩ 1,086,982	100.00	₩ 1,373,907	100.00	₩ 3,450,330	100.00

In Millions of Korean Won, except ratio						
2003						
	<i>Guarantees and acceptances outstanding in</i>				<i>Contingent guarantees and acceptances</i>	
	<i>Won</i>		<i>Foreign currencies</i>			
	<i>Balance</i>	<i>Ratio (%)</i>	<i>Balance</i>	<i>Ratio (%)</i>	<i>Balance</i>	<i>Ratio (%)</i>
Corporate	₩ 983,361	94.65	₩ 1,232,823	99.71	₩ 3,081,786	97.45
Household	1,410	0.14	1,575	0.13	78,339	2.48
Public and other	54,097	5.21	1,956	0.16	2,446	0.08
	₩ 1,038,868	100.00	₩ 1,236,354	100.00	₩ 3,162,571	100.00

(e) The allowances for losses on guarantees and acceptances provided according to the same credit risk classifications on loans as of December 31, 2004 and 2003 are as follows:

In Millions of Korean Won, except ratio						
2004						
	<i>Normal</i>	<i>Precautionary</i>	<i>Substandard</i>	<i>Doubtful</i>	<i>Estimated loss</i>	<i>Total</i>
Guarantees and acceptances in Won						
Balance	₩ 944,973	141,524	406	39	40	1,086,982
Allowances	-	26,001	81	36	40	26,158
Ratio (%)	-	-	20.00	50.00 - 95.00	100.00	2.41
Guarantees and acceptances in foreign currencies						
Balance	₩ 1,334,119	35,511	2,469	2	1,806	1,373,907
Allowances	-	8,435	493	2	1,806	10,736
Ratio (%)	-	-	20.00	50.00 - 95.00	100.00	0.78
Total guarantees and acceptances						
Balance	₩ 2,279,092	177,035	2,875	41	1,846	2,460,889
Allowances	-	34,436	574	38	1,846	36,894
Ratio (%)	-	-	20.00	50.00 - 95.00	100.00	1.50

Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

In Millions of Korean Won, except ratio						
2003						
	<i>Normal</i>	<i>Precautionary</i>	<i>Substandard</i>	<i>Doubtful</i>	<i>Estimated loss</i>	<i>Total</i>
Guarantees and acceptances in Won						
Balance	₩ 890,423	5,722	140,591	1,901	231	1,038,868
Allowances	-	-	32,039	1,000	231	33,270
Ratio (%)	-	-	22.79	52.60	100.00	3.20
Guarantees and acceptances in foreign currencies						
Balance	₩ 1,159,864	56,471	17,779	144	2,096	1,236,354
Allowances	-	18,338	3,556	138	2,096	24,128
Ratio (%)	-	32.47	35.72	95.00	100.00	1.95
Total guarantees and acceptances						
Balance	₩ 2,050,287	62,193	158,370	2,045	2,327	2,275,222
Allowances	-	18,338	35,595	1,138	2,327	57,398
Ratio (%)	-	29.49	22.48	55.65	100.00	2.52

(16) Pledged assets

Assets pledged as collateral as of December 31, 2004 and 2003 are as follows:

In Millions of Korean Won			
<i>Accounts</i>	2004	2003	<i>Related transactions for</i>
Cash and due from banks	₩ 6,805,728	6,884,465	Borrowings, derivatives and settlements
Securities	5,440	9,254	Credit card loans and beneficiary certificates
Land and buildings	176,443	121,823	Collaterals
	₩ 6,987,611	7,015,542	

(17) Insured assets

Details of insured assets as of December 31, 2004 and 2003 are as follows:

In Millions of Korean Won			
<i>Assets insured</i>	2004	2003	
Cash	₩ 23,415	16,288	
Tangible assets used in operations	849,249	1,195,239	
Other tangible assets	140,437	27,748	
	₩ 1,013,101	1,239,275	

In addition, the Consolidated Company maintains fire insurance for its assets, key employees' indemnity insurance, workers' compensation insurance for its employees and other insurance policies covering loss and liability arising from accidents.

Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(18) Foreign Currency Denominated Assets and Liabilities

Assets and liabilities denominated in foreign currency as of December 31, 2004 and 2003 are as follows:

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	<i>Foreign currency</i>		<i>Equivalent Won</i>	
	2004	2003	2004	2003
Assets:				
Cash and due from banks	\$ 852,668	463,782	₩ 903,550	555,520
Securities	999,203	1,336,616	1,042,476	1,600,000
Loans	12,217,602	12,018,177	12,755,773	14,395,371
Other assets	1,637,531	123,287	1,709,260	147,673
	\$ 15,707,004	13,941,862	₩ 16,411,059	16,698,564
Liabilities:				
Deposits	\$ 4,493,266	4,117,885	₩ 4,702,413	4,932,403
Borrowings	6,885,843	7,308,075	7,229,151	8,753,612
Debentures	2,052,540	1,328,370	2,142,441	1,591,121
Other liabilities	1,808,127	177,590	1,887,322	212,719
	\$ 15,239,776	12,931,920	₩ 15,961,327	15,489,855

(19) Capital Stock

(a) Details of preferred stocks issued as of December 31, 2004 are as follows:

	In Millions of Korean Won		
	<i>Number of shares</i>	<i>Predetermined dividend rate (%)</i>	<i>Redeemable period</i>
Redeemable preferred stock:			
Series 1	9,316,792	4.04	August 19, 2004 - August 18, 2006
Series 2	9,316,792	4.04	August 19, 2005 - August 18, 2007
Series 3	9,316,792	4.04	August 19, 2006 - August 18, 2008
Series 4	9,316,792	4.04	August 19, 2007 - August 18, 2009
Series 5	9,316,793	4.04	August 19, 2008 - August 18, 2010
Series 6	3,500,000	7.00	July 19, 2006 - August 18, 2006
Series 7	2,433,334	7.46	July 19, 2008 - August 18, 2008
Series 8	66,666	7.86	July 19, 2010 - August 18, 2010
	52,583,961		
Redeemable convertible preferred stock:			
Series 9 (*)	44,720,603	2.02	August 19, 2006 - August 18, 2008
	97,304,564		

(*) Based on initial issuance price

(**) Convertible period : August 19, 2004 - August 18, 2007

Conversion ratio : 1 common share to 1 preferred share

Conversion price in Won : ₩18,086



Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(b) Details of changes in capital stock for the years ended December 31, 2004 and 2003 are as follows:

	Number of shares	Capital stock
Balance at beginning of the year - January 1, 2003	292,361,125	1,461,806
Redeemable preferred stock issued:		
Series 1 to 5	46,583,961	232,920
Series 6 to 8	6,000,000	30,000
Redeemable convertible preferred stock issued:		
Series 9	44,720,603	223,603
Common stock issued	1,864,065	9,320
Common stock acquired in exchange for shares in Chohung Bank	176,110	881
Balance at end of the year - December 31, 2003	391,705,864	1,958,530
Common stock acquired in exchange for shares in Chohung Bank	14,682,590	73,412
Common stock acquired in exchange for shares in Goodmorning Shinhan Securities	10,235,121	51,176
Balance at end of the year - December 31, 2004	416,623,575	2,083,118

(20) Consolidated Capital Adjustments

Consolidated capital adjustments as of December 31, 2004 and 2003 consist of the following:

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
Treasury stock	₩ (203,570)	(391,300)	\$ (195,028)	(374,880)
Unrealized gain (loss) on securities:				
Available-for-sale securities	497,697	(135,885)	476,813	(130,183)
Investment securities accounted for under the equity method	(642)	137	(614)	131
	497,055	(135,748)	476,199	(130,052)
Stock options: (note 21)				
Options granted by Shinhan Financial Group	8,179	9,626	7,836	9,222
Options granted by the subsidiaries	463	926	443	887
	8,642	10,552	8,279	10,109
Valuation gain on derivatives	95	-	91	-
Cumulative effects on foreign currency translation adjustments	(21,261)	15,035	(20,369)	14,404
	₩ 280,961	(501,461)	\$ 269,172	(480,419)

Chohung Bank and Goodmorning Shinhan Securities purchased 8,985,567 shares and 1,444 shares of their respective common stock from dissenting shareholders, who were against the shares exchange for the integration of the merged entity with Shinhan Financial Group. Those shares were subsequently exchanged to common stock of Shinhan Financial Group and became the treasury stock of Shinhan Financial Group as of December 31, 2004.

The treasury stocks held by Shinhan Bank is 29,873,295 shares as of December 31, 2003, and on March 3, 2004, Shinhan Bank sold those treasury stocks through after-hour block trading.

(21) Stock Options

The stock options consist of the Consolidated Company's stock options, which were granted to the personnel of the Consolidated Company, and the subsidiaries' stock options, which were granted to the personnel of the subsidiaries. As of December 31, 2004, details of the stock options granted by Shinhan Financial Group under a resolution at the Board of Directors' meeting are as follows:

Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(a) Details of Shinhan Financial Group's stock options

In Millions of Korean Won			
<i>Grant date</i>	<i>March 25, 2004</i>	<i>May 15, 2003</i>	<i>May 22, 2002</i>
Shares granted	1,301,600 shares	1,156,300 shares	1,004,200 shares
Share expired to date	64,421 shares	157,868 shares	139,610 shares
Shares outstanding	1,237,179 shares	998,432 shares	864,590 shares
Type of stock options	Stock grant or price compensation	Stock grant or Price compensation	price compensation
Exercise price (Won)	W21,595	W11,800	W18,910
Exercise period	Within 3 years after 2 years from grant date	Within 4 years after 2 years from grant date	Within 4 years after 2 years from grant date
Forfeited period	After 5 years from grant date	After 6 years from grant date	After 6 years from grant date

(b) The Consolidated Company calculated stock compensation costs using the fair value method for stock grant and details are as follows:

In Millions of Korean Won			
<i>Grant date</i>	<i>March 25, 2004</i>	<i>May 15, 2003</i>	<i>May 22, 2002</i>
Risk-free interest rate	4.39%	4.25%	-
Expected exercise period	3.5 years	4 years	-
Expected stock price volatility	19.85%	22.11%	-
Expected dividend yield	0%	0%	-
Expected ratios of no-exercise	0%	0%	-
Weighted average fair value in Won	W7,696	W5,292	-

With respect to the stock options granted on May 22, 2002, the Consolidated Company decided to pay the difference between the market price and the exercise price in cash for the year ended December 31, 2004. As a result, the Consolidated Company determined to apply intrinsic value method to those stock options, and ₩6,113 million of accounts receivable and ₩1,581 million of stock compensation costs decreased for the year ended December 31, 2004.

(c) Changes in stock compensation costs for the year ended December 31, 2004 are as follows:

In Millions of Korean Won				
<i>Grant date</i>	<i>Stock compensation cost</i>	<i>Personnel of</i>		<i>Total</i>
		<i>The Company</i>	<i>Subsidiaries</i>	
March 25, 2004	Incurred during the year	₩ -	-	-
	Incurred during the year	935	2,850	3,785
	To be recorded in subsequent years	1,394	4,343	5,737
May 15, 2003	Recorded at beginning of the year	442	1,489	1,931
	Incurred during the year	593	1,871	2,464
	To be recorded in subsequent years	213	676	889
May 22, 2002	Recorded at beginning of the year	1,581	6,113	7,694
	Incurred during the year	(917)	(3,730)	(4,647)
	To be recorded in subsequent years	-	-	-



Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(22) General and Administrative Expenses

General and administrative expenses for the years ended December 31, 2004 and 2003 consist of the following:

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
Salaries and wages	₩ 844,061	514,794	\$ 808,642	493,192
Provision for retirement and severance benefits	93,231	46,003	89,319	44,073
Other employees benefits	312,053	179,065	298,959	171,551
Rent	77,261	47,598	74,019	45,601
Entertainment	20,503	13,665	19,643	13,092
Depreciation	182,349	139,486	174,697	133,633
Amortization	88,456	43,269	84,744	41,453
Tax and dues	100,255	53,815	96,048	51,557
Advertising	62,300	42,922	59,686	41,120
Other	407,418	267,522	390,322	256,296
	₩ 2,187,887	1,348,139	\$ 2,096,079	1,291,568

(23) Income Taxes

(a) The Consolidated Company is subject to a number of income taxes based on taxable income which result in the following normal tax rates:

Taxable income	Prior to 2005	Thereafter
Up to ₩100 million	16.5%	14.3%
Over ₩100 million	29.7%	27.5%

In December 2003, the Korean government reduced the corporate income tax rate beginning in 2005. Specifically, effective from January 1, 2005, the income tax rate will be reduced from 29.7% to 27.5%.

The components of income tax expenses for the years ended December 31, 2004 and 2003 are as follows:

	In Millions of Korean Won	
	2004	2003
Current income taxes	₩ 386,377	230,259
Changes in deferred taxes:		
Temporary differences	(173,148)	(3,100)
Tax loss carryforwards	(577)	26,788
	₩ 212,652	253,947

(b) Reconciliation of accounting income and taxable income for the years ended December 31, 2004 and 2003 are as follows

Description	In Millions of Korean Won			
	Temporary difference		Permanent difference	
	2004	2003	2004	2003
Addition	₩ 3,347,103	1,198,264	1,087,347	-
Deduction	3,550,292	1,485,397	434,945	238,742
	₩ (203,189)	(287,133)	652,402	(238,742)

Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(c) Effective tax rates for the years ended December 31, 2004 and 2003 are as follows:

Description	In Millions of Korean Won	
	2004	2003
Income taxes	₩ 212,652	253,947
Earnings before income taxes	₩ 1,333,781	630,979
Effective income tax rate (%)	15.94%	40.25%

(d) For the years ended December 31, 2004, the Consolidated Company account for ₩67,776 million of income tax expense currently payable, which is reflected in the balance sheet as a deduction from stockholders' equity, with respect to gain from disposition of treasury stocks.

(e) Changes in significant accumulated temporary differences and tax effects for the years ended December 31, 2004 and 2003 are as follows:

	2004			
	Beginning balance	Increase	Decrease	Ending balance
Deductible temporary differences:				
Securities	₩ 431,991	-	422,101	9,890
Impairment loss on securities	791,786	611,924	-	1,403,710
Unrealized loss on securities	36,344	111,424	-	147,768
Retirement and severance benefits	93,656	12,658	-	106,314
Bad debts	467,403	108,015	-	575,418
Stock compensation costs	7,324	1,035	-	8,359
Restructured loans	262,845	176,287	-	439,132
Allowance for losses on guarantees and acceptances	68,282	-	68,282	-
Other	275,963	457,428	21,212	712,179
	2,435,594	1,478,771	511,595	3,402,770
Taxable temporary differences:				
Securities	22,281	67,246	1,877	87,650
Unrealized loan on securities	845,450	1,131,935	-	1,977,385
Accrued income	333,152	-	92,261	240,891
Group retirement and severance benefits	89,572	10,856	-	100,428
Other	84,295	115,048	61,720	137,623
	1,374,750	1,325,085	155,858	2,543,977
Net ^(*)	1,060,844	153,686	355,737	858,793
Addition/Deduction:				
Unrealized gain from valuation by the equity method ^(**)	386,200			1,017,503
Tax effects on subsidiaries ^(***)	(1,193,691)			(984,411)
Realizable temporary differences	253,353			891,885
Tax effect of cumulative temporary difference	71,165			244,568
Tax effect of cumulative temporary differences in overseas subsidiaries	5,745			4,641
Donation in excess of deductible limit	93			942
Tax effects of tax loss carryforwards	1,098			1,675
Net deferred tax assets^(****)	₩ 78,101			251,826

(*) ₩1,006 million and ₩132 million of temporary differences arising from consolidation of Shinhan Macquarie and Shinhan Credit Information is included.

(**) Tax effects on valuation gain under the equity method are not recognized due to uncertainty of realization of deferred income taxes for each subsidiary.

(***) Tax effects of ₩(-)40 million in Shinhan Financial Group, ₩(-)77,408 million in Shinhan Bank, ₩1,019,785 million in Chohung Bank, ₩37,035 million in Shinhan Card, ₩6,644 million in Jeju Bank and ₩(-)1,605 million in SH&C Life Insurance are not recognized due to uncertainty of realization in the near future or offset to tax loss carryforwards.

(****) The amount consists of deferred tax asset of ₩251,826 million.



Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

In Millions of Korean Won

2003					
	<i>Beginning balance</i>	<i>Increase</i>	<i>Decrease</i>	<i>Ending balance</i>	
Deductible temporary differences:					
Securities	₩ 252,422	185,135	5,566	431,991	
Impairment loss on securities	278,886	512,900	-	791,786	
Unrealized loss on securities	19,897	16,447	-	36,344	
Retirement and severance benefits	68,295	25,361	-	93,656	
Bad debts	160,954	306,449	-	467,403	
Stock compensation costs	2,347	4,977	-	7,324	
Restructured loans	8,244	254,601	-	262,845	
Allowance for losses on guarantees and acceptances	35,359	32,923	-	68,282	
Other	35,296	251,728	11,061	275,963	
	861,700	1,590,521	16,627	2,435,594	
Taxable temporary differences:					
Securities	25,470	-	3,189	22,281	
Unrealized loan on securities	450,866	394,584	-	845,450	
Accrued income	219,612	113,540	-	333,152	
Group retirement and severance benefits	59,749	29,823	-	89,572	
Other	16,326	70,586	2,617	84,295	
	772,023	608,533	5,806	1,374,750	
Net ^(*)	89,677	981,988	10,821	1,060,844	
Addition/Deduction:					
Unrealized gain from valuation by the equity method ^(**)	206,689			386,200	
Tax effects on subsidiaries ^(***)	(47,534)			(1,193,691)	
Realizable temporary differences	248,832			253,353	
Tax effect of cumulative temporary difference	73,903			71,165	
Tax effect of cumulative temporary differences in overseas subsidiaries	-			5,745	
Donation in excess of deductible limit	-			93	
Tax effects of tax loss carryforwards	27,886			1,098	
Net deferred tax assets^(****)	₩ 101,789			78,101	

(*) ₩1,258,300 million of temporary differences arising from the acquisition of Chohung Bank in August, 2003, is included.

(**) Tax effects on valuation gain under the equity method are not recognized due to uncertainty of realization of deferred income taxes for each subsidiary.

(***) Tax effects of ₩(18,566) million in Shinhan Financial Group, ₩1,205,483 million in Chohung Bank, ₩7,066 million in Shinhan Card and ₩(292) million in SH&C Life Insurance are not recognized due to uncertainty of realization in the near future or offset to tax loss carryforwards.

(****) The amount consists of deferred tax asset of ₩78,135 million and deferred tax liability of ₩34 million.

(*****) Shinhan Bank has an asset revaluation gain on land amounting to ₩77,436 million as of December 31, 2003. However, the tax effect is not recognized because of uncertainty of its realization in the near future.

Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(24) Earnings Per Share

(a) Basic earnings per share

Earnings per common share are calculated by dividing net income by the weighted average number of shares of common stock outstanding. Earnings per share for the years ended December 31, 2004 and 2003 are computed as follows:

		In Millions of Korean Won, except shares	
		2004	2003^(*)
Net income for year	₩	1,050,295	362,988
Plus: extraordinary loss (gain)		-	-
Less: dividends on preferred stock		115,141	83,397
Ordinary income available for common stock		935,154	279,591
Weighted average number of shares outstanding in shares		292,467,357	262,983,207
Ordinary income per share in Won and U.S. dollars	₩	3,197	1,063
Net earnings per share in Won and U.S. dollars	₩	3,197	1,063

(b) Diluted earnings per share

For the year ended December 31, 2004, if convertible preferred stock exercised, 46,956,214 shares of common stocks would be issued, and if preferred stock converted into common stock on issue date, weighted average number of common shares outstanding is 337,600,441.

For the year ended December 31, 2003, if convertible preferred stock exercised, 46,832,967 shares of common stocks would be issued, respectively, and if preferred stock and stock options converted into common stock on issue date, weighted average number of common shares outstanding is 279,523,704.

Details of diluted ordinary / net earnings per share due to dilutive effect for the year ended December 31, 2004 and 2003 are as follows:

		In Millions of Korean Won, except shares	
		2004	2003^(*)
Ordinary income available for common stock	₩	935,154	279,591
Plus: dividends on preferred stock		16,338	6,043
Plus: stock compensation costs		583	-
Diluted ordinary income and net earnings		952,075	285,634
Weighted average number of common shares outstanding in shares		337,600,441	279,523,704
Diluted ordinary income per share in Won	₩	2,820	1,022
Diluted net earnings per share in Won	₩	2,820	1,022

(c) Securities applicable to common shares

	<i>Convertible(exercisable) period</i>	<i>Number of shares to be issued</i>
Preferred convertible shares	August 19, 2004 - August 18, 2007	44,720,603
Stock options	May 15, 2005 - June 15, 2009	998,432
Stock options	March 26, 2006 - March 25, 2009	1,237,179
		46,956,214



Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(d) (Diluted) earnings per share for each quarters in 2004 are as follows:

	In Millions of Korean Won				
	<i>Quarter ended</i>				
	<i>March 31, 2004</i>	<i>June 30, 2004</i>	<i>September 30, 2004</i>	<i>December 31, 2004</i>	
Earnings per share	₩	429	1,003	984	753
Diluted earnings per share		381	881	867	669

(25) Dividends

(a) Dividends for the years ended December 31, 2004 and 2003 are calculated as follow:

	In Millions of Korean Won, except per share		
	2004		
	<i>Common shares</i>	<i>Preferred shares</i>	<i>Total</i>
Total number of share issued and outstanding	319,319,011	97,304,564	416,623,575
Shares excluded ^(*)	8,987,011	-	8,987,011
	310,332,000	97,304,564	407,636,564
Face value per share in Won	5,000	5,000	5,000
Dividend per share in Won (rate per share) ^(**)	₩ 750 (15%)	1,183 (23.66%)	853 (17.06%)
Dividends	₩ 232,749	115,141	347,890

(*) Dividends on shares held by subsidiaries as of December 31, 2004 are not paid.

(**) Dividends per share on preferred stock are weighted average amount and details are as follows:

	In Millions of Korean Won, except per share			
	<i>Number of shares</i>	<i>Dividends per share in Won</i>	<i>Dividend rate per share (%)</i>	<i>Dividends</i>
Redeemable preferred stock:				
Series 1	9,316,792	730.674	14.61	6,807
Series 2	9,316,792	730.674	14.61	6,807
Series 3	9,316,792	730.674	14.61	6,807
Series 4	9,316,792	730.674	14.61	6,807
Series 5	9,316,793	730.674	14.61	6,808
Series 6	3,500,000	10,500	210.00	36,750
Series 7	2,433,334	11,190	223.80	27,230
Series 8	66,666	11,790	235.80	786
	52,583,961		98.802	
Redeemable convertible preferred stock:				
Series 9	44,720,603	365.337	7.31	16,339
	97,304,564			115,141

Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

In Millions of Korean Won, except per share			
2003			
	<i>Common shares</i>	<i>Preferred shares</i>	<i>Total</i>
Total number of share issued and outstanding	294,401,300	97,304,564	391,705,864
Shares excluded ⁽¹⁾	29,873,359	-	29,873,359
	264,527,941	97,304,564	361,832,505
Face value per share in Won	5,000	5,000	5,000
Dividend per share in Won (rate per share) ⁽²⁾	₩ 600 (12%)	857(17.14%)	669 (13.38%)
Dividends	₩ 158,717	83,397	242,114

(*) Dividends on shares held by subsidiaries as of December 31, 2003 are not paid.

(**) Dividends per share on preferred stock are weighted average amount and details are as follows:

In Millions of Korean Won, except per share				
	<i>Number of shares</i>	<i>Dividends per share in Won</i>	<i>Dividend rate per share (%)</i>	<i>Dividends</i>
Redeemable preferred stock:				
Series 1	9,316,792	270	5.40	2,518
Series 2	9,316,792	270	5.40	2,518
Series 3	9,316,792	270	5.40	2,518
Series 4	9,316,792	270	5.40	2,518
Series 5	9,316,793	270	5.40	2,518
Series 6	3,500,000	10,500	210.0	36,750
Series 7	2,433,334	11,190	223.8	27,229
Series 8	66,666	11,790	235.8	786
	52,583,961			77,355
Redeemable convertible preferred stock:				
Series 9	44,720,603	135	2.70	6,042
	97,304,564			83,397

(b) Payout ratios for the years ended December 31, 2004 and 2003 are calculated as follows:

In Millions of Korean Won, except payout ratio						
	2004			2003		
	<i>Common shares</i>	<i>Preferred shares</i>	<i>Total</i>	<i>Common shares</i>	<i>Preferred shares</i>	<i>Total</i>
Dividends in Won	₩ 232,749	115,141	347,890	158,717	83,397	242,114
Net earning in Won	₩ 935,154	115,141	1,050,295	279,591	83,397	362,988
Payout ratios (%)	24.89		33.12	56.77		66.70

(c) Dividend yields on common shares for the years ended December 31, 2004 and 2003 are calculated as follows:

In Millions of Korean Won, except dividends yields			
	2004		2003
Dividends per share in Won	₩	750	600
Stock price in Won at the balance sheet date	₩	22,840	18,513
Dividends yields (%)		3.28	3.24



Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(26) Statements of Cash Flows

(a) Cash and cash equivalents as of December 31, 2004 and 2003 in statements of cash flows are equivalent to cash and due from banks on the balance sheets.

(b) Significant transactions not involving cash inflows or outflows for the years ended December 31, 2004 and 2003 are as follows:

		In Millions of Korean Won	
		2004	2003
Acquisition of equities in subsidiaries through share exchange	₩	526,798	929,559
Changes in unrealized gain/loss on available-for-sale securities		633,580	69,698
Reclassification of available-for-sale securities to held to maturity securities		25,443	-
Reclassification of loans to loans convertible into equity securities		-	38,545
Reclassification of loans convertible into equity securities to available-for-sale securities		137,338	127,907
Changes in consolidated retained earnings		65,387	10,848
Reclassification of advance payments to financing leases		215,224	250,847
Reclassification of advance payments to operating lease assets		9,670	12,455
Contingent consideration for equity acquisition recorded as accounts payable		166,516	-

(27) Derivatives

(a) Details of unsettled derivative instruments as of December 31, 2004 and 2003 are as follows:

		In Millions of Korean Won			
		2004			
		<i>Trading</i>	<i>Hedge</i>	<i>Total</i>	
Currency related	Forwards	₩ 29,557,248	1,673,669	31,230,917	
	Swap	6,151,203	579,547	6,730,750	
	Options bought	2,551,206	-	2,551,206	
	Options sold	1,982,251	-	1,982,251	
			40,241,908	2,253,216	42,495,124
Interest rate related	Futures bought	167,398	3,131	170,529	
	Futures sold	381,979	3,131	385,110	
	Options bought	20,000	-	20,000	
	Options sold	28,300	-	28,300	
	Swap	26,783,764	3,184,450	29,961,952	
	Government bonds	56,074	-	56,074	
		27,437,515	3,184,450	30,662,195	
Stock price index related	Futures	103,904	-	103,904	
	Options bought	618,883	-	618,883	
	Options sold	628,480	-	628,480	
	Equity linked securities	266,850	-	266,850	
	Warrants	262,943	-	262,943	
		1,881,060	-	1,881,060	
Other		312,925	-	312,925	
	₩	69,873,408	5,437,666	75,311,074	

Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

		In Millions of Korean Won			
		2003			
			<i>Trading</i>	<i>Hedge</i>	<i>Total</i>
Currency related	Forwards	₩	14,840,784	351,365	15,192,149
	Futures		47,550	-	47,550
	Swap		3,644,048	18,039	3,662,087
	Options bought		271,465	-	271,465
	Options sold		265,730	-	265,730
				19,069,577	369,404
Interest rate related	Futures		212,670	7,785	220,455
	Options bought		70,000	-	70,000
	Options sold		75,700	-	75,700
	Swap		12,535,881	2,835,600	15,371,481
	Government bonds		50,189	-	50,189
			12,944,440	2,843,385	15,787,825
Stock price index related	Futures		220,022	-	220,022
	Stock swap		2	-	2
	Options bought		981,590	111,231	1,092,821
	Options sold		1,047,973	-	1,047,973
	Equity linked securities		21	-	21
	Warrants		367	-	367
			2,249,975	111,231	2,361,206
		₩	34,263,992	3,324,020	37,588,012



Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(b) Valuation on trading and hedging derivative instruments as of December 31, 2004 and 2003 are as follows:

In Millions of Korean Won

2004						
	<i>Valuation gain (losses)</i>			<i>Fair value</i>		
	<i>Trading</i>	<i>Hedge</i>	<i>Total</i>	<i>Assets</i>	<i>Liabilities</i>	
Currency related:						
Forwards	₩ 139,008	-	139,008	991,815	986,718	
Swap	26,079	(3,361)	22,718	428,513	360,883	
Options bought	(39,183)	-	(39,183)	62,597	-	
Options sold	(9,848)	-	(9,848)	-	89,540	
	116,056	(3,361)	112,695	1,482,925	1,437,141	
Interest rate related:						
Options bought	1,077	-	1,077	99	-	
Options sold	(1,113)	-	(1,113)	-	99	
Swap	(90,768)	(38,294)	(129,062)	221,415	184,782	
Government bonds	56	-	56	-	-	
	(90,748)	(38,294)	(129,042)	221,514	184,881	
Stock price index related:						
Futures	(6,751)	-	(6,751)	-	-	
Options bought	1,722	-	1,722	16,437	-	
Options sold	(2,621)	-	(2,621)	-	16,860	
Equity linked securities	(4,464)	-	(4,464)	-	-	
Warrants	1,996	-	1,996	-	-	
	(10,118)	-	(10,118)	16,437	16,860	
Other	582	-	582	1,662	1,710	
	₩ 15,772	(41,655)	(25,883)	1,722,538	1,640,592	

Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

In Millions of Korean Won						
2003						
	Valuation gain (losses)			Fair value		
		Trading	Hedge	Total	Assets	Liabilities
Currency related:						
Forwards	₩	(4,905)	1,826	(3,079)	146,208	157,678
Swap		(3,785)	(1,769)	(5,554)	63,834	51,769
Options bought		924	-	924	5,128	-
Options sold		(1,134)	-	(1,134)	-	5,515
		(8,900)	57	(8,843)	215,170	214,962
Interest rate related:						
Options bought		763	-	763	1,225	-
Options sold		(744)	-	(744)	-	1,176
Swap		(22,526)	(18,583)	(41,109)	166,253	138,678
Government bonds		57	-	57	-	6
		(22,450)	(18,583)	(41,033)	167,478	139,860
Stock price index related:						
Futures		(248)	-	(248)	-	10,542
Shares swap		125	-	125	-	265
Options bought		59,271	10,667	69,938	106,119	-
Options sold		(63,731)	-	(63,731)	-	105,813
Equity linked securities		8,739	-	8,739	214	-
Warrants		(812)	-	(812)	29,855	-
		3,344	10,667	14,011	136,188	116,620
	₩	(28,006)	(7,859)	(35,865)	518,836	471,442

(28) Commitments and Contingencies

(a) Acquisition of Chohung Bank

On July 9, 2003, Shinhan Financial Group entered into an agreement with the Korea Deposit Insurance Corporation (the "KDIC") to acquire 80.04% (543,570,144 shares) of total outstanding shares in Chohung Bank. Pursuant to the agreement, Shinhan Financial Group would be required to pay contingent consideration to the KDIC in relation to the earnings in the future and changes in fair value of assets and liabilities of Chohung Bank and the details are as follows:

- Asset Indemnity Payment
Amount : ₩652,284 million - asset indemnity amount for corporate loans, returned KAMCO loans and credit card loans
Payment date : earlier of 60 days after the date asset indemnity is determined as of June 30, 2005 or the date as agreed on
Interest : 4.3% per annum
- General Indemnity Payment
Amount : ₩166,516 million (deductible any amounts due and payable by the KDIC to Shinhan Financial Group in connection with the breach of representation or warranty)
Payment date : the second anniversary date of cash portion closing date
Interest : 4.3% per annum



Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

- Earn-Out Payment

Amount : 20% of the total excess amount, which means net income of Chohung Bank for fiscal years of 2004, 2005 and 2006 in excess of ₩1,800 billion

Payment date : within 30 days after the date excess amount is determined for the fiscal year of 2006

With regards to the General Indemnity clause in the Stock Purchase Agreement, eligibility of most of indemnifiable items expired during 2004 and as for the remaining items, indemnification appeared unlikely as of December 31, 2004. Accordingly, Shinhan Financial Group made an adjustment of ₩166,516 million to reflect the aforementioned General Indemnity Payment as an addition to goodwill. The other two contingent considerations are not included in the acquisition cost as the amount is not determinable.

(b) Guarantees and acceptances

Guarantees and acceptances and commitments as of December 31, 2004 are summarized as follows:

	In Millions of Korean Won	
Guarantees and acceptances outstanding	₩	2,460,889
Contingent guarantees and acceptances		3,450,330
Commitments		3,877,356
Endorsed bills		5,084,322

The Consolidated Company pledged its three notes amounting to ₩925 million to financial institutions as collateral for borrowings.

(c) Litigation

As of December 31, 2004, the Consolidated Company has 190 pending lawsuits as a defendant (total amount: ₩832,209 million). It is in the opinion of Shinhan Financial Group's management, based on current knowledge and after consultation with external counsel, that the outcome of such matters will not have a material adverse effect on the Group's consolidated financial statements.

(d) Loans and securities related to companies involved in bankruptcy proceedings, composition proceedings or workout programs with creditors

As of December 31, 2004, the Consolidated Company and its subsidiaries are holding loans (including guarantees) provided to and securities issued by companies involved in bankruptcy proceedings, composition proceedings or workout programs with creditors amounting to ₩2,140,287 million. The Consolidated Company recorded an allowance for losses on these loans and incurred valuation losses on these securities in accordance with accounting principles generally accepted in the Republic of Korea. However, the ultimate recoverability of these loans and securities will depend on the terms of the companies' restructuring plans approved by the bankruptcy court or the creditors and the success of the companies in implementing the plans. The ultimate outcome of this matter cannot presently be determined.

(e) Loans sold under repurchase agreements to Korea Asset Management Corporation

As of December 31, 2004, the Consolidated Company have outstanding loans, which were transferred to the Korea Asset Management Corporation ("KAMCO") and are subject to be repurchased when certain conditions are met, amounting to ₩23,279 million. Related to these outstanding loans, those subsidiaries established ₩17,001 million of an allowance for loan losses as of December 31, 2004. However, additional gains or losses will be recorded upon repurchase of or settlement for the loans by KAMCO in accordance with the recourse provisions.

(f) Asset-backed securitization

Prior to the year ended December 31, 2003, Shinhan Bank sold loans through issuing asset backed securities and have provided ₩84,160 million of reselling rights for the purpose of credit enhancement and ₩40,000 million of guarantees as of as of December 31, 2004 in relation to those sales. Also, with respect to the disposition of non-performing loans to SPCs, Chohung Bank has

Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

granted ₩106,000 million of the right of recourse for the disposition, and it provides ₩40,000 million of debt securities as collaterals to the SPC, as of December 31, 2004. In accordance with those asset-backed securitization plans, additional losses may be recorded upon exercising reselling rights.

(g) Subsidy for trust accounts

As of December 31, 2004, Shinhan Bank, Chohung Bank and Jeju Bank guarantee repayment of principal and, in certain cases, minimum interest earnings on trust account assets in total amount of ₩3,281 billion. Additional losses will be recorded based upon the results of the future operations of these guaranteed trust accounts.

(h) Loans related to financially troubled companies

As of December 31, 2004, Shinhan Bank and Chohung Bank had loans receivable (including securities) in the total amounts of ₩173,848 million and ₩164,090 million, respectively, which had been provided to LG Card Co., Ltd., an entity that has been under control by creditor banks due to its liquidity crisis. For those loans, Shinhan Bank and Chohung Bank provided ₩13,661 million and ₩14,764 million, respectively, of allowance for loan losses as of December 31, 2004. Actual losses on those loans might differ materially from management's assessment. The accompanying consolidated financial statements do not reflect the impact of the uncertainty on the financial position of the Consolidated Company. For the year ended December 31, 2004, pursuant to the resolution of Creditor Banks Committee, Shinhan Bank and Chohung Bank additionally loaned ₩81,000 million and ₩73,400 million, respectively, to LG Card Co., Ltd. and converted ₩162,300 million and ₩147,100 million of their respective loans to equity securities.

As of December 31, 2004, Shinhan Bank and Chohung Bank had loans receivable (including securities, guarantees and acceptances) amounting to ₩357,295 million and ₩254,157 million, respectively, which had been provided to SK Networks Co., Ltd. (including its subsidiaries), an entity that has been under control by creditor banks in accordance with the Corporate Restructuring Promotion Act of the Republic of Korea. For those loans, Shinhan Bank and Chohung Bank provided ₩31,025 million and ₩18,984 million, respectively, of allowance for loan losses as of December 31, 2004. Actual losses on those loans might differ materially from management's assessment. The accompanying consolidated financial statements do not reflect the impact of the uncertainty on the financial position of the Consolidated Company.

(29) Significant Transactions among Consolidated Company

(a) Significant transactions

Significant transactions among Consolidated Company for the years ended December 31, 2004 and 2003 are as follows:

			In Millions of Korean Won	
Revenue earned	Expense incurred	Account	2004	2003
Controlling company and subsidiaries included in consolidation:				
Shinhan Financial Group	Shinhan Bank	Interest income	₩ 4,352	4,340
Shinhan Financial Group	Goodmorning Shinhan Securities	Interest income	5,941	8,099
Shinhan Financial Group	Shinhan Card	Interest income	63,146	54,006
Shinhan Financial Group	Shinhan Capital	Interest income	39,066	29,714
Shinhan Financial Group	Jeju Bank	Interest income	1,759	1,628
Shinhan Bank	Shinhan Financial Group	Rental income	32	-
Shinhan Bank	Chohung Bank	Interest income	54	-
Shinhan Bank	Chohung Bank	Gain on derivatives	2,277	1,838
Shinhan Bank	Chohung Bank	Rental income	59	-
Shinhan Bank	Goodmorning Shinhan Securities	Interest income	2,237	3,121
Shinhan Bank	Goodmorning Shinhan Securities	Rental income	253	29
Shinhan Bank	Shinhan Card	Interest income	3,463	4,445
Shinhan Bank	Shinhan Card	Fees and commission income	₩ 35,516	57,941



Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

In Millions of Korean Won

<i>Revenue earned</i>	<i>Expense incurred</i>	<i>Account</i>		2004	2003
Shinhan Bank	Shinhan Card	Rental income	₩	883	859
Shinhan Bank	Shinhan Capital	Interest income		2,529	3,136
Shinhan Bank	Shinhan Capital	Rental income		309	309
Shinhan Bank	Shinhan Capital	Gain on derivatives		587	361
Shinhan Bank	Jeju Bank	Interest income		75	237
Shinhan Bank	Shinhan Credit Information	Rental income		244	-
Shinhan Bank	SH&C Life Insurance	Fees and commission income		12,677	2,723
Shinhan Bank	Shinhan Bank (Trust)	Trust management income		44,662	51,695
Shinhan Bank	Shinhan Finance	Interest income		3,954	3,136
Shinhan Bank	Shinhan Finance	Gain on derivatives		300	1,261
Shinhan Bank (Trust)	Shinhan Bank	Interest income		2,408	2,022
Shinhan Finance	Shinhan Bank	Interest income		1,020	827
Shinhan Finance	Shinhan Bank	Gain on derivatives		896	5
Chohung Bank	Shinhan Bank	Interest income		316	996
Chohung Bank	Shinhan Bank	Gain on derivatives		7,208	139
Chohung Bank	Shinhan Bank	Rental income		163	-
Chohung Bank	Shinhan Capital	Interest income		80	-
Chohung Bank	Shinhan Capital	Gain on derivatives		732	-
Chohung Bank	Shinhan Card	Interest income		1,047	-
Chohung Bank	Goodmorning Shinhan Securities	Interest income		47	26
Chohung Bank	Goodmorning Shinhan Securities	Fees and commission income		4	-
Chohung Bank	SH&C Life Insurance	Fees and commission income		12,565	744
Chohung Bank	Chohung Bank (Trust)	Trust management income		33,757	8,814
Chohung Bank	Chohung Bank (Trust)	Interest income		768	4,163
Chohung Bank	Chohung ITMC	Interest income		2	947
Chohung Bank	Chohung Finance	Interest income		720	-
Chohung Bank	CHB America	Interest income		487	-
Chohung Bank	Chohung Deutschland	Interest income		1,974	3,000
Chohung ITMC	Chohung Bank	Interest income		2,027	-
Chohung Bank (Trust)	Chohung Bank	Interest income		-	2,554
Chohung Finance	Chohung Bank	Interest income		2,259	161
Chohung Deutschland	Chohung Bank	Interest income		2,806	-
Goodmorning Shinhan Securities	Chohung Bank	Interest income		532	1,391
Goodmorning Shinhan Securities	Chohung Bank	Fees and commission income		-	466
Goodmorning Shinhan Securities	Chohung Bank	Rental income		301	-
Goodmorning Shinhan Securities	Chohung Bank	Interest income		411	136
Goodmorning Shinhan Securities	Shinhan Card	Rental income		294	242
Goodmorning Shinhan Securities	Shinhan Card	Fees and commission income		572	-
Goodmorning Shinhan Securities	Shinhan BNPP ITMC	Rental income		204	201
Goodmorning Shinhan Securities	SH&C Life Insurance	Fees and commission income		15	-
Good Morning USA	Goodmorning Shinhan Securities	Fees and commission income		2,134	4,113
Good Morning Europe	Goodmorning Shinhan Securities	Fees and commission income		1,429	2,230
Shinhan Card	Shinhan Bank	Interest income		69	7
Shinhan Card	Shinhan Bank	Fees and commission income	₩	87	29



Notes to Consolidated Financial Statements, Continued

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In Millions of Korean Won

<i>Revenue earned</i>	<i>Expense incurred</i>	<i>Account</i>		2004	2003
Shinhan Card	Goodmorning Shinhan Securities	Fees and commission income	₩	6	-
Shinhan Card	Jeju Bank	Fees and commission income		-	81
Shinhan Card	SH&C Life Insurance	Fees and commission income		3,980	338
Shinhan Card	Shinhan Credit Information	Fees and commission income		35	-
Shinhan Capital	Shinhan Bank	Interest income		1,463	437
Shinhan Capital	Shinhan Bank	Gain on derivatives		2,216	1,111
Shinhan Capital	Chohung Bank	Interest income		642	690
Shinhan Capital	Chohung Bank	Gain on derivatives		3,881	-
Shinhan BNPP ITMC	Shinhan Bank	Interest income		446	393
Jeju Bank	Shinhan Bank	Interest income		3	99
Jeju Bank	Chohung Bank	Interest income		13	-
Jeju Bank	SH&C Life Insurance	Fees and commission income		182	-
Jeju Bank	Jeju Bank (Trust)	Trust management income		967	927
Jeju Bank (Trust)	Jeju Bank	Interest income		199	296
SH&C Life Insurance	Shinhan Bank	Interest income		207	498
SH&C Life Insurance	Shinhan Bank	Insurance income		1,020	514
SH&C Life Insurance	Jeju Bank	Insurance income		1	-
Shinhan Macquarie	Shinhan Bank	Interest income		22	-
Shinhan Credit Information	Shinhan Bank	Fees and commission income		2,804	-
Shinhan Credit Information	Shinhan Bank	Interest income		74	-
Shinhan Credit Information	Chohung Bank	Fees and commission income		3,816	-
Shinhan Credit Information	Goodmorning Shinhan Securities	Fees and commission income		13	-
Shinhan Credit Information	Shinhan Card	Fees and commission income		8,333	-
Shinhan Credit Information	Shinhan Capital	Fees and commission income		113	-
Shinhan Credit Information	Jeju Bank	Fees and commission income		203	-
				332,348	267,475
Subsidiaries accounted for under the equity method:					
Shinhan Bank	Shinhan Data System	Rental income		-	43
e-shinhan	Shinhan Bank	Interest income		65	132
e-shinhan	Shinhan Bank	Fees and commission income		635	-
e-shinhan	Shinhan Card	Fees and commission income		-	22
e-shinhan	Shinhan Financial Group	Fees and commission income		179	62
e-shinhan	Goodmorning Shinhan Securities	Fees and commission income		100	-
e-shinhan	Chohung Bank	Fees and commission income		600	-
Shinhan Credit Information	Shinhan Bank	Fees and commission income		-	2,614
Shinhan Credit Information	Shinhan Bank	Interest income		-	35
Shinhan Credit Information	Goodmorning Shinhan Securities	Fees and commission income		-	31
Shinhan Credit Information	Shinhan Card	Fees and commission income		-	8,646
Shinhan Credit Information	Shinhan Capital	Fees and commission income		-	61
Shinhan Credit Information	Jeju Bank	Fees and commission income		-	623
Shinhan Data System	Shinhan Bank	Interest income		76	69
Shinhan Data System	Shinhan Bank	Other income		4,990	3,526
Chohung Vina	Chohung Bank	Interest income		99	-
				6,744	15,864
			₩	339,092	283,339



Notes to Consolidated Financial Statements, Continued

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(b) Account balances

Significant account balances among Consolidated Company as of December 31, 2004 and 2003 are as follows:

In Millions of Korean Won

<i>Creditor</i>	<i>Debtor</i>	<i>Account</i>		2004	2003
Controlling company and subsidiaries included in consolidation:					
Shinhan Financial Group	Shinhan Bank	Bank deposits	₩	31,145	5,327
Shinhan Financial Group	Shinhan Bank	Loans		50,000	50,000
Shinhan Financial Group	Shinhan Bank	Other assets		13,251	14,644
Shinhan Financial Group	Goodmorning Shinhan Securities	Loans		-	130,000
Shinhan Financial Group	Goodmorning Shinhan Securities	Other assets		-	134
Shinhan Financial Group	Shinhan Card	Loans		1,050,000	1,100,000
Shinhan Financial Group	Shinhan Card	Other assets		6,661	6,541
Shinhan Financial Group	Shinhan Capital	Loans		635,609	644,905
Shinhan Financial Group	Shinhan Capital	Other assets		4,739	5,066
Shinhan Financial Group	Jeju Bank	Loans		23,140	20,000
Shinhan Financial Group	Jeju Bank	Other assets		186	186
Shinhan Financial Group	Shinhan Credit Information	Other assets		89	38
Shinhan Bank	Chohung Bank	Securities		21,332	132,708
Shinhan Bank	Chohung Bank	Other assets		587	797
Shinhan Bank	Goodmorning Shinhan Securities	Loans		-	30,000
Shinhan Bank	Goodmorning Shinhan Securities	Other assets		5,753	4,418
Shinhan Bank	Shinhan Card	Loans		7,500	28,500
Shinhan Bank	Shinhan Card	Other assets		2,474	87
Shinhan Bank	Shinhan Capital	Loans		63,823	75,933
Shinhan Bank	Shinhan Capital	Other assets		310	233
Shinhan Bank	Jeju Bank	Loans		-	3,140
Shinhan Bank	Jeju Bank	Other assets		-	561
Shinhan Bank	SH&C Life Insurance	Other assets		1,199	1,455
Shinhan Bank	Shinhan Bank (Trust)	Other assets		64,462	100,194
Shinhan Bank	Shinhan Finance	Due from bank		9,336	16,965
Shinhan Bank	Shinhan Finance	Loans		239,156	280,287
Shinhan Bank	Shinhan Finance	Other assets		786	1,261
Shinhan Bank (Trust)	Shinhan Bank	Other assets		105,403	224,387
Shinhan Finance	Shinhan Bank	Loans		255,362	230,636
Shinhan Finance	Shinhan Bank	Other assets		287	5
Chohung Bank	Shinhan Bank	Securities		-	96,515
Chohung Bank	Shinhan Bank	Other assets		8,373	4,324
Chohung Bank	Shinhan Capital	Loans		732	392
Chohung Bank	SH&C Life Insurance	Other assets		1,956	-
Chohung Bank	Chohung Bank (Trust)	Other assets		-	104,227
Chohung Bank	Chohung Finance	Due from bank		963	651
Chohung Bank	Chohung Finance	Loans		42,796	61,088
Chohung Bank	Chohung Finance	Other assets		584	-
Chohung Bank	CHB America	Due from bank		1,483	1,067
Chohung Bank	CHB America	Loans		31,314	17,967
Chohung Bank	Chohung Deutschland	Due from bank		-	1,197
Chohung Bank	Chohung Deutschland	Loans		134,191	107,576
Chohung Bank (Trust)	Chohung Bank	Other assets		-	31,893
Chohung ITMC	Chohung Bank	Due from bank		43,346	50,397
Chohung ITMC	Chohung Bank	Other assets		381	1,199
Chohung Finance	Chohung Bank	Due from bank		272	10,696
Chohung Finance	Chohung Bank	Loans		91,456	80,958
Chohung Finance	Chohung Bank	Other assets		176	-
Chohung Deutschland	Chohung Bank	Loans	₩	128,854	105,539



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In Millions of Korean Won

<i>Creditor</i>	<i>Debtor</i>	<i>Account</i>		2004	2003
Goodmorning Shinhan Securities	Shinhan Bank	Due from bank	₩	5,640	53,064
Goodmorning Shinhan Securities	Shinhan Bank	Other assets		7,747	6,791
Goodmorning Shinhan Securities	Chohung Bank	Due from bank		7,195	2,011
Goodmorning Shinhan Securities	Chohung Bank	Other assets		2,075	8
Goodmorning Shinhan Securities	SH&C Life Insurance	Other assets		1	-
Good Morning USA	Goodmorning Shinhan Securities	Other assets		1,023	1,117
Good Morning Europe	Goodmorning Shinhan Securities	Other assets		851	908
Shinhan Card	Shinhan Financial Group	Other assets		-	906
Shinhan Card	Shinhan Bank	Cash and due from banks		427	102
Shinhan Card	Shinhan Bank	Other assets		1,189	1,189
Shinhan Card	Chohung Bank	Cash and due from banks		1	-
Shinhan Card	Goodmorning Shinhan Securities	Other assets		4,635	4,635
Shinhan Card	SH&C Life Insurance	Other assets		431	338
Shinhan Capital	Shinhan Financial Group	Other assets		-	773
Shinhan Capital	Shinhan Bank	Short-term financial instruments		72,105	58,231
Shinhan Capital	Shinhan Bank	Other assets		3,293	2,341
Shinhan Capital	Chohung Bank	Securities		5,743	6,714
Shinhan Capital	Chohung Bank	Other assets		3,577	173
Shinhan BNPP ITMC	Shinhan Bank	Due from bank		12,626	4,436
Shinhan BNPP ITMC	Shinhan Bank	Other assets		360	105
Shinhan BNPP ITMC	Goodmorning Shinhan Securities	Other assets		3,496	3,496
Jeju Bank	Shinhan Bank	Other assets		-	561
Jeju Bank	SH&C Life Insurance	Other assets		26	-
Jeju Bank	Jeju Bank (Trust)	Other assets		831	798
Jeju Bank (Trust)	Jeju Bank	Other assets		5,589	4,382
SH&C Life Insurance	Shinhan Bank	Cash and cash equivalents		853	33,563
SH&C Life Insurance	Shinhan Bank	Other assets		3	46
SH&C Life Insurance	Chohung Bank	Cash and cash equivalents		873	-
Shinhan Macquarie	Shinhan Bank	Cash and cash equivalents		4,027	-
Shinhan Credit Information	Shinhan Bank	Cash and cash equivalents		900	-
Shinhan Credit Information	Shinhan Bank	Other assets		1,041	-
Shinhan Credit Information	Chohung Bank	Other assets		435	-
Shinhan Credit Information	Goodmorning Shinhan Securities	Other assets		1	-
Shinhan Credit Information	Shinhan Card	Other assets		702	-
Shinhan Credit Information	Jeju Bank	Other assets		71	-
Shinhan PE	Shinhan Bank	Cash and cash equivalents		9,412	-
				3,236,646	3,970,782
Subsidiaries accounted for under the equity method:					
e-shinhan	Shinhan Bank	Cash and cash equivalents		980	2,158
e-shinhan	Shinhan Bank	Other assets		7	-
e-shinhan	Shinhan Bank	Loans		1,850	-
Shinhan Macquarie	Shinhan Bank	Cash and cash equivalents		-	1,187
Shinhan Credit Information	Shinhan Bank	Cash and cash equivalents		-	1,686
Shinhan Credit Information	Shinhan Bank	Other assets		-	1,146
Shinhan Credit Information	Shinhan Card	Other assets		-	892
Shinhan Credit Information	Jeju Bank	Other assets		-	161
Shinhan Data System	Shinhan Bank	Due from banks		2,142	2,404
Shinhan Data System	Shinhan Bank	Other assets		185	185
Chohung Vina	Chohung Bank	Loans		-	16,769
				5,164	26,588
			₩	3,241,810	3,997,370



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(c) Guarantees and acceptances

Guarantees and acceptances as of December 31, 2004 are as follows:

				In Millions of Korean Won
<i>Guarantor</i>	<i>Guarantee</i>	<i>Guarantees and acceptances provided on</i>		<i>Amount of guarantees and acceptances</i>
Shinhan Financial Group	Goodmorning Shinhan Securities	Lease guarantee deposits	₩	50,000
Shinhan Bank	Shinhan Capital	Letter of credit		13,601
Shinhan Bank	Shinhan Finance	Loans		11,515
Chohung Bank	Chohung Finance	Letter of credit		731
			₩	75,847

(30) Condensed Financial Statements of Consolidated Company

(a) Balance sheets

Condensed balance sheets of the Consolidated Company as of December 31, 2004 and 2003 are as follows:

				In Millions of Korean Won
				2004
<i>Subsidiaries</i>		<i>Total assets</i>	<i>Total liabilities</i>	<i>Total stockholders' equity</i>
Controlling company and subsidiaries included in consolidation:				
Shinhan Financial Group	₩	10,072,652	2,325,043	7,747,609
Shinhan Bank		70,125,920	66,000,578	4,125,342
Shinhan Bank (Trust)		1,860,160	1,860,160	-
Shinhan Finance		512,585	447,408	65,177
Chohung Bank		65,389,100	62,778,172	2,610,928
Chohung Bank (Trust)		1,454,318	1,454,318	-
Chohung ITMC		71,949	1,354	70,595
Chohung Finance		126,403	91,447	34,956
CHB America		367,480	308,490	58,990
Chohung Deutschland		238,226	204,221	34,005
Goodmorning Shinhan Securities		2,956,183	2,277,868	678,315
Good Morning Europe		7,352	38	7,314
Good Morning USA		5,110	535	4,575
Shinhan Card		1,469,925	1,306,467	163,458
Shinhan Capital		1,320,929	1,201,582	119,347
Shinhan BNPP ITMC		49,463	3,845	45,618
Jeju Bank		1,872,414	1,763,877	108,537
Jeju Bank (Trust)		16,136	16,136	-
SH&C Life Insurance		286,304	257,077	29,227
Shinhan Macquarie		11,307	9,154	2,153
Shinhan Credit Information		9,228	2,366	6,862
Shinhan PE		9,844	57	9,787
		158,232,988	142,310,193	15,922,795
Subsidiaries accounted for using the equity method:				
e-Shinhan		4,813	893	3,920
Shinhan Data System		3,072	699	2,373
Chohung Vina		145,313	122,650	22,663
		153,198	124,242	28,956
		₩	158,386,186	142,434,435
				15,951,751

Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

In Millions of Korean Won

2003			
<i>Subsidiaries</i>	<i>Total assets</i>	<i>Total liabilities</i>	<i>Total stockholders' equity</i>
Controlling company and subsidiaries included in consolidation:			
Shinhan Financial Group	₩ 7,700,285	2,176,875	6,117,555
Shinhan Bank	70,066,189	66,550,821	3,515,368
Shinhan Bank (Trust)	1,768,128	1,768,128	-
Shinhan Finance	524,180	459,598	64,582
Chohung Bank	59,227,864	57,289,224	1,938,640
Chohung Bank (Trust)	1,345,158	1,345,158	-
Chohung ITMC	69,636	1,495	68,141
Chohung Finance	144,708	109,947	34,761
CHB America	386,498	322,274	64,224
Chohung Deutschland	204,071	171,002	33,069
Goodmorning Shinhan Securities	2,928,017	2,290,044	637,973
Good Morning Europe	7,364	60	7,304
Good Morning USA	5,981	198	5,783
Shinhan Card	1,778,191	1,620,555	157,636
Shinhan Capital	1,153,907	1,051,683	102,224
Shinhan BNPP ITMC	47,461	2,489	44,972
Jeju Bank	1,785,961	1,682,328	103,633
Jeju Bank (Trust)	14,958	14,958	-
SH&C Life Insurance	114,012	87,970	26,042
	149,272,569	136,944,807	12,327,762
Subsidiaries accounted for using the equity method:			
e-Shinhan	3,924	225	3,699
Shinhan Macquarie	11,255	7,642	3,613
Shinhan Credit Information	13,588	9,726	3,862
Shinhan Data System	2,697	532	2,165
Chohung Vina	149,347	126,849	22,498
	180,811	144,974	35,837
	₩ 149,453,380	137,089,781	12,363,599



Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

(b) Statements of income

Condensed statements of income of the Consolidated Company for the years ended December 31, 2004 and 2003 are as follows:

In Millions of Korean Won					
2004					
<i>Subsidiaries</i>	<i>Operating revenue</i>	<i>Operating expense</i>	<i>Operating income (loss)</i>	<i>Ordinary income (loss)</i>	<i>Net income (losses)</i>
Controlling company and subsidiaries included in consolidation:					
Shinhan Financial Group	₩ 1,224,147	147,638	1,076,509	1,067,327	1,050,295
Shinhan Bank	5,917,768	4,881,890	1,035,878	1,201,938	844,113
Shinhan Bank (Trust)	111,045	113,609	(2,564)	-	-
Shinhan Finance	15,965	9,455	6,510	6,762	6,762
Chohung Bank	6,782,761	6,459,908	322,853	267,735	265,238
Chohung Bank (Trust)	111,428	110,187	1,241	-	-
Chohung ITMC ^(*)	14,035	6,183	7,852	8,646	6,252
Chohung Finance	4,613	3,010	1,603	1,874	1,874
CHB America	21,188	16,971	4,217	4,384	3,191
Chohung Deutschland	9,613	6,058	3,555	3,559	2,698
Goodmorning Shinhan Securities ^(*)	658,328	614,709	43,619	43,816	43,576
Good Morning Europe	2,557	2,099	458	416	416
Good Morning USA ^(*)	5,245	6,247	(1,002)	(938)	(547)
Shinhan Card	423,829	417,407	6,422	5,822	5,822
Shinhan Capital	221,072	187,764	33,308	32,738	23,056
Shinhan BNPP ITMC ^(*)	13,950	7,402	6,548	6,551	4,557
Jeju Bank	131,659	123,982	7,677	7,366	6,334
Jeju Bank (Trust)	1,678	1,678	-	-	-
SH&C Life Insurance ^(*)	36,202	37,534	(1,332)	373	373
Shinhan Macquarie ^(*)	14,556	11,633	2,923	3,098	1,984
Shinhan Credit Information	29,367	28,972	395	610	3,000
Shinhan PE ^(**)	-	212	(212)	(212)	(212)
	15,751,006	13,194,548	2,556,458	2,661,865	2,268,782
Subsidiaries accounted for using the equity method:					
e-Shinhan	3,487	3,293	194	220	220
Shinhan Data System	5,693	5,538	155	247	209
Chohung Vina	8,345	5,363	2,982	3,263	2,986
	17,525	14,194	3,331	3,730	3,415
	₩ 15,768,531	13,208,742	2,559,789	2,665,595	2,272,197

(*) Operating results from January 1, 2004 to December 31, 2004 are reflected.

(**) Operating results from December 8, 2004 (date of inception) to December 31, 2004 are reflected.

Notes to Consolidated Financial Statements, Continued

December 31, 2004 and 2003

In Millions of Korean Won						
2003						
Subsidiaries	Operating revenue	Operating expense	Operating income (loss)	Ordinary income (loss)	Net income (losses)	
Controlling company and subsidiaries included in consolidation:						
Shinhan Financial Group	₩ 617,074	251,366	365,708	362,988	362,988	
Shinhan Bank	4,851,995	4,180,640	671,355	685,756	476,023	
Shinhan Bank (Trust)	118,533	114,349	4,184	-	-	
Shinhan Finance	16,868	19,440	(2,572)	(2,114)	(2,114)	
Chohung Bank	5,416,552	6,103,681	(687,129)	(918,764)	(968,940)	
Chohung Bank (Trust)	128,692	128,758	(66)	-	-	
Chohung ITMC ^(*)	13,630	6,104	7,526	6,274	4,411	
Chohung Finance	10,296	21,796	(11,500)	(11,392)	(11,392)	
CHB America	22,313	18,615	3,698	3,937	2,280	
Chohung Deutschland	12,370	13,959	(1,589)	(1,362)	(1,130)	
Goodmorning Shinhan Securities ^(*)	649,701	619,693	30,008	68,616	35,813	
Good Morning Europe	2,546	2,723	(177)	(177)	(177)	
Good Morning USA ^(*)	2,782	4,129	(1,347)	(2,044)	(1,728)	
Shinhan Card	431,863	506,606	(74,743)	(90,063)	(89,824)	
Shinhan Capital	145,355	116,084	29,271	22,565	15,755	
Shinhan BNPP ITMC ^(*)	12,728	10,604	2,124	2,629	1,834	
Jeju Bank	137,162	137,005	157	727	4,751	
Jeju Bank (Trust)	1,703	1,703	-	-	-	
SH&C Life Insurance ^(*)	44,986	47,478	(2,492)	(3,369)	(3,369)	
	12,637,149	12,304,733	332,416	124,207	(174,819)	
Subsidiaries accounted for using the equity method:						
e-Shinhan	1,714	3,361	(1,647)	(1,583)	(1,583)	
Shinhan Macquarie ^(*)	11,454	7,816	3,638	3,804	2,559	
Shinhan Credit Information	25,557	24,309	1,248	1,096	741	
Shinhan Data System	4,264	4,143	121	204	163	
Chohung Vina	8,254	5,645	2,609	3,762	3,762	
	51,243	45,274	5,969	7,283	5,642	
	₩ 12,688,392	12,350,007	338,385	131,490	(169,177)	

(*) Operating results from January 1, 2003 to December 31, 2003 are reflected.

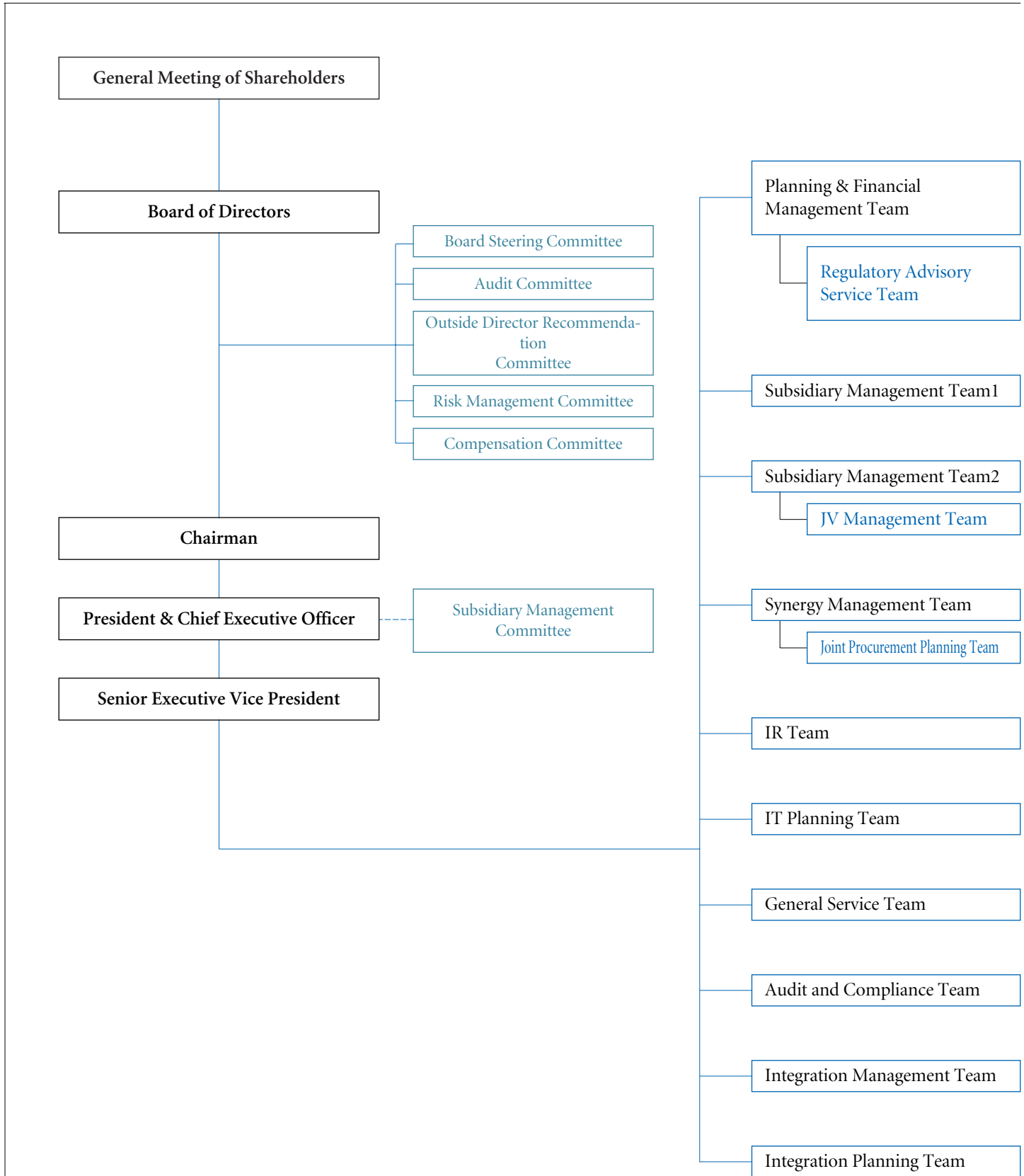
(31) Financial Performance (Unaudited)

Financial performance for the quarters ended December 31, 2004 and 2003 are as follows:

In Millions of Korean Won, except net earnings per share			
	Quarter ended December 31,		
	2004	2003	
Operating revenue	₩	4,912,437	3,078,037
Operating income		331,647	401,326
Net income		255,714	104,756
Net earnings per share in Won		753	132



Organization Chart



Directory

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Overseas Network

U.S.A. <i>New York Branch</i>	32nd Fl., 800 3rd Ave, New York, NY 10022, U.S.A.	Tel: + 1-212-371-8000 Fax: + 1-212-371-8875	SWIFT: SHBKUS33 Suk-Jin Koh (General Manager)
---	--	--	--

United Kingdom <i>London Branch</i>	3rd Fl., 51/55 Gresham St., London EC2V 7HB, United Kingdom	Tel: + 44-207-600-0606 Fax: + 44-207-600-1826	Han-Eung Lee (General Manager)
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Japan <i>Tokyo Branch</i>	9th Fl., Shiroyama JT Mori Bldg., 3-1, Toranomom, 4-Chome, Minato-Ku, Tokyo, Japan	Tel: + 81- 3-3578-9321 Fax: + 81- 3-3578-9355	SWIFT: SHBKJPJTOK Sang-Bok Lee (General Manager)
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<i>Osaka Branch</i>	4-21, Minami-Semba, 4-Chome, Chuo-Ku, Osaka, Japan	Tel: + 81-6-6243-2341 Fax: + 81-6-6243-2346	SWIFT: SHBKJPJPJX Young-Jin Lim (General Manager)
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<i>Fukuoka Branch</i>	8th Fl., Tenjin Mitsui Bldg. 14-13, Tenjin, 2-Chome, Chuo-Ku, Fukuoka, Japan	Tel: + 81-9-2724-7004 Fax: + 81-9-2724-7003	SWIFT: SHBKJPJPJX Il-Jo Kim (General Manager)
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China <i>Shanghai Branch</i>	22nd Fl., HSBC Tower, 101, YIN Cheng East Road, Pudong New Area, Shanghai	Tel: + 86-21-6841-2100 Fax: + 86-21-6841-2108	SWIFT: SHBKCNSH Kwang-Ho Yu (General Manager)
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---	--	--	--

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Ernst-Direter Kircher (Managing Director)

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Share and Shareholder Information

Number of Shares Issued	Type	No. of shares	Par Value (KRW)
	Common stock	319,319,011	1,597 billion
	Redeemable preferred stock	52,583,961	263 billion
	Convertible redeemable preferred stock	44,720,603	224 billion
	Total	416,623,575	2,083 billion

Share Ownership	Shareholder	No. of shares held	Ownership	Country
Common Stocks				
	Korea National Pension Fund	16,498,516	5.17%	KR
	BNP PARIBAS	13,557,832	4.25%	LU
	EURO-PACIFIC GROWTH FUND	12,570,230	3.94%	US
	EMERGING MARKET GROWTH	10,516,430	3.29%	US
	Chohung Bank ¹⁾	8,985,567	2.81%	KR
	CAPITAL WORLD GROWTH	8,155,100	2.55%	US
	TEMPLETON FOREIGN FUND	7,605,410	2.38%	US
	Others	241,429,926	75.61%	
	Total	319,319,011	100%	

1) Common shares held by Chohung Bank are not entitled to vote at the general shareholders' meeting

	Shareholder	No. of shares held
Redeemable Preferred Stocks		
	Korea Deposit Insurance Corp.	46,583,961
	Strider Securitization Specialty Co., Ltd.	6,000,000
	Total	52,583,961

Convertible Redeemable Preferred Stocks		
	Korea Deposit Insurance Corp.	44,720,603



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>> Financial Calendar

Annual General Meeting 2005
First Quarter Results 2005
Annual Report (20-F)
Second Quarter Results 2005
Third Quarter Results 2005

March 2005
April 2005
June 2005
August 2005
November 2005







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