

SHG
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NYSE



Shinhan Financial Group Annual Report 2007

Standing Out

Profile

Since its inception as Korea's inaugural financial group in 2001, Shinhan Financial Group has remained a step-ahead of its peers by introducing an assortment of innovative products and services in domestic financial markets. Through several mergers and acquisitions, SFG generated universal banking business lines ahead of the industry, attaining economies of scale and securing a market leading competitive advantage. The 2003 acquisition of the former Chohung Bank endowed the group with the second largest network in Korea and reinforced its steadfast relationship with large corporate clients. With the successful merger of LG Card in 2007, Korea's biggest credit card company, Shinhan Financial Group has further bolstered its non-banking business capacity. Indeed, SFG has the most balanced business portfolio in Korea as its non-bank subsidiaries contributed nearly 34% to the group's overall net income in 2007.

In order to realize its long-term vision of emerging as a world-class financial institution, SFG will intensify efforts to enhance the capacity of its non-bank subsidiaries and pursue "differentiated growth while leading value innovation" in 2008.

2007 Awards

Oct. 2007 Shinhan Financial Group

"2007 Korea Value Creating Company Awards" *Korea Economic Daily*

July 2007 Shinhan Bank

"Award for excellence 2007 best bank in Korea" *EUROMONEY*

Oct. 2007 Shinhan Card

"Customer Satisfaction Management Awards" Korea Management Association

Feb. 2007 GMSH Securities

Grand Prize "2007 Management Transparency Awards"

Mar. 2007 Shinhan Life

Grand Prize "2007 Maekyung Financial Product Awards"

Feb. 2007 SH Asset Management

The Best Fund Product (bond fund) "2006 Korea Fund Award" by *Korea Economic Daily*

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Stock Performance

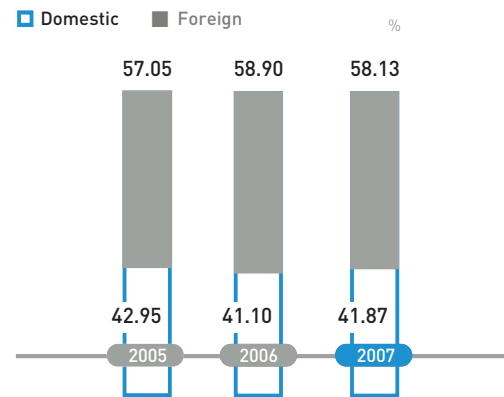
NUMBER OF SHARES ISSUED [as of Dec. 2007]

Type of Stock	No. of Shares
Registered common stock	396,199,587
Registered redeemable preferred stock	59,440,377
Registered convertible redeemable preferred stock	14,721,000
Total	470,360,964

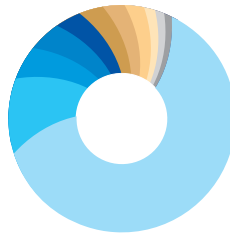
CREDIT RATINGS

Shinhan Bank	MOODY'S	S&P	FITCH
Long Term	A2	A-	A
Short Term	P-1	A-2	F1

SHARE OWNERSHIP 2007



MAJOR SHAREHOLDERS



- BNP PARIBAS_8.50%
- NATIONAL PENSION SERVICE_4.42%
- CITIBANK.N.A.(ADR DEPT)_4.37%
- MIRAE ASSET INVESTMENTS_3.24%
- CAPITAL WORLD GROWTH AND INCOME FUND_3.02%
- EURO-PACIFIC GROWTH FUND_2.29%
- MIZUHO_1.50%
- DAEKYO Co., LTD_1.42%
- SFG ESOP ASSOCIATION_1.41%
- SSB-THBG INV (THORNBURG)_1.34%
- OTHERS_68.49%

SFG Stock Price Performance

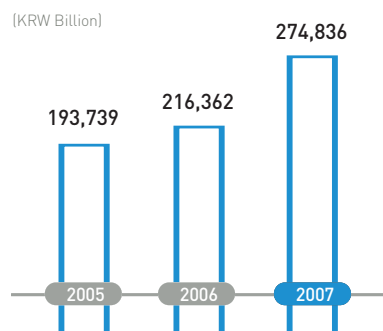
Market Cap : KRW21.2 trillion (as of end of Dec, 2007)



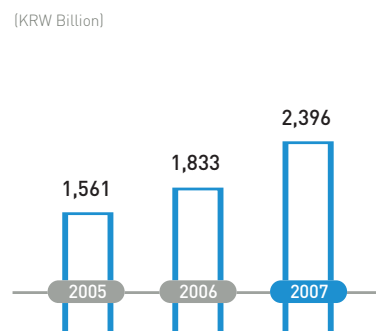
Financial Highlights

	2007	2006	Chg AMT	Chg %
For the Year (KRW Billion)				
Total Revenue	8,524.4	5,981.8	2,542.6	42.5%
Operating Income Before Provisioning	4,752.9	3,098.2	1,654.7	53.4%
Net Income	2,396.4	1,832.7	563.7	30.8%
At Year End (KRW Trillion)				
Total Assets	274.8	216.4	58.4	27.0%
Total Loans	149.3	118.1	31.2	26.4%
Total Deposits	119.2	108.9	10.3	9.5%
Total Shareholders' Equity	18.0	11.4	6.6	58.2%
Key Financial Ratios				
BIS Capital Adequacy Ratio-Shinhan Bank [Tier I ratio]	12.0% 7.6%	12.0% 7.8%		- (0.2%p)
NPL [Substandard and Below Loans] Ratio	1.00%	0.85%		0.15%p
NPL Coverage Ratio	192%	180%		12.0%p
Return on Assets	1.2%	1.1%		0.1%p
Return on Equity	15.1%	17.7%		(2.6%p)
Net Interest Margin (Shinhan Bank)	2.26%	2.38%		(0.12%p)
Cost-to-Income Ratio	46.6%	49.7%		(3.1%p)
Cost-to-Income Ratio excluding G/W Amortization	42.2%	47.2%		(5.0%p)
BPS (KRW)	38,221	27,430	10,791	39.3%
EPS (KRW)	5,562	4,776	786	16.5%

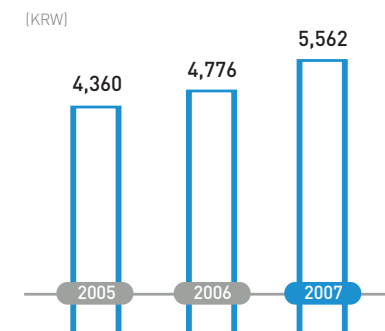
Total Assets (including AUM)



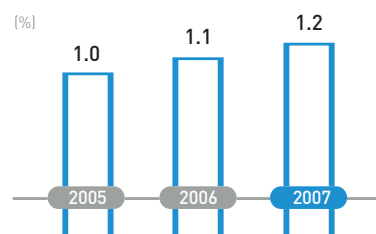
Net Income



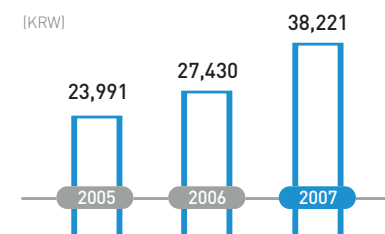
Earnings per Share



ROA



Book Value per Share







Out in Front

Shinhan Financial Group has been at the leading edge of the domestic financial market since its inception as Korea's first financial group in 2001. As a catalyst for progress in Korea's financial markets, the group has introduced a variety of innovative products and business practices to heat up the industry. This year, in particular, was a monumental year for the group as it acquired Korea's largest card company LG Card and successfully launched the new Shinhan Card – Asia's largest card company.



© Incorporation / Year
 **LG Card** 2007

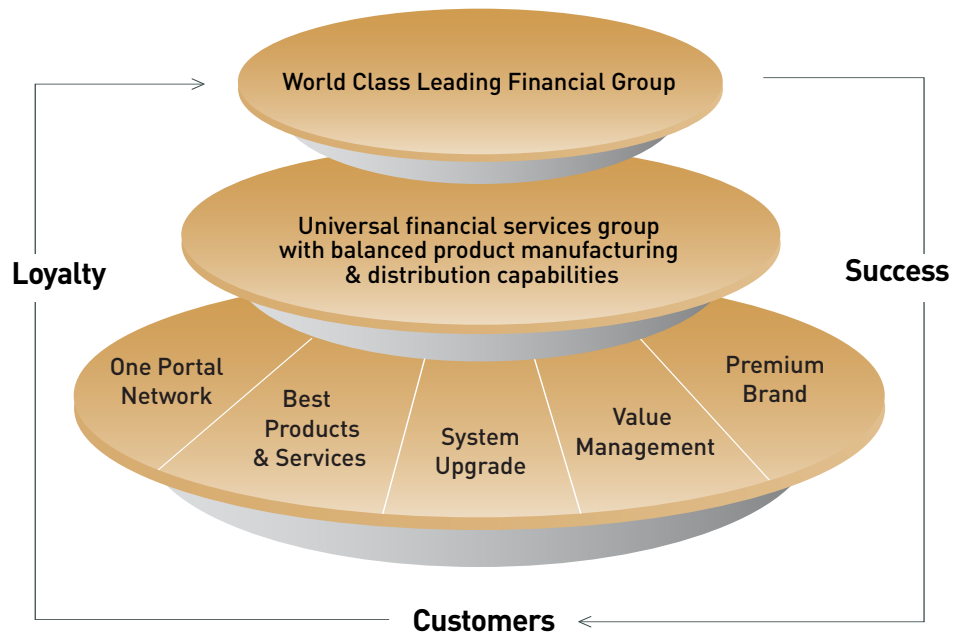
 **Shinhan Life Insurance** 2005

 **Chohung Bank** 2003

 **Jeju Bank / GMSH Securities** 2002

At a Glance

Group Vision



Core Values



Our business lines			
Bank	Business	Net income contribution proportion	Subsidiary
<p>Shinhan Bank, the flagship business of SFG, serves retail, corporate, SOHO, and high net worth individual customers with savings, loans and mortgage services via the most extensive nationwide network in Korea. A successful integration with the former Chohung Bank in 2006 boosted its large corporate customer base.</p>	<p>◎ SHINHAN BANK</p> <p>◎ JEJU BANK</p>	<p>66%</p> <p>■ Bank</p>	<p>2001 2002 .. 2005 · 2007</p>
<p>Shinhan Card provides credit card sales, card loans, installment finance, lease and other credit card-related services to 13.4 million customers. Boasting Korea's largest customer base and business infrastructure due to its integration with LG Card in 2007, Shinhan Card dominates Korea's credit card market with a 25% market share.</p>	<p>◎ SHINHAN CARD</p>	<p>22%</p> <p>■ Card</p>	
<p>Good Morning Shinhan Securities provides a brokerage service for stocks, futures and options trading, underwritings, sale of mutual funds and consulting services.</p>	<p>◎ GOODMORNING SHINHAN SECURITIES</p>	<p>6%</p> <p>■ Securities</p>	
<p>Shinhan Life Insurance and SH&C Life Insurance provide insurance, retirement and financial services to commercial, institutional and individual customers. SH&C is a leading provider of Bancassurance products in Korea.</p>	<p>◎ SHINHAN LIFE INSURANCE</p> <p>◎ SH&C LIFE INSURANCE</p>	<p>4%</p> <p>■ Insurance</p>	
<p>The asset management subsidiaries of SFG provide comprehensive financial solutions to clients ranging from corporations to governments, institutional investors and individual investors.</p>	<p>◎ SHINHAN MACQUARIE FINANCIAL ADVISORY</p> <p>◎ SHINHAN BNP PARIBAS</p> <p>◎ SHINHAN CAPITAL</p> <p>◎ SHINHAN CREDIT INFORMATION</p> <p>◎ SHINHAN PRIVATE EQUITY</p>	<p>2%</p> <p>■ Asset Management</p>	<p>2001 2002 · 2004 .. 2007</p>

Chairman's Message



Dear Shareholders and Customers,

I would like to express our sincere appreciation for your unwavering support and interest in Shinhan Financial Group over the past year.

With the successful integration of former LG Card followed by a launch of a new Shinhan Card, Shinhan Financial Group now has Asia's largest card company under its wing with the most differentiated and balanced business portfolio among Korean financial groups. Moreover, our flagship subsidiary Shinhan Bank maintained solid growth while the non-bank subsidiaries in securities, insurance and capital also achieved a remarkable performance, laying a more diversified and sound foundation for the group's growth.

As a result, we achieved a record-breaking performance with the group's net income surpassing KRW2.0 trillion, while solidifying its stance as "Korea's leading financial group."

This monumental accomplishment amid challenging financial market conditions would not have been possible without the continued support of our shareholders and customers. I'd like to take this opportunity to deliver, once again, my deepest gratitude.

As we move into the year 2008, we expect more volatility in domestic financial markets. In the run up to the implementation of the Capital Market Consolidation Act, restructuring is already underway in the securities industry and the new Korean government is about to launch the idea of privatizing government-owned banks. These new factors are forecast to contribute to another “big bang” in the financial landscape similar to the one that we witnessed in the aftermath of Asian Financial Crisis a decade ago.

However, Shinhan Financial Group is well equipped to turn challenges into opportunities and to continue to move forward with its innate power to preemptively respond to paradigm changes within the markets. Along the way, we will strive to solidify our stance as a “leading financial institution in Korea,” while contributing to developing the financial



“ We will solidify the group’s revenue structure and obtain balanced growth between our bank and non-bank subsidiaries. ”

industry into Korea’s next generation growth engine.

We have a grand vision that we have cherished since the foundation of the group – to become a world-class financial group. To achieve this vision, we have set a mid-term goal to become one of Asia’s top 10 financial institutions and part of the global top 50 by 2012. To this end SFG will solidify the group’s revenue structure and obtain balanced growth between our bank and non-bank subsidiaries, while steering clear of any adverse influences arising from external market conditions. At the same time, the promotion of our value innovation initiatives will simultaneously enhance value for both the group and our customers, while sharpening the individual competence of each of our subsidiaries.

Attaining these goals requires will power and perseverance – qualities that form the basis of SFG. Please watch us as we move toward the early realization of our vision to place Shinhan Financial Group among the top global players. We look forward to continued support and encouragement from our shareholders and customers.

We wish all the best for you and your family.

Thank you,

Eung Chan Ra

Chairman

CEO's Letter



Despite unfavorable market situations, SFG outperformed its goal of KRW2.0 trillion in net income, a year ahead of its target in 2007. Not resting on this laurel, we will strengthen the competitiveness of our business lines in order to efficiently and effectively respond to market changes. To start with, we set our goal at achieving “differentiated growth while leading value innovation” in 2008.

Dear Shareholders,

I'm very pleased to present to you an overview of Shinhan Financial Group's (SFG) business results for the year 2007. In 2007, we were able to build upon the success we achieved in 2006 to post the most profitable year since the inception of SFG, thereby establishing a firm foundation as the leading integrated financial group in Korea. Our accomplishment would have not been possible without the unwavering

interest and support of our shareholders, for which I would like to express my sincere gratitude on behalf of all SFG's management and employees.

2007 Business Environment

In 2007, despite a challenging domestic and global environment, the Korean economy managed to sustain an overall growth rate of 5.0%, mostly attributed to strong exports and domestic consumption. Overall, domestic financial market conditions were favorable as stock prices rose and foreign exchange rates stabilized due to abundant liquidity in the capital market. However, starting from the second half of 2007, international financial market instability primarily triggered by US sub-prime mortgage woes led to interest rate hike and stock price volatility, thereby bringing additional uncertainty to the market.

Business Results of 2007

By efficiently and swiftly responding to internal and external environmental challenges, Shinhan Financial Group achieved a remarkable business performance in areas such as net income, asset growth, and asset quality.

Profitability

SFG's net income in 2007 amounted to KRW 2.39 trillion, up 30.8% year on year. In banking operations, net income reached KRW 1.90 trillion, a stable 25.7% increase from the previous year. In non-banking operations, net income rose by 80.4% to KRW 734.8 billion from 2006. Net income contributions by non-bank subsidiaries such as credit card, securities, insurance and the investment trust management company (ITMC) significantly increased from 24% in 2006 to 34% in 2007.

Asset Growth

The total assets of SFG increased to KRW 275 trillion, exhibiting a 27% year-on-year increase. The key contributors to the group's asset growth were the stable growth of profitable assets and the acquisition of LG Card. In particular, Shinhan Bank's loans in KRW and ITMCs' assets under management increased by 18.3% and 30% from 2006 respectively, showing a steady growth trend.

Asset Quality

Meanwhile, Shinhan Financial Group's substandard and below loan ratio increased by 0.15% point from 0.85% in 2006 to 1.0% in 2007. This increase is related to the acquisition of LG Card; empirically credit card businesses have shown higher delinquency ratios compared to banking businesses. However, as LG Card's stand-alone asset quality has been enhanced since joining the group, Shinhan Financial Group's overall asset quality has in fact improved. Shinhan Financial Group maintains the soundest level of asset quality among Korean financial institutions.

Major Achievements in 2007

Other than the aforementioned quantitative achievements, Shinhan Financial Group has cultivated meaningful strategic achievements in 2007. First of all, Shinhan

Bank, the flagship company of SFG, has shown stable performance in its core businesses through improved operating efficiency. In addition, the integrated Shinhan Card was launched in October 2007 as Asia's largest credit card company and became another core growth business line for the group. Non-banking businesses such as securities, insurance, asset management have also demonstrated significant organic growth, outperforming the market. As a result, Shinhan Financial Group was able to formulate a more balanced business portfolio, cementing its reputation as a leading comprehensive financial group.

Primary Strategic Task in 2008

Looking ahead to 2008, the forecast for the overall business environment remains



gloomy. Uncertainties in the international financial sector have pushed the global economy into a downturn, which in turn has raised concerns over the possibility of a slowdown in the Korean economy. Under these unfavorable and fragile market conditions, SFG is expected to face deteriorating asset growth, along with contracting net interest margins amid increasing market and credit risk. Against this backdrop, we must strengthen the competitiveness of our business segments in order to efficiently and effectively respond to regulatory changes such as the Capital Market Consolidation Act.

We will pursue the following four strategic tasks to fulfill our goal of achieving "differentiated growth while leading value innovation" in 2008.

(1) Differentiated competitive advantage of each business line

Boosted by a number of successful acquisitions over the last 2~3 years, Shinhan Financial Group has expanded and diversified its business platform. As a result, SFG has established a broader customer base and wider business lines with the largest distribution network in Korea. In 2008, by taking full advantage of the enlarged platforms and increasing synergies among different business lines, SFG will solidify its leading competitive position in Korea.

(2) Foster new growth drivers

Recently, traditional financial sector growth has weakened due to rapid value movement to next-generation financial areas. In response to these changes,

Shinhan Financial Group will proactively seek and identify new growth drivers that can enhance the future competitiveness of the group. We will strengthen our efforts to foster and develop new customers, markets, products and channels to meet these changing trends.

(3) Build foundation for customer value innovation

By implementing various systems, we will gain a better understanding of our customers and provide services tailored to their needs. We will use SFG's integrated database, completed in 2007, to strengthen our CRM marketing. Utilizing our diversified businesses, we will strive to innovate and develop syndicated products and services. Through such efforts, we will enhance customer



“ Our goal for 2008 is to achieve differentiated growth while leading in value innovation. ”

value and create success for both our clients and SFG.

(4) Build foundation for group value innovation

To develop our basis for long-term sustainable growth, we will strengthen SFG's management program for competent employees. By upgrading our group risk management system, managerial accounting tools and adopting International Financial Reporting Standards, SFG will be better equipped in the area of operational capability. Our efforts to increase efficiencies will continue through effective control of operational costs which will improve cost-income ratio and ROA. These efforts will be the foundation for the long-term value creation of Shinhan Financial Group.

With your sincere support and trust, Shinhan Financial Group will continue to pursue excellence and the enhancement of shareholder value in 2008. We are looking forward to your continued support and wish the very best for you and your family.

Thank you,

In Ho Lee

President & CEO

BOD and Management

I. EXECUTIVE DIRECTORS

Eung Chan Ra

[Board Steering, Outside Director Recommendation Committee member]

Date of Birth: November 25, 1938

Current Position:

- Chairman of Board of Directors, Shinhan Financial Group

Education:

- Seonlin Commercial High School, Seoul, Korea

Main Work Experience:

1977 - Director, Jaeil Investment & Finance Corp., Seoul

1999 - President & CEO, Shinhan Bank

2001 - Chairman of the Board of Directors, Shinhan Financial Group

In Ho Lee

Date of Birth: November 2, 1943

Current Position:

- CEO & President, Shinhan Financial Group

Education:

- BA in Economics, Yonsei University, Seoul, Korea

Main Work Experience:

1999 - President & CEO, Shinhan Bank

2003 - Vice-Chairman, Shinhan Bank

2005 - CEO & President, Shinhan Financial Group

Sang Hoon Shin

Date of Birth: July 1, 1948

Current Position:

- President & CEO, Shinhan Bank

Education:

- BA in Business Administration, Sungkyunkwan University, Seoul, Korea

- MBA, Yonsei University

Main Work Experience:

1998 - Director, Shinhan Bank

2001 - Senior Executive Vice President, Shinhan Financial Group

2003 - President & CEO, Shinhan Bank

II. NON EXECUTIVE DIRECTORS

Pyung Joo Kim

[Board Steering, Risk Management, Outside Director Recommendation, Compensation, Audit Committee Member Recommendation Committee member]

Date of Birth: February 6, 1939

Current Position:

- Honorary professor, Sogang University

- Professor, KDI School of Public Policy and Management

- CEO, Korean Investor Education Foundation

Education:

- Ph.D in Economics, Princeton University, USA

Main Work Experience:

1983 - Dean, College of Commerce, Sogang University

1990 - Dean, Graduate School of

Economics and Policies, Sogang University

1999 - Dean, Graduate School of

International Studies, Sogang University

Si Jong Kim

[Audit Committee Member Recommendation Committee member]

Date of Birth: April 16, 1937

Current Position:

- Standing Advisor, Kanagawa Division, Korean Residents' Union in Japan (current)

Education:

- Sigaken Yas High School

Main Work Experience:

1982 - Director, Yokohama Shogin

1987 - Director, Korea Chamber of Office in Kanagawa, Japan

1991 - Vice president,

Korean Residents' Union in Japan

Young Woo Kim

[Audit, Audit Committee Member Recommendation Committee member]

Date of Birth: May 1, 1952

Current Position:

- CEO of Hanil Electronic

- CEO of New Hanil Electronic

Education:

- BA in Political Economy, Waseda University

Main Work Experience:

1990 - CEO, Hanbaek Precision Co.

2007 - CEO of Hanil Electronic, CEO of New Hanil Electronic

Shee Yul Ryoo

[Board Steering, Outside Director Recommendation, Compensation, Audit Committee Member Recommendation Committee member]

Date of Birth: September 5, 1938

Current Position:

- Advisor, Shin & Kim Law Firm

Education:

- LLB, Seoul National University

Main Work Experience:

1997 - President, Korea First Bank

1999 - Chairman, Korea Federation of Banks

2001 - Steering Committee Member, Korea Center for International Finance (current)

Byung Hun Park

[Board Steering, Outside Director Recommendation, Audit Committee Member Recommendation Committee member]

Date of Birth: September 10, 1928

Current Position:

- Chairman, Daeseong Eltec Ltd (current)

Education:

- BA in Economics at Meiji University, Japan (1953)

Main Work Experience:

1989 - Chairman, Daeseong Electronics Ltd (current)

1990 - Standing Advisor, HQ of Korean Residents' Union in Japan (current)

1990 - Honorary Chairman, Overseas Korean Representatives (current)

Yong Woong Yang

[Audit Committee Member Recommendation Committee member]

Date of Birth: August 4, 1948

Current Position:

- Chairman, Investment Associations for Koreans in Japan

Education:

- BA, Chosen University, Japan

Main Work Experience:

1990 - CEO, Doen in Japan (current)

2006 - Non-executive Director, Shinhan Financial Group

Sung Bin Chun

(Audit, Outside Director Recommendation, Compensation, Audit Committee Member Recommendation Committee member)

Date of Birth: January 21, 1953

Current Position:

- Professor of Business Administration, Sogang University

Education:

- BA in English Literature, Sogang University, Seoul
- Ph.D. in Accounting, Berkley University, USA

Main Work Experience:

1999 - Director, Vice President of Korean Accounting Association
2003 - Director, Business Administration Research Center, Sogang University
2004 - Director, Financial Supervisory Commission

Haeng Nam Chung

(Audit Committee Member Recommendation Committee member)

Date of Birth: March 15, 1941

Current Position:

- Advisor, Korea Chamber of Commerce & Industry in Japan

Education:

- Tomishima Middle School

Main Work Experience:

2001 - Chairman, ABIC Group (current)
2001 - Director, Asuka Credit Cooperative (current)
2005 - Advisor, Korea Chamber of Commerce & Industry in Japan (current)

Bong Youn Cho

(Risk Management, Audit, Compensation, Audit Committee Member Recommendation Committee member)

Date of Birth: March 9, 1948

Current Position:

- President for Pan Asia Capital Limited.

Education:

- BA in Statistics, Korea University, Seoul, Korea

Main Work Experience:

1996 - President, Oriens Capital Limited
1997 - Chairman, Pan Asia Capital Manager Limited, Hong Kong (current)
2001 - President, Pan Asia Capital Limited (current)

Young Hoon Choi

(Audit Committee Member Recommendation Committee member)

Date of Birth: November 8, 1928

Current Position:

- Chairman, EISHIN Group

Education:

- LLB, Ritsumeikan University, Japan

Main Work Experience:

1983 - CEO, New Metro, Japan
1982 - Non Executive Director, Shinhan Bank

Young Sup Huh

(Board Steering, Audit, Compensation, Audit Committee Member Recommendation Committee member)

Date of Birth: October 9, 1941

Current Position:

- Chairman & CEO for Green Cross Corporation

Education:

- BA in Engineering, Seoul National University, Seoul, Korea
- Dipl.-Ing. in Engineering, Aachen University, Germany

Main Work Experience:

2001 - Vice Chairman, The Federation of Korean Industries(FKI)
2003 - Chairman, Korea Industrial Technology Association
2007 - Chairman, Korean-German Chamber of Commerce and Industry (KGCCI)

Philippe Reynieix

(Risk Management, Audit Committee Member Recommendation Committee member)

Date of Birth: June 24, 1949

Current Position:

- CEO & GM for Korea, BNP Paribas, Seoul

Education:

- Master of Business Law (with award), Paris II University

Main Work Experience:

1994 - Regional Head of Corporate Banking for S.E. and India, Paribas, Singapore
1999 - Country Manager, Paribas Singapore
2000 - Chief Operating Officer BNP Paribas, Singapore
2002 - CEO & GM for Korea BNP Paribas, Seoul (current)

III. DEPUTY PRESIDENT**Baek Soon Lee**

(Deputy President)

Date of Birth: October 8, 1952

Current Position:

- Deputy President, Shinhan Financial Group

Education:

- Duksu Commercial High School

Main Work Experience:

2006 - Senior Executive Vice President, Shinhan Bank
2004 - Managing Director, Shinhan Financial Group
2003 - Head of SME Support Dept., Shinhan Bank

Jae Woon Yoon

(Deputy President)

Date of Birth: July 22, 1951

Current Position:

- Deputy President, Shinhan Financial Group

Education:

- B.A. in Education, Seoul National University

Main Work Experience:

2005 - Senior Executive Vice President, Shinhan Financial Group
2004 - Division Head of Gangdong Business Division, Chohung Bank
2003 - General Manager of Gwanghwamoon Branch, Chohung Bank

Buhmsoo Choi

(Deputy President)

Date of Birth: August 8, 1956

Current Position:

- Deputy President & Chief Financial Officer

Education:

- Advanced Management Program, Harvard Business School, Ph.D. in Economics, Yale University

Main Work Experience:

2005 - Chief Operating Officer, Korea Credit Bureau
2004 - Chairman & Secretary General, CB Launching Office
2004 - Head of Acquisition Steering Committee, Kookmin Bank

BOD and Management of SFG & Subsidiaries

Shinhan Financial Group

Chairman	Eung Chan Ra
President & CEO	In Ho Lee
Non-Executive Director	Sang Hoon Shin
Outside Director	Pyung Joo Kim
Outside Director	Si Jong Kim
Outside Director	Young Woo Kim
Outside Director	Shee Yul Ryoo
Outside Director	Byung Hun Park
Outside Director	Yong Woong Yang
Outside Director	Sung Bin Chun
Outside Director	Haeng Nam Chung
Outside Director	Bong Youn Cho
Outside Director	Young Hoon Choi
Outside Director	Young Sup Huh
Outside Director	Philippe Reynieix
Deputy President	Baek Soon Lee
Deputy President	Jae Woon Yoon
Deputy President	Buhmsoo Choi

Shinhan Bank

President & CEO	Sang Hoon Shin
Director & Standing Auditor	Woo Jong Won
Outside Director	In Ho Lee
Outside Director	Baek Soon Lee
Outside Director	Kap Young Jeong
Outside Director	Kyung Suh Park
Outside Director	Sang Rok Seo
Outside Director	Jae Ha Park
Outside Director	Yo Koo Kim
Deputy President	Hyu Won Lee
Deputy President	Won Suk Choi
Deputy President	Nam Lee
Deputy President	Chang Ki Hur
Deputy President	Jeum Joo Gweon
Deputy President	Sung Woo Kim
Deputy President	Hak Ju Kim
Deputy President	Joo Won Park
Executive Vice President	Chan Park
Executive Vice President	Jung Won Lee
Executive Vice President	Chan-Hee Jin
Executive Vice President	Hyung Jin Kim
Executive Vice President	Young Hoon Lee

Shinhan Card

President & CEO	Jae Woo Lee
Standing Auditor	In Sup Kim
Non-Executive Director	In Ho Lee
Outside Director	Baek Soon Lee
Outside Director	Beyong Ho Kang
Outside Director	Sang Yong Park
Outside Director	Young Il Cho
Outside Director	Sang Ho Son
Deputy CEO	Hong Kyu Kang
Deputy CEO	Soo Ik Park
Deputy CEO	Doo Hwan Jun
Deputy CEO	Hee Geon Kim
Deputy CEO	Jong Kyun Sin
Managing Director	Chun Kuk Lee
Managing Director	Il Hwan Kim
Managing Director	Jae Gwang Soh
Managing Director	Ihl Soon Cho
Managing Director	In Chang Rou

Good Morning Shinhan Securities

CEO	Dong Girl Lee
Chief Auditor	Ki Seung Jung
Outside Director	Jae Woon Yoon
Outside Director	Hyoung Tae Kim
Outside Director	Kyuhn Ho Kim
Outside Director	Jae Kyu Ahn
Vice President	Jin Kook Lee
Vice President	Yoo Shin Jung
Vice President	Seung Hee Hyun

COMMITTEES OF THE BOARD OF DIRECTORS

	Board Steering Committee	Risk Management Committee	Audit Committee	Outside Director Recommendation Committee*	Compensation Committee	Audit Committee Member Recommendation Committee
Eung Chan Ra	●			●		
Pyung Joo Kim	●	●		●	●	●
Si Jong Kim						●
Young Woo Kim			●			●
Shee Yul Ryoo	●			●	●	●
Byun Hun Park	●			●		●
Young Woong Yang						●

● Member of Committee

*as of March 31, 2008

Shinhan Life Insurance

President&CEO	Jin Won Suh
Director&Standing Auditor	Seung Choo Kang
Outside Director	Myung Chul Kim
Outside Director	Hwa Nam Kim
Outside Director	Sang Kyun Lee
Outside Director	Jeong Bo Lee
Deputy President	Byung Chan Lee
Deputy President	Keun Jong Lee
Deputy President	Young Chul Bae
Deputy President	Sam Suck Rho
Deputy President	Jung Kun Lee
Deputy President	Ki Won Kim

Shinhan Capital

CEO	Do Heui Han
Auditor	Young Soo Paek
Non-Executive Director	Myung Chul Kim
Non-Executive Director	Hyo Il Lee
Deputy President	Seung Keun Oh
Deputy President	Jun Ki Eun
Executive Vice President	Yung Sub Hwang

Jeju Bank

Chairman & President	Gwang Lim Youn
Director & Standing Auditor	Young Gil Kim
Outside Director	Boo In Ko
Outside Director	Hyang Jin Huh
Outside Director	Dong Yul Kim
Outside Director	Kang Nam Lee
Deputy President	Young Gi Boo
Deputy President	Seong Chol Kim

Shinhan Credit Information

CEO	Pan Am Lee
Auditor	Kang Mo Lee
Non-Executive Director	Jae Woon Yoon
Non-Executive Director	Hee Geon Kim

Shinhan Private Equity

CEO	Jin Yeong Lee
Non-Executive Auditor	Myung Chul Kim
Non-Executive Director	Buhmsoo Choi
Non-Executive Director	Hyu Won Lee

Shinhan BNP Paribas ITMC

CEO	Jean Audibert
Director	Guy De Froment
Director	Max Diulus
Outside Director	Jae Woon Yoon
Outside Director	Buhmsoo Choi
Outside Director	Myung Chul Kim
Outside Director	Hyo Il Lee
Deputy CEO	Fredric Thomas
Deputy CEO	Seung Tae Kang
Chief Operating Officer	Deog Jin Jang
Chief Compliance Officer	Jin Suk Kim
Chief Investment Officer	Se Hoon Jo

SH&C Life Insurance

CEO	Hervé Giraudon
Auditor	Jin Ho Lee
Director	Vincent Pacaud
Director	Jean Bertrand Laroche
Director	Myung Chul Kim
Director	Hyo Il Lee
Director	Buhmsoo Choi
Director	Sung Ho Wi
Deputy CEO	Bernard Champiom
Deputy CEO	Sun Koo Kim

Shinhan Macquarie Financial Advisory

Chairman & CEO	John Walker
Non-Executive Auditor	Buhmsoo Choi
Non-Executive Director	Hyo Il Lee
Non-Executive Director	Hyu Won Lee
Non-Executive Director	Yong Kyun Park

	Board Steering Committee	Risk Management Committee	Audit Committee	Outside Director Recommendation Committee*	Compensation Committee	Audit Committee Member Recommendation Committee
Sung Bin Chun			●	●	●	●
Haeng Nam Chung						●
Bong Youn Cho		●	●		●	●
Young Hoon Choi						●
Young Sup Huh	●		●		●	●
Philippe Reynieix		●				●

note: Member of Committee

*Every year, members of the Outside Director Recommendation Committee are appointed when deemed necessary. The service term of appointee ends with the appointment of outside directors for the year.

Corporate Governance

“ Having adopted advanced corporate governance ahead of the industry, we command industry-leading corporate governance. ”

Shinhan Financial Group is committed to high standards of corporate governance. Our fair and transparent Board of Directors (BOD), comprised of a majority of independent outside directors, cooperates with SFG's responsible executive management to ensure that SFG meets the best long-term interest of our shareholders. We are confident that our core principles of integrity and respect will help us take the necessary steps to emerge as a world-class financial group.

Since the group's inception, we have placed considerable importance on simplifying ownership structure and consolidating governance practices within the group to enhance transparency in decision making processes. Recently, in accordance with amendments to Korea's Financial Holding Companies Act, we have established an Audit Committee Member Recommendation Committee which we believe will strengthen the independence of the Audit Committee.

Committees of the BOD

Shinhan Financial Group maintains an independent board of directors with relevant experience and expertise. We encourage our directors to strive to continuously enhance their professionalism and independence within the BOD. In addition, we hold separate sessions exclusively for our outside directors in order to promote the exchange of diverse opinions and to enhance the independence and authority of the directors in monitoring and supporting general business operations.

The separate operation of committees enables individual directors to fully exercise their capabilities in fulfilling their duties and responsibilities as BOD members. Currently under the BOD, there are six subcommittees: Board Steering Committee, Risk Management Committee, Audit Committee, Outside Director Recommendation Committee, Compensation Committee and Audit Committee Member Recommendation Committee.

We support the BOD by providing a broad range of information on company management and operations. Unrestricted access to relevant information allows directors to best represent the interest of stakeholders, while keeping the business operations of executive management in check and providing constructive alternatives. As of late, we have established a secretariat to provide administrative support and group-wide information to outside directors to assist with their fiduciary duties as board members.

Board Steering Committee

Comprised of five directors, the Board Steering Committee deliberates on matters relating to the governance structure of the company. The committee is responsible for

ensuring the efficient operation of the board and the facilitation of the board's function.

Risk Management Committee

Composed of three outside directors, the Risk Management Committee develops and implements basic policies in line with management strategies for comprehensive group-wide risks we may encounter in the normal course of business.

Audit Committee

The Audit Committee is made up of four outside directors-including one financial expert. Backed by a group-level auditing team, the Committee oversees our financial reporting and approves the appointment of and interaction with our independent auditors and internal audit-related officers.

Outside Director Recommendation Committee

The committee, assembled when necessary, recommends and nominates candidates for outside director positions and determines the agenda related to recommending candidates.

Compensation Committee

Comprised of five outside directors, this committee evaluates the performance of and determines the compensation system for the group's executive management.

Audit Committee Member Recommendation Committee

The Audit Committee Member Recommendation Committee, composed entirely of outside directors, identifies and recommends suitable candidates for members of the audit committee and determines on related issues.

Disclosure Policy

Shinhan Financial Group is committed to a transparent and fair disclosure of any significant information related to the group that may influence stakeholders' decisions. We publish annual, interim and quarterly reports to disclose detailed and accurate information related to our operations according to internal rules and guidelines on disclosure. We also hold regular meetings of the Disclosure Committee to review if disclosures are made in an appropriate manner and to evaluate and monitor the disclosure controls and procedures.

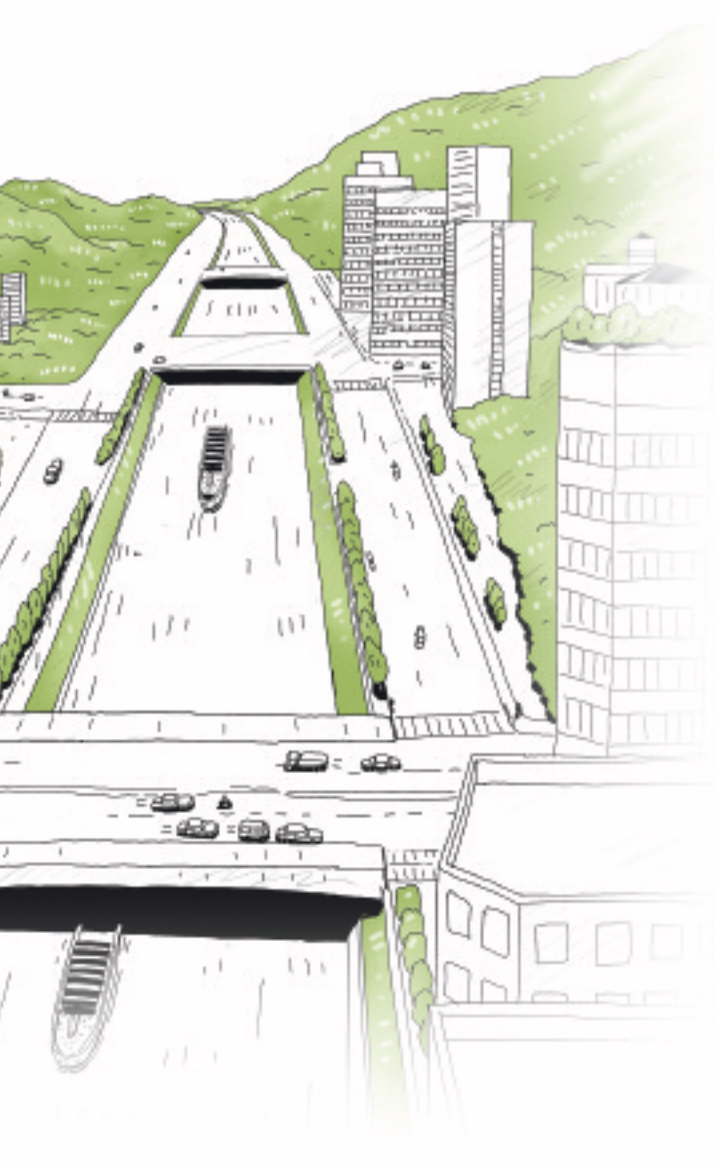
Further information on SFG's corporate governance, financial statements, company profile and general business activities are available at our website www.shinhangroup.com in Korean, English and Japanese.





The Spirit Within

The story of SFG's success rests upon a dynamic corporate culture and the passionate people who identify themselves with its values. People form the backbone of the group; they are the vital force that gives SFG its powerful edge. The dynamic and enterprising spirit of our employees built solidarity within the group, expediting the integration of newly merged subsidiaries. Devised in 2005, the group core values bind each of our subsidiaries and people into "One Shinhan."



© SFG Group Core Value

 Customer Value Creation

 Teamwork

 Ownership

 Change & Challenge

 Integrity

Scorecard

Established in 2001 as Korea's first financial group, SFG has honored its pledges made to its stakeholders over the past seven years. As described in the following table, SFG outperformed the goal it set in 2004 with its total assets reaching KRW275 trillion, 103% the goal of KRW267 trillion set to achieve by 2008 a year ahead of schedule. At the same time, SFG has the most balanced business portfolio among Korea's financial institutions with its non-bank subsidiaries contributions to the group's total net income standing at 34% as of the end of 2007.

	Position in 2004	Target for 2008	2007	% target achieved
Total assets	KRW172 trillion ^{note1}	KRW267 trillion ^{note1}	KRW 275 trillion	103%
Net profit	KRW1 trillion	KRW2.4 trillion	KRW 2.4 trillion	100%
Market capitalization	KRW7.5 trillion	KRW28 trillion	KRW 21 trillion ^{note2}	75%
Share price	KRW23,400	KRW72,000	KRW 53,500 ^{note2}	74%

© note 1: AUM included in total asset © note 2: Based on closing price Dec. 31, 2007

SFG in 7 years



- 2001. 09 Shinhan Financial Group was established and launched
- 2002. SFG announced its corporate identity
- 2003. 9 16. Listed on NYSE
- 2004. 12 SFG Financial Forum

Group Management Performance Review by Business Line

		2004	Target for 2008	2007	
Banking	Total assets Net profit	KRW154 trillion KRW1 trillion	KRW220 trillion KRW2 trillion	KRW206 trillion KRW2 trillion	
	Market position	No.4 + No.5	⇒ No.1	⇔ No.2	
Credit Card	Managed assets Net profit	KRW5 trillion KRW6.7 billion	9 trillion KRW170 billion	20 trillion KRW1.05 trillion ^{note1}	
		No.6 + No.7	⇒ No.3	⇔ No.1	
Securities	Stock brokerage M/S Net profit	6% KRW50 billion	8% KRW160 billion	5.7% KRW165 billion	
		No.6	⇒ No.2	⇔ No.7	
ITMC	AUM	KRW12 trillion	KRW25 trillion	KRW25 trillion	
		No.6 + No.7	⇒ No.3	⇔ No.2	

© note 1: Excluding income tax gain/loss effect



- 2005. SFG celebrated its 4th anniversary
- 2006. SFG signed an agreement to acquire LG Card.
- 2007. 03 LG Card joined the group and the new Shinhan Card was launched.

Boosting Our Presence

Acquisition of LG Card

“ Through an integration that captured the market by surprise, we have significantly boosted our competence. ”

2007 highlighted the many growth paths available to SFG. After successfully completing its three-year procedure of integrating the former Chohung Bank with Shinhan Bank, SFG made another bold move and acquired LG Card, Korea's biggest card company with the largest market share. On the external front, this acquisition propelled SFG's card business to Asia's largest and to 14th largest on the global ladder.

On October 1, 2007, Asia's largest credit card company was launched following the merger of the former Shinhan Card by LG Card. The integration of LG Card propelled Shinhan Card to the rank of 14th largest global credit card in terms of its transaction volume. The new Shinhan Card enhanced the group's major business line. Shinhan Card's vast customer base amounts to 13.4 million people, representing around half of the individuals eligible to use a credit card along with a whopping 75% of all Korean credit card users. In addition, its market share of 25% is close to the combined market share of the second and third ranked Korean card companies. Given the fact that a single financial institution capturing a market share of 25% is almost unheard of in Korea, Shinhan Card's customer base is matchless.

The integration process not only reinforced the card subsidiary of SFG, but also substantially boosted the group's business goodwill. Along with an expanded customer base, the integration bolstered various aspects of the group's size. SFG now has 23,000 employees with total assets amounting to KRW275 trillion.

The beauty of this integration goes beyond mere numbers. The addition of the former LG Card equipped SFG with a strong customer relationship management base and advanced direct marketing finesse as well as outstanding risk management capabilities. However, this is only the first chapter of SFG's legendary story. Looking ahead, SFG is well positioned to further solidify its current status.

The integration of LG Card into the group is expected to create stronger synergies in all areas of business practices. In particular, strengthened business portfolios resulting from the integration are expected to create stronger synergies in profitability and cost management, while reducing funding costs and enhancing risk management mechanisms. The group expects a total additional net income of KRW170.0 billion annually as of 2010 when the synergy effect comes into full force.

Upon closer examination of the figures, the actual effect of the merger of LG Card is magnificent. A total of 13.4 million Shinhan Card customers consume Shinhan's brand in the course of their daily lives. 8.3 million customers use Shinhan Card monthly and 10 million card users use Shinhan Card over a 6 month period, thereby enhancing our brand loyalty.

A total of 5.5 million customers receive card bills emblazoned with Shinhan's logo and these bills represent another important means of selling group products such as insurance and securities. Considering the ongoing marketing effect from both using and being exposed to our brand, the direct/indirect effect of SFG's synergy activities based on the Shinhan Card users database is monumental.

SFG is now well positioned to cement its stance as Korea's leading financial group and provider of total financial solutions. In particular, the vast customer database that SFG acquired with the merger of LG Card has created enhanced synergy and this will attract new customers via shared customer information on all financial fronts from banking and brokerage to insurance. In the future, SFG will further sharpen Shinhan Card's leading edge over the competition through the industry's largest partnership in various sectors including: oil refinery companies, home-electronics manufacturers and wholesales, distribution and airline industries.

These advantages cannot bear fruit based solely on their merits alone. To achieve true value SFG has to move ahead of the market to ensure customer retention during the course of integration. The future appears bright as Shinhan Card is well equipped to address challenges through enhanced customer service and optimum communications.

SFG will provide differentiated financial services based on its balanced business portfolios ranging from banking, credit card and securities to insurance and asset management.

Business Process Reengineering

“ We are introducing innovation in our daily business practices, thus enhancing our efficiency as well as our capabilities. ”

Business Process Reengineering (BPR) refers to process innovation that combines business process redesign and information technologies in order to dramatically enhance sales performance and efficiency. Shinhan Financial Group began the BPR project in 2006 with the aim of maximizing branch level marketing capacities.

The first phase of the BPR project started off in 2006 by integrating different business processes of Shinhan Bank and former Chohung Bank. Different bank slips, logistics and intrusion-prevention systems were identified and standardized. During the second phase of the project which began in 2007, we identified routine back office operations that are not only time consuming, but that can also be conducted at a central center. To this end, a centralization process was developed to cover back-office procedures carried out at branch level such as deposit, lending, foreign exchange (FX) and other duties. On September 13, 2007, the BPR center was launched and a successful pilot operation was carried out for 3 months over 134 selected branches.

The objective for the year 2008 is to enlarge the scope of the project to cover our nationwide network after making adjustments in response to suggestions and feedback acquired from pilot operations. We will gradually phase in and complete the BPR infrastructure and move one step further to develop additional BPR operation mechanisms for other applicable operations such as secured loans and paperless work.

BPR project's ultimate goal is to maximize sales performance by reducing back-office work and securing more time for our employees to devote to marketing.

When this project comes into full effect we expect an increase in sales opportunities as there will be more time for our employees to devote themselves to marketing. Moreover, by having more time for training and participating in self-development programs, our employees will be better prepared and equipped to serve customers' needs. Furthermore, as BPR will streamline daily closure procedures, it will help to reduce overtime hours, thereby enhancing job satisfaction.

We will continue to improve and upgrade the BPR program by reflecting the opinions of end users with a focus on the following four goals: reducing back-office work; expanding marketing capabilities; reinforcing customer relationships; and enhancing efficiency and productivity in business processes.

Customer Satisfaction

From the very start of its operations, SHB sparked a fresh wave of innovation with its distinctive services that were unprecedented in Korea's banking industry. SHB's unique principle of conduct focused on the catchphrase "impress your customers," and its novel approach to front counter banking services have been benchmarked by the industry, thereby cultivating a new standard for Korea's financial industry.

Bearing in mind that our customers success is our success, we have placed customer satisfaction at the heart of Shinhan's innovative growth strategies. SHB's top priority is offering distinctive and differentiated customer services along with marketing activities which are designed to reflect SHB's ongoing partnership with its customers.

We believe that "true customer satisfaction is realized when the happy smile of an employee is relayed to the customer". Accordingly, SHB has launched a series of campaigns to enhance job satisfaction among employees and, consequently, improve customer service quality. [Promoting a Vibrant Shinhan Spirit] and [Wow Service Day] are some of the events that were held at our branches. At the same time, a variety of CS training courses were also conducted to encourage and instill an enhanced CS mindset in our employees across the board. The CS training courses includes service leadership programs for branch heads and account counter managers, an introductory CS course for new recruits and programs to reinforce the competence of CS managers and leaders as well as a service training course for part-time workers.

Under the vision of "sensational 2008, best service, top Shinhan Bank" SHB aims to build a bank customers can trust and proudly recommend to their acquaintances.

SHB will revamp its CS promotion organization and reinforce the CS operation system at the regional headquarters in order to prevent and resolve customer complaints more effectively.

We will also put in place an automated tracking system to assist with record keeping and analyze customers' complaints to systematically apply those lessons learned from past experiences. Thorough analysis and standardization of the accumulated experience at the front office level will help us develop a pragmatic "caring service" for our customers.

All of our efforts will be in line with our quest to better support and provide increased value to our customers.

“ To SFG, customer satisfaction service is providing customers with best practices and assisting them to achieve business success. ”

2007 CS Awards

May 29, 2007

Topped the banking category in the "2007 Global Customer Satisfaction Competency Index"

Global Management Committee of Japan Management Association Consulting

Sep. 19, 2007

Topped the banking category for six consecutive years in the "2007 Korea Service Quality Index"

Korea Standards Association

Dec. 11, 2007

Topped the banking category in the National Customer Satisfaction Index (NCSI)

Chosun Daily/ Korea Productivity Center/ University of Michigan

Corporate Social Responsibilities

“ By promoting financial equality in the community, SFG is giving back to the community with a caring and sharing spirit. ”

Today, more than ever, society is moving towards an atmosphere of mutual prosperity where all members of society are offered access to a better quality of life and equal opportunities. Amid such social changes, active corporate involvement in communities is perceived as a key factor in achieving mutual prosperity and happiness. Shinhan Financial Group, along with its subsidiaries, remains committed to social welfare through its business activities. Under the motto of “Community Enterprise,” SFG is actively involved in social contributions activities. These, however, are not one-off events. We fulfill our responsibility as an accountable corporate citizen in an organized and consistent manner.

Scholarship Programs

To provide financial aid to the underprivileged, Shinhan Financial Group funded KRW50.0 billion to establish a sponsorship foundation in January 2006. Through this foundation, SFG assists talented students with limited financial means to realize their full potential and develop into globally competent individuals. The foundation also provides education institutions with advanced facilities.

Sharing with Less-Privileged Neighbors

To inspire hope, opportunity and warmth within our community, Shinhan Financial Group has donated over KRW 60.billion to various charitable endeavors. Our employees have been voluntarily donating a portion of their monthly income to help teen-headed households for the past 14 years. In addition, SFG has implemented innovative contribution programs such as “Love Click” campaign, where people can make donations with the simple click of a mouse. “Beautiful Sponsorship Time Deposit,” “Local Benefits Time Deposit” and “CDA Sponsorship Time Deposit” are just a few examples of SFG products that promote philanthropy with the group contributing a certain amount of its sales revenues towards these efforts.

Voluntary Social Services

SFG has set up team based social contributions activities on a group level. The voluntary service group of SFG pays regular visits and provides financial support and supplies to marginalized neighborhoods and charities such as Seoul Municipal Nursing Home and Sungmojahae Orphanage. In addition, SFG employees actively participate in Community Chest for Korea’s fundraising campaigns, and donate to this cause. SFG employees assisted residents suffering in the aftermath of the West Coast oil spill in 2007. The group also plays an active role in protecting national treasures as well as sponsoring New Year’s events for underprivileged children and carrying out a blood donation campaign.

Support for the Disabled

Shinhan Financial Group is committed to improving the social welfare system for the disabled. In particular, SFG is devoted to securing financial rights for physically-challenged customers and to this end installed new ATM machines to cater to disabled customers' needs in several of its bank branches. SFG's extensive social welfare program includes sponsoring electric wheelchairs in partnership with Community Chest for Korea, sponsoring overseas training camps for the disabled dream team hosted by Korean Society for Rehabilitation of Persons with Disabilities, supporting the Seoul International Wheelchair Marathon and hosting a wheelchair walking festival for its employees and disabled participants.

Environmental Stewardship

Global standards require companies to honor their environmental responsibilities. Environmental stewardship is an important criterion in how we conduct our business. In response to this, SFG is conserving resources and energy in its daily business activities. Since 1993, the group has made efforts to raise awareness among mountain climbers of the importance of protecting nature in Korea's 18 National Parks. SFG hosts the annual "Korean Environmental Photography Contest" sponsored by Korea's Ministry of Environment.

Enhancing Education Quality in Marginalized Areas

Shinhan Financial Group is also committed to ensuring equality in education and opportunities for the younger generation, regardless of their place of residence. In collaboration with other financial institutions, SFG has been inviting children from remote locations to Seoul since 1983. This event provides the children with an enriching experience. They visit financial museums, the National Assembly building, the National Cemetery and other tourist attractions in and around Seoul. The event ends with SFG delivering school supplies to the children to encourage and inspire them.

Overseas activities

SFG's social commitment extends beyond Korea's borders. The group supported the construction of a school and village hall at remote villages in Vietnam and Cambodia.

In its role as a responsible corporate citizen, Shinhan Financial Group is committed to returning the unwavering support of its customers and the community by contributing to the development of society.

Ethical Management

“ Adopting the highest standards of ethics, SFG assists its employees to share and identify with ethical practices. ”

Shinhan Financial Group is committed to maintaining the highest levels of integrity and ethics. We have implemented internal control measures in accordance with both domestic and international laws and regulations to maintain the trust and respect of society.

Grounded in our core values of “integrity and trust,” we have established ethical standards and programs to address the diverse ethical issues that arise in the course of our business activities, and these programs are overseen by our Compliance Department.

We have also drawn up a code of ethics, a code of employee conduct, a guide on compliance and ethics, and guidelines on reporting financial crime. These materials are intended to assist employees in upholding Shinhan’s ethical principles while carrying out their duties. The code of ethics sets forth the basic moral standards of a responsible corporate citizen while outlining ethical values that our employees should embrace as professionals serving in the financial sector.

Various steps are taken to raise ethical awareness among employees. We invite external experts to conduct seminars and place a strong emphasis on ethics in educational programs focusing on areas such as internet-based training, management training, and the training of new recruits. To this effect, each month we designate one week for compliance training, entitled “ABC week,” which enhances group-wide awareness of ethical management. All employees receive annual internet-based training and 6,105 of our employees were instilled with a heightened awareness of ethical management through aggregate training courses in 2006 and 8,864 in 2007. A handbook on ethical standards and a guidebook titled “understanding ethics and compliance” are distributed to all employees. These materials serve as a practical reference that employees can turn to when faced with an ethical dilemma.

Additionally, we have introduced internal standards for managing customer information. Our internal control system ensures that employees access customer data only when necessary in the course of their work and prevents the possible leakage of data. Alongside recent advances in information technology, there has been a rise in computer hacking, viruses, and information leaks. As part of our efforts to prevent such incidents, we acquired BS7799 certification for information security management systems in September 2003. Also, to convey our commitment to ethical management to all stakeholders, we opened an ethical management homepage. SFG is also an active participant in the Ethical Management Forum, a group that promotes research and the diffusion of ethical management in Korea, and the Korea Chamber of Commerce & Industry’s Ethical Management Commission.

Human Resources Development

Our people are regarded as our most valuable asset. Increasingly complex business environments and rapidly reshaping financial markets demand talented individuals with global competence. Therefore, SFG's human resource management focuses on cultivating global competence among its people. This emphasis on group core values was also extended throughout the whole group so that our people can share and identify with the group's core values and build and align themselves with our corporate culture.

In particular, the focus of our human resources management (HRM) planning for 2007 was establishing integration within the group following the acquisition of LG Card. To start with, we implemented human resources development (HRD) strategies in which subsidiaries are encouraged to share their corporate culture in order to better understand one another and form a group-wide bond. Two other important issues were reinforcing leadership in corporate capacity and cultivating a group-wide spirit through team building activities.

As a result of these efforts, we successfully forged a shared corporate culture that enhanced SFG's leadership. The team building activities helped instill an enterprising spirit in our organization and the promotion of various group-wide activities rejuvenated our corporate culture. All of these initiatives played a key role in paving the way for 2008's initiative—fostering financial experts.

In line with the Group Vision of becoming a world-class financial group, we have set our 2008 goal for HRM as “fostering financial experts with global leading competence.”

To assist our employees in their quest to become financial experts, we allocated an education budget of KRW25.0 billion for a variety of internal and external financial courses in partnership with Korea's elite education institutions.

Throughout these endeavors, we will remain focused on our goal of fostering globally competitive financial experts, while spreading a “vibrant” spirit across the entire group.

Our ultimate goal is to help our people realize their dreams and visions so that they can achieve their full potential. Bearing this in mind, SFG's HRM division aims to design education programs to fit staff needs and develop core competence among our people. In the end, our employees are the ones who lead changes and enhance business performances as well as contribute to refining the group's corporate culture through: leadership innovation; HRD system innovation; and operational efficiency.

“ In order to assist the group in achieving its goal of becoming a world-class financial group, we are fostering globally competent financial experts. ”

Vision & 2008 Strategy

“ We will pursue differentiated growth, while leading value innovation in 2008 to attain our vision of becoming a world-class financial group. ”

As the forerunner of Korea's financial industry, Shinhan Financial Group delivers a multifaceted "one-portal" service with a strong focus on its vision of evolving into a "world-class financial group." To attain this goal we set our mid-term goal at emerging as a leading financial Asian group that ranks among the top ten players in Asia and the top fifty in the global market.

Committed to achieving this goal, we have moved forward step by step over the past seven years to honor our pledges made to our stakeholders. Most conspicuously, SFG outperformed its goal set in 2004 one year ahead of schedule in 2007, as its total assets amounted to KRW275 trillion, 103% of the goal of KRW267 trillion set to achieve by 2008. This achievement stands out given the adverse market conditions the banking industry experienced in 2007.

2008's market conditions, in which increasing financial market and regulatory uncertainties within Korea and global economy slowdown triggered by the US sub-prime loan remain, are expected to be challenging for most industries, but most particularly for the financial industry.

In order to sustain differentiated growth in 2008, we will pursue differentiated competitive advantages for each business line and foster new growth drivers. To start with, we will strengthen the competitiveness of our core businesses and achieve cost and operational efficiency while boosting channel competitiveness. At the same time, we will build our own operational model for capital market business in the investment banking sector, while continuing to discover and develop next-generation growth areas.

Our self-innovation efforts to create and add more value for our customers and the overall group will continue. In 2008, we will build a group-wide integrated customer management structure and create best practices for joint sales activities among group subsidiaries. Through a group-shared service area, we aim to provide comprehensive financial services tailored to individual customer needs, while elevating the quality of our customer service.

In a bid to establish a global standard within the group, we will upgrade the human resource development scheme and the group-wide risk management structure. We will also adopt International Financial Reporting Standards in order to upgrade the group's accounting system.

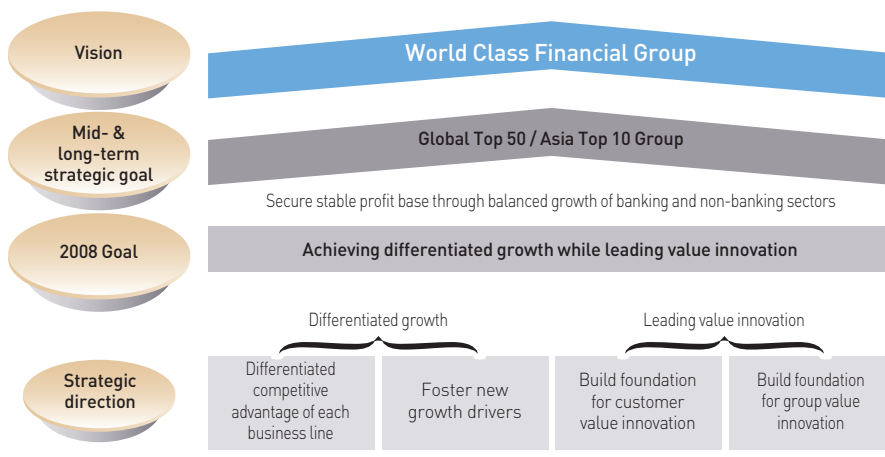
The market answers only to those who adapt to rapid changes in the landscape in a timely and appropriate manner. Having already completed a balanced business

portfolio along with economies of scale, SFG has an edge in a turbulent market where players are scrambling to expand their business lines in a belated response to changing market demands.

As economies of scale and balanced universal banking business portfolios were achieved through the mergers of Korea's largest commercial bank and card company, SFG is now well positioned to take the lead in Korea's rapidly evolving financial landscape.

With a clear goal set for the future and the competence and passion to achieve this vision, SFG will march toward its grand vision of becoming Asia's leading financial group, and, in the longer run, a world-class financial group.

2008 Group Management Strategy

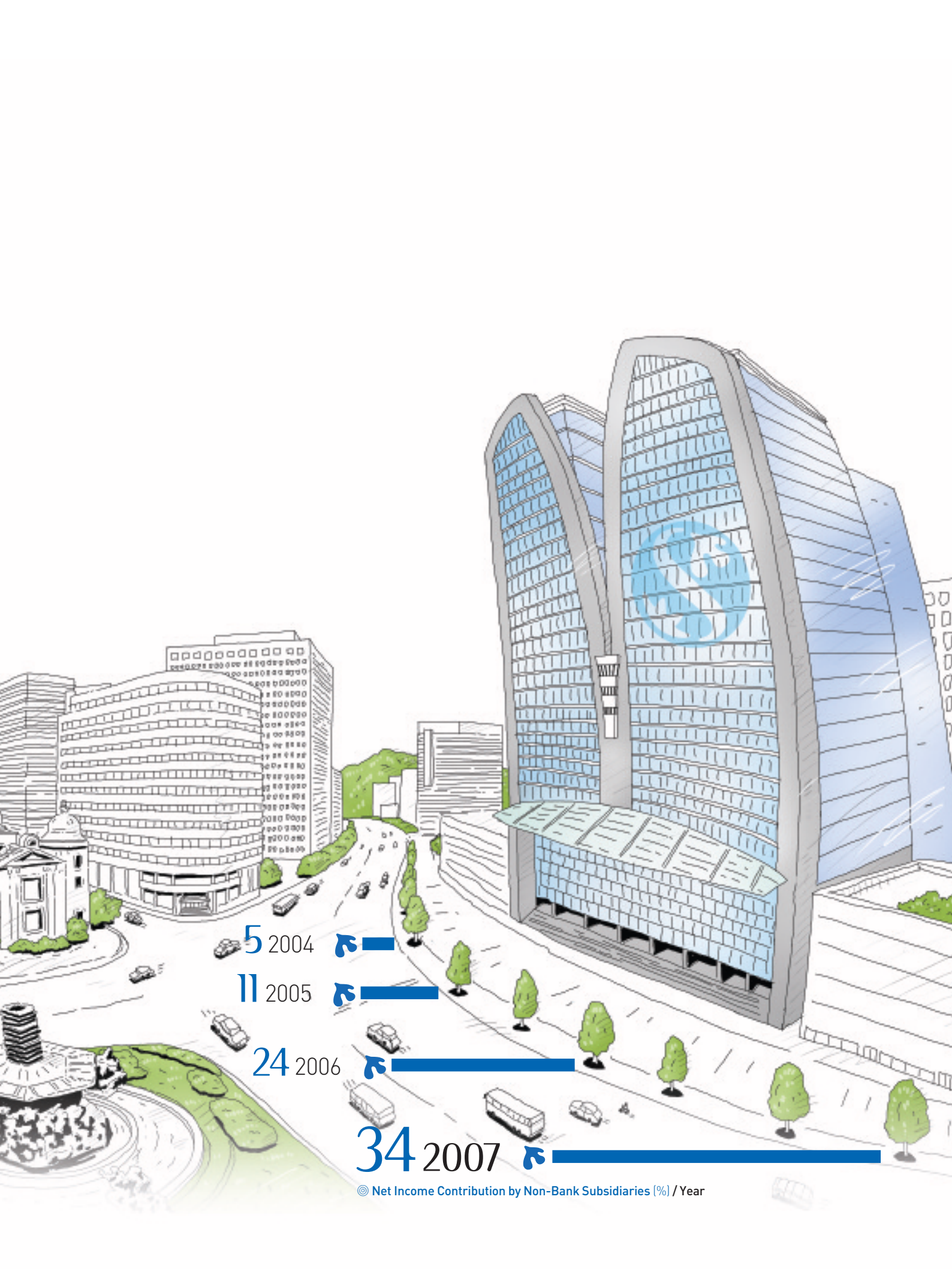




Acting in Unison

Shinhan Financial Group is the only Korean financial group with a well-balanced portfolio covering an extensive range of financial businesses. Acting in unison, its bank and non-bank subsidiaries create synergies in their daily business practices of manufacturing and distributing advanced financial instruments. As evidenced by the graph, the non-bank subsidiaries are continuously bolstering their contribution to the group's net income. Capping it off, SFG added the vast customer base and profound marketing skills of LG Card to its well-balanced business platform.





5 2004 ↗

11 2005 ↗

24 2006 ↗

34 2007 ↗

© Net Income Contribution by Non-Bank Subsidiaries (%) / Year

Synergy

“ Close-knit cooperation between subsidiaries creates powerful synergies among the manufacturing and distributing lines of our business, while maximizing customer value. ”

SFG has consistently emphasized synergies in the day-to-day course of business since its inception in 2001. To SFG, synergy creation is an effective tool in realizing its philosophy of providing the best possible services and products while satisfying the diverse needs of customers. Therefore, SFG's synergy activities go beyond just one-time business activities. Rather, these activities form the platform of the group's business activities.

Our synergy activities include maximizing access to customer databases across the board and upgrading our synergy capacity. In 2007, we established an integrated Group "CRM Mart" system. The Group CRM Mart enables us to adopt an integrated approach when analyzing customer propensity, thereby boosting our success rate in targeted cross-selling marketing activities. This system will facilitate our efforts to provide customized products and services, while promoting efficient group-wide synergy creation.

On top of that, the integration of LG Card in February 2007 further enhanced our synergy platform in the group's retail business, adding 10 million LG Card customers to the group's existing customer base. Tapping into the expanded customer base, a group-wide marketing initiative was put in place to induce card users to convert their card settlement accounts with other banks to Shinhan Bank (SHB). As a result, a total of 1,268,832 customers joined SHB, opening new accounts with SHB to settle their card bills. This conversion contributed to growth in low-cost deposits, while increasing cross-selling opportunities. The acquisition of LG Card's vast customer database has produced strong synergy effects on a variety of retail business fronts such as sales of Shinhan Life insurance products and fund products by Good Morning Shinhan Securities.

These multifarious efforts are well reflected in the accumulated synergy marketing profits of KRW524.4 billion in retail banking, KRW95.2 billion in IB and other banking, totaling KRW619.6 billion in synergy profits, or 54.2% growth. By products, funds and credit card products demonstrated robust growth, in particular: funds doubled to reach KRW315.3 billion; credit card products grew by 43.1% to KRW74.4 billion; bancassurance recorded KRW72.7 billion; financial network account (FNA)* KRW62.0 billion and; IB, KRW78.0 billion.

2006 vs 2007 Synergy Review				
Synergy area		2006	2007	%
Individual	Funds	155.0	315.3	103.4
	Credit card	52.0	74.4	43.1
	Bancassurance	64.8	72.7	12.2
	FNA*	40.0	62.0	55.0
Subtotal		311.8	524.4	68.2
IB ^{note 1)}		90.0	78.0	-13.3
Others (brokerage service, settlement account, etc.)			17.2	N/A
Total		401.8	619.6	54.2

note 1) the decrease in the 07 figures from 06 was due to an alteration in our evaluation rule.

(KRW Billion)

2008 Plan

With the aim of strategically reinforcing the foundation for customer value creation through synergy, SFG has set its synergy profit goal for 2008 at KRW710.0 billion, up 15% year-on-year.

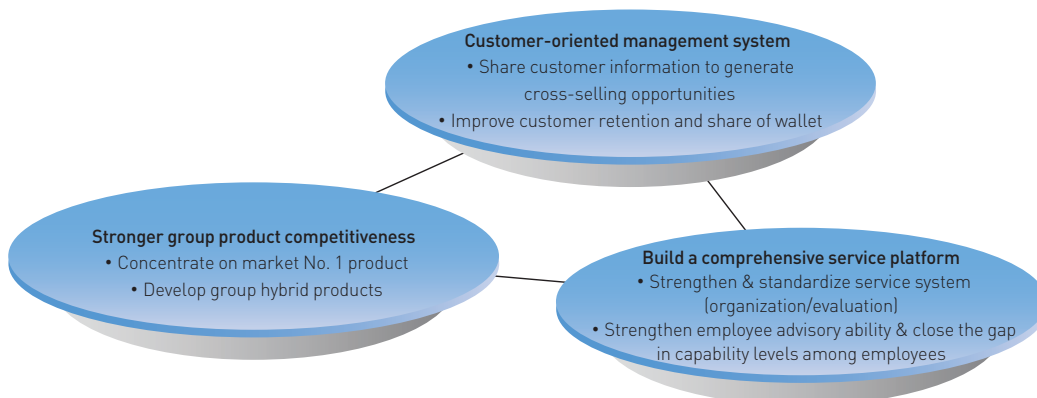
In order to realize this goal, we aim to increase the number of active customers and enhance customer loyalty by bolstering our group-wide CRM capability. We will also strive to discover and retain future growth drivers through generating services and products that can provide customer value and transform our IB synergy sources of income. At the same time, we plan to set up a synergy operation system that links peer subsidiaries within the group to command mutual benefits. To this effect, we are building a sharing mechanism for group-wide training resources, thereby enhancing human synergy across the board.

Via joint marketing with our banks, we will considerably increase credit card-linked settlement accounts among group members and induce customers to ultimately transfer their banking transactions to our subsidiaries. In addition, we will continuously upgrade our cost synergy creation system.

2008 Synergy Strategic Goal

In 2008, we set our goal for synergy creation activities as maximizing customer value with optimum channels, products & services.

Our mission is to build a leading synergy model and to complete our one-portal integrated service.



Retail Banking

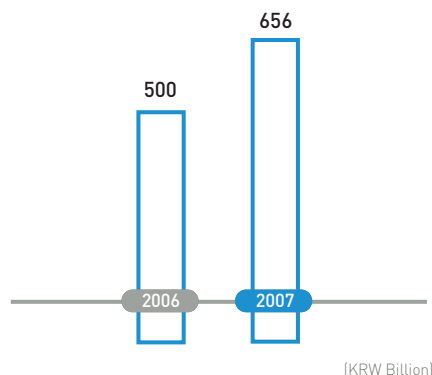
“ We pursue value-oriented growth and build up our core capabilities, setting a good example for Korean banks. ”

The year 2007 presented ongoing challenges for retail banking businesses. While the competition for market leadership intensified, we also started to experience a customer-driven shift from deposits to investments in higher yield products, mostly mutual funds. Meanwhile, the real estate regulations that had frozen the residential mortgage market remained intact, and a downside risk triggered by the US sub-prime crisis surfaced from the 2nd half of 2007.

Despite these unfavorable conditions, retail banking realized a considerable pre-tax income of KRW 1.2trillion, excluding indirect expense. This accomplishment was the result of taking advantage of opportunities and focusing efforts on profitable asset marketing.

The majority of LG Card's 10 million customers had little or few transactions with Shinhan Financial Group Bank, providing a great opportunity for Shinhan to expand its customer base. Accordingly, we focused our marketing efforts on these customers with a group-wide campaign to lure the 10 million new customers to open new accounts at Shinhan Bank and transfer their credit card bill settlements to Shinhan Bank. As a result, 1,268,832 customers have transferred their settlement accounts. As of the end of the 2007, we have added 565,003 more net new customers and 275,294 active customers to our customer base. Meanwhile, our key loan growth drivers for 2007, quality unsecured loans and collective loans targeted at salary earners and government employees have expanded their size by KRW 1.1 trillion, or 27%. In addition, despite adverse market conditions, our share of the mortgage market expanded by KRW 1.1 billion, a 3.79% increase, thanks to fixed interest rate loans introduced during the interest rate hike in late 2007. Overall, our balance sheet loan grew by KRW 3.6 trillion showing an 8.4% increase year on year.

Growing Non-interest Income



In 2008, we expect to encounter increasingly difficult market conditions. SFG's Retail Customer Group will establish a platform for sustainable growth with continuing quantitative growth. To that end, we have set "top retail bank through expanding customer base" as our strategic goal and laid out three initiatives to implement in 2008: expanding our customer base; reinforcing internal competence and; achieving continuous quantitative growth.

Innovation initiatives, such as Retail Branch Innovation (RBI), Business Process Reengineering (BPR) and Call Center Innovation (CCI), designed to maximize operating efficiency have been successfully launched and will be implemented throughout 2008.

In particular, we will channel our resources toward retaining active customers and card settlement accounts to expand our customer base for sustainable growth.

Corporate Banking

Our earning power and asset growth from corporate banking is continuing its robust performance. In 2007, amid the slowdown in residential mortgages and intensifying competition within the financial industry, our corporate banking sector still expanded at a faster pace than during 2006. We are now a step closer to achieving leadership in the corporate market.

The pace of asset growth slowed from the second quarter of 2007 when the Financial Supervisory Service (FSS) introduced tougher risk management requirements for corporate loans in preparation for Basel II* and for precautionary purposes. However, Shinhan Bank still managed to boost its corporate loan balance to KRW 49.8 trillion, an impressive 25.1% year-on-year increase. (KRW42.33 trillion, Non-external audit: up KRW30.82 trillion, Large-cap: up KRW25.36 trillion).

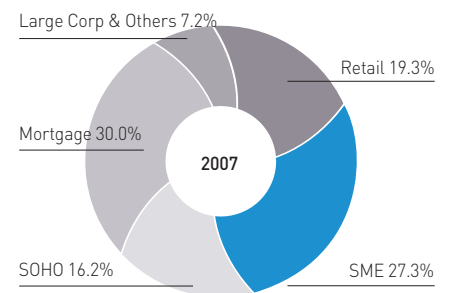
Over the past year, we've achieved solid asset growth namely by expanding the share of quality SME loans in total loans. We also made a significant investment into firmly establishing Shinhan as the leading brand in corporate banking. However, greater competitive pressure lowered net interest margins and eroded earning power. In a bid to cope with decreasing margins and to sharpen our competitive advantage, we've focused on synergy marketing efforts targeted toward large corporations and SMEs.

As the needs of our corporate customers are becoming increasingly complex, our goal in 2008 is to provide them with optimal financial solutions. Our focus will also be on promoting organic growth and balanced earnings by providing group-wide products and services tailored for individual requirements in connection with stringent management of solid asset quality and inherent risks.

In particular, we will launch campaigns for prospective industries with regard to the environment and energy; offer business succession initiatives and consulting-related business scenarios; explore and identify new growth drivers; and strengthen long-term partnerships with corporate clients. By leveraging the relationship database we've accumulated in the corporate market we will reinforce our deal sourcing and promote small-size IB deals. At the same time, we will make an all-out effort to build up IB synergy capability and create new sources of revenue by reinforcing the IB capabilities of RM.

“ As the premier partner for corporate clients, we assist corporate clients of all sizes in their value growth. ”

Loan Breakdown by Segment



SOHO Customer Group

“ Commanding the industry-leading position in the SOHO market, we are well positioned to take the lead in this growing market. ”

In 2007, SHB has taken systematic steps to rise to the forefront of the SOHO market. We upgraded the status of our SOHO Department to a SOHO Customer Group in order to carry out preemptive market moves based on a well organized vision and strategy. In addition, our field-oriented marketing strategies along with the strategic enhancement of business capabilities and expertise started to realize meaningful returns on all fronts.

As of the end of 2007, the loan balance of the SOHO Customer Group recorded KRW17,109 billion, up KRW4,086 billion year-on-year as a result of asset growth in quality loans.

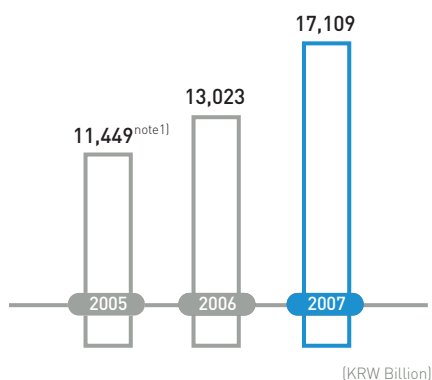
We have been ahead of our competitors in realigning and reorganizing our business mechanism to reinforce our SOHO customer base. We have preemptively and systematically segmented our customer classes, considerably enhancing our marketing capabilities in all fields with innovative initiatives specifically designed to reinforce SOHO customer relationships. In 2006, we established a SOHO-exclusive CRM system entitled SCS, a first for a Korean bank. Last year, SHB implemented an independent CSS system and introduced a SOHO customer organization & prime customer reward system, while allotting a separate webpage exclusively for SOHO customers.

In a bid to cope with changing market trends, the SOHO Customer Group has set its ultimate goal as becoming the “market leader in the SOHO market.” To attain that goal, we have drawn up action plans for 2008 that call for the SOHO Customer Group to reposition itself as “the best value provider.” Our goal is to increase value-creating assets and expand our customer base, which outnumbered our competitors’ in 2007, by:

- Improving & managing net interest margin (NIM) and aggregating profitability through profit-oriented flexible asset growth
- Reinforcing risk management capacity in response to changing circumstances
- Pursuing business activities aimed at establishing a stable future growth platform

To cultivate professional customer relationships with our SOHO customers, we plan to expand our national coverage by increasing the number of SOHO finance centers from the current 8 to 15 as part of an initiative to provide more accessibility and upgrade our channel operation to a level that reflects the group’s market presence.

SHB SOHO Loan Trend



note1) Pro forma basis reflecting post-integration (former Chohung Bank + Shinhan Bank)

Investment Banking

Being the first Korean financial holding company to launch an advanced IB platform, in which the IB marketing activities of all related subsidiaries are integrated, SFG provides a one portal service that delivers total financial solutions with a focus on strengthening its partnership with corporate clients and driving a winning performance for our clients. In 2007, Shinhan Bank's IB group integrated its traditional IB marketing activities—LBO (Leveraged Buy Out) finance, asset-backed securitization, real estate financing, overseas project financing, equity/venture investment and M&A consulting—with financial engineering in the areas of equities, derivatives and foreign exchange trading at its IB Centers.

In 2007, based on our experience in asset-backed securitization and ABCP conduit, we continued exploring new opportunities such as the securitization of M&A deals, commercial buildings, real estate and overseas trade receivables. SFG also reasserted its stance in real estate financing and SOC financing while solidifying its undisputed leadership in the derivatives market.

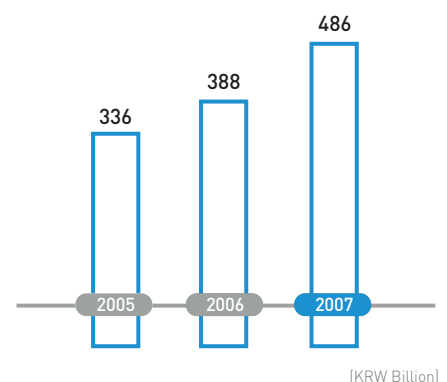
In addition, a major noteworthy achievement in 2007 was our successful entry into the Hong Kong market. Our Hong Kong IB Center, established in October 2006, started IB business last year and has already solidified its reputation as a reliable partner for Korean companies pursuing local markets. In partnership with other global IB service providers, we also commenced IB service for global companies from China and Southeast Asian countries, reaping an outstanding figure of USD10 million in bottom-line earnings in the initial year of operation.

All in all, we've achieved a remarkable 25% growth, KRW 485.7 billion in pre-provision income. This surging growth rate over the last three consecutive years was achieved through consistent efforts to develop new income source products and create synergy among our businesses and subsidiaries.

IB business has come under the spotlight as it is considered by the majority of Korea's financial institutions as the next major source of income and a potential value-adding sustainable growth engine. In order to strengthen market leadership and become a sizeable future growth engine for the group, SFG's IB Group will continue to produce a solid performance across the full spectrum of IB services. We will endeavor to achieve market leadership by introducing innovative derivative instruments, upgrading marketing capacity and improving operating efficiency, all of which will contribute to building a global IB power house brand.

“ We aim to grow into a leader in the investment banking business by setting a business model for the capital market. ”

Pre-provision Income



Private Banking

“ As a leading private banking group in Korea, we provide cutting-edge products and services tailored to meet the individual financial needs of our HNWI clients. ”

SFG's private banking provides comprehensive financial solutions to Korea's ultra high net worth individual (HNWI) clients. Financial services such as banking, stock investments, insurance and investment & trusts are some of the services we provide to our clients. In addition, we also offer non-financial services ranging from real-estate consulting, tax/legal advisory and will/inheritance advisory services to comprehensive life care services encompassing health, travel, shopping, golf and other leisure activities.

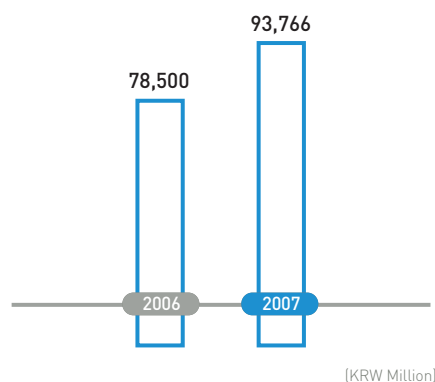
In 2007, SFG's PB achieved substantial growth both organically and inorganically. Leveraging a broader network of the group, SFG's PB continued to attract new customers by: enhancing product profitability and customer values, increasing the channels of contact for customers, diversifying product and service line-ups, nurturing and reinforcing the competency of experts in asset management (AM) and heightening the PB compliance practice.

These efforts were well recognized as SFG received a number of prizes including: 1st place in the 2007 premium service index held jointly by the Korea Standards Association, Chosun Ilbo (Korean Daily News) and Seoul National University and the grand prize in the PB sector of the 2007 Korea Consulting Grand Awards.

As of the end of 2007, SFG's PB client base had grown by 16% from the previous year and assets under management (AUM) increased by 50%, while profits had doubled since 2006. SFG's PB achieved this remarkable result by enhancing AM business through a substantial expansion in the sales of investment instruments, thereby setting an example of a new PB business model for the Korean financial market. Our new promotion named "staff get members" (SGM*), which encourages our employees to introduce personal acquaintances for PB customers, and the existing MGM* program have increased the net worth of our assets by KRW1.3 trillion. By providing more diversified global investment vehicles – which grew by 126% year-on-year – to our clients, we have enabled clients to gain better returns on diversified portfolios and therefore provided stable sources of revenue.

For the coming year, SFG's PB will promote a more diversified product and service line-up in order to satisfy the various needs of individual clients and to perform comprehensive asset management. While maintaining our market leadership, we will utilize our comparative advantage as a well-diversified financial group to attract new customers. We will continue our efforts to recruit and train the best people in the industry and strengthen compliance efforts.

Total AUM of PB Center



(KRW Million)

Credit Card

The enlargement of the credit card business significantly enhanced the balance between bank and non-bank subsidiaries with the latter's contribution to the group's overall net income increasing from 23.5% in 2006 to 34% in 2007.

The integration between the former LG card and the former Shinhan Card started in April 2007 and a new integrated Shinhan Card was launched on October 1.

In 2007, Shinhan Card produced specialized innovative products such as LOVE Card, Style Card and Morning “愛” Card customized to diversifying customer needs. In particular, LOVE Card, an innovative product celebrating Shinhan's new start, reinforced its service in business areas that consumers favor and added partnerships with SFG, LG and GS subsidiaries to provide the best service. This innovative service mix garnered an explosive response from the market, attracting 1 million new customers in its first five months. At the same time, Shinhan Card maintained its market leading position through an assortment of bolstered marketing efforts to commemorate the launch of the new Shinhan Card and stable financial business practices as well as competitive partnerships with various businesses.

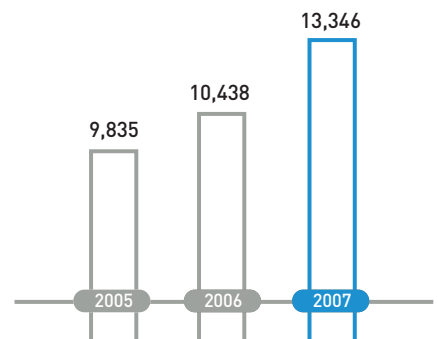
As of the end of 2007, Shinhan Card is the undisputed market leader in terms of card subscription with a whopping 13.4 million card users. In terms of receivables sales, this figure is translated into a substantial 24.6% market share, dwarfing the runners-up by a 9.8%p or a gap of 7,435,000 cardholders. As its revenues outperformed the market, Shinhan Card has solidified its market leading position both in terms of quality and quantity.

As such, this amplified business competitiveness enabled Shinhan Card to attain 13,350,000 active cardholders with a KRW100 trillion transaction volume and KRW20 trillion in assets. The asset quality of Shinhan Card also substantially improved as its actual delinquency ratio decreased by about 1.2%p from the previous year to 3.65%. This figure was achieved through preemptive management of risks while coping with fluctuating markets.

For 2008, Shinhan Card has set its goal at “solidifying the No. 1 market position and laying a foundation for sustainable growth.” To begin with, we will further enhance our market dominance through differentiated business strategies and customized products and services, while enhancing operational efficiency and stability. The main focus of 2008 operations will be on successfully concluding the integration procedures and identifying and ensuring future growth engines. Our synergy creating efforts will continue in line with Shinhan Financial Group and its subsidiaries, as pursued in 2007.

“ Leveraging our competitive business capacity, we will further strengthen our leading position and lay the foundation for new growth. ”

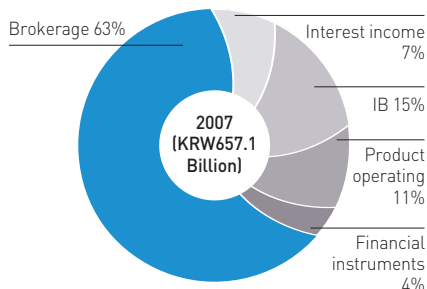
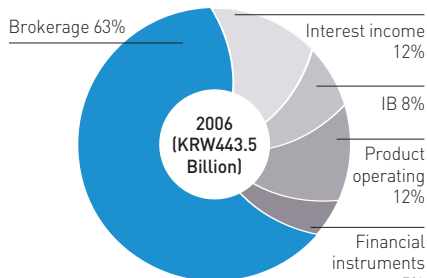
Active Card Members (Thousand)



Brokerage

“ We will reinforce the competitiveness of our core businesses and grow into a leading financial investment company. ”

Operating Revenue Structure



While Good Morning Shinhan Securities (GMSH) has yet to join the league of the market major players, we demonstrated the industry’s spectacular growth path over the past year, with our net income rising by 83.8%, net operating revenues growing by 89.9% and AUM increasing by 69%. We were able to outpace the market as the commissions income and product operating income rose significantly amid the stock market boom.

At the same time, there are clear indications that revenue structure is improving. Although we have yet to transform our heavily brokerage fee-dependent structure, we saw growth in our IB activities’ contribution to overall revenues.

In 2007, GMSH’s growth initiatives aimed at constructing a global network and expanding business areas to cover a wider market were well executed. As of May 1, 2007, we elevated the status of the existing principal investment (PI) Team into a PI Department and expanded the scope of our PI activities. In addition to several underwriting services for Chinese companies’ listing on Korea Stock Markets, the PI Department also implemented a number of project financings in Kazakhstan, Guam and China. In domestic markets, GMSH capitalized on its status as a subsidiary of a holding group by carrying out several major projects including the public repurchasing of LG card, worth KRW6.7 trillion.

As a result of our efforts toward a differentiated SOC performance, we participated in several government-sponsored SOC projects and Kazakhstan (Build-Transfer-Operate) projects in 2007. In step with the new market paradigm, we are energetically developing our business areas by evolving new types of funds such as commodity funds for oil-fields, ships, art and nickel.

GMSH set its goal for 2008 at “Challenge 123,” which means attaining the third largest share of market by 2012. To start with, we will strengthen our business foundation by reinforcing and upgrading our networks, services and products. In order to transform into a leading financial investment company, we will further strengthen our global network and upgrade our support system including a company-wide risk management system, and remain committed to creating synergies with the group’s subsidiaries.

Insurance

Shinhan Life Insurance (SLI) offers a wide array of products and services that serve the needs of diverse customers. From personal accident insurance to investment-oriented products, we have leveraged our strength as a member of a financial group to create financial instruments which address the needs of an aging society.

Since it joined the group in 2005, Shinhan Life Insurance (SLI) has made meaningful strides thanks to balanced growth across all business segments and stable asset management; premiums written recorded KRW2,368 billion while total assets exceeded KRW7.4 trillion. Pre-tax income amounted to KRW183.3 billion and net income after corporate tax reached KRW132 billion. Considering compulsory expenses on the idle insurance proceeds under the special act on transferring idle deposits (August 2007), SLI's net income amounts to KRW136.9 billion, up 12.7% year-on-year. The solvency margin ratio stood at 226.0%, which is more than double the standard set by the supervisory authorities.

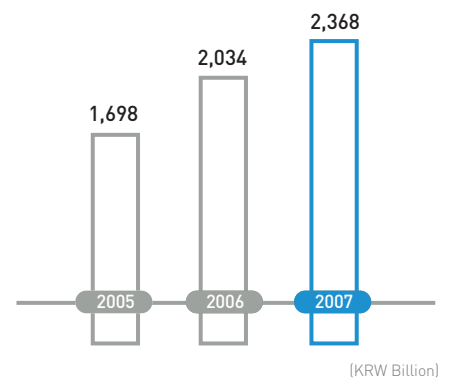
In 2006, we adopted "DASH 2010" which sets our vision for the year 2010. In line with that vision, our management target for 2008 is "innovate our competitive edge and reinforce growth engines." This strategy involves bolstering our marketing ability, discovering new strategic growth engines, raising our synergy competencies and enhancing capabilities. We will achieve this vision using the methods set out below.

By implementing a performance-based incentive scheme and introducing innovative insurance products which meet new life trends, and by revamping our internal marketing support systems, we aim to enhance our competency in the market. In addition, we will explore new opportunities in emerging markets in search of next-generation growth drivers. At the same time, synergy creating efforts via hybrid financial instruments across group subsidiaries will be carried out.

Our competency upgrading initiatives also include innovative improvements to SLI's IT infrastructure, namely our business management system and new insurance system. Over the course of these efforts we will remain dedicated to fulfilling our corporate responsibilities, while building an entrepreneurial corporate culture.

“ We will build up our marketing competitiveness and discover a new strategic growth engine. ”

Premiums Written



Asset Management

“ We will diversify our sources of income while enhancing our competitiveness in traditional business areas. ”

SFG has two asset management companies under its umbrella: SH Asset Management and Shinhan BNP Paribas Investment Trust Management Company (ITMC). Amid the disintermediation that fueled paradigm changes in Korea's financial market in 2007, these two AM subsidiaries provided SFG with a competitive edge. As of the end of 2007, the combined asset under management (AUM*) of the two companies reached KRW25.4 trillion, second only to the market top runner. The strong performance of these AM subsidiaries propelled the growth rate of SHB's fee income from sales of fund products to 113.8% in 2007 from the previous year.

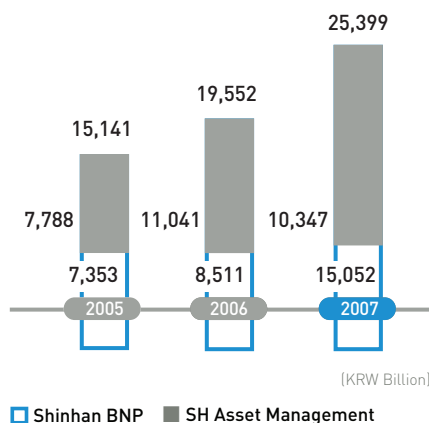
Since its establishment in 1988, SH Asset Management has demonstrated its strength as a leading asset manager and has earned a solid reputation in the management of bonds and fund products. SH Asset Management pursues a stable excess return through effective management of asset portfolios by adopting macro-analysis, risk tolerance and in-depth analysis of intrinsic value and relative value.

Shinhan BNP Paribas ITMC was established in October 2002 as a joint venture with BNP Paribas Asset Management. The company focuses on providing products using the expertise and international network of BNP Paribas.

Seeking to improve its profitability by providing high quality services to local customers, Shinhan BNP Paribas ITMC developed and successfully introduced a wide range of products. In particular, the group has shifted its focus to overseas stock markets and developed many financial products covering both domestic and overseas stock markets. In 2007 the best performance in Korea was delivered by Shinhan BNP Paribas ITMC's flagship fund Bonjour China evidencing the success of the partnership between Shinhan Financial Group and BNP Paribas in the Asset Management Business.

In 2008, our asset management subsidiaries will continue not only to roll out new products in traditional areas, but also to prepare alternative products which will form part of an important product class in Korea under the new Capital Market Integration Act. Innovation and quality will be our mainstay to further strengthen our brand recognition and to improve operating profitability. Keeping our objective of becoming a leader in the local asset management industry in sight, we will continue to upgrade the competencies of our asset management subsidiaries.

Total Assets (including AUM)



Glossary

ABCP Conduit

An asset-backed commercial paper (ABCP) conduit is a bankruptcy-remote special purpose company (SPC) that issues commercial paper to finance the purchase of trade receivables or term assets from one or more sellers.

Active Customers

Customers aged 20 or above whose account balance with SHB remains at an average of at least KRW300,000 or more

Advanced Internal Rating Based Approach (AIRB)

The Advanced Internal Rating Based Approach refers to a set of credit risk measurement techniques proposed under Basel II capital adequacy rules for banking institutions.

Advanced Measurement Approach (AMA)

The advanced measurement approach (AMA) is a set of operational risk measurement techniques proposed under Basel II capital adequacy rules for banking institutions.

Assets under Management (AUM)

The amount of clients' funds a fund manager manages

A measure of size and used for valuation

Basel II: Revised international capital framework

The Basel II Framework describes a more comprehensive measure and minimum standard for capital adequacy. It seeks to improve on the existing rules by aligning regulatory capital requirements more

closely to the underlying risks that banks face. In addition, the Basel II Framework is intended to promote a more forward-looking approach to capital supervision, one that encourages banks to identify the risks they may face, today and in the future, and to develop or improve their ability to manage those risks. As a result, it is intended to be more flexible and better able to evolve with advances in markets and risk management practices.

Capital Market Consolidation Act

The 'Capital Market Consolidation Act' ("Consolidation Act") will be geared towards facilitating the capital market to play a pivotal role in achieving two of the national policy goals, i.e. sustainable economic growth and becoming a Northeast Asian financial hub. An essential prerequisite is revamping the existing regulatory system based on the principle of positive-listing and sector-by-sector division.

Disintermediation

The withdrawal of money from low yielding financial accounts, such as savings accounts, and the reinvestment into higher yielding security products.

Financial Network Account (FNA)

FNA is a hybrid product providing a comprehensive financial service ranging from traditional banking, stock trading and credit card-related transactions to insurance policies. This is the representative synergy product that integrates all the financial services of SFG subsidiaries.

International Financial Reporting Standards (IFRS)

Accounting regulations developed to guarantee comparable balance sheet preparation and disclosure.

International Financial Reporting Standards/ previously IAS (International Accounting Standards). Financial Reporting Rules of the International Accounting Standards Board ensure globally transparent and comparable accounting and disclosure. The main objective is to present information that is useful in making economic decisions, mainly for investors.

Intrusion-Prevention System (IPS)

An intrusion prevention system is a computer security device that monitors network and/or system activities for malicious or unwanted behavior and can react, in real-time, to block or prevent such activities.

QFII

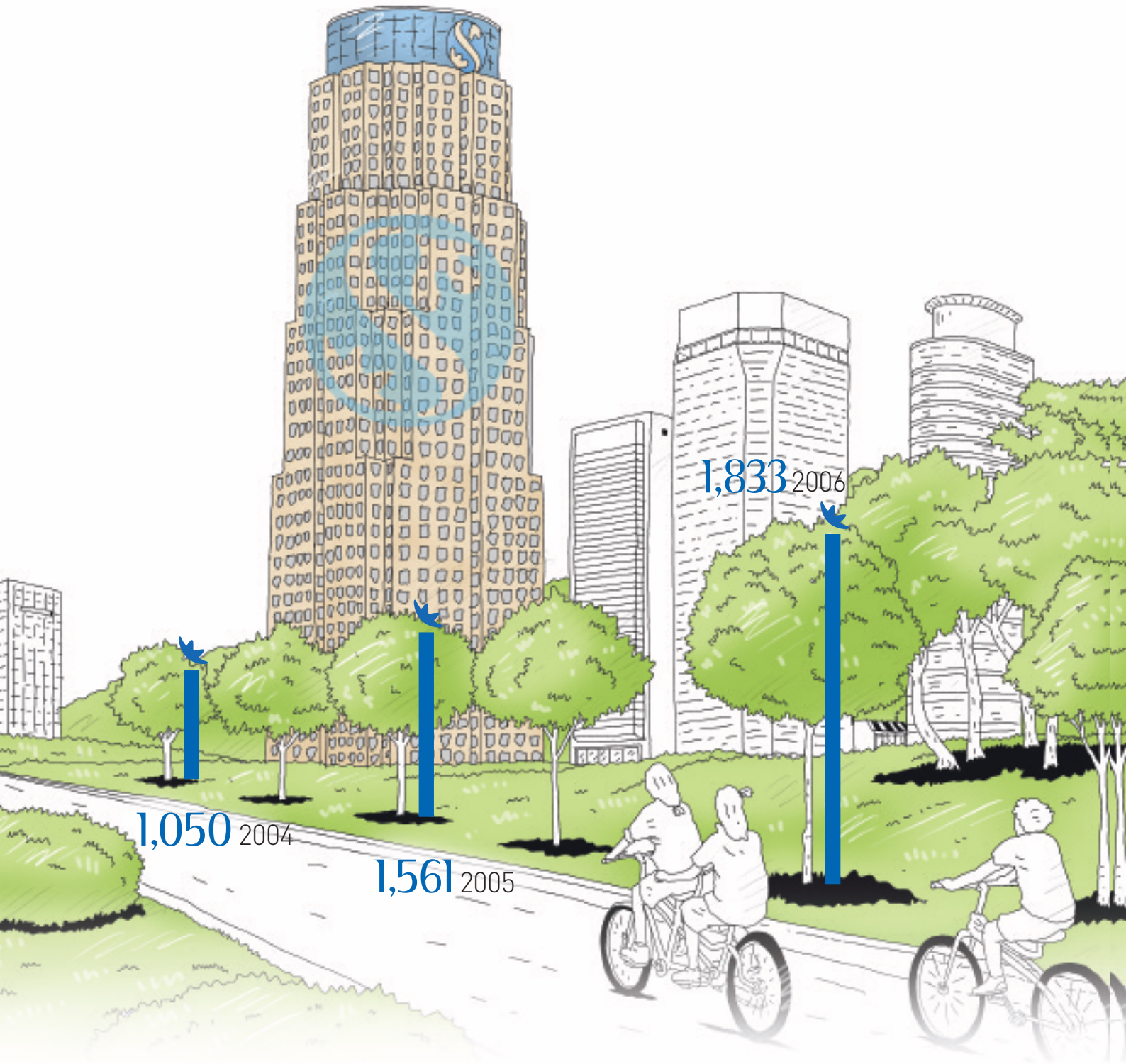
Qualified Foreign Institutional Investor who can invest in China's A stock market

Risk-Based Capital (RBC) mechanism

The amount of capital necessary to absorb losses throughout a hypothetical ten-year period marked by severely adverse circumstances

Staff Gets a Member (SGM)

SGM is a spin-off marketing tool from the member-get-member drive. Whereas MGM encourages customers to get new customers, SGM encourages its own staff to get new customers.

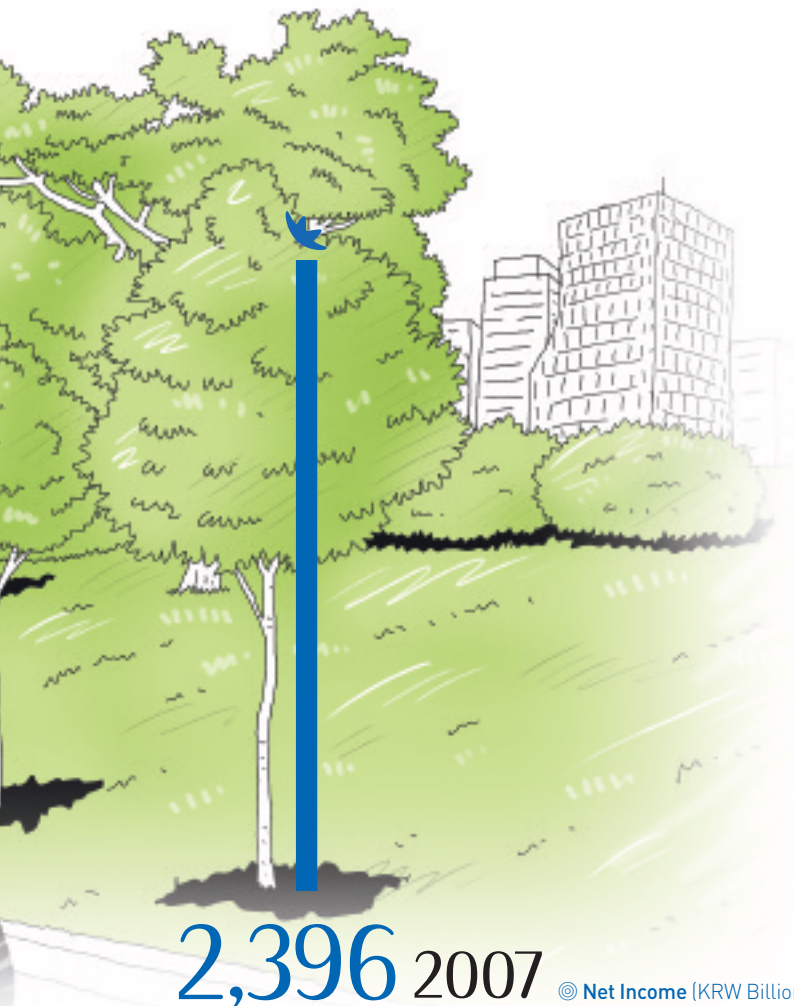




Aiming Higher

Based on its well-balanced business portfolio, Shinhan Financial Group surpassed KRW2.0 trillion in net income.

This boost has heightened SFG's desire to realize its long-term goal-joining the global top 50 market players. Capitalizing on its balanced portfolio and dynamic corporate culture, SFG will emerge into the global market while maintaining its lead in the domestic market.



2,396 2007 © Net Income (KRW Billion) / Year

Management's Discussion & Analysis

I. 2007 Review

In 2007, sharp rises in the prices of oil and raw materials and the subprime mortgage crisis decelerated the global economy. Despite these strong external headwinds, the Korean economy posted a sound 5.0% growth thanks to economic recovery and improved business performances based on booming exports and Korean companies' expanded market penetration into China.

The unstable global financial markets suffering from the fallout of the U.S. subprime mortgage crisis exacerbated instability in Korea's financial markets, while fluctuating domestic stocks, foreign exchange (FX) and bond markets. Moreover, the government's stricter real estate regulations put in place at the end of 2006 made a dent in residential mortgage loan growth that has been the main source of loan growth for Korean banks over the past few years. Instead, facility loans and loans to small and medium sized enterprises (SMEs) considerably increased their share in the overall loans of Korean banks. Continuous growth in market demands for mutual fund products dried up money flow into the banking sector and raised the bank funding cost in 2007.

Despite this challenging market conditions, Shinhan Financial group posted a net income of KRW2.4 trillion, up 30.8% from the previous year, recording the best performance since its inception. Net income of the bank entities generated a solid growth of 25.7% to KRW1.9 trillion, while net income of the non-bank entities increased 80.4% to KRW734.8 billion. Most notably, the net income contribution of securities, card, insurance, trust and other non-bank subsidiaries significantly grew from 24% in 2006 to 34% of total group profits in 2007.

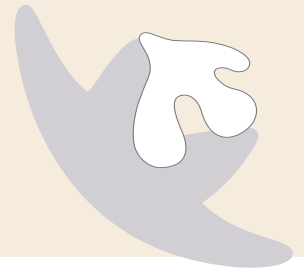
This strong performance can be ascribed to the group's constant efforts to expand sound interest earning asset base, stabilize net interest margin (NIM), discover new sources of non-interest revenues and increase core fee-based earnings. In particular, the integration of LG Card by the group in March 2007 boosted the overall non-bank performance. Shinhan Bank achieved a sizeable 113.8% growth in mutual fund sales commission income for 2007 thanks to the booming stock markets and steep growth in market demands for mutual fund products, especially, installment type products.

In spite of fierce competition within Korea's financial markets, the group's total assets increased by 27.0%, or KRW58.5 trillion to reach KRW274.8 trillion from KRW216.4 trillion, including assets under managements in 2006. This increase in the asset size can be mainly attributed to the stable expansion of earning asset and the integration of LG Card. Not only did Shinhan Bank witness its assets grow by KRW31.3 trillion, but non-bank subsidiaries also achieved remarkable growth in asset size—Shinhan Card by KRW13.3 trillion, Shinhan BNP Investment Trust Management by KRW6.5 trillion and Good Morning Shinhan Securities by KRW2.6 trillion to be specific.

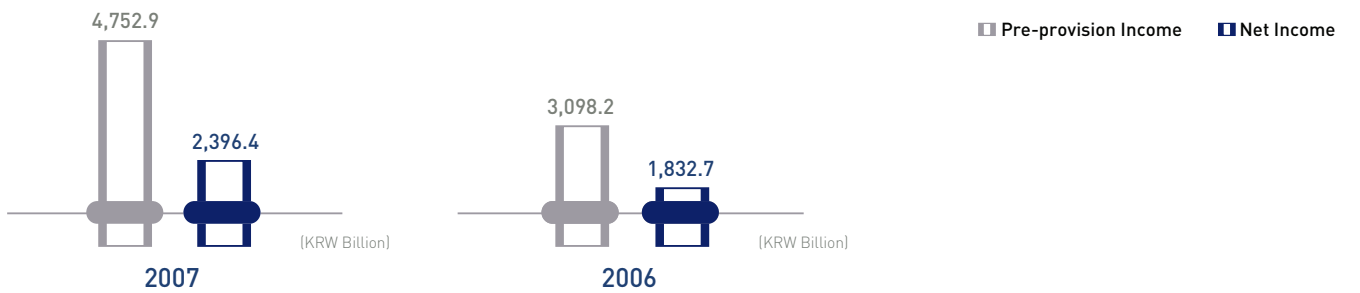
The asset growth of Shinhan Bank was due to an increase in lending, the core business of the Bank's asset management, of KRW16.4 trillion, or 18.3% in loans in Won. Within loans in Won, the expanded capital expenditures substantially boosted SMEs loans by KRW11.2 trillion, or 32.3% year on year, while retail loans gained a stable KRW4.3 trillion, or 9.0%.

Meanwhile, customers' drive for mutual fund products raised bank funding costs as time deposits and bank debentures increased by 20.8% and by 15.8%, respectively, while installment deposits declined by 21.0%. The loan to deposit ratio also grew by 9% year-on-year to reach 114% as of the end of 2007.

Thanks to its enduring growth strategy of raising sound assets and successfully controlling credit risks, the group's asset quality has reached its best level ever. As of the end of 2007, the ratios of substandard and below loans (NPL ratio) for the group, Shinhan Bank and Shinhan Card were 1.00%, 0.73% and 3.04%, respectively, demonstrating sustained improvement year on year. The NPL coverage ratios also recorded 192%, 191% and 200%, respectively, each well above the industry average and providing excellent protection against potential risks and deteriorations.



Pre-provision Income & Net Income



II. Summary of the Reported Income Statement (Profitability and Market Position)

1. Shinhan Financial Group

The group's consolidated net income for 2007 recorded KRW2,396.4 billion, up 30.8% or KRW563.7 billion year on year. The double-digit income growth rate that prevailed over the past several years assisted the group to surpass KRW2.0 trillion in net income for the first time since its inception. This monumental achievement can be ascribed to the group-wide efforts to enhance core business competencies by leveraging its nationwide channel and customer base along with the well-balanced business lines; and increased business transactions with existing and new customers and in cross-selling products by and among the group's subsidiaries. The most conspicuous of these were the increased credit card income thanks to the merger of LG Card, strong interest and non-interest income by Shinhan Bank and the increased commission income by Good Morning Shinhan Securities stemming from bullish stock markets.

By sector, interest income improved by 44.0% due to the strong loan extending performance that rose by 18.1% year on year and to the integration of LG Card. Despite the increased loss on the disposition of investment securities, non-interest income demonstrated a strong 38.0% growth year on year on account of the increased income of Good Morning Shinhan Securities and growth in mutual fund sales commission income by Shinhan Bank.

While SG&A expenses have temporarily increased by 33.4% from the previous year because of merger costs, the income growth rate was high enough to offset the cost growth rate, resulting in a strong 51.5% growth in group's operating income year on year.

Non-operating income has substantially increased to KRW195.0 billion year on year owing to Shinhan Card's gains from assets contributed from the share issuance of VISA Inc.

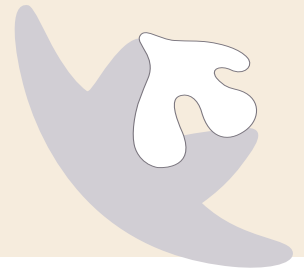
The actual required amount of the group's loan loss provisions declined on the back of consistent improvements in its asset quality. Nevertheless, additional provisions of KRW585.0 billion to meet the strengthened regulatory requirements raised the loan loss provisions by 48.2% from the previous year. This increase is, however, a one-off due to the recently overhauled regulations. At the same time, this internal provision will alleviate the burden of future provisions. The summary of the reported income statement, "Net Income of Subsidiaries before Purchase Date" refers to the former LG Card's income before it merged with the group in March 2007, and this figure was not included in the group's consolidated net income. Despite the large amount of additional loan loss provisions, the group posted a strong 30.8% rise in net income for 2007. Broad customer base and industry-leading credit risk management capabilities are expected to further enhance income growth.

Management's Discussion & Analysis

Category	(KRW Billion)			
	2007	2006	Chg Amt	Chg %
Total Income (a=b+c)	8,524.4	5,981.8	2,542.6	42.5
Interest Income (b)	6,453.3	4,480.8	1,972.5	44.0
Non-interest Income (c)	2,071.1	1,501.0	570.1	38.0
SG&A Expense (d)	3,966.7	2,973.0	993.7	33.4
Operating Income (e=a-d)	4,557.7	3,008.9	1,548.9	51.5
Non-operating Income (f)	195.2	89.3	105.9	118.5
Pre-provision Income(g=e+f)	4,752.9	3,098.2	1,654.8	53.4
Loan Loss Provision (h)	866.4	584.6	281.9	48.2
Pre-tax Income (i=g-h)	3,886.5	2,513.6	1,372.9	54.6
Income Tax Expense(j)	536.9	671.2	-134.3	-20.0
Net Income of Subsidiaries before Purchase Date(k)	874.1	874.1		NA
Total Net Income(l=i-j-k)	2,475.5	1,842.5	633.1	34.4
Consolidated Net Income	2,396.4	1,832.7	563.7	30.8

Of the group's subsidiaries, Shinhan Bank has made the maximal contribution to the group's net income with a solid 23.6%, or KRW392.1 billion rise year on year to record KRW2.05 trillion. Among non-bank subsidiaries, Shinhan Card, Good Morning Shinhan Securities, Shinhan Life and Shinhan Capital were the supreme contributors with KRW683.3 billion, KRW176.8 billion, KRW132.0 billion and KRW49.2 billion in net income, respectively. The most conspicuous of these was Shinhan Card as its net income surged due in large part to the merger of LG Card. Good Morning Shinhan Securities gained by 83.8% year on year owing to elevated brokerage commission income from explosive stock trading. Shinhan Life and Shinhan Capital posted 8.6% and 1.9% year-on-year growth, respectively.

(After reflecting ownership by SFG)	(KRW Billion)			
	2007	2006	Chg Amt	Chg %
Bank(a)	2,060.2	1,668.0	392.3	23.5
Shinhan Bank	2,051.3	1,659.2	392.1	23.6
Jeju Bank	8.9	8.8	0.2	1.9
Non-Bank(b)	1,063.3	512.4	551.0	107.5
Shinhan Card	683.3	232.1	451.2	NA
GMSH Securities	176.8	96.2	80.6	83.8
Shinhan Life Insurance	132.0	121.5	10.5	8.6
Shinhan Capital	49.2	48.3	0.9	1.9
Shinhan Credit Information	2.1	2.8	-0.7	-25.0
Shinhan Private Equity	0.2	1.8	-1.6	NA
Shinhan BNPP ITMC	10.7	4.3	6.4	147.7
SH&C Life Insurance	5.3	4.6	0.8	16.5
Shinhan Macquarie FA	3.8	0.8	3.0	NA
Net Income (c=a+b)	3,123.5	2,180.4	943.1	43.3
Consolidated Net Income	2,396.4	1,832.7	563.8	30.8



Net Income Contribution by Non-Bank Subsidiaries



Net Income Contribution Proportion



2. Shinhan Bank

1) Overview

Shinhan Bank's net income for 2007 totaled KRW2,051.3 billion, reflecting a 26.2% or KRW425.2 billion year-on-year growth.

The Bank's total operating income gained 19.2% or KRW957.7 billion from the previous year to reach KRW5,940.1 billion in 2007 thanks to increased interest and non-interest income. Its interest income rose by 9.2% or KRW313.2 billion to KRW3,718.9 billion. The primary reason behind this growth was the Bank's asset growth strategy and pricing policy to minimize margin erosion through its nationwide customer base and distribution channel. The non-interest income of Shinhan Bank jumped 40.9% or KRW644.5 billion to reach KRW2,221.2 billion. This growth can be attributed to KRW464.8 billion gained from the disposal of LG Card stocks and KRW297.9 billion gained from the disposal of the holding company's stocks as well as the KRW179.3 billion growth in its commission income from the sales of mutual fund products, its major source of commission income.

Management's Discussion & Analysis

SG&A expenses edged up by 3.8% or KRW87.2 billion from the previous year to reach KRW2,392.7 billion. Excluding KRW137.1 billion of the one-off early retirement expenses in the fourth quarter of 2007, however, the real growth rate remains sluggish. The loan loss provisions stood at KRW587.9 billion, up 31.2% or KRW139.7 billion year on year. However, this rise was due to the additional loan loss provisions of KRW188.8 to meet the strengthened requirements of Korea's Financial Supervisory Service in the fourth quarter of 2007. Excluding the one-off provisions, the real loan loss provisions experienced a slight decline from the previous year, indicating the sound asset quality of the Bank.

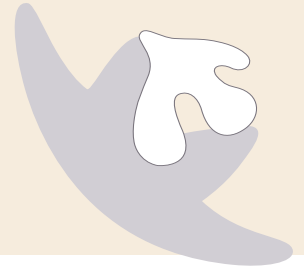
Category	(KRW Billion)			
	2007	2006	Chg Amt	Chg %
Total Income	5,940.1	4,982.4	957.7	19.2
Interest Income (b)	3,718.9	3,405.7	313.2	9.2
Non-Interest Income (c)	2,221.2	1,576.7	644.5	40.9
SG&A Expenses (d)	2,392.7	2,305.6	87.1	3.8
Operating Income (e=a-d)	3,547.4	2,676.8	870.6	32.5
Non-operating Income (f)	-91.3	55.4	-146.7	NA
Pre-Provision Income (g=e+f)	3,456.1	2,732.3	723.8	26.5
Loan Loss Provision (h)	587.9	448.2	139.7	31.2
Earnings before Income Tax (i=g-h)	2,868.1	2,284.1	584.0	25.6
Net Income	2,051.3	1,626.1	425.2	26.1

notes) 2006 figures are Pro Forma based (Chohung Bank merger and Chohung Bank's credit card businesses spin-off reflected)

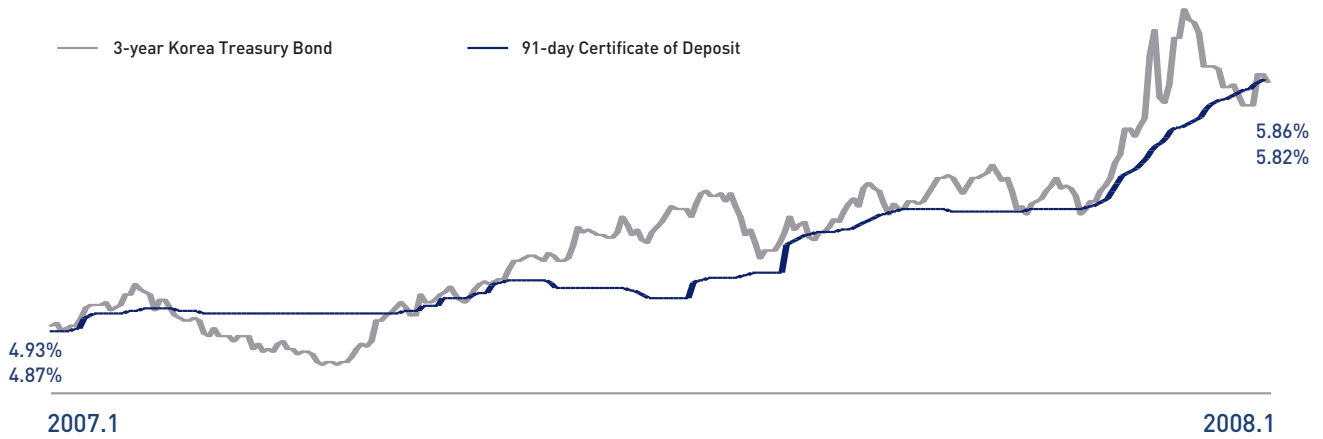
2) Interest Income & Net Interest Margin (NIM)

The interest income of Shinhan Bank inched up by 9.2% or KRW313.2 billion year on year to post KRW3,718.9 billion. Interest income climbed by KRW1,769.0 billion in 2007 on account of an increase in the average loan balance and rising interest rates. On the other hand, a rise in overall funding costs resulted in a KRW1,455.8 billion upswing in interest expenses. Coupled with frenzied consumer interest in high-yield investment vehicles such as cash management account (CMA) and mutual funds, bolstered market funding activities further increased funding costs through special time deposits to halt disintermediation and stem hikes in the issuing of certificate of deposits (CD) and financial bonds.

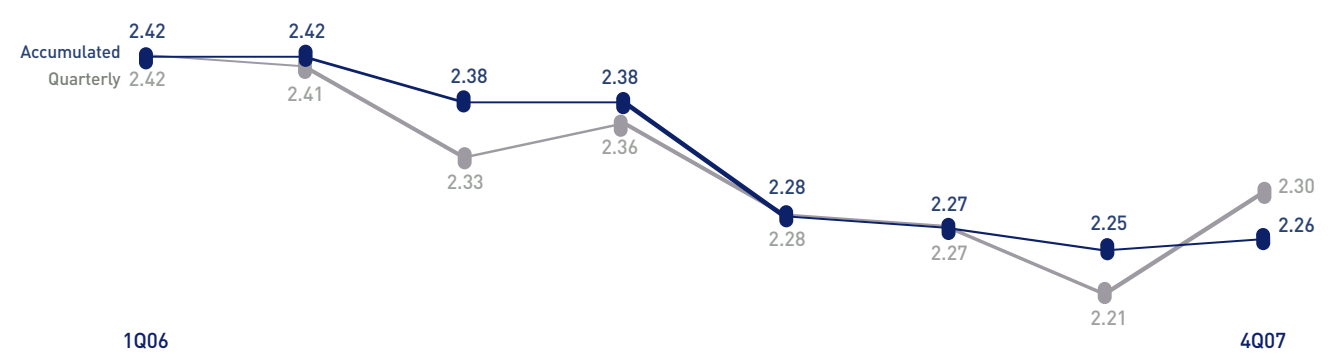
The accumulate net interest income (NIM) of Shinhan Bank in 2006 edged down by 12 basis point to 2.26% from 2.38% in 2006. This fall was relatively minor compared to its competitors because the Bank reduced the sudden surge in funding costs by maintaining low-cost deposits such as court escrow deposits. In addition, the Bank has expanded its demand deposits through an aggressive campaign to attract credit card settlement accounts following the March 2007 merger of LG Card into the Group. Shinhan Bank opted for a risk-based pricing to maintain an adequate margin level.



Market Interest Rates



NIM



[KRW Billion, %]

Category	4Q06	1Q07	2Q07	3Q07	4Q07
NIS (a-b)	2.99	2.75	2.72	2.66	2.76
Loan Interest Rate (a)	6.59	6.43	6.52	6.58	6.83
Deposit Interest Rate (b)	3.60	3.68	3.79	3.92	4.07
NIM	2.36	2.28	2.27	2.21	2.30
Interest Income	753	734	770	792	847
Interest Bearing Assets	126,819	130,749	136,326	142,129	146,026

note) Quarterly basis [one-offs excluded]

Management's Discussion & Analysis

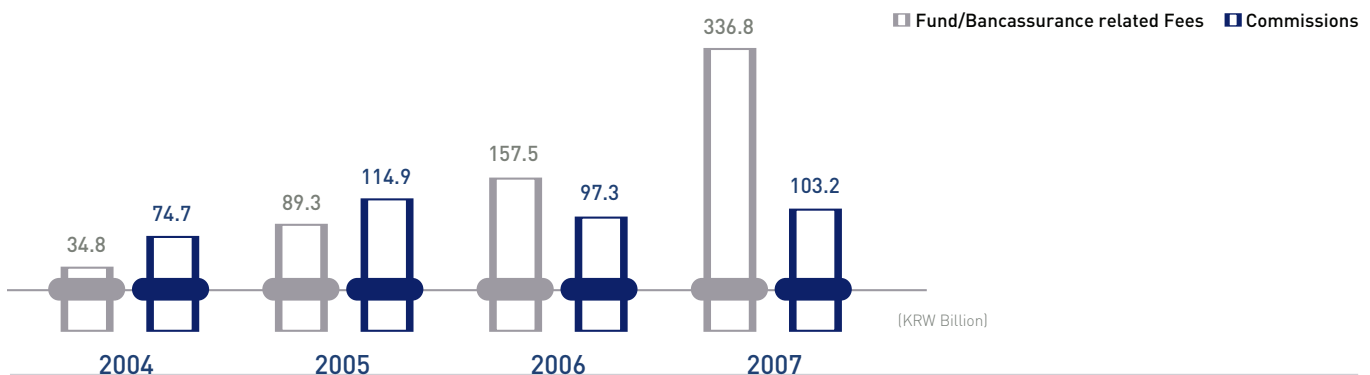
3) Non-interest Income

Shinhan Bank's non-interest income increased by 40.9% or KRW644.5 billion year on year to KRW2,221.2 billion. Gains on disposal of securities grew by 74.4% or KRW527.7 billion with the KRW464.8 billion of gains on the disposal of LG Card stocks and KRW297.9 billion of gains on the disposal of holding company stocks. Commissions on mutual fund sales surged by 113.8% or KRW179.3 billion with buoyant investor interest in high-yield investment vehicles. At the same time, Bancassurance-related commissions also grew by 6.1% or KRW5.9 billion from the previous year, significantly contributing to the rise in commission income. The KRW97.4 billion decline in the "Others" income category includes the KRW40.5 billion year-on-year decrease in gains on FX/derivative products due to falling demand for FX and related derivative products with the stable foreign exchange rate. Meanwhile, this decline also reflected respective growth in contributions to Credit Guarantee Fund and deposit insurance premiums resulting from increased loans and deposits.

(KRW Billion)				
Category	2007	2006	Chg Amt	Chg %
Non-Interest Income	2,221.2	1,576.7	644.5	40.9
Fees & Commissions	953.3	742.5	210.8	28.4
Fund	336.8	157.5	179.3	113.8
Bancassurance	103.2	97.3	5.9	6.1
Trust Fees	48.0	44.6	3.4	7.6
Securities related	1,237.0	709.3	527.7	74.4
Others	-17.1	80.3	-97.4	NA

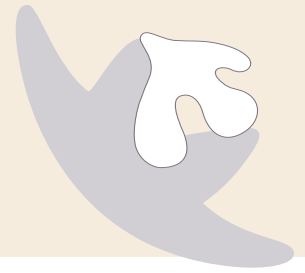
notes) 2006 figures are Pro Forma based

Fund/Bancassurance related Fees & Commissions



4) SG&A Expenses

Shinhan Bank's SG&A expenses in 2007 edged up by 3.8% or KRW87.2 billion year on year. While labor cost maintained an adequate level of growth with a 5.2% or KRW53.6 billion rise from the previous year, administrative expenses declined by 8.9% or KRW90.7 billion



reflecting the integration bonus paid in 2006. Depreciation and amortization expenses expanded by 39.5% or KRW71.3 billion year on year due to IT upgrades. Taxes and Dues rose by 74.8% or KRW52.9 billion due to the Bank's contribution to employee welfare funds and higher levels of education tax. The cost income ratio has considerably improved to post 40.2% as of the end of 2007 from 46.3% of 2006. The early retirement program (ERP) implemented at the end of 2006 has resulted in easing high labor costs. At the same time, the economies of scale will create further cost synergy.

Category	(KRW Billion)			
	2007	2006	Chg Amt	Chg %
SG&A Expenses	2,392.7	2,305.6	87.2	3.8
Labor Costs	1,092.3	1,038.8	53.6	5.2
Admin Expenses	924.6	1,015.3	-90.7	-8.9
D&A Costs	252.0	180.7	71.3	39.5
Taxes & Dues	123.8	70.8	52.9	74.8

notes) 2006 figures are Pro Forma based

3. Shinhan Card

1) Overview

Korea's 2007 credit card market can be summed up as stable asset growth, sound asset quality and high profitability amid fierce competition among bank-based card companies. Against this backdrop, LG Card joined the Shinhan Financial Group in March 2007, then it acquired Shinhan Card in October 1, and was renamed Shinhan Card. The new Shinhan Card amassed a considerable KRW1,290.6 billion in before-tax income thanks to its dominant market position. After-tax income stood at KRW1,652.0 billion on account of deferred tax assets on a pro forma basis.

Category	(KRW Billion, %)			
	2007	2006	Chg Amt	Chg %
Operating Revenue (a)	3,906.40	3,726.90	179.4	4.80
Interest Expenses (b)	618.3	609.2	9.1	1.50
SG&A Expenses / Others (c)	1,858.60	1,554.80	303.8	19.50
Operating Income (d=a-b-c)	1,429.50	1,563.00	-133.5	-8.50
Loan Loss Provision (g)	285.5	157.3	128.2	NA
Earnings before Income Tax (h=f-g)	1,290.60	1,375.40	-84.8	-6.20

notes) 2006 figures are Pro Forma based

Shinhan Card enjoyed stable growth in the operating revenues of all its business lines: credit card, installment finance and lease. However, restructured loans have continued to decline by KRW471.9 billion year on year which compromised operating growth to a mere 4.8% increase from the previous year.

Management's Discussion & Analysis

In 2007, paid interest crept up by 1.5% or KRW9.1 billion due to the KRW17.4 billion growth in interest expenses for the second half of 2007. This hike in interest expenses resulted from rising market rates and KRW1.2 trillion in funding to acquire the former Shinhan Card.

The spread continued to gain ground with its strong performance along with an upgrade in the credit ratings of Shinhan Card.

Category	2007	2006	2005
3-Year Treasury Bond	5.20%	4.80%	4.30%
Shinhan Card	5.50%	5.40%	5.70%
Spread	23bp	58bp	144bp

※ The 3-year Treasury bond rate is the yearly average.

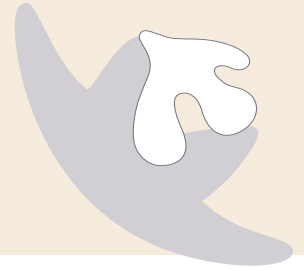
SG&A expenses grew by 11.4% year on year due to increased merger costs such as the alteration of corporate identity, increased advertising expenses and IT investments and the hike in marketing commissions such as point fees and brand fees in accordance with an expanded business size.

Recovery from written-off assets

In 2007 the new Shinhan Card recovered KRW458.0 billion from written-off assets, a KRW22.0 billion growth from KRW436.0 billion in 2006. Given the increased average duration of written-off assets, this achievement stands out. This remarkable performance can be ascribed to the upgraded collection system, the finesse of the company in recovering NPLs and the Korean economy posting 5.0% GDP growth. Shinhan Card holds a capital sum of KRW6.8 trillion in written-off asset balance. In 2008, the company expects further sources of revenue in the recovery from written-off assets.

2) Transaction Volume

Shinhan Card's total transaction amounts stood at KRW95,572.0 billion, up 8.6% from 2006. Among these the most conspicuous was a 15.8% year-on-year growth in credit purchase receivables. The card loans with a relatively low risk posted a sizeable 28.4% increase from the previous year, while cash advance declined by 5.4% from the previous year due to marketing activities focused on prime customers and the growth in revolving products. Among others, installment finance edged up by 9% year on year, while loans to non-card holders decreased by about KRW410.0 billion from the previous year due to the discontinuation of Korea Housing Finance Corporation's mortgage products from the fourth quarter of 2006.



Yearly Transaction Volume

Category	(KRW Billion)			
	2007	2006	Chg Amt	Chg %
Year Total	95,572	88,004	7,568	8.6
Credit Purchase	63,954	55,226	8,729	15.8
Cash Advances	25,627	27,095	-1,468	-5.4
Card Loans	4,168	3,248	921	28.4
Others	1,822	2,436	-614	-25.2

notes) 2006 figures are Pro Forma based (Shinhan Card + LG Card)

3) Card Members

Active card members and card users

The number of active card members that reached 11.85 million during the credit card bubble in 2002 fell to 9.5 million through continued membership restructuring in 2005. Since then, aggressive member retention activities and the October 2007 merger with the former Shinhan Card propelled the active membership figure to 13.4 million or 58% of Korea's economically-active population, as of the end of 2007. The monthly-base number of card users dropped to approximately 50% during the credit card crisis in 2003. However, strategic marketing activities, including aggressive customer retention campaigns, bolstered the number of monthly card users to account for 62% of active members by end of the fourth quarter of 2007.

New customers

In 2007, Shinhan Card attracted 1,478,000 new customers, up 32.9% or 366,000 persons from the previous year. The acquisition channel was also diversified to encompass bank branches, partnerships with mobile service providers and franchised distributors, internet and telemarketers, and this reduced acquisition costs.

Management's Discussion & Analysis

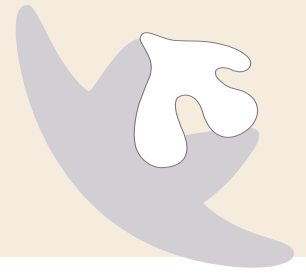
4. Good Morning Shinhan Securities

Category	(KRW Billion)			
	2007	2006	Chg Amt	Chg %
Operating Revenue	657,137	443,527	213,610	48.2
Commissions Received	510,631	331,129	179,502	54.2
Net Trading Gain	133,155	74,314	58,841	79.2
Net Interest Income	19,516	32,138	-12,622	-39.3
Other Operating Income	-6,165	5,946	-12,111	-203.7
Operating Expenses	418,773	317,994	100,778	31.7
Commission Expense	72,036	50,182	21,853	43.5
G&A Expense	346,737	267,812	78,925	29.5
Operating Income	238,364	125,533	122,832	89.9
Non-Operating Income(Loss)	14,332	8,570	5,763	67.2
Ordinary Income	252,697	134,102	118,594	88.4
Extraordinary Gains				
Net Income Before Taxes	252,697	134,102	118,594	88.4
Income Tax	75,920	37,912	38,008	100.3
Net Income(Loss) For The Year	176,776	96,190	80,586	83.8

Good Morning Shinhan Securities (GMSH) achieved KRW238.4 billion in operating income for 2007, up 89.9% from the previous year. Net income stood at KRW176.8 billion, a substantial 83.8% rise year on year. This remarkable growth can be attributed to increased commission income and net trading gains, the main sources of income. Commission income accounted for 78% of overall operating revenues and stood at KRW510.6 billion, up 54.2% year on year. This increase was the result of balanced growth in its core businesses such as brokerage commissions, investment banking revenues and profits from sale of financial instruments. In addition, the stock market boom triggered explosive growth in the brokerage transactions of stocks, considerably increasing the brokerage commission income. Investment banking revenues stabilized thanks to an upsurge in corporate financing businesses such as real estate project financing, corporate debenture & asset-backed securities acquisition and M&A consulting services. The explosive market demand for mutual funds, wrap accounts and trusts resulted in expanding profits from sales of financial instruments.

Comprised of gains and losses from transaction & the evaluation of trading securities and derivatives, net trading gains surged by 79.2% to post KRW133.2 billion in 2007 up from KRW74.3 billion in 2006. This positive trend is attributed to GMSH's consistent performance in trading equities and fixed-incomes. Stock trading gains skyrocketed to KRW115.7 billion in 2007 from negative KRW16.8 billion in 2006. The fixed-income trading gains also jumped to KRW91.3 billion in 2007 from KRW47.5 billion in 2006 owing to falling interest rates and increased repurchase agreement (RP) sales through CMAs.

Interest income dropped by 39.3% year on year to KRW19.5 billion, due to rising interest expenses incurred by the growing RP sales balance. Of the operating expenses, SG&A expenses rose by 29.5% from the previous year to KRW346.7 billion in 2007.



- Commission income

(KRW Million)				
Category	2007	2006	Chg Amt	Chg %
Commissions Received	510,631	331,129	179,502	54.2
Brokerage Commissions	411,585	279,854	131,731	47.1
Underwriting Commissions	15,502	9,298	6,204	66.7
Brokerage Commissions on Beneficiary Certificates	18,362	11,159	7,204	64.6
Consulting Fee	2,462	898	1,564	174.1
Others*	62,720	29,921	32,799	109.6

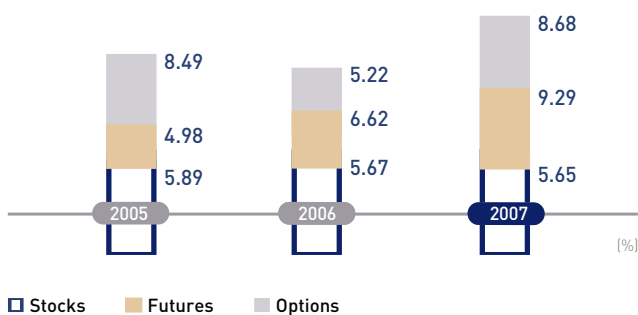
* includes ELS sales commission and Project Financing advisory fee

- G&A expenses

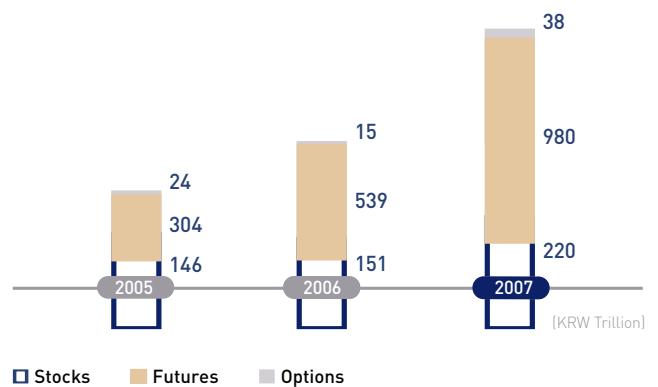
(KRW Million)				
Category	2007	2006	Chg Amt	Chg %
G&A Expense	346,737	267,812	78,925	29.5
Salary	225,678	171,766	53,912	31.4
Other General Expenses	109,408	84,761	24,647	29.1
Depreciation	11,651	11,285	366	3.2

In 2007, GMSH's stock trading volume increased by 46.1% from the previous year to reach KRW220.0 trillion with a slight decline to post a 5.65% share of the overall stock market. Futures trading volume stood at KRW980.0 trillion, up 81.7% from the previous year with a market share of 9.29%, up 2.67%p. Options trading volume recorded KRW38.0 trillion, up 151.2% year on year with a 3.46% year-on-year growth to capture 8.68% of the market share.

Market Share



Trading Volume



Management's Discussion & Analysis

5. Shinhan Life

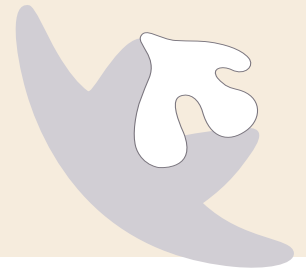
Category	(KRW Billion)			
	2007	2006	Chg Amt	Chg %
Insurance Operating Net Results	935.4	877.0	58.4	6.7
Premiums Written	2,368.6	2,034.5	334.1	16.4
Claims Paid (-)	916.3	686.1	230.2	33.6
Reinsurance Operating Results	-0.9	-0.9	0.0	0.0
Operating Expenses (-)	516	470.5	45.5	9.7
Net Investments Gains	303.7	253.8	49.9	19.7
Others	-6.3	-1.8	-4.5	250.0
General Account Operating Net Results	1,232.8	1,129.0	103.8	9.2
Separate Account Operating Net Results	95.1	59.0	36.1	61.2
Total Operating Net Results	1,327.9	1,188.0	139.9	11.8
Provision Of Policy Reserve (-)	1,144.5	1,022.2	122.3	12.0
Net Income Before Taxes	183.4	165.8	17.6	10.6
Net Income	132.0	121.5	10.5	8.6

Shinhan Life realized KRW132.0 billion in net income for 2007, with 8.6% growth year on year.

Its total operating net results recorded KRW1,327.9 billion, up 11.8% due to continued growth in insurance premiums and the KRW49.9 billion year-on-year growth in net investment gains. Despite a 12.0% growth in provision of policy reserves and a KRW6.8 billion decline from the compulsory payment of idle insurance proceeds, net income rose by KRW10.5 billion from the previous year.

Shinhan Life's premiums written posted KRW2,368.6 billion, up 16.4% or KRW334.1 billion from the previous year thanks to the increased number of new businesses with initial premiums of monthly payment growing 8.1% to KRW59.5 billion. Its expanded business capacities include consultants, telemarketing channels, branch offices and Bancassurance channels, of which the telemarketing channels currently maintain an industry leading performance. Of the expenses, claims paid jumped by 33.6% year on year and operating expenses by 9.7%. Overall, Shinhan Life's total operating net results increased by 11.8% year on year because income growth remained higher than expenses.

Net investment gains from asset management also improved by 19.7% or KRW49.9 billion as interest income surged by KRW50.9 billion from the previous year. Shinhan Life achieved these results through stable asset management by increasing hold-to-maturity bonds by KRW220.8 billion up to KRW766.3 billion.



III. Balance Sheet Review & Asset Quality

1. Shinhan Financial Group

1) Total Assets

The group's total assets as of the end of 2007 recorded KRW220.9 trillion, up 24.3% or KRW43.2 trillion year on year according to the consolidated financial statements. Of the group's subsidiaries, Shinhan Bank and Shinhan Card were the main contributors to the group's asset growth with KRW31.0 trillion and KRW13.0 trillion, respectively. Within these achievements, total loans grew by KRW23.1 trillion with loans in Won leading the overall loan growth trend, while securities surged by KRW12.2 trillion. Of loans in Won, SME loans demonstrated a strong growth rate of 32.2%, while retail loans edged up by 9.0%. SME loans expanded as the group has aggressively pursued marketing campaigns to attract corporate clients who changed banks in the course of the 2006 merger of the former Chohung Bank and the recent climb in capital expenditures by SMEs. The group funded the increasing loans through deposit-taking, borrowings and bank debentures. Deposits grew by KRW11.1 trillion and borrowings and bank debentures by KRW20.4 trillion from the previous year.

Category	(KRW Billion)			
	2007	2006	Chg Amt	Chg %
Cash and dues from banks	9,599.6	11,273.5	(1,673.9)	-14.8
Securities	43,447.9	31,284.4	12,163.5	38.9
Loans	144,819.9	121,695.2	23,124.8	19.0
(Loan loss allowances)	2,953.6	1,873.0	1,080.6	57.7
Fixed Assets	2,405.3	3,690.0	(1,284.7)	-34.8
Other assets	20,603.4	9,782.1	10,821.3	110.6
Total assets	220,876.0	177,725.2	43,150.8	24.3
Deposits	110,820.5	99,759.5	11,061.0	11.1
Borrowings	24,223.9	16,892.2	7,331.7	43.4
Debentures	42,567.6	29,484.8	13,082.8	44.4
Other liabilities	25,089.6	20,076.6	5,013.0	25.0
Total liabilities	202,701.6	166,213.1	36,488.5	22.0
Paid-in capital	2,462.5	2,170.8	291.7	13.4
Capital surplus	8,631.3	4,411.5	4,219.8	95.7
Retained earnings	5,221.8	3,388.0	1,833.9	54.1
Capital adjustments	1,662.2	1,391.3	270.9	19.5
Minority Interest	196.6	150.6	46.0	30.6
Total shareholders' equity	18,174.4	11,512.1	6,662.3	57.9
Total liabilities & shareholders' equity	220,876.0	177,725.2	43,150.8	24.3

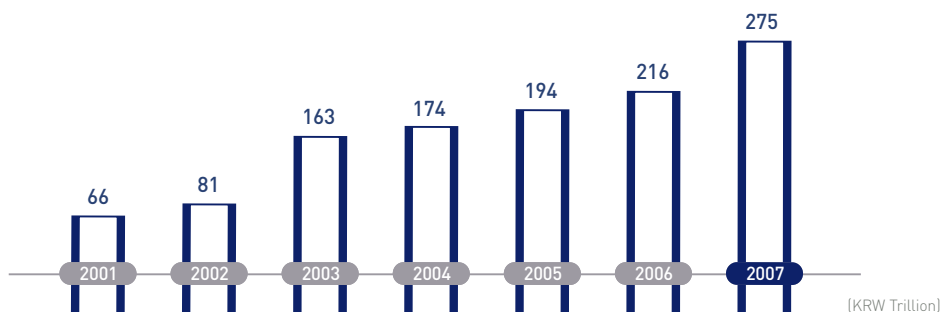
Management's Discussion & Analysis

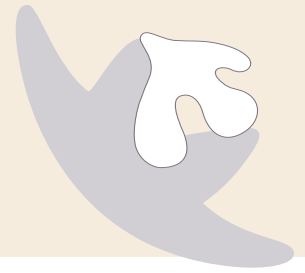
Category	(KRW Billion)			
	2007	2006	Chg Amt	Chg %
Bank	211,100	179,489	31,611	17.6
Shinhan Bank	208,315	177,008	31,307	17.7
Jeju Bank	2,785	2,482	303	12.2
Non-Bank	59,340	35,412	23,929	67.6
Shinhan Card	16,881	3,558	13,323	374.4
GMSH Securities	6,686	4,127	2,559	62.0
Shinhan Life Insurance	7,411	6,226	1,185	19.0
Shinhan Capital	2,963	1,948	1,015	52.1
Shinhan BNPP ITMC	15,052	8,511	6,541	76.9
SH Asset Management	10,347	11,041	-694	-6.3
Total Assets ^{note)}	274,834	216,362	58,472	27.0

note) Including Trust A/C and AUM (Shinhan BNPP ITMC + SH Asset Mgmt.)

The group's total assets under management (AUM) combining assets entrusted in trust and asset management subsidiaries as of the end of 2007 recorded KRW274.8 trillion, up 27.0% or KRW58.5 trillion from the end of 2006. Most conspicuously, the assets of Good Morning Shinhan Securities and asset management subsidiaries posted substantial growth along with Shinhan Bank and Shinhan Card thanks to the boom in capital markets.

SFG Total Assets





2) Total Deposits

The group's total deposits as of the end of 2007 stood at KRW119.2 trillion, up 9.4% or approximately KRW10.3 trillion from the previous year. Most notably, the deposits of Shinhan Bank grew by a sizeable KRW10.5 trillion. In 2007, customers' growing preference for capital market products over bank accounts compromised the deposits of commercial banks. However, Shinhan Bank enjoyed steady growth in its deposits with its low-cost deposits inching up by 1.9% and time deposits by 14.5% thanks to the Bank's wide customer base for low-cost deposits and expanded transactions with new customers on the wings of LG Card.

Category	(KRW Billion)			
	2007	2006	Chg Amt	Chg %
Deposits				
SHB				
B/A	3,183.5	94,048.6	9,134.9	9.7
Low Cost Deposits	37,992.5	37,289.9	702.6	1.9
Demand	12,406.4	12,481.4	-75.0	-0.6
Low-Cost Saving	25,586.1	24,808.5	777.6	3.1
Time Deposits	39,553.8	34,549.8	5,004.0	14.5
Installment Deposits	343.0	828.0	-485.0	-58.6
CDs	15,167.7	12,966.9	2,200.8	17.00
RPs & Bills Sold	5,498.4	4,813.4	685.0	14.2
Deposits In FC	4,628.1	3,600.6	1,027.5	28.5
T/A	13,574.5	12,191.5	1,382.9	11.3
Total	116,758.0	106,240.2	10,517.8	9.9
GMSH	902.3	696.4	205.9	29.6
Jeju Bank	2,269.7	2,060.4	209.3	10.2
SHC				
SHITM				
(-) Intra Transaction	82.9	741.1	658.2	79.4
Total	108,914.1	119,188.9	10,274.8	9.4

3) Total Loans

As of the end of 2006, the group's total loans rose by KRW24.5 trillion or 20.8% year on year to record KRW142.6 trillion. Shinhan Bank's KRW15.2 trillion hike, Shinhan Card's KRW7.6 trillion surge, Shinhan Capital's KRW96.0 billion increase, Good Morning Shinhan Securities' KRW675.0 billion and Shinhan Life's KRW443.0 billion growth all contributed to this upswing. The gain in Shinhan Bank's loans was mainly due to the significant growth of SME loans. Shinhan Card's loan growth can be attributed to the merger of LG Card by the group. Shinhan Capital, Good Morning Shinhan Securities and Shinhan Life strived to diversify their income sources and enlarged their assets through diverse channels and products such as ship financing, real estate project financing, principal investments, investment banking and attracting new businesses in insurance. As such, Non-bank subsidiaries are maximizing their business goodwill, while bank subsidiaries are maintaining a high loan growth rate.

Management's Discussion & Analysis

Category	(KRW Billion)			
	2007	2006	Chg Amt	Chg %
SHB	124,694.4	109,543.1	15,151.2	13.8
Shinhan Card	10,596.8	3,037.7	7,559.1	248.8
GMSH	1,192.8	518.0	674.8	130.3
SH Life	1,996.5	1,553.9	442.6	28.5
SH Capital	2,634.3	1,666.5	967.8	58.1
Jeju Bank	1,969.7	1,747.1	222.6	12.7
(-) Intra Transaction	468.8	-4.3	473.1	
Total	142,615.6	118,070.6	24,545.0	20.8

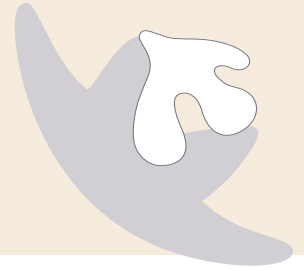
4) Group Asset Quality

The group's asset quality has stabilized. As of the end of 2007, total loans subject to provisioning stood at KRW159.0 trillion, up 25.5% year on year. As of the end of 2007, the non-performing loan (NPL) ratios of Shinhan Bank and Shinhan Card continued to improve, standing at 0.73% and 3.04%, respectively. The group's NPL ratio crept up due to the merger effect of LG Card, as credit card companies characteristically carry a higher NPL ratio than banks. The group's NPL ratio is a relatively sound 1.00%. Large-sized NPL is highly unlikely to occur in the near future as the precautionary and below ratio stood at 2.12% in 2007, similar to the 2.10% of 2006.

Moreover, the NPL coverage ratio stood at a historic high 192%. This solid coverage ratio can cover any event of additional insolvency. As of the end of 2007, the flagships of the group, Shinhan Bank and Shinhan Card maintained high NPL coverage ratios of 191% and 200%, respectively.

Category	(KRW Billion)			
	2007	2006	Chg Amt	Chg %
Total*	159,486	127,095	32,390	25.5
Normal	156,109	124,424	31,685	25.5
Precautionary	1,786	1,593	194	12.2
Substandard	518	492	26	5.2
Doubtful	241	200	41	20.3
Estimated Loss	831	386	445	115.3
Substandard & Below	1,590	1,079	512	47.4
Ratio	1.00%	0.85%		0.15%p
Loan Loss Reserve	3,050	1,942	1,108	57.1
NPL (Substandard & Below) Coverage Ratio	192%	180%		12%p

note) Sum of assets of Shinhan/Jeju Bank, Shinhan Card, GMSH Securities, Shinhan Life Insurance and Shinhan Capital



Group NPL Ratio & Coverage Ratio



2. Shinhan Bank

1) Loans in KRW

Shinhan Bank's loans in Won have increased by 18.3% or KRW16.4 trillion year on year. Of the total loans, retail loans increased by 9.0% or KRW4.3 trillion from the previous year, while mortgage loans edged up a slight 4.2% or KRW1.3 trillion. The overall growth of retail loans was due to strong sales of fixed-interest rate mortgage loans and bank-wide endeavors to enlarge prime unsecured loans, while stricter real estate regulations decelerated mortgage loan growth. Corporate lending increased by a significant 29.0% or KRW12.0 trillion year on year as the surge in capital expenditures and exports fueled growth in SME loans. While its SME loans were concentrated on registered SMEs, Shinhan Bank's traditional strengths – loans to manufacturers, wholesalers, realtors and constructors – also grew by a substantial 32.2% or KRW11.2 trillion.

Category	(KRW Billion)			
	2007	2006	Chg Amt	Chg %
Loans in Won	105,994.7	89,592.0	16,402.7	18.3
Retail	52,257.3	47,943.0	4,314.3	9.0
Mortgage	31,744.4	30,451.9	1,292.5	4.2
Others	20,512.9	17,491.1	3,021.8	17.3
Corporate	53,737.4	41,649.0	12,088.4	29.0
SME	46,093.1	34,865.5	11,227.6	32.2
SOHO	17,109.4	13,022.5	4,086.9	31.4
Large Corporate & Others	7,644.3	6,783.5	860.8	12.7

Management's Discussion & Analysis

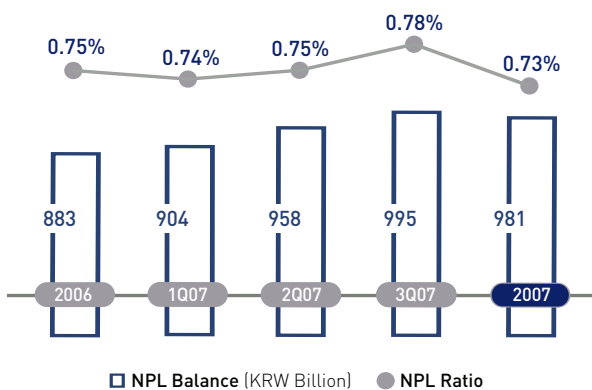
2) Asset Quality

As of the end of 2007, Shinhan Bank's ratio of substandard and below loans edged down by 2 basis point year on year to 0.73%, the industry lowest. The Bank is maintaining a sound asset quality through strategic asset growth based on quality loans and successful risk management. The amount of precautionary and below loans declined by KRW237.2 billion from the previous year. The NPL coverage ratio inched up by 6.4%p year on year to stand at 191%. This industry-leading NPL coverage ratio was due to KRW188.8 billion of additional loan loss provisioning in the fourth quarter of 2007.

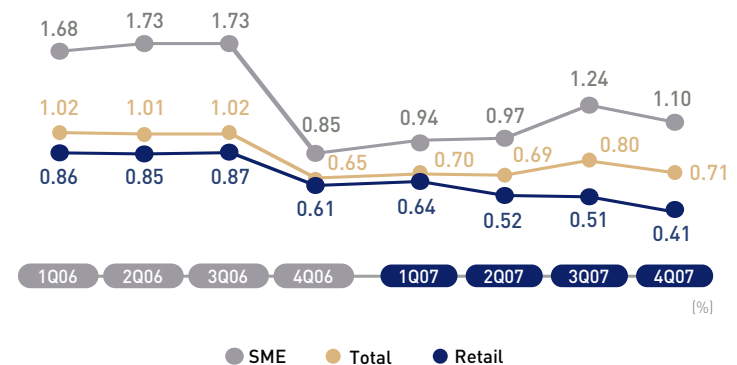
The delinquency ratio as of the end of 2007 also crept up by 6 basis point year on year to a stable 0.71%. By sector, retail and SME loans recorded 0.41% and 1.10% of delinquency ratio, respectively. The relatively high SME delinquency ratio is due to the climbing delinquency ratio of real estate companies. However, this high rate is characteristic of the industry and inevitably entails a certain level of risk, which is reflected in the pricing. The current risk level is considered as an adequate level at the moment.

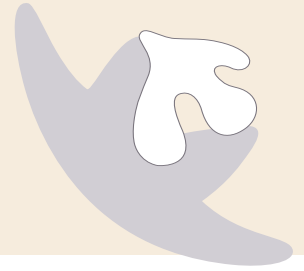
Category	(KRW Billion)			
	2007	2006	Chg Amt	Chg %
Total	134,241	117,552	16,688.9	14.2
Normal	132,180	115,253	16,926.1	14.7
Precautionary	1,081	1,416	-335.2	-23.7
Substandard	502.7	471.2	31.5	6.7
Doubtful	124.2	126.2	-2.0	-1.6
Estimated Loss	353.8	285.3	68.5	24.0
Substandard & Below Ratio	0.73%	0.75%		-0.02%p
Loan Loss Reserve	1,869.1	1,626.2	242.9	14.9%p
NPL Coverage Ratio	191%	184%	N/A	6.4%p

NPL Ratio



Delinquency Ratio (1M overdue)





3. Shinhan Card

1) Earning Assets

Shinhan Card's earning assets are classified into normal and risk assets. Risk assets are comprised of refinanced assets and assets delinquent for over one month.

As of the end of 2007, the new Shinhan Card's earning asset size stood at KRW17.3 trillion, thanks to stable asset growth and the merger of the former Shinhan Card. Into the asset mix, credit purchase receivables that contain relatively low risks increased by 6.9%p in its share from the previous year and refinanced assets that carry a high risk declined by 4.6%p in its share, thereby enhancing the quality of the overall portfolio.

Through this successful adjustment in its business portfolio, Shinhan Card can maintain stable revenue growth while controlling risks at an adequate level.

Asset Portfolio Composition

Category	2007	2006	2005	[%]
Credit Purchase Receivables	46.9	40.0	36.2	
Cash Advance	21.6	22.5	25.3	
Card Loan	14.9	13.3	11.4	
Refinanced Loan	4.2	8.8	15.6	
Others	12.5	15.4	11.5	

2) Asset Quality

Delinquency ratio

The new delinquency ratio, which hovered over 30% in 2003 when the credit card bubble burst, has continuously improved to 5.3% in 2006 and further to record 3.7% as of the end of 2007. The one-month delinquency ratio also remained at a stable 3.4%, compared to 4.5% at the end of 2006.

Delinquency Ratio

Category	2007	2006	2005	[%]
New Delinquency Ratio	3.7	5.3	7.9	
Old Delinquency Ratio	3.4	4.5	5.4	

Management's Discussion & Analysis

Write-offs

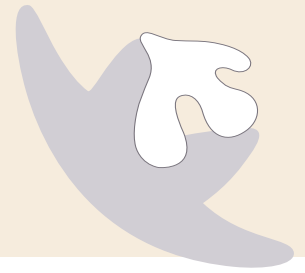
The credit card bubble burst compromised the company's asset quality. The former LG Card has written off KRW5.43 trillion in 2004 and KRW1.53 trillion in 2005. However, successful corporate and asset restructuring stabilized write-off amount at a stable KRW536.0 billion in 2006 and KRW431.0 billion in 2007, respectively. As asset quality stabilizes, future write-offs are expected to remain at a minimum level.

Provisions

As of the end of 2007, Shinhan Card has reserved a total of KRW1,040.0 billion in loan loss provisions. This is 6.0% of the KRW17,273.0 billion of earning assets with NPL coverage ratio standing at 200%. (Shinhan Card's NPL coverage ratio is calculated based on loans delinquent for more than three months.) Shinhan Card has also preemptively adopted new provisions requirements to hold KRW456.0 billion of other provisions including those for unused credit lines. The combined provisions for loan loss and unused credit lines stand at KRW1.5 trillion.

4. Good Morning Shinhan Securities

Category	(KRW Million)			
	2007	2006	Chg Amt	Chg %
Current Assets	6,188,497	3,790,711	2,397,786	63.3
Deposits	809,776	729,211	80,565	11.0
Current Securities	3,339,405	1,452,200	1,887,205	130.0
Loans	1,177,179	509,533	667,646	131.0
Others	862,136	1,099,768	-237,632	-21.6
Non-Current Assets	497,481	336,228	161,253	48.0
Non-Current Securities & Investments	311,130	139,510	171,620	123.0
Tangible Fixed Assets & Others	186,351	196,719	-10,368	-5.3
Total Assets	6,685,978	4,126,940	2,559,038	62.0
Current Liabilities	4,882,704	3,087,800	1,794,904	58.1
Call Money	680,700	186,300	494,400	265.4
Short-Term Borrowings	253,000	0	253,000	NA
Customers' Deposits	902,275	696,417	205,858	29.6
Others	3,046,730	2,205,083	841,647	38.2
Long-Term Liabilities	219,182	190,524	28,658	15.0
Total Liabilities	5,101,887	3,278,324	1,823,563	55.6
Total Stockholders' Equity	1,584,092	848,616	735,476	86.7
Total Liabilities & Stockholders' Equity	6,685,978	4,126,940	2,559,038	62.0



Good Morning Shinhan Securities' (GMSH) total assets increased by 62.0% year on year to KRW6,686.0 billion as of the end of 2007. Of the total, current assets account for 92.6% or KRW6,188.5 billion, up 63.3% from the previous year.

In current assets, deposits rose by 11.0% year on year to KRW809.8 billion as of the end of 2007. Loans on securities surged by 131.0% from the previous year to KRW1,177.2 billion. Securities also increased by 130.0% year on year to KRW3,339.4 billion. Out of the securities total, bonds take up 91.8% with KRW3,065.2 billion. Other current assets declined by 21.6% year on year to KRW862.1 billion as of the end of 2007 due to the decreased Back-to-Back ELS volume.

Total liabilities increased by 55.6% year on year to KRW5,101.9 billion as of the end of 2007 due to the rise in current liabilities. Along with deposit growth, call money and short-term borrowings grew with its expanded funding plan. Repurchase agreement (RP) volume also climbed. Long-term borrowings grew by 15.0% year on year to KRW219.2 billion as of the end of 2007.

Total shareholders' equity rose by 86.7% year on year to KRW1,584.1 billion, reflecting the capital increase worth KRW500.0 billion and net income growth.

5. Shinhan Life

Category	(KRW Million, %)			
	2007	2006	Chg Amt	Chg %
Cash & Deposit	589.9	403.0	186.9	46.4
Marketable Securities	2,894.5	2,657.8	236.7	8.9
Loans	1,996.5	1,553.9	442.6	28.5
Fixed Assets	20.0	20.1	-0.1	-0.5
Other Assets	1,002.7	929.1	73.6	7.9
Separate Account Assets	907.2	662.0	245.2	37.0
Total Assets	7,410.8	6,225.9	1,184.9	19.0
Policy Reserve	5,684.1	4,873.5	810.6	16.6
Policyholders' Equity Adjustment	-0.1	6.0	-6.1	-101.7
Other Liabilities	192.5	253.9	-61.4	-24.2
Separate Account Liabilities	1,029.6	662.0	367.6	55.5
Total Liabilities	6,906.1	5,795.4	1,110.7	19.2
Total Shareholders' Equity	504.7	430.5	74.2	17.2
Total Liabilities & Shareholders' Equity	7,410.8	6,225.9	1,184.9	19.0

1) Balance Sheet Analysis

Shinhan Life's total assets grew by 19.0% year on year to reach KRW7,410.8 billion as of the end of December 2007 thanks to sustained growth in insurance premiums income. Its maturity matching between assets and liabilities has further improved as securities holdings rose by KRW236.7 billion year on year, primarily driven by a KRW220.8 billion increase in hold-to-maturity bonds.

Management's Discussion & Analysis

Shinhan Life's loan assets expanded by KRW442.6 billion from the previous year to KRW1,996.5 billion with KRW764.0 billion of investment banking assets and KRW735.2 billion of loans extended to its policyholders. Investment banking assets increased by 61.9%, or KRW292.1 billion and policy loans by 19.3%, or KRW118.9 billion year on year, respectively. Separate account assets comprising pension and variable insurance products jumped by 37.0% or KRW245.2 billion to KRW907.2 billion.

As for liabilities, Shinhan Life has increased its policy reserves in line with the growth in sales of insurance policies. Total shareholders' equity rose by 17.2% year on year to record KRW504.7 billion due to the increase in retained earnings.

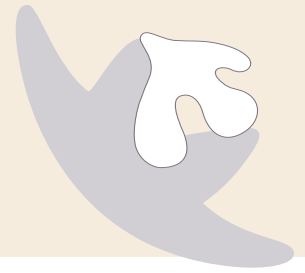
2) Asset Quality

Shinhan Life's ratio of NPLs weighted against its total assets edged down by 0.1%p from the previous year to 0.1%. Its industry-leading asset quality can be ascribed to its successful management of short-term delinquencies and holdings of high quality bonds.

Category	2007			2006			Chg
	Amount	NPL	Ratio	Amount	NPL	Ratio	
Normal	4,999.5	0.0	0.0%	4,319.6	0.0	0.0%	0.0%p
Precautionary	28.3	0.0	0.0%	14.3	0.0	0.0%	0.0%p
Substandard	2.6	0.5	7.0%	2.5	0.5	5.7%	1.3%p
Doubtful	0.1	0.1	1.4%	0.3	0.2	2.3%	-0.9%p
Estimated Loss	6.5	6.5	91.6%	8.1	8.1	92.0%	-0.5%p
Total	5,037.0	7.1	0.1%	4,344.8	8.8	0.2%	-0.1%p

As of the end of 2007, the loan loss provision ratio stood at 262.4%, up 62.4%p year on year due to aggressive management of Shinhan Life's delinquency ratio and extending new quality loans, mainly policy loans.

Category	2007	2006	Chg
Normal	2.2	2.2	0.0
Precautionary	0.0	0.0	0.0
Estimated Loss	5.4	6.7	-1.3
Substandard & Below Loans	7.6	8.8	-1.2
Loan Loss Provisions	19.9	17.7	2.2
Provision	262.4%	200.0%	62.4%p



IV. Funding

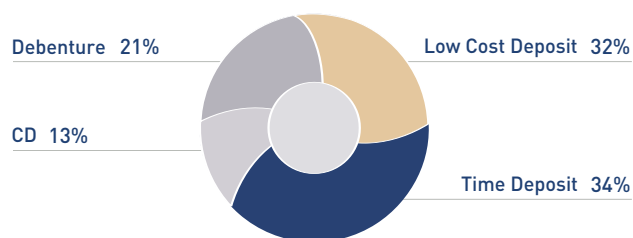
1. Shinhan Bank

Shinhan Bank's deposits in KRW grew by 8.6% or KRW7.3 trillion year on year. The capital flight away from low-cost deposits resulted in increased dependence on wholesale funding and the high cost of securing time deposits. Low-cost deposits inched up by KRW0.7 trillion year on year, while time deposits increased by KRW5.9 trillion, bank debentures by KRW3.4 trillion and certificates of deposit (CD) by KRW1.3 trillion. Consequently, loan-to-deposit ratio surged to 114% as of the end of 2007 and this growth is forecast to continue for some time.

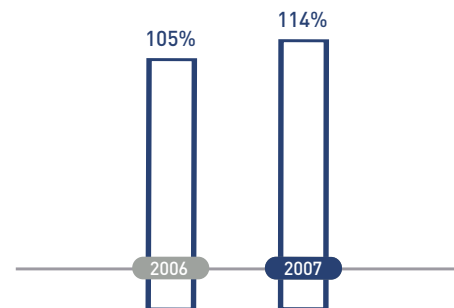
Shinhan Bank's funding structure is considered relatively stable as it maintains low-cost deposits through its national retail customer base and court escrow deposits at approximately 32% of its overall funding. Time deposits take up 34% and bank debentures 21% and CD 13%, respectively.

Category	(KRW Billion)			
	2007	2006	Chg Amt	Chg %
Total Deposits In KRW	92,906.8	85,562.0	7,344.8	8.6
Low Cost Deposits	37,992.5	37,289.9	702.6	1.9
Demands	12,406.4	12,481.4	-75.0	-0.6
Savings	25,586.1	24,808.5	777.6	3.1
Other Savings	39,746.6	35,305.2	4,441.4	12.6
Time Deposits	34,293.4	28,394.1	5,899.3	20.8
Accumulative / Others	5,453.2	6,911.1	-1,457.9	-21.1
Certificate Deposit	15,167.7	12,966.9	2,200.8	17.0
Debentures In KRW	25,122.3	21,703.5	3,418.8	15.8

Funding Composition



Loan-to-Deposit Ratio



Management's Discussion & Analysis

2. Shinhan Card

LG Card, as a monoline card company, depended upon wholesale funding before its entry into Shinhan Financial Group. However, the incorporation has enabled it to secure stable funding sources such as loans from holding company. Funding sources are diversified into corporate debentures, asset-backed securities at home and abroad and commercial papers. As of the end of 2007, the funding balance stood at KRW12.3 trillion. The tables below summarize funding composition and maturity based on the managed assets.

- Liabilities composition (as of the end of 2007)

Type	Debenture	CP	Others	ABS
Portion	56%	14%	7%	23%

- Maturity

	Below 1 year	1-2 year	Over 3 years
2007	43%	27%	30%
Target	33%	34%	33%

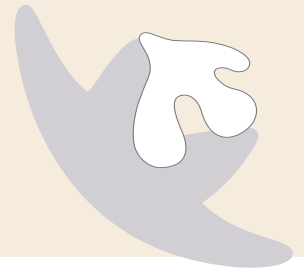
※ Of the maturity of Shinhan Card's liabilities as of the end of 2007, the below-one-year ratio is higher than the target because KRW960.0 billion of the bonds issued by former Chohung Bank's card business mature in 2008.

V. Capital Management

1. Shinhan Financial Group

As of the end of 2007, the group's BIS ratio stood at 9.85%. (2007 marked the first year that the group's BIS ratio was calculated.) Given Shinhan Bank's BIS ratio of 12.09%, the group's BIS ratio is relatively low due to the merger effect. The large-size business goodwill added to group's capital with the merger of LG Card in March 2007 was deducted from Tier 1 capital during calculation of the group's BIS ratio. However, rapid growth in the group's net income and goodwill amortization are pushing up the group's BIS ratio. Therefore, the group's BIS ratio is forecast to steadily grow by the end of 2008.

Category	(KRW Billion)	
	2007	
Risk-Weighted Assets	161,849	
Capital	15,946	
Tier I	8,389	
Tier II	7,557	
BIS Ratio	9.85%	
Tier I	5.18%	
Tier II	4.67%	

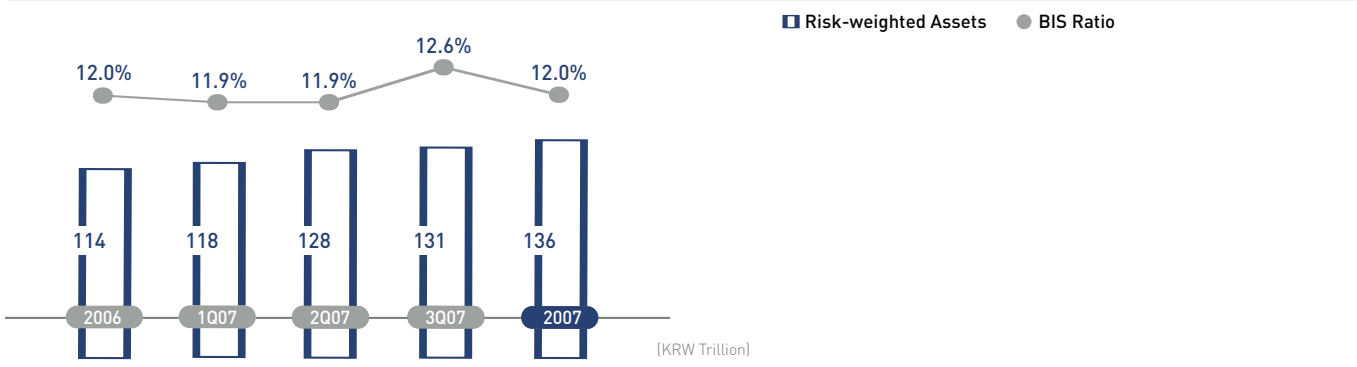


2. Shinhan Bank

Shinhan Bank's BIS capital adequacy ratio as of the end of 2007 remained similar to the previous year. Its Tier I capital ratio recorded 7.6%, down 0.2%p year on year due to steady growth in core capital base and net income. Its risk-weighted assets also maintained stable growth of 19.8% year on year to KRW136.0 trillion.

Category	(KRW Billion)			
	2007	2006	Chg Amt	Chg %
Risk-Weighted Assets	135,497	113,558	21,939	19.3
Capital	16,375	13,640	2,735	20.1
Tier I	10,347	8,870	1,477	16.7
Tier II	6,028	4,770	1,258	26.4
BIS Ratio	12.1%	12.0%		0.1%p
Tier I	7.6%	7.8%		-0.2%p
Tier II	4.5%	4.2%		0.3%p

SHB BIS Ratio



3. Shinhan Card

As of the end of 2007, Shinhan Card holds KRW4.0 trillion in equity capital, with 25.3% of adjusted capital adequacy ratio (CAR). This high equity ratio can mainly be attributed to the constantly high returns that it sustained over the past three years. LG Card paid KRW1.2 trillion to acquire former Shinhan Card on October 1, 2007, sending down the CAR from the previous year's 34.3%. The integrated new Shinhan Card will maintain a capital adequacy ratio of approximately 20%.

Management's Discussion & Analysis

4. Shinhan Life

Shinhan Life maintained 232.6% of solvency margin as of the end of 2007, even with the increased requirement amount due to growth in the total amount of insurance. Its steady solvency margin hovered over the 100% requirement set forth by Korea's Financial Supervisory Service due to the constant growth of retained earnings.

VI. Risk Management

Risk Management Organization

Group risk management committee

Oversees the entire process of setting group risk management standards from building the risk management framework for SFG and its subsidiaries to determining and approving group risk policies and limits.

- * Devising risk management guidelines that correspond to business strategies;
- * Determining the degree of manageable risk for the group and each subsidiary;
- * Approving appropriate investment limits and permissible loss limits for each subsidiary;
- * Enacting and revising regulations for risk management; and
- * Examining other matters deemed appropriate by the BOD and the committee.

Group risk management council

Oversees and discusses the details of the group's overall risk-related issues to ensure consistency in the implementation of all risk policies and strategies within the group and its subsidiaries.

Issues deliberated on by the council are as follows:

- * Changes in risk policies and strategies of subsidiaries;
- * Matters subject to joint discussion concerning group-wide risk management;
- * Influences of external environments on group risk; and
- * Other matters presented by the council chairman.



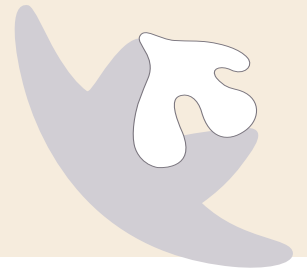
Senior management

SFG's senior risk officer supports the GRMC and works with the Group Risk Management Council, comprised of risk officers appointed by each subsidiary, to devise and apply risk policies and strategies for the group and each of the subsidiaries.



Subsidiary committees

Each subsidiary has its own risk management committee and risk management framework, which is used to implement the group's risk policies and strategies and to formulate and conduct the risk policies and strategies in accordance with the group's risk policies.



Overview

Shinhan Financial Group maintains a comprehensive risk management system that recognizes the diversity of the group's business activities and keeps risk factors under control. Major risks SFG faces are credit, market, liquidity, interest-rate and operational risks. SFG follows internal guidelines for identifying, measuring, controlling and reporting such risks.

Organization

The Group Risk Management Committee (GRMC) develops SFG's basic risk management policies and strategies. SFG's senior risk officer supports the GRMC and works with the Group Risk Management Council, comprised of risk officers appointed by each subsidiary, to devise and apply risk policies and strategies for the group and each of the subsidiaries. Each subsidiary has its own risk management committee and risk management framework, which is used to implement the group's risk policies and strategies and to formulate and conduct the risk policies and strategies in accordance with the group's risk policies.

SFG keeps a hierarchical system of limits to manage risks at a reasonable level. The GRMC sets manageable risk limits for the group and each subsidiary sets and maintains detailed risk limits by division, risk type and product.

Major Risks

Credit risk management

Credit risk is the potential for financial loss resulting from the failure of a borrower or counterparties to honor financial or contractual obligations and is the major risk faced by SFG. The majority of the credit risk cases arise largely in the course of lending to and investing in businesses extended by Shinhan Bank.

At Shinhan Bank, the basic policy on credit risk management is determined by the Credit Policy Committee. Chaired by the Chief Risk Officer (CRO), the committee is comprised of the Chief Credit Officer (CCO), deputy presidents of the related business groups and the general manager of the Risk Management Department. The committee makes decisions regarding the bank's overall credit policy and loan portfolio. To separate credit policy decisions from the loan review process, Shinhan Bank has set up the Credit Review Committee, which is chaired by the CCO. The seats on the Credit Review Committee are filled by deputy presidents of credit-related business groups, the general manager of the Credit Planning Department, and designated examiners. This committee deliberates on loan applications for amounts that exceed the authority of the examiners council, with a basic emphasis on maintaining healthy asset quality and enhancing profitability.

The credit risk management of each loan begins with a credit rating assessment of each borrower. All corporate loan requests undergo a credit analysis to assess the financial and non-financial factors of the borrower, such as industrial risk, operational risk and business risk. The results of this analysis provide data for loan approval, loan-limit management, pricing decisions and loan loss provisioning. In preparation for Basel II, SFG developed 26 types of loan models covering all loans to borrowers in eleven industrial sectors to meet the new approval criteria of the Basel II for internal ratings-based approaches. SFG operates exclusive credit scoring systems (CSS) for retail and SOHO customers, respectively.

Management's Discussion & Analysis

SFG employs a group decision-making process for inspecting corporate loans to ensure objective and circumspect decision making. In general, the relationship manager of each branch and the credit officer of each division must both agree to a loan approval. Approvals for substantial loans are made by RM councils. As for other substantial loans, namely those exceeding the limit set by the RM councils, the highest-level decision-making body takes charge of the loan inspection. Inspections of retail loans are made using the Credit Scoring System (CSS), which utilizes objective statistical methods and an automated assessment system based on SFG's credit policies.

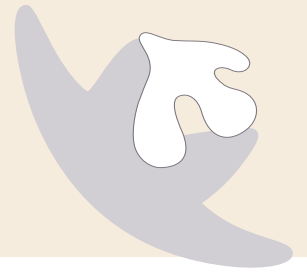
SFG also operates a real-time monitoring system for the timely and appropriate management of all loans. Under the system, firms showing signs of insolvency are automatically screened on a weekly basis and referred to risk officers and credit officers for loan reviews. The results of a loan review are rendered to an independent credit review department, which adjusts the credit rating of the borrower in question, if deemed necessary. Under the procedure, borrowers are placed in one of three categories—"companies showing signs of insolvency," "companies to be kept under observation" and "normal companies." Loans extended to troubled companies are monitored and managed according to risk management guidelines. Loan analysis, assessment and management are supported by the Industrial Information Team in the FSB Research Center under Shinhan Bank, which provides relevant data on industrial trends and companies, and the Financial Analysis Support System in cooperation with external credit assessment institutes.

Meanwhile, a separate assessment and management process is applied to cover expected and unexpected losses in credit risk. Expected loss is calculated based on probability of default by credit rating, loss given default and exposure at default. SFG earmarks loan loss provisions based on calculations of expected losses. Unexpected loss refers to a situation in which loan-related losses exceed loan loss provisions, such as that which occurred during the Asian financial crisis of 1997. To minimize and absorb the impact of such an event, the maximum potential amount of loss going forward is estimated and managed.

Policies on credit risk management for Shinhan Card are basically determined by the risk management council. Chaired by the head of business planning division, the risk management council is comprised of the heads of each business division and support division and the head of the division of the department relating to the relevant issue. During the meeting, the council deliberates and decides on such agenda as qualifications and limits on operation as well as the management of appropriate portfolios and drawing up and revising credit evaluation models.

We maintain independence from the risk management council and also operate a credit committee to separate the process of determining policies on credit extending from the credit evaluation. Chaired by the head of the credit management division, the credit committee consists of the heads of the division relating to the relevant issue and the head of the corporate credit management team. The Committee screens and evaluates credit extended to corporate clients that exceeds a given amount and other material credit extensions.

Shinhan Card issues cards and extends credit based on the results of an evaluation of settlement capacity under the regulations of financial supervisory service (FSS). It also operates various simulations to reflect internal and external credit information and market conditions to set different limits and operates flexible qualification criteria according to three classes of clients: premium, gray and delinquent. The credit scoring system of Shinhan Card employs the following models: AS model, card BS model, loan AS model and hire-purchase finance AS model. We continue to operate a monitoring system after issuing cards and extending credit in order to prevent delinquency.



Market risk management

Market risk is the risk of losses from changes in interest rates, foreign exchange (F/X) rates or the prices of equity shares and indices, commodities, debt securities and other financial contracts, including derivatives. SFG classifies market risks into three categories and applies different measures for each category. These measures include the price volatility risk of the trading portfolio, the interest rate risk on the trading account and the F/X risk of the foreign exchange position.

Market risk management basically aims to control and maintain the maximum amount of potential loss from market risk within manageable levels. Under this basic rule, SFG uses different risk limits for each party-at-risk, from the portfolio and individual desk, to the dealer, including value-at-risk (VaR) limits, investment limits, position limits, trading limits, loss limits and stop-loss limits. The managing of limits and monitoring of compliance are the responsibility of an independent risk management department and of risk management officers within each business unit. All new products of each business sector are subject to an objective analysis and review through a risk assessment process carried out by a risk management department to determine risk factors before being launched.

SFG uses a value-at-risk (VaR) model to measure market risk. Value-at-risk estimates the probability of portfolio losses based on a statistical analysis of historical market price trends, correlations and volatilities. SFG's VaR is based on the Monte-Carlo simulation at a 99% confidence level. Stress testing is performed, in addition to the statistical risk measurement, to preemptively counter any losses arising from unexpected changes in economic circumstances. Good Morning Shinhan Securities measures and manages market risk based on VaR. It applies risk weightings set by the Financial Supervisory Service (FSS) to meet pertinent regulations.

To ensure the effective management of market risks, SHB allows only selected divisions, such as the financial engineering center, to trade securities including stocks with a price volatility risk. Among the components of market risk, foreign exchange risk – which arises at branches in accordance with customer transactions – is managed by the financial engineering center.

Liquidity risk management

Liquidity risk is the risk that an entity may be unable to meet a financial commitment to a customer, creditor, or investor when payment is due or is the potential exposure that arises when adjustment at a reasonable cost is impaired due to the size of a derivative position in times of high volatility and financial stress. Each subsidiary observes the liquidity ratios set by their own governing supervisory organization and puts in place contingency plans to guard against unexpected shortages of cash caused by abrupt changes in market environments or monetary policies.

SFG also fine-tunes the maturity of its funding to match developments in the market conditions on a daily and monthly basis, with contingency plans for dealing with any liquidity-related situation. SHB reports their liquidity ratios, liquidity gap and other related indicators to the ALM Committee on a monthly basis.

Simulated stress testing is periodically performed to check if each subsidiary is maintaining a stable liquidity gap structure in the event of liquidity and market crises. These scenarios include going concern conditions, bank-specific crises and general market crises. The current status of a liquidity gap reckoned by scenario is reviewed and reported. In particular, a liquidity CaR is introduced to control risk capital in the event of an increase in refinancing costs arising from a depletion of normal reserves due to capital withdrawals by customers.

Management's Discussion & Analysis

Apart from the above-stated approaches, SFG disperses the maturity of its funding to avoid liquidity risk, and continues its efforts to secure a stable capital foundation.

Interest rate risk management

Interest rate risk refers to the possibility of loss from negative movements of interest rates such as declines in the value of net assets or decreases in net interest revenues. Each subsidiary seeks to contain within affordable levels, the volatilities of losses in net asset value and interest revenue deriving from movements of interest rates on all interest-bearing assets and liabilities, and other derivatives and non-trading accounts.

Interest rate risk can be broken down into three components of yield curve risk, basis risk and options risk, which shall be measured and controlled using the following approaches:

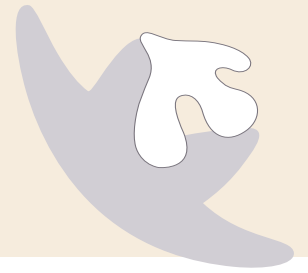
- * Interest rate gap analysis and interest rate VaR analysis to control interest rate mismatch risk
- * NII simulation using interest rate scenarios such as parallel shifts, yield curve rising and yield curve flattening to control yield curve risk
- * EaR analysis that reflects the correlations between the benchmark rates (government bond rates) and other product interest rates to control basis risk that derives from the gap between the benchmark rates of interest income and expense
- * Statistical analysis to control the options risk stemming from customer behavior such as early redemptions and halfway terminations, etc. affected by fluctuating market interest rates and other market factors

At SHB, interest rate risk management teams operate independently from front offices and measure, monitor and control risks using an ALM system. The team reports the current status of interest rate risk limit controls to the ALM committees on a regular basis.

SFG continues to measure and control the levels of risk using interest rate gap analysis, net interest income (NII) simulations and EaR analysis in earnings perspectives focused on the volatilities of interest profit over a short period to measure and control the maximum loss potential in the net interest income for a given period. Duration gap analysis and VaR analysis are employed to measure the level of risk in terms of economic value perspectives, which allows the group to comprehensively assess the long-term effects of interest rate movements and to assess and control the maximum permissible limit of losses in net asset value such as cash flow arising from assets, liabilities and off-balance transactions.

Stress testing is periodically performed to measure potential losses in the event of a market crisis and the results are reported to the ALM committee.

Aware of the importance of controlling major interest rate risks in banking activities, SFG strives to diversify the interest rate fluctuation period and develop new interest rate products to fill the gap between raising and operating funds.



Operational risk management

Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This includes legal risk but excludes business risk. As SFG is exposed to operational risk during the normal course of its business activities, such risk cannot be completely eliminated. The purpose of managing operational risk is to ensure that risk is kept at a manageable level, taking into account the costs and benefits.

The initial responsibility of managing risk rests with each business unit and division, so that risk is managed in everyday activities. The back-office departments such as HR, IT and legal departments are charged with lending their expertise with respect to operational risk related to their duties. At the subsidiary level, the risk department of each entity oversees the overall management of operational risk, while the auditing department checks the appropriateness of risk management.

Shinhan Bank has completed the installment of a risk management framework to prepare for the implementation of Basel II. This includes the related systems and documentation processes. The framework covers recognizing and assessing risk, evaluating control measures, managing KRI and loss data, analyzing scenarios, measuring risk and distributing profit. We carry out regular monitoring of operational risk control.

Among the Basic Indicator Approach, Standard Approach, and Advanced Measurement Approach, SFG ultimately aspires to adopt the third method for measuring operational risk. However, different methods are used at each of our subsidiaries, taking into consideration each subsidiary's risk management level and applicable FSS regulations.

Preparation for Basel II (2008)

In February 2004, when Shinhan Bank and the former Chohung Bank were at a dual bank stage, SFG started preparing for the implementation of a revised international capital framework, Basel II*, which was scheduled to come into effect at the end of 2007.

The project was implemented in two phases. The first stage, at the end of 2004, focused on analyzing the new requirements of Basel II and detailed action plans were drawn up to meet the requirements. During the second stage in 2005, the results of analysis and planning from the first stage were utilized to compile a detailed system of evaluating credit risk, operating risk and capital adequacy. The completed Basel II system went into operation on February 20, 2006.

SFG employs an advanced internal rating based approach (AIRB)* to analyze credit risk and an advanced measurement approach (AMA)* to analyze operating risk. Before fully adopting these highly-developed risk measuring tools, however, the foundational internal rating based approach (FIRB) will be utilized as a preliminary stage for three years from 2008 and the standardized approach (SA) will be used as a preliminary stage for the AMA. The AIRB and AMA will be gradually phased in from 2011.

In the run up to the implementation of the new Basel II regulatory requirements, SFG is ready to meet the qualitative and quantitative requirements for overall management and business processes such as required equity capital; loan interest pricing; asset portfolio management policies; profit and loss evaluations in consideration of expected losses and; expanded risk adjusted performance measures (RAPMs). The new Basel II system will not only help us enhance efficiency in independent control of credit and operational risks, but will also facilitate independent regular risk management inspections by a third party and bolster the authority of the board of directors and executive officers, thereby enhancing the quality of risk management, capital efficiency and client brand values.

Independent Auditors' Report

Based on a report originally issued in Korean

To the Board of Directors and Stockholders

Shinhan Financial Group Co., Ltd.:



KPMG Samjong Accounting Corp.

10th Floor, GangNam Finance Tower, 737 Yeoksam-dong
Gangnam-gu, Seoul 135-984 Republic of Korea
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We have audited the accompanying non-consolidated balance sheets of Shinhan Financial Group Co., Ltd. (the "Company") as of December 31, 2007 and 2006 and the related non-consolidated statements of income, appropriation of retained earnings, and cash flows for the years then ended and the non-consolidated statement of changes in stockholders' equity for the year ended December 31, 2007. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards 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, 2007 and 2006, the results of its operations, the appropriation of retained earnings, and its cash flows for the years then ended, and the changes in stockholders' equity for the year ended December 31, 2007, 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, 2007 and 2006 have been translated into United States dollars solely for the convenience of the reader. We have audited the translation and, in our opinion, the non-consolidated financial statements expressed in Korean Won have been translated into dollars 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, cash flows and changes in stockholders' equity 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 non-consolidated financial statements may differ from those generally accepted and applied in other



countries. Accordingly, this report and the accompanying non-consolidated financial statements are intended solely for use by those knowledgeable in Korean accounting principles and auditing standards and their application in practice.

As discussed in note 1(b) and note 4 to the non-consolidated financial statements, the Company acquired 98,517,316 shares (78.58%) of the outstanding shares of LG Card Co., Ltd. at ₩ 67,770 per share through a tender offer on March 19, 2007 and LG Card Co., Ltd. became a subsidiary of the Company. Subsequently, the Company acquired 9,624,218 shares (7.68%) at ₩ 46,392 per share through a second tender offer on July 3, 2007 and the remaining 17,227,869 shares (13.74%) were subject to a share exchange, at an exchange ratio of 0.84932 share in the Company for one LG Card Co., Ltd. share, on September 21, 2007. As a result, LG Card Co., Ltd. became a wholly-owned subsidiary of the Company and LG Card Co., Ltd. was delisted from the Korea Exchange on October 10, 2007.

As discussed in note 1(b) to the non-consolidated financial statements, Shinhan Card Co., Ltd., a wholly owned subsidiary of the Company, transferred all assets, liabilities and operations to LG Card Co., Ltd. effective October 1, 2007, per the resolution of the Board of Directors' Meeting on May 28, 2007. Subsequently, LG Card Co., Ltd. changed its name to Shinhan Card Co., Ltd. and former Shinhan Card Co., Ltd. changed its name to SHC Management Co., Ltd.

In addition, per the resolution of the Board of Directors' Meeting on November 12, 2007, Shinhan Card Co., Ltd. (formerly LG Card Co., Ltd.) transferred its corporate leasing business division to Shinhan Capital Co., Ltd. effective January 1, 2008.

KPMG Samjong Accounting Corp.

KPMG Samjong Accounting Corp.

Seoul, Korea

February 14, 2008

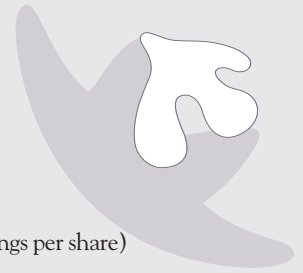
This report is effective as of February 14, 2008, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying non-consolidated financial statements and notes thereto. 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, 2007 and 2006 (In millions of Won and thousands of U.S. dollars)

	Won		U.S. dollars (note 2(b))	
	2007	2006	2007	2006
Assets				
Cash and due from banks (notes 3 and 13)	₩ 131,994	468,561	\$ 140,689	499,425
Equity method investment securities (notes 4 and 5)	23,743,620	12,775,892	25,307,632	13,617,450
Loans, net of allowance for loan losses (notes 6, 13 and 14)	1,407,925	1,179,147	1,500,666	1,256,818
Property and equipment, net (note 7)	528	776	563	827
Other assets (notes 8, 13 and 14)	43,461	579,255	46,324	617,412
Total assets	₩ 25,327,528	15,003,631	\$ 26,995,874	15,991,932
Liabilities and Stockholders' equity				
Liabilities:				
Borrowings (notes 9 and 14)	₩ 1,255,000	185,072	\$ 1,337,668	197,263
Debentures (note 10)	6,038,253	3,421,826	6,435,998	3,647,224
Retirement and severance benefits (note 11)	714	782	761	834
Other liabilities (notes 12, 13 and 14)	55,760	34,425	59,434	36,691
Total liabilities	7,349,727	3,642,105	7,833,861	3,882,012
Stockholders' equity:				
Capital stock of ₩5,000 par value (note 16)				
Common stock	1,980,998	1,907,838	2,111,488	2,033,509
Authorized - 1,000,000,000 shares				
Issued and outstanding - 396,199,587 shares in 2007				
- 381,567,614 shares in 2006				
Redeemable and convertible preferred stock	481,475	262,920	513,190	280,239
Issued and outstanding - 74,161,377 shares in 2007				
- 39,767,169 shares in 2006				
Capital surplus	8,648,799	4,360,082	9,218,502	4,647,284
Retained earnings (note 17)	5,221,814	3,387,960	5,565,779	3,611,128
Capital adjustments (note 18)	-	44,491	-	47,422
Accumulated other comprehensive income (notes 4 and 24)	1,644,715	1,398,235	1,753,054	1,490,338
Total stockholders' equity	17,977,801	11,361,526	19,162,013	12,109,920
Commitment and contingencies (note 15)				
Total liabilities and stockholders' equity	₩ 25,327,528	15,003,631	\$ 26,995,874	15,991,932

See accompanying notes to non-consolidated financial statements.



Non-Consolidated Statements of Income

For the years ended December 31, 2007 and 2006 (In millions of Won and thousands of U.S. dollars, except earnings per share)

	Won		U.S. dollars (note 2)	
	2007	2006	2007	2006
Operating revenue:				
Gain from equity method investment securities (notes 4 and 28)	₩ 2,632,111	1,917,268	\$ 2,805,490	2,043,560
Interest income (note 13)	117,333	79,151	125,062	84,365
Gain on foreign currency transaction	92	5,838	98	6,223
Other	-	1,495	-	1,593
	2,749,536	2,003,752	2,930,650	2,135,741
Operating expense:				
Interest expense	326,928	129,644	348,463	138,184
Loss from foreign currency transaction	93	5,838	99	6,223
Fees and commission	112	269	119	287
General and administrative expenses (notes 13 and 20)	48,211	47,138	51,388	50,243
	375,344	182,889	400,069	194,937
Operating income	2,374,192	1,820,863	2,530,581	1,940,804
Non-operating income, net	(477)	11,855	(508)	12,636
Income before income taxes	2,373,715	1,832,718	2,530,073	1,953,440
Income taxes (note 21)	22,662	-	24,155	-
Net income	₩ 2,396,377	1,832,718	\$ 2,554,228	1,953,440
Earnings per share in Won and U.S. dollars (note 22)	₩ 5,562	4,776	\$ 5.93	5.09
Diluted earnings per share in Won and U.S. dollars (note 22)	₩ 5,424	4,776	\$ 5.78	5.09

See accompanying notes to non-consolidated financial statements.

Non-Consolidated Statements of Appropriation of Retained Earnings

For the years ended December 31, 2007 and 2006 (In millions of Won and thousands of U.S. dollars)

Date of Appropriation for 2007: March 19, 2008 / Date of Appropriation for 2006: March 20, 2007

	Won		U.S. dollars (note 2)	
	2007	2006	2007	2006
Unappropriated retained earnings:				
Balance at beginning of year	₩ 2,242,709	1,263,407	\$ 2,390,438	1,346,629
Changes in retained earnings of equity method investments (note 4)	2,528	(105,037)	2,695	(111,956)
Redemption of redeemable preferred shares (note 16)	-	(56)	-	(60)
Net income	2,396,377	1,832,718	2,554,228	1,953,440
	4,641,614	2,991,032	4,947,361	3,188,053
Appropriation of retained earnings:				
Legal reserve (note 17)	239,638	183,272	255,423	195,344
Redemption of redeemable preferred shares (note 16)	537,826	172,812	573,253	184,195
Dividends (note 23)	620,442	392,239	661,311	418,076
	1,397,906	748,323	1,489,987	797,615
Unappropriated retained earnings to be carried over to subsequent year	₩ 3,243,708	2,242,709	\$ 3,457,374	2,390,438

See accompanying notes to non-consolidated financial statements.

Non-Consolidated Statement of Changes in Stockholders' Equity

For the year ended December 31, 2007(In millions of Won and thousands of U.S. dollars)



	Won					
	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total
Balance at January 1, 2007	₩ 2,170,758	4,360,082	44,491	1,398,235	3,387,960	11,361,526
Dividends paid	-	-	-	-	(392,238)	(392,238)
Common stock issued for acquisition	73,160	771,082	-	-	-	844,242
Preferred stock issued	218,555	3,517,683	-	-	-	3,736,238
Disposition of treasury stocks	-	(48)	-	-	-	(48)
Redemption of redeemable preferred stocks	-	-	-	-	(172,812)	(172,812)
Net income	-	-	-	-	2,396,377	2,396,377
Change in retained earnings of subsidiaries	-	-	-	-	2,527	2,527
Changes in unrealized holding gain(loss) on equity method investment securities	-	-	-	246,480	-	246,480
Share-based compensation expense	-	-	(44,491)	-	-	(44,491)
Balance at December 31, 2007	₩ 2,462,473	8,648,799	-	1,644,715	5,221,814	17,977,801

	U.S. dollars (note 2(b))					
	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total
Balance at January 1, 2007	\$ 2,313,748	4,647,284	47,422	1,490,338	3,611,128	12,109,920
Dividends paid	-	-	-	-	(418,075)	(418,075)
Common stock issued for acquisition	77,979	821,874	-	-	-	899,853
Preferred stock issued	232,951	3,749,395	-	-	-	3,982,346
Disposition of treasury stocks	-	(51)	-	-	-	(51)
Redemption of redeemable preferred stocks	-	-	-	-	(184,195)	(184,195)
Net income	-	-	-	-	2,554,228	2,554,228
Change in retained earnings of subsidiaries	-	-	-	-	2,693	2,693
Changes in unrealized holding gain(loss) on equity method investment securities	-	-	-	262,716	-	262,716
Share-based compensation expense	-	-	(47,422)	-	-	(47,422)
Balance at December 31, 2007	\$ 2,624,678	9,218,502	-	1,753,054	5,565,779	19,162,013

See accompanying notes to non-consolidated financial statements.

Non-Consolidated Statements of Cash Flows

For the years ended December 31, 2007 and 2006 (In millions of Won and thousands of U.S. dollars)

	Won		U.S. dollars (note 2(b))	
	2007	2006	2007	2006
Cash flows from operating activities:				
Net income	₩ 2,396,377	1,832,718	\$ 2,554,228	1,953,440
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	385	562	410	599
Amortization	329	295	351	314
Provision for (reversal of) allowance for loan losses	1,150	(1,495)	1,226	(1,593)
Provision for retirement and severance benefits	1,119	973	1,193	1,037
Gain from equity method investment securities, net	(2,632,111)	(1,917,268)	(2,805,490)	(2,043,560)
Share-based compensation costs	(885)	12,670	(943)	13,505
Dividends received from equity method investment securities	494,905	471,141	527,505	502,175
Other, net	5,198	2,410	5,542	2,570
Changes in assets and liabilities:				
Decrease (increase) in other assets	(19,740)	825	(21,040)	879
Increase in other liabilities	15,101	3,382	16,096	3,605
Retirement and severance benefits paid	(1,231)	(337)	(1,312)	(359)
Decrease (increase) in deposit for severance benefit insurance	44	(405)	47	(432)
Net cash provided by operating activities	260,641	405,471	277,813	432,180
Cash flows from investing activities:				
Cash provided by investing activities:				
Collection of loans	274,996	670,000	293,110	714,133
Collection of privately placed bonds	-	73,140	-	77,958
Proceeds from disposal of property and equipment	25	69	27	74
Decrease in other assets	-	167	-	178
Cash provided by investing activities	275,021	743,376	293,137	792,343
Cash used in investing activities:				
Purchase of equity method investment securities	(7,217,996)	-	(7,693,451)	-
Loans granted	(505,000)	(450,000)	(538,265)	(479,642)
Purchase of property and equipment	(147)	(208)	(157)	(222)
Increase in other assets	(1,953)	(519,433)	(2,082)	(553,648)
Decrease in other liabilities	-	(20,596)	-	(21,953)
Cash used in investing activities	(7,725,096)	(990,237)	(8,233,955)	(1,055,465)
Net cash used in investing activities	₩ (7,450,075)	(246,861)	\$ (7,940,818)	(263,122)

See accompanying notes to non-consolidated financial statements.



	Won		U.S. dollars (note 2(b))	
	2007	2006	2007	2006
Cash flows from financing activities:				
Cash provided by financing activities:				
Proceeds from borrowings	₩ 2,058,000	702,000	\$ 2,193,562	748,241
Proceeds from issuance of debentures	3,350,000	2,300,000	3,570,667	2,451,503
Proceeds from issuance of preferred stock	3,749,962	-	3,996,975	-
Disposition of treasury stocks	295	-	314	-
	9,158,257	3,002,000	9,761,518	3,199,744
Cash used in financing activities:				
Repayment of borrowings	(987,996)	(667,188)	(1,053,076)	(711,136)
Repayment of debentures	(730,000)	(1,000,000)	(778,086)	(1,065,871)
Debentures issuance cost paid	(8,787)	(6,627)	(9,366)	(7,064)
Dividends paid	(391,705)	(384,715)	(417,507)	(410,056)
Redemption of redeemable preferred stocks	(172,812)	(697,864)	(184,195)	(743,833)
Acquisition of treasury stocks	(343)	-	(366)	-
Stock issuance cost paid	(13,747)	(29)	(14,653)	(31)
	(2,305,390)	(2,756,423)	(2,457,249)	(2,937,991)
Net cash provided by financing activities	6,852,867	245,577	7,304,269	261,753
Net increase (decrease) in cash and due from banks	(336,567)	404,187	(358,736)	430,811
Cash and due from banks at beginning of year	468,561	64,374	499,425	68,614
Cash and due from banks at end of year	₩ 131,994	468,561	\$ 140,689	499,425

See accompanying notes to non-consolidated financial statements.

Notes to Non-Consolidated Financial Statements

December 31, 2007 and 2006

(1) General Description of the Company

Shinhan Financial Group Co., Ltd. (the "Company") was incorporated on September 1, 2001 through a business combination involving exchange of the Company's common stock with the former shareholders of Shinhan Bank, Shinhan Securities Co., Ltd., Shinhan Capital Co., Ltd. and Shinhan BNP Paribas Investment Trust Management Co., Ltd.. The Company was formed with ₩1,461,721 million of initial capital stock for the purpose of providing management services and financing to affiliate companies. The Company's shares were listed on the Korea 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, 2007, the Company had eight subsidiaries and four affiliated companies accounted for under the equity method (including joint ventures), and its capital stock consisted of ₩1,980,998 million in common stock and ₩481,475 million in redeemable and convertible preferred stock.

Details of its subsidiaries and joint ventures were as follows:

a. Subsidiaries

(a) Shinhan Bank (formerly Chohung Bank)

Chohung Bank was established on October 1, 1943 through the merger of Han Sung Bank, established on February 19, 1897, and Dong Il Bank, established on August 8, 1906, to engage in commercial banking and trust operations.

On April 1, 2006, Shinhan Bank merged with Chohung Bank (excluding the card division of Chohung Bank) with Chohung Bank was the surviving legal entity. After the merger, Chohung Bank changed its name to Shinhan Bank. The credit card division of Chohung Bank was merged with Shinhan Card Co., Ltd. on April 1, 2006.

As of December 31, 2007, Shinhan Bank operated through 911 domestic branches, 95 depository offices and 15 overseas branches, and its capital stock amounted to ₩7,528,078 million.

(b) Shinhan Card Co., Ltd. (formerly LG Card Co., Ltd.)

LG Card Co., Ltd. ("LG Card") was incorporated on December 17, 1985, under the name of Express Credit Card Corporation to provide credit card services. LG Card merged with Goldstar Factoring Corporation and LG Financing Corporation on June 1, 1988 and January 1, 1998, respectively. LG Card mainly provides credit card services, factoring, installment financing and leasing under the Specialized Credit Financial Business Act. LG Card was listed on the Korea Exchange on April 22, 2002.

On March 19, 2007, the Company acquired 98,517,316 shares (78.6%) of the outstanding shares of LG Card at ₩ 67,770 per share through a tender offer and LG Card became a subsidiary of the Company. Subsequently, the Company acquired 9,624,218 shares (7.68%) at ₩46,392 per share through a second tender offer on July 3, 2007 and the remaining 17,227,869 shares (13.74%) were subject



to a share exchange, at an exchange ratio of 0.84932 share in the Company for one LG Card share, on September 21, 2007.

Per the resolution of the Board of Directors' Meeting on May 28, 2007, Shinhan Card Co., Ltd. (SHC Management Co., Ltd. as of December 31, 2007), a wholly owned subsidiary of the Company, transferred all assets, liabilities and operations to LG Card effective October 1, 2007. With this business transfer, LG Card changed its name to Shinhan Card Co., Ltd. effective October 1, 2007.

Shinhan Card Co., Ltd. (formerly LG Card Co., Ltd.; "Shinhan Card") transferred its corporate leasing business division to Shinhan Capital Co., Ltd. effective January 1, 2008, per the resolution of the Board of Directors' Meeting on November 12, 2007.

As of December 31, 2007, Shinhan Card had 92 branches, approximately 2.15 million merchants in its network, and 13.35 million active credit card holders, and its capital stock amounted to ₩ 626,847 million.

(c) Good Morning Shinhan Securities Co., Ltd.

Good Morning Shinhan Securities Co., Ltd. ("Good Morning Shinhan Securities") was incorporated on April 2, 1973 to engage in securities trading, underwriting and brokerage services. As of December 31, 2007, it operated through 84 branches and its capital stock amounted to ₩1,296,998 million (including ₩19,117 million of preferred stock).

(d) Shinhan Life Insurance Co., Ltd.

Shinhan Life Insurance Co., Ltd. ("Shinhan Life Insurance") was incorporated in January 1990 under the laws of the Republic of Korea to engage in life insurance and related businesses and became a wholly owned subsidiary as of December 31, 2005. As of December 31, 2007, Shinhan Life Insurance operated through 141 branches and its capital stock amounted to ₩200,000 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. It changed its name on May 27, 1999 from Shinhan Leasing Co., Ltd. to Shinhan Capital Co., Ltd.. Shinhan Capital's capital stock as of December 31, 2007 amounted to ₩180,000 million. In addition as noted above, Shinhan Capital acquired the net assets of the corporate leasing business division of Shinhan Card effective January 1, 2008, per the resolution of the Board of Directors' Meeting on November 12, 2007.

(f) Jeju Bank

Jeju Bank was incorporated on March 18, 1969 under the General Banking Act of the Republic of Korea to engage in commercial banking and the trust services and listed its shares on the Korea Exchange on December 28, 1972. Jeju Bank's capital stock as of December 31, 2007 amounted to ₩77,644 million.

(g) Shinhan Credit Information Co., Ltd.

Shinhan Credit Information Co., Ltd. ("Shinhan Credit Information") was established on July 8, 2002 to engage in debt collection services and credit research. Shinhan Credit Information's capital stock as of December 31, 2007 amounted to ₩3,000 million.

Notes to Non-Consolidated Financial Statements

December 31, 2007 and 2006

(h) 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, 2007 amounted to ₩10,000 million.

b. Subsidiary accounted for under equity method and joint ventures

(a) SHC Management Co., Ltd. (formerly Shinhan Card Co., Ltd.)

SHC Management Co., Ltd. (formerly Shinhan Card Co., Ltd.) was established on June 1, 2002 under the Specialized Credit Financial Business Act through the spin-off of the credit card division of Shinhan Bank. Former Shinhan Card Co., Ltd was principally engaged in credit card services, factoring, consumer loans and installment financing. However as noted above, effective October 1, 2007, former Shinhan Card Co., Ltd. transferred all assets, liabilities and operations to former LG Card Co., Ltd.. As a result of this business transfer, former LG Card Co., Ltd. changed its name to Shinhan Card Co., Ltd. and former Shinhan Card Co., Ltd changed its name to SHC Management Co., Ltd. ("SHC Management"). SHC Management is expected to liquidate. SHC Management's capital stock as of December 31, 2007 amounted to ₩358,886 million.

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

On August 1, 1996, Shinhan Investment Trust Management Co., Ltd. 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. Under the joint venture agreement on October 2002, with BNP Paribas Asset Management Group, Shinhan Investment Trust Management Co., Ltd. was renamed Shinhan BNP Paribas Investment Trust Management Co., Ltd. ("Shinhan BNP Paribas ITMC"). Shinhan BNP Paribas ITMC's capital stock as of December 31, 2007 amounted to ₩40,000 million.

(c) 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 under the joint venture agreement with Cardif SA. SH&C Life Insurance's capital stock as of December 31, 2007 amounted to ₩30,000 million.

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

On August 1, 2001, Shinhan Macquarie Financial Advisory Co., Ltd. ("Shinhan Macquarie") was incorporated to engage in the business of financial advisory services and cross border leasing under the joint venture agreement with Macquarie International Holdings Ltd. Shinhan Macquarie's capital stock as of December 31, 2007 amounted to ₩1,000 million.



Details of ownership as of December 31, 2007 and December 31, 2006 were as follows:

Investor	Investee	2007		2006	
		Number of shares	Ownership percentage(%)	Number of shares	Ownership percentage(%)
Subsidiaries:					
Shinhan Financial Group	Shinhan Bank	1,505,615,506	100.0	1,505,615,506	100.0
	Shinhan Card	125,369,403	100.0	-	-
	Good Morning Shinhan Securities	259,399,664	100.0	159,399,664	100.0
	Shinhan Life Insurance	40,000,000	100.0	40,000,000	100.0
	SHC Management	-	-	71,777,256	100.0
	Shinhan Capital	32,250,000	100.0	12,250,000	100.0
	Jeju Bank	9,692,369	62.4	9,692,369	62.4
	Shinhan Credit Information	600,000	100.0	600,000	100.0
	Shinhan PE	2,000,000	100.0	2,000,000	100.0
Shinhan Bank	Shinhan Financial Group	-	-	7,129,967	^(*) 1.9
Shinhan Card (formerly LG Card Co., Ltd.)	Shinhan Financial Group	529	^(*) 0.0	-	-
Subsidiary accounted for under the equity method :					
Shinhan Financial Group	SHC Management	71,777,256	100.0	-	-
Joint ventures:					
Shinhan Financial Group	Shinhan BNP Paribas ITMC	4,000,001	50.0	4,000,001	50.0
	SH&C Life Insurance	3,000,001	50.0	3,000,001	50.0
	Shinhan Macquarie	102,000	51.0	102,000	51.0

(*) ownership percentage of common stock

(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 in conformity with 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 solely for use by those who are informed in Korean accounting principles and practices. The accompanying non-consolidated financial statements have been condensed, restructured and translated into English from the Korean language non-consolidated financial statements.

Notes to Non-Consolidated Financial Statements

December 31, 2007 and 2006

Certain information included in the Korean language non-consolidated financial statements, but not required for a fair presentation of the Company's financial position, results of operations, changes in stockholders' equity or cash flows, is not presented in the accompanying non-consolidated 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 ₩938.2 to US\$1, the basic exchange rate on December 31, 2007. 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, 2007, the Company has adopted Statements of Korea Accounting Standards (the "SKAS") No. 21 "Preparation and Presentation of Financial Statements", No. 22 "Share-based Payment", No. 23 "Earning per Share", No. 101 "Financial Holding Company" and Financial Services Authority Opinion(the "FSAO") 2005-2 "Cash Flows of the Bank(Revised)". Except for the adoption of the aforementioned accounting standards, the accounting policies were consistently applied for the non-consolidated financial statements both as of and for the years ended December 31, 2007 and 2006. Certain accounts of the non-consolidated financial statements as of and for the period ended December 31, 2006 were reclassified to conform to the current year's presentation for comparative purposes, resulting in an increase in the cash flows from operating activities and decrease in the cash flows from investing activities by ₩471,142 million, respectively.

(d) Changes in Presentation of Financial Statements

According to SKAS No. 21, "Preparation and Presentation of Financial Statements", a statement of changes in stockholders' equity for the year ended December 31, 2007 has been included in the non-consolidated financial statements and the capital adjustment account as of December 31, 2006 has been reclassified into capital adjustments and accumulated other comprehensive income. In accordance with the transition requirements of SKAS No.21, only the current year's statement of changes in stockholders' equity is presented in the non-consolidated financial statements. A statement of comprehensive income has been included in the notes to the non-consolidated financial statements.

(e) Allowance for Loan Losses

In estimating the allowance for loan losses, the Company records the greater amount resulting from the provisioning methods based on an analysis of individual accounts or per Financial Supervisory Services (FSS) guidelines.

(f) Investments in Associates and Subsidiaries

Associates are all entities over which the Company has the ability to significantly influence the financial and operating policies and procedures, generally accompanying a shareholding of over 20 per cent of the voting rights. Subsidiaries are entities controlled by the Company.



Investments in associates and subsidiaries are accounted for using the equity method of accounting and are initially recognized at cost.

The Company's investments in associates and subsidiaries include goodwill identified on acquisition (net of any accumulated impairment loss). Goodwill is calculated as the excess of the acquisition cost of an investment in an associate or subsidiary over the Company's share of the fair value of the identifiable net assets acquired. Goodwill is amortized using the straight-line method over its estimated useful life, between 10 years and 14 years. Amortization of goodwill is recorded together with equity income (losses).

When events or circumstances indicate that the carrying value of goodwill may not be recoverable, the Company reviews goodwill for impairment and records any impairment loss immediately in the non-consolidated statement of income.

The Company's share of its post-acquisition profits or losses in investments in associates and subsidiaries is recognized in the non-consolidated income statement, and its share of post-acquisition movements in equity is recognized in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of each investment. Changes in the carrying amount of an investment resulting from dividends by an associate or subsidiary are recognized when the associate or subsidiary declares the dividend. When the Company's share of losses in an associate or subsidiary equals or exceeds its interest in the associate or subsidiary, including preferred stock or other long term loans and receivables issued by the associate or subsidiary, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate or subsidiary.

Unrealized gains on transactions between the Company and its associates or subsidiaries are eliminated to the extent of the Company's interest in each associate or subsidiary.

(g) Interests in Joint Ventures

Joint ventures are those entities or assets over whose activities the Company has joint control. The Company accounts for its interest in a jointly controlled entity using the equity method of accounting.

(h) Property and Equipment

Property and equipment are stated at cost. Assets acquired through exchange, investment in kind or donation are recorded at their fair value.

Depreciation is computed by the declining-balance method using rates based on the estimated useful lives of the respective assets or using the straight-line method over the estimated useful lives of the assets as follows:

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

Notes to Non-Consolidated Financial Statements

December 31, 2007 and 2006

Significant additions or improvements extending useful lives of assets are capitalized. However, normal maintenance and repairs are charged to expense as incurred.

(i) Intangible Assets

Intangible assets comprised of software and are stated at cost less accumulated amortization and impairment losses, if any. Intangible assets are amortized using the straight-line method over five years.

(j) 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 in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted. 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 in which the carrying amount of assets and liabilities will be realized or settled, 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.

(k) Discount (Premium) on Debentures

Discount (premium) on debentures 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.

(l) Retirement and Severance Benefits

Employees who have been with the Company for more than one year are entitled to lump-sum payments based on salary rates and length of service at the time 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 benefits trust where the employees have a vested interest in the deposit with the insurance company (or the bank) in trust. The deposit for severance benefits held in trust is, therefore, reflected in the accompanying non-consolidated balance sheets as a reduction of the liability for retirement and severance benefits.

(m) 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 dates 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 ₩938.2 and ₩929.6 to US\$1, the rates of exchange on December 31, 2007 and 2006, respective-



ly. 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.

(n) Stock Issuance Costs

Stock issuance costs paid are recorded as a reduction of capital surplus.

(o) Share-Based Payments

The Company has granted shares or share options to its employees and other parties. For equity-settled share-based payment transactions, the Company measures the goods or services received, and the corresponding increase in equity as a capital adjustment at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the entity cannot estimate reliably the fair value of the goods or services received, the Company measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted. If the fair value of the equity instruments cannot be estimated reliably at the measurement date, the Company measures them at their intrinsic value and recognizes the goods or services received based on the number of equity instruments that ultimately vest. For cash-settled share-based payment transactions, the Company measures the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Company remeasures the fair value of the liability at each reporting date and at the date of settlement, with changes in fair value recognized in profit or loss for the period. For transactions with an option of cash or equity settlement by the Company or the counterparty, the transaction is accounted for according to the substance of the transaction.

For cash-settled share-based payments prior to December 31, 2006, the fair value of the liability is remeasured under the intrinsic value method at each subsequent reporting date, with any changes in fair value recognized in profit or loss for the period.

(p) Provision, Contingent Assets and Contingent Liabilities

Provisions are recognized when all of the following are met: (1) an entity has a present obligation as a result of a past event; (2) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (3) a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, a provision is recorded at the present value of the expenditures expected to be required to settle the obligation.

Where the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset when, and only when, it is virtually certain that reimbursement will be received if the Company settles the obligation. The expense relating to a provision is presented net of the amount recognized for reimbursement.

(q) 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 non-consolidated financial statements and related notes to non-consolidated financial statements. Actual results could differ from those estimates.

Notes to Non-Consolidated Financial Statements

December 31, 2007 and 2006

(3) Cash and Due from Banks

As of December 31, 2007 and 2006, ₩5.5 million of cash and due from banks was restricted as guarantee deposits on bank accounts.

(4) Equity Method Investment Securities

Details of equity method investment securities as of December 31, 2007 and 2006 were as follows:

(in millions of Won)

Investees	2007					
	Beginning balance	Acquisition (dividend), net	Equity method gain (loss)	Retained earnings	Other comprehensive income (loss) ^(*)	Ending balance
Subsidiaries:						
Shinhan Bank	₩ 9,724,729	(435,944)	1,887,570	2,527	441,969	11,620,851
Shinhan Card (formerly LG Card Co., Ltd.; note 5)	-	8,410,311	290,591	-	(650,106)	8,050,796
Good Morning Shinhan Securities	979,853	506,556	151,602	-	58,699	1,696,710
Shinhan Life Insurance	793,204	(30,000)	79,758	-	(27,774)	815,188
Shinhan Capital	187,782	84,688	49,282	-	(412)	321,340
Jeju Bank	69,316	-	9,707	-	(1,334)	77,689
Shinhan Credit Information	10,255	-	2,110	-	-	12,365
Shinhan PE	10,492	-	199	-	(60)	10,631
	11,775,631	8,535,611	2,470,819	2,527	(179,018)	22,605,570
Subsidiary accounted for under equity method:						
SHC Management (formerly Shinhan Card Co., Ltd.)	957,830	(444,086)	146,809	-	426,097	1,086,650
Joint venture companies:						
Shinhan BNP Paribas ITMC	24,790	(4,600)	10,650	-	1	30,841
SH&C Life Insurance	17,612	-	13	-	(600)	17,025
Shinhan Macquarie	29	(315)	3,820	-	-	3,534
	42,431	(4,915)	14,483	-	(599)	51,400
	₩ 12,775,892	8,086,610	2,632,111	2,527	246,480	23,743,620

(*) The difference between the acquisition cost and the additional net asset value acquired in the amount of ₩248,858 million is included in Shinhan Card.

The market value of Jeju Bank shares owned by the Company was ₩76,570 million as of December 31, 2007 based on the quoted market price (₩7,900 per share) at that date.



Changes in (negative) goodwill for the year ended December 31, 2007 were as follows:

(in millions of Won)

	Beginning balance	Increase (decrease)	Amortization (reversal)	Ending balance
Shinhan Bank	₩ 653,805	-	61,294	592,511
Shinhan Card (formerly LG Card Co., Ltd.)	-	4,198,412	234,008	3,964,404
Good Morning Shinhan Securities	93,526	-	17,004	76,522
Shinhan Life Insurance	372,742	-	41,803	330,939
Jeju Bank	(3,600)	-	(685)	(2,915)
SHC Management(formerly Shinhan Card Co., Ltd.)	320,572	(298,032)	22,540	-
	₩ 1,437,045	3,900,380	375,964	4,961,461

(in millions of Won)

Investees	2006					
	Beginning balance	Acquisition (dividend), net	Equity method gain	Retained earnings	Other comprehensive income (loss)	Ending balance
Subsidiaries:						
Shinhan Bank	₩ 8,751,516	(955,218)	1,500,460	(3,277)	431,248	9,724,729
Good Morning Shinhan Securities	900,138	-	74,753	(101,458)	106,420	979,853
Shinhan Life Insurance	737,788	(20,000)	64,980	(301)	10,737	793,204
SHC Management (formerly Shinhan Card Co., Ltd.)	221,449	526,806	208,052	-	1,523	957,830
Shinhan Capital	151,789	(15,313)	48,255	-	3,051	187,782
Jeju Bank	60,770	-	9,405	-	(859)	69,316
Shinhan Credit Information	9,263	(1,800)	2,792	-	-	10,255
Shinhan PE	8,741	-	1,751	-	-	10,492
	10,841,454	(465,525)	1,910,448	(105,036)	552,120	12,733,461
Joint ventures:						
Shinhan BNP Paribas ITMC	24,103	(3,600)	4,288	-	(1)	24,790
SH&C Life Insurance	15,513	-	1,776	-	323	17,612
Shinhan Macquarie	1,289	(2,016)	756	-	-	29
	40,905	(5,616)	6,820	-	322	42,431
	₩ 10,882,359	(471,141)	1,917,268	(105,036)	552,442	12,775,892

The market value of Jeju Bank shares owned by the Company was ₩73,274 million as of December 31, 2006 based on the quoted market price (₩7,560 per share) at that date.

Notes to Non-Consolidated Financial Statements

December 31, 2007 and 2006

Changes in goodwill (negative goodwill) for the year ended December 31, 2006 were as follows:

	(in millions of Won)			
	Beginning balance	Increase (decrease)	Amortization (reversal)	Ending balance
Shinhan Bank	₩ 1,065,725	(343,112)	68,808	653,805
Good Morning Shinhan Securities	110,530	-	17,004	93,526
Shinhan Life Insurance	414,545	-	41,803	372,742
SHC Management (formerly Shinhan Card Co., Ltd.)	-	343,112	22,540	320,572
Jeju Bank	(4,285)	-	(685)	(3,600)
	₩ 1,586,515	-	149,470	1,437,045

(5) Acquisition of LG Card Co., Ltd. ("LG Card")

(a) On March 19, 2007, the Company acquired 98,517,316 shares (78.6%) of the outstanding shares of LG Card at ₩67,770 per share through a tender offer and LG Card became a subsidiary of the Company on March 23, 2007. The Company applied purchase method of accounting for the acquisition.

The condensed financial information of LG Card as of and for the year ended December 31, 2006 and as of and the period ended March 19, 2007 were as follows:

	(in millions of Won)	
	December 31, 2006	March 19, 2007, acquisition date
Assets	₩ 9,645,482	10,019,061
Liabilities	6,624,912	6,127,002
Stockholders' equity	3,020,570	3,892,059
Operating revenue	2,703,398	422,308
Operating expense	1,512,216	167,055
Operating income	1,191,182	255,253
Income before income taxes	1,191,138	212,490
Net income	₩ 1,193,679	874,461

Additionally, the Company acquired 9,624,218 shares (7.68%) at ₩ 46,392 per share from Shinhan Bank among others, through a second tender offer on July 3, 2007 and the remaining 17,227,869 shares (13.74%) were subject to a share exchange, at an exchange ratio of 0.84932 share in the Company to one LG Card share, on September 21, 2007. The Company reflected the difference between the acquisition cost and the additional net asset value in LG Card as other comprehensive income. Subsequently, LG Card changed its name to Shinhan Card Co., Ltd. effective October 1, 2007.



(b) Details of goodwill related to the acquisition of LG Card were as follows:

	(in millions of Won)
Consideration given on March 19, 2007	₩ 6,683,743
Fair value of net assets	3,030,612
Goodwill	3,653,131
Unamortized goodwill transferred from Shinhan Bank relating to LG Card ^(*)	247,249
	₩ 3,900,380

(*1) On July 3, 2007, the Company acquired LG Card shares held by Shinhan Bank and recorded the unamortized goodwill by Shinhan Bank at acquisition date at its carrying amount.

(6) Loans

(a) Loans as of December 31, 2007 and 2006 consisted of the following:

	(in millions of Won)	
	2007	2006
Loans in Won	₩ 1,415,000	1,120,000
Loans in foreign currencies	-	65,072
	1,415,000	1,185,072
Less: allowance for loan losses	(7,075)	(5,925)
	₩ 1,407,925	1,179,147

(b) Detail of loans as of December 31, 2007 and 2006 were as follows:

		2007		2006	
Borrower		Interest rate (%)	Amount	Interest rate (%)	Amount
Loans in Won	Shinhan Card	5.23~6.86	₩ 650,000	4.49~6.28	₩ 450,000
	Shinhan Capital	4.33~6.83	590,000	4.33~8.12	500,000
	Good Morning	5.25~5.64	170,000	5.25~5.64	170,000
	Shinhan Securities				
	Shinhan PE	5.51	5,000	-	-
			₩ 1,415,000		₩ 1,120,000
Loans in foreign currencies	Shinhan Capital	-	-	3M Libor+0.38	65,072
			₩ 1,415,000		₩ 1,185,072
Allowance for loan losses			(7,075)		(5,925)
			₩ 1,407,925		₩ 1,179,147

Notes to Non-Consolidated Financial Statements

December 31, 2007 and 2006

(c) The maturities of loans as of December 31, 2007 and 2006 were as follows:

(in millions of Won)

At December 31, 2007	Loans in Won	Loans in foreign currencies	Total
Due in three months or less	₩ 80,000	-	80,000
Due after three months through six months	85,000	-	85,000
Due after six months through 12 months	60,000	-	60,000
Due after one year through three years	790,000	-	790,000
Thereafter	400,000	-	400,000
	₩ 1,415,000	-	1,415,000

(in millions of Won)

At December 31, 2006	Loans in Won	Loans in foreign currencies	Total
Due in three months or less	₩ 150,000	-	150,000
Due after three months through six months	20,000	37,184	57,184
Due after six months through 12 months	40,000	-	40,000
Due after one year through three years	690,000	27,888	717,888
Thereafter	220,000	-	220,000
	₩ 1,120,000	65,072	1,185,072

(7) Property and Equipment

Property and equipment as of December 31, 2007 and 2006 consisted of the following:

(in millions of Won)

	2007	2006
Property and equipment:		
Vehicles	₩ 171	261
Furniture and fixtures	1,467	1,416
Leasehold improvements	1,823	1,728
	3,461	3,405
Less: accumulated depreciation	(2,933)	(2,629)
	₩ 528	776



(8) Other Assets

Other assets as of December 31, 2007 and 2006 consisted of the following:

	(in millions of Won)	
	2007	2006
Security deposits paid	₩ 10,068	9,915
Software	1,016	910
Account receivables	-	37,907
Accrued income	8,415	8,016
Advance payments	10	519,328
Prepaid expenses	17,060	1,023
Prepaid income taxes	3,651	346
Other	3,241	1,810
	₩ 43,461	579,255

(9) Borrowings

(a) Borrowings as of December 31, 2007 and 2006 consisted of the following:

	(in millions of Won)	
	2007	2006
Borrowings in Won	₩ 1,255,000	120,000
Borrowings in foreign currencies	-	65,072
	₩ 1,255,000	185,072

(b) Details of borrowings as of December 31, 2007 and 2006 were as follows:

			(in millions of Won)	
Issue date	Maturity date	Interest rate (%)	2007	2006
Borrowings in Won:				
October 29, 2007	June 28, 2008	6.00	₩ 15,000	-
December 21, 2007	March 30, 2009	5.98	5,000	-
December 21, 2007	June 28, 2008	6.43	25,000	-
December 21, 2007	April 30, 2008	6.43	25,000	-
December 27, 2007	March 30, 2009	6.38	15,000	-
December 21, 2006	March 21, 2007	5.34	-	36,000
December 26, 2006	March 29, 2007	4.92	₩ -	84,000

(Continued)

Notes to Non-Consolidated Financial Statements

December 31, 2007 and 2006

			(in millions of Won)	
Issue date	Maturity date	Interest rate (%)	2007	2006
June 5, 2007	April 1, 2008	5.15	₩ 100,000	-
June 11, 2007	April 1, 2008	5.29	230,000	-
June 28, 2007	April 1, 2008	5.29	300,000	-
June 28, 2007	June 27, 2008	5.13	5,000	-
August 23, 2007	July 1, 2008	5.31	20,000	-
September 27, 2007	January 2, 2008	5.53	35,000	-
September 27, 2007	April 1, 2008	5.60	50,000	-
September 27, 2007	July 1, 2008	5.70	70,000	-
September 28, 2007	January 2, 2008	5.75	45,000	-
September 28, 2007	April 1, 2008	5.60	50,000	-
September 28, 2007	July 1, 2008	5.70	30,000	-
November 23, 2007	April 1, 2008	5.83	150,000	-
December 18, 2007	April 1, 2008	6.50	25,000	-
December 20, 2007	April 1, 2008	6.50	25,000	-
December 20, 2007	April 1, 2008	6.53	20,000	-
December 21, 2007	April 1, 2008	6.50	15,000	-
			1,255,000	120,000
Borrowings in foreign currencies:				
July 15, 2004	June 15, 2007	3M Libor+0.7	-	37,184
December 29, 2006	December 29, 2009	3M Libor+0.25	-	27,888
			-	65,072
			₩ 1,255,000	185,072

(c) The maturities of borrowings as of December 31, 2007 and 2006 were as follows:

				(in millions of Won)
At December 31, 2007	Borrowings in Won	Borrowings in foreign currencies	Total	
Due in three months or less	₩ 80,000	-	80,000	
Due after three months through six months	1,035,000	-	1,035,000	
Due after six months through 12 months	120,000	-	120,000	
Due after one year through three years	20,000	-	20,000	
	₩ 1,225,000	-	1,225,000	



(in millions of Won)

At December 31, 2006	Borrowings in Won	Borrowings in foreign currencies	Total
Due in three months or less	₩ 84,000	-	84,000
Due after three months through six months	-	37,184	37,184
Due after six months through 12 months	-	-	-
Due after one year through three years	36,000	27,888	63,888
	₩ 120,000	65,072	185,072

(10) Debentures

(a) Debentures as of December 31, 2007 and 2006 consisted of the following:

(in millions of Won)

	2007	2006
Debentures in Won	₩ 6,050,000	3,430,000
Less: discount on debentures	(11,747)	(8,174)
	₩ 6,038,253	3,421,826

(b) Details of debentures as of December 31, 2007 and 2006 were as follows:

(in millions of Won)

Issue date	Maturity date	Interest rate (%)	2007	2006
Unsecured debentures in Won:				
April 4, 2002	April 4, 2007	7.47	₩ -	20,000
May 20, 2002	May 20, 2007	7.25	-	20,000
July 29, 2002	July 29, 2007	6.30	-	20,000
November 21, 2002	November 21, 2007	5.88	-	20,000
December 16, 2002	December 16, 2007	5.96	-	20,000
June 24, 2003	June 24, 2008	5.69	30,000	30,000
July 24, 2003	July 24, 2008	5.87	20,000	20,000
March 24, 2004	March 24, 2007	4.76	-	30,000
March 24, 2004	March 24, 2009	5.11	20,000	20,000
June 25, 2004	June 25, 2009	4.93	50,000	50,000
July 8, 2004	July 8, 2009	4.81	100,000	100,000
January 31, 2005	January 31, 2008	4.21	30,000	30,000
January 31, 2005	January 31, 2010	4.59	₩ 70,000	70,000

(Continued)

Notes to Non-Consolidated Financial Statements

December 31, 2007 and 2006

(in millions of Won)				
Issue date	Maturity date	Interest rate (%)	2007	2006
March 18, 2005	March 18, 2007	4.13	₩ -	100,000
March 18, 2005	March 18, 2008	4.23	50,000	50,000
May 9, 2005	May 9, 2008	3.99	50,000	50,000
June 29, 2005	June 29, 2008	4.01	50,000	50,000
June 29, 2005	June 29, 2010	4.28	150,000	150,000
September 14, 2005	September 14, 2008	4.77	70,000	70,000
September 14, 2005	September 14, 2010	5.18	110,000	110,000
December 16, 2005	December 16, 2008	5.34	40,000	40,000
December 16, 2005	December 16, 2010	5.65	60,000	60,000
January 24, 2006	January 24, 2009	5.24	100,000	100,000
February 27, 2006	February 27, 2009	5.07	100,000	100,000
April 24, 2006	April 24, 2009	5.09	200,000	200,000
June 28, 2006	June 28, 2009	5.25	220,000	220,000
June 28, 2006	June 28, 2011	5.42	130,000	130,000
June 28, 2006	June 28, 2013	5.52	50,000	50,000
June 29, 2006	September 29, 2009	5.24	100,000	100,000
June 29, 2006	September 29, 2009	5.32	100,000	100,000
July 31, 2006	July 31, 2011	5.16	100,000	100,000
September 26, 2006	September 26, 2009	4.81	50,000	50,000
September 26, 2006	September 26, 2011	4.91	50,000	50,000
November 29, 2006	November 29, 2009	4.99	250,000	250,000
November 29, 2006	November 29, 2011	5.06	100,000	100,000
November 29, 2006	November 29, 2013	5.16	150,000	150,000
December 27, 2006	December 27, 2009	5.05	250,000	250,000
December 27, 2006	December 27, 2011	5.17	100,000	100,000
December 27, 2006	December 27, 2013	5.24	150,000	150,000
December 22, 2006	December 22, 2008	5.35	100,000	100,000
January 24, 2007	January 23, 2009	5.33	300,000	-
January 25, 2007	January 25, 2010	5.25	250,000	-
January 25, 2007	January 25, 2012	5.29	100,000	-
January 25, 2007	January 25, 2014	5.40	150,000	-
February 23, 2007	February 23, 2010	5.09	250,000	-
February 23, 2007	February 23, 2012	5.12	100,000	-
February 23, 2007	February 23, 2014	5.27	150,000	-
April 13, 2007	April 13, 2010	5.24	50,000	-
April 13, 2007	April 13, 2012	5.28	₩ 50,000	-

(Continued)



Issue date	Maturity date	Interest rate (%)	(in millions of Won)	
			2007	2006
May 9, 2007	May 9, 2010	5.31	₩ 100,000	-
May 9, 2007	May 9, 2012	5.35	100,000	-
June 8, 2007	June 8, 2010	5.48	200,000	-
June 8, 2007	June 8, 2012	5.54	250,000	-
June 8, 2007	June 8, 2014	5.58	100,000	-
September 27, 2007	September 27, 2009	5.52	350,000	-
September 27, 2007	September 27, 2010	5.91	100,000	-
November 27, 2007	November 27, 2010	6.24	50,000	-
November 27, 2007	November 27, 2012	6.33	100,000	-
December 18, 2007	December 18, 2010	6.69	50,000	-
December 18, 2007	December 18, 2012	6.78	50,000	-
			6,050,000	3,430,000
Discount on debentures			(11,747)	(8,174)
			₩ 6,038,253	3,421,826

(c) The maturities of debentures as of December 31, 2007 and 2006 were as follows:

	(in millions of Won)	
	2007	2006
Due in three months or less	₩ 80,000	130,000
Due after three months through six months	130,000	40,000
Due after six months through 12 months	230,000	60,000
Due after one year through three years	3,630,000	1,980,000
Thereafter	1,980,000	1,220,000
	₩ 6,050,000	3,430,000

(11) Retirement and Severance Benefits

Changes in retirement and severance benefits for the years ended December 31, 2007 and 2006 were as follows:

	(in millions of Won)	
	2007	2006
Estimated severance liability at beginning of year	₩ 2,015	1,379
Provision	1,119	973
Payment	(1,231)	(337)
Estimated severance liability at end of year	1,903	2,015
Less: deposit for severance benefit insurance (note 13)	(1,189)	(1,233)
Net balance at end of year	₩ 714	782

Notes to Non-Consolidated Financial Statements

December 31, 2007 and 2006

(12) Other Liabilities

Other liabilities as of December 31, 2007 and 2006 consisted of the following:

	(in millions of Won)	
	2007	2006
Withholding taxes	₩ 355	561
Dividends payable	2,153	1,619
Accounts payable	702	329
Accrued expenses	52,415	31,916
Unearned revenue	135	-
	₩ 55,760	34,425

(13) Related Party Transactions

(a) Details of transactions

Significant transactions with the related parties for the years ended December 31, 2007 and 2006 were as follows:

Related party	Account	(in millions of Won)	
		2007	2006
Shinhan Bank	Interest income	₩ 26,454	3,019
Good Morning Shinhan Securities	Interest income	9,315	6,035
Shinhan Card (formerly LG Card Co., Ltd.)	Interest income	7,613	-
SHC Management (formerly Shinhan Card Co., Ltd.)	Interest income	16,542	32,103
Shinhan Capital	Interest income	30,152	31,273
Jeju Bank	Interest income	-	999
Shinhan PE	Interest income	140	-
		₩ 90,216	73,429
Shinhan Bank	Rental expense	₩ 38	33



(b) Account balances

Significant balances with the related parties as of December 31, 2007 and 2006 were as follows:

			(In millions of Won)	
Creditor	Debtor	Account	2007	2006
Shinhan Financial Group	Shinhan Bank	Due from banks	₩ 1,910	2,627
"	"	Security deposits paid	9,915	9,915
"	"	Account receivables	-	28,675
"	"	Accrued income	5	171
"	"	Deposit for severance benefit	1,189	1,233
"	Good Morning Shinhan Securities	Loans in Won	170,000	170,000
"	"	Account receivables	-	4,581
"	"	Accrued income	1,569	1,569
"	Shinhan Life Insurance	Account receivables	-	1,159
"	Shinhan Card	Loans in Won	650,000	-
"	"	Accrued income	4,021	-
"	SHC Management	Loans in Won	-	450,000
"	"	Account receivables	-	2,043
"	"	Accrued income	-	3,285
"	Shinhan Capital	Loans in Won	590,000	500,000
"	"	Loans in foreign currency	-	65,072
"	"	Account receivables	-	1,102
"	"	Accrued income	2,820	2,990
"	Shinhan Credit Information	Account receivables	-	251
"	Shinhan PE	Loans in Won	5,000	-
			₩ 1,436,429	1,244,673
Shinhan Card (formerly LG Card Co., Ltd.)	Shinhan Financial Group	Accounts payable	156	-
SHC Management (formerly Shinhan Card Co., Ltd.)	"	Accounts payable	-	209
Shinhan PE	"	Unearned revenue	135	-
			₩ 291	209

(c) Compensation of key management personnel for the years ended December 31, 2007 and 2006 was as follows:

	(in millions of Won)	
	2007	2006
Salaries	₩ 5,008	4,402
Share-based payment	11,854	7,417
Performance compensation	2,293	-
	₩ 19,155	11,819

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(14) Assets and Liabilities Denominated in Foreign Currency

Assets and liabilities denominated in foreign currency as of December 31, 2007 and 2006 were as follows:

(in millions of Won and thousands of U.S. dollars)

	Foreign currency		Won equivalent	
	2007	2006	2007	2006
Assets:				
Loans	\$ -	70,000	₩ -	65,072
Other assets	-	551	-	513
	\$ -	70,551	₩ -	65,585
Liabilities:				
Borrowings	\$ -	70,000	₩ -	65,072
Other liabilities	-	534	-	496
	\$ -	70,534	₩ -	65,568

(15) Commitments and Contingencies

As of December 31, 2007, the Company was involved in 1 pending lawsuit as a defendant. The details of the lawsuit are as follows:

(in millions of Won)

Plaintiff	Description	Claim Amount	Status
Korea Deposit Insurance Corporation	Claim for earn-out payment relating to acquisition of Chohung Bank	₩ 5,000	Pending in Seoul Central District Court

(16) Capital Stock

(a) As of December 31, 2007 and 2006, details of preferred stock issued by the Company were as follows:

	Number of shares	Predetermined dividend rate (%) (*)	Redeemable period
Redeemable preferred stock:			
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 7	2,433,334	7.46	July 19, 2008 - August 18, 2008
Series 8	66,666	7.86	July 19, 2010 - August 18, 2010

(Continued)



	Number of shares	Predetermined dividend rate (%) [*]	Redeemable period
Series 10 ^(**)	28,990,000	7.00	January 25, 2012 - January 25, 2027
Convertible redeemable preferred stock:	59,440,377		
	Series 11 ^(***)	14,721,000	3.25
	74,161,377		

[*] Based on issue price

[**] The Company maintains the right to redeem Series 10 redeemable preferred stock in part or in its entirety within the redeemable period.

[***) Details with respect to the conversion right of the Company are as follows:

Conversion period : January 26, 2008 - January 25, 2012

Conversion ratio : One common stock per one preferred stock

Conversion price : ₩57,806

Series 1 and Series 6 of redeemable preferred stocks of 9,316,792 shares and 3,500,000 shares, respectively, were redeemed on August 21, 2006 for ₩172,831 million and ₩525,033 million, respectively. Additionally, Series 2 of redeemable preferred stocks of 9,316,792 shares were redeemed on August 20, 2007 for ₩172,812 million. Therefore, capital stock amount differs from the total par value of outstanding capital stock.

(b) Details of changes in capital stock for the years ended December 31, 2007 and 2006 were as follows:

(in millions of Won, except shares)

	Number of shares	Capital stock	Preferred stock	Capital surplus
Balance at January 1, 2006	434,151,575	₩ 1,796,037	374,721	4,360,112
Preferred stock converted into common stock	-	111,801	(111,801)	(30)
Redemption of redeemable preferred stock	(12,816,792)	-	-	-
Balance at December 31, 2006	421,334,783	₩ 1,907,838	262,920	4,360,082
Issuance of preferred stock	43,711,000	-	218,555	3,517,683
Redemption of redeemable preferred stock	(9,316,792)	-	-	-
Acquisition of LG Card Co., Ltd. through share exchange (note 5)	14,631,973	73,160	-	771,082
Disposition of treasury stocks	-	-	-	(48)
Balance at December 31, 2007	470,360,964	₩ 1,980,998	481,475	8,648,799

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December 31, 2007 and 2006

(c) Details of preferred stock redeemed (to be redeemed) by appropriations of retained earnings as of December 31, 2007 and 2006 were as follows:

(in millions of Won, except shares and price per share)

December 31, 2007	Number of shares	Redemption date	Redemption price per share	Redemption amount
Series 3 redeemable preferred stock	9,316,792	August 18, 2008	₩ 18,548	₩ 172,812
Series 7 redeemable preferred stock	2,433,334	August 18, 2008	150,006	365,014
	11,750,126			₩ 537,826

(in millions of Won, except shares and price per share)

December 31, 2006	Number of shares	Redemption date	Redemption price per share	Redemption amount
Series 2 redeemable preferred stock	9,316,792	August 18, 2007	₩ 18,548	₩ 172,812

(17) Retained Earnings

Retained earnings as of December 31, 2007 and 2006 consisted of the following:

(in millions of Won)

	2007	2006
Legal reserve	₩ 580,200	396,928
Retained earnings before appropriation	4,641,614	2,991,032
	₩ 5,221,814	3,387,960

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.

(18) Capital Adjustment

Capital adjustments as of December 31, 2006 were related to the 4th and 5th options classified as equity-settled share-based payments. However, the Company determined to cash-settle the share-based payments and recognized compensation costs as an expense and a liability beginning fiscal year 2007.



(19) Share-Based Payments

(a) Details of cash-settled share-based payments granted as of December 31, 2007 were as follows:

	1 st grant	2 nd grant	3 rd grant	4 th grant
Grant date	May 22, 2002	May 15, 2003	March 25, 2004	March 30, 2005
Exercise price in Won	₩18,910	₩11,800	₩21,595	₩28,006
Number of shares granted	1,004,200	1,156,300	1,301,600	2,695,200
Vesting period	Within four years after two years from grant date	Within four years after two years from grant date	Within three years after two years from grant date	Within four years after three years from grant date
Changes in number of shares granted:				
Balance at January 1, 2007	607,065	723,613	1,141,423	2,381,090
Exercised or canceled	314,214	297,358	425,384	12,059
Balance at December 31, 2007	292,851	426,255	716,039	2,369,031
Exercisable at December 31, 2007	292,851	426,255	716,039	-

(b) Details of share-based payment with the choice of settlement by the Company as of December 31, 2007 were as follows:

	5 th grant	6 th grant
Grant date	March 21, 2006	March 20, 2007
Exercise price in Won	₩ 38,829	₩ 54,560
Number of shares granted	3,296,200	1,301,050
Vesting period	Within four years after three years from grant date	Within four years after three years from grant date
Terms:		
Service period	Two years from grant date	Two years from grant date
Market performance		
Management	Increase rate of stock price and target ROE	Increase rate of stock price and target ROE
Employee	Net income for two years	Achievement of annual target ROE for three consecutive years

(Continued)

Notes to Non-Consolidated Financial Statements

December 31, 2007 and 2006

	5 th grant	6 th grant
Changes in number of shares granted:		
Outstanding at January 1, 2007	3,098,069	-
Granted	-	1,301,050
Canceled or forfeited	309,372	133,750
Exercised	-	-
Outstanding at December 31, 2007	2,788,698	1,167,300
Exercisable at December 31, 2007	-	-
Assumptions used to determine the fair value of options:		
Risk-free interest rate		5.58%
Expected exercise period		4.22 years
Expected stock price volatility		8.47%
Expected dividend yield		2.87%
Weighted average fair value		Management : ₩7,190 Employee : ₩5,730

The Company has the option to cash or equity settle in respect to share-based payments. The Company decided to cash-settle the fourth and fifth grant and the Company accordingly recognized compensation costs as an expense and a liability, based on past experience which provides a reasonable basis that the share-based payments will be paid in cash. For the sixth grant, pursuant to newly applied SKAS No. 22, the Company recognized compensation costs as an expense and a liability as accrued expense.

(c) Changes in stock compensation costs for the year ended December 31, 2007 were as follows:

(in millions of Won)

Stock options granted	Stock compensation cost	Employee of		Total
		Shinhan Financial Group	Subsidiaries	
1 st	Recorded at beginning of the year	₩ 3,647	13,266	16,913
	Incurred during the year	1,085	3,954	5,039
	To be recorded in subsequent years	-	-	-
2 nd	Recorded at beginning of the year	5,233	20,072	25,305
	Incurred during the year	1,195	4,409	5,604
	To be recorded in subsequent years	-	-	-
3 rd	Recorded at beginning of the year	7,271	21,465	28,736
	Incurred during the year	2,174	6,199	8,373
	To be recorded in subsequent years	₩ -	-	-

(Continued)



(in millions of Won)

Stock options granted	Stock compensation cost	Employee of		Total
		Shinhan Financial Group	Subsidiaries	
4 th	Recorded at beginning of the year	₩ 3,548	20,283	23,831
	Incurred during the year	5,590	30,949	36,539
	To be recorded in subsequent years	-	-	-
5 th	Recorded at beginning of the year	3,036	17,624	20,660
	Incurred during the year	2,948	13,287	16,235
	To be recorded in subsequent years	717	3,149	3,866
6 th	Recorded at beginning of the year	-	-	-
	Incurred during the year	586	2,965	3,551
	To be recorded in subsequent years	₩ 906	3,511	4,417

[20] General and Administrative Expenses

Details of general and administrative expenses for the years ended December 31, 2007 and 2006 were as follows:

(in millions of Won)

	2007	2006
Salaries	₩ 30,629	29,133
Provision for retirement and severance benefits	1,119	973
Other employees benefits	1,416	1,202
Rental	343	568
Entertainment	911	939
Depreciation	385	562
Amortization	329	295
Bad debt expense	1,150	-
Taxes and dues	406	2,453
Advertising	43	44
Fees and commission	8,964	8,484
Other	2,516	2,485
	₩ 48,211	47,138

[21] Income Taxes

(a) The Company is subject to income taxes based on taxable income, which result in a nominal tax rate of 27.5%. For the years ended December 31, 2007, the Company recognized ₩22,662 million of income tax benefits, resulting from the reversal of income tax for the years ended December 31, 2003 and 2004. Also, for the year ended December 31, 2006, the Company did not recognize any income tax expense.

Notes to Non-Consolidated Financial Statements

December 31, 2007 and 2006

(b) The reconciliation of income for financial reporting purposes and taxable income for the years ended December 31, 2007 and 2006 were as follows:

	(in millions of Won)	
	2007	2006
Net income before income tax expense	₩ 2,373,715	1,832,718
Permanent difference	(149,222)	(1,499,672)
Temporary difference	(2,389,196)	(365,330)
Net loss for tax purposes	₩ (164,703)	(32,284)

(c) Changes in significant accumulated temporary differences and tax effects for the year ended December 31, 2007 and 2006 were as follows:

	(in millions of Won)			
	2007			
	Beginning balance ^(*)	Increase	Decrease	Ending balance
Temporary differences:				
Equity method investment securities	₩ (3,805,978)	494,904	(2,885,619)	(6,196,693)
Retirement and severance benefits	1,209	809	510	1,508
Accrued expenses	16,151	7,784	-	23,935
Deposit for severance benefit insurance	(1,209)	(490)	(510)	(1,189)
Stock options	44,491	-	44,491	-
Accounts receivable	(37,907)	-	(37,907)	-
Total temporary differences	(3,783,243)	503,007	2,892,203	(6,172,439)
Unrealizable temporary differences ^(*)	3,794,399			6,189,425
Net temporary differences	₩ 11,156			16,986
Tax effects of temporary differences	3,068			4,671
Tax effects of tax loss carryforwards	20,509			65,803
Net tax effects	₩ 23,577			70,474
Tax effects recorded in non-consolidated financial statements	₩ -			-

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

(*2) Unrealizable temporary differences as of December 31, 2007 represents temporary differences related to certain dividend income from equity method investment securities of ₩6,196,693 million less realizable portion of ₩7,268 million.

The net tax effects of ₩70,474 million as of December 31, 2007 were not recognized as deferred tax assets due to uncertainty of realization.



(in millions of Won)

	2006			
	Beginning balance ^{(*)1}	Increase	Decrease	Ending balance
Temporary differences:				
Equity method investment securities	₩ (3,427,679)	(2,469,710)	(2,091,411)	(3,805,978)
Retirement and severance benefits	828	544	163	1,209
Accrued income	(299)		(299)	-
Deposit for severance benefit insurance	(828)	(544)	(163)	(1,209)
Stock options	17,163	35,866	8,538	44,491
Other	(7,098)	(21,166)	(6,508)	(21,756)
Total temporary differences	(3,417,913)	(2,455,010)	(2,089,680)	(3,783,243)
Unrealizable temporary differences ^{(*)2}	3,421,190			3,794,238
Net temporary differences	₩ 3,277			10,995
Tax effects of temporary differences	901			3,024
Tax effects of tax loss carryforwards	5,133			14,011
Net tax effects	₩ 6,034			17,035
Tax effects recorded in financial statements	₩ -			-

[*1] Amount resulting from prior year finalized tax return is reflected in the current period.

[*2] Unrealizable temporary differences as of December 31, 2006 were comprised of ₩3,800,822 million related to certain dividend income from equity method investment securities less ₩6,584 million related to stock options.

The net tax effects of ₩17,035 million as of December 31, 2006 were not recognized as deferred tax assets due to uncertainty of realization.

(d) Deductible temporary differences and the carryforward of unused tax losses in respect of which deferred tax assets have not been recognized as of December 31, 2007 were as follows:

(in millions of Won)

	Amount	Maturity date
Unused tax losses:		
For the year ended December 31, 2005	₩ 18,666	2010
For the year ended December 31, 2006	55,913	2011
For the year ended December 31, 2007	164,703	2012
	239,282	
Temporary differences:		
Retirement and severance benefits	1,508	-
Accrued expenses	23,935	2008
	25,443	
	₩ 264,725	

Notes to Non-Consolidated Financial Statements

December 31, 2007 and 2006

(e) Taxable temporary differences in respect of which deferred tax liabilities have not been recognized as of December 31, 2007 were as follows:

	(in millions of Won)	
	2007	2006
Investments in subsidiaries	₩ 6,181,426	3,799,684
Investments in joint venture companies	15,267	6,294
Deposit for severance benefit insurance	1,189	1,209
Accounts receivable	-	37,907
	6,197,882	3,845,094

(f) Effective income tax rate for the years ended December 31, 2007 and 2006 were as follows:

	(in millions of Won, except tax rate)	
	2007	2006
Net income before income tax benefit	₩ 2,373,715	1,832,718
Income tax benefit	(22,662)	-
Effective income tax rate (%)	0.95%	-

(22) 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 earnings per share for the years ended December 31, 2007 and 2006 were as follows:

	(in millions of Won, except per share)	
	2007	2006
Net income for year	₩ 2,396,377	1,832,718
Less: dividends on preferred stock	267,539	55,245
Net income available for common stock	2,128,838	1,777,473
Weighted average number of common shares outstanding ^(*)	382,730,606	372,168,522
Earnings per share in Won	₩ 5,562	4,776

(*1) Weighted average number of common shares outstanding for the years ended December 31, 2007 and 2006 were as follows:



	2007		
	Number of shares	Number of days	Accumulated number of shares
Outstanding at January 1, 2007	374,437,647	365	136,669,741,155
Common stock issued (9/21)	14,631,973	102	1,492,461,246
Disposition of treasury stocks (3/23~6/21)	7,129,967	-	1,534,522,884
Acquisition of treasury stocks (9/21)	(529)	102	(53,958)
Outstanding at December 31, 2007	396,199,058		139,696,671,327
			(÷) 365
			382,730,606

	2006		
	Number of shares	Number of days	Accumulated number of shares
Outstanding at January 1, 2006	347,597,116	365	126,872,947,340
Conversion of convertible redeemable preferred stocks	22,360,301	365	8,161,509,865
Disposition of treasury stocks (4/25~11/30)	4,480,230	-	807,053,430
Outstanding at December 31, 2006	374,437,647		135,841,510,635
			(÷) 365
			372,168,522

(b) Diluted earnings per share

Details of diluted earnings per share due to dilutive effect for the years ended December 31, 2007 and 2006 were as follows:

(in millions of Won, except per share)

	2007	2006
Net income available for common stock	₩ 2,128,838	1,777,473
Add: dividends on redeemable convertible preferred stock	25,762	-
Diluted net earnings	2,154,600	1,777,473
Weighted average number of common shares outstanding	397,242,050	372,168,522
Diluted earnings per share in Won	₩ 5,424	4,776

(c) Exercisable stock options, excluded in calculating earnings per share

	Exercisable period	Number of shares to be issued
Stock options	March 21, 2010 - March 20, 2014	1,167,300

Notes to Non-Consolidated Financial Statements

December 31, 2007 and 2006

(23) Dividends

(a) Dividends for the years ended December 31, 2007 and 2006 were as follows:

(in millions of Won, except per share)

	2007		
	Common shares	Preferred shares	Total
Total number of shares issued and outstanding	396,199,587	74,161,377	470,360,964
Shares excluded ^(*)	529	-	529
	396,199,058	74,161,377	470,360,435
Face value per share in Won	5,000	5,000	5,000
Dividend per share in Won (rate per share) ^(**)	₩ 900(18%)	3,558(71.16%)	1,319(26.38%)
Dividends	₩ 356,580	263,862	620,442

(*) Dividends on shares held by subsidiaries as of December 31, 2007 are not paid.

(**) A weighted average amount was applied for dividends per share on preferred stock as follows:

(in millions of Won, except per share)

	Number of shares	Dividends per share in Won	Dividend rate per share (%)	Dividends
Redeemable preferred stock:				
Series 3	9,316,792	730.67	14.61	6,807
Series 4	9,316,792	"	"	6,807
Series 5	9,316,793	"	"	6,808
Series 7	2,433,334	11,190.00	223.80	27,229
Series 8	66,666	11,790.00	235.80	786
Series 10	28,990,000	6,539.73	130.79	189,587
Series 11	14,721,000	1,755.16	35.10	25,838
	74,161,377			263,862



(in millions of Won, except per share)

	2006		
	Common shares	Preferred shares	Total
Total number of share issued and outstanding	381,567,614	39,767,169	421,334,783
Shares excluded ⁽¹⁾	7,129,967	-	7,129,967
	374,437,647	39,767,169	414,204,816
Face value per share in Won	5,000	5,000	5,000
Dividend per share in Won (rate per share) ^(**)	₩ 900(8%)	1,389(27.78%)	947(18.94%)
Dividends	₩ 336,994	55,245	392,239

(*) Dividends on shares held by subsidiaries as of December 31, 2006 are not paid.

(**) A weighted average amount was applied for dividends per share on preferred stock as follows:

(in millions of Won, except per share)

	Number of shares	Dividends per share in Won	Dividend rate per share (%)	Dividends
Redeemable preferred stock:				
Series 2	9,316,792	730.67	14.61	6,807
Series 3	9,316,792	"	"	6,807
Series 4	9,316,792	"	"	6,807
Series 5	9,316,793	"	"	6,808
Series 7	2,433,334	11,190.00	223.80	27,230
Series 8	66,666	11,790.00	235.80	786
	39,767,169			55,245

(b) Payout ratios for the years ended December 31, 2007 and 2006 were calculated as follows:

(in millions of Won, except payout ratio)

	2007			2006		
	Common shares	Preferred shares	Total	Common shares	Preferred shares	Total
Dividends in Won	₩ 356,580	263,862	620,442	336,994	55,245	392,239
Net earning in Won	2,132,515	263,862	2,396,377	1,777,473	55,245	1,832,718
Payout ratios (%)	16.72		25.89	18.96		21.40

Notes to Non-Consolidated Financial Statements

December 31, 2007 and 2006

(c) Dividend yields on common shares for the years ended December 31, 2007 and 2006 were calculated as follows:

	(in Won, except dividends yields)	
	2007	2006
Dividends per share in Won	₩ 900	900
Average stock price in Won	53,900	47,900
Dividends yields (%)	1.67	1.88

(24) Accumulated Other Comprehensive Income

(a) Accumulated other comprehensive income as of December 31, 2007 and 2006 consisted of the following:

	(in millions of Won)	
	2007	2006
Unrealized holding gain on equity method investment securities	₩ 2,314,173	1,403,453
Unrealized holding loss from equity method investment securities	(669,458)	(5,218)
	₩ 1,644,715	1,398,235

(b) Comprehensive income for the years ended December 31, 2007 and 2006 were as follows:

	(in millions of Won)	
	2007	2006
Net income	₩ 2,396,377	1,832,718
Other comprehensive income		
Unrealized holding gain on equity method investment securities	910,720	553,085
Unrealized holding loss from equity method investment securities	(664,240)	(642)
Comprehensive income	₩ 2,642,857	2,385,161

(25) Statements of Cash Flows

Significant transactions not involving cash inflows or outflows for the years ended December 31, 2007 and 2006 were as follows:

	(in millions of Won, except per share)	
	2007	2006
Changes in comprehensive income of equity method investees	₩ 246,480	552,443
Changes in retained earnings of equity method investees	2,527	105,037
Stock options recorded as account receivables	-	27,328
Reclassification of advance payment to equity method investment securities related to acquisition of Shinhan Card	519,254	-
Acquisition of former LG Card Co., Ltd. shares through share exchange	₩ 844,265	-



[26] Condensed Financial Statements of Subsidiaries and Joint Ventures

(a) Balance sheets

The condensed balance sheets of subsidiaries and joint ventures as of December 31, 2007 and 2006 were as follows:

(in millions of Won)

Subsidiaries	2007		
	Total assets	Total liabilities	Total stockholders' equity
Shinhan Bank	₩ 175,105,888	163,786,456	11,319,432
Shinhan Card (formerly LG Card Co., Ltd.)	16,880,921	12,774,539	4,106,382
Good Morning Shinhan Securities	6,685,978	5,101,887	1,584,091
Shinhan Life Insurance	7,410,857	6,906,130	504,727
Shinhan Capital	2,963,306	2,644,916	318,390
Jeju Bank	2,772,223	2,627,781	144,442
Shinhan Credit Information	16,785	4,420	12,365
Shinhan PE	15,826	5,217	10,609
SHC Management (formerly Shinhan Card Co., Ltd.)	1,213,708	127,058	1,086,650
Shinhan BNP Paribas ITMC	89,745	28,063	61,682
SH&C Life Insurance	1,365,741	1,315,411	50,330
Shinhan Macquarie	18,017	10,950	7,067
	₩ 214,538,995	195,332,828	19,206,167

(in millions of Won)

Subsidiaries	2006		
	Total assets	Total liabilities	Total stockholders' equity
Shinhan Bank	₩ 154,207,060	144,539,692	9,667,368
Good Morning Shinhan Securities	4,126,940	3,278,324	848,616
Shinhan Life Insurance	6,225,865	5,795,398	430,467
SHC Management (formerly Shinhan Card Co., Ltd.)	3,558,415	2,923,408	635,007
Shinhan Capital	1,948,495	1,763,537	184,958
Jeju Bank	2,470,751	2,338,463	132,288
Shinhan Credit Information	13,372	3,117	10,255
Shinhan PE	10,813	319	10,494
Shinhan BNP Paribas ITMC	60,227	10,650	49,577
SH&C Life Insurance	991,359	950,396	40,963
Shinhan Macquarie	11,500	11,444	56
	₩ 173,624,797	161,614,748	12,010,049

Notes to Non-Consolidated Financial Statements

December 31, 2007 and 2006

(b) Statements of Income

Condensed statements of income of subsidiaries and joint ventures for the years ended December 31, 2007 and 2006 were as follows:

(in millions of Won)

Subsidiaries	2007				
	Operating revenue	Operating expense	Operating income	Income before income tax	Net income
Shinhan Bank	₩ 17,797,848	14,886,630	2,911,218	2,854,911	2,051,302
Shinhan Card (formerly LG Card Co., Ltd.)	2,877,869	1,958,967	918,902	1,059,939	1,487,612
Good Morning Shinhan Securities	2,028,956	1,790,645	238,311	252,697	176,776
Shinhan Life Insurance	2,681,556	2,506,318	175,238	183,498	132,033
Shinhan Capital	265,097	204,078	61,019	65,015	49,157
Jeju Bank	188,220	169,714	18,506	18,393	14,291
Shinhan Credit Information	27,902	24,888	3,014	3,369	2,110
Shinhan PE	2,771	2,132	639	301	174
SHC Management (formerly Shinhan Card Co., Ltd.)	807,588	587,698	219,890	235,045	169,100
Shinhan BNP Paribas ITMC	73,680	44,479	29,201	29,349	21,303
SH&C Life Insurance	91,871	71,542	20,329	15,629	10,567
Shinhan Macquarie	28,335	17,847	10,488	10,641	7,641
	₩ 26,871,693	22,264,938	4,606,755	4,728,787	4,122,066

(in millions of Won)

Subsidiaries	2006				
	Operating revenue	Operating expense	Operating income(loss)	Income before income tax	Net income
Shinhan Bank	₩ 14,868,003	13,160,836	1,707,167	2,309,904	1,659,246
Good Morning Shinhan Securities	1,255,573	1,138,720	116,853	134,102	96,190
Shinhan Life Insurance	2,323,355	2,172,054	151,301	165,798	121,534
SHC Management (formerly Shinhan Card Co., Ltd.)	831,888	639,083	192,805	184,258	232,092
Shinhan Capital	199,615	165,783	33,832	62,571	48,284
Jeju Bank	147,339	133,560	13,779	15,305	14,155
Shinhan Credit Information	26,587	23,057	3,530	3,860	2,810
Shinhan PE	3,729	1,906	1,823	2,072	1,676
Shinhan BNP Paribas ITMC	26,189	13,456	12,733	12,123	8,576
SH&C Life Insurance	52,964	59,128	(6,164)	9,793	9,295
Shinhan Macquarie	17,782	16,068	1,714	2,388	1,562
	₩ 19,753,024	17,523,651	2,229,373	2,902,174	2,195,420



[27] Funding and Operating Status of the Company, Subsidiaries and Joint Ventures

(a) The funding status of the Company and its subsidiaries as of December 31, 2007 and 2006 were as follows:

(in millions of Won)

	2007			
	Deposits	Borrowings	Debentures ^(*)	Total
Shinhan Financial Group	₩ -	1,255,000	6,038,253	7,293,253
Shinhan Bank	104,021,898	17,226,283	28,170,916	149,419,097
Shinhan Card (formerly LG Card Co., Ltd.)	-	2,580,864	7,090,233	9,671,097
Good Morning Shinhan Securities	909,732	3,883,940	-	4,793,672
Shinhan Capital	-	1,268,917	1,391,828	2,660,745
Jeju Bank	2,253,942	90,335	113,400	2,457,677
Shinhan PE	-	5,000	-	5,000
	₩ 107,185,572	26,310,339	42,804,630	176,300,541

(in millions of Won)

	2006			
	Deposits	Borrowings	Debentures ^(*)	Total
Shinhan Financial Group	₩ -	185,072	3,421,826	3,606,898
Shinhan Bank	93,202,495	14,578,285	24,212,505	131,993,285
Good Morning Shinhan Securities	696,417	1,004,364	-	1,700,781
SHC Management (formerly Shinhan Card Co., Ltd.)	-	1,340,800	1,282,370	2,623,170
Shinhan Capital	-	1,065,250	535,351	1,600,601
Jeju Bank	2,044,629	76,357	55,260	2,176,246
	₩ 95,943,541	18,250,128	29,507,312	143,700,981

(*) Net of discount on debentures

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(b) The operating status of the Company, subsidiaries and joint ventures as of December 31, 2007 and 2006 were as follows:

(in millions of Won)

	2007			
	Loans ^(*)	Securities	Cash and due from banks	Total
Shinhan Financial Group	₩ 1,407,925	23,743,620	131,994	25,283,539
Shinhan Bank	125,405,349	32,327,238	6,312,608	164,045,195
Shinhan Card (formerly LG Card Co., Ltd.)	13,689,029	263,697	40,410	13,993,136
Good Morning Shinhan Securities	1,181,158	4,051,822	809,776	6,042,756
Shinhan Life Insurance	1,996,505	2,894,479	548,233	5,439,217
Shinhan Capital	1,886,995	199,821	15,841	2,102,657
Jeju Bank	1,965,688	430,740	153,052	2,549,480
Shinhan Credit Information	-	-	3,334	3,334
Shinhan PE	-	11,480	3,461	14,941
SHC Management (formerly Shinhan Card Co., Ltd.)	-	-	605,330	605,330
Shinhan BNP Paribas ITMC	404	304	62,642	63,350
SH&C Life Insurance	926	67,945	129	69,000
Shinhan Macquarie	-	-	4,172	4,172
	₩ 147,533,979	63,991,146	8,690,982	220,216,107

(in millions of Won)

	2006			
	Loans ^(*)	Securities	Cash and due from banks	Total
Shinhan Financial Group	₩ 1,179,147	12,775,892	468,561	14,423,600
Shinhan Bank	112,715,269	23,660,184	6,300,607	142,676,060
Good Morning Shinhan Securities	517,973	2,261,021	850,853	3,629,847
Shinhan Life Insurance	1,553,913	2,657,757	394,052	4,605,722
SHC Management (formerly Shinhan Card Co., Ltd.)	3,037,672	27,165	3,553	3,068,390
Shinhan Capital	1,571,532	201,995	70,060	1,843,587
Jeju Bank	1,743,811	391,312	85,177	2,220,300
Shinhan Credit Information	-	-	7,315	7,315
Shinhan PE	-	6,975	3,527	10,502
Shinhan BNP Paribas ITMC	81	5,230	53,331	58,642
SH&C Life Insurance	16,751	49,260	1,675	67,686
Shinhan Macquarie	-	-	8,510	8,510
	₩ 122,336,149	42,036,791	8,247,221	172,620,161

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



[28] Contribution by Subsidiaries and Joint Ventures to the Company's Net Income

Effects on the Company's net income due to the equity method for the years ended December 31, 2007 and 2006 were as follows:

	2007		2006	
	Amount	Ratio (%)	Amount	Ratio (%)
Gain from equity method on:				
Shinhan Bank	₩ 1,887,570	71.71%	1,500,460	78.26%
Shinhan Card (formerly LG Card Co., Ltd.)	290,591	11.04%	-	0.00%
Good Morning Shinhan Securities	151,602	5.76%	74,753	3.90%
Shinhan Life Insurance	79,758	3.03%	64,980	3.39%
SHC Management (formerly Shinhan Card Co., Ltd.)	146,809	5.58%	208,052	10.85%
Shinhan Capital	49,282	1.87%	48,255	2.52%
Jeju Bank	9,707	0.37%	9,405	0.49%
Shinhan Credit Information	2,110	0.08%	2,792	0.15%
Shinhan PE	199	0.01%	1,751	0.09%
Shinhan BNP Paribas ITMC	10,650	0.40%	4,288	0.22%
SH&C Life Insurance	13	0.00%	1,776	0.09%
Shinhan Macquarie	3,820	0.15%	756	0.04%
	2,632,111	100.00%	1,917,268	100.00%
Other income	140,825		98,339	
Other expense	376,559		182,889	
Net income for period	₩ 2,396,377		1,832,718	

(in millions of Won, except ratio)

Notes to Non-Consolidated Financial Statements

December 31, 2007 and 2006

(29) Allowance for Loan Losses of the Company, Subsidiaries and Joint Ventures

Changes in the allowance for loan losses of the Company, its subsidiaries and joint ventures for the years ended December 31, 2007 and 2006 were as follows:

(in millions of Won)

	2007		
	Beginning balance	Increase (decrease)	Ending balance
Shinhan Financial Group	₩ 5,925	1,150	7,075
Shinhan Bank	1,706,730	284,844	1,991,574
Shinhan Card	-	947,737	947,737
Good Morning Shinhan Securities	29,510	6,727	36,237
Shinhan Life Insurance	19,817	1,563	21,380
SHC Management	148,073	(138,861)	9,212
Shinhan Capital	31,340	10,092	41,432
Jeju Bank	26,313	5,536	31,849
Shinhan BNP Paribas ITMC	24	77	101
SH&C Life Insurance	44	7	51
Shinhan Macquarie	1	84	85
	₩ 1,967,777	1,118,956	3,086,733

(in millions of Won)

	2006		
	Beginning balance	Increase (decrease)	Ending balance
Shinhan Financial Group	₩ 7,420	(1,495)	5,925
Shinhan Bank	1,572,829	133,901	1,706,730
Good Morning Shinhan Securities	27,256	2,254	29,510
Shinhan Life Insurance	17,740	2,077	19,817
SHC Management	67,400	80,673	148,073
Shinhan Capital	30,373	967	31,340
Jeju Bank	25,146	1,167	26,313
Shinhan Credit Information	1	(1)	-
Shinhan BNP Paribas ITMC	18	6	24
SH&C Life Insurance	46	(2)	44
Shinhan Macquarie	3	(2)	1
	₩ 1,748,232	219,545	1,967,777



(30) Financial Performance for the Last Interim Period

Financial performance for the quarters ended December 31, 2007 and 2006 were as follows:

(in millions of Won, except earnings per share)

	Quarter ended December 31, 2007	Quarter ended December 31, 2006
Operating revenue	₩ 323,631	321,231
Operating income	225,307	268,744
Net income	225,728	268,916
Earnings per share in Won	392	681
Diluted earnings per share in Won	391	681

(31) Date of Authorization for Issue

The 2007 financial statements were authorized for issue on February 4, 2008 at the Board of Directors Meeting.

Independent Accountants' Review Report on Internal Accounting Control System

English translation of a Report Originally Issued in Korean

To the President of
Shinhan Financial Group Co., Ltd.:

We have reviewed the accompanying Report on the Operations of Internal Accounting Control System ("IACS") of Shinhan Financial Group Co., Ltd (the "Company") as of December 31, 2007. The Company's management is responsible for designing and maintaining effective IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review management's assessment and issue a report based on our review. In the accompanying report of management's assessment of IACS, the Company's management stated: "Based on the assessment on the operations of the IACS, the Company's IACS has been effectively designed and is operating as of December 31, 2007, in all material respects, in accordance with the IACS Framework issued by the Internal Accounting Control System Operation Committee."

We conducted our review in accordance with IACS Review Standards, issued by the Korean Institute of Certified Public Accountants. Those Standards require that we plan and perform the review to obtain assurance of a level less than that of an audit as to whether Report on the Operations of Internal Accounting Control System is free of material misstatement. Our review consists principally of obtaining an understanding of the Company's IACS, inquiries of company personnel about the details of the report, and tracing to related documents we considered necessary in the circumstances. We have not performed an audit and, accordingly, we do not express an audit opinion.

A company's IACS is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, however, IACS may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that Report on the Operations of Internal Accounting Control System as of December 31, 2007 is not prepared in all material respects, in accordance with IACS Framework issued by the Internal Accounting Control System Operation Committee.

This report applies to the Company's IACS in existence as of December 31, 2007. We did not review the Company's IACS subsequent to December 31, 2007. This report has been prepared for Korean regulatory purposes, pursuant to the External Audit Law, and may not be appropriate for other purposes or for other users.

KPMG Samjong Accounting Corp.

KPMG Samjong Accounting Corp.

Seoul, Korea

February 14, 2008

Notice to Readers

This report is annexed in relation to the audit of the non-consolidated financial statements as of and for the year ended December 31, 2007 and the review of internal accounting control system pursuant to Article 2-3 of the Act on External Audit for Stock Companies of the Republic of Korea.



Report on the Operations of Internal Accounting Control System

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

I, as the Internal Accounting Control Officer ("IACO") of Shinhan Financial Group Co., Ltd. (the "Company"), have assessed the status of the design and operations of the Company's internal accounting control system ("IACS") for the year ended December 31, 2007.

The Company's management including IACO is responsible for the design and operations of its IACS. I, as the IACO, have assessed whether the IACS has been effectively designed and is operating to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of establishing the reliability of financial reporting and the preparation of financial statements for external purposes. I, as the IACO, applied the IACS Framework for the assessment of design and operations of the IACS.

Based on the assessment of the operations of the IACS, the Company's IACS has been effectively designed and is operating as of December 31, 2007, in all material respects, in accordance with the IACS Framework issued by the Internal Accounting Control System Operation Committee.

Choi, Buhmsoo, Internal Accounting Control Officer

Lee, In Ho, Chief Executive Officer

February 5, 2008

Independent Auditors' Report

Based on a report originally issued in Korean

To the Board of Directors and Stockholders

Shinhan Financial Group Co., Ltd.:



KPMG Samjong Accounting Corp.

10th Floor, GangNam Finance Tower, 737 Yeoksam-dong
Gangnam-gu, Seoul 135-984 Republic of Korea
Tel. 82-2-2112-0100 / Fax. 82-2-2112-0101
www.kr.kpmg.com

We have audited the accompanying consolidated balance sheets of Shinhan Financial Group Co., Ltd. and its subsidiaries (collectively the "Consolidated Company") as of December 31, 2007 and 2006 and the related consolidated statements of income, changes in stockholders' equity and consolidated statements of cash flows for the years then ended. These consolidated financial statements are the responsibility of Shinhan Financial Group Co., Ltd.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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 provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Consolidated Company as of December 31, 2007 and 2006, 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, 2007 and 2006 have been translated into United States dollars solely for the convenience of the reader. We have audited the translation and, in our opinion, the consolidated financial statements expressed in Korean Won have been translated into dollars 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, cash flows and changes in stockholders' equity 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 review such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying consolidated financial statements are intended solely for use by those knowledgeable in Korean accounting principles and auditing standards and their application in practice.



As discussed in notes 1 and 4 to the consolidated financial statements, Shinhan Financial Group Co., Ltd. acquired 98,517,316 shares (78.58%) of the outstanding shares of LG Card Co., Ltd. at ₩67,770 per share through a tender offer on March 19, 2007 and LG Card Co., Ltd. became a subsidiary of Shinhan Financial Group Co., Ltd. Subsequently, Shinhan Financial Group Co., Ltd. acquired 9,624,218 shares (7.68%) at ₩46,392 per share through a second tender offer on July 3, 2007 and the remaining 17,227,869 shares (13.74%) were subject to a share exchange, at an exchange ratio of 0.84932 share in Shinhan Financial Group Co., Ltd. for one LG Card Co., Ltd. share, on September 21, 2007. As a result, LG Card Co., Ltd. became a wholly owned subsidiary of Shinhan Financial Group Co., Ltd. and LG Card Co., Ltd. was delisted from the Korea Exchange on October 10, 2007.

As discussed in note 1 to the consolidated financial statements, Shinhan Card Co., Ltd., a wholly owned subsidiary of the Company, transferred its all assets, liabilities and operations to LG Card Co., Ltd. effective October 1, 2007, per the resolution of the Board of Directors' Meeting on May 28, 2007. Subsequently, LG Card Co., Ltd. changed its name to Shinhan Card Co., Ltd. and former Shinhan Card Co., Ltd. changed its name to SHC Management Co., Ltd.

In addition, per the resolution of the Board of Directors' Meeting on November 12, 2007, Shinhan Card Co., Ltd. (formerly LG Card Co., Ltd.) transferred its corporate leasing business division to Shinhan Capital Co., Ltd. effective January 1, 2008.

KPMG Samjong Accounting Corp.

KPMG Samjong Accounting Corp.

Seoul, Korea

February 14, 2008

This report is effective as of February 14, 2008, 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, 2007 and 2006 (In millions of Won and thousands of U.S. dollars, except share data)

	Won		U.S. dollars (note 2(b))	
	2007	2006	2007	2006
Assets				
Cash and due from banks (notes 5,20,21 and 22)	₩ 9,599,562	11,273,500	\$ 10,231,894	12,016,095
Securities (notes 6,20 and 22)	43,447,874	31,284,402	46,309,821	33,345,132
Loans, net (notes 7, 8 and 22)	147,927,911	122,301,730	157,672,042	130,357,844
Property and equipment (notes 9,20 and 21)	2,405,258	2,212,386	2,563,695	2,358,118
Goodwill, net (notes 4 and 10)	4,986,249	1,437,045	5,314,698	1,531,704
Other assets (notes 8,11,22 and 31)	12,509,160	9,316,475	13,333,145	9,930,159
Total assets	220,876,014	177,825,538	235,425,295	189,539,052
Liabilities and Stockholders' equity				
Liabilities:				
Deposits (notes 12 and 22)	110,820,536	99,759,523	118,120,376	106,330,764
Borrowings (notes 13 and 22)	24,205,471	18,173,694	25,799,904	19,370,811
Debentures, net (notes 14 and 22)	42,585,968	29,484,758	45,391,139	31,426,943
Retirement and severance benefits, net (note 15)	332,137	241,189	354,015	257,076
Other liabilities (note 16 and 22)	24,757,487	18,654,269	26,388,283	19,883,040
Total liabilities	202,701,599	166,313,433	216,053,717	177,268,634
Stockholders' equity:				
Capital stock of ₩5,000 par value (note 23)				
Common stock	1,980,998	1,907,838	2,111,488	2,033,509
Authorized - 1,000,000,000 shares				
Issued and outstanding:				
396,199,587 shares issued and 396,199,058 shares outstanding in 2007				
381,567,614 shares issued and 374,437,647 shares outstanding in 2006				
Redeemable and convertible preferred stock	481,475	262,920	513,190	280,239
Issued and outstanding: 74,161,377 shares in 2007 39,767,169 shares in 2006				
Capital surplus	8,617,811	4,411,506	9,185,473	4,702,096
Retained earnings	5,221,814	3,387,960	5,565,779	3,611,128
Capital adjustments (note 24)	198,368	67,899	211,435	72,372
Accumulated other comprehensive income (note 25)	1,477,335	1,323,403	1,574,648	1,410,576
Minority interest in consolidated subsidiaries	196,614	150,579	209,565	160,498
Total stockholders' equity	18,174,415	11,512,105	19,371,578	12,270,418
Commitments and contingencies (note 32)				
Total liabilities and stockholders' equity	₩220,876,014	177,825,538	\$ 235,425,295	189,539,052

See accompanying notes to consolidated financial statements.



Consolidated Statements of Income

For the years ended December 31, 2007 and 2006 (In millions of Won and thousands of U.S. dollars)

	Won		U.S. dollars (note 2(b))	
	2007	2006	2007	2006
Interest income and dividends:				
Interest on due from banks	₩ 180,422	115,416	\$ 192,307	123,019
Interest and dividends on securities	1,775,594	1,404,239	1,892,554	1,496,737
Interest on loans	11,395,868	7,792,842	12,146,524	8,306,163
Other	101,629	71,477	108,323	76,185
Total interest income and dividends	13,453,513	9,383,974	14,339,708	10,002,104
Interest expense:				
Interest on deposits	3,665,979	2,767,329	3,907,460	2,949,615
Interest on borrowings	969,439	628,024	1,033,297	669,392
Interest on debentures	2,131,885	1,329,293	2,272,314	1,416,855
Other	100,303	57,521	106,910	61,310
Total interest expense	6,867,606	4,782,167	7,319,981	5,097,172
Net interest income	6,585,907	4,601,807	7,019,727	4,904,932
Provision for loan losses	738,836	574,652	787,504	612,505
Net interest income after provision for loan losses	5,847,071	4,027,155	6,232,223	4,292,427
Non-interest income:				
Fees and commission income	1,533,652	1,156,947	1,634,675	1,233,156
Insurance income	2,331,330	2,058,226	2,484,897	2,193,803
Realized gain from sale of trading securities	369,102	458,984	393,415	489,218
Unrealized gain on trading securities	40,901	264,053	43,595	281,446
Realized gain from sale of available-for-sale securities	790,447	339,021	842,514	361,353
Reversal of impairment loss on available-for-sale securities	162,799	309,342	173,523	329,719
Reversal of impairment loss on held-to-maturity securities	50,001	-	53,295	-
Gain from equity method investment securities	71,740	78,767	76,466	83,955
Gain from sale of loans	37,907	37,847	40,404	40,340
Gain on foreign currency transactions	1,374,219	1,834,739	1,464,740	1,955,595
Gain on derivatives	5,500,804	4,452,341	5,863,146	4,745,620
Others	979,945	327,511	1,044,495	349,084
Total non-interest income	₩ 13,242,847	11,317,778	\$ 14,115,165	12,063,289

Consolidated Statements of Income, Continued

For the years ended December 31, 2007 and 2006 (In millions of Won and thousands of U.S. dollars, except earnings per share)

	Won		U.S. dollars (note 2(b))	
	2007	2006	2007	2006
Non-interest expense:				
Fees and commission expense	₩ 1,084,416	461,204	1,155,847	491,584
Insurance expense	2,471,155	2,145,302	2,633,932	2,286,615
Realized loss from sale of trading securities	198,180	357,615	211,234	381,171
Unrealized loss on trading securities	96,455	196,130	102,809	209,049
Realized loss from sale of available-for-sale securities	9,728	46,873	10,369	49,961
Impairment loss on available-for-sale securities	17,587	108,586	18,745	115,739
Impairment loss on held-to-maturity securities	35,424	-	37,757	-
Loss from equity method investment securities	716	324	763	345
Loss from sale of loans	958	3,067	1,021	3,269
General and administrative expenses (note 26)	3,966,686	2,972,880	4,227,975	3,168,706
Loss on foreign currency transactions	1,215,935	1,710,427	1,296,030	1,823,094
Loss on derivatives	5,459,954	4,355,289	5,819,606	4,642,175
Others	646,203	475,071	688,769	506,363
Total non-interest expense	15,203,397	12,832,768	16,204,857	13,678,071
Net non-interest expense	(1,960,550)	(1,514,990)	(2,089,692)	(1,614,782)
Earnings before income taxes	3,886,521	2,512,165	4,142,531	2,677,645
Income taxes (note 27)	536,907	669,652	572,274	713,763
Pre-acquisition income in subsidiary	874,101	-	931,679	-
Consolidated net income	2,475,513	1,842,513	2,638,578	1,963,882
Net income in majority interest	2,396,377	1,832,718	2,554,228	1,953,441
Net income in minority interest	79,136	9,795	84,349	10,440
Earnings per share (note 28)				
Earnings per share in Won and U.S. dollars	₩ 5,562	4,776	5.93	5.09
Diluted earnings per share in Won and U.S. dollars	₩ 5,424	4,776	5.78	5.09

See accompanying notes to consolidated financial statements.



Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2007 and 2006 (In millions of Won and thousands of U.S. dollars)

	Won						
	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Minority interest	Total
Balance at January 1, 2006	₩2,170,758	4,393,846	(105,626)	934,847	2,743,192	73,856	10,210,873
Dividends paid	-	-	-	-	(385,049)	-	(385,049)
Disposition of treasury stock	-	17,687	151,216	-	-	-	168,903
Other changes in capital surplus	-	(27)	-	-	-	-	(27)
Changes in capital adjustments	-	-	22,309	-	-	-	22,309
Net income	-	-	-	-	1,832,718	9,795	1,842,513
Redemption of redeemable preferred stock	-	-	-	-	(697,864)	-	(697,864)
Changes in retained earnings of subsidiaries	-	-	-	-	(105,037)	-	(105,037)
Changes in unrealized gain on available-for-sale securities	-	-	-	423,201	-	(572)	422,629
Changes in unrealized holding gain on equity method investment securities	-	-	-	(802)	-	10	(792)
Changes in unrealized holding loss on equity method investment securities	-	-	-	(31,361)	-	-	(31,361)
Cumulative effects on foreign currency translation adjustments	-	-	-	499	-	-	499
Effective portion of changes in fair value of cash flow hedges	-	-	-	(2,981)	-	-	(2,981)
Other changes in minority interest	-	-	-	-	-	67,490	67,490
Balance at December 31, 2006	₩2,170,758	4,411,506	67,899	1,323,403	3,387,960	150,579	11,512,105

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Stockholders' Equity, Continued

For the years ended December 31, 2007 and 2006 (In millions of Won and thousands of U.S. dollars)

U.S. dollars (note 2(b))

	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Minority interest	Total
Balance at January 1, 2006	\$2,313,748	4,683,272	(112,584)	996,425	2,923,888	78,721	10,883,470
Dividends paid	-	-	-	-	(410,412)	-	(410,412)
Disposition of treasury stock	-	18,852	161,177	-	-	-	180,029
Other changes in capital surplus	-	(28)	-	-	-	-	(28)
Changes in capital adjustments	-	-	23,779	-	-	-	23,779
Net income	-	-	-	-	1,953,441	10,440	1,963,881
Redemption of redeemable preferred stock	-	-	-	-	(743,833)	-	(743,833)
Changes in retained earnings of subsidiaries	-	-	-	-	(111,956)	-	(111,956)
Changes in unrealized gain on available-for-sale securities	-	-	-	451,078	-	(610)	450,468
Changes in unrealized holding gain on equity method investment securities	-	-	-	(855)	-	11	(844)
Changes in unrealized holding loss on equity method investment securities	-	-	-	(33,427)	-	-	(33,427)
Cumulative effects on foreign currency translation adjustments	-	-	-	532	-	-	532
Effective portion of changes in fair value of cash flow hedges	-	-	-	(3,177)	-	-	(3,177)
Other changes in minority interest	-	-	-	-	-	71,936	71,936
Balance at December 31, 2006	\$2,313,748	4,702,096	72,372	1,410,576	3,611,128	160,498	12,270,418

See accompanying notes to consolidated financial statements.



Consolidated Statements of Changes in Stockholders' Equity, Continued

For the years ended December 31, 2007 and 2006 (In millions of Won and thousands of U.S. dollars)

	Won						
	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Minority interest	Total
Balance at January 1, 2007	₩ 2,170,758	4,411,506	67,899	1,323,403	3,387,960	150,579	11,512,105
Dividends paid	-	-	-	-	(392,238)	-	(392,238)
Common stock issued for acquisition of LG Card Co., Ltd.	73,160	771,082	-	-	-	-	844,242
Preferred stock issued	218,555	3,517,683	-	-	-	-	3,736,238
Disposition of treasury stock	-	177,570	161,504	-	-	-	339,074
Acquisition of treasury stock	-	-	(28)	-	-	-	(28)
Additional acquisition of equity interest in LG Card Co., Ltd.	-	(243,620)	-	-	-	(643,567)	(887,187)
Other changes in capital surplus	-	(16,410)	-	-	-	-	(16,410)
Changes in capital adjustments	-	-	(31,007)	-	-	-	(31,007)
Net income	-	-	-	-	2,396,377	79,136	2,475,513
Redemption of redeemable preferred stock	-	-	-	-	(172,812)	-	(172,812)
Changes in retained earnings of subsidiaries	-	-	-	-	2,527	-	2,527
Changes in unrealized gain on available-for-sale securities	-	-	-	139,497	-	114	139,611
Changes in unrealized holding gain on equity method investment securities	-	-	-	3,610	-	-	3,610
Changes in unrealized holding loss on equity method investment securities	-	-	-	104	-	(3)	101
Cumulative effect on foreign currency translation adjustments	-	-	-	6,063	-	-	6,063
Effective portion of changes in fair value of cash flow hedges	-	-	-	4,658	-	643	5,301
Other changes in minority interest	-	-	-	-	-	609,712	609,712
Balance at December 31, 2007	₩2,462,473	8,617,811	198,368	1,477,335	5,221,814	196,614	18,174,415

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Stockholders' Equity, Continued

For the year ended December 31, 2007 and 2006 (In millions of Won and thousands of U.S. dollars)

U.S. dollars (note 2(b))

	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Minority interest	Total
Balance at January 1, 2007	\$ 2,313,748	4,702,096	72,372	1,410,576	3,611,128	160,498	12,270,418
Dividends paid	-	-	-	-	(418,075)	-	(418,075)
Common stock issued for acquisition of LG Card Co., Ltd.	77,979	821,874	-	-	-	-	899,853
Preferred stock issued	232,951	3,749,396	-	-	-	-	3,982,347
Disposition of treasury stock	-	189,267	172,142	-	-	-	361,409
Acquisition of treasury stock	-	-	(30)	-	-	-	(30)
Additional acquisition of equity interest in LG Card Co., Ltd.	-	(259,667)	-	-	-	(685,959)	(945,626)
Other changes in capital surplus	-	(17,493)	-	-	-	-	(17,493)
Changes in capital adjustments	-	-	(33,049)	-	-	-	(33,049)
Net income	-	-	-	-	2,554,228	84,349	2,638,577
Redemption of redeemable preferred stock	-	-	-	-	(184,195)	-	(184,195)
Changes in retained earnings of subsidiaries	-	-	-	-	2,693	-	2,693
Changes in unrealized gain on available-for-sale securities	-	-	-	148,686	-	122	148,808
Changes in unrealized holding gain on equity method investment securities	-	-	-	3,848	-	-	3,848
Changes in unrealized holding loss on equity method investment securities	-	-	-	111	-	(3)	108
Cumulative effect on foreign currency translation adjustments	-	-	-	6,462	-	-	6,462
Effective portion of changes in fair value of cash flow hedges	-	-	-	4,965	-	685	5,650
Other changes in minority interest	-	-	-	-	-	649,873	649,873
Balance at December 31, 2007	\$ 2,624,678	9,185,473	211,435	1,574,648	5,565,779	209,565	19,371,578

See accompanying notes to consolidated financial statements.



Consolidated Statements of Cash Flows

For the years ended December 31, 2007 and 2006 (In millions of Won and thousands of U.S. dollars)

	Won		U.S. dollars (note 2(b))	
	2007	2006	2007	2006
Cash flows from operating activities:				
Net income	₩ 2,475,513	1,842,513	\$ 2,638,578	1,963,882
Adjustments to reconcile consolidated net income to net cash used in operating activities:				
Depreciation and amortization	701,696	367,019	747,917	391,195
Provision for loan losses	787,065	574,652	838,910	612,505
Provision for retirement and severance benefits	136,689	129,089	145,693	137,592
Unrealized loss (gain) on trading securities, net	55,554	(67,923)	59,214	(72,397)
Impairment loss on available-for-sale securities	17,197	108,586	18,330	115,739
Reversal of impairment loss on available-for-sale securities	(162,799)	(309,342)	(173,523)	(329,719)
Reversal of impairment loss on held-to-maturity securities	(51,913)	-	(55,333)	-
Income from equity method investment securities, net	(71,024)	(78,443)	(75,703)	(83,610)
Gain on foreign currency transactions, net	(155,945)	(135,182)	(166,217)	(144,087)
Valuation loss (gain) on derivatives, net	(183,372)	96,712	(195,451)	103,082
Stock compensation costs	73,452	58,352	78,290	62,196
Policy reserves and other insurance expense	1,124,817	1,103,756	1,198,910	1,176,462
Other, net	181,150	106,708	193,081	113,736
Changes in assets and liabilities:				
Net increase in trading securities	(6,217,289)	(34,569)	(6,626,827)	(36,846)
Net decrease (increase) in available-for-sale securities	(4,238,080)	4,207,112	(4,517,246)	4,484,238
Net increase in held-to-maturity securities	(560,324)	(4,660,200)	(597,233)	(4,967,171)
Increase in loans	(16,454,295)	(17,849,638)	(17,538,152)	(19,025,410)
Decrease (increase) in other assets	(1,124,867)	2,784,688	(1,198,964)	2,968,118
Decrease in other liabilities	(205,965)	(2,064,549)	(219,529)	(2,200,542)
Loan origination fee	194,469	43,483	207,279	46,347
Retirement and severance benefits paid	(59,201)	(29,816)	(63,101)	(31,780)
Decrease (increase) in deposit for severance benefit insurance	2,043	(17,478)	2,178	(18,629)
Net cash used in operating activities	(23,735,429)	(13,824,470)	(25,298,900)	(14,735,100)
Cash flows from investing activities:				
Cash provided by investing activities:				
Dividends received from equity method investment securities	25,444	30,459	27,120	32,466
Proceeds from disposal of property and equipment	11,716	99,851	12,488	106,428
Decrease in other assets	232,928	226,230	248,271	241,132
	₩ 270,088	356,540	\$ 287,879	380,026

Consolidated Statements of Cash Flows, Continued

For the years ended December 31, 2007 and 2006 (In millions of Won and thousands of U.S. dollars)

	Won		U.S. dollars (note 2(b))	
	2007	2006	2007	2006
Cash used in investing activities:				
Acquisition of equity method investment securities	₩ (25,412)	(21,450)	\$ (27,086)	(22,863)
Acquisition of LG Card Co., Ltd.	(6,179,343)	-	(6,586,381)	-
Purchase of property and equipment	(454,455)	(569,602)	(484,390)	(607,122)
Increase in other assets	(423,318)	(255,714)	(451,202)	(272,558)
Decrease in other liabilities	-	(20,596)	-	(21,953)
	(7,082,528)	(867,362)	(7,549,059)	(924,496)
Net cash used in investing activities	(6,812,440)	(510,822)	(7,261,180)	(544,470)
Cash flows from financing activities:				
Cash provided by financing activities:				
Net increase in deposits	10,747,144	8,769,934	11,455,066	9,347,618
Proceeds from borrowings	36,025,616	32,453,956	38,398,653	34,591,725
Proceeds from debentures	19,358,446	14,701,794	20,633,603	15,670,213
Increase in other liabilities	163,729	135,253	174,514	144,162
Disposition of treasury stock	339,418	120,817	361,776	128,776
Issuance of preferred stock	3,749,962	-	3,996,975	-
Increase in minority interest	61,269	68,400	65,305	72,906
	70,445,584	56,250,154	75,085,892	59,955,400
Cash used in financing activities:				
Repayment of borrowings	(30,081,049)	(31,008,030)	(32,062,513)	(33,050,554)
Repayment of debentures	(11,050,184)	(6,863,208)	(11,778,068)	(7,315,293)
Debentures issue cost paid	(88,744)	(97,028)	(94,590)	(103,419)
Decrease in other liabilities	(25,599)	(16,138)	(27,285)	(17,201)
Stock issuance costs paid	(13,747)	(29)	(14,653)	(31)
Dividends paid	(391,708)	(385,727)	(417,510)	(411,135)
Redemption of redeemable preferred stocks	(172,812)	(697,864)	(184,195)	(743,833)
Acquisition of treasury stock	(372)	-	(397)	-
Decrease in minority interest	(81,581)	-	(86,955)	-
	(41,905,796)	(39,068,024)	(44,666,166)	(41,641,466)
Net cash provided by financing activities	28,539,788	17,182,130	30,419,726	18,313,934
Increase (decrease) in cash and due from banks due to change in consolidation scope	334,143	(2,666)	356,153	(2,842)
Net increase (decrease) in cash and due from banks	(1,673,938)	2,844,172	(1,784,201)	3,031,522
Cash and due from banks at beginning of year	11,273,500	8,429,328	12,016,095	8,984,575
Cash and due from banks at end of year	₩ 9,599,562	11,273,500	\$ 10,231,894	12,016,097

See accompanying notes to consolidated financial statements.



Notes to Consolidated Financial Statements

December 31, 2007 and 2006

(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 through a business combination involving exchange of Shinhan Financial Group's common stock with the former 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.). Shinhan Financial Group was formed with ₩1,461,721 million of initial capital stock for the purpose of providing management services and financing to affiliated companies and Shinhan Financial Group's shares were listed on the Korea Exchange on September 10, 2001. In addition, on September 16, 2003, Shinhan Financial Group's American Depository Shares were listed on the New York Stock Exchange.

As of December 31, 2007, Shinhan Financial Group has 45 subsidiaries, which are consolidated or accounted for under the equity method, and its capital stock amounted to ₩1,980,998 million in common stock and ₩481,475 million in redeemable and convertible preferred stock, respectively.

(b) Subsidiaries included in consolidation

a. Shinhan Bank (formerly Chohung Bank)

Chohung Bank was established on October 1, 1943 through the merger of Han Sung Bank, established on February 19, 1897, and Dong Il Bank, established on August 8, 1906, to engage in commercial banking and trust operations.

The credit card division of Chohung Bank was merged with Shinhan Card Co., Ltd. on April 1, 2006. Additionally, on April 1, 2006, Shinhan Bank merged with Chohung Bank (excluding the card division of Chohung Bank). Chohung Bank was the surviving legal entity. After the merger, Chohung Bank changed its name to Shinhan Bank.

As of December 31, 2007, Shinhan Bank operated through 911 domestic branches, 95 depositary offices and 15 overseas branches, and its capital stock amounted to ₩7,528,078 million.

b. Shinhan Card Co., Ltd. (formerly LG Card Co., Ltd.)

LG Card Co., Ltd. ("LG Card") was incorporated on December 17, 1985, under the name of Express Credit Card Corporation to provide credit card services. LG Card merged with Goldstar Factoring Corporation and LG Financing Corporation on June 1, 1988 and January 1, 1998, respectively. LG Card mainly provides credit card services, factoring, installment financing and leasing under the Specialized Credit Financial Business Act. LG Card was listed on the Korea Exchange on April 22, 2002.

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

On March 19, 2007, Shinhan Financial Group acquired 98,517,316 shares (78.6%) of the outstanding shares of LG Card at ₩ 67,770 per share through a tender offer and LG Card became a subsidiary of Shinhan Financial Group. Subsequently, Shinhan Financial Group acquired 9,624,218 shares (7.68%) at ₩46,392 per share through a second tender offer on July 3, 2007 and the remaining 17,227,869 shares (13.74%) were subject to a share exchange, at an exchange ratio of 0.84932 share in Shinhan Financial Group for one LG Card share, on September 21, 2007.

As a result, LG Card became a wholly owned subsidiary of Shinhan Financial Group and LG Card was delisted from the Korea Exchange on October 10, 2007.

Per the resolution of the Board of Directors' Meeting on May 28, 2007, Shinhan Card Co., Ltd. (SHC Management Co., Ltd. as of December 31, 2007), a wholly owned subsidiary of Shinhan Financial Group, transferred all assets, liabilities and operations to LG Card effective October 1, 2007. With this business transfer, LG Card changed its name to Shinhan Card Co., Ltd. effective October 1, 2007.

Shinhan Card Co., Ltd. (formerly LG Card Co., Ltd.; "Shinhan Card") transferred its corporate leasing business division to Shinhan Capital Co., Ltd. effective January 1, 2008, per the resolution of the Board of Directors' Meeting on November 12, 2007.

As of December 31, 2007, Shinhan Card had 92 branches, approximately 2.15 million merchants in its network, and 13.35 million active credit card holders, and its capital stock amounted to ₩ 626,847 million.

c. Good Morning Shinhan Securities Co., Ltd.

Good Morning Shinhan Securities Co., Ltd. ("Good Morning Shinhan Securities") was incorporated on April 2, 1973 to engage in securities trading, underwriting and brokerage services and became a wholly owned subsidiary in August 17, 2004 through a tender offer and share exchange. As of December 31, 2007, it operated through 84 branches and its capital stock amounted to ₩1,296,998 million (including ₩19,117 million of preferred stock).

d. Shinhan Life Insurance Co., Ltd.

Shinhan Life Insurance Co., Ltd. ("Shinhan Life Insurance") was incorporated in January 1990 under the laws of the Republic of Korea to engage in life insurance and related businesses and became a wholly owned subsidiary as of December 31, 2005. As of December 31, 2007, Shinhan Life Insurance operated through 141 branches and its capital stock amounted to ₩200,000 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. It changed its name on May 27, 1999 from Shinhan Leasing Co., Ltd. to Shinhan Capital Co., Ltd. Shinhan Capital's capital stock as of December 31, 2007 amounted to ₩180,000 million. In addition as noted above, Shinhan Capital acquired the net assets of the corporate leasing business division of Shinhan Card effective January 1, 2008, per the resolution of the Board of Directors' Meeting on November 12, 2007.



f. Jeju Bank

Jeju Bank was incorporated on March 18, 1969 under the General Banking Act of the Republic of Korea to engage in commercial banking and the trust business and listed its shares on the Korea Exchange on December 28, 1972. Jeju Bank's capital stock as of December 31, 2007 amounted to ₩77,644 million.

g. Shinhan Credit Information Co., Ltd.

Shinhan Credit Information Co., Ltd. ("Shinhan Credit Information") was established on July 8, 2002 to engage in the business of debt collection services and credit research. Shinhan Credit Information's capital stock as of December 31, 2007 amounted to ₩3,000 million.

h. 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, 2007 amounted to ₩10,000 million.

i. Trust accounts of Shinhan Bank and Jeju Bank

Trust accounts are accounted for separately from its bank accounts under the Trust Business Act. Accordingly, funds transferred between a bank account and a trust account are recognized as assets and liabilities, as appropriate, and commissions are recognized as revenue. Furthermore, in cases where trust accounts in which Shinhan Bank and Jeju Bank guarantees repayment of principal and, in certain cases, minimum interest earnings are in the accompanying consolidated financial statements.

j. SH Asset Management Co., Ltd.

SH Asset Management Co., Ltd. ("SH Asset Management") was established in 1988 and engages in securities management services and conducts surveys of the economic and capital markets. As of December 31, 2007, SH Asset Management's capital stock amounted to ₩45,000 million.

Shinhan Bank acquired the remaining 1,817,322 shares (20.20%) of the outstanding shares of SH Asset Management at ₩ 25,850 per share on July 9, 2007.

k. Shinhan Asia Ltd.

Shinhan Asia Ltd. ("Shinhan Asia") engages in merchant banking activities in Hong Kong. As of December 31, 2007, Shinhan Asia's capital stock amounted to US\$50,000 thousand.

l. Shinhan Bank America

Shinhan Bank America was established on March 24, 2003 through the merger of Chohung Bank of New York and California Chohung Bank. As of December 31, 2007, Shinhan Bank America's capital stock amounted to US\$43,000 thousand. In addition, Shinhan Bank America merged with North Atlanta National Bank on November 30, 2007.

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

m. Shinhan Bank Europe GmbH

Shinhan Bank Europe GmbH ("Shinhan Europe") was established in 1994. As of December 31, 2007, Shinhan Europe's capital stock amounted to EUR 15,339 thousand.

n. Shinhan Khmer Bank

Shinhan Khmer Bank ("Shinhan Khmer") was established on August 30, 2007. As of December 31, 2007, Shinhan Khmer's capital stock amounted to USD 13,000 thousand.

o. Shinhan Corporate Restructuring Fund 7th

Shinhan Corporate Restructuring Fund 7th provides corporate financing by investing in debt and equity securities of restructuring entities under workout. As of December 31, 2007, Shinhan Corporate Restructuring Fund 7th's capital stock amounted to ₩3,825 million.

p. Good Morning Shinhan Securities Europe Limited

Good Morning Shinhan Securities Europe Limited ("Good Morning Shinhan Europe") was established in 1991 and provides securities trading, underwriting and derivative brokerage services in Europe under the Securities and Futures Authority of UK. As of December 31, 2007, Good Morning Shinhan Europe's capital stock amounted to GBP 5,000 thousand.

q. Good Morning Shinhan Securities USA Inc.

Good Morning Shinhan Securities USA Inc. ("Good Morning Shinhan USA") was established in 1993 and provides securities trading, underwriting and derivative brokerage services under the Federal Securities Act of USA. As of December 31, 2007, Good Morning Shinhan USA's capital stock amounted to US\$4,200 thousand.

r. Good Morning Shinhan Securities Asia Limited

Good Morning Shinhan Securities Asia Limited ("Good Morning Shinhan Asia") was established on May 25, 2007 and provides securities trading, underwriting and derivative brokerage services under the Securities and Futures Ordinance of Hong Kong. As of December 31, 2007, Good Morning Shinhan Asia's capital stock amounted to HKD 40,000 thousand.

s. Shinhan National Pension Service PEF 1st

Shinhan National Pension Service PEF 1st ("Shinhan PEF 1st") was established on August 18, 2005. As of December 31, 2007, its capital stock amounted to ₩234,000 million.

t. Symphony Energy Co., Ltd.

Symphony Energy Co. Ltd ("Symphony Energy") was established on April 24, 2004 and provides manufacturing and installation services of solar module. On March 30, 2007, Shinhan PEF 1st acquired 4,652,000 shares (77.9% of the outstanding shares of Symphony Energy) for total consideration of ₩14,807 million. Subsequently, Shinhan PEF 1st acquired 3,599,986 shares and 1,359,979 shares of the outstanding shares of Symphony Energy on April 24 and August 10, 2007, respectively. As a result, Shinhan PEF 1st held 86.2% of the outstanding shares of Symphony Energy. As of December 31, 2007, its capital stock amounted to ₩5,467 million.



Ownership between Shinhan Financial Group and its subsidiaries included in consolidation as of December 31, 2007 and 2006 were as follows:

Investor	Investee	2007		2006	
		Number of shares	Ownership percentage(%)	Number of shares	Ownership percentage(%)
Shinhan Financial Group	Shinhan Bank	1,505,615,506	100.0	1,505,615,506	100.0
"	Shinhan Card (formerly LG Card)	125,369,403	100.0	-	-
"	Good Morning Shinhan Securities	259,399,664	100.0	159,399,664	100.0
"	Shinhan Life Insurance	40,000,000	100.0	40,000,000	100.0
"	SHC Management(*)	71,777,256	100.0	71,777,256	100.0
"	Shinhan Capital	32,250,000	100.0	12,250,000	100.0
"	Jeju Bank	9,692,369	62.4	9,692,369	62.4
"	Shinhan Credit Information	600,000	100.0	600,000	100.0
"	Shinhan PE	2,000,000	100.0	2,000,000	100.0
Shinhan Bank	Shinhan Financial Group	-	-	7,129,967	1.9
"	SH Asset Management	8,997,000	99.9	7,179,678	79.8
"	Shinhan Asia	499,999	99.9	149,999	100.0
"	Shinhan Bank America	400,000	100.0	400,000	100.0
"	Shinhan Europe Limited	Limited	100.0	Limited	100.0
"	Shinhan Khmer	13,000,000	100.0	-	-
"	Shinhan PEF 1 st	624	26.7	368	26.7
"	Shinhan Corporate Restructuring Fund 7 th	2,250,000,000	58.8	-	-
Shinhan Card	Shinhan Financial Group	529	-	-	-
Good Morning Shinhan Securities	Good Morning Shinhan Europe	3,400,000	100.0	3,400,000	100.0
"	Good Morning Shinhan USA	15,000	100.0	15,000	100.0
"	Good Morning Shinhan Asia	40,000,000	100.0	-	-
Shinhan Capital	Shinhan Corporate Restructuring Fund 7 th	1,125,000,000	29.4	-	-
Shinhan Life Insurance	Shinhan PEF 1st	78	3.3	46	3.3
Jeju Bank	Shinhan PEF 1st	39	1.7	23	1.7
"	Shinhan Corporate Restructuring Fund 7 th	188,500,000	4.9	-	-
Shinhan PE	Shinhan PEF 1st	117	5.0	69	5.0
Shinhan PEF 1st	Symphony Energy	9,424,193	86.2	-	-

(*) Consolidating subsidiary as of December 31, 2006 but excluded from the scope of consolidation as of December 31, 2007

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

(c) Joint venture investees

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

On August 1, 1996, Shinhan Investment Trust Management Co., Ltd. was established and obtained a license to engage in investment and trust of securities and advisory services under the Investment and Trust of Securities Law. Under the joint venture agreement on October 2002 with BNP Paribas Asset Management Group, Shinhan Investment Trust Management Co., Ltd. was renamed Shinhan BNP Paribas Investment Trust Management Co., Ltd. ("Shinhan BNP Paribas ITMC"). Shinhan BNP Paribas ITMC's capital stock as of December 31, 2007 amounted to ₩40,000 million.

b. 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 insurance and related businesses under the joint venture agreement with Cardif SA. SH&C Life Insurance's capital stock as of December 31, 2007 amounted to ₩30,000 million.

c. Shinhan Macquarie Financial Advisory Co., Ltd.

On August 1, 2001, Shinhan Macquarie Financial Advisory Co., Ltd. ("Shinhan Macquarie") was incorporated to engage in financial advisory services and cross border leasing under the joint venture agreement with Macquarie International Holdings Ltd. Shinhan Macquarie's capital stock as of December 31, 2007 amounted to ₩1,000 million.

Details of ownerships in joint venture investees as of December 31, 2007 and December 31, 2006 were as follows:

Investor	Investee	2007		2006	
		Number of shares	Ownership (%)	Number of shares	Ownership (%)
Joint venture investment:					
Shinhan Financial Group	Shinhan BNP Paribas ITMC	4,000,001	50.0	4,000,001	50.0
"	SH&C Life Insurance	3,000,001	50.0	3,000,001	50.0
"	Shinhan Macquarie	102,000	51.0	102,000	51.0



(d) Other equity method investees

Details of ownerships in subsidiaries accounted for under the equity method of accounting as of December 31, 2007 and 2006 were as follows:

Investor	Investee	Ownership(%)	
		2007	2006
Shinhan Financial Group	SHC Management Co., Ltd.	100.0	100.0
Shinhan Bank	Shinhan Data System Co., Ltd.	100.0	100.0
"	Shinhan Corporate Restructuring Fund 6 th	60.0	60.0
"	Shinhan Corporate Restructuring Fund 7 th	-	58.8
"	Shinhan Corporate Restructuring Fund 8 th	14.5	14.5
"	Macquarie Shinhan Infrastructure Management Co.,Ltd.	35.2	35.2
"	Daewoo Capital Co.,Ltd.	14.8	14.8
"	Shinhan Vina Bank	50.0	50.0
"	Shinhan Finance Ltd.	100.0	100.0
Shinhan Card	High technology Investment, Ltd.	28.6	-
Shinhan Life Insurance	Shinhan Corporate Restructuring Fund 3 rd	-	10.0
"	Shinhan Corporate Restructuring Fund 6 th	10.0	10.0
Shinhan Capital	Shinhan Corporate Restructuring Fund 3 rd	-	19.0
"	KTB Corporate Restructuring Fund 18 th	47.2	47.2
"	Macquarie Shinhan Infrastructure Management Co.,Ltd.	14.8	14.8
"	Now Corporate Restructuring Fund 2 nd	-	25.0
"	CFAG Corporate Restructuring Fund 8 th	20.0	20.0
"	Shinhan Corporate Restructuring Fund 5 th	45.0	45.0
"	Shinhan Corporate Restructuring Fund 6 th	20.0	20.0
"	Shinhan Corporate Restructuring Fund 7 th	-	29.4
"	Shinhan Corporate Restructuring Fund 8 th	25.8	26.2
"	DCC Corporate Restructuring Fund 1 st	24.1	24.1
"	KTIC Corporate Restructuring Fund 13 th (KTIC 13 th CRV)	24.0	-
"	Now Corporate Restructuring Fund 3 rd	40.0	-
"	KTIC Corporate Restructuring Fund 16 th (KTIC 16 th CRV)	22.0	-
"	HTIC Corporate Restructuring Fund 2 nd (HTIC 2 nd CRV)	20.0	-
Jeju Bank	Shinhan Corporate Restructuring Fund 7 th	-	4.9

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

(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 (collectively the "Consolidated Company") maintains its accounting records in Korean Won and prepares statutory consolidated financial statements in the Korean language in conformity with 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 solely for use by only those who are informed in Korean accounting principles and practices. The accompanying consolidated financial statements have been condensed, restructured and translated into English from the Korean language consolidated financial statements.

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

(b) Basis of Financial Statements Translation

The 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 ₩938.20 to US\$1, the basic exchange rate on December 31, 2007. 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, 2007, the Consolidated Company has adopted Statements of Korea Accounting Standards (the "SKAS") No. 21, *Preparation and Presentation of Financial Statements I*, No. 22, *Share-based Payment*, No. 23, *Earning per Share*, No. 24, *Preparation and Presentation of Financial Statements II*, No. 25, *Consolidated Financial Statements* and No. 101, *Financial Holding Company*. Except for the adoption of the aforementioned accounting standards, the accounting policies were consistently applied for the consolidated financial statements both as of and for the years ended December 31, 2007 and 2006. Certain accounts of the consolidated financial statements as of and for the period ended December 31, 2006 were reclassified to conform to the current year's presentation for comparative purposes, resulting in a decrease in the cash flows from operating activities, increase in the cash flows from investing activities and increase in the cash flows from financing activities by ₩17,090,221 million, ₩12,460,823 million and ₩4,629,398 million, respectively.

(d) Changes in Presentation of Financial Statements

According to SKAS No. 21, *Preparation and Presentation of Financial Statements* and SKAS No. 25, *Consolidated Financial Statements*, the capital adjustment account as of December 31, 2006 has been reclassified into capital adjustments and accumulated other comprehensive income. A consolidated statement of comprehensive income has been included in the notes to the consolidated financial statements. In addition, allocation of net income between majority and minority interest is presented separately in the consolidated statement of income. In relation to the acquisition of LG Card Co., Ltd. during the current fiscal year, the consolidated statement of income is presented as if the subsidiary had been acquired at the beginning of the year with the pre-acquisition income deducted from earnings before income taxes.



(e) Investments in Securities

Upon acquisition, the Consolidated 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 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 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.

Investments in securities are initially recognized at cost. Trading securities are subsequently carried at fair value. Gains and losses arising from changes in the fair value of trading securities are included in the consolidated income statement in the period in which they arise. Available-for-sale securities are subsequently carried at fair value. Gains and losses arising from changes in the fair value of available-for-sale securities are recognized as accumulated other comprehensive income, net of tax, directly in equity. Investments in available-for-sale securities that do not have readily determinable fair values are recognized at cost less impairment, if any. Held-to-maturity investments are carried at amortized cost with interest income and expense recognized in the consolidated income statement using the effective interest method.

The fair value of marketable securities is determined using quoted market prices as of the period end. Non-marketable debt securities are fair valued by discounting cash flows using the prevailing market rates for debt with a similar credit risk and remaining maturity. Credit risk is determined using the issuer's credit rating as announced by accredited credit rating agencies in Korea.

The Consolidated Company reviews investments in securities whenever events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable. Impairment losses are recognized when the reasonably estimated recoverable amounts are less than the carrying amount and it is not obviously evidenced that impairment is unnecessary. Reversal of impairment loss, when it is objectively related to an event occurring after the recognition of impairment loss, is recognized as current income. However, the new carrying amount after the reversal of impairment cannot exceed the carrying value of the investment security that would have been measured at the date of reversal had no impairment loss been recognized.

(f) Investments in Associates

Associates are all entities over which the Consolidated Company has the ability to significantly influence the financial and operating policies and procedures, generally accompanying an equity interest of over 20 percent of the voting rights.

Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost.

The Consolidated Company's investments in associates include goodwill identified on acquisition (net of any accumulated impairment loss). Goodwill is calculated as the excess of the acquisition cost of an investment in an associate over the Consolidated Company's share of the fair value of the identifiable net assets acquired.

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Negative goodwill is the excess of fair value of the net identifiable assets acquired over the purchase price. The balance of negative goodwill is allocated to proportionately reduce the values assigned to depreciable non-monetary assets. If the allocation reduces the non-monetary assets to zero, any remainder is recognized as an extraordinary gain in the period of acquisition. However, negative goodwill related to future losses and expenses that have been specifically identified in the purchase agreement, is recognized as income in the period these are actually incurred.

Goodwill and negative goodwill is amortized using the straight-line method over its estimated useful life, between 10 years and 14 years. Amortization of (negative) goodwill is recorded together with equity income (losses).

The Consolidated Company's share of its post-acquisition profits or losses in investments in associates is recognized in the consolidated income statement, and its share of post-acquisition movements in equity is recognized in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of each investment. Changes in the carrying amount of an investment resulting from dividends by an associate are recognized when the associate declares the dividend. When the Consolidated Company's share of losses in an associate equals or exceeds its interest in the associate, including preferred stock, other long term loans and receivables issued by the associate or guaranteed obligations of the associate, the Consolidated Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Consolidated Company and its associates are eliminated to the extent of the Consolidated Company's interest in each associate.

When events or circumstances indicate that the carrying value of goodwill may not be recoverable, the Consolidated Company reviews goodwill for impairment and records any impairment loss immediately in the consolidated statement of income.

(g) Interests in Joint Ventures

Joint ventures are those entities or assets over whose activities the Consolidated Company has joint control. The Consolidated Company accounts for its interest in a jointly controlled entity using the equity method of accounting.

(h) Allowance for Loan Losses

In estimating the allowance for corporate and household loan losses, the Consolidated Company records the greater amount resulting from the methods described below for each loan classification.

i) Expected Loss Method

The Consolidated Company estimates the allowance for corporate and household loan losses by applying the expected loss method, which analyzes factors of estimated loss based on probability of default ("PD") and loss given default ("LGD"). This provisional method considers both financial and non-financial factors of borrowers to assess PD and LGD. PD is determined by considering the type of borrowers, the nature of loans and delinquent days and LGD is determined by considering the type of loan and collateral. The period of historical data used to calculate PD and LGD are updated annually; PD and LGD are calculated based on historical data for the past five



years and forty three months for corporate loans, and four years and thirty two months for household loans, respectively, as of December 31, 2007 and for the past five years or three years and seven months for corporate loans and two years and eight months or four years for household loans as of December 31, 2006. The allowance for loan losses is calculated by multiplying outstanding loan balance by the PD and LGD.

ii) Financial Supervisory Service ("FSS") Guideline

The Consolidated Company applies the FSS guidelines for corporate and household loans (excluding credit card loans) in accordance with the Regulations for the Supervision of Banks revised on December 7, 2007. The prescribed minimum levels of provision per the FSS guidelines are as follows:

		2007	2006
Corporate loans	Normal[*]	0.85%	0.70%
	Precautionary	7%	7%
	Substandard	20%	20%
	Doubtful	50%	50%
	Estimated loss	100%	100%
Household loans	Normal	1%	1%
	Precautionary	10%	10%
	Substandard	20%	20%
	Doubtful	55%	55%
	Estimated loss	100%	100%

[*] 0.9% for construction, real estate and rental services, retail and wholesale, lodging and restaurant; industries susceptible to market

Additionally, the Consolidated Company considers the borrowers' ability to repay and the recovery value of collateral in estimating expected loss on high-risk or large volume loan balances.

For credit card loans, the Consolidated Company provides for allowance through a loss ratio analysis based on historical data of recoverable amounts for rewritten loans, and roll-rate analysis for other loans. The Consolidated Company early adopted the FSS guidelines under the Specialized Credit Financial Business Act, as revised on February 11, 2008, and provides for allowance by each loan classification as follows: a minimum of 1.5% for normal, 15% for precautionary, 20% for substandard, 60% for doubtful and 100% for estimated loss, respectively. The new FSS guidelines increased the minimum provision rate from 1.0% to 1.5% and from 12% to 15% for normal and precautionary asset categories, respectively.

(i) Troubled Debt Restructuring

A loan which contractual terms are modified in a troubled debt restructuring program is accounted for at the present 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 and provision for loan losses in the current

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period. The present value discounts are recorded in allowance for loan losses, which is shown as a deduction from the nominal value of the loans. Allowance for loan losses are amortized using the effective interest method and are recognized as interest income.

(j) Deferred Loan Origination Fee

Fees associated with origination of loans are deferred and recognized over the life of the loan as an adjustment to the loan balance and interest income.

(k) Transfer of Assets

Transfers of financial assets to third parties are accounted for as sales when controls surrendered to the transferee. The Consolidated Company derecognizes financial assets from the consolidated balance sheet including any related allowance, and recognizes all assets obtained, and liabilities incurred, including any recourse obligations to the transferee, at fair value. Any resulting gain or loss on the sale is recognized in earnings. Conversely, the Consolidated Company only recognizes financial assets transferred from third parties on the consolidated balance sheet when the Consolidated Company obtains control of financial assets.

(l) Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation, except for assets acquired through exchange, investment in kind or donation, which are recorded at their fair value.

Depreciation is computed by the depreciation method and estimated useful lives of the respective assets as follows:

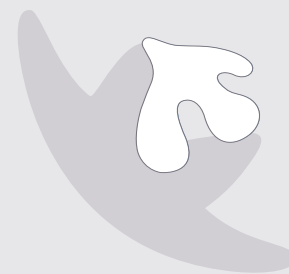
Descriptions	Depreciation method	Useful lives
Buildings	Straight-line	40~60 years
Vehicles	Declining-balance	5 years
Furniture, fixtures and other	"	"
Leasehold improvement	Straight-line	"

Significant additions or improvements extending useful lives of assets are capitalized. However, normal maintenance and repairs are charged to expense as incurred.

(m) Intangible Assets

Intangible assets are stated at acquisition cost less accumulated amortization computed using the straight-line method over estimated useful lives of related intangible assets or twenty years, whichever is shorter.

When the recoverable amount of the intangible assets are substantially below the carrying amount of the assets due to obsolescence or sharp decline in its market value, the Consolidated Company reduces its carrying amount to the recoverable amount and the amount impaired is recognized as impairment loss.



(n) Bonds under Resale or Repurchase Agreements

Bonds purchased under resale agreements are recorded as loans and bonds sold under repurchase agreements are recorded as borrowings.

(o) Convertible Bonds and Bond with Warrants

When accounting for convertible bonds or bonds with stock purchase warrants, the liability component and the equity component of a bond are separated.

The liability component of a bond is recognized initially at fair value. Fair value is the present value of a similar debt security that does not have an equity conversion option (redemption premium is included if applicable). The equity component is recognized initially as the difference between the fair value of the bond as a whole, which are the gross proceeds of the bond received at the date of issue, and the fair value of the liability component. For bonds with detachable stock warrants, the fair value of the liability and equity components are estimated separately. The equity component of convertible bonds or bonds with stock purchase warrants is presented as part of capital surplus within equity.

Subsequent to initial recognition, the liability component is measured at amortized cost using the effective interest rate method. The equity component is not remeasured subsequent to initial recognition.

(p) Discount (Premium) on Debentures

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

(q) 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 salary rates and length of service at the time 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 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 consolidated balance sheets as a deduction from the liability for retirement and severance benefits.

Through March 1999, under the National Pension Scheme of Korea, the Consolidated Company transferred a certain portion of retirement allowances for employees to the National Pension Fund. The amount transferred reduces the retirement and severance benefit amount payable to employees when they leave the Consolidated Company and is accordingly reflected in the accompanying consolidated balance sheets as a reduction of the retirement and severance benefits liability.

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(r) Allowance for Unused Credit Commitments

In estimating the allowance for unused corporate and household credit commitments, the Consolidated Company records the greater amount resulting from the methods described below for each loan classification.

i) Expected Loss Method

The Consolidated Company estimates the allowance for unused credit commitments using the same method applied for allowance for loan losses.

ii) FSS Guideline

The Consolidated Company estimates the allowance for unused loan commitments based on each classification in accordance with the Regulations for the Supervision of Banks revised at December 7, 2007 as follows: for unused corporate loan commitments a minimum of 0.85% for normal (0.9% for construction, real estate and rental services, retail and wholesale, lodging and restaurant; industries susceptible to market), 7% for precautionary, 20% for substandard, 50% for doubtful and 100% for estimated loss, respectively; and for unused household loan commitments a minimum of 1.0% for normal, 10% for precautionary, 20% for substandard, 55% for doubtful and 100% for estimated loss, respectively.

The Consolidated Company early adopted Regulation on Specialized Credit Financial Business Act, effective February 11, 2008, and extended the scope of allowance for unused credit commitments to credit card assets by applying the credit conversion factor. As a result of this change in estimate, the Consolidated Company recorded additional allowance for unused credit commitments in the amount of ₩396,221 million for the year ended December 31, 2007. The allowance for unused credit commitments is included in other liabilities in the accompanying consolidated balance sheets.

(s) Allowance for Guarantees and Acceptances

The Consolidated Company estimates allowance for losses on outstanding guarantees and acceptances, contingent guarantees and acceptances and endorsed bills in accordance with the same loan classification criteria applied in estimating allowance for loan losses and recorded as other liabilities with the respective changes recorded as other non-interest expense.

(t) Provisions, Contingent Assets and Contingent Liabilities

Provisions are recognized when all of the following are met: (1) an entity has a present obligation as a result of a past event, (2) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (3) a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Where the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset when, and only when, it is virtually certain that reimbursement will be received if the Consolidated Company settles the obligation. The expense relating to a provision is presented net of the amount recognized for a reimbursement.



(u) Deferred Acquisition Costs

Policy acquisition costs, which include commissions, certain underwriting and agency expenses associated with acquiring insurance policies, are deferred and amortized using the straight-line method over the contract period, up to 7 years. Actual acquisition costs incurred in excess of estimated acquisition costs are expensed.

(v) Policy Reserves

The Consolidated Company accounts for policy reserves based on the Insurance Business Law and other related Insurance Supervisory Regulation. These policy reserves are calculated based on insurance terms and premium and policy reserves approved by the Financial Supervisory Commission of the Republic of Korea and details are as follows:

i. Premium reserve

Provision is made for premium payable based on assumptions that all policies are surrendered immediately after fiscal year.

ii. Unearned premium reserve

Unearned premium reserve refers to premium to be charged during subsequent periods, and for premiums collected before the balance sheet date.

iii. Reserve for outstanding claims

Reserve for outstanding claims is an estimate for losses for insured events that have occurred prior to the balance sheet date but for which an actual claim have not yet been settled or determined.

iv. Reserve for participating policyholders' dividends

Reserve for participating policyholder's dividends are recorded to account for the difference in actual investment yields, mortality rates or morbidity rates and operating expense rates from the initial rates in each policy payable to participating policyholders. In addition, it includes a reserve for long-term maintenance dividends to discourage cancellations.

v. Dividend reserve for policyholders' income participation

Dividend reserve for policyholders' income participation refers to the amount reserved depending on the business performance for the purpose of appropriating it for future dividends to policyholders.

vi. Reserve for reinsurance premium

If the Consolidated Company reinsures its insurance contracts, the recoverable amount from the reinsurance company is recorded as a deduction against the policy reserves.

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(w) Translation of Foreign Currency Denominated Assets and Liabilities

Assets and liabilities denominated in foreign currencies are translated into Korean Won at the balance sheet dates, with the resulting gains and losses recognized in current results of operations. Assets and liabilities denominated in foreign currencies are translated into Korean Won at ₩938.20 and ₩929.60 to US\$1 based on the basic exchange rate and the cross exchange rates announced by the Seoul Money Brokerage Services Ltd. on December 31, 2007 and 2006, respectively. 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 on the date of the transaction.

Foreign currency assets and liabilities of foreign-based operations and branches accounted for using the equity method are translated at the rate of exchange at the respective balance sheet dates. Foreign currency amounts in the consolidated statement of income are translated using an average rate. Translation gains and losses arising from collective translation of the foreign currency financial statements of foreign-based operations are recorded net as accumulated other comprehensive income. These gains and losses are subsequently recognized as income in the year the foreign operations or companies are liquidated or sold.

(x) Share-Based Payments

The Consolidated Company has granted shares or share options to its employees and other parties. For equity-settled share-based payment transactions, the Consolidated Company measures the goods or services received, and the corresponding increase in equity as a capital adjustment at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the entity cannot estimate reliably the fair value of the goods or services received, the Consolidated Company measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted. If the fair value of the equity instruments cannot be estimated reliably at the measurement date, the Consolidated Company measures them at their intrinsic value and recognizes the goods or services received based on the number of equity instruments that ultimately vest.

For cash-settled share-based payment transactions, the Consolidated Company measures the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Consolidated Company remeasures the fair value of the liability at each reporting date and at the date of settlement, with changes in fair value recognized in profit or loss for the period. For transactions with an option of cash or equity settlement by the Consolidated Company or the counterparty, the transaction is accounted for according to the substance of the transaction.

For cash-settled share-based payments prior to December 31, 2006, the fair value of the liability is remeasured under the intrinsic value method at each subsequent reporting date, with any changes in fair value recognized in profit or loss for the period.

(y) Leases

The Consolidated Company classifies and accounts for leases as either operating or capital leases, depending on the terms of the lease. Leases where the Consolidated Company assumes substantially all the risks and rewards of ownership are classified as capital leases. All other leases are classified as operating leases.



Substantially all the risks and rewards of ownership is evidenced when one or more of the criteria listed below are met:

- Ownership of the leased property transfers to the lessee at the end of the lease term
- The lessee has a bargain purchase option, and it is reasonably certain at the inception of the lease that the option will be exercised.
- The lease term is equal to 75% or more of the estimated economic useful life of the leased property.
- The present value at the beginning of the lease term of the minimum lease payments equals or exceeds 90% of the fair value of the leased property.

In addition, if the leased property is specialized to the extent that only the lessee can use it without any major modification, it would be considered a capital lease.

Where the Consolidated Company is the lessor, a financing lease receivable is the net investment in the lease asset representing the aggregate future minimum lease payments including residual value, if any. The difference between the financing lease receivable and the book value of the underlying asset is recorded as gain(loss) on disposition of lease asset. Additionally, the lease payments received are recognized as collection of financing lease receivable and interest income, determined using the effective interest rate.

For an operating lease, revenue on lease is recognized evenly throughout the lease period, and the operating lease assets are depreciated using the same depreciation method and estimated useful lives used for similar assets held by the Consolidated Company.

The Consolidated Company also recognizes initial direct costs incurred in negotiating and arranging a financing lease, included as part of net investment, and those costs are expensed as lease expense over the lease term on the same basis in which interest income is recognized. Initial direct costs are incremental costs that are directly attributable to negotiating and arranging a lease, except for such costs incurred by manufacturer or dealer lessor.

Where the Consolidated Company is the lessee under a capital lease, the present value of future minimum lease payments is capitalized and a corresponding liability is recognized. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

(z) Derivatives

The Consolidated Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Attributable transaction costs are recognized in profit or loss when incurred.

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Hedge accounting

Where a derivative, which meets certain criteria, is used for hedging the exposure to changes in the fair value of a recognized asset, liability or firm commitment, it is designated as a fair value hedge. Where a derivative, which meets certain criteria, is used for hedging the exposure to the variability of the future cash flows of a forecasted transaction it is designated as a cash flow hedge.

The Consolidated Company documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Consolidated Company documents its assessment, both at hedge inception and on a monthly basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting the changes in fair values or cash flows of hedged items.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated statement of income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity as other comprehensive income. The gain or loss relating to any ineffective portion is recognized immediately in the earnings. Amounts accumulated in equity are recycled to the consolidated income statement in the periods in which the hedged item will affect profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at the time remains in equity and is recognized when the forecast transaction is ultimately recognized in earnings. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to earnings.

Derivatives that do not qualify for hedge accounting

Changes in the fair value of derivative instruments that are not designated as fair value or cash flow hedges are recognized immediately in earnings.

Separable embedded derivatives

Changes in the fair value of separable embedded derivatives are recognized immediately in earnings.

(aa) Interest Income

Interest income on bank deposits, loans and securities is recognized on an accrual basis, except for interest income on loans that are overdue and loans to bankrupt customers. Any unpaid interest previously accrued on such loans is reversed from income, and thereafter interest is recognized only to the extent payments are received. Payments on delinquent loans are first applied to delinquent interest, to normal interest, and then to the principal balance.



(bb) Valuation of Receivables and Payables at Present Value

Receivables and payables arising from long-term cash loans/borrowings and other similar transactions are stated at present value. The difference between the nominal value and present value of these receivables or payables is amortized using the effective interest method. The amount amortized is included in interest expense or interest income.

(cc) 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 in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted. 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 in which the carrying amount of assets and liabilities will be realized or settled, 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.

(dd) Cash Management Account ("CMA")

The Consolidated Company recognizes income from CMA investments consisting of highly liquid investments and expense from CMA deposits as other interest income and other interest expense, respectively.

(ee) Use of Estimates

The preparation of consolidated 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 consolidated financial statements and related notes to consolidated financial statements. Actual results could differ from those estimates.

(3) Standards Applied for Preparing Consolidated Financial Statements

(a) The equity method investment securities account of Shinhan Financial Group is eliminated 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) which are amortized over certain periods, not to exceed 20 years.

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In addition, the Consolidated Company reflects the difference between the acquisition cost and the book value of minority interests in the consolidated balance sheet as consolidated capital surplus.

(c) All significant inter-company transactions and account balances among the consolidated companies are 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 purposes of preparing the consolidated financial statements.

(4) Acquisition of LG Card Co., Ltd. ("LG Card")

(a) On March 19, 2007, Shinhan Financial Group acquired 98,517,316 shares (78.6%) of the outstanding shares of LG Card at ₩67,770 per share through a tender offer resulting in total equity ownership of 107,477,321 shares (85.73%) for the Consolidated Company based on existing shares owned by Shinhan Bank. As a result, LG Card became a subsidiary of the Consolidated Company on March 23, 2007. Shinhan Financial Group applied purchase accounting for the acquisition.

The condensed financial information of LG Card as of and for the year ended December 31, 2006 and as of and for the period ended March 19, 2007 were as follows:

	(in millions of Won)	
	December 31, 2006	March 19, 2007
Assets	₩ 9,645,482	10,019,061
Liabilities	6,624,912	6,127,002
Stockholders' equity	₩ 3,020,570	3,892,059
Operating revenue	₩ 2,703,398	422,308
Operating expense	1,512,216	167,055
Operating income	1,191,182	255,253
Income before income taxes	1,191,138	212,490
Net income	₩ 1,193,679	874,461

(b) Details of goodwill related to the acquisition of LG Card were as follows:

	(in millions of Won)	
Consideration given on March 19, 2007(*)	₩	7,212,652
Fair value of net assets		3,306,242
Goodwill	₩	3,906,410

(*) Includes consideration given for 8,960,005 shares (7.1%) owned by Shinhan Bank.



Additionally, Shinhan Financial Group acquired 9,624,218 shares (7.68%) at ₩46,392 per share from Shinhan Bank among others, through a second tender offer on July 3, 2007 and the remaining 17,227,869 shares (13.74%) were subject to a share exchange, at an exchange ratio of 0.84932 share in Shinhan Financial Group for one LG Card share, on September 21, 2007. The Consolidated Company reflected the difference between the acquisition cost and the book value of minority interests in the consolidated balance sheet as capital surplus in the amount of ₩248,858 million. Subsequently, LG Card changed its name to Shinhan Card Co., Ltd. effective October 1, 2007.

(5) Cash and Due from Banks

(a) Cash and due from banks as of December 31, 2007 and 2006 consisted of the following:

	(in millions of Won)	
	2007	2006
Cash and cash equivalents	₩ 2,256,135	2,770,967
Due from banks in Won	6,030,232	7,827,992
Due from banks in foreign currencies	1,283,687	612,560
Due from banks invested in gold	29,508	61,981
	₩ 9,599,562	11,273,500

(b) Restricted due from banks as of December 31, 2007 and 2006 were as follows:

	(in millions of Won)		
	2007	2006	Restrictions
Due from banks in Won:			
Reserve deposits at the Bank of Korea	₩ 2,852,561	5,644,469	General banking account
Due from banks for customers' accounts	806,691	716,507	Reserve for customers' deposits
Other	57,061	28,387	Deposit for severance benefit insurance and security deposit
	3,716,313	6,389,363	
Due from banks in foreign currencies	646,150	372,516	General banking account
	₩ 4,362,463	6,761,879	

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(c) The maturities of due from banks as of December 31, 2007 and 2006 were as follows:

(in millions of Won)

At December 31, 2007	Due from banks in			
	Won	Foreign currencies	Gold	Total
Due in 3 months or less	₩ 4,676,646	1,226,676	29,508	5,932,830
Due after 3 months through 6 months	188,882	26,977	-	215,859
Due after 6 months through 1 year	562,617	30,017	-	592,634
Due after 1 year through 3 years	110,465	-	-	110,465
Thereafter	491,622	17	-	491,639
	₩ 6,030,232	1,283,687	29,508	7,343,427

(in millions of Won)

At December 31, 2006	Due from banks in			
	Won	Foreign currencies	Gold	Total
Due in 3 months or less	₩ 7,203,585	400,394	61,981	7,665,960
Due after 3 months through 6 months	80,438	10,673	-	91,111
Due after 6 months through 1 year	223,612	73,006	-	296,618
Due after 1 year through 3 years	146,092	26,441	-	172,533
Thereafter	174,265	102,046	-	276,311
	₩ 7,827,992	612,560	61,981	8,502,533

(6) Securities

Securities as of December 31, 2007 and 2006 consisted of the following:

(in millions of Won)

	2007	2006
Trading securities	₩ 11,741,035	5,516,622
Available-for-sale securities	22,089,088	17,978,765
Held-to-maturity securities	8,234,286	7,558,816
Equity method investment securities	1,383,465	230,199
Total securities	₩ 43,447,874	31,284,402



(a) Trading securities

i) Trading securities as of December 31, 2007 and 2006 consisted of the following:

	(in millions of Won)	
	2007	2006
Equity securities:		
Stocks	₩ 408,464	442,470
Debt securities:		
Government bonds	1,278,243	1,782,150
Finance debentures	3,726,392	1,324,468
Corporate bonds	834,814	664,946
	5,839,449	3,771,564
Beneficiary certificates	258,830	267,673
Commercial paper	4,740,856	102,994
Securities in foreign currencies	7,949	13,617
Other	485,487	918,304
	₩ 11,741,035	5,516,622

ii) Details of debt securities classified as trading securities as of December 31, 2007 and 2006 were as follows:

	(in millions of Won)			
	2007			
	Face value	Acquisition cost	Fair value(*)	Book value(**)
Government bonds	₩ 1,302,241	1,278,039	1,295,700	1,278,243
Finance debentures	3,792,550	3,743,413	3,739,501	3,726,392
Corporate bonds	836,068	836,334	857,430	834,814
	₩ 5,930,859	5,857,786	5,892,631	5,839,449

	(in millions of Won)			
	2006			
	Face value	Acquisition cost	Fair value(*)	Book value(**)
Government bonds	₩ 1,806,891	1,782,227	1,798,619	1,782,150
Finance debentures	1,352,293	1,326,593	1,342,537	1,324,468
Corporate bonds	1,169,113	665,417	683,149	664,946
	₩ 4,328,297	3,774,237	3,824,305	3,771,564

(*) Fair value of debt securities is measured by applying the lesser of two quoted prices provided by two bond pricing institutions, as of the latest trading day from the balance sheet date.

(**) The difference between fair value and book value is recorded as accrued income.

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iii) Trading securities denominated in foreign currencies classified by issuing country as of December 31, 2007 and 2006 were as follows:

(in millions of Won and thousands of U.S. dollars, except ratio)

	2007			2006		
	U.S. dollar	Equivalent Won	Ratio (%)	U.S. dollar	Equivalent Won	Ratio (%)
Korea	\$ -	₩ -	-	\$ 14,648	₩ 13,617	100.00
China	1,328	1,246	15.67	-	-	-
Japan	2,733	2,564	32.26	-	-	-
Hong Kong	4,412	4,139	52.07	-	-	-
	\$ 8,473	₩ 7,949	100.00	\$ 14,648	₩ 13,617	100.00

(b) Available-for-Sale Securities

i) Available-for-sale securities as of December 31, 2007 and 2006 consisted of the following:

(in millions of Won)

	2007	2006
Equity securities:		
Stocks	₩ 5,076,279	3,964,409
Investment in special funds	309,669	123,409
	5,385,948	4,087,818
Debt securities:		
Government bonds	1,755,197	1,440,814
Finance debentures	8,088,581	5,208,043
Corporate bonds	3,364,156	3,589,085
	13,207,934	10,237,942
Beneficiary certificates	1,702,942	2,418,722
Securities in foreign currencies	1,555,769	1,111,819
Other	236,495	122,464
	₩ 22,089,088	17,978,765

ii) Details of debt securities classified as available-for-sale securities as of December 31, 2007 and 2006 were as follows:

(in millions of Won)

	2007			
	Face value	Acquisition cost	Fair value(*)	Book value(**)
Government bonds	₩ 1,835,339	1,781,063	1,802,979	1,755,197
Finance debentures	8,246,731	8,192,290	8,175,575	8,088,581
Corporate bonds	3,547,727	3,550,538	3,572,237	3,364,156
	₩ 13,629,797	13,523,891	13,550,791	13,207,934



(in millions of Won)

	2006			
	Face value	Acquisition cost	Fair value(*)	Book value(**)
Government bonds	₩ 1,482,978	1,457,791	1,474,501	1,440,814
Finance debentures	5,256,830	5,213,114	5,249,424	5,208,043
Corporate bonds	3,828,440	3,639,405	3,553,278	3,589,085
	₩ 10,568,248	10,310,310	10,277,203	10,237,942

(*) Fair value of debt securities is measured by applying the lesser of two quoted prices provided by two bond pricing institutions, as of the latest trading day from the balance sheet date.

(**) The difference between fair value and book value is recorded as accrued income.

iii) The maturity of available-for-sale debt securities as of December 31, 2007 and 2006 were as follows:

(in millions of Won)

At December 31, 2007	Government bonds	Finance debentures	Corporate bonds	Total
Due in 3 months or less	₩ 61,943	1,634,230	240,407	1,936,580
Due after 3 months through 6 months	34,822	741,599	256,324	1,032,745
Due after 6 months through 1 year	442,445	835,176	1,088,186	2,365,807
Due after 1 year through 3 years	790,557	4,590,859	1,572,885	6,954,301
Thereafter	425,430	286,717	206,354	918,501
	₩ 1,755,197	8,088,581	3,364,156	13,207,934

(in millions of Won)

At December 31, 2006	Government bonds	Finance debentures	Corporate bonds	Total
Due in 3 months or less	₩ 45,048	1,286,549	132,814	1,464,411
Due after 3 months through 6 months	40,322	963,958	159,077	1,163,357
Due after 6 months through 1 year	251,660	1,542,405	720,785	2,514,850
Due after 1 year through 3 years	738,451	1,302,157	2,222,045	4,262,653
Thereafter	365,333	112,974	354,364	832,671
	₩ 1,440,814	5,208,043	3,589,085	10,237,942

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iv) Available-for-sale securities denominated in foreign currencies classified by issuing country as of December 31, 2007 and 2006 were as follows:

(in millions of Won and thousands of U.S. dollars, except ratio)

	2007			2006		
	U.S. dollar	Equivalent Won	Ratio (%)	U.S. dollar	Equivalent Won	Ratio (%)
Korea	\$ 912,515	₩ 856,123	55.03	\$ 768,528	₩ 714,424	64.26
U.S.A.	413,818	388,244	24.96	231,710	215,394	19.37
Malaysia	-	-	-	4,968	4,618	0.42
Hong Kong	11,747	11,019	0.70	11,378	10,577	0.95
U.A.E	5,004	4,695	0.30	5,026	4,672	0.42
Japan	20,846	19,557	1.26	7,187	6,681	0.60
Other	294,320	276,131	17.75	167,225	155,453	13.98
	\$ 1,658,250	₩ 1,555,769	100.00	\$ 1,196,022	₩ 1,111,819	100.00

v) Equity securities restricted for sale for a certain period as of December 31, 2007 were as follows:

(in millions of Won)

	2007	
	Book value	Restricted until
Hynix Semiconductor Inc.	₩ 694,169	Merger & Acquisition
SK Networks Co., Ltd.	399,031	Joint-sale by creditors
Hyundai Engineering & Construction Co., Ltd.	316,545	Merger & Acquisition
Visa Card	128,351	3 years from IPO
Ssangyong Cement Industrial Co., Ltd.	125,560	Merger & Acquisition
Daewoo International Corporation	53,314	Joint-sale by creditors
SK Networks Co., Ltd.(redeemable preferred stock)	45,556	April 30, 2008
Daewoo Engineering & Construction Co., Ltd.	36,777	December 15, 2008
Ssangyong Engineering & Construction Co., Ltd.	21,647	Merger & Acquisition
Huchems Co., Ltd.	11,634	July 8, 2011
Daewoo Electronics Co., Ltd.	3,624	March 31, 2009
Saehan Industries Inc.,	3,387	December 31, 2008
Other	26,744	
	₩ 1,866,339	



vi) Changes in impairment loss on available-for-sale securities

Details of impairment loss and reversal of impairment loss on available-for-sale securities for the years ended December 31, 2007 and 2006 were as follows:

	2007		2006	
	Impairment	Reversal	Impairment	Reversal
Equity securities	₩ 8,838	2,373	24,708	96,017
Investment in private equity funds and other	-	62,000	-	-
Other	-	-	226	247
Debt securities	8,749	98,426	83,652	213,078
	₩ 17,587	162,799	108,586	309,342

vii) Structured notes as of December 31, 2007 consisted of the following:

	Par value	Book value	Inherent risk
Floating rate notes with long term Korean government bond interest	₩ 331,744	332,300	Reduction of interest income due to decline in long term rates
Credit linked notes	253,971	215,233	Loss from a credit event
	₩ 585,715	547,533	

(c) Held-to-maturity securities

i) Held-to-maturity securities as of December 31, 2007 and 2006 consisted of the following:

	2007	2006
Government bonds	₩ 1,516,894	1,201,254
Finance debentures	4,888,201	4,960,892
Corporate bonds	1,780,830	1,328,867
Securities in foreign currencies	48,361	67,803
	₩ 8,234,286	7,558,816

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ii) Details of debt securities classified as held-to-maturity securities as of December 31, 2007 and 2006 consisted of the following:

(in millions of Won)

	2007			
	Face value	Acquisition cost	Fair value(*)	Book value
Government bonds	₩ 1,547,412	1,510,283	1,532,931	1,516,894
Finance debentures	4,896,000	4,891,613	4,906,032	4,888,201
Corporate bonds	1,785,231	1,783,917	1,770,785	1,780,830
	₩ 8,228,643	8,185,813	8,209,748	8,185,925

(in millions of Won)

	2006			
	Face value	Acquisition cost	Fair value(*)	Book value
Government bonds	₩ 1,202,019	1,204,267	1,222,292	1,201,254
Finance debentures	4,992,000	4,959,859	5,028,697	4,960,892
Corporate bonds	1,325,000	1,330,228	1,339,036	1,328,867
	₩ 7,519,019	7,494,354	7,590,025	7,491,013

(*) Fair value of debt securities is measured by applying lesser of two quoted prices provided by two bond pricing institutions, as of the latest trading day from the balance sheet date.

iii) The maturity of held-to-maturity securities as of December 31, 2007 and 2006 were as follows:

(in millions of Won)

At December 31, 2007	Government bonds	Finance debentures	Corporate bonds	Total
Due in 3 months or less	₩ 60,489	739,160	-	799,649
Due after 3 months through 6 months	11,936	727,778	89,863	829,577
Due after 6 months through 1 year	360,081	1,028,680	601,952	1,990,713
Due after 1 year through 3 years	778,348	1,397,801	588,953	2,765,102
Thereafter	306,040	994,782	500,062	1,800,884
	₩ 1,516,894	4,888,201	1,780,830	8,185,925

(in millions of Won)

At December 31, 2006	Government bonds	Finance debentures	Corporate bonds	Total
Due in 3 months or less	₩ 5,881	99,923	30,011	135,815
Due after 3 months through 6 months	53,420	421,922	4,999	480,341
Due after 6 months through 1 year	92,568	1,078,157	150,178	1,320,903
Due after 1 year through 3 years	951,070	2,888,217	1,029,627	4,868,914
Thereafter	98,315	472,673	114,052	685,040
	₩ 1,201,254	4,960,892	1,328,867	7,491,013



iv) Held-to-maturity securities denominated in foreign currencies classified by issuing country as of December 31, 2007 and 2006 were as follows:

(in millions of Won and thousands of U.S. dollars, except ratio)

	2007			2006		
	U.S. dollar	Equivalent Won	Ratio (%)	U.S. dollar	Equivalent Won	Ratio (%)
Korea	\$ 28,394	₩ 26,642	55.09	\$ 41,903	₩ 38,953	57.45
U.S.A.	18,218	17,092	35.35	24,308	22,597	33.33
Other	4,932	4,627	9.56	6,728	6,253	9.22
	\$ 51,544	₩ 48,361	100.00	\$ 72,939	₩ 67,803	100.00

(d) Investment in Associates

Details of equity method investment securities as of December 31, 2007 and 2006 were as follows:

(in millions of Won)

Subsidiaries	2007				
	Beginning balance	Acquisition (dividend / disposal), net	Equity method income (loss)	Accumulated other comprehensive income	Ending Balance
Shinhan BNP Paribas ITMC	₩ 24,790	(4,600)	10,650	1	30,841
SH&C Life Insurance	17,612	-	13	(600)	17,025
Shinhan Macquarie	29	(315)	3,820	-	3,534
SHC Management Co., Ltd.	-	1,082,364(*)	4,286	-	1,086,650
Shinhan Data System Co., Ltd.	3,028	-	616	-	3,644
Shinhan Finance Ltd.	78,171	-	(344)	723	78,550
Daewoo Capital Co., Ltd.	45,837	-	26,002	-	71,839
Macquarie Shinhan Infrastructure Management Co., Ltd.	2,502	(5,470)	18,175	15	15,222
Shinhan Vina Bank	13,882	2,802	3,676	141	20,501
CFAG Corporate Restructuring Fund 8th	533	-	-	-	533
Shinhan Corporate Restructuring Fund 3rd	3,692	(3,839)	278	(131)	-
Shinhan Corporate Restructuring Fund 5th	356	4,050	(96)	-	4,310
Shinhan Corporate Restructuring Fund 6th	1,061	360	1,622	5,776	8,819
Shinhan Corporate Restructuring Fund 7th	8,191	(7,505)	-	(686)	-
Shinhan Corporate Restructuring Fund 8th	20,062	3,400	(213)	-	23,249
DCC Corporate Restructuring Fund 1st	3,547	-	277	78	3,902
Now Corporate Restructuring Fund 2nd	2,074	(2,115)	41	-	-
Now Corporate Restructuring Fund 3rd	₩ -	2,000	189	-	2,189

(Continued)

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(in millions of Won)

Subsidiaries	2007				
	Beginning balance	Acquisition (dividend / disposal), net	Equity method income (loss)	Accumulated other comprehensive income	Ending Balance
KTB Corporate Restructuring Fund 18th High Technology Investment, Ltd.	₩ 4,832	(5,182)	1,164	-	814
KTIC 13th CRV	-	920	808	2	1,730
KTIC 14th CRV	-	1,200	(31)	-	1,169
KTIC 16th CRV	-	(123)	123	-	-
HTIC 2nd CRV	-	5,000	(6)	(24)	4,970
	-	4,000	(26)	-	3,974
	₩ 230,199	1,076,947	71,024	5,295	1,383,465

(*) Reflects the change in accounting from a consolidating subsidiary to be accounted under the equity method.

(in millions of Won)

Subsidiaries	2006				
	Beginning balance	Acquisition and Dividend, net	Equity method income (loss)	Accumulated other comprehensive income	Ending Balance
Shinhan BNP Paribas ITMC	₩ 24,103	(3,600)	4,288	(1)	24,790
SH&C Life Insurance	15,513	-	1,776	323	17,612
Shinhan Macquarie	1,289	(2,016)	756	-	29
Shinhan Data System Co., Ltd.	2,619	-	409	-	3,028
Shinhan Finance Ltd.	-	73,508	8,066	(3,403)	78,171
Daewoo Capital Co., Ltd.	58,591	-	16,898	(29,652)	45,837
Macquarie Shinhan Infrastructure Management Co., Ltd.	429	(38,660)	40,760	(27)	2,502
Shinhan Vina Bank	12,660	-	2,264	(1,042)	13,882
CFAG Corporate Restructuring Fund 8th	536	-	(4)	-	533
Shinhan Corporate Restructuring Fund 3rd	4,652	(1,740)	482	298	3,692
Shinhan Corporate Restructuring Fund 5th	-	450	(94)	-	356
Shinhan Corporate Restructuring Fund 6th	-	1,081	(20)	-	1,061
Shinhan Corporate Restructuring Fund 7th	-	4,750	2,755	686	8,191
Shinhan Corporate Restructuring Fund 8th	-	20,100	(38)	-	20,062
YCC Corporate Restructuring Fund 1st	-	3,500	47	-	3,547
Now Corporate Restructuring Fund 2nd	-	1,808	266	-	2,074
KTB Corporate Restructuring Fund 18th	-	5,000	(168)	-	4,832
	₩ 120,393	64,181	78,443	(32,818)	230,199



(7) Loans

(a) Loans outstanding as of December 31, 2007 and December 31, 2006 consisted of the following:

	(in millions of Won)	
	2007	2006
Loans in Won	₩ 113,326,297	94,651,652
Loans in foreign currencies	9,428,370	8,012,288
Domestic import usance bills	2,378,577	2,057,881
Loans in gold	4,608	3,236
Call loans	596,854	342,147
Bills bought in Won	1,981,339	5,610,130
Bills bought in foreign currency	3,427,609	3,237,204
Advances to customers	13,367	21,412
Credit card accounts	12,563,728	3,518,137
Bonds purchased under resale agreement	65,903	785,468
Privately placed bonds	3,777,854	4,770,208
Factoring receivables	69,872	157,999
Financing leases (note 8)	1,262,431	401,527
CMA assets	787,067	606,559
Other	1,362,865	11,697
	151,046,741	124,187,545
Add (Less):		
allowance for loan losses	(2,953,577)	(1,880,902)
present value premium (discount)	(10,855)	40,005
deferred loan origination fees	(154,398)	(44,918)
	₩ 147,927,911	122,301,730

(b) Loan maturities as of December 31, 2007 and 2006 were as follows:

	(in millions of Won)			
At December 31, 2007	Loans in Won	Loans in foreign currencies	Other loans	Total
Due in 3 months or less	₩ 20,683,333	1,719,174	14,580,362	36,982,869
Due after 3 months through 6 months	16,294,156	1,944,870	3,824,850	22,063,876
Due after 6 months through 1 year	29,143,410	1,632,628	3,561,418	34,337,456
Due after 1 year through 3 years	18,672,363	1,648,251	5,018,885	25,339,499
Thereafter	28,533,035	2,483,447	1,306,559	32,323,041
	₩113,326,297	9,428,370	28,292,074	151,046,741

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(in millions of Won)

At December 31, 2006	Loans in Won	Loans in foreign currencies	Other loans	Total
Due in 3 months or less	₩ 17,737,615	1,213,990	14,378,585	33,330,190
Due after 3 months through 6 months	12,939,516	1,692,192	1,838,018	16,469,726
Due after 6 months through 1 year	24,006,547	1,831,170	1,999,246	27,836,963
Due after 1 year through 3 years	14,811,079	2,066,337	2,799,002	19,676,418
Thereafter	25,156,895	1,208,599	508,754	26,874,248
	₩ 94,651,652	8,012,288	21,523,605	124,187,545

(c) Loans classified by issuing country as of December 31, 2007 and 2006 were as follows:

(in millions of Won, except ratio)

	2007				
	Loans in Won	Loans in foreign Currencies	Other loans	Total	Ratio (%)
Korea	₩ 113,326,297	5,319,956	27,815,248	146,461,501	96.96
U.S.A.	-	1,080,987	50,013	1,131,000	0.75
U.K.	-	29,100	-	29,100	0.02
Japan	-	784,669	2,089	786,758	0.52
Germany	-	-	78,989	78,989	0.05
Vietnam	-	95,722	10,098	105,820	0.07
China	-	419,040	2,087	421,127	0.28
Other	-	1,698,896	333,550	2,032,446	1.35
	₩ 113,326,297	9,428,370	28,292,074	151,046,741	100.00

(in millions of Won, except ratio)

	2006				
	Loans in Won	Loans in foreign Currencies	Other loans	Total	Ratio (%)
Korea	₩ 94,651,652	5,989,569	21,302,939	121,944,160	98.19
U.S.A.	-	741,627	33,015	774,642	0.62
U.K.	-	73,750	13,245	86,995	0.07
Japan	-	657,284	16,535	673,819	0.54
Germany	-	-	71,916	71,916	0.06
Vietnam	-	80,570	11,645	92,215	0.07
China	-	316,333	41,254	357,587	0.29
Other	-	153,155	33,056	186,211	0.16
	₩ 94,651,652	8,012,288	21,523,605	124,187,545	100.00



(d) Loans classified by consumer as of December 31, 2007 and 2006 were as follows:

(in millions of Won, except ratio)

	2007				
	Loans in Won	Loans in foreign Currencies	Other	Total	Ratio (%)
Corporate	₩ 55,791,968	9,404,217	13,439,339	78,635,524	52.06
Household	55,814,489	24,153	14,788,865	70,627,507	46.76
Public and other	1,719,840	-	63,870	1,783,710	1.18
	₩ 113,326,297	9,428,370	28,292,074	151,046,741	100.00

(in millions of Won, except ratio)

	2006				
	Loans in Won	Loans in foreign Currencies	Other	Total	Ratio (%)
Corporate	₩ 42,652,467	7,896,547	16,197,972	66,746,986	53.74
Household	50,343,316	10,449	5,252,133	55,605,898	44.78
Public and other	1,655,869	105,292	73,500	1,834,661	1.48
	₩ 94,651,652	8,012,288	21,523,605	124,187,545	100.00

(e) Restructured loans due to commencement of bankruptcy proceedings, debt restructuring proceedings by creditors or workout programs for the years ended December 31, 2007 and 2006 were as follows:

(in millions of Won)

	2007		
	Corporate loans	Household loans	Total
Modification of terms	₩ 35,959	25,496	61,455
Balance before restructuring	35,959	25,496	61,455
Balance after restructuring	18,630	18,487	37,117
Loss resulting from restructuring	₩ 17,329	7,009	24,338

(in millions of Won)

	2006		
	Corporate loans	Household loans	Total
Modification of terms	₩ 45,101	39,497	84,598
Balance before restructuring	45,101	39,497	84,598
Balance after restructuring	42,542	28,008	70,550
Loss resulting from restructuring	₩ 2,559	11,489	14,048

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(f) Changes in allowance for losses on loans, accounts receivable and accrued income for the years ended December 31, 2007 and 2006 were as follows:

(in millions of Won)

	2007		
	Beginning balance	Increase (Decrease)	Ending balance
Shinhan Bank	₩ 1,707,022	281,822	1,988,844
Shinhan Bank (Trust account)	9,053	22	9,075
SH Asset Management	29	(6)	23
Shinhan Asia	839	(172)	667
Shinhan Bank America	2,259	2,931	5,190
Shinhan Europe	796	792	1,588
Shinhan Card (formerly LG Card Co., Ltd.)	-	947,736	947,736
Good Morning Shinhan Securities	29,510	6,727	36,237
Shinhan Life Insurance	19,817	1,563	21,380
SHC Management (formerly Shinhan Card Co., Ltd.)	147,787	(147,787)	-
Shinhan Capital	31,340	10,093	41,433
Jeju Bank	26,313	5,536	31,849
	₩ 1,974,765	1,109,257	3,084,022

(in millions of Won)

	2006		
	Beginning balance	Increase (Decrease)	Ending balance
Shinhan Bank	₩ 1,572,832	134,190	1,707,022
Shinhan Bank (Trust account)	7,836	1,217	9,053
Shinhan Finance	1,265	(1,265)	-
SH Asset Management	19	10	29
Shinhan Asia	3,882	(3,043)	839
Shinhan Bank America	2,833	(574)	2,259
Shinhan Europe	781	15	796
Good Morning Shinhan Securities	27,256	2,254	29,510
Shinhan Life Insurance	17,740	2,077	19,817
SHC Management (formerly Shinhan Card Co., Ltd.)	67,400	80,387	147,787
Shinhan Capital	30,373	967	31,340
Jeju Bank	25,329	984	26,313
	₩ 1,757,546	217,219	1,974,765

Allowance for losses on other assets (note 11) and allowance for disposition of operating lease assets (note 8) are included.



(g) As of December 31, 2007 and 2006, details of loan balances including other accounts receivable and other suspense receivable and the related allowance for credit losses by asset credit risk classification were as follows:

(in millions of Won, except provision ratio)

		2007		
		Balance	Allowance	Provision ratio (%)
Corporate loans	Normal	₩ 78,750,991	747,684	0.95
	Precautionary	970,688	93,389	9.62
	Substandard	360,565	91,403	25.35
	Doubtful	57,117	44,061	77.14
	Estimated loss	349,301	349,301	100.00
		80,488,662	1,325,838	1.65
Household loans	Normal	55,552,059	544,144	0.98
	Precautionary	189,012	19,194	10.15
	Substandard	154,869	31,091	20.08
	Doubtful	81,101	42,637	52.57
	Estimated loss	63,847	63,846	100.00
		56,040,888	700,912	1.25
Credit card loans	Normal	11,610,185	320,979	2.76
	Precautionary	539,072	187,119	34.71
	Substandard	17	4	23.53
	Doubtful	76,181	45,708	60.00
	Estimated loss	338,216	338,216	100.00
		12,563,671	892,026	7.10
Other		2,288,208	165,246	7.22
		₩ 151,381,429	3,084,022	2.04

(in millions of Won, except provision ratio)

		2006		
		Balance	Allowance	Provision ratio (%)
Corporate loans	Normal	₩ 68,463,503	538,855	0.79
	Precautionary	1,147,126	114,803	10.01
	Substandard	309,807	101,394	32.73
	Doubtful	7,288	5,469	75.04
	Estimated loss	266,626	266,626	100.00
		₩ 70,194,350	1,027,147	1.46

(Continued)

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(in millions of Won, except provision ratio)

		2006		
		Balance	Allowance	Provision ratio [%]
Household loans	Normal	₩ 49,880,118	494,706	0.99
	Precautionary	184,488	18,398	9.97
	Substandard	185,413	39,932	21.54
	Doubtful	124,819	76,414	61.22
	Estimated loss	57,762	57,762	100.00
		50,432,600	687,212	1.36
Credit card loans	Normal	3,308,011	46,415	1.40
	Precautionary	97,893	14,685	15.00
	Substandard	26	8	30.77
	Doubtful	61,729	37,038	60.00
	Estimated loss	50,478	50,478	100.00
		3,518,137	148,624	4.22
Other		424,456	111,782	26.34
		₩ 124,569,543	1,974,765	1.59

(h) Loan Origination Fee

Changes in deferred loan origination fees for the years ended December 31, 2007 and 2006 were as follows:

(in millions of Won)

	2007	2006
Beginning balance	₩ 44,918	-
Increase	212,918	51,324
Decrease	103,438	6,406
Ending Balance	₩ 154,398	44,918

(i) Cash Management Assets

Cash management assets as of December 31, 2007 and 2006 consisted of the following:

(in millions of Won)

	2007	2006
Bills discounted	₩ 650,572	265,150
Securities	88,018	341,409
Due from banks	48,477	-
	₩ 787,067	606,559



(8) Lease Assets

(a) As of December 31, 2007 and 2006, details of operating lease assets were as follows:

	(in millions of Won)	
	2007	2006
Operating lease assets	₩ 428,861	278,910
Accumulated depreciation	(302,353)	(165,304)
Allowance for loss on disposition of operating lease assets	(464)	(464)
	₩ 126,044	113,142

(b) Future lease receivables as of December 31, 2007 is as follows:

	(in millions of Won)		
	Operating lease	Financing lease	Total
2008.1.1 ~ 2008.12.31	₩ 97,127	464,931	562,058
2009.1.1 ~ 2009.12.31	30,620	446,908	477,528
2010.1.1 ~ 2010.12.31	22,723	301,605	324,328
2011.1.1 ~ 2011.12.31	41,997	95,610	137,607
Thereafter	643	120,795	121,438
	193,110	1,429,849	1,622,959
Unrealized interest income on financing leases	-	(167,418)	(167,418)
	₩ 193,110	1,262,431	1,455,541

(9) Property and Equipment

(a) Property and equipment as of December 31, 2007 and 2006 consisted of the following:

	(in millions of Won)	
	2007	2006
Property and equipment:		
Land	₩ 1,119,214	1,038,113
Buildings	1,064,672	982,284
Leasehold improvements	185,083	156,121
Vehicles and equipment	1,627,226	1,294,775
Construction in process	93,282	127,133
	4,089,477	3,598,426
Less: accumulated depreciation	(1,678,913)	(1,380,587)
accumulated impairment loss	(5,306)	(5,453)
	₩ 2,405,258	2,212,386

Notes to Consolidated Financial Statements

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(b) The officially declared value of land used in domestic branches at December 31, 2007 and 2006, as announced by the Minister of Construction and Transportation, was as follows:

(in millions of Won)

	Book value		Declared value	
	2007	2006	2007	2006
Land (domestic only)	₩ 1,116,527	1,046,585	1,357,977	1,210,176

The officially declared value, which is used for government purposes, does not represent the fair value.

(10) Goodwill (Negative Goodwill)

Changes in goodwill and negative goodwill for the years ended December 31, 2007 and 2006 were as follows:

(in millions of Won)

	2007			
	Beginning balance	Increase (decrease)	Amortization (reversal)	Ending balance
Shinhan Bank	₩ 653,805	-	61,294	592,511
Shinhan Card (formerly LG Card Co., Ltd.)	-	4,204,442	240,038	3,964,404
Good Morning Shinhan Securities	93,525	-	17,004	76,521
Shinhan Life Insurance	372,742	-	41,803	330,939
SHC Management Co., Ltd. (formerly Shinhan Card Co., Ltd.)	320,572	(298,032)	22,540	-
Shinhan Bank America	-	15,588	-	15,588
Symphony Energy	-	9,946	746	9,200
	1,440,644	3,931,944	383,425	4,989,163
Jeju Bank	(3,599)	-	(685)	(2,914)
	₩ 1,437,045	3,931,944	382,740	4,986,249



(in millions of Won)

	2006			
	Beginning balance	Increase	Amortization (reversal)	Ending balance
Shinhan Bank	₩ 722,613	-	68,808	653,805
Good Morning Shinhan Securities	110,529	-	17,004	93,525
Shinhan Life Insurance	414,545	-	41,803	372,742
SHC Management Co., Ltd. (formerly Shinhan Card Co., Ltd.)	343,112	-	22,540	320,572
	1,590,799	-	150,155	1,440,644
Jeju Bank	(4,284)	-	(685)	(3,599)
	₩ 1,586,515	-	149,470	1,437,045

[11] Other Assets

Other assets as of December 31, 2007 and 2006 consisted of the following:

(in millions of Won)

	2007	2006
Accounts receivable	₩ 4,256,663	3,177,288
Advance payments	183,556	563,602
Prepaid expenses	136,242	67,596
Prepaid income taxes	40,175	436
Accrued interest income	1,159,321	919,117
Operating lease assets, net (note 8)	126,044	113,142
Security deposits paid	1,312,901	1,087,946
Derivative assets (note 31)	2,059,132	1,432,863
Deferred tax assets (note 27)	588,169	100,369
Other intangible assets	44,948	34,417
Sundry assets	2,731,990	1,913,244
	12,639,141	9,410,020
Less: allowance for losses	(129,981)	(93,399)
present value discount	-	(146)
	₩ 12,509,160	9,316,475

Notes to Consolidated Financial Statements

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(12) Deposits

(a) Deposits as of December 31, 2007 and 2006 consisted of the following:

	(in millions of Won)	
	2007	2006
Demand deposits:		
Deposits in Won	₩ 38,247,513	37,691,750
Deposits in foreign currency	1,759,261	1,486,088
	40,006,774	39,177,838
Time deposits:		
Deposits in Won	43,874,144	39,881,502
Deposits in foreign currency	3,707,497	2,725,494
	47,581,641	42,606,996
Negotiable certificates of deposits	15,842,782	13,237,299
Other	7,389,260	4,736,307
	110,820,457	99,758,440
Add: present value premium	79	1,083
	₩ 110,820,536	99,759,523

(b) The maturities of deposits as of December 31, 2007 and 2006 were as follows:

	(in millions of Won)				
At December 31, 2007	Demand deposits	Time deposits	Negotiable certificate of deposits	Other	Total
Due in 3 months or less	₩ 8,163,797	11,705,509	5,622,247	6,931,709	32,423,262
Due after 3 months through 6 months	5,575	6,829,674	2,498,668	7,587	9,341,504
Due after 6 months through 1 year	178,103	20,143,262	4,170,131	14,489	24,505,985
Due after 1 year through 3 years	1,338,082	4,977,730	3,473,259	31,193	9,820,264
Thereafter	30,321,217	3,925,466	78,477	404,282	34,729,442
	₩ 40,006,774	47,581,641	15,842,782	7,389,260	110,820,457



(in millions of Won)

At December 31, 2006	Demand deposits	Time deposits	Negotiable certificate of deposits	Other	Total
Due in 3 months or less	₩ 8,781,135	9,654,928	4,138,701	4,183,055	26,757,819
Due after 3 months through 6 months	-	5,754,721	1,605,080	13,425	7,373,226
Due after 6 months through 1 year	-	17,505,331	4,427,192	10,779	21,943,302
Due after 1 year through 3 years	-	4,991,205	3,019,755	23,891	8,034,851
Thereafter	30,396,703	4,700,811	46,571	505,157	35,649,242
	₩ 39,177,838	42,606,996	13,237,299	4,736,307	99,758,440

(13) Borrowings

(a) Borrowings as of December 31, 2007 and 2006 consisted of the following:

(in millions of Won)

	2007	2006
Borrowings in Won	₩ 7,501,673	5,628,957
Borrowings in foreign currencies	7,655,564	5,275,611
Bonds sold with repurchase agreements	6,210,782	5,068,221
Bills sold	1,033,618	392,315
Due to the Bank of Korea in foreign currencies	130,385	122,327
Call money	1,673,449	1,686,263
	₩ 24,205,471	18,173,694

(b) The maturities of borrowings as of December 31, 2007 and 2006 were as follows:

(in millions of Won)

At December 31, 2007	2007			
	Borrowings in Won	Borrowings in foreign currency	Other borrowings	Total
Due in 3 months or less	₩ 1,352,273	3,594,288	4,389,105	9,335,666
Due after 3 months through 6 months	1,859,650	2,115,659	1,256,829	5,232,138
Due after 6 months through 1 year	1,231,315	1,399,609	1,620,762	4,251,686
Due after 1 year through 3 years	2,057,235	296,017	1,781,538	4,134,790
Thereafter	1,001,200	249,991	-	1,251,191
	₩ 7,501,673	7,655,564	9,048,234	24,205,471

Notes to Consolidated Financial Statements

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(in millions of Won)

At December 31, 2006	2006			
	Borrowings in Won	Borrowings in foreign currency	Other borrowings	Total
Due in 3 months or less	₩ 2,852,739	2,339,919	3,791,335	8,983,993
Due after 3 months through 6 months	617,757	1,395,978	850,120	2,863,855
Due after 6 months through 1 year	437,983	893,497	2,548,163	3,879,643
Due after 1 year through 3 years	482,100	589,950	79,508	1,151,558
Thereafter	1,238,378	56,267	-	1,294,645
	₩ 5,628,957	5,275,611	7,269,126	18,173,694

(14) Debentures

(a) Debentures as of December 31, 2007 and 2006 consisted of the following:

	(in millions of Won)	
	2007	2006
Debentures in Won	₩ 38,213,371	26,623,390
Debentures in foreign currencies	4,372,597	2,861,368
	₩ 42,585,968	29,484,758

(b) Details of debentures in Won as of December 31, 2007 and 2006 were as follows:

	2007		2006	
	Face value	Interest rate(%)	Face value	Interest rate(%)
Discounted debentures	₩ 1,350,000	4.43~5.18	2,160,000	4.43~4.83
Compound interest debentures	321,800	5.68	-	-
Coupon debentures	29,626,691	3.50~7.45	19,140,262	3.50~7.60
Subordinated debentures	4,343,207	5.10~7.70	4,043,657	5.10~7.75
Hybrid securities(*)	495,033	5.70~7.80	495,033	5.70~7.80
Convertible bond(**)	299,670	3.00	-	-
Bond with warrants(***)	282,665	3.00	-	-
Other	1,879,844	4.35~5.25	944,003	4.35~4.50
	38,598,910		26,782,955	
Gain on fair value hedge	(480,820)		(98,976)	
	₩38,118,090		26,683,979	

(Continued)



	2007		2006	
	Face value	Interest rate(%)	Face value	Interest rate(%)
Less: bond discounts	₩ (52,305)		(68,332)	
conversion rights adjustments (**)	(23,211)		-	
stock warrants adjustments (***)	(18,907)		-	
Add: premium on redemption of convertible bond (**)	99,001		-	
premium on redemption of bond with warrants (***)	73,015		-	
present value premium	17,687		7,743	
	₩38,213,370		26,623,390	

(*)The details of hybrid securities are summarized as follows:

(i) Hybrid bond issued on June 28, 2003

(in millions of Won, except interest rate)

Maturity	Face amount	Interest period	Interest rate (%)	First put option date	Exercise by
June 28, 2033	₩ 272,564	June 28, 2003- June 28, 2013	7.80	June 28, 2008	Shinhan Bank
		June 28, 2013- June 28, 2033	7.80+(7.8-yield of Treasury Agency Bonds with maturity of 5 years)*50%		

(ii) Hybrid bond issued on October 28, 2004

(in millions of Won, except interest rate)

Maturity	Face amount	Interest period	Interest rate (%)	First put option date	Exercise by
October 28, 2034	₩ 222,469	October 28, 2004- October 28, 2014	5.70	October 28, 2009	Shinhan Bank
		October 28, 2014- October 28, 2034	6.70		

(**) The Consolidated Company recorded conversion right in the amount of ₩1,890 million in capital surplus. As of December 31, 2007, 18,575 shares have been converted and 147,207 shares could be issued upon exercise of conversion right. Details of the convertible bond are as follows:

Conversion period :	From three months after issue date (2003.7.21) to one month before redemption date (2009.1.21)
Stock to be issued :	Common stock with par value of ₩ 5,000 per share
Adjustment of conversion price :	The conversion price is adjusted for stock issuances without consideration, stock dividends, or stock issuances at a price lower than the market price
Special arrangement :	In case of bankruptcy, claims to the principal of the convertible bond have a lower priority than all non-guaranteed, non-subordinated claim, but have a higher priority over claims of common and preferred stock shareholders and bondholders where special agreements inferior to convertible bonds apply.
Conversion price :	₩ 2,035,704 per share as of December 31, 2007

Notes to Consolidated Financial Statements

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(***)The Consolidated Company recorded stock warrants in the amount of ₩4,809 million in capital surplus. As of December 31, 2007, 1,179,249 shares have been issued and 142,157 shares could be issued upon exercise of the warrants. Details of the bond with stock warrants are as follows:

Exercise period of the warrants :	From three months after issue date (2003.8.12) to one month before redemption date (2009.2.12)
Stock to be issued :	Common stock with par value of ₩ 5,000 per share
Adjustment of exercise price :	The exercise price is adjusted in case of stock issuances without consideration, stock dividends, or stock issuances at a price lower than the market price
Special arrangement :	In case of bankruptcy, claims to the principal of the convertible bond have a lower priority than all non-guaranteed, non-subordinated claim, but have a higher priority over claims of common and preferred stock shareholders and bondholders where special agreements inferior to convertible bonds apply.
Payment method for stock :	Cash or bond redemption
Exercise price :	₩ 1,988,393 per share as of December 31, 2007

(c) Details of debentures in foreign currencies as of December 31, 2007 and December 31, 2006 are as follows:

[in millions of Won and thousands of U.S. dollars, except interest rate]

	2007			2006		
	U.S. dollar	Equivalent Won	Interest Ratio (%)	U.S. dollar	Equivalent Won	Interest Ratio (%)
GMTN (*)	\$ 2,218,832	₩ 2,081,708	4.75 - 6.88	\$ 1,855,836	₩ 1,725,185	2.50 - 6.83
Hybrid securities(**)	650,000	609,830	5.66 - 6.82	650,000	604,240	5.66 - 6.82
Non-guaranteed debentures	1,361,500	1,277,359	4.01 - 7.47	190,000	176,624	4.27 - 5.90
Subordinated debentures	400,000	375,280	4.50 - 6.25	400,000	371,840	4.50 - 6.25
Gain (loss) on fair value hedge	\$ 4,630,332	4,344,177		\$ 3,095,836	2,877,889	
		23,176			(29,746)	
		4,367,353			2,848,143	
Less: discount		(12,467)			(11,217)	
Add: present value premium		17,711			24,442	
		₩ 4,372,597			₩ 2,861,368	

(*) Shinhan Bank established a US\$3,000,000 thousand Global Medium Term Note Programme (the "GMTN") on August 4, 2004 which was subsequently updated on October 26, 2006 based on the merger between Chohung Bank and Shinhan Bank. On September 20, 2007, the Bank increased the GMTN to US\$6,000,000 thousand. Details of the program are as follows:

Total amount which can be issued:	US\$ 6,000,000 thousand
Place of trading:	Singapore Stock Exchange
Issue price:	Face value, discounted value or premium value
Maturity date and interest date:	Various depending on date of issuance
Redemption:	Lump-sum payment at maturity date



[**] Shinhan Bank issued hybrid securities on March 2, 2005. Details are as follows:

Maturity date:	March 2, 2035
Exercise date:	From March 2, 2015 to Maturity date
Interest payment:	From March 2, 2005 to March 2, 2015 (5.663%) From March 2, 2015 to March 2, 2035 (3M Libor + 199 bps)
First put option date:	March 2, 2015

Shinhan Bank issued hybrid securities on September 20, 2006. Details are as follows:

Maturity date:	September 20, 2036
Exercise date:	From September 20, 2016 to Maturity date
Interest payment:	From September 20, 2006 to September 20, 2016 (6.819%) From September 20, 2016 to September 20, 2036 (3M Libor + 252 bps)
First put option date:	September 20, 2016

(d) The maturities of debentures as of December 31, 2007 and 2006 were as follows:

(in millions of Won)

At December 31, 2007	Debentures in Won	Debentures in Foreign Currency	Total
Due in 3 months or less	₩ 3,670,089	144,224	3,814,313
Due after 3 months through 6 months	1,646,980	146,462	1,793,442
Due after 6 months through 1 year	6,761,040	368,985	7,130,025
Due after 1 year through 3 years	13,818,122	1,301,624	15,119,746
Thereafter	12,221,859	2,406,058	14,627,917
	₩ 38,118,090	4,367,353	42,485,443

[*] ₩100,525 million of bond discounts and premium on redemption of debentures excluded.

(in millions of Won)

At December 31, 2006	Debentures in Won	Debentures in Foreign Currency	Total
Due in 3 months or less	₩ 1,767,524	-	1,767,524
Due after 3 months through 6 months	1,412,009	74,368	1,486,377
Due after 6 months through 1 year	4,731,795	259,633	4,991,428
Due after 1 year through 3 years	11,368,801	563,840	11,932,641
Thereafter	7,403,850	1,950,302	9,354,152
	₩26,683,979	2,848,143	29,532,122

[*] ₩47,364 million of bond discounts and premium on redemption of debentures excluded.

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December 31, 2007 and 2006

(15) Retirement and Severance Benefits

Changes in retirement and severance benefits for the years ended December 31, 2007 and 2006 were as follows:

	(in millions of Won)	
	2007	2006
Estimated liability at beginning of year	₩ 332,973	251,102
Net transfer from acquisition and disposal of subsidiaries	80,462	-
Adjustment due to foreign exchange rate	9	(49)
Payments	(59,201)	(29,815)
Retirement benefit payable	(25,529)	(21,052)
Provision (*)	147,084	132,787
Estimated liability at end of year	475,798	332,973
Less: deposit for severance benefit insurance	(142,263)	(91,708)
Less: contribution to National Pension Fund	(1,398)	(76)
Ending balance	₩ 332,137	241,189

(*) Includes retirement benefit payment recorded as insurance expense related to employees of Shinhan Life Insurance (₩4,054 million in 2007 and ₩3,698 million in 2006).

(16) Other Liabilities

Other liabilities as of December 31, 2007 and 2006 consisted of the following:

	(in millions of Won)	
	2007	2006
Allowance for losses on guarantees and acceptances (note 18)	₩ 59,977	51,812
Other allowances (note 17)	1,147,696	424,930
Borrowings from trust accounts	913,916	820,027
Foreign exchange remittances pending	131,658	157,258
Securities sold	244,380	70,793
Accounts payable	5,019,893	3,280,490
Accrued expenses	3,624,376	2,384,623
Income tax payable	494,625	342,742
Dividend payable	2,945	2,414
Advance receipts	91,726	4,687
Unearned revenues	206,663	169,080
Taxes withheld	301,744	115,159
Security deposits received	451,231	235,245
Policy reserves (note 19)	₩ 5,684,119	4,873,536

(Continued)



	(in millions of Won)	
	2007	2006
Derivatives liabilities (note 31)	₩ 2,314,596	1,312,251
Deferred tax liabilities (note 27)	379,619	296,053
Domestic exchange remittances pending	1,175,340	2,229,242
Other	2,512,983	1,883,927
	₩ 24,757,487	18,654,269

(17) Other Allowances

Other allowances as of December 31, 2007 and 2006 consisted of the following:

	(in millions of Won)	
	2007	2006
Allowance for unused credit commitments	₩ 798,818	215,039
Allowance for bonus card points program	213,088	45,995
Allowance for expected loss related to tax inspection	4,512	83,077
Allowance for expected loss related to litigation	28,627	21,516
Allowance related to escheated funds	51,311	-
Other	51,340	59,303
	₩ 1,147,696	424,930

(18) Guarantees and Acceptances

(a) The guarantees and acceptances as of December 31, 2007 and 2006 were as follows:

	(in millions of Won)	
	2007	2006
Guarantees and acceptances outstanding		
Guarantees and acceptances in Won:		
Performance guarantees	₩ 2,583,486	1,367,116
Credit-linked derivatives	622,355	779,036
Guarantees on loan collateral	87,427	119,874
Financial guarantees	7,765	21,581
Guarantees on debentures	1,354	978
Guarantees on bills	-	11,500
Guarantees on letter of credit	6,647	-
	₩ 3,309,034	2,300,085

(Continued)

Notes to Consolidated Financial Statements

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	(in millions of Won)	
	2007	2006
Guarantees and acceptances in foreign currencies:		
Performance guarantees	₩ 2,532,767	767,662
Financial guarantees	187,710	281,606
Acceptances on letter of credit	325,576	258,210
Credit-linked derivatives	197,022	130,144
Acceptances for letters of guarantee for importers	124,417	146,576
Other	-	42,731
	3,367,492	1,626,929
Contingent guarantees and acceptances		
Letters of credit	3,489,551	2,960,628
Performance guarantees	3,547,919	-
Financial guarantees	430	951
	7,037,900	2,961,579
	₩ 13,714,426	6,888,593

(b) Guarantees and acceptances classified by country as of December 31, 2007 and 2006 were as follows:

	(in millions of Won)					
	2007				Contingent guarantees and acceptances	
	Guarantees and acceptances outstanding in Won		Foreign currencies			
	Balance	Ratio(%)	Balance	Ratio(%)		
Korea	₩ 3,309,034	100.00	3,051,872	90.63	6,925,608	98.40
U.S.A.	-	-	54,427	1.62	25,418	0.36
Japan	-	-	17,707	0.53	12,898	0.18
U.K.	-	-	8,971	0.27	6,973	0.10
China	-	-	10,152	0.30	22,594	0.32
Vietnam	-	-	17,049	0.51	7,109	0.10
Other	-	-	207,314	6.14	37,300	0.54
	₩ 3,309,034	100.00	3,367,492	100.00	7,037,900	100.00



(in millions of Won)

	2006					
	Guarantees and acceptances outstanding in				Contingent guarantees and acceptances	
	Won		Foreign currencies			
	Balance	Ratio(%)	Balance	Ratio(%)	Balance	Ratio(%)
Korea	₩ 2,293,626	99.72	1,309,319	80.48	2,823,927	95.35
U.S.A.	-	-	76,879	4.73	38,726	1.31
Japan	6,459	0.28	25,683	1.58	6,034	0.20
U.K.	-	-	32,536	2.00	5,002	0.17
China	-	-	29,588	1.82	4,196	0.14
Vietnam	-	-	11,280	0.69	11,405	0.39
Other.	-	-	141,644	8.71	72,289	2.44
	₩ 2,300,085	100.00	1,626,929	100.00	2,961,579	100.00

(c) Guarantees and acceptances classified by consumer as of December 31, 2007 and 2006 were as follows:

(in millions of Won)

At December 31, 2007	Guarantees and acceptances outstanding in				Contingent guarantees and acceptances	
	Won		Foreign currencies			
	Balance	Ratio(%)	Balance	Ratio(%)	Balance	Ratio(%)
Corporate	₩ 3,309,034	100.00	3,367,492	100.00	7,037,900	100.00

(in millions of Won)

At December 31, 2006	Guarantees and acceptances outstanding in				Contingent guarantees and acceptances	
	Won		Foreign currencies			
	Balance	Ratio(%)	Balance	Ratio(%)	Balance	Ratio(%)
Corporate	₩ 2,300,085	100.00	1,626,729	99.99	2,961,579	100.00
Household	-	-	200	0.01	-	-
	₩ 2,300,085	100.00	1,626,929	100.00	2,961,579	100.00

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December 31, 2007 and 2006

(d) The allowance for losses on guarantees and acceptances as of December 31, 2007 and 2006 were as follows:

(in millions of Won)

	2007					
	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total
Guarantees and acceptances outstanding:						
Balance	₩ 6,662,304	9,835	1,313	-	3,074	6,676,526
Allowances	36,758	647	176	-	3,074	40,655
Ratio (%)	0.55	6.58	13.40	-	100.00	0.61
Contingent guarantees and acceptances:						
Balance	₩ 7,020,529	9,422	452	1,836	5,661	7,037,900
Allowances	12,340	552	48	310	5,661	18,911
Ratio (%)	0.18	5.86	10.62	16.88	100.00	0.27
Total						
Balance	₩ 13,682,833	19,257	1,765	1,836	8,735	13,714,426
Allowances	49,098	1,199	224	310	8,735	59,566
Ratio (%)	0.36	6.23	12.69	16.88	100.00	0.43

(*) ₩411 million of allowance for endorsed bills excluded.

(in millions of Won)

	2006					
	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total
Guarantees and acceptances outstanding:						
Balance	₩ 3,772,056	152,962	225	29	1,742	3,927,014
Allowances	20,226	15,580	45	12	1,742	37,605
Ratio (%)	0.54	10.19	20.00	41.38	100.00	0.96
Contingent guarantees and acceptances:						
Balance	₩ 2,858,539	93,998	1,086	1,911	6,045	2,961,579
Allowances	4,547	3,127	116	191	6,045	14,026
Ratio (%)	0.16	3.33	10.68	9.99	100.00	0.47
Total						
Balance	₩ 6,630,595	246,960	1,311	1,940	7,787	6,888,593
Allowances	24,773	18,707	161	203	7,787	51,631
Ratio (%)	0.37	7.57	12.28	10.46	100.00	0.75

(*) ₩181 million of allowance for endorsed bills excluded.



(e) As of December 31, 2007, 2006 and 2005, allowance ratios to guarantees and acceptances were as follows:

	(in millions of Won)		
	2007	2006	2005
Guarantees and acceptances	₩ 13,714,426	6,888,593	5,462,958
Allowances for loss on guarantees and acceptances	₩ 59,566	51,631	59,088
Ratio (%)	0.43%	0.75%	1.08%

(19) Policy Reserves

As of December 31, 2007 and 2006, details of policy reserves provided by insurance type were as follows:

	2007			2006		
	Individual	Group	Total	Individual	Group	Total
Premium reserve	₩ 5,334,333	66,789	5,401,122	4,563,356	71,129	4,634,485
Unearned premium reserve	1,718	1,069	2,787	2,568	428	2,996
Reserve for outstanding claims	227,615	32,698	260,313	189,174	27,093	216,267
Reserve for participating policyholders' dividends	20,833	66	20,899	20,577	172	20,749
Dividend reserve for policyholders' income participation	109	-	109	109	-	109
Reserve for reinsurance premium	(1,111)	-	(1,111)	(1,070)	-	(1,070)
	₩ 5,583,497	100,622	5,684,119	4,774,714	98,822	4,873,536

(20) Pledged assets

Assets pledged as collateral as of December 31, 2007 and 2006 were as follows:

	2007		2006		
Accounts					Pledged for
Cash and due from banks	₩ 62,269		2,745		Credit card loans and beneficiary certificates
Available-for-sale securities	8,987,041		8,736,293		Borrowings, derivatives trading
Land and buildings	123,817		123,536		Borrowings
	₩ 9,173,127		8,862,574		

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

(21) Insured assets

Details of insured assets as of December 31, 2007 and 2006 were as follows:

Assets insured	(in millions of Won)	
	2007	2006
Cash	₩ 18,057	9,149
Property and equipment used in operations	1,465,015	1,357,261
Other property and equipment	324,667	10,589
	₩ 1,807,739	1,376,999

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.

(22) Assets and Liabilities Denominated in Foreign Currency

Assets and liabilities denominated in foreign currency as of December 31, 2007 and 2006 were as follows:

	(in millions of Won and thousands of U.S. dollars)			
	Foreign currency		Won equivalent	
	2007	2006	2007	2006
Assets:				
Cash and due from banks	\$ 1,614,631	969,613	₩ 1,514,849	901,352
Securities	1,825,685	1,382,632	1,712,860	1,285,292
Loans	17,219,964	15,084,066	16,155,768	14,022,148
Other assets	2,499,742	2,183,225	2,345,259	2,029,526
	\$ 23,160,022	19,619,536	₩ 21,728,736	18,238,318
Liabilities:				
Deposits	\$ 5,804,284	4,572,422	₩ 5,445,578	4,250,525
Borrowings	10,740,496	8,011,870	10,076,730	7,447,833
Debentures	4,655,034	3,063,837	4,367,353	2,848,143
Other liabilities	2,156,981	2,579,972	2,023,680	2,398,341
	\$ 23,356,795	18,228,101	₩ 21,913,341	16,944,842



(23) Capital Stock

(a) Details of preferred stocks issued as of December 31, 2007 were as follows:

	Number of shares	Predetermined dividend rate (%) (*)	Redeemable period
Redeemable preferred stock:			
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 7	2,433,334	7.46	July 19, 2008 - August 18, 2008
Series 8	66,666	7.86	July 19, 2010 - August 18, 2010
Series 10 (**)	28,990,000	7.00	January 25, 2012 -
	59,440,377		January 25, 2027
Convertible redeemable preferred stock:			
Series 11 (***)	14,721,000	3.25	January 25, 2012 -
	74,161,377		January 25, 2027

(*) Based on initial issuance price

(**) Shinhan Financial Group maintains the right to redeem Series 10 redeemable preferred stock in part or in its entirety within the redeemable period. If the preferred shares are not redeemed by the end of the redeemable period, those rights will lapse.

(***) Details with respect to the conversion right are as follows:

Conversion period : January 26, 2008 - January 25, 2012

Conversion ratio : One common stock per one preferred stock

Conversion price : ₩57,806

Series 1 and Series 6 of redeemable preferred stocks of 9,316,792 shares and 3,500,000 shares, respectively, were redeemed on August 21, 2006 for ₩172,831 million and ₩525,033 million, respectively. Additionally, Series 2 of redeemable preferred stocks of 9,316,792 shares, were redeemed on August 18, 2007 for ₩172,812 million. Therefore, capital stock amount differs from the total par value of outstanding capital stock.

(b) Details of changes in capital stock for the years ended December 31, 2007 and 2006 were as follows:

(in millions of Won, except shares)

	Number of shares	Common stock	Preferred stock
Balance at January 1, 2006	434,151,575	₩ 1,796,037	374,721
Preferred stock converted to common stock	-	111,801	(111,801)
Redemption of preferred stocks	(12,816,792)	-	-
Balance at December 31, 2006	421,334,783	₩ 1,907,838	262,920
Issuance of preferred stocks	43,711,000	-	218,555
Redemption of preferred stocks	(9,316,792)	-	-
Acquisition of LG Card Co., Ltd. through share exchange (note 4)	14,631,973	73,160	-
Balance at December 31, 2007	470,360,964	₩ 1,980,998	481,475

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

(c) Details of preferred stock redeemed (to be redeemed) by appropriation of retained earnings as of December 31, 2007 and 2006 were as follows:

(in millions of Won, except shares and price per share)

December 31, 2007	Number of shares	Redemption date	Redemption price per share	Redemption amount
Series 3 redeemable preferred stock	9,316,792	August 18, 2007	₩ 18,548	₩ 172,812
Series 3 redeemable preferred stock	2,433,334	August 18, 2007	150,006	365,014
	11,750,126			₩ 537,826

(in millions of Won, except shares and price per share)

December 31, 2006	Number of shares	Redemption date	Redemption price per share	Redemption amount
Series 2 redeemable preferred stock	9,316,792	August 18, 2007	₩ 18,548	₩ 172,812

(24) Capital Adjustments

Capital adjustments as of December 31, 2007 and 2006 consisted of the following:

(in millions of Won)

Assets insured	2007	2006
Treasury stock	₩ (28)	(161,504)
Stock options:		
Options granted by Shinhan Financial Group	-	44,491
Options granted by subsidiaries	-	(13,486)
	-	31,005
Other	198,396	198,398
	₩ 198,368	67,899

(a) Share-Based Payment

1) Details of cash-settled share-based payment granted as of December 31, 2007 were as follows:

	1st grant	2nd grant	3rd grant	4th grant
Grant date	May 22, 2002	May 15, 2003	March 25, 2004	March 30, 2005
Exercise price in Won	₩18,910	₩11,800	₩21,595	₩28,006
Number of shares granted	1,004,200	1,156,300	1,301,600	2,695,200
Vesting period	Within four years after two years from grant date	Within four years after two years from grant date	Within three years after two years from grant date	Within four years after three years from grant date

(Continued)



	1st grant	2nd grant	3rd grant	4th grant
Changes in number of shares granted:				
Balance at January 1, 2007	607,065	723,613	1,141,423	2,381,090
Exercised	314,214	297,358	425,384	12,509
Balance at December 31, 2007	292,851	426,255	716,039	2,369,031
Exercisable at December 31, 2007	292,851	426,255	716,039	-

2) Details of share-based payments for which Shinhan Financial Group has the option of cash or equity settlement as of December 31, 2007 were as follows:

	5th grant	6th grant
Grant date	March 21, 2006	March 20, 2007
Exercise price in Won	₩38,829	₩54,560
Number of shares granted	3,296,200	1,301,050
Vesting period	Within four years after three years from grant date	Within four years after three years from grant date
Conditions:		
Service period	Two years from grant date	Two years from grant date
Market performance		
Management	Increase rate of stock price and target ROE	Increase rate of stock price and target ROE
Employee	Net income for two years	Achievement of target ROE for three years
Changes in number of shares granted:		
Balance at January 1, 2007	3,098,069	-
Granted	-	1,301,050
Canceled or forfeited	309,371	133,750
Exercised	-	-
Balance at June 30, 2007	2,788,698	1,167,300
Assumptions used to determine the fair value of options:		
Risk-free interest rate		5.58%
Expected exercise period		4.22 years
Expected stock price volatility		8.47%
Expected dividend yield		2.87%
Weighted average fair value		Management : ₩7,190 Employee : ₩5,730

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The Consolidated Company decided to cash-settle the fifth grant and the Consolidated Company accordingly recognized compensation costs as an expense and a liability, based on past experience which provides a reasonable basis that the share-based payments will be paid in cash. For the sixth grant, pursuant to the newly adopted SKAS No. 22, the Consolidated Company recognized compensation costs as an expense and a liability as accrued expense.

3) Changes in stock compensation costs for the year ended December 31, 2007 were as follows:

(in millions of Won)

Stock options granted	Stock compensation cost	Employee of		Total
		Shinhan Financial Group	Subsidiaries	
1st	Recorded at beginning of the period	₩ 3,647	13,266	16,913
	Incurred during the period	1,085	3,954	5,039
	To be recorded in subsequent periods	-	-	-
2nd	Recorded at beginning of the period	5,233	20,072	25,305
	Incurred during the period	1,195	4,409	5,604
	To be recorded in subsequent periods	-	-	-
3rd	Recorded at beginning of the period	7,271	21,465	28,736
	Incurred during the period	2,174	6,199	8,373
	To be recorded in subsequent periods	-	-	-
4th	Recorded at beginning of the period	3,548	20,283	23,831
	Incurred during the period	5,590	30,949	36,539
	To be recorded in subsequent periods	-	-	-
5th	Recorded at beginning of the period	3,036	17,624	20,660
	Incurred during the period	2,948	13,287	16,235
	To be recorded in subsequent periods	717	3,149	3,866
6th	Recorded at beginning of the period	-	-	-
	Incurred during the period	586	2,965	3,551
	To be recorded in subsequent periods	₩ 906	3,511	4,417



[25] Accumulated Other Comprehensive Income

(a) Consolidated accumulated other comprehensive income as of December 31, 2007 and 2006 consisted of the following:

	(in millions of Won)	
	2007	2006
Unrealized gain on available-for-sale securities	₩ 1,528,128	1,388,631
Unrealized holding gain on equity method investment securities	4,479	869
Unrealized holding loss from equity method investment securities	(34,075)	(34,179)
Cumulative effects of foreign currency translation adjustments	(25,329)	(31,392)
Gain(loss) from effective portion of changes in fair value of cash flow hedges	4,132	(526)
	₩ 1,477,335	1,323,403

(b) Comprehensive income for the years ended December 31, 2007 and 2006 were as follows:

	(in millions of Won)	
	2007	2006
Net income	₩ 2,475,513	1,842,513
Other comprehensive income		
Unrealized gain on available-for-sale securities	139,611	422,629
Change in unrealized holding gain on equity method investment securities	3,610	(792)
Change in unrealized holding loss from equity method investment securities	101	(31,361)
Cumulative effects of foreign currency translation adjustments	6,063	499
Gain (loss) from effective portion of changes in fair value of cash flow hedges	5,301	(2,981)
Comprehensive income	2,630,199	2,230,507
Comprehensive income - majority interest	2,550,309	2,221,274
Comprehensive income - minority interest	79,890	9,233
	₩ 2,630,199	2,230,507

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

(26) General and Administrative Expenses

Details of general and administrative expenses for the years ended December 31, 2007 and 2006 were as follows:

	(in millions of Won)	
	2007	2006
Salaries and wages	₩ 1,395,678	1,040,073
Provision for retirement and severance benefits	143,030	129,089
Retirement and severance benefits paid due to early retirement	140,838	133,404
Other employee benefits	541,100	535,955
Rental	163,236	117,727
Entertainment	23,394	18,654
Depreciation	302,593	207,527
Amortization	402,980	159,492
Tax and dues	170,697	92,343
Advertising	168,801	74,127
Other	514,339	464,489
	₩ 3,966,686	2,972,880

(27) Income Taxes

(a) The Consolidated Company is subject to income taxes based on taxable income, which result in the nominal tax rate of 27.5%. The components of income tax expense for the years ended December 31, 2007 and 2006 were as follows:

	(in millions of Won)	
	2007	2006
Current income tax expense	₩ 940,283	649,432
Changes in temporary difference	(190,602)	98,031
Income tax expense included in stockholders' equity	(56,931)	(77,504)
Change in net operating loss	(155,843)	(307)
	₩ 536,907	669,652

(b) Reconciliation of income before income taxes for financial reporting purposes and taxable income for the years ended December 31, 2007 and 2006 are as follows:

	(in millions of Won)	
	2007	2006
Income before income taxes	₩ 3,886,521	2,513,677
Increase (decrease) from permanent difference	3,213,745	(101,706)
Increase (decrease) from temporary difference	(2,592,432)	215,624
Taxable income	₩ 4,507,834	2,627,595



(c) Effective tax rates for the years ended December 31, 2007 and 2006 were as follows:

	(in millions of Won)	
	2007	2006
Income taxes	₩ 536,907	669,652
Income before income taxes	3,886,521	2,513,677
Effective income tax rate (%)	₩ 13.81	26.64

(d) The deferred tax assets and liabilities that were directly charged or credited to equity as of December 31, 2007 and 2006 are as follows:

	(in millions of Won)	
	Temporary difference	Deferred tax asset(liability)
Unrealized gain on available-for-sale securities, net	₩ 192,566	(52,955)
Gain (loss) from effective portion of changes in fair value of cash flow hedges	7,312	(2,011)
Unrealized holding loss on equity method investments securities, net	5,666	(1,965)
	₩ 205,544	(56,931)

(e) Changes in significant accumulated temporary differences and tax effects for the years ended December 31, 2007 and 2006 were as follows:

	(in millions of Won)			
	2007			
	Beginning balance(*)	Increase	Decrease	Ending balance
Deductible temporary differences:				
Securities	₩ 14,715	30,951	-	45,666
Impairment loss on securities	1,377,148	-	231,733	1,145,415
Retirement and severance benefits	201,152	38,550	-	239,703
Provision for loan losses	10,320	124,730	-	135,050
Other allowances	329,149	708,816	-	1,037,965
Stock compensation costs	10,060	-	9,865	194
Restructured loans	1,103	-	-	1,103
Allowance for losses on guarantees and acceptances	51,812	8,228	-	60,040
Other	897,855	599,585	42,020	1,455,420
	2,893,314	1,510,860	283,618	4,120,556
Taxable temporary differences:				
Securities	2,388,986	-	33,387	2,355,599
Unrealized gain on securities	143,159	73,143	-	216,302
Accrued income	₩ 309,917	174,434	-	484,351

(Continued)

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

(in millions of Won)

	2007			
	Beginning balance(*)	Increase	Decrease	Ending balance
Group retirement and severance benefits	₩ 187,408	40,263	-	227,671
Other	547,440	-	161,409	386,031
	3,576,910	287,840	194,796	3,669,954
Net	(683,596)			450,602
Unrealizable temporary differences	(27,277)			(265,501)
Realizable temporary differences	(710,873)			185,101
Tax effect of cumulative temporary difference	(195,490)			50,902
Tax effect of cumulative temporary differences in overseas subsidiaries	1,482			1,498
Tax effects of tax loss carryforwards	307			156,150
Net deferred tax assets(liability)	₩ (193,701)			208,550

(*) Includes the difference between estimated taxes and the actual 2006 tax return.

(in millions of Won)

	2006			
	Beginning balance(*)	Increase	Decrease	Ending balance
Deductible temporary differences:				
Securities	₩ 9,807	4,908	-	14,715
Impairment loss on securities	1,118,824	-	896,071	222,753
Retirement and severance benefits	151,361	49,772	-	201,133
Provision for loan losses	345,018	-	317,954	27,064
Other allowances	216,543	112,409	-	328,952
Stock compensation costs	39,214	-	29,154	10,060
Restructured loans	331,068	-	330,281	787
Allowance for losses on guarantees and acceptances	177,303	-	125,478	51,825
Other	1,183,535	1,982,236	27,255	3,138,516
	3,572,673	2,149,325	1,726,193	3,995,805
Taxable temporary differences:				
Securities	1,839,281	309,189	-	2,148,470
Unrealized loan on securities	746,725	-	706,420	40,305
Accrued income	227,433	80,960	-	308,393
Group retirement and severance benefits	145,326	-	139,828	5,498
Other	892,803	1,274,066	9,806	2,157,063
	3,851,568	1,664,215	856,054	4,659,729
Net	₩ (278,895)			(663,924)

(Continued)



(in millions of Won)

	2006			Ending balance
	Beginning balance(*)	Increase	Decrease	
Unrealizable temporary differences	₩ (406,980)			(53,857)
Temporary difference of joint venture companies	33,261			-
Realizable temporary differences	(652,614)			(717,781)
Tax effect of cumulative temporary difference	(179,534)			(197,390)
Tax effect of cumulative temporary differences in overseas subsidiaries	3,893			1,399
Tax effects of tax loss carryforwards	177			307
Net deferred tax assets(liability)	₩ (175,464)			(195,684)

(*) Includes the difference between estimated taxes and the actual 2005 tax return.

(28) Earnings Per Share

(a) Basic Earnings per Share

Earnings per common share were 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, 2007 and 2006 were computed as follows:

(in millions of Won, except shares)

	2007	2006
Net income	₩ 2,396,377	1,832,718
Dividends on preferred stock	(267,539)	(55,245)
Ordinary income available for common stock	2,128,838	1,777,473
Weighted average number of shares outstanding(*)	382,730,606	372,168,522
Earnings per share in Won	₩ 5,562	4,776

(*) Weighted average number of common shares outstanding for the years ended December 31, 2007 and 2006 were as follows:

	2007		
	Number of shares	Number of days	Accumulated number of shares
Outstanding at January 1, 2007	374,437,647	365	136,669,741,155
Common stock issued (9/21)	14,631,973	102	1,492,461,246
Disposition of treasury stocks (3/23~6/21)	7,129,967	-	1,534,522,884
Acquisition of treasury stocks (9/21)	(529)	102	(53,958)
Outstanding at December 31, 2007	396,199,058		139,696,671,327
			(÷) 365
			382,730,606

Notes to Consolidated Financial Statements

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	2006		
	Number of shares	Number of days	Accumulated number of shares
Outstanding at January 1, 2006	347,597,116	365	126,872,947,340
Conversion of convertible redeemable preferred stocks	22,360,301	365	8,161,509,865
Disposition of treasury stocks (4/25~11/30)	4,480,230	-	807,053,430
Outstanding at December 31, 2006	374,437,647		135,841,510,635
			(÷) 365
			372,168,522

(b) Diluted Earnings per Share

Details of diluted earnings per share for the years ended December 31, 2007 and 2006 are as follows:

	(in millions of Won, except shares)	
	2007	2006
Ordinary income available for common stock	₩ 2,128,838	1,777,473
Plus: dividends on convertible redeemable preferred stock	25,762	-
Diluted ordinary income and net earnings	2,154,600	1,777,473
Weighted average number of common shares outstanding	397,242,050	372,168,522
Diluted earnings per share in Won	₩ 5,424	4,776

(c) Securities Applicable to Common Shares

	Exercise period	Exercisable Shares
Stock options	March 21, 2010 - March 20, 2014	1,167,300

(29) Dividends

(a) Dividends for the years ended December 31, 2007 and 2006 were as follows:

	(in millions of Won, except per share)		
	2007		
	Common stocks	Preferred stocks	Total
Total number of shares issued	396,199,587	74,161,377	470,360,964
Shares excluded (*)	529	-	529
Total number of shares outstanding	396,199,058	74,161,377	470,360,435
Par value per share in Won	5,000	5,000	5,000
Dividend per share in Won (rate per share) (**)	₩ 900(18%)	3,558(71.16%)	1,319(26.38%)
Dividends	₩ 356,580	263,862	620,442

(*) Dividends on shares held by subsidiaries as of December 31, 2007 were not paid.

(**) A weighted average amount was applied for dividends per share on preferred stock as follows:



(in millions of Won, except per share)

	Number of shares	Dividends per share in Won	Dividend rate per share (%)	Dividends
Redeemable preferred stock:				
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 7	2,433,334	11,190	223.80	27,229
Series 8	66,666	11,790	235.80	786
Series 10	28,990,000	6,539.726	130.79	189,587
Series 11	14,721,000	1,755.164	35.10	25,838
	74,161,377			263,862

(in millions of Won, except per share)

	2006		
	Common stocks	Preferred stocks	Total
Total number of shares issued	381,567,614	39,767,169	421,334,783
Shares excluded (*)	7,129,967	-	7,129,967
Total number of shares outstanding	374,437,647	39,767,169	414,204,816
Par value per share in Won	5,000	5,000	5,000
Dividend per share in Won (rate per share) (**)	₩ 900(18%)	1,389(27.78%)	947(18.94%)
Dividends	₩ 336,994	55,245	392,239

(*) Dividends on shares held by subsidiaries as of December 31, 2006 were not paid.

(**) A weighted average amount was applied for dividends per share on preferred stock as follows:

(in millions of Won, except per share)

	Number of shares	Dividends per share in Won	Dividend rate per share (%)	Dividends
Redeemable preferred stock:				
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 7	2,433,334	11,190.00	224.80	27,230
Series 8	66,666	11,790.00	236.80	786
	39,767,169			55,245

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(b) Payout ratios for the years ended December 31, 2007 and 2006 were calculated as follows:

	2007			2006		
	Common stocks	Preferred stocks	Total	Common stocks	Preferred stocks	Total
Dividends in Won	₩ 356,580	263,862	620,442	336,994	55,245	392,239
Net earnings in Won	₩ 2,132,515	263,862	2,396,377	1,777,473	55,245	1,832,718
Payout ratios (%)	16.72		25.89	18.96		21.40

(in millions of Won, except payout ratio)

(c) Dividend yields on common shares for the years ended December 31, 2007 and 2006 were calculated as follows:

	2007	2006
Dividends per share in Won	₩ 900	900
Average stock price in Won at the balance sheet date	₩ 53,900	47,900
Dividends yields (%)	1.67	1.88

(in Won, except dividends yields)

(30) Statements of Cash Flows

Significant transactions not involving cash inflows or outflows for the years ended December 31, 2007 and 2006 were as follows:

	2007	2006
Reclassification of advance payment to equity method investment securities related to acquisition of former LG Card Co., Ltd.	₩ 519,254	-
Acquisition of former LG Card Co., Ltd. shares through share exchange	844,265	-
Changes in other comprehensive income of subsidiaries	246,480	552,443
Changes in retained earnings of subsidiaries	₩ 2,527	105,037

(in millions of Won)



[31] Derivatives

(a) Details of unsettled derivative instruments as of December 31, 2007 and 2006 were as follows:

(in millions of Won)

		2007		
		Trading	Hedge	Total
Currency related	Forwards	₩ 60,033,299	11,858	60,045,157
	Futures	45,972	-	45,972
	Swap	22,545,785	527,397	23,073,182
	Options bought	16,742,964	-	16,742,964
	Options sold	11,962,045	-	11,962,045
		111,330,065	539,255	111,869,320
Interest rate related	Futures sold	254,040	-	254,040
	Futures bought	10,585	-	10,585
	Options bought	3,966,600	1,165,000	5,131,600
	Swap	82,321,711	11,705,119	94,026,830
	Interest futures	847	-	847
		86,553,783	12,870,119	99,423,902
Stock price index related	Futures	22,622	-	22,622
	Options bought	507,523	-	507,523
	Options sold	309,470	-	309,470
	Swap	1,697,892	-	1,697,892
		2,537,507	-	2,537,507
Stock related	Bought	347,918	-	347,918
	Sold	111,891	-	111,891
		459,809	-	459,809
Commodity related	Swap	245,293	-	245,293
		₩ 201,126,457	13,409,374	214,535,831

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(in millions of Won)

		2006		
		Trading	Hedge	Total
Currency related	Forwards	₩ 22,220,412	155,376	22,375,788
	Futures	19,057	-	19,057
	Swap	14,875,474	92,960	14,968,434
	Options bought	4,690,519	-	4,690,519
	Options sold	2,906,867	-	2,906,867
		44,712,329	248,336	44,960,665
Interest rate related	Futures sold	792,319	-	792,319
	Futures bought	72,387	-	72,387
	Options bought	957,982	-	957,982
	Swap	46,137,524	9,569,661	55,707,185
	Interest futures	35,723	-	35,723
		47,995,935	9,569,661	57,565,596
Stock price index related	Futures	127,304	-	127,304
	Options bought	307,440	-	307,440
	Options sold	49,785	-	49,785
	Swap	48,413	-	48,413
		532,942	-	532,942
Stock related	Bought	1,987,293	-	1,987,293
	Sold	2,498,565	-	2,498,565
		4,485,858	-	4,485,858
Commodity related	Swap	35,152	-	35,152
		₩ 97,762,216	9,817,997	107,580,213



(b) Valuation on trading and hedging derivative instruments as of December 31, 2007 and 2006 were as follows:

(in millions of Won)

	2007				
	Valuation gain (losses)			Fair value	
	Trading	Hedge	Total	Assets	Liabilities
Currency related:					
Forwards	₩ 82,087	(574)	81,513	521,763	505,518
Swap	20,830	5,196	26,026	546,668	262,674
Options	53,166	-	53,166	169,709	180,503
	156,083	4,622	160,705	1,238,140	948,695
Interest rate related:					
Options	1,151	-	1,151	29,425	24,468
Swap	(100,359)	(304,538)	(404,897)	607,661	1,208,941
Futures	60	-	60	-	-
	(99,148)	(304,538)	(403,686)	637,086	1,233,409
Stock price index related:					
Futures	106	-	106	-	-
Options bought	(7,038)	-	(7,038)	16,975	-
Options sold	3,735	-	3,735	-	7,158
Swap	1,039	-	1,039	97,366	98,283
	(2,158)	-	(2,158)	114,341	105,441
Stock related					
Options bought	(1,640)	-	(1,640)	26,991	-
Options sold	(2,440)	-	(2,440)	4,323	3,432
Swap	1,821	-	1,821	3,351	3,729
Options	4,714	-	4,714	20,004	13,230
	2,455	-	2,455	54,669	20,391
Other					
Commodity related	8,055	-	8,055	8,055	-
Options bought	525	-	525	525	-
Options sold	(449)	-	(449)	-	525
Forwards	229	(49)	180	6,316	6,135
	8,360	(49)	8,311	14,896	6,660
	₩ 65,592	(299,965)	(234,373)	2,059,132	2,314,596

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	2006				
	Valuation gain (losses)			Fair value	
	Trading	Hedge	Total	Assets	Liabilities
Currency related:					
Forwards	₩ (158,643)	4,893	(153,750)	233,634	394,204
Swap	182,079	(3,614)	178,465	658,966	314,765
Options bought	9,440	-	9,440	32,839	64,634
	32,876	1,279	34,155	925,439	773,603
Interest rate related:					
Options bought	185	-	185	2,809	3,345
Swap	(56,229)	(42,150)	(98,379)	290,006	468,938
Futures	125	-	125	-	-
	(55,919)	(42,150)	(98,069)	292,815	472,283
Stock price index related:					
Futures	2,241	-	2,241	-	-
Options bought	1,104	-	1,104	56,334	56,212
Options sold	31	-	31	-	3
Swap	(517)	-	(517)	1,444	2,609
	2,859	-	2,859	57,778	58,824
Stock related					
Bought	(8,879)	-	(8,879)	156,745	-
Sold	2,344	-	2,344	-	7,356
	(6,535)	-	(6,535)	156,745	7,356
Other					
Commodity related	27	-	27	86	185
	₩ (26,692)	(40,871)	(67,563)	1,432,863	1,312,251

(32) Commitments and Contingencies

(a) Guarantees and acceptances and commitments as of December 31, 2007 were as follows:

(in millions of Won)

Guarantees and acceptances outstanding	₩ 6,676,526
Contingent guarantees and acceptances	7,037,900
Commitments	79,150,941
Endorsed bills	15,570,826
Insurance contracts	₩ 54,324,228



(b) The Consolidated Company pledged two notes amounting to ₩921 million to financial institutions as collateral for borrowings.

(c) As of December 31, 2007, the Consolidated Company had 253 pending lawsuits as defendant (total claim amount: ₩302,956 million).

(d) With respect to disposition of non-performing loans to CHB NPL 1st SPC, Shinhan Bank had provided ₩90,000 million subject to recourse as credit enhancement and ₩40,000 million of government and public bonds as collateral. Additionally, Shinhan Bank had provided ₩16,000 million, ₩48,160 million and ₩360,000 million subject to recourse as credit enhancement in relation to disposition of non-performing loans to CHB NPL 2004 1st SPC, Shinhan 2nd SPC and Shinhan 4th SPC, respectively.

(e) As of December 31, 2007, Shinhan Bank and Jeju Bank guaranteed repayment of principal and, in certain cases, minimum interest earnings on trust account assets for a total amount of ₩3,572,754 million. Additional losses might be recorded based upon the results of future operations of these guaranteed trust accounts.

(f) Credit-linked derivatives

Details of credit-linked derivatives held by Shinhan Bank as of December 31, 2007 were as follows:

(in millions of Won)

	Credit Guarantee Contracts Sold			Credit Guarantee Contracts Bought		
	Overseas	Domestic	Total	Overseas	Domestic	Total
Credit Linked Notes	28,146	-	28,146	-	-	-
Synthetic Collateralized						
Debt Obligation	84,438	-	84,438	-	-	-
Credit Default Swap	46,910	-	46,910	-	562,920	562,920
KTB Swap	-	622,355	622,355	-	-	-
CDS on CDO	37,528	-	37,528	-	-	-
Total	197,022	622,355	819,377	-	562,920	562,920

With regard to guarantee contracts sold, Shinhan Bank accepts risk of loss due to the credit risk of the respective reference entity and recorded ₩6,965 million of allowance for guarantees sold.

Shinhan Bank transfers risk of loss arising from the credit risk of the reference entity to the counterparty for a maximum amount of US\$600,000 thousand through guarantee contracts bought.

(g) Potential recovery of bad debts

The Consolidated Company has receivables which were written-off as they were deemed to be uncollectible. However, for certain receivables, the Consolidated Company still retains the legal right for recovery under Commercial Law as the receivables have not been repaid or legally terminated. As of December 31, 2007 and 2006, such receivables amounted to ₩3,342,872 million and ₩3,469,163 million, respectively.

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(h) With respect to certain lease contracts, the Consolidated Company entered into an agreement stipulating that the provider of lease assets should repurchase those lease assets at the Consolidated Company's request if the lease contracts are cancelled by the lessee.

(i) As of December 31, 2007, the Company entered into a guarantee contract with Franklin Templeton Investment Trust Management Co., Ltd. to provide for contingent losses that may result from beneficiary certificates including guaranteed bonds issued by financially troubled companies, such as the Daewoo Group. The Company's time deposit of ₩2,039 million was pledged as collateral to Franklin Templeton Investment Trust Management Co., Ltd. for the potential losses.

(j) Contingency gain from lawsuit against Samsung Motors Co., Ltd.

On September 1999, the creditors of Samsung Motors Co., Ltd., 14 financial institutions including Shinhan Bank, received 3.5 million non-listed shares of Samsung Life Insurance valued at ₩700,000 per share, under an agreement that the shares would be listed by the end of 2000, in lieu of the debt outstanding when Samsung Motors Co., Ltd. went into court receivership. If the proceeds from disposal of the shares was less than ₩2,450 billion, Samsung Group was to reimburse the shortage by investing in the creditors' equity or buying subordinated bonds issued by the creditors. Otherwise, Samsung Group was to make repayment of principal and interest based on the bank's delinquent interest rate.

On December 9, 2005, Shinhan Bank, with the other creditors, filed a lawsuit against Samsung Group CEO Gun-hee, Lee and 28 Samsung affiliates for violation of the agreement as the listing of Samsung Life Insurance never took place and claimed payment of ₩2,450 billion in principal and ₩2.28 billion in interest. The Seoul Central District Court ruled in favor of the creditors on January 31, 2008. Per the ruling, Samsung Group is to reimburse 2.3 million in shares, not the original 3.5 million as one of the creditors sold the difference and the delinquent interest rate is to be reduced from the 19% demanded by creditors to 6% in accordance with the Commercial Law.

However, the final decision of the lawsuit and the effects to the consolidated financial statements can not be reasonably estimated as Samsung Group may appeal.

(k) The effects of the sub-prime mortgage crisis

The sub-prime mortgage crisis in the U.S. and the resulting credit crunch worldwide also had an impact on the consolidated financial position and results of operations of the Consolidated Company for the year ended December 31, 2007. Shinhan Bank holds ₩4,804 million of cash CDOs underlined by sub-prime mortgage loans recorded as available-for-sale securities as of December 31, 2007. The increase in credit and default risk resulted in recognition of an impairment loss on these available-for-sale securities in the amount of ₩1,455 million, based on the fair value as determined by Korea Bond Pricing Co. Further losses due to this global financial crisis are expected.



[33] Related Party Transactions

(a) Details of transactions

Significant transactions with the related parties for the years ended December 31, 2007 and 2006 were as follows:

			(In millions of Won)	
Revenue earned	Expense incurred	Account	2007	2006
Controlling company and subsidiaries included in consolidation:				
Shinhan Financial Group	Shinhan Bank	Interest income	₩ 26,454	1,197
"	"	Interest income	-	1,822
"	Good Morning Shinhan Securities	Interest income	9,315	6,035
"	Shinhan Capital	Interest income	30,152	31,273
"	Jeju Bank	Interest income	-	646
"	"	Interest income	-	353
"	Shinhan Card (formerly LG Card)	Interest income	7,613	-
"	Shinhan PE	Interest income	140	-
Shinhan Bank	Shinhan Financial Group	Rental income	38	33
"	Good Morning Shinhan Securities	Interest income	892	728
"	"	Rental income	1,154	799
"	"	Gain on derivatives	220	-
"	Shinhan Life Insurance	Rental income	3,743	2,490
"	"	Interest income	4,998	5,005
"	"	Fee and commission income	10,903	518
"	"	Gain on derivatives	2,732	394
"	Shinhan Card (formerly LG Card)	Interest income	21,196	-
"	"	Fee and commission income	37,198	-
"	"	Rental income	1,124	-
"	"	Gain on derivatives	2,739	-
"	Shinhan Capital	Interest income	41	46
"	"	Rental income	672	489
"	"	Gain on derivatives	489	1,449
"	"	Fee and commission income	40	-
"	Jeju Bank	Interest income	85	130
"	Shinhan Credit Information	Rental income	154	134
"	Shinhan Bank(Trust)	Fees and commission from trust account	83,302	36,012
"	SH Asset Management	Interest income	₩ -	2

(Continued)

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			(In millions of Won)	
Revenue earned	Expense incurred	Account	2007	2006
"	Shinhan Asia	Interest income	₩ 2,151	796
"	Shinhan Bank America	Interest income	3,367	796
"	Shinhan Europe	Interest income	2,181	3,642
Shinhan Bank(Trust)	Shinhan Bank	Interest income	55,421	4,824
SH Asset Management	Shinhan Bank	Interest income	1,080	1,143
Shinhan Asia	Shinhan Bank	Interest income	-	8,016
Shinhan Europe	Shinhan Bank	Interest income	-	6,068
Shinhan CRV 7th	Shinhan Bank	Interest income	20	-
Good Morning Shinhan Securities	Shinhan Financial Group	Fee and commission income	6,841	-
"	Shinhan Bank	Interest income	409	315
"	"	Rental income	163	129
"	"	Gain on derivatives	387	-
"	Shinhan Life Insurance	Rental income	25	28
"	"	Fee and commission income	17	57
"	"	Interest income	62	-
"	Shinhan Card (formerly LG Card)	Rental income	262	-
Good Morning USA	Good Morning Shinhan Securities	Fee and commission income	3,404	2,988
Good Morning Europe	Good Morning Shinhan Securities	Fee and commission income	1,037	1,784
Shinhan Life Insurance	Shinhan Bank	Insurance income	1,814	221
"	"	Gain on derivatives	1	3,980
"	"	Interest income	12,656	941
"	"	Fee and commission income	487	365
"	Good Morning Shinhan Securities	Insurance income	71	14
"	"	Fee and commission income	8	4
"	Shinhan Card (formerly LG Card)	Insurance income	74	-
"	"	Fee and commission income	1,938	-
Shinhan Capital	Shinhan Bank	Interest income	2,196	3,935
"	"	Gain on derivatives	387	1,020
Jeju Bank	Shinhan Bank	Interest income	61	5
"	Shinhan Life Insurance	Fee and commission income	166	6
"	"	Rental income	6	6
"	Jeju Bank (Trust)	Fees and commission from trust account	1,158	1,054
"	Shinhan Card (formerly LG Card)	Fee and commission income	47	-
Jeju Bank (Trust)	Jeju Bank	Interest income	₩ 186	240

(Continued)



			(In millions of Won)	
Revenue earned	Expense incurred	Account	2007	2006
Shinhan Card (formerly LG Card)	Shinhan Bank	Fee and commission income	₩ 849	-
"	"	Interest income	1,699	-
"	"	Gain on derivatives	8,215	-
"	Good Morning Shinhan Securities	Fee and commission income	913	-
Shinhan Card (formerly LG Card)	Jeju Bank	Fee and commission income	96	-
"	Shinhan Life Insurance	Interest income	179	-
"	"	Fee and commission income	6,037	-
Shinhan Credit Information	Shinhan Bank	Fee and commission income	6,332	7,173
"	"	Interest income	95	134
"	Good Morning Shinhan Securities	Fee and commission income	28	41
"	Shinhan Life Insurance	Fee and commission income	60	42
"	Shinhan Capital	Fee and commission income	43	54
"	Jeju Bank	Fee and commission income	119	140
"	Shinhan Card (formerly LG Card)	Fee and commission income	4,594	-
"	Shinhan Financial Group	Fee and commission income	-	4
Shinhan PE	Shinhan Bank	Interest income	38	828
"	Good Morning Shinhan Securities	Interest income	33	-
"	Shinhan PEF 1 st	Fee and commission income	2,771	3,000
			375,578	143,348
Joint venture investees:				
Shinhan Macquarie	Shinhan Bank	Interest income	227	297
Shinhan Bank	Shinhan BNP Paribas ITMC	Fee and commission income	568	679
"	SH&C Life Insurance	Fee and commission income	27,048	15,847
Good Morning Shinhan Securities	Shinhan BNP Paribas ITMC	Rental income	294	255
Shinhan Life Insurance	SH&C Life Insurance	Fee and commission income	-	1
Shinhan Card	SH&C Life Insurance	Fee and commission income	642	-
Shinhan BNP Paribas ITMC	Shinhan Bank	Interest income	659	195
"	"	Interest income	-	31
"	Jeju Bank	Interest income	-	28
Jeju Bank	SH&C Life Insurance	Fee and commission income	94	119
SH&C Life Insurance	Shinhan Bank	Interest income	3	5
"	"	Insurance income	-	6
			₩ 29,535	17,463

(Continued)

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(In millions of Won)

Revenue earned	Expense incurred	Account	2007	2006
Subsidiaries accounted for under the equity method:				
Shinhan Bank	Shinhan Data System	Rental income	₩ 134	118
"	Shinhan Finance	Interest income	-	3,858
"	"	Gain on derivatives	-	202
Shinhan Finance	Shinhan Bank	Interest income	-	386
"	"	Gain on derivatives	-	381
Shinhan Data System	Shinhan Bank	Interest income	63	42
"	"	Fee and commission income	16,795	10,834
Macquarie Shinhan Infrastructure	Shinhan Bank	Interest income	59	32
Shinhan Corporate Restructuring Fund 6 th	Shinhan Bank	Interest income	20	1
Shinhan Corporate Restructuring Fund 8 th	Shinhan Bank	Interest income	134	-
Daewoo Capital	Shinhan Bank	Interest income	1	-
Shinhan Financial Group	SHC Management	Interest income	16,542	32,103
Shinhan Bank	SHC Management	Interest income	395	1,922
"	"	Fee and commission income	80,595	80,384
"	"	Rental income	2,283	1,948
"	"	Gain on derivatives	2,867	1,634
Good Morning Shinhan Securities	SHC Management	Rental income	503	435
"	"	Fee and commission income	66	106
Shinhan Card	SHC Management	Interest income	123	-
SHC Management	Shinhan Card	Interest income	11,371	-
"	Shinhan Bank	Interest income	253	197
"	"	Fee and commission income	1,974	755
"	Good Morning Shinhan Securities	Interest income	73	4
"	Jeju Bank	Fee and commission income	268	335
"	"	Interest income	-	3
"	Shinhan Life Insurance	Fee and commission income	10,391	363
Shinhan Credit Information	SHC Management	Fee and commission income	9,596	12,888
SHC Management	SH&C Life Insurance	Fee and commission income	3,620	5,023
			158,126	153,954
			₩ 563,239	314,765



(b) Account balances

Significant balances with the related parties as of December 31, 2007 and 2006 were as follows:

			(In millions of Won)	
Creditor	Debtor	Account	2007	2006
Controlling Company and subsidiaries included in consolidation:				
Shinhan Financial Group	Shinhan Bank	Due from banks	₩ 1,910	2,627
"	"	Guarantee deposits	9,915	9,915
"	"	Accounts receivable	-	28,675
"	"	Accrued interest income	5	171
"	"	Deposit for severance benefit insurance	1,189	1,233
"	Good Morning Shinhan Securities	Loans in Won	170,000	170,000
"	"	Accounts receivable	-	4,581
"	"	Accrued interest income	1,569	1,569
"	Shinhan Card (formerly LG Card)	Loans in Won	650,000	-
"	"	Accrued interest income	4,021	-
"	Shinhan Capital	Loans in Won	590,000	500,000
"	"	Loans in foreign currency	-	65,072
"	"	Accounts receivable	-	1,102
"	"	Accrued interest income	2,820	2,990
"	Shinhan Credit Information	Accounts receivable	-	251
"	Shinhan Life Insurance	Accounts receivable	-	1,159
"	Shinhan PE	Loans in Won	5,000	-
Shinhan Bank	Shinhan Card (formerly LG Card)	Loans in Won	502,300	-
"	"	Securities	50,126	-
"	"	Derivative assets	7,240	-
"	Good Morning Shinhan Securities	Guarantee deposits	9,674	8,562
"	Shinhan Life Insurance	Derivative assets	3,084	360
"	"	Accrued interest income	-	1,105
"	"	Deposit for severance benefit insurance	133,192	103,531
"	Shinhan Capital	Derivative assets	1,938	1,494
"	Jeju Bank	Loans in Won	-	13,575
"	"	Loans in foreign currency	3,908	-
"	"	Accrued interest income	4	87
"	Shinhan Bank (Trust)	Accrued interest income	-	71,459
"	Shinhan Asia	Due from banks	₩ 72	14,267

(Continued)

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			(In millions of Won)	
Creditor	Debtor	Account	2007	2006
Controlling Company and subsidiaries included in consolidation:				
Shinhan Bank	Shinhan Asia	Loans in foreign currency	₩ 29,967	28,352
"	"	Accrued interest income	687	564
"	"	Call loan	-	19,546
"	"	Prepaid expenses	-	87
"	Shinhan Bank America	Due from banks	-	2,551
"	"	Call loan	60,983	-
"	Shinhan Europe	Due from banks	30,420	15,718
"	"	Loans in foreign currency	66,885	47,261
"	"	Call loan	-	61,313
"	Shinhan Khmer Bank	Due from banks	52	-
Shinhan Bank (Trust)	Shinhan Bank	Due from bank account	313,566	329,210
SH Asset Management	Shinhan Bank	Due from banks	21,565	43,172
"	"	Accrued interest income	-	409
Shinhan Asia	Shinhan Bank	Due from banks	-	12
"	"	Loans in foreign currency	-	45,180
"	"	Call loan	-	8,645
"	"	Accrued interest income	-	564
Shinhan Europe	"	Loans in foreign currency	-	117,823
Shinhan Corporate Restructuring Fund 7 th	"	Due from banks	355	-
Shinhan Card (formerly LG Card)	Shinhan Financial Group	Accounts receivable	156	-
Shinhan Card (formerly LG Card)	Shinhan Bank	Due from banks	603,323	-
"	"	Accrued interest income	61	-
"	"	Accounts receivable	4,372	-
"	"	Guarantee deposits	3,394	-
"	"	Prepaid expense	7,021	-
"	"	Derivative assets	8,513	-
"	"	Deposit for severance benefit insurance	40,281	-
"	Shinhan Life Insurance	Deposit for severance benefit insurance	₩ 5,340	-

(Continued)



			(In millions of Won)	
Creditor	Debtor	Account	2007	2006
Shinhan Card (formerly LG Card)	Shinhan Life Insurance	Accounts receivable	₩ 1,926	-
"	"	Accrued interest income	38	-
"	Shinhan Capital	Accounts receivable	73	-
"	Good Morning Shinhan Securities	Accounts receivable	1,702	-
"	"	Guarantee deposits	3,974	-
Shinhan Card (formerly LG Card)	Shinhan Credit Information	Accounts receivable	97	-
"	Jeju Bank	Due from banks	343	-
"	Shinhan PE	Accounts receivable	25	-
Good Morning Shinhan Securities	Shinhan Bank	Due from banks	30,566	8,339
"	"	Guarantee deposits	19,317	20,573
"	"	Accrued interest income	253	114
"	"	Deposit for severance benefit insurance	677	-
"	"	Derivative Assets	236	-
"	Shinhan Life Insurance	Deposit for severance benefit insurance	614	483
"	"	Accrued interest income	-	1
"	Jeju Bank	Due from banks	10,023	-
Good Morning USA	Good Morning Shinhan Securities	Accrued interest income	764	360
Good Morning Europe	Good Morning Shinhan Securities	Accrued interest income	283	154
Shinhan Life Insurance	Shinhan Bank	Due from banks	15,790	2,947
"	"	Derivative assets	123	7
"	"	Deposit for severance benefit insurance	8,721	5,123
"	"	Guarantee deposits	9,637	8,320
"	"	Available-for-sale securities	5,785	9,738
"	"	Accrued interest income	4,528	789
"	"	Held-to-maturity securities	54,999	45,000
"	Good Morning Shinhan Securities	Guarantee deposits	228	173
"	Jeju Bank	Due from banks	211	22
Shinhan Capital	Shinhan Bank	Cash and cash equivalents	₩ 21,850	51,260

(Continued)

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

			(In millions of Won)	
Creditor	Debtor	Account	2007	2006
Shinhan Capital	Shinhan Bank	Accounts receivable	₩ -	216
"	"	Accrued interest income	39	-
"	"	Guarantee deposits	663	508
"	"	Deposit for severance benefit insurance	1,009	977
"	"	Derivative assets	-	45
Jeju Bank	Shinhan Life Insurance	Accrued interest income	8	15
"	Jeju Bank(Trust)	Accrued interest income	1,001	890
Jeju Bank(Trust)	Jeju Bank	Due from bank account	508	6,185
Shinhan Credit Information	Shinhan Bank	Cash and cash equivalents	4,618	2,674
Shinhan Credit Information	Shinhan Bank	Securities under repurchase agreement	-	2,032
"	"	Accounts receivable	870	613
"	"	Guarantee deposits	1,569	822
"	Good Morning Shinhan Securities	Accounts receivable	3	2
"	Jeju Bank	Accounts receivable	7	23
"	"	Guarantee deposits	60	60
"	Shinhan Life Insurance	Accrued interest income	3	1
Shinhan PE	Shinhan Financial Group	Prepaid expenses	135	-
"	Shinhan Bank	Cash and cash equivalents	528	3,071
"	"	Deposit for severance benefit insurance	180	-
"	"	Accrued interest income	13	-
"	Good Morning Shinhan Securities	Securities under repurchase agreement	388	-
			3,549,294	1,895,729
Joint venture investees:				
Shinhan BNP Paribas ITMC	Shinhan Bank	Cash and cash equivalents	26,289	4,732
"	"	Accrued interest income	281	57
"	Shinhan Life Insurance	Deposit for severance benefit insurance	629	404
"	Good Morning Shinhan Securities	Guarantee deposits	4,976	4,976
Shinhan Bank	Shinhan BNP Paribas ITMC	Accounts receivable	124	133
Shinhan Card	SH&C Life Insurance	Accounts receivable	₩ 342	-

(Continued)



(In millions of Won)

Creditor	Debtor	Account	2007	2006
Jeju Bank	SH&C Life Insurance	Accrued interest income	₩ 4	2
SH&C Life Insurance	Shinhan Bank	Cash and cash equivalents	1,531	2,091
"	"	Guarantee deposits	35	-
"	Shinhan Life Insurance	Deposit for severance benefit insurance	197	139
"	Jeju Bank	Cash and cash equivalents	1	2
Shinhan Bank	SH&C Life Insurance	Accrued interest income	1,344	396
Shinhan Macquarie	Shinhan Bank	Cash and cash equivalents	6,626	8,510
"	"	Accrued interest income	-	26
			42,379	21,468
Subsidiaries accounted for under the equity method:				
Shinhan Financial Group	SHC Management	Loans in Won	-	450,000
"	"	Accounts receivable	-	2,043
"	"	Accrued interest income	-	3,285
Shinhan Bank	SHC Management	Call loan	-	10,800
"	"	Accrued interest income	-	31
"	"	Derivative assets	-	1,676
Shinhan Credit Information	SHC Management	Accounts receivable	-	1,411
"	Shinhan Data System	Prepaid expenses	275	-
SHC Management	Shinhan Financial Group	Accounts receivable	-	209
"	Shinhan Bank	Cash and cash equivalents	-	2,237
"	"	Guarantee deposits	-	3,306
"	"	Accounts receivable	-	6,574
"	"	Derivative assets	-	42
"	"	Deposit for severance benefit insurance	-	3,513
"	Good Morning Shinhan Securities	Guarantee deposits	-	5,911
"	"	Accounts receivable	-	824
"	Shinhan Life Insurance	Accounts receivable	-	1,717
"	Shinhan Credit Information	Accounts receivable	-	81
"	Shinhan Data System	Accounts receivable	-	17
"	Shinhan Capital	Accounts receivable	-	52
"	Shinhan BNP Paribas ITMC	Accounts receivable	-	66
"	SH&C Life Insurance	Accounts receivable	₩ -	60

(Continued)

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

			(In millions of Won)	
Creditor	Debtor	Account	2007	2006
SHC Management	SH&C Life Insurance	Accrued interest income	₩ -	394
"	Shinhan Card	Accounts receivable	614,100	-
Shinhan Data System	Shinhan Bank	Due from bank account	4,923	3,770
"	"	Guarantee deposits	112	112
"	"	Accrued interest income	46	-
"	Shinhan Life Insurance	Deposit for severance benefit insurance	1,443	-
"	Shinhan Credit Information	Accounts receivable	422	-
Macquarie Shinhan Infrastructure	Shinhan Bank	Due from bank account	19,748	4,324
Shinhan Corporate Restructuring Fund 6 th	Shinhan Bank	Due from bank account	270	162
Shinhan Corporate Restructuring Fund 8 th	Shinhan Bank	Due from bank account	922	9,404
Daewoo Capital	Shinhan Bank	Due from bank account	493	2,577
			642,754	514,598
			₩ 4,234, 427	2,431,795

(c) Guarantees and acceptances

The guarantees and acceptances provided between the related parties as of December 31, 2007 were as follows:

			(in millions of Won)
Creditor	Debtor	Account	Amount of guarantees and acceptances
Shinhan Bank	Shinhan Capital	Guarantees for letter of credit	₩ 28,146
"	Daewoo Capital	Guarantees for letter of credit	25,331
			₩ 53,477



(34) Segment Information

(a) The Consolidated Company has five reportable operating segments providing corporations, governments, institutions and investors with commercial banking and financial products and services (the Banking segment), credit card services, factoring, installment financing and leasing (the Credit Card segment), securities trading, underwriting and brokerage services (the Securities segment), life insurance and related services (the Life Insurance segment) and others. The following table provides information for each operating segment as of and for the years ended December 31, 2007 and 2006:

(in millions of Won)

[*]	2007						
	Banking	Credit Card	Securities	Life Insurance	Others	Adjustment for consolidation	Total
Operating revenue	₩ 18,431,146	3,693,046	2,033,591	2,681,556	496,416	(857,107)	26,478,648
Inter-segment transaction	384,031	30,947	12,726	17,049	116,508	(561,261)	-
Net operating revenue (**)	18,047,115	3,662,099	2,020,865	2,664,507	379,908	(295,846)	26,478,648
Operating income	2,954,935	1,151,464	239,021	175,238	(176,976)	(652,361)	3,691,321
Total assets	₩ 182,079,996	16,880,921	6,686,033	7,410,857	28,681,496	(20,863,289)	220,876,014

[*] Based on presentation in the Korean language consolidated financial statements. Operating revenue and expense mainly consist of the following:

Operating revenue	Operating expense
Interest and dividend income	Interest expense
Gain on valuation and disposition of securities	Provision for credit losses
Gain on valuation and disposition of loans	Loss on valuation and disposition of securities
Gain on foreign currency transactions	Loss on valuation and disposition of loans
Commission income	Loss on foreign currency transactions
Fees and commissions from trust accounts	Selling and administrative expense
Gain on derivatives	Loss on derivatives

[**] Inter-segment revenue among the business segments was adjusted in operating revenue.

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

(in millions of Won)

(*)	2006						Total
	Banking	Credit Card	Securities	Life Insurance	Others	Adjustment for consolidation	
Operating revenue	₩ 16,100,631	835,619	1,361,715	2,361,922	366,857	(528,094)	20,498,650
Inter-segment transaction	206,498	14,545	5,685	5,525	102,688	(334,941)	-
Net operating revenue (**)	15,894,133	821,074	1,356,030	2,356,397	264,169	(193,153)	20,498,650
Operating income	2,257,627	192,966	126,391	171,881	(19,957)	(304,520)	2,424,388
Total assets	₩ 160,148,485	3,558,415	4,126,758	6,225,865	17,208,239	(13,442,224)	177,825,538

(b) The Consolidated Company conducts business globally and is managed geographically. The following table provides information for each geographical segment as of and for the years ended December 31, 2007 and 2006.

(in millions of Won)

(*)	2007			
	Domestic	Oversees	Adjustment for consolidation	Total
Operating revenue	₩ 26,504,090	538,247	(563,689)	26,478,648
Inter-segment transaction	538,693	22,568	(561,261)	-
Net operation revenue (**)	25,965,397	515,679	(2,428)	26,478,648
Operating income	3,586,099	107,650	(2,428)	3,691,321
Total assets	₩ 215,498,420	5,615,471	(237,877)	220,876,014

(in millions of Won)

(*)	2006			
	Domestic	Oversees	Adjustment for consolidation	Total
Operating revenue	₩ 20,340,586	493,005	(334,941)	20,498,650
Inter-segment transaction	301,177	33,764	(334,941)	-
Net operation revenue (**)	20,039,409	459,241	-	20,498,650
Operating income	2,329,608	94,780	-	2,424,388
Total assets	₩ 173,973,386	4,003,830	(151,678)	177,825,538



[35] Results of Operations for the Last Interim Period

	(in millions of Won)	
	2007 4th Quarter	2006 4th Quarter
Operating revenue (*)	₩ 7,236,488	5,474,774
Operating income (*)	232,458	494,014
Net income for the period	235,067	269,830
Net income - majority interest	225,728	268,916
Earnings per share	392	681
Diluted earnings per share in Won	₩ 391	681

(*) Based on presentation in the Korean language consolidated financial statements.

[36] Condensed Financial Statements of the Consolidated Company

(a) Balance sheets

Condensed balance sheets of the consolidated company as of December 31, 2007 and 2006 were as follows:

	(in millions of Won)		
	2007		
	Total assets	Total liabilities	Total stockholders' equity
Controlling company and subsidiaries included in consolidation:			
Shinhan Financial Group	₩ 25,327,528	7,349,727	17,977,801
Shinhan Bank	175,105,888	163,786,456	11,319,432
Shinhan Bank (Trust)	3,744,459	3,744,459	-
SH Asset Management	98,169	7,729	90,440
Shinhan Asia	162,647	79,591	83,056
Shinhan Bank America	860,976	767,899	93,077
Shinhan Europe	289,014	245,809	43,205
Shinhan Khmer Bank	34,261	22,936	11,325
Shinhan Corporate Restructuring Fund 7 th	6,283	152	6,131
Shinhan Card (formerly LG Card Co., Ltd.)	16,880,921	12,774,539	4,106,382
Good Morning Shinhan Securities	6,685,978	5,101,887	1,584,091
Good Morning Shinhan Europe	8,086	58	8,028
Good Morning Shinhan USA	6,013	1,023	4,990
Good Morning Shinhan Asia	₩ 4,495	2	4,493

(Continued)

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

(in millions of Won)

	2007		
	Total assets	Total liabilities	Total stockholders' equity
Shinhan Life Insurance	₩ 7,410,857	6,906,130	504,727
Shinhan Capital	2,963,306	2,644,916	318,390
Jeju Bank	2,772,223	2,627,781	144,442
Jeju Bank (Trust)	362,017	362,017	-
Shinhan Credit Information	16,785	4,420	12,365
Shinhan PE	15,826	5,217	10,609
Shinhan PEF 1st	380,283	-	380,283
Symphony Energy	49,484	33,234	16,250
	243,185,499	206,465,982	36,719,517
Equity method investees:			
SHC Management Co., Ltd. (formerly Shinhan Card Co., Ltd.)	1,213,708	127,058	1,086,650
Joint venture investees:			
Shinhan BNP Paribas ITMC	89,745	28,063	61,682
SH&C Life Insurance	1,365,741	1,315,411	50,330
Shinhan Macquarie	18,017	10,950	7,067
	1,473,503	1,354,424	119,079
	₩ 245,872,710	207,947,464	37,925,246

(in millions of Won)

	2006		
	Total assets	Total liabilities	Total stockholders' equity
Controlling company and subsidiaries included in consolidation:			
Shinhan Financial Group	₩ 15,003,631	3,642,105	11,361,526
Shinhan Bank	154,207,060	144,539,692	9,667,368
Shinhan Bank (Trust)	3,498,916	3,498,916	-
SH Asset Management	99,028	8,463	90,565
Shinhan Asia	165,618	122,605	43,013
Shinhan Bank America	556,760	495,999	60,761
Shinhan Europe	255,870	220,637	35,233
Good Morning Shinhan Securities	4,126,940	3,278,324	848,616
Good Morning Shinhan Europe	₩ 7,898	45	7,853

(Continued)



(in millions of Won)

	2006		
	Total assets	Total liabilities	Total stockholders' equity
Good Morning Shinhan USA	₩ 4,590	246	4,344
Shinhan Life Insurance	6,225,865	5,795,398	430,467
SHC Management Co., Ltd. (formerly Shinhan Card Co., Ltd.)	3,558,415	2,923,408	635,007
Shinhan Capital	1,948,495	1,763,537	184,958
Jeju Bank	2,470,751	2,338,463	132,288
Jeju Bank (Trust)	17,918	17,918	-
Shinhan Credit Information	13,372	3,117	10,255
Shinhan PE	10,813	319	10,494
Shinhan PEF 1st	139,875	370	139,505
	192,311,815	168,649,562	23,662,253
Joint venture investees:			
Shinhan BNP Paribas ITMC	60,227	10,650	49,577
SH&C Life Insurance	991,359	950,396	40,963
Shinhan Macquarie	11,500	11,444	56
	1,063,086	972,490	90,596
	₩ 193,374,901	169,622,052	23,752,849

(b) Statements of Income

Condensed statements of income of the Consolidated Company for the years ended December 31, 2007 and 2006 were as follows:

(in millions of Won)

Subsidiaries	2007				
	Operating revenue	Operating expense	Operating income (loss)	Income(loss) before income tax	Net income (loss)
Controlling company and subsidiaries included in consolidation:					
Shinhan Financial Group	₩ 2,749,536	375,344	2,374,192	2,373,715	2,396,377
Shinhan Bank	17,797,848	14,886,630	2,911,218	2,854,911	2,051,302
Shinhan Bank (Trust)	189,651	185,413	4,238	-	-
SH Asset Management	35,097	12,204	22,893	22,505	16,449
Shinhan Asia	15,150	7,575	7,575	7,431	7,017
Shinhan Bank America	₩ 53,112	46,762	6,350	6,415	3,965

(Continued)

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

(in millions of Won)

Subsidiaries	2007				
	Operating revenue	Operating expense	Operating income (loss)	Income(loss) before income tax	Net income (loss)
Controlling company and subsidiaries included in consolidation:					
Shinhan Europe	₩ 19,682	13,879	5,803	5,803	3,387
Shinhan Khmer Bank	262	797	(535)	(871)	(871)
Shinhan Corporate Restructuring Fund 7 th	277	156	121	176	176
Shinhan Card (formerly LG Card Co., Ltd.)	2,877,869	1,958,967	918,902	1,059,939	1,487,612
Good Morning Shinhan Securities	2,028,956	1,790,645	238,311	252,697	176,776
Good Morning Shinhan Europe	1,201	1,236	(35)	(35)	(35)
Good Morning Shinhan USA	3,335	2,277	1,058	1,063	600
Good Morning Shinhan Asia	99	412	(313)	(313)	(313)
Shinhan Life Insurance	2,681,556	2,506,318	175,238	183,498	132,033
Shinhan Capital	265,097	204,078	61,019	65,015	49,157
Jeju Bank	188,220	169,714	18,506	18,393	14,291
Jeju Bank (Trust)	1,890	1,838	52	-	-
Shinhan Credit Information	27,902	24,888	3,014	3,369	2,110
Shinhan PE	2,771	2,132	639	301	174
Shinhan PEF 1st	1,797	15,184	(13,387)	(13,387)	(13,387)
Symphony Energy	36,910	35,361	1,549	1,409	1,317
	28,978,218	22,241,810	6,736,408	6,842,034	6,328,137
Equity method investees:					
SHC Management Co., Ltd. (formerly Shinhan Card Co., Ltd.)	807,588	587,698	219,890	235,045	169,100
Joint venture investees:					
Shinhan BNP Paribas ITMC	73,680	44,479	29,201	29,349	21,303
SH&C Life Insurance	91,871	71,542	20,329	15,629	10,567
Shinhan Macquarie	28,335	17,847	10,488	10,641	7,641
	193,886	133,868	60,018	55,619	39,511
	₩ 29,979,692	22,963,376	7,016,316	7,132,698	6,536,748



(in millions of Won)

Subsidiaries	2006				
	Operating revenue	Operating expense	Operating income (loss)	Income before income tax	Net income (loss)
Controlling company and subsidiaries included in consolidation:					
Shinhan Financial Group	₩ 1,997,914	177,051	1,820,863	1,832,718	1,832,718
Shinhan Bank	14,868,003	13,160,836	1,707,167	2,309,904	1,659,246
Shinhan Bank (Trust)	147,816	147,811	5	-	-
SH Asset Management	34,082	10,177	23,905	23,893	17,112
Shinhan Asia	17,528	8,594	8,934	8,940	8,940
Shinhan Bank America	42,368	36,454	5,914	5,922	3,561
Shinhan Europe	16,218	9,478	6,740	6,739	3,986
Good Morning Shinhan Securities	1,255,573	1,138,720	116,853	134,102	96,190
Good Morning Shinhan Europe	1,816	1,134	682	706	706
Good Morning Shinhan USA	2,235	2,127	108	162	(37)
Shinhan Life Insurance	2,323,355	2,172,054	151,301	165,798	121,534
Shinhan Card	831,888	639,083	192,805	184,258	232,092
Shinhan Capital	199,615	165,783	33,832	62,571	48,284
Jeju Bank	147,339	133,560	13,779	15,305	14,155
Jeju Bank (Trust)	1,656	1,656	-	-	-
Shinhan Credit Information	26,587	23,057	3,530	3,860	2,810
Shinhan PE	3,729	1,906	1,823	2,072	1,676
Shinhan PEF 1st	5,364	3,205	2,159	2,159	2,159
	21,923,086	17,832,686	4,090,400	4,759,109	4,045,132
Joint venture investees:					
Shinhan BNPP ITMC	26,189	13,456	12,733	12,123	8,576
SH&C Life Insurance	52,964	59,128	(6,164)	9,793	9,295
Shinhan Macquarie	17,782	16,068	1,714	2,388	1,562
	96,935	88,652	8,283	24,304	19,433
	₩22,020,021	17,921,338	4,098,683	4,783,413	4,064,565

Directory

“ Operating the 2nd largest overseas network among Korean financial institutions with 5 subsidiaries and 29 branches in 9 countries. ”

4 brokerage branches

in London, New York, Hong Kong and Seoul

25 bank branches

in New York (2), Los Angeles, London, Frankfurt, Tokyo, Osaka, Fukuoka, Tianjin, Shanghai, Qingdao, Beijing, Binhai County, Hong Kong (2), Singapore, Ho Chi Minh City (2), Hanoi, Dong Nai Province, Mumbai, New Delhi, Phnom Penh and Seoul

5 bank subsidiaries

in Ho Chi Minh City, Hong Kong, Frankfurt, New York and Los Angeles

 Bank branches

 Brokerage branches

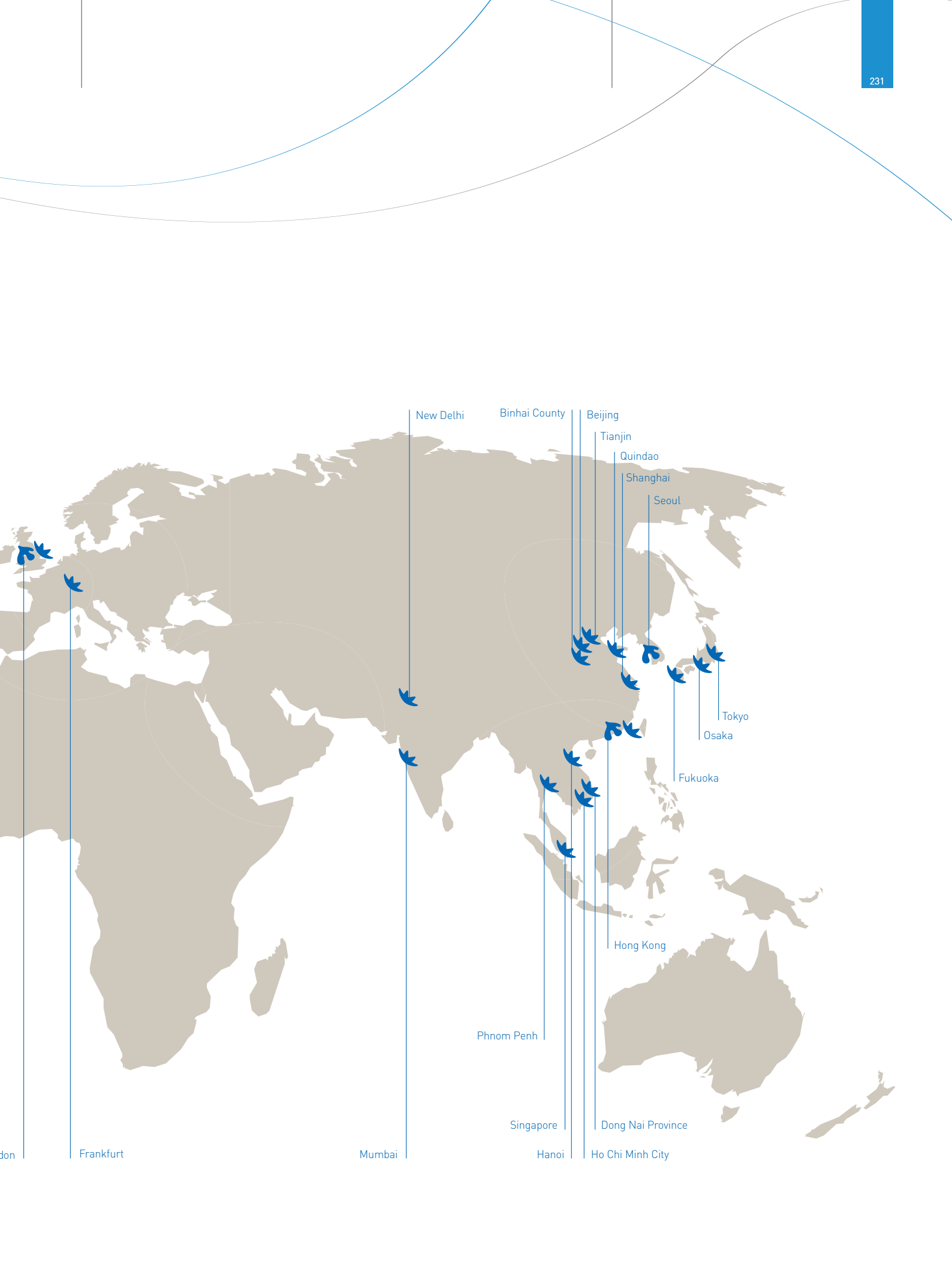
As of December 2007



Los Angeles

New York

London



London

Frankfurt

Mumbai

New Delhi

Binhai County

Beijing

Tianjin

Quindao

Shanghai

Seoul

Tokyo

Osaka

Fukuoka

Hong Kong

Phnom Penh

Singapore

Hanoi

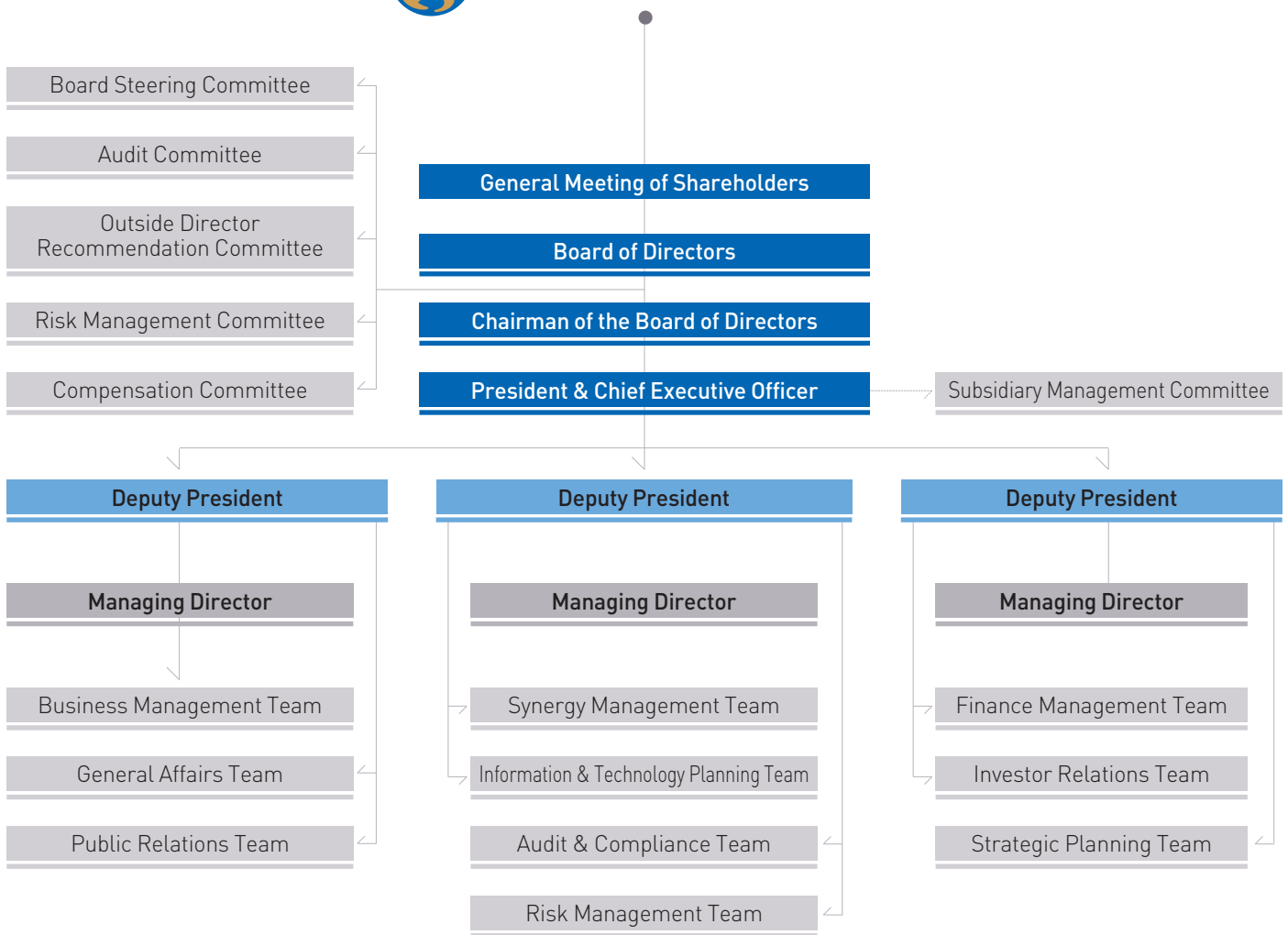
Dong Nai Province

Ho Chi Minh City

Organization Chart



SHINHAN FINANCIAL GROUP



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Forward-Looking Statements

Shinhan Financial Group's 2007 Annual Report may contain forward-looking statements to provide value-added account of Shinhan Financial Group's businesses and results of operations. These forward-looking statements reflect our current views with respect to future events and performance, and are generally identified by the use of forward-looking terminology, such as "expect", "plan", "intend", and similar expressions. You are cautioned not to place undue reliance in these forward-looking statements, which reflect management's current analysis of future events. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.



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