

SHINHAN FINANCIAL GROUP CO LTD

Form 6-K

August 21, 2006

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SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

**Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934**

For the Month of August 2006

SHINHAN FINANCIAL GROUP CO., LTD.

(Translation of registrant's name into English)

120, 2-Ga, Taepyung-Ro, Jung-Gu, Seoul 100-102, Korea

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T

Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T

Rule 101(b)(7):

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):

82- _____.

Summary of 2006 1H Business Report

On August 14, 2006, Shinhan Financial Group (SFG) filed the 2006 1H business report (the Business Report) with the Financial Supervisory Service of the Republic of Korea (Korea) pursuant to the Securities and Exchange Act of Korea. This is the summary of the Business Report translated into English. Non-material or previously disclosed information are omitted or abridged.

The financial information in this report has been prepared in accordance with accounting principles generally accepted in Korea.

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**1. Introduction of the Group
Company History in 2006 1H**

April 1, 2006

The integrated Shinhan Bank was launched and the credit card business of Chohung Bank was spun-off and merged into Shinhan Card

April 11, 2006

SFG's largest shareholder was changed from KDIC to BNP Paribas Group (currently owning 33,682,104 common shares, 9.38% of total common shares)

Principal Subsidiaries under Korean Law as of June 30, 2006

Direct Subsidiaries

| Subsidiaries | Ownership by SFG |
|--------------------------------------|---------------------|
| Shinhan Bank ¹⁾ | 100.0% |
| Good Morning Shinhan Securities | 100.0% |
| Shinhan Life Insurance | 100.0% |
| Shinhan Card | 100.0% |
| Shinhan Capital | 100.0% |
| Shinhan BNP Paribas ITMC | 50.0% |
| Jeju Bank | 62.4% |
| SH&C Life Insurance | 50.0% |
| Shinhan Macquarie Financial Advisory | 51.0% |
| Shinhan Credit Information | 100.0% |
| Shinhan Private Equity | 100.0% |

1) As of April 1, 2006, Chohung Bank merged with Shinhan Bank, and the name of the remaining integrated bank is Shinhan Bank.

Table of Contents**Indirect subsidiaries held through direct subsidiaries**

(As of June 30, 2006)

| Direct Subsidiaries | Indirect Subsidiaries | Ownership by the Parent |
|------------------------|--|-------------------------|
| Shinhan Bank | Shinhan Data System | 100.0% |
| | Shinhan Finance Ltd. (Hong Kong) | 100.0% |
| | SH Asset Management Co. Ltd ¹⁾ | 79.8% |
| | Shinhan Asia Limited ¹⁾ | 100.0% |
| | Shinhan Bank America ¹⁾ | 100.0% |
| | Shinhan Bank Europe GmbH ¹⁾ | 100.0% |
| | Shinhan Vina Bank ¹⁾ | 50.0% |
| | CHB Valuemeet 2001 year 1 st Securitization | 50.0% |
| | CHB Valuemeet 2001 year 2 nd Securitization | 50.0% |
| | CHB Valuemeet 2002 year 1 st Securitization | 50.0% |
| Good Morning | Good Morning Shinhan Securities Europe | 100.0% |
| Shinhan Securities | Good Morning Shinhan Securities USA | 100.0% |
| Shinhan Private Equity | Shinhan NPS Private Equity Fund 1 st | 5.0% ²⁾ |

1) Names of subsidiaries previously owned by Chohung Bank were changed accordingly after the integration with Shinhan Bank.

2) Shinhan Financial Group currently owns 36.7% of Shinhan NPS Private Equity Fund 1st.

Number of Shares by type

The table below shows the number of issued and outstanding shares of the Group as of June 30, 2006

| Types of Shares | Number of Shares | Total amount of par value (KRW) |
|---|------------------|---------------------------------|
| Common Shares | 359,207,313 | 1,796,036,565,000 |
| Redeemable Preferred Shares | 52,583,961 | 262,919,805,000 |
| Redeemable Convertible Preferred Shares | 22,360,301 | 111,801,505,000 |
| Total | 434,151,575 | 2,170,757,875,000 |

Table of Contents**Employee Stock Ownership Plan (ESOP)****(1) Contribution to ESOA (Employee Stock Ownership Association)**

| Contribution from | Contribution Date | Contribution Amount (KRW) | Contributor | Use of money |
|------------------------|-------------------|------------------------------|-----------------|--------------------|
| Company | Feb. 28, 2006 | 542,407,000 | Shinhan Card | Stock Purchase |
| | March 3, 2006 | 802,088,300 | Shinhan Capital | Stock Purchase |
| | March 6, 2006 | 10,641,000,000 | Shinhan Bank | Stock Purchase |
| | March 14, 2006 | 212,552,860 | SFG | Stock Purchase |
| | April 26, 2006 | 43,240,950 | Shinhan Bank | Operating Expenses |
| Sub-total Employees | | 12,241,289,110 | | |
| Sub-total | | | | |
| Total | | 12,241,289,110 | | |

(2) Changes in ESOA Share Ownership ¹⁾**(Unit: shares)**

| | Share Type | Beginning | | | Ending |
|----------------------|---------------|------------------------------|----------|----------|-------------------------------|
| | | Balance (Jan. 1, 2006) | Increase | Decrease | Balance (June 30, 2006) |
| Association Accounts | Common Shares | 1,942,413 | | 361 | 1,942,052 |
| Employee Accounts | Common Shares | 843,270 | 733,850 | 21,641 | 1,555,479 |
| Total | | 2,785,683 | 733,850 | 22,002 | 3,497,531 |

1) Shinhan Financial Group introduced the Employee Stock Ownership Plan (ESOP) on December 5, 2002.

(3) ESOA Share Ownership per each company**(As of June 30, 2006, Unit: shares)**

| Company | Association Accounts | Employee Accounts | Total Balance |
|----------------------------|-------------------------|----------------------|------------------|
| Shinhan Financial Group | 36,672 | 13,492 | 50,164 |
| Shinhan Bank | 1,886,973 | 1,461,602 | 3,348,575 |
| Shinhan Capital | 18,407 | 21,576 | 39,983 |
| Shinhan Card | | 23,649 | 23,649 |
| Shinhan Life Insurance | | 31,170 | 31,170 |
| SH&C Life Insurance | | 556 | 556 |
| Shinhan Credit Information | | 576 | 576 |
| Shinhan Data System | | 2,858 | 2,858 |
| Total | 1,942,052 | 1,555,479 | 3,497,531 |

Table of Contents**2. Business Results**
Operational Results

(in millions of Korean Won)

| | 2006 1H (Jan. 1~June 30) | 2005 (Jan.1~Dec.31) | 2004 (Jan.1~Dec.31) |
|--|--------------------------------|------------------------|------------------------|
| Operating Revenue | 1,152,135 | 1,886,806 | 1,224,147 |
| Gain using equity method of accounting | 1,110,260 | 1,789,621 | 1,108,952 |
| Interest income | 40,391 | 95,812 | 114,264 |
| Other income | 1,484 | 1,373 | 931 |
| Operating Expense | 80,288 | 154,873 | 147,638 |
| Loss using equity method of accounting | 294 | 1,047 | 212 |
| Operating Income | 1,071,847 | 1,731,933 | 1,076,509 |

Source and Use of Funds**Source of Funds**

(in millions of Korean Won)

| | 2006 1H (Jan. 1~June 30) | | 2005 (Jan.1~Dec.31) | | 2004 (Jan.1~Dec.31) | |
|---------------------|----------------------------------|--------------|----------------------------------|--------------|----------------------------------|--------------|
| | Average Balance ¹⁾ | Ratio (%) | Average Balance ¹⁾ | Ratio (%) | Average Balance ¹⁾ | Ratio (%) |
| Stockholders Equity | 9,874,139 | 76.59 | 8,463,137 | 77.36 | 6,770,562 | 74.00 |
| Capital Stock | 2,170,758 | 16.84 | 2,100,646 | 19.20 | 2,012,812 | 22.00 |
| Capital Surplus | 4,360,112 | 33.82 | 3,846,957 | 35.16 | 3,485,465 | 38.10 |
| Retained Earnings | 2,717,964 | 21.08 | 2,158,881 | 19.73 | 1,130,293 | 12.35 |
| Capital Adjustment | 625,305 | 4.85 | 356,653 | 3.26 | 141,992 | 1.55 |
| Borrowings | 3,019,663 | 23.41 | 2,477,425 | 22.64 | 2,378,244 | 26.00 |
| Debentures | 2,228,545 | 17.28 | 2,090,759 | 19.11 | 2,017,816 | 22.06 |
| Other liabilities | 791,118 | 6.13 | 386,666 | 3.53 | 360,428 | 3.94 |
| Total | 12,893,802 | 100.00 | 10,940,562 | 100.00 | 9,148,806 | 100.00 |

1) The Average Balance was calculated by averaging the ending balance of each quarter.

Table of Contents**Use of Funds**

(in millions of Korean Won)

| | 2006 1H (Jan. 1~June 30) | | 2005 (Jan.1~Dec.31) | | 2004 (Jan.1~Dec.31) | |
|---------------------------------|----------------------------------|--------------|----------------------------------|--------------|----------------------------------|--------------|
| | Average Balance ¹⁾ | Ratio (%) | Average Balance ¹⁾ | Ratio (%) | Average Balance ¹⁾ | Ratio (%) |
| Investments on equity stock | 11,054,951 | 85.75 | 9,060,179 | 82.81 | 7,100,773 | 77.61 |
| Shinhan Bank (pre-merger) | 2,952,466 | 22.90 | 4,198,207 | 38.37 | 3,709,669 | 40.55 |
| Shinhan Bank ²⁾ | 5,699,175 | 44.20 | 3,393,190 | 31.01 | 2,411,868 | 26.36 |
| Good Morning Shinhan Securities | 923,410 | 7.16 | 867,403 | 7.93 | 610,171 | 6.67 |
| Shinhan Life Insurance | 755,028 | 5.86 | 147,558 | 1.35 | | |
| Shinhan Card | 439,590 | 3.41 | 197,754 | 1.81 | 162,378 | 1.77 |
| Shinhan Capital | 161,261 | 1.25 | 139,108 | 1.27 | 112,775 | 1.23 |
| Shinhan BNP Paribas ITMC | 24,019 | 0.19 | 23,139 | 0.21 | 22,435 | 0.25 |
| E-Shinhan | | | 2,197 | 0.02 | 2,617 | 0.03 |
| Shinhan Macquarie FA | 1,883 | 0.01 | 1,641 | 0.01 | 1,159 | 0.01 |
| Jeju Bank | 64,387 | 0.50 | 57,606 | 0.53 | 49,418 | 0.54 |
| Shinhan Credit Information | 8,663 | 0.07 | 8,198 | 0.07 | 4,628 | 0.05 |
| SH&C Life Insurance | 16,487 | 0.13 | 14,879 | 0.14 | 13,655 | 0.15 |
| Shinhan Private Equity | 8,582 | 0.07 | 9,300 | 0.09 | 1,958 | 0.02 |
| Investment on Bonds | | | | | | |
| Loans | 1,346,429 | 10.44 | 1,667,537 | 15.24 | 1,953,788 | 21.36 |
| Fixed Assets | 1,067 | 0.01 | 1,296 | 0.01 | 1,508 | 0.02 |
| Intangible Assets | 1,030 | 0.01 | 1,030 | 0.01 | 477 | 0.01 |
| Cash Deposit in bank | 451,967 | 3.50 | 177,313 | 1.62 | 55,370 | 0.61 |
| Other Assets | 38,358 | 0.29 | 33,207 | 0.31 | 36,893 | 0.40 |
| Total | 12,893,802 | 100.00 | 10,940,562 | 100.00 | 9,148,809 | 100.00 |

1) The Average Balance was calculated by averaging the ending balances of each quarter.

2) Shinhan Bank and Chohung Bank were integrated as of April 1, 2006, under the name of Shinhan Bank, Chohung Bank being the surviving entity.

Other Financial Information**Requisite Capital Ratio**

(in billions of Korean Won)

| | 2006 1H | 2005 | 2004 |
|---|----------|----------|---------|
| Aggregate Amount of Equity Capital (A) | 11,926.9 | 11,434.0 | 9,867.9 |
| Requisite Capital (B) | 8,941.9 | 8,609.1 | 7,625.3 |
| Requisite Capital Ratio (A/B) ¹⁾ | 133.38% | 132.81% | 129.41% |

- 1) Under the guidelines issued by the Financial Supervisory Commission applicable to financial holding companies, we, at the holding company level, are required to maintain a minimum requisite capital ratio of 100%.

Table of Contents**Won Liquidity Ratio**

| | (in billions of Korean Won) | | |
|---|-----------------------------|---------|---------|
| | 2006 1H | 2005 | 2004 |
| Won Assets due within 3 months (A) | 792.4 | 341.5 | 221.3 |
| Won Liabilities due within 3 months (B) | 755.4 | 332.7 | 212.1 |
| Won Liquidity Ratio (A/B) ¹⁾ | 104.90% | 102.65% | 104.36% |

1) Under the guidelines issued by the Financial Supervisory Commission, we, at the holding company level, are required to maintain a Won liquidity ratio of not less than 100%.

Liabilities to Equity Ratio

| | (in billions of Korean Won) | | |
|-----------------------------------|-----------------------------|----------|---------|
| | 2006 1H | 2005 | 2004 |
| Liabilities (A) | 3,368.3 | 2,325.1 | 2,325.0 |
| Equity (B) | 9,994.5 | 10,137.0 | 7,747.3 |
| Liabilities to Equity Ratio (A/B) | 33.70% | 22.94% | 30.01% |

Capital Adequacy Ratio and Other Ratios of Certain Subsidiaries

(1) Total Capital Adequacy Ratio (%) *

| | 2006 1H | 2005 | 2004 |
|-----------------|---------|-------|-------|
| Shinhan Bank ** | 11.81 | 10.94 | 9.40 |
| Jeju Bank | 12.22 | 11.71 | 10.91 |

* The Total Capital Adequacy Ratio is computed in accordance with the guidelines issued by the Financial Supervisory Commission for commercial banks. Under these guidelines, commercial banks are required to maintain a minimum capital adequacy ratio of 8%.

** As the integrated Shinhan Bank was launched on April 1, 2006, 2006 1H figures are of the integrated Shinhan Bank whereas the 2004 and 2005 figures are of the pre-merger Chohung Bank, the surviving entity.

(2) Net Capital Ratio (%) *

| | June 30 | | |
|---------------------------------|---------|-------------|-------------|
| | 2006 | Mar.31 2006 | Mar.31 2005 |
| Good Morning Shinhan Securities | 511.66 | 558.60 | 629.22 |

* Net Capital Ratio is computed in accordance with the guidelines issued by the Financial Supervisory Service for securities investment trust businesses. Under these guidelines, Good Morning Shinhan Securities is required to maintain a minimum net capital ratio of 100%.

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(3) Solvency Margin Ratio (%)

| | June 30 2006 | Mar.31 2006 | Mar.31 2005 |
|--------------------------|--------------|-------------|-------------|
| Shinhan Life Insurance * | 229.08 | 230.80 | |

* Shinhan Life Insurance joined Shinhan Financial Group as the Group's subsidiary as of December 13, 2005

(4) Adjusted Equity Capital Ratio (%) *

| | June 30 2006 | 2005 | 2004 |
|--------------|--------------|-------|-------|
| Shinhan Card | 15.20 | 17.68 | 16.48 |

* The Adjusted Equity Capital Ratio represents the ratio of total adjusted shareholder's equity to total adjusted assets and is computed in accordance with the guidelines issued by the Financial Supervisory Commission for credit card companies. Under these guidelines, Shinhan Card is required to maintain a minimum adjusted equity capital ratio of 8%.

(5) Non Performing Loans

(in billions of Korean Won)

| | June 30 2006 | | Dec.31. 2005 (March 31, 2006 for GMS Securities) | | Dec.31. 2004 (March 31, 2005 for GMS Securities) | |
|------------------------------|----------------|------------------------|---|------------------------|---|------------------------|
| | Balance of NPL | NPL to total Loans (%) | Balance of NPL | NPL to total Loans (%) | Balance of NPL | NPL to total Loans (%) |
| Shinhan Bank ¹⁾ | 930.1 | 0.89 | 531.3 | 1.15 | 814.1 | 1.89 |
| Jeju Bank ¹⁾ | 11.2 | 0.73 | 16.3 | 1.15 | 30.3 | 2.33 |
| GMS Securities ²⁾ | 27.3 | 5.50 | 26.9 | 5.71 | 30.7 | 11.75 |
| Shinhan Card ³⁾ | 219.5 | 5.58 | 33.4 | 2.71 | 37.5 | 4.46 |

- 1) Non-performing loans of banks are defined as those loans are past due more than 90 days or those are placed on non-accrual status according to the guidelines of the Financial Supervisory Service.

For Shinhan Bank, figures for the period ended June 30, 2006 are of the integrated Shinhan Bank, whereas figures for 2004 and 2005 are of the per-merger Chohung Bank, the surviving entity.

- 2) Under the guidelines of the Financial Supervisory Service, every securities company shall classify its loans into five categories: normal, precautionary, substandard, doubtful and estimated loss. Under the Group's internal measures, non-performing loans of Good Morning Shinhan Securities includes loans classified as substandard, doubtful, and estimated loss.
- 3) Under the guidelines of the Financial Supervisory Service, every credit card company shall classify its loans into five categories: normal, precautionary, substandard, doubtful and estimated loss. Under the Group's internal measures, non-performing loans of Shinhan Card includes loans classified as substandard, doubtful and estimated loss.

Figures for the period ended June 30, 2006 include the credit card business of Chohung Bank that was spun-off and merged into Shinhan Card.

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(6) Loan Loss Allowances & Write-offs for the period

(in billions of Korean Won)

| | | | Jan. 1, 2006~ June 30, 2006 | Jan. 1, 2005~ Dec. 31, 2005 | Jan. 1, 2004~ Dec. 31, 2004 |
|-------------------------------------|---------------------|----------|--------------------------------------|--------------------------------------|--------------------------------------|
| Shinhan Bank ¹⁾ | Loan Loss Allowance | Domestic | 1,666.9 | 905.0 | 1,001.8 |
| | | Overseas | 55.3 | 27.6 | 51.2 |
| | | Total | 1,722.2 | 932.6 | 1,053.0 |
| | Write-offs | | 12.8 | 571.5 | 1,400.2 |
| Jeju Bank | Loan Loss Allowance | Domestic | 22.2 | 25.3 | 32.2 |
| | | Overseas | | | |
| | | Total | 22.2 | 25.3 | 32.2 |
| GM Shinhan Securities ²⁾ | Loan Loss Allowance | Domestic | 29.4 | 28.9 | 30.9 |
| | | Overseas | | | |
| | | Total | 29.4 | 28.9 | 30.9 |
| Shinhan Card | Loan Loss Allowance | Domestic | 208.7 | 46.3 | 49.8 |
| | | Overseas | | | |
| | | Total | 208.7 | 46.3 | 49.8 |
| | Write-offs | | 61.6 | 117.6 | 233.2 |

1) 2006 1H figures are of the integrated Shinhan Bank, whereas figures for 2004 and 2005 are for pre-merger Chohung Bank, the surviving entity.

2) The fiscal year of Good Morning Shinhan Securities ends on March 31 of each year. Accordingly, the relevant periods for Good Morning Shinhan Securities are adjusted as follows: (i) from April 1, 2006 to June 30, 2006, (ii) from April 1, 2005 to March 31, 2006, and (iii) from April 1, 2004 to March 31, 2005.

Table of Contents**3. Independent Accountant*****Audit Opinion for the last 3 years***

| | | | |
|---------------|------------------------|------------------------|------------------------|
| Audit Opinion | 2006 1H Unqualified | FY 2005 Unqualified | FY 2004 Unqualified |
|---------------|------------------------|------------------------|------------------------|

Compensation to the Independent Auditor for Audit and Review Services

The following is a description of the fees for audit and review services performed by our independent auditor for the last three years in connection with our financial statements prepared in accordance with generally accepted accounting principles in Korea.

| Year | Auditor | Payment (KRW) | Working hours |
|---------|-------------------------------|---------------|---------------|
| 2006 1H | KPMG Samjong Accounting Corp. | 304,000,000 | 1,440 hours |
| 2005 | KPMG Samjong Accounting Corp. | 288,000,000 | 3,073 hours |
| 2004 | KPMG Samjong Accounting Corp. | 300,000,000 | 2,504 hours |

Compensation for Services Other than Korean GAAP Audit and Review

The following is a description of the fees and commissions paid to our independent auditor for the services set forth below for the last three years.

| Year | Contract signed in | Service description | Payment |
|---------|--------------------|--|-------------------|
| 2006 1H | 2005 Dec. | Audit of the Financial Statements based on US GAAP for FY2005 | KRW 1,888,000,000 |
| 2005 | Jan. | Audit of the Financial Statements based on US GAAP for FY2004 | USD 2,000,000 |
| 2004 | July | Settlement of taxation affairs | KRW 15,000,000 |
| | Jan. | Consulting services for disclosure control and procedure & Internal control system | KRW 1,375,000,000 |

Table of Contents**4. Directors, Executive Officers and Employees*****Directors and Executive Officers***

1) Executive Directors

Our executive directors are as follows as of March 21, 2006:

| Name | Date of Birth | Position | Service Term |
|----------------|---------------|---|--------------------------------------|
| Eung Chan Ra | Nov.25, 1938 | Chairman of BOD Head of the Board Steering Committee | 3 years starting from March 25, 2004 |
| In Ho Lee | Nov. 2, 1943 | President & CEO Board Steering Committee member | 3 years starting from March 25, 2004 |
| Young Hwi Choi | Oct. 28, 1945 | Executive Director | 3 years starting from March 25, 2004 |

2) Non-Executive Directors

Currently, 12 non-executive directors are in office. Of the twelve members, 10 are outside directors, nominated by our Outside Director Recommendation Committee and appointed pursuant to the approval of general shareholders meeting on March 21, 2006.

Our non-executive directors are as follows:

| Name | Date of Birth | Current Position | Service Term |
|-------------------|---------------|---|--------------------------------------|
| Young Seok Choi | Jul. 2, 1929 | Non-Executive Director Audit Committee member | 3 years starting from March 25, 2004 |
| Yong Woong Yang | Aug. 4, 1948 | Non-Executive Director | 3 years starting from March 25, 2004 |
| Il Sup Kim | Jul.1, 1946 | Outside Director Head of Audit Committee Compensation Committee member | 1 year starting from March 21, 2006 |
| Sang Yoon Lee | Sep.13, 1942 | Outside Director Board Steering Committee member Audit Committee member Compensation Committee member | 1 year starting from March 21, 2006 |
| Yoon Soo Yoon | Mar. 5, 1946 | Outside Director Head of Compensation Committee Risk Management Committee member | 1 year starting from March 21, 2006 |
| Shee Yul Ryoo | Sep. 5, 1938 | Outside Director Board Steering Committee member Compensation Committee member Head of Risk Management Committee | 1 year starting from March 21, 2006 |
| Byung Hun Park | Sep. 10, 1928 | Outside Director Board Steering Committee member | 1 year starting from March 21, 2006 |
| Young Hoon Choi | Nov. 8, 1928 | Outside Director | 1 year starting from March 21, 2006 |
| Si Jong Kim | Apr. 16, 1937 | Outside Director Audit Committee member | 1 year starting from March 21, 2006 |
| Philippe Reynieix | Jun. 24, 1949 | Outside Director Risk Management Committee member | 1 year starting from March 21, 2006 |
| Haeng Nam Chung | Mar. 15.1941 | Outside Director | 1 year starting from March 21, 2006 |
| Myoung Soo Choi | Aug. 5 1957 | Outside Director | 1 year starting from March 21, 2006 |

For personal profiles of the outside directors, please refer to our form 6-K filed on February 24, 2006.

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3) Executive Officers

In addition to the executive directors, we currently have the following executive officers:

| Name | Date of Birth | Position | Taking Charge of |
|---------------|----------------|--|---|
| Jae Woo Lee | July 2, 1950 | Managing Director (Chief Operating Officer) | General Affairs Team, Public Relations Team, and Human Resources Team |
| Byung Jae Cho | Jan. 6, 1951 | Managing Director (Chief Financial Officer) | Finance Planning Team, Risk Management Team, and Investor Relations Team |
| Jin Won Suh | April 20, 1951 | Managing Director (Chief Strategy Officer) | Strategic Planning Team, Future Strategy & Management Team, and Information & Technology Planning Team, |
| Jae Woon Yoon | July 22, 1951 | Managing Director (Group Synergy Officer) | Joint Procurement Team, Synergy Management Team, and Audit & Compliance Team |

Stock Options

| | Guarantee | No. of Granted Options (A) | No. of Exercised Options (B) | No. of Cancelled Options (C) | No. of Exercisable Options (D=A-B-C) |
|-----------------|--|-------------------------------------|---------------------------------------|---------------------------------------|---|
| Granted on 2002 | Management, Head of Department | 864,576 | 238,211 | | 626,365 |
| Granted on 2003 | Management, Head of Department | 1,020,206 | 268,003 | 11,390 | 740,813 |
| Granted on 2004 | Management, Head of Department | 1,258,923 | 72,500 | 15,200 | 1,171,223 |
| Granted on 2005 | Management, Head of Department, Outside Directors | 2,695,200 | | 68,200 | 2,627,000 |
| Granted on 2006 | Management, Head of Department, Outside Directors | 3,296,200 | | | 3,296,200 |
| | Total | 9,135,105 | 578,714 | 94,790 | 8,461,601 |

Employees

(As of June 30, 2006)

| | Number of Employees | Average length of Service 2 yrs 3mths 2 yrs 6mths 2 yrs 5mths | Total Salaries and wages paid in 2006 1H (in mil. of Korean Won) | Average Payment per person in 2006 1H (in mil. of Korean Won) |
|--------|------------------------|---|--|--|
| Male | 81 | 3mths | 3,562 | 44 |
| Female | 19 | 6mths | 488 | 26 |
| Total | 100 | 5mths | 4,050 | 40 |

Table of Contents**5. Activities of Board of Directors and sub-committees for the year 2006*****Meetings of Board of Directors***

| | Date | Agenda | |
|---|---------------|---|----------|
| 1 | Jan. 12, 2006 | 1. Appointment of Outside Director Recommendation Committee members Eung Chan Ra, Byung Hun Park, Young Hoon Choi, Shee Yul Ryoo, Yoon Soo Yoon | Approved |
| | | 2. Appointment of management (non-director) Baek Soon Lee (term ending: March 31, 2006) | Approved |
| 2 | Feb. 6, 2006 | 1. Partial alteration of the articles of association | Approved |
| | | 2. Closing of the 5th FY(2005) | Approved |
| 3 | Feb. 16, 2006 | 1. Convening of the 5th General Meeting of Shareholders 10:00 AM, March 21, 2006 | Approved |
| | | 2. Remuneration levels for Directors KRW 5 billion | Approved |
| | | 3. Stock option grant to executives, employees and outside directors of the Group and Subsidiaries 1,418,900 shares for executives and management, 40,000 shares for outside directors, and up to 2,098,600 shares for employees | Approved |
| | | 4. Alterations in previous contract concerning the granting of Stock Options | Approved |
| | | 5. Alterations in regulations concerning the Guide to provide and use Personal Credit Information | Approved |
| | | 6. Appointment of management (non-director) Jin Won Suh (term ending: January 12, 2008) | Approved |
| | | 7. Appointment of corporate advisor advisor: Pyung Joo Kim | Approved |
| 4 | Mar. 21, 2006 | 1. Appointment of Board steering Committee members Eung Chan Ra, In Ho Lee, Byung Hun Park, Shee Yul Ryoo, Sang Yoon Lee | Approved |
| | | 2. Confirmation of Director Remuneration Confirmation of individual director remuneration within the limitations set by the Board of Directors | Approved |
| 5 | May 10, 2006 | 1. Appointment of Risk Management Committee members Sheel Yul Ryoo, Yoon Soo Yoon, Reynieix | Approved |
| | | 2. Appointment of Compensation Committee members Il Sup Kim, Shee Yul Ryoo, Yoon Soo Yoon, Sang Yoon Lee | Approved |
| | | 3. Approval of Limitation of corporate bond issuance for the second half of 2006 Issuance limited to KRW 1,100 billion (including USD 100 Mil) | Approved |
| | | 4. Enactment of Internal Control over Financial Reporting etc. Settlement of standards and processes of Internal Control over Financial Reporting based on internal accounting regulations and SOX404. | Approved |
| | | 5. Alterations in regulations concerning the exercising of stock options granted in 2004 retirement of employees within two years after the granting of stock options due to a transfer to a subsidiary company is seen as a | Approved |

| | | | |
|---|---------------|---|----------|
| | | continuation of services | |
| | 6. | Partial cancellation of stock options granted on 2004 and 2005 6 people, 10,400 shares | Approved |
| 6 | July 12, 2006 | 1. Redemption of Redeemable Preferred Shares Redemption of Redeemable Preferred Shares, related to the acquisition of Chohung Bank, with upcoming maturities in August (Redemption Amount: KRW 697.8 bil.) | Approved |

Table of Contents***Meetings of Board Steering Committee***

| | Date | Agenda | |
|---|---------------|--|----------|
| 1 | Jan. 12, 2006 | 1. Deliberation on Candidates for Non-Director Executive Officers Eung Chan Ra, Byung Hyun Park, Young Hoon Choi, Shee Yul Ryoo, Yoon Soo Yoon (5 people) | Approved |
| | | 2. Deliberation of non-director management Baek Soon Lee | Approved |
| 2 | Feb. 16, 2006 | 1. Recommendation of Audit Committee Members Il Sup Kim, Sang Yoon Lee, Young Seok Choi, Si Jong Kim | Approved |
| | | 2. Partial Alterations in the granting of stock options 10,000 shares per person, 40,000 shares in total | Approved |
| | | 3. Deliberation of non-director management Jin Won Suh | Approved |
| 3 | May 10, 2006 | 1. Recommendation of Risk Management Committee members members : Shee Yul Ryoo, Yoon Soo Yoon, Reynieix (3 people) | Approved |
| | | 2. Recommendation of Compensation Committee members members : Il Sup Kim, Shee Yul Ryoo, Yoon Soo Yoon, Sang Yoon Lee (4 people) | Approved |

Meetings of Risk Management Committee

| | Date | Agenda | |
|---|---------------|---|----------|
| 1 | Feb. 16, 2006 | 1. Approval item: 2006 Capital Adequacy Ratio of the Group and Plan for Risk Management by each Type | Approved |
| | | 2. Reporting item: 2005 4th quarter Capital Adequacy Ratio of the Group and Plan for Risk Management by each Type | |
| 2 | May 30, 2006 | 1. Appointment of Risk Management Committee chairperson Shee Yul Ryoo appointed as chairperson | Approved |
| | | 2. Alterations in the Group's Risk Management Policies | Approved |
| 3 | June 12, 2006 | 1. 2006 Capital Adequacy Ratio of Shinhan Bank and Plans for Risk Management | Approved |

Table of Contents***Meetings of Audit Committee***

| | Date | Agenda | |
|---|---------------|--|----------|
| 1 | Feb. 16, 2006 | 1. Audit Results for the 5th Fiscal Year Confirmation of Audit Results for the 5th FY and Submission of Audit Report | Approved |
| | | 2. Appointment of Independent Auditors for US GAAP, for Shinhan Life Insurance KPMC Samjong Accounting Corp. was appointed | Approved |
| | | 3. Evaluation of the Operation Status of the Internal Accounting Control System for the Year 2005 The internal accounting control system is properly operated. The proper operation of the internal accounting control system of the major subsidiaries are to be reported separately | Approved |
| | | 4. Evaluation of the Internal Monitoring System The internal monitoring system is properly operated. | Approved |
| | | 5. Ratification of the Company and its Subsidiaries Non-audit Contracts 1) Examination of financial statements for the acquisition process of Shinhan Life Insurance (Shinhan Financial Group Samjong Accounting Corp.) 2) Examination of financial statements for the acquisition process of Shinhan Life Insurance (Shinhan Life Insurance Samjong Accounting Corp.) 3) Income Tax Advisory, Tax Adjustment (Shinhan Bank New York Branch KPMG New York) 4) Auditing and Tax adjustment concerning PEF Shinhan National Pension 5) Comfort Letters regarding the issuance of bonds (Shinhan Bank with Samjong Accounting Corp.) | Approved |
| | | 6. Auditing Results of the 5th Annual Shareholders Meeting Results found to be appropriate | Approved |
| 2 | Mar. 21, 2006 | 1. Approval of auditing plans for 2006 Auditing plans for Shinhan Financial Group and subsidiary companies approved | Approved |
| | | 2. Approval of auditing fees of K-GAAP Auditing fees considered appropriate for Korean accounting standards | Approved |
| 3 | May 10, 2006 | 1. Appointment of Audit Committee chairperson Il Sup Kim appointed as chairperson | Approved |

Meetings of Outside Director Recommendation Committee

| | Date | Agenda | |
|---|---------------|---|----------|
| 1 | Jan. 12, 2006 | 1. Appointment of Head of Outside Director Recommendation Committee Mr. Byung Hun Park | Approved |
| 2 | Feb. 16, 2006 | 1. Recommendation of Outside Director Candidates Outside director candidates: Byung Hun Park, Si Jong Kim, Young Hoon Choi, Myung Soo Choi, Hang Nam Jung and Philippe | Approved |

Reynieix (6 candidates)

Outside director candidates with professional expertise: Il Sup Kim,
Sang Yoon Lee, Yoon Soo Yoon, and Shee Yul Ryoo (4 candidates)

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Table of Contents**Meetings of Compensation Committee**

| | Date | Agenda | |
|---|---------------|--|----------|
| 1 | Jan. 12, 2006 | 1. 2006 Evaluation and Compensation Scheme for the Management | Approved |
| 2 | Feb. 14, 2006 | 1. 2006 Evaluation and Compensation Scheme for the Management | Approved |
| | | 2. Setting 2006 Group KPI Target and MBO of the Management | Approved |
| | | 3. 2006 Stock Options granted to the Management | Approved |
| 3 | May 30, 2006 | 1. Reappointment of MBO per management / Alterations in the Group s KPI system | Approved |
| | | 2. Alterations in Remuneration System of Management | Approved |

6. Market Price Information of our Common Shares and ADRs**Common Share Traded on the Korea Exchange**

(in Korean Won or number of shares)

| | | Jan. 2006 | Feb. 2006 | Mar. 2006 | April 2006 | May 2006 | June 2006 |
|-----------------|------|------------|------------|------------|------------|------------|------------|
| Price per share | High | 42,000 | 41,450 | 43,500 | 47,100 | 49,500 | 45,000 |
| | Low | 38,000 | 38,250 | 36,800 | 44,000 | 43,400 | 40,400 |
| Trading Volume | | 24,454,664 | 25,609,271 | 42,326,382 | 50,222,367 | 28,343,860 | 24,274,622 |

American Depositary Shares traded on the New York Stock Exchange

Shinhan Financial Group listed its American Depositary Shares on the New York Stock Exchange on September 16, 2003.

(in US Dollars or number of shares)

| | | Jan. 2006 | Feb. 2006 | Mar. 2006 | April 2006 | May 2006 | June 2006 |
|-----------------|------|-----------|-----------|-----------|------------|----------|-----------|
| Price per share | High | 86.40 | 86.78 | 88.10 | 99.02 | 106.08 | 95.95 |
| | Low | 77.00 | 78.66 | 74.05 | 91.15 | 89.03 | 81.15 |
| Trading Volume | | 695,300 | 670,300 | 842,800 | 414,500 | 784,700 | 675,200 |

Table of Contents**7. Related Party Transactions***Loans to Subsidiaries*

(As of June 30, 2006)

| Borrower | Loan Type | Origination date | Maturity date | Funding Rate | Lending Rate | Beginning Balance Jan.1 2006 | Increase | Decrease | Ending Balance June 30, 2006 |
|----------------------------|------------------------|------------------|---------------|--------------|--------------|------------------------------|----------|----------|------------------------------|
| GMS Securities | Loans in KRW | 2005-01-31 | 2010-07-31 | 4.59% | 5.25% | 700 | | | 700 |
| Shinhan Bank ³⁾ | Privately Placed Bonds | 2001-12-21 | 2008-03-21 | 7.12% | 7.42% | 500 | | 500 | |
| Shinhan Card | Loans in KRW | 2003-01-24 | 2006-01-24 | 5.19% | 5.50% | 500 | | 500 | |
| Shinhan Card | Loans in KRW | 2003-02-26 | 2006-02-26 | 4.99% | 5.29% | 2,000 | | 2,000 | |
| Shinhan Card | Loans in KRW | 2003-04-23 | 2009-04-23 | 5.47% | 6.28% | 1,000 | | | 1,000 |
| Shinhan Card | Loans in KRW | 2003-05-23 | 2006-05-23 | 5.29% | 5.59% | 500 | | 500 | |
| Shinhan Card | Loans in KRW | 2003-06-24 | 2006-06-24 | 5.43% | 5.73% | 1,500 | | 1,500 | |
| Shinhan Card | Loans in KRW | 2003-10-24 | 2006-10-24 | 4.63% | 4.95% | 1,000 | | | 1,000 |
| Shinhan Card | Loans in KRW | 2005-03-18 | 2007-03-18 | 4.13% | 4.49% | 500 | | | 500 |
| Shinhan Card | Loans in KRW | 2005-03-18 | 2008-03-18 | 4.23% | 4.54% | 500 | | | 500 |
| Shinhan Capital | Loans in KRW | 2002-03-29 | 2007-04-04 | 7.47% | 8.12% | 200 | | | 200 |
| Shinhan Capital | Loans in KRW | 2002-07-29 | 2007-07-29 | 6.30% | 6.65% | 200 | | | 200 |
| Shinhan Capital | Loans in KRW | 2002-11-21 | 2007-11-21 | 5.88% | 6.18% | 200 | | | 200 |
| Shinhan Capital | Loans in KRW | 2002-12-16 | 2007-12-16 | 5.96% | 6.22% | 200 | | | 200 |
| Shinhan Capital | Loans in KRW | 2003-01-24 | 2006-01-24 | 5.19% | 5.54% | 200 | | 200 | |
| Shinhan Capital | Loans in KRW | 2003-05-23 | 2006-05-23 | 5.29% | 5.59% | 500 | | 500 | |
| Shinhan Capital | Loans in KRW | 2003-06-24 | 2008-06-24 | 5.69% | 5.95% | 300 | | | 300 |
| Shinhan Capital | Loans in KRW | 2003-07-24 | 2006-07-24 | 5.55% | 5.85% | 300 | | | 300 |
| Shinhan Capital | Loans in KRW | 2003-07-24 | 2008-07-24 | 5.87% | 6.13% | 200 | | | 200 |
| Shinhan Capital | Loans in KRW | 2004-03-24 | 2007-03-24 | 4.76% | 5.16% | 300 | | | 300 |
| | | 2004-03-24 | 2009-03-24 | 5.11% | 5.93% | 200 | | | 200 |

| | | | | | | | |
|--------------------|-----------------|------------|------------|-------|-------|-----|-----|
| Shinhan Capital | Loans in KRW | | | | | | |
| Shinhan Capital | Loans in KRW | 2004-06-25 | 2009-06-25 | 4.93% | 5.22% | | |
| | | | | | | 500 | 500 |
| | | | | 18 | | | |

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| Borrower | Loan Type | Origination date | Maturity date | Funding Rate | Lending Rate | Beginning Balance Jan.1 2006 | Increase | Decrease | Ending Balance June 30, 2006 |
|-------------------------------|---------------------------|------------------|---------------|----------------|----------------|---------------------------------|----------|----------|---------------------------------|
| Shinhan Capital | Loans in KRW | 2005-01-31 | 2008-01-31 | 4.21% | 4.58% | 300 | | | 300 |
| Shinhan Capital | Loans in KRW | 2005-03-18 | 2007-03-18 | 4.23% | 4.49% | 500 | | | 500 |
| Shinhan Capital | Loans in KRW | 2005-05-09 | 2008-05-09 | 3.99% | 4.33% | 500 | | | 500 |
| Shinhan Capital | Loans in KRW | 2005-12-16 | 2008-12-16 | 5.48% | 5.67% | 400 | | | 400 |
| Jeju Bank | Loans in KRW | 2005-12-28 | 2011-01-28 | 5.74% | 6.43% | 200 | | | 200 |
| Shinhan Capital | Loans in foreign currency | 2003-12-30 | 2006-12-30 | 3M Libor +70bp | 3M Libor +90bp | 304 | | 16 | 288 |
| Shinhan Capital | Loans in foreign currency | 2004-07-15 | 2007-06-15 | 3M Libor +70bp | 3M Libor +90bp | 405 | | 21 | 384 |
| Jeju Bank ¹⁾ 2) | Privately Placed Bonds | 2004-05-07 | 2007-03-30 | 6.26% | | 31 | | 31 | |
| Jeju Bank ²⁾ | Privately Placed Bonds | 2002-05-20 | 2008-01-20 | 7.25% | 8.14% | 200 | | 200 | |
| Shinhan Card | Loans in KRW | 2006-01-24 | 2009-01-24 | 5.24% | 5.41% | | 500 | | 500 |
| Shinhan Capital | Loans in KRW | 2006-01-24 | 2009-01-24 | 5.24% | 5.41% | | 500 | | 500 |
| Shinhan Card | Loans in KRW | 2006-02-27 | 2009-02-27 | 5.07% | 5.23% | | 1,000 | | 1,000 |
| Shinhan Card | Loans in KRW | 2006-04-24 | 2009-04-24 | 5.09% | 5.22% | | 1,000 | | 1,000 |
| Total | | | | | | 14,840 | 3,000 | 5,968 | 11,872 |

Note 1) Privately placed bonds, which were under complete ownership of Shinhan Bank when first issued in June 30, 2001, were acquired by SFG as of May 7, 2004.

Note 2) All privately placed bonds issued by Jeju Bank were redeemed on March 13, 2006.

Note 3) All privately placed bonds issued by Shinhan Bank were redeemed on June 29, 2006.

Exhibit 99 Independent Accountant's Review Report (Non Consolidated Financial Statements) of Shinhan Financial Group as of June 30, 2006.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SHINHAN FINANCIAL GROUP CO., LTD.

By /s/ Byung Jae Cho

Name: Byung Jae Cho

Title: Chief Financial Officer

Date : August 21, 2006

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SHINHAN FINANCIAL GROUP CO., LTD

Non-Consolidated Financial Statements

(Unaudited)

June 30, 2006 and 2005

(With Independent Accountants' Review Report Thereon)

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Independent Accountants Review Report

Based on a report originally issued in Korean

To the Board of Directors and Stockholders

Shinhan Financial Group Co., Ltd.:

We have reviewed the accompanying non-consolidated balance sheets of Shinhan Financial Group Co., Ltd. (the Company) as of June 30, 2006 and the related non-consolidated statements of income and cash flows for the three-month and six-month periods ended June 30, 2006 and 2005. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our reviews in accordance with the Review Standards for Semiannual Financial Statements established by the Securities and Futures Commission of the Republic of Korea. These Standards require that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review consists principally of inquiries of company personnel and analytical procedures applied to financial data and, thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our reviews, nothing has come to our attention that causes us to believe that the non-consolidated financial statements referred to above are not presented fairly, in all material respects, in accordance with accounting principles generally accepted in the Republic of Korea.

The non-consolidated balance sheet of the Company as of December 31, 2005 and the related non-consolidated statements of income, appropriation of retained earnings and cash flows for the year then ended, which are not accompanying this report were audited by us and our report thereon, dated January 26, 2006, expressed an unqualified opinion. The accompanying non-consolidated balance sheet of the Company as of December 31, 2005, presented for comparative purposes, is not different from that audited by us in all material respects, except that the adoption of Korean Accounting Standard No. 18 resulted in an increase in retained earning and a decrease in capital adjustments of ₩1,731 million.

The accompanying non-consolidated financial statements have been translated into United States dollars solely for the convenience of the reader. We have reviewed the translation and, nothing has come to our attention to suggest that the financial statements expressed in Korean Won have not been translated into dollars on the basis set forth in note 2(b) to the financial statements.

The following matters may be helpful to the readers in their understanding of the non-consolidated financial statements:

As discussed in Note 1 to the non-consolidated financial statements, on April 1, 2006 Chohung Bank merged with Shinhan Bank with the merge ratio of 1:3.8678 and changed its name to Shinhan Bank. Additionally, Chohung Bank spun off its credit card operation and merged with Shinhan Card Co., Ltd. Each share of Chohung Bank was converted into 0.9809 shares of Shinhan Card Co., Ltd. on April 1, 2006.

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

As discussed in Note 10 to the non-consolidated financial statements, the Company recorded assets with and interest income from related party transactions as of June 30, 2006 and December 31, 2005 and for three-month and six-month periods ended June 30, 2006 and 2005.

As discussed in Note 12 to the non-consolidated financial statements, regarding the acquisition of shares in Chohung Bank in 2003, the Company made an agreement with the Korea Deposit Insurance Corporation (the KDIC) to pay contingent consideration to the KDIC (Earn Out Payment) based on the earnings of Chohung Bank in future periods. As of June 30, 2006, the contingent consideration was not included in the acquisition cost because the amount was not determinable.

KPMG Samjong Accounting Corp.

Seoul, Korea

July 25, 2006

This report is effective as of July 25, 2006, the review report date. Certain subsequent events or circumstances, which may occur between the review 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 review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

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SHINHAN FINANCIAL GROUP CO., LTD.
Non-Consolidated Balance Sheets
 June 30, 2006 and December 31, 2005
 (In millions of Won and thousands of U.S. dollars)

| | Won | | U.S. dollars (note 2) | |
|--|--|-------------------|-----------------------|-------------------|
| | 2006 | 2005 | 2006 | 2005 |
| | <u>Assets</u> | | | |
| Cash and due from banks | ₩ 749,368 | 64,374 | \$ 780,348 | 67,035 |
| Securities (note 3) | 11,384,468 | 10,882,359 | 11,855,116 | 11,332,249 |
| Loans (notes 4 and 11) | 1,181,285 | 1,476,630 | 1,230,121 | 1,537,676 |
| Fixed assets (note 5) | 1,911 | 2,290 | 1,990 | 2,385 |
| Other assets (notes 6 and 11) | 45,702 | 36,478 | 47,591 | 37,986 |
| Total assets | ₩ 13,362,734 | 12,462,131 | \$ 13,915,166 | 12,977,331 |
| | <u>Liabilities and Stockholders equity</u> | | | |
| Liabilities: | | | | |
| Borrowings (notes 7 and 11) | ₩ 137,221 | 156,098 | \$ 142,894 | 162,551 |
| Debentures (note 8) | 2,503,935 | 2,126,043 | 2,607,451 | 2,213,936 |
| Retirement and severance benefits | 745 | 552 | 776 | 575 |
| Other liabilities (notes 9 and 11) | 726,367 | 42,421 | 756,395 | 44,175 |
| Total liabilities | 3,368,268 | 2,325,114 | 3,507,516 | 2,421,237 |
| Stockholders equity: | | | | |
| Capital stock of ₩5,000 par value (note 13) | | | | |
| Common stock | 1,796,037 | 1,796,037 | 1,870,287 | 1,870,287 |
| Authorized - 1,000,000,000 shares | | | | |
| Issued and outstanding - 359,207,313 shares | | | | |
| Preferred stock | 374,721 | 374,721 | 390,212 | 390,212 |
| Issued and outstanding - 74,944,262 shares | | | | |
| Capital surplus | 4,360,112 | 4,360,112 | 4,540,365 | 4,540,365 |
| Retained earnings (note 14) | 2,844,392 | 2,960,355 | 2,961,983 | 3,082,740 |
| Capital adjustments (notes 3, 15 and 16) | 619,204 | 645,792 | 644,803 | 672,490 |
| Total stockholders equity | 9,994,466 | 10,137,017 | 10,407,650 | 10,556,094 |
| Commitments and contingencies (note 12) | | | | |
| Total liabilities and stockholders equity | ₩ 13,362,734 | 12,462,131 | \$ 13,915,166 | 12,977,331 |

See accompanying notes to non-consolidated financial statements.

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SHINHAN FINANCIAL GROUP CO., LTD.

Non-Consolidated Statements of Income

For the three-month and six-month periods ended June 30, 2006 and 2005
(In millions of Won and thousands of U.S. dollars, except earnings per share)

| | Won | | U.S. dollars (note 2) | | | |
|--|--|--|---|--|------------|-----------|
| | Three month period ended June 30, 2006 | Six month period ended June 30, 2005 | Three month period ended June 30, 2006 | Six month period ended June 30, 2006 | | |
| Operating revenue: | | | | | | |
| Gain from equity method (notes 3 and 23) | ₩ 615,499 | 482,976 | 1,110,260 | 882,107 | \$ 640,944 | 1,156,159 |
| Interest income (note 10) | 19,642 | 24,493 | 40,391 | 49,059 | 20,454 | 42,061 |
| Other | 1,005 | 550 | 1,484 | 366 | 1,047 | 1,545 |
| | 636,146 | 508,019 | 1,152,135 | 931,532 | 662,445 | 1,199,765 |
| Operating expense: | | | | | | |
| Loss from equity method (notes 3 and 23) | 1,251 | 594 | 294 | 824 | 1,303 | 306 |
| Interest expense | 27,970 | 27,467 | 56,979 | 55,181 | 29,126 | 59,334 |
| Fees and commission expense | 114 | 25 | 196 | 70 | 119 | 204 |
| General and administrative expense (note 17) | 11,235 | 9,925 | 22,819 | 17,726 | 11,699 | 23,763 |
| | 40,570 | 38,011 | 80,288 | 73,801 | 42,247 | 83,607 |
| Operating income | 595,576 | 470,008 | 1,071,847 | 857,731 | 620,198 | 1,116,158 |
| Non-operating income (expense), net | 133 | 374 | 212 | 752 | 138 | 221 |
| Income before income taxes | 595,709 | 470,382 | 1,072,059 | 858,483 | 620,336 | 1,116,379 |
| Income taxes (note 18) | | | | | | |
| Net income | ₩ 595,709 | 470,382 | 1,072,059 | 858,483 | \$ 620,336 | 1,116,379 |
| Income per share in Won and U.S. dollars (note 19) | ₩ 1,630 | 1,423 | 2,925 | 2,582 | \$ 1.70 | 3.05 |
| Diluted income per share in Won and U.S. dollars (note 19) | ₩ 1,537 | 1,257 | 2,760 | 2,280 | \$ 1.60 | 2.87 |

See accompanying notes to non-consolidated financial statements.

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SHINHAN FINANCIAL GROUP CO., LTD.

Non-Consolidated Statements of Cash Flows

For the three-month and six-month periods ended June 30, 2006 and 2005

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

| | Won | | U.S. dollars (note 2) | | | |
|---|--|--|--|--|------------|-------------|
| | Three month period ended June 30, 2006 | Three month period ended June 30, 2005 | Six month period ended June 30, 2006 | Six month period ended June 30, 2006 | | |
| Cash flows from operating activities: | | | | | | |
| Net income | ₩ 595,709 | 470,382 | 1,072,059 | 858,483 | \$ 620,336 | 1,116,379 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | | | | | |
| Depreciation | 151 | 151 | 302 | 290 | 157 | 314 |
| Amortization | 73 | 29 | 145 | 57 | 76 | 151 |
| Reversal of allowance for loan losses, net | (1,005) | (550) | (1,484) | (366) | (1,047) | (1,545) |
| Provision for retirement and severance benefit | 75 | 98 | 357 | 339 | 78 | 372 |
| Gain from equity method, net | (614,248) | (482,382) | (1,109,966) | (881,283) | (639,641) | (1,155,853) |
| Stock compensation costs | 3,329 | 2,471 | 6,797 | 3,926 | 3,467 | 7,078 |
| Decrease (increase) in other assets | 1,534 | (1,239) | 1,775 | (2,141) | 1,597 | 1,848 |
| Decrease in other liabilities | (5,426) | (13,395) | (1,006) | (27,036) | (5,650) | (1,047) |
| Retirement and severance benefit paid | (6) | | (315) | (13) | (6) | (328) |
| Decrease in deposit for severance benefit insurance | 134 | | 152 | 88 | 139 | 158 |
| Other, net | 569 | 687 | 1,130 | 1,379 | 593 | 1,177 |
| Net cash used in operating activities | (19,111) | (23,748) | (30,054) | (46,277) | (19,901) | (31,296) |
| Cash flows from investing activities: | | | | | | |
| Cash provided by investing activities: | | | | | | |
| | | | | 379,210 | | |

Decrease in equity
method investment
securities

| | | | | | | |
|--------------------------|---------|---------|-----------|---------|---------|-----------|
| Decrease in loans | 300,000 | 110,000 | 593,140 | 71,314 | 312,402 | 617,661 |
| Decrease in fixed assets | 2 | 36 | 31 | 36 | 2 | 32 |
| Decrease in other assets | 10 | 7 | | | 10 | |
| Dividends received | 20,000 | | 465,524 | | 20,827 | 484,770 |
| | 320,012 | 110,043 | 1,058,695 | 450,560 | 333,241 | 1,102,463 |

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SHINHAN FINANCIAL GROUP CO., LTD.
Non-Consolidated Statements of Cash Flows, Continued
 For the three-month and six-month periods ended June 30, 2006 and 2005
 (In millions of Won and thousands of U.S. dollars)

| | Won | | U.S. dollars (note 2) | | | |
|--|-----------|-----------|--|--------------------------------------|--|--------------------------------------|
| | | | Three month period ended June 30, 2006 | Six month period ended June 30, 2006 | Three month period ended June 30, 2006 | Six month period ended June 30, 2006 |
| Cash used in investing activities: | | | | | | |
| Increase in loans | (100,000) | | (300,000) | | (104,134) | (312,403) |
| Increase in fixed assets | (49) | (542) | (98) | (751) | (51) | (102) |
| Increase in other assets | | | (1) | (3) | | (1) |
| Decrease in other liabilities | | | (20,596) | | | (21,447) |
| | (100,049) | (542) | (320,695) | (754) | (104,185) | (333,953) |
| Net cash provided by investing activities | 219,963 | 109,501 | 738,000 | 449,806 | 229,056 | 768,510 |
| Cash flows from financing activities: | | | | | | |
| Cash provided by financing activities: | | | | | | |
| Increase in borrowings | 70,000 | 21,053 | 170,000 | 53,053 | 72,894 | 177,028 |
| Increase in debentures | 800,000 | 250,000 | 1,000,000 | 500,000 | 833,073 | 1,041,341 |
| Proceeds from disposition of treasury stock | | | | 499 | | |
| | 870,000 | 271,053 | 1,170,000 | 553,552 | 905,967 | 1,218,369 |
| Cash used in financing activities: | | | | | | |
| Decrease in borrowings | (165,000) | (27,000) | (185,188) | (98,314) | (171,821) | (192,844) |
| Decrease in debentures | (350,000) | (160,000) | (620,000) | (340,000) | (364,469) | (645,631) |
| Debentures issuance cost paid | (2,289) | (891) | (3,239) | (1,872) | (2,384) | (3,373) |
| Dividends paid | (346,353) | (316,145) | (384,525) | (347,492) | (360,671) | (400,422) |
| Acquisition of treasury stock | | | | (438) | | |
| | (863,642) | (504,036) | (1,192,952) | (788,116) | (899,345) | (1,242,270) |

| | | | | | | |
|--|-----------|-----------|----------|-----------|------------|----------|
| Net cash provided by (used in) financing activities | 6,358 | (232,983) | (22,952) | (234,564) | 6,622 | (23,901) |
| Net increase (decrease) in cash and cash equivalents | 207,210 | (147,230) | 684,994 | 168,965 | 215,777 | 713,313 |
| Cash and cash equivalents at beginning of period | 542,158 | 347,340 | 64,374 | 31,145 | 564,571 | 67,035 |
| Cash and cash equivalents at end of period | ₩ 749,368 | 200,110 | 749,368 | 200,110 | \$ 780,348 | 780,348 |

See accompanying notes to non-consolidated financial statements.

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SHINHAN FINANCIAL GROUP CO., LTD.
Notes to Non-Consolidated Financial Statements
June 30, 2006 and 2005
(Unaudited)

(1) General Description

Shinhan Financial Group Co., Ltd. (the Company) was incorporated on September 1, 2001 by way of the transfer of all issued shares owned by the stockholders of Shinhan Bank, Shinhan Securities Co., Ltd., Shinhan Capital Co., Ltd. and Shinhan Investment Trust Management Co., Ltd. to the Company. The Company was formed with ₩1,461,721 million of initial capital stock for the purpose of providing management services and financing to affiliated 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 June 30, 2006, the Company had eight subsidiaries and three joint venture companies, and its capital stock consisted of ₩1,796,037 million in common stock and ₩374,721 million in preferred stock. Details of its subsidiaries and joint venture companies are 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, Chohung Bank merged with Shinhan Bank with the merge ratio of 1:3.8678 and changed its name to Shinhan Bank. Additionally, Chohung Bank spun off its credit card operation and merged with Shinhan Card Co., Ltd. Each share of Chohung Bank was converted into 0.9809 shares of Shinhan Card Co., Ltd. on April 1, 2006.

As of June 30, 2006, Shinhan Bank operated through 883 domestic branches, 83 depository offices and 11 overseas branches, and its capital stock amounted to ₩7,528,078 million.

b. 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 June 30, 2006, it operated through 77 branches and its capital stock amounted to ₩796,998 million (including ₩19,117 million of preferred stock).

c. 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. As of June 30, 2006, Shinhan Life Insurance operated through 116 branches and its capital stock amounted to ₩200,000 million.

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SHINHAN FINANCIAL GROUP CO., LTD.
Notes to Non-Consolidated Financial Statements
 June 30, 2006 and 2005
 (Unaudited)

(1) General Description, Continuedd. Shinhan Card Co., Ltd.

Shinhan Card Co., Ltd. (Shinhan Card) was established on June 1, 2002 under the Credit Specialty Finance Business Law through the spin-off of the credit card division of Shinhan Bank. Shinhan Card is engaged principally in credit card services, factoring, consumer loan and installment financing. As of June 30, 2006, Shinhan Card had 3.12 million franchise accounts and 6.62 million credit card holders, and its capital stock amounted to ₩358,886 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. Shinhan Capital's capital stock as of June 30, 2006 amounted to ₩80,000 million.

f. Jeju Bank

Jeju Bank was incorporated on March 18, 1969 under the General Banking Act of the Republic of Korea to engage in the commercial banking and trust business and listed its shares on the Korea Exchange on December 28, 1972. Jeju Bank's capital stock as of June 30, 2006 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 June 30, 2006 amounted to ₩3,000 million.

h. Shinhan Private Equity, Inc.

Shinhan Private Equity, Inc. (Shinhan PE) was established on December 16, 2004 to provide financial advisory services and operating assistance to domestic and overseas private equity funds. Shinhan PE's capital stock as of June 30, 2006 amounted to ₩10,000 million.

(b) Joint Venture Companiesa. 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 made 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 June 30, 2006 amounted to ₩40,000 million.

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SHINHAN FINANCIAL GROUP CO., LTD.
Notes to Non-Consolidated Financial Statements
 June 30, 2006 and 2005
 (Unaudited)

(1) General Description, Continuedb. 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 June 30, 2006 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 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 June 30, 2006 amounted to ₩1,000 million.

Details of ownership as of June 30, 2006 and December 31, 2005 were as follows:

| Investor | Investee | 2006 | | 2005 | |
|---------------------------------|---------------------------------|------------------|--------------------------|------------------|--------------------------|
| | | Number of shares | Ownership percentage (%) | Number of shares | Ownership percentage (%) |
| Subsidiaries: | | | | | |
| Shinhan Financial Group | Shinhan Bank | 1,505,615,506 | 100.00 | 933,324,364 | 100.00 |
| | Good Morning Shinhan Securities | 159,399,664 | 100.00 | 159,399,664 | 100.00 |
| | Shinhan Life Insurance | 40,000,000 | 100.00 | 40,000,000 | 100.00 |
| | Shinhan Card | 71,777,256 | 100.00 | 30,569,400 | 100.00 |
| | Shinhan Capital | 12,250,000 | 100.00 | 12,250,000 | 100.00 |
| | Jeju Bank | 9,692,369 | 62.40 | 9,692,369 | 62.40 |
| | Shinhan Credit Information | 600,000 | 100.00 | 600,000 | 100.00 |
| | Shinhan PE | 2,000,000 | 100.00 | 2,000,000 | 100.00 |
| Shinhan Bank | Shinhan Financial Group | 8,985,417 | 2.50 | 11,406,522 | 3.20 |
| Good Morning Shinhan Securities | Shinhan Financial Group | | | 203,675 | 0.10 |
| Joint venture companies: | | | | | |
| Shinhan Financial Group | Shinhan BNP Paribas ITMC | 4,000,001 | 50.00 | 4,000,001 | 50.00 |
| | SH&C Life Insurance | 3,000,001 | 50.00 | 3,000,001 | 50.00 |
| | Shinhan Macquarie | 102,000 | 51.00 | 102,000 | 51.00 |

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SHINHAN FINANCIAL GROUP CO., LTD.
Notes to Non-Consolidated Financial Statements, Continued
June 30, 2006 and 2005
(Unaudited)

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

Certain information included in the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations or cash flows, is not presented in the accompanying 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 ₩960.30 to US\$1, the basic exchange rate on June 30, 2006. 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**

The Company has adopted Statements of Korea Accounting Standards (the "SKAS") No. 18 (*Investment in Joint Venture Companies*), No. 19 (*Lease*) and No. 20 (*Related Party Disclosure*), effective from the first fiscal year beginning after December 31, 2005. Except for the adoption of the aforementioned accounting standards, the same accounting policies were applied for the non-consolidated financial statements both as of and for the six-month period ended June 30, 2006 and as of and for the year ended December 31, 2005. The non-consolidated financial statements as of and for the year ended December 31, 2005, which are presented for comparative purposes, reflect the above accounting standards. Application of these accounting standards resulted in an increase in retained earnings and decrease in equity method investment securities by ₩1,731 million.

(d) **Allowance for Loan Losses**

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

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SHINHAN FINANCIAL GROUP CO., LTD.
Notes to Non-Consolidated Financial Statements, Continued
 June 30, 2006 and 2005
 (Unaudited)

(2) **Basis of Financial Statements Presentation and Summary of Significant Accounting Policies, Continued**(e) **Equity Method Investment Securities**

Equity securities held for investment in companies in which the Company is able to exercise significant control over the investees are accounted for using the equity method.

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

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

(f) **Joint Venture**

Investments in jointly controlled entities are accounted for using the equity method.

(g) **Fixed Assets**ii) **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 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 | |

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

iii) **Intangible Assets**

Intangible assets are stated at cost less accumulated amortization and impairment losses. Intangible assets are amortized using the straight-line method over five years.

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SHINHAN FINANCIAL GROUP CO., LTD.
Notes to Non-Consolidated Financial Statements, Continued
June 30, 2006 and 2005
(Unaudited)

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

(h) **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. Deferred 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.

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

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

(i) **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.

(j) **Retirement and Severance Benefits**

Employees who have been with the Company for more than one year are entitled to lump-sum payments based on current rates of pay and length of service when they leave the Company. The Company's estimated liability under the plan which would be payable if all employees left on the balance sheet date is accrued in the accompanying 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.

(k) **Translation of Foreign Currency Denominated Assets and Liabilities**

Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the balance sheet 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 ₩960.30 and ₩1,013.0 to US\$1, the rates of exchange on June 30, 2006 and December 31, 2005, respectively, that are permitted by Financial Accounting Standards. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into Korean Won at the foreign exchange rate ruling at the date of the transaction.

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SHINHAN FINANCIAL GROUP CO., LTD.
Notes to Non-Consolidated Financial Statements, Continued
June 30, 2006 and 2005
(Unaudited)

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

(l) **Stock Options**

The stock option program allows the Company's employees to acquire shares of the Company for a specified price at specified times. The option exercise price is generally fixed at below the market price of the underlying shares at the date of the grant. The Company values equity-settled stock options based upon an option pricing model under the fair value method and recognizes this value as an expense and capital adjustment over the period in which the options vest. When the options are exercised, equity is increased by the amount of the proceeds received which is equal to the exercise price. However, compensation cost for cash-settled stock options is measured each period based on the current stock price and is recognized as an expense and a liability over the service period.

(m) **Provision**

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 Company settles the obligation. The expense relating to a provision is presented net of the amount recognized for a reimbursement.

(n) **Use of Estimates**

The preparation of non-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 non-consolidated financial statements and related notes to financial statements. Actual results could differ from those estimates.

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SHINHAN FINANCIAL GROUP CO., LTD.
Notes to Non-Consolidated Financial Statements, Continued
 June 30, 2006 and 2005
 (Unaudited)

(3) Securities

Securities as of June 30, 2006 and December 31, 2005 consist solely of equity method investment securities and details were as follows:

| | <i>(in millions of Won)</i> | | | | | |
|-------------------------------------|-----------------------------|--|---------------------------------|----------------------|------------------------|-------------------|
| | 2006 | | | | | |
| Investees | Beginning balance | Acquisition and dividend, net | Equity method gain (loss) | Retained earnings | Capital adjustments | Ending balance |
| Subsidiaries: | | | | | | |
| Shinhan Bank | ₩ 8,751,516 | (955,218) | 867,358 | (3,406) | (148,493) | 8,511,757 |
| Good Morning Shinhan Securities | 900,138 | | 47,945 | (101,457) | 107,916 | 954,542 |
| Shinhan Life Insurance | 737,788 | (20,000) | 39,265 | (301) | 7,006 | 763,758 |
| Shinhan Card | 221,449 | 526,806 | 111,610 | | | 859,865 |
| Shinhan Capital | 151,789 | (15,313) | 29,181 | | 2,487 | 168,144 |
| Jeju Bank | 60,770 | | 8,545 | | (694) | 68,621 |
| Shinhan Credit Information | 9,263 | (1,800) | 1,350 | | | 8,813 |
| Shinhan PE | 8,741 | | (294) | | | 8,447 |
| | 10,841,454 | (465,525) | 1,104,959 | (105,164) | (31,778) | 11,343,946 |
| Joint venture companies: | | | | | | |
| Shinhan BNP Paribas ITMC | 24,103 | (3,600) | 2,222 | | (1) | 22,724 |
| SH&C Life Insurance | 15,513 | | 1,457 | | 227 | 17,197 |
| Shinhan Macquarie | 1,289 | (2,016) | 1,327 | | | 600 |
| | 40,905 | (5,616) | 5,007 | | 226 | 40,522 |
| | ₩ 10,882,359 | (471,141) | 1,109,966 | (105,164) | (31,552) | 11,384,468 |

The changes in goodwill (negative goodwill) for the six-month period ended June 30, 2006 were as follows:

| | <i>(in millions of Won)</i> | | | |
|--------------|-----------------------------|-----------|----------------------------|-------------------|
| | Beginning balance | Increase | Amortization (reversal) | Ending balance |
| Shinhan Bank | ₩ 1,065,725 | (343,112) | 38,161 | 684,452 |

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| | | | | |
|---------------------------------|-------------|---------|--------|-----------|
| Good Morning Shinhan Securities | 110,530 | | 8,502 | 102,028 |
| Shinhan Life Insurance | 414,545 | | 20,901 | 393,644 |
| Shinhan Card | | 343,112 | 7,513 | 335,599 |
| Jeju Bank | (4,285) | | (343) | (3,942) |
| | ₩ 1,586,515 | | 74,734 | 1,511,781 |

The market value of the shares of Jeju Bank owned by the Company was ₩66,780 million as of June 30, 2006 (₩6,890 per share).

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SHINHAN FINANCIAL GROUP CO., LTD.
Notes to Non-Consolidated Financial Statements, Continued
 June 30, 2006 and 2005
 (Unaudited)

(3) Securities, Continued

(in millions of Won)

| Investees | Beginning balance | Acquisition and dividend, net | 2005 | | | Ending balance |
|----------------------------|----------------------|--|---------------------------------|----------------------|------------------------|-------------------|
| | | | Equity method gain (loss) | Retained earnings | Capital adjustments | |
| Subsidiaries: | | | | | | |
| Shinhan Bank | ₩ 4,125,253 | (367,210) | 826,156 | (1,590) | (82,638) | 4,499,971 |
| Chohung Bank | 2,891,019 | 220,714 | 777,844 | (1,807) | 363,775 | 4,251,545 |
| Good Morning | | | | | | |
| Shinhan Securities | 843,500 | | 74,629 | (30,311) | 12,320 | 900,138 |
| Shinhan Life Insurance | | 730,432 | 2,565 | | 4,791 | 737,788 |
| Shinhan Card | 168,708 | | 52,741 | | | 221,449 |
| Shinhan Capital | 122,525 | (12,000) | 36,418 | | 4,846 | 151,789 |
| Jeju Bank | 53,036 | | 7,825 | (30) | (61) | 60,770 |
| e-Shinhan | 2,887 | (2,861) | | | (26) | |
| Shinhan Credit | | | | | | |
| Information | 6,862 | | 2,401 | | | 9,263 |
| Shinhan PE | 9,788 | | (1,047) | | | 8,741 |
| | 8,223,578 | 569,075 | 1,779,532 | (33,738) | 303,007 | 10,841,454 |
| Joint ventures: | | | | | | |
| Shinhan BNP Paribas | | | | | | |
| ITMC | 22,810 | (2,400) | 3,725 | | (32) | 24,103 |
| SH&C Life Insurance | 14,614 | | 2,680 | | (1,781) | 15,513 |
| Shinhan Macquarie | 1,098 | (2,446) | 2,637 | | | 1,289 |
| | 38,522 | (4,846) | 9,042 | | (1,813) | 40,905 |
| | ₩ 8,262,100 | 564,229 | 1,788,574 | (33,738) | 301,194 | 10,882,359 |

The changes in goodwill (negative goodwill) for the year ended December 31, 2005 were as follows:

(in millions of Won)

| | Beginning balance | Increase | Amortization | Ending balance |
|---------------------------------|----------------------|----------|--------------|-------------------|
| | | | (reversals) | |
| Chohung Bank | ₩ 922,468 | 220,714 | 77,457 | 1,065,725 |
| Good Morning Shinhan Securities | 127,534 | | 17,004 | 110,530 |
| Shinhan Life Insurance | | 418,029 | 3,484 | 414,545 |
| Jeju Bank | (4,970) | | (685) | (4,285) |

| | | | |
|-------------|---------|--------|-----------|
| ₩ 1,045,032 | 638,743 | 97,260 | 1,586,515 |
|-------------|---------|--------|-----------|

The market value of the shares of Jeju Bank owned by the Company was ₩68,816 million as of December 31, 2005 (~~₩~~7,100 per share).

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SHINHAN FINANCIAL GROUP CO., LTD.
Notes to Non-Consolidated Financial Statements, Continued
 June 30, 2006 and 2005
 (Unaudited)

(4) Loans

(a) Loans as of June 30, 2006 and December 31, 2005 consisted of the following:

| | <i>(in millions of Won and thousands of U.S. dollars)</i> | | | |
|---------------------------------|---|-----------|-----------------------|-----------|
| | Won | | U.S. dollars (Note 2) | |
| | 2006 | 2005 | 2006 | 2005 |
| Loans in Won | ₩ 1,120,000 | 1,340,000 | \$ 1,166,302 | 1,395,397 |
| Loans in foreign currencies | 67,221 | 70,910 | 70,000 | 73,842 |
| Privately placed bonds | | 73,140 | | 76,164 |
| | 1,187,221 | 1,484,050 | 1,236,302 | 1,545,403 |
| Less: allowance for loan losses | (5,936) | (7,420) | (6,181) | (7,727) |
| | ₩ 1,181,285 | 1,476,630 | \$ 1,230,121 | 1,537,676 |

(b) Details of loans as of June 30, 2006 and December 31, 2005 were as follows:

| | Borrower | Interest rate (%) | <i>(in millions of Won)</i> | |
|-----------------------------|---------------------------------|-------------------|-----------------------------|-----------|
| | | | 2006 | 2005 |
| Loans in Won | Shinhan Card | 4.49 - 6.28 | ₩ 550,000 | 750,000 |
| | Shinhan Capital | 4.33 - 8.12 | 480,000 | 500,000 |
| | Good Morning Shinhan Securities | 5.25 | 70,000 | 70,000 |
| | Jeju Bank | 6.43 | 20,000 | 20,000 |
| | | | 1,120,000 | 1,340,000 |
| Loans in foreign currencies | Shinhan Capital | 3M Libor+0.9 | 67,221 | 70,910 |
| Privately placed bonds | Shinhan Bank | 7.42 | | 50,000 |
| | Jeju Bank | 8.14 | | 23,140 |
| | | | | 73,140 |
| | | | 1,187,221 | 1,484,050 |
| Allowance for loan losses | | | (5,936) | (7,420) |
| | | | ₩ 1,181,285 | 1,476,630 |

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SHINHAN FINANCIAL GROUP CO., LTD.
Notes to Non-Consolidated Financial Statements, Continued
 June 30, 2006 and 2005
 (Unaudited)

(4) Loans, Continued

(c) The maturities of loans as of June 30, 2006 and December 31, 2005 were as follows:

(in millions of Won)

| | Loans in Won | Loans in foreign currencies | Privately placed bonds | Total |
|--------------------------------------|-----------------|-----------------------------------|------------------------------|-----------|
| At June 30, 2006 | | | | |
| Due in 3 months or less | ₩ 30,000 | | | 30,000 |
| Due after 3 months through 6 months | 100,000 | 28,809 | | 128,809 |
| Due after 6 months through 12 months | 150,000 | 38,412 | | 188,412 |
| Due after 1 year through 3 years | 750,000 | | | 750,000 |
| Thereafter | 90,000 | | | 90,000 |
| | ₩ 1,120,000 | 67,221 | | 1,187,221 |

(in millions of Won)

| | Loans in Won | Loans in foreign currencies | Privately placed bonds | Total |
|--------------------------------------|-----------------|-----------------------------------|------------------------------|-----------|
| At December 31, 2005 | | | | |
| Due in 3 months or less | ₩ 270,000 | | | 270,000 |
| Due after 3 months through 6 months | 250,000 | | | 250,000 |
| Due after 6 months through 12 months | 130,000 | 30,390 | | 160,390 |
| Due after 1 year through 3 years | 430,000 | 40,520 | 73,140 | 543,660 |
| Thereafter | 260,000 | | | 260,000 |
| | ₩ 1,340,000 | 70,910 | 73,140 | 1,484,050 |

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SHINHAN FINANCIAL GROUP CO., LTD.
Notes to Non-Consolidated Financial Statements, Continued
 June 30, 2006 and 2005
 (Unaudited)

(5) Fixed Assets

Fixed assets as of June 30, 2006 and December 31, 2005 consisted of the following:

| | <i>(in millions of Won and thousands of U.S. dollars)</i> | | | |
|--------------------------------|---|---------|-----------------------|---------|
| | Won | | U.S. dollars (Note 2) | |
| | 2006 | 2005 | 2006 | 2005 |
| Property and equipment: | | | | |
| Vehicles | ₩ 391 | 391 | \$ 407 | 407 |
| Furniture and fixtures | 1,362 | 1,391 | 1,418 | 1,449 |
| Other | 1,730 | 1,704 | 1,802 | 1,774 |
| | 3,483 | 3,486 | 3,627 | 3,630 |
| Less: accumulated depreciation | (2,554) | (2,286) | (2,660) | (2,381) |
| | 929 | 1,200 | 967 | 1,249 |
| Intangible assets: | | | | |
| Other | 982 | 1,090 | 1,023 | 1,136 |
| | ₩ 1,911 | 2,290 | \$ 1,990 | 2,385 |

As of June 30, 2006 and December 31, 2005, the Company maintained insurance policies covering loss and liability arising from automobile accidents.

(6) Other Assets

Other assets as of June 30, 2006 and December 31, 2005 consisted of the following:

| | <i>(in millions of Won and thousands of U.S. dollars)</i> | | | |
|-------------------------|---|--------|-----------------------|--------|
| | Won | | U.S. dollars (Note 2) | |
| | 2006 | 2005 | 2006 | 2005 |
| Guarantee deposits paid | ₩ 10,082 | 10,082 | \$ 10,499 | 10,499 |
| Accounts receivable | 25,363 | 14,809 | 26,411 | 15,421 |
| Accrued income | 8,011 | 8,466 | 8,342 | 8,816 |
| Advance payments | 10 | 10 | 10 | 10 |
| Prepaid expenses | 80 | 724 | 83 | 754 |
| Prepaid income taxes | 346 | 577 | 361 | 601 |
| Other | 1,810 | 1,810 | 1,885 | 1,885 |
| | ₩ 45,702 | 36,478 | \$ 47,591 | 37,986 |

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SHINHAN FINANCIAL GROUP CO., LTD.
Notes to Non-Consolidated Financial Statements, Continued
 June 30, 2006 and 2005
 (Unaudited)

(7) **Borrowings**

(a) Borrowings as of June 30, 2006 and December 31, 2005 consisted of the following:

| | <i>(in millions of Won and thousands of U.S. dollars)</i> | | | |
|----------------------------------|---|---------|-----------------------|---------|
| | Won | | U.S. dollars (Note 2) | |
| | 2006 | 2005 | 2006 | 2005 |
| Borrowings in Won | ₩ 70,000 | 85,188 | \$ 72,894 | 88,710 |
| Borrowings in foreign currencies | 67,221 | 70,910 | 70,000 | 73,841 |
| | ₩ 137,221 | 156,098 | \$ 142,894 | 162,551 |

(b) Details of borrowings as of June 30, 2006 and December 31, 2005 were as follows:

| Issue date | Maturity date | Interest rate (%) | <i>(in millions of Won)</i> | |
|-----------------------------------|-------------------|-------------------|-----------------------------|---------|
| | | | 2006 | 2005 |
| Borrowings in Won: | | | | |
| September 30, 2005 | January 03, 2006 | 4.18% | ₩ | 20,000 |
| December 28, 2005 | April 03, 2006 | 4.31% | | 65,000 |
| March 23, 2005 | March 23, 2006 | 6M +1.05% | | 188 |
| March 30, 2006 | March 30, 2009 | 5.15% | 70,000 | |
| | | | 70,000 | 85,188 |
| Borrowings in foreign currencies: | | | | |
| December 30, 2003 | December 30, 2006 | 3ML+0.7% | 28,809 | 30,390 |
| July 15, 2004 | June 15, 2007 | 3ML+0.7% | 38,412 | 40,520 |
| | | | 67,221 | 70,910 |
| | | | 67,221 | 70,910 |
| | | | ₩ 137,221 | 156,098 |

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SHINHAN FINANCIAL GROUP CO., LTD.
Notes to Non-Consolidated Financial Statements, Continued
 June 30, 2006 and 2005
 (Unaudited)

(7) Borrowings, Continued

(c) The maturities of borrowings as of June 30, 2006 and December 31, 2005 were as follows:

| <i>(in millions of Won)</i> | | | |
|--------------------------------------|------------|--|---------|
| | Borrowings | Borrowings in foreign currencies | Total |
| At June 30, 2006 | in Won | | |
| Due after 3 months through 6 months | ₩ | 28,809 | 28,809 |
| Due after 6 months through 12 months | | 38,412 | 38,412 |
| Due after 1 year through 3 years | 70,000 | | 70,000 |
| | ₩ 70,000 | 67,221 | 137,221 |

| <i>(in millions of Won)</i> | | | |
|--------------------------------------|------------|--|---------|
| | Borrowings | Borrowings in foreign currencies | Total |
| At December 31, 2005 | in Won | | |
| Due in 3 months or less | ₩ 20,188 | | 20,188 |
| Due after 3 months through 6 months | 65,000 | | 65,000 |
| Due after 6 months through 12 months | | 30,390 | 30,390 |
| Due after 1 year through 3 years | | 40,520 | 40,520 |
| | ₩ 85,188 | 70,910 | 156,098 |

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SHINHAN FINANCIAL GROUP CO., LTD.
Notes to Non-Consolidated Financial Statements, Continued
 June 30, 2006 and 2005
 (Unaudited)

(8) Debentures

(a) Debentures as of June 30, 2006 and December 31, 2005 consisted of the following:

| | <i>(in millions of Won and thousands of U.S. dollars)</i> | | | |
|------------------------------|---|-----------|-----------------------|-----------|
| | Won | | U.S. dollars (Note 2) | |
| | 2006 | 2005 | 2006 | 2005 |
| Debentures in Korean Won | ₩ 2,510,000 | 2,130,000 | \$ 2,613,767 | 2,218,057 |
| Less: discount on debentures | (6,065) | (3,957) | (6,316) | (4,121) |
| | ₩ 2,503,935 | 2,126,043 | \$ 2,607,451 | 2,213,936 |

(b) Details of debentures as of June 30, 2006 and December 31, 2005 were as follows:

| Issue date | Maturity date | Interest rate (%) | <i>(in millions of Won)</i> | |
|-------------------------------------|-------------------|-------------------|-----------------------------|---------|
| | | | 2006 | 2005 |
| Unsecured debentures in Korean Won: | | | | |
| December 21, 2001 | December 21, 2006 | 7.12 | ₩ 50,000 | 50,000 |
| April 04, 2002 | April 04, 2007 | 7.47 | 20,000 | 20,000 |
| May 20, 2002 | May 20, 2007 | 7.25 | 20,000 | 20,000 |
| July 29, 2002 | July 29, 2007 | 6.30 | 20,000 | 20,000 |
| November 21, 2002 | November 21, 2007 | 5.88 | 20,000 | 20,000 |
| December 16, 2002 | December 16, 2007 | 5.96 | 20,000 | 20,000 |
| January 24, 2003 | January 24, 2006 | 5.19 | | 70,000 |
| February 26, 2003 | February 26, 2006 | 4.99 | | 200,000 |
| April 23, 2003 | April 23, 2006 | 5.47 | | 100,000 |
| May 23, 2003 | May 23, 2006 | 5.29 | | 100,000 |
| June 24, 2003 | June 24, 2006 | 5.43 | | 150,000 |
| June 24, 2003 | June 24, 2008 | 5.69 | 30,000 | 30,000 |
| July 24, 2003 | July 24, 2006 | 5.55 | 30,000 | 30,000 |
| July 24, 2003 | July 24, 2008 | 5.87 | 20,000 | 20,000 |
| October 24, 2003 | October 24, 2006 | 4.63 | 100,000 | 100,000 |
| December 23, 2003 | December 23, 2006 | 5.35 | 200,000 | 200,000 |
| March 24, 2004 | March 24, 2007 | 4.76 | 30,000 | 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 08, 2004 | July 08, 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 |
| March 18, 2005 | March 18, 2007 | 4.13 | 100,000 | 100,000 |

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SHINHAN FINANCIAL GROUP CO., LTD.
Notes to Non-Consolidated Financial Statements, Continued
 June 30, 2006 and 2005
 (Unaudited)

(8) Debentures, Continued

| | | <i>(in millions of Won)</i> | | |
|--------------------|--------------------|-----------------------------|--------------------|------------------|
| Issue date | Maturity date | Interest rate (%) | 2006 | 2005 |
| March 18, 2005 | March 18, 2008 | 4.23 | 50,000 | 50,000 |
| May 09, 2005 | May 09, 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 | 5.48 | 40,000 | 40,000 |
| December 16, 2005 | December 16, 2010 | 5.74 | 60,000 | 60,000 |
| January 24, 2006 | January 24, 2009 | 5.24 | 100,000 | |
| February 27, 2006 | February 27, 2009 | 5.07 | 100,000 | |
| April 24, 2006 | April 24, 2009 | 5.09 | 200,000 | |
| June 28, 2006 | June 28, 2009 | 5.25 | 220,000 | |
| June 28, 2006 | June 28, 2009 | 5.42 | 130,000 | |
| June 28, 2006 | June 28, 2009 | 5.52 | 50,000 | |
| June 29, 2006 | June 29, 2009 | 5.24 | 100,000 | |
| June 29, 2006 | June 29, 2009 | 5.32 | 100,000 | |
| | | | 2,510,000 | 2,130,000 |
| | | Discount on debentures | (6,065) | (3,957) |
| | | | ₩ 2,503,935 | 2,126,043 |

(c) The maturities of debentures in Korean Won as of June 30, 2006 and December 31, 2005 were as follows:

| | | <i>(in millions of Won)</i> | |
|--------------------------------------|--|-----------------------------|------------------|
| | | 2006 | 2005 |
| Due in 3 months or less | | ₩ 30,000 | 270,000 |
| Due after 3 months through 6 months | | 350,000 | 350,000 |
| Due after 6 months through 12 months | | 170,000 | 380,000 |
| Due after 1 year through 3 years | | 1,090,000 | 570,000 |
| Thereafter | | 870,000 | 560,000 |
| | | ₩ 2,510,000 | 2,130,000 |

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SHINHAN FINANCIAL GROUP CO., LTD.
Notes to Non-Consolidated Financial Statements, Continued
 June 30, 2006 and 2005
 (Unaudited)

(9) Other Liabilities

Other liabilities as of June 30, 2006 and December 31, 2005 consisted of the following:

| | <i>(in millions of Won and thousands of U.S. dollars)</i> | | | |
|-------------------|---|--------|-----------------------|--------|
| | Won | | U.S. dollars (Note 2) | |
| | 2006 | 2005 | 2006 | 2005 |
| Withholding taxes | ₩ 281 | 491 | \$ 293 | 511 |
| Dividends payable | 1,809 | 1,284 | 1,883 | 1,337 |
| Accounts payable | 698,795 | 20,990 | 727,684 | 21,858 |
| Accrued expenses | 25,482 | 19,656 | 26,535 | 20,469 |
| | ₩ 726,367 | 42,421 | \$ 756,395 | 44,175 |

(10) Related Party Transactions

(a) Significant transactions with the related parties for the three-month and six-month periods ended June 30, 2006 and 2005 were as follows:

| Related party | <i>(in millions of Won)</i> | | | |
|---------------------------------|-----------------------------------|--------|---------------------------------|--------|
| | Three-month period ended June 30, | | Six-month period ended June 30, | |
| | 2006 | 2005 | 2006 | 2005 |
| Shinhan Bank | ₩ 1,262 | 1,235 | 2,783 | 2,221 |
| Good Morning Shinhan Securities | 944 | 915 | 1,866 | 1,538 |
| Shinhan Card | 9,222 | 13,484 | 18,732 | 27,388 |
| Shinhan Capital | 7,896 | 8,400 | 16,017 | 17,000 |
| Jeju Bank | 318 | 459 | 992 | 912 |
| | ₩ 19,642 | 24,493 | 40,390 | 49,059 |

(b) Significant balances with the related parties as of June 30, 2006 and December 31, 2005 were as follows:

| Related party | <i>(in millions of Won)</i> | |
|---------------------------------|-----------------------------|---------|
| | 2006 | 2005 |
| Shinhan Bank | ₩ 86,002 | 137,476 |
| Good Morning Shinhan Securities | 72,528 | 71,344 |
| Shinhan Life Insurance | 413 | |
| Shinhan Card | 555,027 | 755,403 |
| Shinhan Capital | 550,813 | 574,628 |
| Jeju Bank | 20,010 | 43,340 |
| Shinhan Credit Information | 106 | 112 |

₩ 1,284,899

1,582,303

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SHINHAN FINANCIAL GROUP CO., LTD.
Notes to Non-Consolidated Financial Statements, Continued
 June 30, 2006 and 2005
 (Unaudited)

(10) Related Party Transactions, Continued

(c) The guarantees and acceptances provided between the related parties as of June 30, 2006 were as follows:

| Creditor | Debtor | Account | <i>(in millions of Won)</i> Amount guaranteed |
|-------------------------|---------------------|-------------------------------------|---|
| Shinhan Financial Group | SH&C Life Insurance | Guarantees for loans | ₩ 7,000 |
| | Shinhan Card | Guarantees in foreign currencies | 480 |
| Shinhan Bank | Shinhan Capital | Letter of credit | 1,691 |
| | Shinhan Finance | Guarantees for loans | 15,407 |
| | Shinhan Asia | Guarantees for letter of credit | 6,482 |
| | | | ₩ 31,060 |

(d) Compensation of key management personnel for the six-month period ended June 30, 2006 was as follows:

| | <i>(in millions of Won)</i> Total compensation |
|----------------------|--|
| Short-term salaries | ₩ 3,002 |
| Share-based benefits | 6,291 |
| | ₩ 9,293 |

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SHINHAN FINANCIAL GROUP CO., LTD.
Notes to Non-Consolidated Financial Statements, Continued
 June 30, 2006 and 2005
 (Unaudited)

(11) Assets and Liabilities Denominated in Foreign Currency

Assets and liabilities denominated in foreign currency as of June 30, 2006 and December 31, 2005 were as follows:

| | <i>(in millions of Won and thousands of U.S. dollars)</i> | | | |
|---------------------|---|--------|----------------|--------|
| | Foreign currency | | Won equivalent | |
| | 2006 | 2005 | 2006 | 2005 |
| Assets: | | | | |
| Loans | \$ 70,000 | 70,000 | ₩ 67,221 | 70,910 |
| Other assets | 457 | 388 | 439 | 393 |
| | \$ 70,457 | 70,388 | ₩ 67,660 | 71,303 |
| Liabilities: | | | | |
| Borrowings | \$ 70,000 | 70,000 | ₩ 67,221 | 70,910 |
| Other liabilities | 440 | 371 | 423 | 376 |
| | \$ 70,440 | 70,371 | ₩ 67,644 | 71,286 |

(12) Commitments and Contingencies

On July 9, 2003, the Company made an agreement with the Korea Depository Insurance Corporation (KDIC) to acquire 80.04% (543,570,144 shares) of total outstanding shares in Chohung Bank. Under the agreement, the Company would be required to pay a contingent consideration (Earn Out Payment) to the KDIC in relation to the earnings of Chohung Bank in the future with the following details:

n Amount : 20% of the total net income of Chohung Bank for fiscal years 2004, 2005 and 2006 in excess of ₩1,800 billion

n Payment date : within 30 days after the date that the above amount is determined for fiscal year 2006
 The contingent consideration was not included in the acquisition cost, because the amount was not determinable.

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SHINHAN FINANCIAL GROUP CO., LTD.
Notes to Non-Consolidated Financial Statements, Continued
 June 30, 2006 and 2005
 (Unaudited)

(13) Capital Stock

(a) As of June 30, 2006 and December 31, 2005, details of preferred stock issued by the Company were as follows:

| | Number of shares | Predetermined dividend rate (%)(*) | Redeemable period |
|---|---------------------|---|-----------------------------------|
| Redeemable preferred stock: | | | |
| Series 1 | 9,316,792 | 4.04 | August 19, 2004 - August 18, 2006 |
| Series 2 | 9,316,792 | 4.04 | August 19, 2005 - August 18, 2007 |
| Series 3 | 9,316,792 | 4.04 | August 19, 2006 - August 18, 2008 |
| Series 4 | 9,316,792 | 4.04 | August 19, 2007 - August 18, 2009 |
| Series 5 | 9,316,793 | 4.04 | August 19, 2008 - August 18, 2010 |
| Series 6 | 3,500,000 | 7.00 | July 19, 2006 - August 18, 2006 |
| Series 7 | 2,433,334 | 7.46 | July 19, 2008 - August 18, 2008 |
| Series 8 | 66,666 | 7.86 | July 19, 2010 - August 18, 2010 |
| | 52,583,961 | | |
| Redeemable convertible preferred stock: | | | |
| Series 9 (**) | 22,360,301 | 2.02 | August 19, 2006 - August 18, 2008 |
| | 74,944,262 | | |

(*) Based on issue price

(**) Convertible period : August 19, 2006 - August 18, 2007

Conversion ratio : 1 common share to 1 preferred share

Conversion price in Won : ₩18,086

(b) There were no changes in capital stock for the six-month period ended June 30, 2006. Details of changes for the year ended December 31, 2005 were as follows:

| | Number of shares | Capital stock | Preferred stock | Capital surplus |
|---|---------------------|------------------|--------------------|--------------------|
| Balance at January 1, 2005 | 416,623,575 | ₩ 1,596,595 | 486,523 | 3,718,623 |
| Share exchange | 17,528,000 | 87,640 | | 641,427 |
| Preferred stock converted into common stock | | 111,802 | (111,802) | |

(in millions of Won, except shares)

| | | | | |
|-------------------------------|-------------|------------------------|---------|-----------|
| Disposition of treasury stock | | | | 62 |
| Balance at December 31, 2005 | 434,151,575 | ₩ 1,796,037 | 374,721 | 4,360,112 |

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SHINHAN FINANCIAL GROUP CO., LTD.
Notes to Non-Consolidated Financial Statements, Continued
 June 30, 2006 and 2005
 (Unaudited)

(14) Retained Earnings

Retained earnings as of June 30, 2006 and December 31, 2005 consisted of the following:

| | <i>(in millions of Won and thousands of U.S. dollars)</i> | | | |
|--|---|-----------|-----------------------|-----------|
| | Won | | U.S. dollars (Note 2) | |
| | 2006 | 2005 | 2006 | 2005 |
| Legal reserve | ₩ 396,928 | 223,722 | \$ 413,338 | 232,971 |
| Retained earnings before appropriation | 2,447,464 | 2,736,633 | 2,548,645 | 2,849,769 |
| | ₩ 2,844,392 | 2,960,355 | \$ 2,961,983 | 3,082,740 |

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.

(15) Capital Adjustments

Details of capital adjustments as of June 30, 2006 and December 31, 2005 were as follows:

| | <i>(in millions of Won and thousands of U.S. dollars)</i> | | | |
|---|---|---------|-----------------------|---------|
| | Won | | U.S. dollars (Note 2) | |
| | 2006 | 2005 | 2006 | 2005 |
| Unrealized gain on equity method investment securities, net | ₩ 597,078 | 628,630 | \$ 621,762 | 654,617 |
| Stock options (note 16) | 22,126 | 17,162 | 23,041 | 17,873 |
| | ₩ 619,204 | 645,792 | \$ 644,803 | 672,490 |

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SHINHAN FINANCIAL GROUP CO., LTD.
Notes to Non-Consolidated Financial Statements, Continued
 June 30, 2006 and 2005
 (Unaudited)

(16) Stock Options

(a) Details of stock options granted as of June 30, 2006 and December 31, 2005 were as follows:

| | 1st grant | 2nd grant | 3rd grant | 4th grant | 5th grant |
|--|---------------------------------|---|----------------------------------|--|----------------|
| Grant date | May 22, 2002 | May 15, 2003 | March 25, 2004 | March 30, 2005 | March 21, 2006 |
| Options granted | 1,004,200 | 1,156,300 | 1,301,600 | 2,695,200 | 3,296,200 |
| Options forfeited or exercised | 375,135 | 410,087 | 122,777 | 636,035 | 5,143 |
| Options outstanding | 629,135 | 746,213 | 1,178,823 | 2,059,165 | 3,291,057 |
| Type of stock options | | Cash-settled options | | Cash-settled or equity-settled options | |
| Exercise price in Won | ₩18,910 | ₩11,800 | ₩21,595 | ₩28,006 | ₩38,829 |
| Vesting period | | Within four years after two years from grant date | | | |
| | | | After five years from grant date | | |
| Forfeited period | After six years from grant date | | After five years from grant date | After seven years from grant date | |
| Assumptions used to determine the fair value of options: | | | | | |
| Risk-free interest rate | | | | 4.07% | 5.02% |
| Expected exercise period | | | | 5 years | 5 years |
| Expected stock price volatility | | | | 17.92% | 13.43% |
| Expected dividend yield | | | | | |
| Expected ratios of no-exercise | | | | | |
| Weighted average fair value | | | | ₩11,201 | ₩16,668 |

With respect to the stock options granted on March 25, 2004, the Company decided to pay the difference between the market price and the exercise price in cash for the six-month period ended June 30, 2006 and determined to apply the intrinsic value method to those stock options. As a result, stock options decreased by ₩8,538 million (decrease in accounts receivable of ₩6,508 million and increase in accrued expenses of ₩2,030 million).

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SHINHAN FINANCIAL GROUP CO., LTD.
Notes to Non-Consolidated Financial Statements, Continued
 June 30, 2006 and 2005
 (Unaudited)

(16) Stock Options, Continued

(b) Changes in stock compensation costs for the six-month period ended June 30, 2006 were as follows:

(in millions of Won)

| Stock options granted | Stock compensation cost | Employee of | | | |
|-----------------------|--------------------------------------|-------------|-----------------|--------------|--------|
| | | Shinhan | Financial Group | Subsidiaries | Total |
| 1st | Recorded at beginning of the period | | ₩2,934 | 12,144 | 15,078 |
| | Incurred during the period | | 379 | 81 | 460 |
| | To be recorded in subsequent periods | | | | |
| 2nd | Recorded at beginning of the period | | 4,334 | 19,053 | 23,387 |
| | Incurred during the period | | 431 | (142) | 289 |
| | To be recorded in subsequent periods | | | | |
| 3rd | Recorded at beginning of the period | | 2,030 | 6,508 | 8,538 |
| | Incurred during the period | | 4,375 | 12,944 | 17,319 |
| | To be recorded in subsequent periods | | | | |
| 4th | Recorded at beginning of the period | | 767 | 7,858 | 8,625 |
| | Incurred during the period | | 534 | 5,312 | 5,846 |
| | To be recorded in subsequent periods | | 738 | 7,855 | 8,593 |
| 5th | Recorded at beginning of the period | | | | |
| | Incurred during the period | | 1,078 | 6,576 | 7,654 |
| | To be recorded in subsequent periods | | 6,619 | 40,583 | 47,202 |

For the 4th and 5th stock options granted, the difference between the exercise price and the fair value on the date of exercise would be assumed by the subsidiaries of the Company. Therefore, in relation to those stock options, stock compensation costs have been recorded as long-term payables by the subsidiaries and as accounts receivable by the Company.

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SHINHAN FINANCIAL GROUP CO., LTD.
Notes to Non-Consolidated Financial Statements, Continued
 June 30, 2006 and 2005
 (Unaudited)

(17) General and Administrative Expense

Details of general and administrative expense for the three-month and six-month periods ended June 30, 2006 and 2005 were as follows:

| | <i>(in millions of Won)</i> | | | |
|---|---|-------|------------------------------------|--------|
| | Three-month period ended June 30, | | Six-month period ended June 30, | |
| | 2006 | 2005 | 2006 | 2005 |
| Salaries | ₩ 7,199 | 5,607 | 14,281 | 9,409 |
| Provision for retirement and severance benefits | 75 | 98 | 357 | 339 |
| Other employee benefits | 201 | 870 | 760 | 1,125 |
| Rental | 184 | 152 | 303 | 260 |
| Entertainment | 213 | 198 | 425 | 386 |
| Depreciation | 151 | 151 | 302 | 290 |
| Amortization | 73 | 29 | 145 | 57 |
| Taxes and dues | 607 | 537 | 653 | 604 |
| Advertising | 6 | 3 | 18 | 3 |
| Fees and commission | 1,865 | 1,511 | 4,243 | 3,564 |
| Other | 661 | 769 | 1,332 | 1,689 |
| | ₩ 11,235 | 9,925 | 22,819 | 17,726 |

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SHINHAN FINANCIAL GROUP CO., LTD.
Notes to Non-Consolidated Financial Statements, Continued
 June 30, 2006 and 2005
 (Unaudited)

(18) Income Taxes

- (a) The Company is subject to income taxes based on taxable income, which result in a normal tax rate of 27.5%. For the six-month periods ended June 30, 2006 and 2005, the Company recognized no income tax expense.
- (b) Changes in significant accumulated temporary differences and tax effects for the six-month period ended June 30, 2006 and the year ended December 31, 2005 were as follows:

| | Beginning balance (*) | 2006 | | Ending balance |
|--|--------------------------|-----------|-------------|-------------------|
| | | Increase | Decrease | |
| <i>(in millions of Won)</i> | | | | |
| Temporary differences: | | | | |
| Securities | ₩(3,427,679) | (973,251) | (1,986,374) | (2,414,556) |
| Retirement and severance benefits | 828 | 25 | 315 | 538 |
| Accrued income | (299) | | (299) | |
| Deposit for severance benefit insurance | (828) | | (152) | (676) |
| Stock options | 17,163 | 13,500 | 8,538 | 22,125 |
| Other | (7,098) | (5,518) | (7,227) | (5,389) |
| | (3,417,913) | (965,244) | (1,985,199) | (2,397,958) |
| Unrealizable temporary differences on gain from equity method | 3,421,190 | | | 2,408,073 |
| Net temporary differences | ₩ 3,277 | | | 10,115 |
| Tax effects of temporary differences | 901 | | | 2,782 |
| Tax effects of tax loss carryforwards | | | | 5,620 |
| Net tax effects | ₩ 901 | | | 8,402 |
| Tax effects recorded in financial statements | ₩ | | | |

(*)

Amount
resulting from
prior year tax
return is
reflected in the
current period.

The net tax effects of ₩8,402 million as of June 30, 2006 were not recognized as deferred tax assets due to uncertainty of realization.

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SHINHAN FINANCIAL GROUP CO., LTD.
Notes to Non-Consolidated Financial Statements, Continued
 June 30, 2006 and 2005
 (Unaudited)

(18) Income Taxes, Continued

| | Beginning balance (*) | 2005 | | Ending balance |
|--|--------------------------|-------------|----------|-------------------|
| | | Increase | Decrease | |
| <i>(in millions of Won)</i> | | | | |
| Temporary differences: | | | | |
| Securities | ₩(1,371,425) | (2,050,871) | 5,383 | (3,427,679) |
| Retirement and severance benefits | 466 | 499 | 137 | 828 |
| Accrued income | (299) | (299) | (299) | (299) |
| Deposit for severance benefit insurance | (466) | (509) | (147) | (828) |
| Stock option | 8,842 | 19,983 | 4,942 | 23,883 |
| Other | (6,203) | (18,784) | (3,354) | (21,633) |
| | (1,369,085) | (2,049,981) | 6,662 | (3,425,728) |
| Unrealizable temporary differences on gain from equity method | 1,369,044 | | | 3,421,737 |
| Net temporary differences | ₩ (41) | | | 3,277 |
| Tax effects of temporary differences | (11) | | | 901 |
| Tax effects of tax loss carryforwards | | | | 5,284 |
| Net tax effects | ₩ (11) | | | 6,185 |
| Tax effects recorded in financial statements | ₩ | | | |

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

Tax effects of ₩6,185 million as of December 31, 2005 were not recognized as deferred tax assets due to uncertainty as to their realization.

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SHINHAN FINANCIAL GROUP CO., LTD.
Notes to Non-Consolidated Financial Statements, Continued
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 (Unaudited)

(19) Earnings Per Share

(a) Earnings per share

Earnings per common share is calculated by dividing net income less preferred stock dividend requirement by the weighted average number of shares of common stock outstanding. The Company's ordinary income and net earnings per share for the three-month and six-month periods ended June 30, 2006 and 2005 were as follows:

| | <i>(in millions of Won, except per share)</i> | | | |
|---|---|-------------|------------------------------------|-------------|
| | Three-month period ended June 30, | | Six-month period ended June 30, | |
| | 2006 | 2005 | 2006 | 2005 |
| Net income for period | ₩ 595,709 | 470,382 | 1,072,059 | 858,483 |
| Less: dividends on preferred stock | 26,670 | 28,706 | 53,046 | 57,097 |
| Ordinary income available for common stock | 569,039 | 441,676 | 1,019,013 | 801,386 |
| Weighted average number of common shares outstanding | 349,078,849 | 310,333,444 | 348,342,076 | 310,324,883 |
| Ordinary income per share in Won | ₩ 1,630 | 1,423 | 2,925 | 2,582 |
| Net income per share in Won | ₩ 1,630 | 1,423 | 2,925 | 2,582 |

(b) Diluted earnings per share

For the six-month period ended June 30, 2006, if convertible preferred stock and stock options had been exercised, 27,710,523 shares of common stock would have been issued, and if preferred stock had been converted into common stock on its issue date, the weighted average number of common shares outstanding would have been 370,702,377.

Details of diluted ordinary/net earnings per share due to dilutive effects for the three-month and six-month periods ended June 30, 2006 and 2005 were as follows:

| | <i>(in millions of Won, except per share)</i> | | | |
|--|---|---------|------------------------------------|---------|
| | Three-month period ended June 30, | | Six-month period ended June 30, | |
| | 2006 | 2005 | 2006 | 2005 |
| | ₩ 569,040 | 441,676 | 1,019,013 | 801,386 |

| | | | | |
|--|-------------|-------------|------------|-------------|
| Ordinary income available for common stock | | | | |
| Add: dividends on redeemable convertible preferred stock | 2,037 | 4,073 | 4,051 | 8,102 |
| Diluted ordinary income/net earnings | 571,077 | 445,749 | 1,023,064 | 809,488 |
| Weighted average number of common shares outstanding | 371,439,150 | 354,510,514 | 370,702,37 | 355,045,486 |
| Diluted ordinary income per share in Won | ₩ 1,537 | 1,257 | 2,760 | 2,280 |
| Diluted net income per share in Won | ₩ 1,537 | 1,257 | 2,760 | 2,280 |

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SHINHAN FINANCIAL GROUP CO., LTD.
Notes to Non-Consolidated Financial Statements, Continued
 June 30, 2006 and 2005
 (Unaudited)

(19) Earnings Per Share, Continued

(c) Convertible stock and stock options

| | Convertible period | Number of shares to be issued |
|--|-----------------------------------|----------------------------------|
| Redeemable convertible preferred stock | August 19, 2006 - August 18, 2008 | 22,360,301 |
| Stock options | March 30, 2008 - March 29, 2012 | 2,059,165 |
| Stock options | March 21, 2009 - March 20, 2013 | 3,291,057 |
| | | 27,710,523 |

- (d) Ordinary income per share and net earnings per share for the three-month period ended March 31, 2006 and the year ended December 31, 2005 were as follows:

| | <i>(in Won)</i> | |
|---|---|------------------------------------|
| | Three-month ended March 31, 2006 | Year ended December 31, 2005 |
| Ordinary and net income per share | ₩1,295 | 4,874 |
| Diluted ordinary and net income per share | 1,220 | 4,591 |

(20) Statements of Cash Flows

Significant transactions not involving cash inflows or outflows for the three-month and six-month periods ended June 30, 2006 and 2005 were as follows:

| | <i>(in millions of Won)</i> | | | |
|--|--------------------------------------|-----------|------------------------------------|---------|
| | Three-month period ended June 30, | | Six-month period ended June 30, | |
| | 2006 | 2005 | 2006 | 2005 |
| Changes in capital adjustments from the application of the equity method | ₩ (61,378) | (203,208) | (31,551) | 83,779 |
| Changes in retained earnings from the application of the equity method | (109,868) | 30,676 | (105,165) | 32,131 |
| Stock options recorded as accounts receivable | 8,536 | (330) | 11,888 | 961 |
| Appropriation of retained earnings as legal reserve | | | 173,207 | 105,030 |
| Dividends receivable on equity method investment securities | 5,616 | 4,846 | 5,616 | 4,846 |

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SHINHAN FINANCIAL GROUP CO., LTD.
Notes to Non-Consolidated Financial Statements, Continued
 June 30, 2006 and 2005
 (Unaudited)

(21) Condensed Financial Statements of Subsidiaries and Joint Venture Companies

(a) Balance sheets

The condensed balance sheets of subsidiaries and joint venture companies as of June 30, 2006 and December 31, 2005 were as follows:

| | | <i>(in millions of Won)</i> | |
|---------------------------------|---------------------|-----------------------------|----------------------------|
| | | 2006 | |
| Subsidiaries | Total assets | Total liabilities | Total stockholders' equity |
| Shinhan Bank | ₩150,047,005 | 141,566,870 | 8,480,135 |
| Good Morning Shinhan Securities | 3,690,192 | 2,875,096 | 815,096 |
| Shinhan Life Insurance | 5,531,284 | 5,165,379 | 365,905 |
| Shinhan Card | 3,446,086 | 2,924,570 | 521,516 |
| Shinhan Capital | 1,519,394 | 1,353,986 | 165,408 |
| Shinhan BNP Paribas ITMC | 59,018 | 13,571 | 45,447 |
| Jeju Bank | 2,135,007 | 2,003,364 | 131,643 |
| SH&C Life Insurance | 839,105 | 804,711 | 34,394 |
| Shinhan Macquarie | 17,595 | 16,393 | 1,202 |
| Shinhan Credit Information | 11,241 | 2,428 | 8,813 |
| Shinhan PE | 8,588 | 141 | 8,447 |
| | ₩167,304,515 | 156,726,509 | 10,578,006 |

| | | <i>(in millions of Won)</i> | |
|---------------------------------|--------------|-----------------------------|----------------------------|
| | | 2005 | |
| Subsidiaries | Total assets | Total liabilities | Total stockholders' equity |
| Shinhan Bank | ₩ 75,641,968 | 71,042,501 | 4,599,467 |
| Chohung Bank | 66,609,526 | 62,783,304 | 3,826,222 |
| Good Morning Shinhan Securities | 3,882,713 | 3,122,337 | 760,376 |
| Shinhan Life Insurance | 5,129,302 | 4,810,804 | 318,498 |
| Shinhan Card | 1,532,291 | 1,314,592 | 217,699 |
| Shinhan Capital | 1,400,829 | 1,251,895 | 148,934 |
| Shinhan BNP Paribas ITMC | 53,437 | 5,233 | 48,204 |
| Jeju Bank | 2,051,202 | 1,931,693 | 119,509 |
| SH&C Life Insurance | 708,175 | 677,150 | 31,025 |
| Shinhan Macquarie | 11,848 | 9,320 | 2,528 |

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| | | | |
|----------------------------|--------------|-------------|------------|
| Shinhan Credit Information | 12,073 | 2,810 | 9,263 |
| Shinhan PE | 8,826 | 85 | 8,741 |
| | ₩157,042,190 | 146,951,724 | 10,090,466 |

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SHINHAN FINANCIAL GROUP CO., LTD.
Notes to Non-Consolidated Financial Statements, Continued
 June 30, 2006 and 2005
 (Unaudited)

(21) Condensed Financial Statements of Subsidiaries and Joint Venture Companies, Continued**(b) Statements of Income**

Condensed statements of income of subsidiaries and joint venture companies for the three-month and six-month periods ended June 30, 2006 and 2005 are as follows:

(in millions of Won)

| | Six-month period ended June 30, 2006 | | | | |
|----------------------------|--------------------------------------|----------------------|-------------------------------|------------------------------|-------------------------|
| | Operating revenue | Operating expense | Operating income (loss) | Ordinary income (loss) | Net income (loss) |
| Subsidiaries | | | | | |
| Shinhan Bank | ₩ 7,827,496 | 6,843,428 | 984,068 | 1,316,353 | 948,384 |
| Good Morning Shinhan | | | | | |
| Securities | 656,416 | 581,019 | 75,397 | 84,545 | 61,198 |
| Shinhan Life Insurance | 1,095,390 | 1,020,536 | 74,854 | 83,503 | 60,702 |
| Shinhan Card | 345,971 | 290,227 | 55,744 | 52,977 | 120,123 |
| Shinhan Capital | 98,818 | 81,889 | 16,929 | 36,648 | 29,299 |
| Shinhan BNP Paribas ITMC | 11,886 | 5,763 | 6,123 | 6,164 | 4,446 |
| Jeju Bank | 69,421 | 11,227 | 58,194 | 13,716 | 13,247 |
| SH&C Life Insurance | 27,498 | 30,561 | (3,063) | 2,664 | 2,914 |
| Shinhan Macquarie | 15,291 | 12,134 | 3,157 | 3,835 | 2,707 |
| Shinhan Credit Information | 12,340 | 10,725 | 1,615 | 1,876 | 1,367 |
| Shinhan PE | 1,488 | 1,808 | (320) | (205) | (371) |
| | ₩10,162,015 | 8,889,317 | 1,272,698 | 1,602,076 | 1,244,016 |

(in millions of Won)

| | Six-month period ended June 30, 2005 | | | | |
|--------------------------|--------------------------------------|----------------------|-------------------------------|------------------------------|-------------------------|
| | Operating revenue | Operating expense | Operating income (loss) | Ordinary income (loss) | Net income (loss) |
| Subsidiaries | | | | | |
| Shinhan Bank | ₩3,321,036 | 2,790,708 | 530,328 | 607,980 | 443,582 |
| Chohung Bank | 4,045,627 | 3,746,165 | 299,462 | 356,005 | 355,221 |
| Good Morning Shinhan | | | | | |
| Securities | 330,564 | 310,577 | 19,987 | 24,912 | 18,040 |
| Shinhan Card | 203,110 | 177,441 | 25,669 | 27,552 | 27,552 |
| Shinhan Capital | 106,148 | 84,866 | 21,282 | 20,880 | 14,543 |
| Shinhan BNP Paribas ITMC | 8,823 | 4,271 | 4,552 | 4,844 | 3,439 |
| Jeju Bank | 63,752 | 55,300 | 8,452 | 8,810 | 8,810 |
| SH&C life Insurance | 22,555 | 22,555 | | 2,598 | 2,598 |

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| | | | | | |
|----------------------------|------------------------|-----------|---------|-----------|---------|
| e-ShinhanS | 1,033 | 1,370 | (337) | (320) | (320) |
| Shinhan Macquarie | 17,087 | 10,721 | 6,366 | 6,509 | 4,623 |
| Shinhan Credit Information | 11,984 | 9,921 | 2,063 | 2,030 | 1,452 |
| Shinhan PE | | 693 | (693) | (585) | (585) |
| | ₩ 8,131,719 | 7,214,588 | 917,131 | 1,061,215 | 878,955 |

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SHINHAN FINANCIAL GROUP CO., LTD.
Notes to Non-Consolidated Financial Statements, Continued
 June 30, 2006 and 2005
 (Unaudited)

(21) Condensed Financial Statements of Subsidiaries and Joint Venture Companies, Continued

(in millions of Won)

| Subsidiaries | Three-month period ended June 30, 2006 | | | | |
|----------------------------|--|----------------------|-------------------------------|------------------------------|-------------------------|
| | Operating revenue | Operating expense | Operating income (loss) | Ordinary income (loss) | Net income (loss) |
| Shinhan Bank | ₩3,557,546 | 3,143,501 | 414,045 | 701,311 | 519,420 |
| Good Morning Shinhan | | | | | |
| Securities | 434,992 | 393,748 | 41,244 | 50,118 | 36,124 |
| Shinhan Life Insurance | 547,713 | 507,628 | 40,085 | 42,342 | 30,688 |
| Shinhan Card | 238,797 | 207,593 | 31,204 | 28,897 | 103,617 |
| Shinhan Capital | 47,081 | 36,790 | 10,291 | 10,520 | 8,085 |
| Shinhan BNP Paribas ITMC | 6,223 | 3,253 | 2,970 | 3,012 | 2,186 |
| Jeju Bank | 36,228 | 29,469 | 6,759 | 8,368 | 8,002 |
| SH&C Life Insurance | 17,184 | 15,816 | 1,368 | 1,216 | 870 |
| Shinhan Macquarie | 1,405 | 1,866 | (461) | (368) | (298) |
| Shinhan Credit Information | 12,340 | 10,725 | 1,615 | 1,876 | 1,367 |
| Shinhan PE | 748 | 849 | (101) | (34) | (110) |
| | ₩4,900,257 | 4,351,238 | 549,019 | 847,258 | 709,951 |

(in millions of Won)

| Subsidiaries | Three-month period ended June 30, 2005 | | | | |
|----------------------------|--|----------------------|-------------------------------|------------------------------|-------------------------|
| | Operating revenue | Operating expense | Operating income (loss) | Ordinary income (loss) | Net income (loss) |
| Shinhan Bank | ₩1,371,930 | 1,087,664 | 284,266 | 312,199 | 225,235 |
| Chohung Bank | 1,694,955 | 1,496,496 | 198,459 | 229,605 | 229,313 |
| Good Morning Shinhan | | | | | |
| Securities | 145,014 | 138,172 | 6,842 | 9,844 | 7,207 |
| Shinhan Card | 103,137 | 90,296 | 12,841 | 14,813 | 14,813 |
| Shinhan Capital | 47,729 | 42,008 | 5,721 | 5,048 | 3,160 |
| Shinhan BNP Paribas ITMC | 4,664 | 2,239 | 2,425 | 2,427 | 1,710 |
| Jeju Bank | 32,466 | 28,125 | 4,341 | 4,243 | 4,243 |
| SH&C life Insurance | 11,345 | 11,105 | 240 | 1,617 | 1,617 |
| e-Shinhan | 427 | 689 | (262) | (262) | (262) |
| Shinhan Macquarie | 2,392 | 2,679 | (287) | (93) | 5 |
| Shinhan Credit Information | 6,077 | 5,056 | 1,021 | 974 | 683 |
| Shinhan PE | | 400 | (400) | (350) | (350) |

| | | | | |
|------------|-----------|---------|---------|---------|
| ₩3,420,136 | 2,904,929 | 515,207 | 580,065 | 487,374 |
|------------|-----------|---------|---------|---------|

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SHINHAN FINANCIAL GROUP CO., LTD.
Notes to Non-Consolidated Financial Statements, Continued
 June 30, 2006 and 2005
 (Unaudited)

(22) Financing and Operating Status of the Company, Subsidiaries and Joint Venture Companies

(a) The financing status of the Company and its subsidiaries as of June 30, 2006 and December 31, 2005 was as follows:

(in millions of Won)

| | 2006 | | | |
|---------------------------------|--------------|------------|-------------------|-------------|
| | Deposits | Borrowings | Debentures (*) | Total |
| Shinhan Financial Group | ₩ | 137,221 | 2,503,935 | 2,641,156 |
| Shinhan Bank | 84,190,137 | 17,282,909 | 21,329,980 | 122,803,026 |
| Good Morning Shinhan Securities | 717,042 | 358,000 | | 1,075,042 |
| Shinhan Life Insurance | | 20,000 | | 20,000 |
| Shinhan Card | | 1,378,000 | 1,339,411 | 2,717,411 |
| Shinhan Capital | | 873,184 | 331,132 | 1,204,316 |
| Jeju Bank | 1,731,208 | 126,975 | 35,260 | 1,893,443 |
| | ₩ 86,638,387 | 20,176,289 | 25,539,718 | 132,354,394 |

(*) Net of discount
on debentures

(in millions of Won)

| | 2005 | | | |
|---------------------------------|--------------|------------|-------------------|-------------|
| | Deposits | Borrowings | Debentures (*) | Total |
| Shinhan Financial Group | ₩ | 156,098 | 2,126,043 | 2,282,141 |
| Shinhan Bank | 43,996,904 | 9,096,330 | 12,327,937 | 65,421,171 |
| Chohung Bank | 41,404,815 | 5,788,793 | 7,848,891 | 55,042,499 |
| Good Morning Shinhan Securities | 913,795 | 829,425 | | 1,743,220 |
| Shinhan Life Insurance | | 47,000 | | 47,000 |
| Shinhan Card | | 1,025,500 | 179,544 | 1,205,044 |
| Shinhan Capital | | 721,885 | 345,201 | 1,067,086 |
| Jeju Bank | 1,681,985 | 89,689 | 35,000 | 1,806,674 |
| | ₩ 87,997,499 | 17,754,720 | 22,862,616 | 128,614,835 |

(*) Net of discount
on debentures

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SHINHAN FINANCIAL GROUP CO., LTD.
Notes to Non-Consolidated Financial Statements, Continued

June 30, 2006 and 2005

(Unaudited)

(22) Financing and Operating Status of the Company, Subsidiaries and Joint Venture Companies, Continued

(b) The operating status of the Company and its subsidiaries as of June 30, 2006 and December 31, 2005 was as follows:

(in millions of Won)

| | 2006 | | | |
|---------------------------------|---------------|------------|-------------------------------|-------------|
| | Loans (*) | Securities | Cash and due from banks | Total |
| Shinhan Financial Group | ₩ 1,181,285 | 11,384,468 | 749,368 | 13,315,121 |
| Shinhan Bank | 101,490,392 | 24,654,124 | 6,302,252 | 132,446,768 |
| Good Morning Shinhan Securities | 402,022 | 2,104,331 | 691,270 | 3,197,623 |
| Shinhan Life Insurance | 1,301,054 | 2,347,091 | 514,328 | 4,162,473 |
| Shinhan Card | 3,263,179 | 24,964 | 2,006 | 3,290,149 |
| Shinhan Capital | 1,196,217 | 143,966 | 71,755 | 1,411,938 |
| Shinhan BNP Paribas ITMC | 346 | 10,290 | 37,811 | 48,447 |
| Jeju Bank | 1,503,881 | 390,282 | 116,570 | 2,010,733 |
| SH&C Life Insurance | 11,522 | 49,000 | 1,650 | 62,172 |
| Shinhan Macquarie | | | 13,207 | 13,207 |
| Shinhan Credit Information | | | 5,480 | 5,480 |
| Shinhan PE | | | 7,692 | 7,692 |
| | ₩ 110,349,898 | 41,108,516 | 8,513,389 | 159,971,803 |

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

(in millions of Won)

| | 2005 | | | |
|---------------------------------|-------------|------------|-------------------------------|------------|
| | Loans (*) | Securities | Cash and due from banks | Total |
| Shinhan Financial Group | ₩ 1,476,630 | 10,882,359 | 64,374 | 12,423,363 |
| Shinhan Bank | 55,191,023 | 13,289,065 | 2,301,465 | 70,781,553 |
| Chohung Bank | 44,648,308 | 10,644,933 | 2,171,777 | 57,465,018 |
| Good Morning Shinhan Securities | 302,457 | 2,161,569 | 921,164 | 3,385,190 |
| Shinhan Life Insurance | 1,377,904 | 2,034,360 | 421,028 | 3,833,292 |
| Shinhan Card | 1,479,533 | 414 | 5,876 | 1,485,823 |

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| | | | | |
|----------------------------|---------------|------------|-----------|-------------|
| Shinhan Capital | 1,061,971 | 131,623 | 115,388 | 1,308,982 |
| Shinhan BNP Paribas ITMC | 620 | 10,307 | 34,098 | 45,025 |
| Jeju Bank | 1,416,748 | 348,658 | 108,971 | 1,874,377 |
| SH&C Life Insurance | 372 | 48,023 | 23,031 | 71,426 |
| Shinhan Macquarie | | | 9,318 | 9,318 |
| Shinhan Credit Information | | | 6,011 | 6,011 |
| Shinhan PE | | 846 | 6,967 | 7,813 |
| | ₩ 106,955,566 | 39,552,157 | 6,189,468 | 152,697,191 |

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

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SHINHAN FINANCIAL GROUP CO., LTD.
Notes to Non-Consolidated Financial Statements, Continued
 June 30, 2006 and 2005
 (Unaudited)

(23) Contribution of Subsidiaries and Joint Venture Companies to the Company's Net Income

Effects under the equity method on the Company's net income for the three-month and six-month periods ended June 30, 2006 and 2005 are as follows:

| | <i>(in millions of Won, except ratio)</i> | | | |
|------------------------------------|---|--------------|---|--------------|
| | Three-month period ended June 30, 2006 | | Six-month period ended June 30, 2006 | |
| | Amount | Ratio (%) | Amount | Ratio (%) |
| Gain (loss) from equity method on: | | | | |
| Shinhan Bank | ₩ 457,254 | 74.44 | ₩ 867,358 | 78.14 |
| Good Morning Shinhan Securities | 27,225 | 4.43 | 47,945 | 4.32 |
| Shinhan Life Insurance | 19,970 | 3.25 | 39,265 | 3.54 |
| Shinhan Card | 95,604 | 15.56 | 111,610 | 10.06 |
| Shinhan Capital | 7,829 | 1.27 | 29,181 | 2.63 |
| Shinhan BNP Paribas ITMC | 1,092 | 0.18 | 2,222 | 0.20 |
| Jeju Bank | 5,191 | 0.85 | 8,545 | 0.77 |
| SH&C Life Insurance | 435 | 0.07 | 1,457 | 0.13 |
| Shinhan Macquarie | (1,141) | (0.19) | 1,327 | 0.12 |
| Shinhan Credit Information | 899 | 0.15 | 1,350 | 0.12 |
| Shinhan PE | (110) | (0.02) | (294) | (0.03) |
| | 614,248 | 100.00 | 1,109,966 | 100.00 |
| Other income | 21,872 | | 45,776 | |
| Other expense | (40,411) | | (83,683) | |
| Net income for period | ₩ 595,709 | | ₩ 1,072,059 | |

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SHINHAN FINANCIAL GROUP CO., LTD.
Notes to Non-Consolidated Financial Statements, Continued
 June 30, 2006 and 2005
 (Unaudited)

(23) Contribution of Subsidiaries and Joint Venture Companies to the Company's Net Income, Continued

| | <i>(in millions of Won, except ratio)</i> | | | |
|------------------------------------|---|-----------|---|-----------|
| | Three-month period ended June 30, 2005 | | Six-month period ended June 30, 2005 | |
| | Amount | Ratio (%) | Amount | Ratio (%) |
| Gain (loss) from equity method on: | | | | |
| Shinhan Bank | ₩ 225,235 | 46.69 | ₩ 443,582 | 50.33 |
| Chohung Bank | 232,275 | 48.15 | 374,796 | 42.53 |
| Good Morning Shinhan Securities | 2,850 | 0.59 | 9,679 | 1.10 |
| Shinhan Card | 14,564 | 3.02 | 27,052 | 3.07 |
| Shinhan Capital | 2,861 | 0.59 | 14,327 | 1.63 |
| Shinhan BNP Paribas ITMC | 855 | 0.18 | 1,719 | 0.20 |
| Jeju Bank | 2,845 | 0.59 | 5,892 | 0.67 |
| SH&C Life Insurance | 809 | 0.17 | 1,299 | 0.15 |
| e-Shinhan | (193) | (0.04) | (236) | (0.03) |
| Shinhan Macquarie | (47) | (0.01) | 2,309 | 0.26 |
| Shinhan Credit Information | 682 | 0.14 | 1,452 | 0.16 |
| Shinhan PE | (354) | (0.07) | (588) | (0.07) |
| | 482,382 | 100.00 | 881,283 | 100.00 |
| Other income | 25,431 | | 53,422 | |
| Other expense | (37,431) | | (76,222) | |
| Net income for period | ₩ 470,382 | | ₩ 858,483 | |

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SHINHAN FINANCIAL GROUP CO., LTD.
Notes to Non-Consolidated Financial Statements, Continued
 June 30, 2006 and 2005
 (Unaudited)

(24) Allowance for Loan Losses of the Company, Subsidiaries and Joint Venture Companies

Changes in the allowance for loan losses of the Company, its subsidiaries and joint venture companies for the six-month period ended June 30, 2006 and the year ended December 31, 2005 were as follows:

| | <i>(in millions of Won)</i> | | |
|---------------------------------|-----------------------------|--------------------------------|-------------------|
| | Beginning balance | 2006 Increase (decrease) | Ending balance |
| Shinhan Financial Group | ₩ 7,420 | (1,484) | 5,936 |
| Shinhan Bank | 1,572,829 | 79,369 | 1,652,198 |
| Good Morning Shinhan Securities | 27,256 | 2,118 | 29,374 |
| Shinhan Life Insurance | 17,740 | (2,122) | 15,618 |
| Shinhan Card | 67,400 | 158,180 | 225,580 |
| Shinhan Capital | 30,373 | 343 | 30,716 |
| Shinhan BNP Paribas ITMC | 18 | 1 | 19 |
| Jeju Bank | 25,146 | (2,954) | 22,192 |
| SH&C Life Insurance | 46 | (2) | 44 |
| Shinhan Macquarie | 3 | (2) | 1 |
| Shinhan Credit Information | 1 | | 1 |
| | ₩ 1,748,232 | 233,447 | 1,981,679 |

| | <i>(in millions of Won)</i> | | |
|---------------------------------|-----------------------------|--------------------------------|-------------------|
| | Beginning balance | 2005 Increase (decrease) | Ending balance |
| Shinhan Financial Group | ₩ 8,794 | (1,374) | 7,420 |
| Shinhan Bank | 743,506 | (59,949) | 683,557 |
| Chohung Bank | 1,006,721 | (117,449) | 889,272 |
| Good Morning Shinhan Securities | 29,416 | (2,160) | 27,256 |
| Shinhan Life Insurance | | 17,740 | 17,740 |
| Shinhan Card | 47,831 | 19,569 | 67,400 |
| Shinhan Capital | 27,021 | 3,352 | 30,373 |
| Shinhan BNP Paribas ITMC | 13 | 5 | 18 |
| Jeju Bank | 32,145 | (6,999) | 25,146 |
| SH&C Life Insurance | 15 | 31 | 46 |
| Shinhan Macquarie | 53 | (50) | 3 |
| Shinhan Credit Information | | 1 | 1 |
| | ₩ 1,895,515 | (147,283) | 1,748,232 |