



SHINHAN FINANCIAL GROUP
ANNUAL REPORT 2009

OUTSTANDING TO OUTPERFORM



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Incorporated on September 1, 2001, Shinhan Financial Group(SFG) was the first privately established financial holding company in Korea. Since inception SFG has developed and introduced a wide range of financial products and services in Korea, and aims to deliver comprehensive financial solutions to clients through a convenient one-portal network.

SFG currently has 11 subsidiaries offering a wide range of financial products and services, including retail banking, corporate banking, private banking, credit card, asset management, brokerage and insurance services. SFG currently serves approximately 16.1 million active customers through approximately 17,900 employees at more than 1,390 network branches.

SFG has experienced substantial growth through several mergers and acquisitions. Most notably, the acquisition of Chohung Bank in Sept. 2003 and LG Card in March 2007 have enabled us to build up a nationwide network of branches and a broad customer base. In addition, SFG has significantly expanded its non-banking business capacity and achieved a balanced business portfolio.



History

1897

Establishment of Hanseong Bank

Established Hanseong Bank, which later became Chohung Bank through the merger of Hanseong and Dongil Banks in 1943

1982

Establishment of Shinhan Bank

Shinhan Bank was formed in 1982 with seed money from the Korean Japanese community

2001

Establishment of Shinhan Financial Group

SFG was established in September and immediately followed by a strategic alliance with BNP Paribas Group

2002

Launching of GMSH

Shinhan Securities, formerly a subsidiary of SFG, and Good Morning Securities merged to provide advanced professional financial services

2006

Integrated Shinhan Bank

Shinhan Bank, an innovator in the industry, and Chohung Bank, a long-standing industry leader, merged to become one

2007

Merger of Shinhan Card & LG Card

LG Card became an affiliate of SFG and soon thereafter merged with Shinhan Card on October 1st to become the number 1 card company in Asia

STOCK PERFORMANCE

NUMBER OF SHARES ISSUED

As of December 2009

Type of Stock	No. of Shares
Registered common stock	474,199,587
Registered redeemable preferred stock	38,373,459
Registered convertible redeemable preferred stock	14,721,000
Total	527,294,046

CREDIT RATINGS

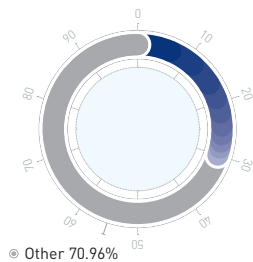
Shinhan Bank	Moody's	S&P	Fitch
Long Term	A1	A-	A
Short Term	P1	A2	F1

SHARE OWNERSHIP

	2007	2008	2009
Domestic	41.9%	48.8%	42.4%
Foreign	58.1%	51.2%	57.6%

MAJOR SHAREHOLDERS

As of December 2009

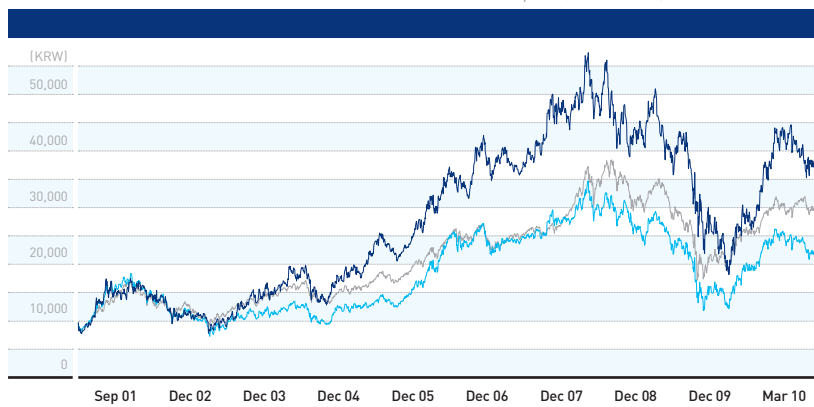


• BNP Paribas Group	6.35%
• SFG Employee Stock Ownership Association	4.82%
• Korea National Pension Fund	4.45%
• Citibank, N.A. [ADR Dept.]	3.08%
• Saudi Arabian Monetary Agency	2.67%
• Mirae Asset Management	2.46%
• Lazard Asset Management	1.54%
• Mizuho Corporate Bank	1.26%
• Samsung Life Insurance	1.23%
• Government of Singapore Investment Corporation	1.18%

SFG STOCK PRICE PERFORMANCE

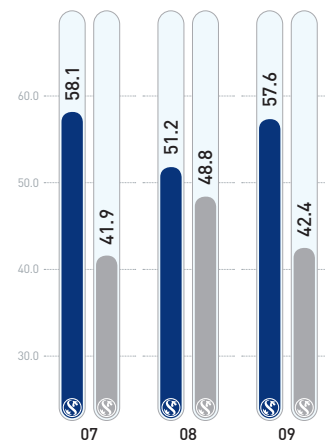
• Share price of SFG • KOSPI Index • Banking Industry Index

Market Cap: US\$18.6 billion, as of March 2010



SHARE OWNERSHIP [%]

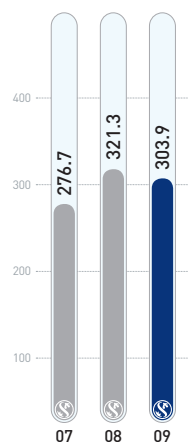
• Foreign • Domestic



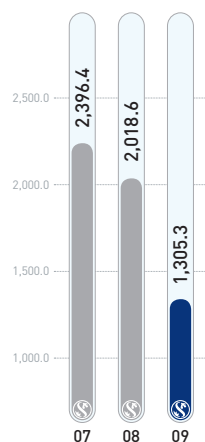
FINANCIAL HIGHLIGHTS

	FY2009	FY2008	change amount	change %
For the Year (KRW in billions)				
Operating Revenue	51,171.9	59,722.1	-8,550.2	-14.3%
Operating Income Before Provisioning	3,741.9	4,032.5	-290.6	-7.2%
Net Income	1,305.3	2,018.6	-713.3	-35.3%
At Year End (KRW in trillions)				
Total Assets (including AUM)	303.9	321.3	-17.4	-5.4%
Total Loans	167.0	170.3	-3.4	-2.0%
Total Deposits	147.7	126.8	21.0	16.5%
Total Shareholders' Equity	20.7	17.6	3.1	17.7%
Key Financial Ratios				
BIS Capital Adequacy Ratio - Group	12.6%	10.2%	2.4%p	-
BIS Capital Adequacy Ratio - Shinhan Bank	15.1%	13.4%	1.7%p	-
(Tier I Ratio)	11.6%	9.3%	2.3%p	-
NPL (Substandard and Below Loans) Ratio	1.3%	1.1%	0.2%p	-
NPL Coverage Ratio	157%	172%	-15%p	-
ROA	0.5%	0.8%	-0.3%p	-
ROE	6.8%	12.4%	-5.6%p	-
Group NIM	3.0%	3.5%	-0.5%p	-
Cost-to-Income Ratio	51.5%	49.3%	2.2%p	-
Cost-to-Income Ratio excluding goodwill amortization	46.0%	43.1%	2.8%p	-
BPS (KRW)	36,256	35,312	944	2.7%
EPS (KRW)	2,324	4,384	-2,060	-47.0%

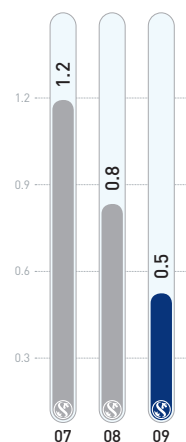
TOTAL ASSETS
(KRW in trillions)



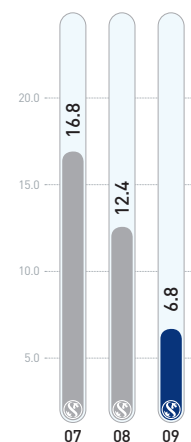
NET INCOME
(KRW in billions)



ROA (%)



ROE (%)



CHAIRMAN'S MESSAGE



Dear shareholders and customers,

The majority of financial institutions this past year, including Shinhan Financial Group, have endured an unprecedented global financial crisis, responding to the aftershock of the storm, some of which, such as sagging consumer sentiment and a climbing unemployment rate, still remain causes for concern.

Despite such difficult circumstances, we were able to deliver solid performances and achievements, further strengthening our reputation as the nation's leading financial group.

By taking decisive and often difficult measures, and thanks to our well diversified business structure, we were able to uphold profitability, improve asset quality and secure a strong foundation for future growth.

In particular, Shinhan Bank was able to relatively perform well when the entire industry was suffering from compressed spreads, increasing delinquencies and asset deterioration. At the same time, most of the Group's non-banking subsidiaries outperformed their industry averages, with Shinhan Card and Shinhan Life Insurance deserving particular praise for their highly impressive results. All in all, the Group realized a net income of KRW 1.3 trillion, and as a result, led the industry for the second year in a row, and cementing its position as 'Korea's leading financial group.'

However, as we see signs of a gradual recovery in the world's economy, I believe that potential risks still exist. High debt levels of several European countries and emerging markets needs to be closely monitored. In addition, governments have begun to put exit strategies on the table for discussion, and while these are necessary, they must be very carefully orchestrated to promote growth and balance together.



“ I am confident that we will further underscore our leading position, a position that significantly contributes to the development of Korea's economy, while at the same time leap forward to become a leading global financial group. ”



In the domestic landscape, Korea's financial industry is expected to experience further change in response to the recent trend of industry convergence. It also looks highly probable that further consolidation of the financial industry will occur in the near future.

With its diversified business portfolio, proven track record and clear management in place, Shinhan Financial Group is considered to be in a better position than its competitors. However, we will not take this for granted, but instead reassess our strengths and weaknesses, reshape our ability to respond to change ahead of time, and fortify our platform for sustainable growth.

Through these efforts, I am confident that we will further underscore our leading position, a position that significantly contributes to the development of Korea's economy, while at the same time leap forward to become a leading global financial group.

None of our accomplishments would have been possible without our faithful and willing employees, all of whom have worked with passion and energy, even during the most difficult of times. I am confident that their strength, sense of responsibility and level of dedication will accelerate our goal of becoming a 'world class financial institution.'

Once again, I ask for your continued support and encouragement as we move forward towards a brighter future.

E Chan Ra
Chairman **Eung Chan Ra**

CEO'S MESSAGE



Dear shareholders and customers,

2009 started out at the center of the global financial crisis. Some described it as a perfect storm. The scope, severity and duration of this crisis were more serious than most of us have ever experienced before. The financial industry had been shaken to its foundation. Economies fell, unemployment rate rose and we still face daunting and ongoing challenges. However, we are beginning to see signs of recovery.

The global economy had slowly begun to turn around by the end of last year. The collective and decisive actions by governments have begun to work their way through to the real economy.

For Korea, it is fair to say our economy was well guided by the government's timely and effective countermeasures. The strength and resiliency of the Korea's economy have built up conviction and prevailed over the concerns of financial and foreign exchange markets. As for our role, Shinhan Financial Group supported the economy and helped clients navigate uncertainty, while remaining financially strong and profitable.

DELIVERING SOUND RESULTS DESPITE ADVERSE MARKET CONDITIONS

Despite these difficulties at home and abroad, we were able to deliver sound results throughout the cycle. Shinhan Financial Group posted a net income of KRW 1.3 trillion in 2009, leading the industry for the second year in a row. Furthermore, the company also achieved notable performances in profitability, asset quality and NIM, which I will now discuss in more detail.

In terms of profitability, the group's banking subsidiaries realized a net income of KRW 757.5 billion, despite an unfavorable environment that saw historic lows in spreads as well as funding difficulties. The Group's non-bank subsidiaries also performed remarkably well, achieving KRW 1.1 trillion in net income, thereby contributing to the group's overall net income of KRW 1.3 trillion.



“ Shinhan Financial Group posted a net income of KRW 1.3 trillion in 2009, leading the industry for the second year in a row. Furthermore, the company also achieved notable performances in profitability, asset quality and NIM, which I will now discuss in more detail. ”



The conditions of our assets are, to some extent, correlated with the state of the economy, and I must admit that the economic downturn placed stress on our assets. In the first half of 2009, bad debts escalated throughout the financial sector, causing deterioration in asset quality. However, Shinhan Financial Group was able to lower its substandard and below ratio to 1.3% by the end of the year on the back of proactive risk management measures taken in the second half of the year.

NIM was another positive note. The Group led the industry last year with a NIM of 3.0%, clearly demonstrating how we have been able to differentiate ourselves from our competitors through the securing of a structure that ensures long-term profitability.

On the whole, Shinhan Financial Group was able to successfully manage its way through the financial storm in 2009 thanks to strategic emphasis on diversification in terms of business portfolio and income stream. For example, the Group's flagship subsidiary, Shinhan Bank, concentrated on improving asset quality and solidifying its platform for future growth, while non-banking subsidiaries, such as Shinhan Card, Shinhan Investment and Shinhan Life Insurance, all made substantial gains, and thus contributing to the balanced growth of the Group.

BUILDING A “SUSTAINABLE FUTURE AND RELIABLE SHINHAN” BASED ON CUSTOMER TRUST

Although Shinhan Financial Group led the industry in 2009, we know we must remain focused in the face of continuing uncertainty, volatility and change. On a broader perspective, the financial conditions of certain European and emerging countries pose a threat to the global recovery. Meanwhile, there are numerous areas in the domestic field that require our close attention, such as further deregulation, which goes against the global trend of increasing regulatory oversight, as well as the rising likelihood of major M&As in the financial sector.

As such, it is imperative that we respond effectively in order to reinforce our position of strength. We aim to do this by focusing on maximizing corporate value on a mid- to long-term basis. To this end, we have set our strategic goal as 'Trust 2010: Sustainable Future, Reliable Shinhan,' and backed this with four strategies, which I will now explain about in more detail.

First, we will build a foundation for sustainable growth. This requires a strong financial performance, as well as a sense of responsibility for higher values, such as integrity, ethics and concern for our environment. Shinhan Financial Group is dedicated to fulfilling its responsibility as a corporate citizen as well as securing a platform for sustainable growth.

Furthermore, in order to promote a customer-oriented business model, Shinhan Financial Group will focus on strengthening customer relationships, an area often overlooked by companies grappling for survival in the global financial crisis. We seek to enhance trust and further nurture our relationships with customers by establishing more customer-friendly sales procedures and implementing a stricter compliance system so as to better protect them. Not only will these measures greatly benefit our customers, but also enhance our reputation as a reliable financial partner.

Third, we will search for new markets and opportunities for growth. In order to ensure differentiated growth in strategic markets and future profitability, it is necessary for the Group to look beyond current boundaries. To this end, we will introduce strategies to differentiate our business, as well as seek out markets that show potential for profitability and enable us to expand globally.

Last, we will create market leading synergies. Considered a leader in the development of group-wide synergy, we aim to take this even further by introducing unique key products and services that will offer an even higher level of distinct and differentiated synergies.

“In seeking to meet the high expectations of our shareholders and customers, all of us at SFG remain devoted to our vision to become a ‘world-class financial group.’”

These are the four strategies for 2010 through which we aim to increase customer trust in the company and solidify a platform for sustainable future growth.

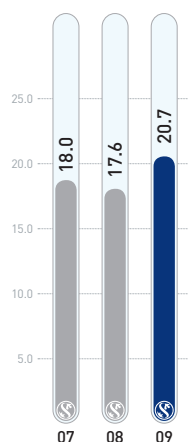
It has been an exciting, difficult, intense and often rough journey through the recent global financial crisis. I believe the source of strength that led us through this storm and put us on the right track was the passion, dedication, and perseverance of our employees combined with the unwavering support and encouragement from our shareholders and customers. And for that, I deeply thank you all.

In seeking to meet the high expectations of our shareholders and customers, all of us at SFG remain devoted to our vision to become a 'world-class financial group,' one that contributes to the development of the nation's economy and is widely respected by the people. I ask for your continued support as we move forward to realize this goal.

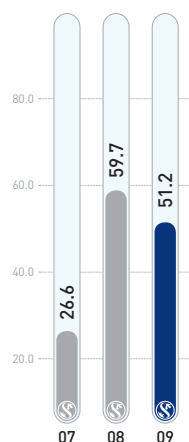


President & CEO **Sang Hoon Shin**

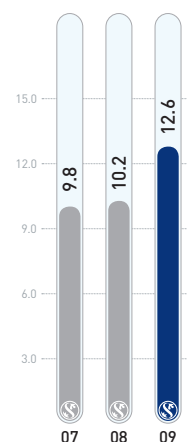
**TOTAL
SHAREHOLDERS'
EQUITY** (KRW in trillions)



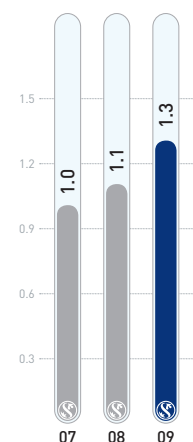
**OPERATING
REVENUE** (KRW in trillions)



BIS RATIO (%)



NPL RATIO (%)



BOD AND MANAGEMENT (Shinhan Financial Group)

I. Executive Directors

EUNG CHAN RA

Date of Birth

November 25, 1938

Current Position

Chairman,
Shinhan Financial Group

Education

Seonlin Commercial High School,
Seoul, Korea

Main Work Experience

1977 Director, Jaeil Investment &
Finance Corp., Seoul
1999 President & CEO, Shinhan Bank
2001 Chairman of the Board
of Directors,
Shinhan Financial Group

SANG HOON SHIN

Date of Birth

July 1, 1948

Current Position

President & CEO,
Shinhan Financial Group

Education

BA in Business Administration,
Sungkyunkwan University,
Seoul, Korea
MBA, Yonsei University

Main Work Experience

1998 Director, Shinhan Bank
2001 Senior Executive Vice President,
Shinhan Financial Group
2003 President & CEO, Shinhan Bank

II. Non-Executive Directors

BAEK SOON LEE

Date of Birth

October 8, 1952

Current Position

President & CEO,
Shinhan Bank

Education

Duksu Commercial High School

Main Work Experience

2004 Managing Director,
Shinhan Financial Group
2006 Senior Executive Vice President,
Shinhan Bank
2007 Deputy President,
Shinhan Financial Group

SHEE YUL RYOO

Date of Birth

September 5, 1938

Current Position

Advisor, Shin & Kim Law Firm

Education

LLB, Seoul National University

Main Work Experience

1997 President, Korea First Bank
1999 Chairman,
Korea Federation of Banks
2001 Steering Committee Member,
Korea Center for
International Finance

III. Outside Directors

SUNG BIN CHUN

Date of Birth

January 21, 1953

Current Position

Chairman of the Board of Directors,
Shinhan Financial Group
Professor, College of Business
Administration, Sogang University

Education

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

Main Work Experience

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

BYUNG-IL KIM

Date of Birth

September 1, 1945

Current Position

President, Korea Studies
Advisement Center

Education

MA in Government Affairs, Seoul
National University

Main Work Experience

2002 Member,
Monetary Policy Committee,
Bank of Korea
2004 Minister, Ministry of
Planning & Budget

YO KOO KIM

Date of Birth

March 23, 1950

Current Position

Director, Korea Chamber of Commerce
and Industry in Aichi Province

Education

BA in Industrial & Systems Engineering,
Aoyama Gakuin University

Main Work Experience

1984 CEO, Sanyo Bussan Co., Ltd.
2000 Director, Sanyo Hanbai Co., Ltd.
2007 Outside Director, Shinhan Bank



HUI MOOK KIM**Date of Birth**

August 17, 1957

Current PositionManaging Director, Sankei
Transportation Co., Ltd.**Education**

BA in Economics, Seikei University

Main Work Experience1981 Director, Ikebukuro Transportation
Co., Ltd.
2009 Auditor, Jeil Sports Center**YOJI HIRAKAWA****Date of Birth**

February 13, 1953

Current PositionPresident & CEO,
Sun East Place Corporation**Education**BA in Business Administration,
Ritsumeikan University**Main Work Experience**1996 Director,
Sun East Place Corporation
2008 CEO, D-Link Corporation**IV. Deputy President****BUHMSOO CHOI****Date of Birth**

August 8, 1956

Current PositionDeputy President & CFO,
Shinhan Financial Group**Education**Advanced Management Program,
Harvard Business School Ph.D. in
Economics, Yale University**Main Work Experience**2004 Head of Acquisition Steering
Committee, Kookmin Bank
Chairman & Secretary General,
CB Launching Office
2005 Chief Operating Officer, Korea
Credit Bureau
2007 Deputy President & CFO, Shinhan
Financial Group**KE SUP YUN****Date of Birth**

May 20, 1945

Current PositionProfessor, College of Business
Administration, Seoul National University**Education**Ph.D. Graduate School of Seoul
National University**Main Work Experience**1999 Dean, College of Business
Administration, Seoul National
University
2001 Chairman, Seoul Economist Club**PHILIPPE AGUIGNIER****Date of Birth**

September 26, 1957

Current Position

Head of BNP Paribas Asia Retail Banking

EducationPh.D in Far Eastern Studies, Universite
Paris III (Inalco)**Main Work Experience**2002 Head, BNP Paribas Group Investor
Relations and Financial
Information
1999 Vice-President, Bank of Nanjing, and
Head of Retail Banking for China,
BNP Paribas**SUNG HO WI****Date of Birth**

June 12, 1958

Current PositionDeputy President,
Shinhan Financial Group**Education**

BA in Economics, Korea University

Main Work Experience2006 Head of HR Team,
Shinhan Financial Group
2007 Head of Business Management
Team, Shinhan Financial Group
Managing Director,
Shinhan Financial Group
2008 Deputy President,
Shinhan Financial Group**HAENG NAM CHUNG****Date of Birth**

March 15, 1941

Current PositionAdvisor, Korea Chamber of
Commerce & Industry in Japan**Education**

Tomishima Middle School

Main Work Experience2001 Chairman, ABIC Group
Director, Asuka Credit
Cooperative
2005 Advisor, Korea Chamber of
Commerce & Industry in Japan**CHAN-HEE JIN****Date of Birth**

June 10, 1955

Current PositionDeputy President,
Shinhan Financial Group**Education**

BA in Statistics, Korea University

Main Work Experience2002 Head of Human Resources
Development Center, Chohung Bank
2007 Executive Vice President
and Head of Treasury &
Global Banking Group, Shinhan Bank
2009 Deputy President,
Shinhan Financial Group

BOD AND MANAGEMENT (Subsidiaries)

SHINHAN BANK

President & CEO

Baek Soon Lee

Outside Director

Sang Hoon Shin

Sung Ho Wi

Jae Ha Park

Cheol Soon Park

Joon Kyung Kim

Kyu Min Lee

Hee Jin Lee

Hirakawa Haruki

Director & Standing Auditor

Woo Jong Won

Deputy President

Jeum Joo Gweon

Chan Park

Hyung Jin Kim

Young Hoon Lee

Sung Rack Lee

Executive Vice President

Dong Dae Lee

Se Il Oh

Yong Byoung Cho

Jong Bok Moon

In Jong Joo

Young Oh Seol

JEJU BANK

Chairman of the Board of Directors & President

Chang Kee Hur

Director & Standing Auditor

Sam Jin Whang

Outside Director

Hisamatsu Genjo

Byung Ok Choi

Sung Hyo Ko

Seung Ik Ko

Deputy President

Heung Bo Kim

Sung Kyo Suh

SHINHAN CARD

President & CEO

Jae Woo Lee

Non-Standing Director

Sang Hoon Shin

Standing Auditor

Ihn Nam

Outside Director

Sang Yong Park

Byung Ho Kang

Young Rae Cho

Chan Hee Jin

Jahng Shick Bahn

Ho Joo Shin

Deputy CEO

Hee Geon Kim

Chun Kuk Lee

Jae Gwang Soh

Jong Cheol Kim

Byung Gook Song

SHINHAN INVESTMENT CORP.

CEO

Hyu Won Lee

Standing Auditor

Ki Seung Jung

Outside Director

Sung Ho Wi

Kyung Ho Kim

Hae Ik Rhee

Cheol Gon Park

Vice President

Jin Kook Lee

Kyung Eun Yoon

Byung Kuk Rhee

SHINHAN LIFE INSURANCE

President & CEO

Jin Won Suh

Standing Auditor

Soon Bae Soh

Outside Director

Sang Kyun Lee

Hwa Nam Kim

Jung Bo Lee

BuhmSoo Choi

Vice President

Byung Chan Lee

Jeong Kun Lee

Ki Won Kim

Ho Kyung Bae

Jae Gun Bae

Cheon Sik Lee

SHINHAN CAPITAL

CEO

Do-Heui Han

Auditor

Young-Soo Paek

Non-Executive Director

Hyo Il Lee

Sam Yong Lee

Deputy President

Sun-Yeol Song

Young Sup Hwang

Chun-Bae Kim

SHINHAN BNP PARIBAS AMC

CEO

Bhang Gil Choi

Deputy CEO

Patrick Mange

Non-Executive Director

Jean Audibert

Outside Director

Max Diulus

Buhmsoo Choi

Sam Yong Lee

Hyo Il Lee

Executive officer

Seung Tae Kang

SHINHAN DATA SYSTEM

CEO

Jung Won Lee

Auditor

Dong Seung Jang

Non-Executive Director

Hyo Il Lee

Se Il Oh

SHINHAN CREDIT INFORMATION

CEO

Joo Won Park

Auditor

Kang Mo Lee

Non-Executive Director

Sam Yong Lee

Chun kuk Lee

SHINHAN PRIVATE EQUITY

CEO

Jin Yeong Lee

Auditor

Jin Ho Chang

Non-Executive Director

Sung Ho Wi

Chan Hee Jin

SHINHAN MACQUARIE FINANCIAL ADVISORY

Chairman

John William Walker

Representative Director

Jae Kyun Lee

Auditor

BuhmSoo Choi

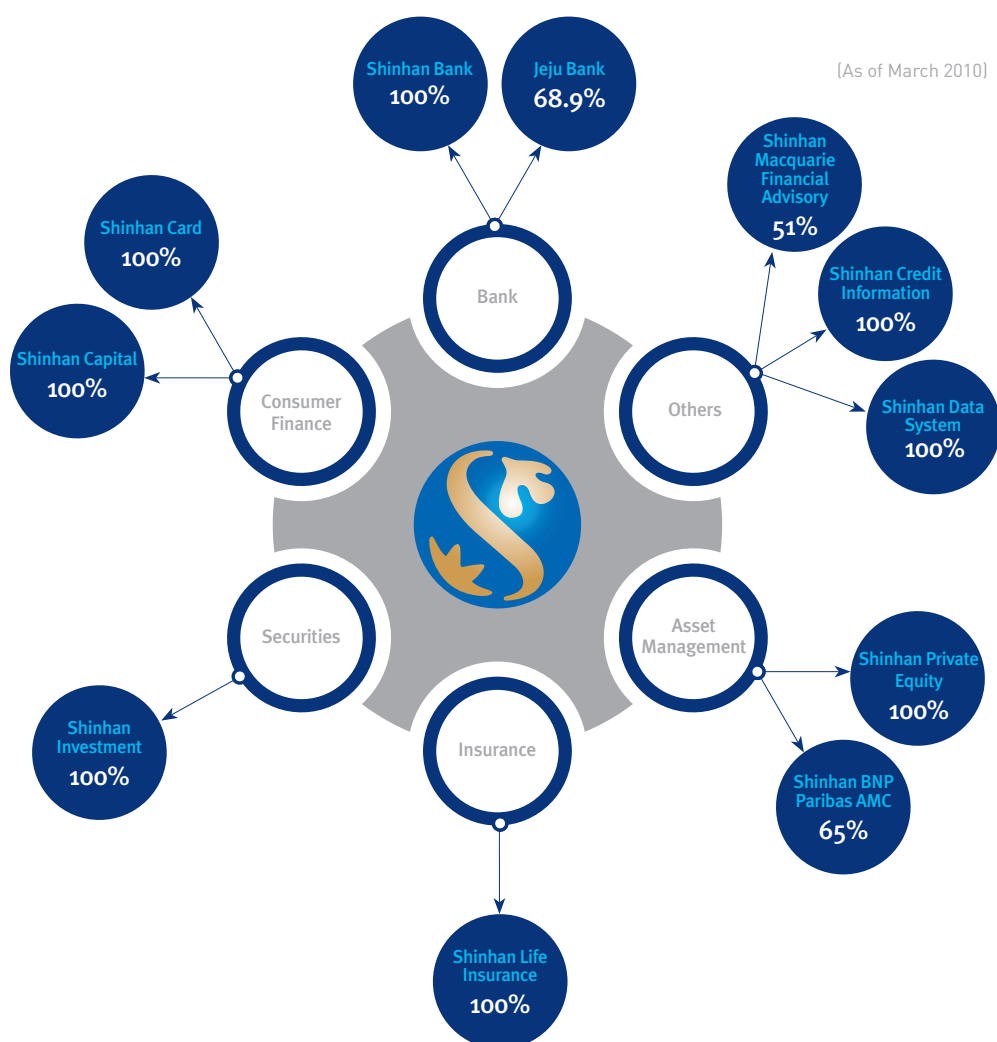
Non-Executive Director

Hyu Won Lee

Hyo Il Lee

BUSINESS PORTFOLIO

Shinhan Financial Group has established a well-balanced businesses portfolio through strong organic growth and inorganic acquisitions. Our portfolio enables us to develop and introduce a wide range of hybrid financial products that provides more value to customers. Also, this diversification in business is what makes our business more profitable, less volatile and sustain growth.



SHINHAN WAY

We have redefined the “Shinhan WAY” declaring it to be the path on which we will not only continue our elements of success but also secure new momentum for further growth.



We declared the Shinhan WAY as the driving engine for its sustainable growth. Shinhan WAY will serve as the Group's guidelines in its pursuit to becoming a “world-class financial group.”

Shinhan WAY is a value system shared across the Group that encourages all employees to think and act as “One Shinhan” with confidence and passion.

Since its inception, Shinhan Financial Group has sustained remarkable growth, leaving an unparalleled mark on the history of the Korean financial sector. However, now faced with the current challenges of change and crisis both internally and externally, it is imperative that we seek new ways for a sustainable future. Therefore, we have redefined the “Shinhan WAY” declaring it to be the path on which we will not only continue our elements of success but also secure new momentum for further growth.

Comprised of the following three components, the Shinhan WAY has been developed to reflect Shinhan's “Success DNA,” as well as improve internal issues and strategic values in response to changing external factors.

Shinhan WAY Business Principles

The first component of the Shinhan WAY is “Business Principle,” which serves as the basis for the Group's management decisions.

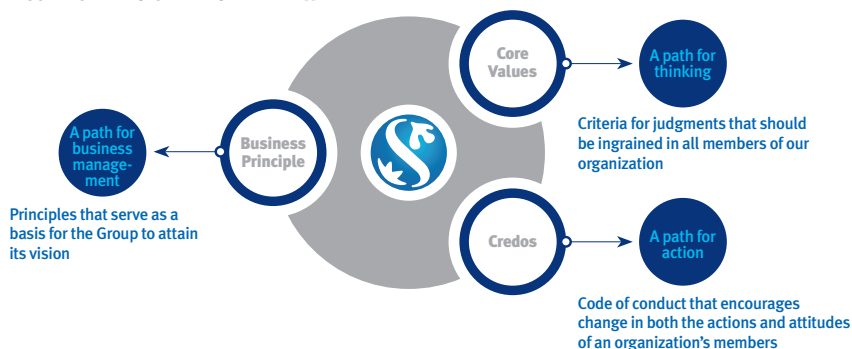
- We place top priority on creating value for customers.
- We practice business in the “Right Way” (Jeongdo Management) and faithfully fulfill our social responsibility.
- We value and nurture talented people.
- We strive to generate Group synergy.

Shinhan WAY Core Values

With these business principles, five core values have been established that not only highlight the identity and belief of the Group but also promote solidarity among all our employees.

- | | |
|-------------------|---|
| Customer | - We always think and act from the perspective of our customers based on honesty and trust so as to grow hand-in-hand with them, while at the same time faithfully fulfilling our social responsibility towards all members of society. |
| Respect | - We strive to maximize organizational cohesiveness and promote common development by promoting mutual respect among all the Group's subsidiaries, departments and individuals. |
| Change | - We aim to secure differentiated competitiveness by taking creative approaches that further set us apart from our competitors and increase opportunities for sustainable growth. |
| Excellence | - We set challenging goals in order to become the best in what we do and act swiftly and resolutely to attain those goals through expertise, passion, and a pioneering spirit. |
| Ownership | - We carry out our work with a strong sense of responsibility as we believe our organization's growth is closely correlated to personal growth. |

* COMPONENTS OF THE SHINHAN WAY



Shinhan WAY Credos

The third component of the Shinhan WAY is credos, a set of behavioral guidelines for employees regarding their practice of the Group's core values.

Customer

- Trust: Based on trust and sincerity, we listen to what our customers have to say and think and act accordingly.
- Differentiated services: We strive to offer products and services that exceed customer expectation both in context and timing.
- Partnership: We do everything we can to help our customers succeed as we know that their success is our success.
- Contribute to society: We recognize our responsibility as a corporate citizen, proactively participating in various social contribution activities.

Respect

- Greater emphasis on communication: We uphold candid communication within the organization.
- Fairness: We treat all members of the organization fairly without prejudice or bias.
- Teamwork: We work together to achieve a common set of goals by fulfilling each of our roles and responsibilities.
- Pursuit of common interests: We explore new ways to maximize our common interests and co-operate with each other with respect and consideration.

Change

- Creative thinking: We constantly aim to discover better ways of conducting business by seeing through stereotypes and overcoming obstacles.
- Innovation: We are committed to fundamental change in order to improve and reinvent ourselves.
- Competitive advantage: We aim to differentiate ourselves so as to gain a competitive advantage.
- Constant improvement: We will not become complacent but instead continuously strive to improve our organization.

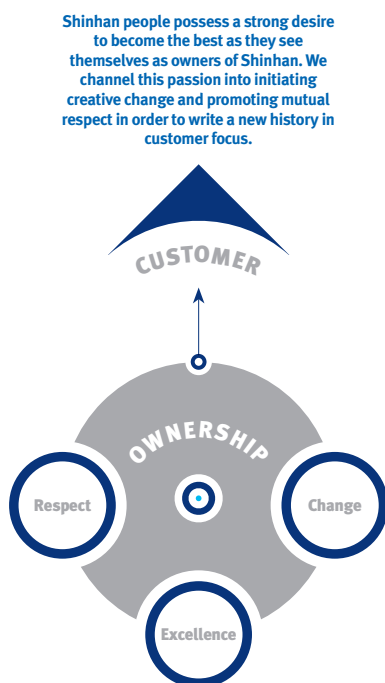
Excellence

- Challenging goals: We set challenging goals and create unique and specific ways in which to achieve them.
- Strong execution: With a winner's spirit to motivate us, we achieve our goals through strong execution.
- Self-development: Through education and ceaseless effort we strive to become the best in our field.
- Overcoming crisis: We will not give in to the fear of failure when faced with difficulties, but rather put ourselves up to the task again and again.

Ownership

- Pride: We take great pride in being a member of Shinhan as well as in our work.
- Self-initiative: We will constantly aim to take the initiative while spreading our enthusiasm to do so to others.
- Fun: We strive to create a working environment full of fun and energy.
- Responsibility: We have a clear understanding of our roles and strive to fulfill them with a sense of mission and responsibility.

We declared the Shinhan WAY as the driving engine for our sustainable growth. Shinhan WAY will serve as the Group's guidelines in its pursuit to becoming a "world-class financial group."



STANDING OUT IN THE CROWD

When the global financial crisis unfolded, Shinhan Financial Group was led by an experienced and instrumental management with proven track records and a clear long-term target.







STAND

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AN EXPERIENCED MANAGEMENT TEAM WITH A LONG-TERM VISION AND STRATEGY

When the global financial crisis unfolded, Shinhan Financial Group was led by an experienced and instrumental management with proven track records and a clear long-term target. As a result, the Group continued to deliver robust earnings leading the industry in terms of net income for two consecutive years. The quality and strength of Shinhan Financial Group's management is what makes the Group stand out in the crowd.

MARKET CAP (KRW in trillions)



OVERCOMING THE CRISIS, BACKED BY A STRONG RISK MANAGEMENT SYSTEM

As is the nature of the banking business, certain risk must be taken. Pricing such risk appropriately is how our businesses work. The key, however, is to identify, quantify and control such risks under an allowable level. Shinhan Financial Group's capability to do so is outstanding. Even before this crisis, Shinhan Financial Group emphasized risk management as a top priority and integrated it into all aspects of daily operation. Going forward the Group will further refine its established risk management strategies and policies, hardware systems and search for areas of improvement and upgrades.



VISION AND STRATEGY

As a financial group, we will fully utilize our differentiated strengths in the process of developing hybrid financial products as representative products. In addition, while securing product leadership in the fiercely competitive hybrid product market, we will elevate our Group-wide joint marketing campaign in order to increase cross-selling within the Group.

2010 MANAGEMENT PLAN & STRATEGY

In 2010, while the overall economy recovery is gaining momentum, accumulated household debts and a lagging recovery in employment still put pressure on domestic consumption and thus will slow the pace of the real recovery. However, exit strategies are now being discussed, with the key agenda being the timing of such measures.

With this in mind, Shinhan Financial Group has set its management goal for 2010 as “Trust 2010: Sustainable Future, Reliable Shinhan,” reflecting the shift of the Group’s focus to maximizing long-term corporate value. Below are the four strategic missions we plan to follow;

Build a foundation for sustainable business

For a business to succeed in the long-term, fulfilling its duties as a corporate citizen is just as important as delivering a strong performance. Therefore, Shinhan Financial Group will take the initiative in promoting social activities regarding the environmental and social issues alongside its efforts to secure sustainable growth.

While further revisiting its balanced business line-up and stable revenue structure to promote sustainable growth, the Group will also establish a Group-wide Corporate Social Responsibility (CSR) management practice as well as an open communications system for stakeholders in order to strengthen its reputation and brand value as a leading financial group.

In terms of risk management, the Group has conducted an extensive project to upgrade its group-wide risk management system. Through this, individual competence, system and culture were identified as areas for further possible improvement and which the Group intends to revamp. Furthermore, the Group will introduce a corporate culture that best fits its stature and business portfolio, constituting its differentiated competitiveness and vision.

Pursue customer-oriented business

During the crisis, relations with customers were nowhere near what we had experienced in the past. The Group intends to rebuild these relations by introducing initiatives that are more customer-orientated, such as changing the perspective of our processes. For instance, compliance system and sales process, the basics of how we conduct business with customers, will be redesigned to best fit the interests of our customers.

**Build foundation
for sustainable business**

- * Enhance reputation and brand value
- * Have risk management take firm root
- * Rebuild corporate culture
- * Pursue qualitative growth

**Differentiated growth
in strategic markets**

- * Build green finance capability
- * Continue to pursue global growth
- * Identify and take an early command of promising markets
- * Pre-emptive response to changes in financial environment

**Pursue
customer-oriented business**

- * Build stronger customer trust
- * Customer retention through value creation
- * Upgrade core competences and infrastructure
- * Upgrade relationship marketing

**Generate
market-leading synergy**

- * Develop signature products
- * Build IB synergy model
- * Share and expand capability and network
- * Increase efficiency of the Group's operation system

Another important mission for 2010 is upgrading the Customer Relationship Management (CRM) system. By doing so, the Group will be able to increase its understanding of customer needs and thereby enhance marketing skills and approaches. Once this CRM system upgrade is successfully completed, we expect an increase in customer information sharing within the Group and a sales force upgrade in terms of success rate as timely and appropriate products and services will be offered.

Differentiated growth in strategic markets

With environmental issues raising concern around the globe and the need for a collective response, Shinhan Financial Group plans to strengthen its business competencies in green financing. We intend to establish a Group-wide neutral carbon emission plan in order to pursue eco-friendly management and participate in environment activities. In addition, to provide incentives for our customers in green industries, we will foster analysts and experts to properly assess the industry, as well as introduce carbon credit markets and other related business opportunities and expand our green financing product-line.

Furthermore, in order to breakthrough the limited growth of the Korean financial industry which is in a mature phase, the Group will select target markets in areas of convergence as well as the global arena, and establish a differentiated strategy for success. Once set, the Group will mobilize the core competencies of each subsidiary and provide these subsidiaries with all-out support in order to ensure consistency in those target markets.

Generate market-leading synergy

Until now, by leveraging its diversified business line-up, the Group was able to outperform its peers in terms of synergy creation. Nevertheless, the Group intends to raise this up to a new level and further differentiate is synergy creation.

As a financial group, we will fully utilize our differentiated strengths in the process of developing hybrid financial products as representative products. In addition, while securing product leadership in the fiercely competitive hybrid product market, we will elevate our Group-wide joint marketing campaign in order to increase cross-selling within the Group.

The Group also plans to revisit the vision and future direction of its IB business in order to reinforce the competitiveness of its IB business sector and secure its competitive competence and infrastructure. At the same time, the Group will further enhance its operational system efficiency and continue to develop the shared service areas of its subsidiaries, maximizing its value and enhancing its leading position within the financial industry.



OUTSTANDING
TO OUTPERFORM

STANDING OUT IN THE CROWD

CORPORATE GOVERNANCE

Shinhan Financial Group conducts fair and responsible corporate governance in order to offer more value to stakeholders and shareholders and become a world-class financial group.

Shinhan Financial Group conducts fair and responsible corporate governance in order to offer more value to stakeholders and shareholders and become a world-class financial group. Focus is being placed on streamlining the Group's ownership structure by making use of the most advantageous characteristics of a holding company and enhancing the transparency of the Group's decision-making structure.

Composition of the BOD and sub-committees

Shinhan Financial Group places the highest priority on strengthening the professionalism and independence of the BOD. To increase the professionalism of the BOD, eight outside directors have been appointed. These eight outside directors are regularly monitored in regards to their independence and support of the Group's general business operations.

The sub-committees of the BOD enable individual directors to be fully incorporated into various BOD activities. Each committee is specifically designed to represent the interests of stakeholders, shareholders in particular, as well as keeping the business operations of the executive management in check and providing constructive alternatives to practices and problems. To assist with their fiduciary duties as board members, a BOD secretariat providing transparent information on corporate management and explanation of BOD's agenda has been put in place.

Board Steering Committee

Comprised of five directors, the Board Steering Committee deliberates on matters relating to the governance structure of the company. This includes recommending members of the committee for the BOD and executive director candidates, excluding outside directors, as well as deliberating on the appointment and dismissal of members of the executive management, excluding company directors, and making decisions on other BOD operation-related matters.

Risk Management Committee

Composed of three directors, this committee develops basic risk management policies in line with management strategies, as well as giving approval for appropriate investment or loss tolerance limits.

Audit Committee

The Audit Committee is comprised of three directors, including one accounting expert. It oversees and audits the company's accounting and audit work, and features an auditing team within the holding company which assists in conducting efficient audit work.

Compensation Committee

Comprised of three directors, this committee evaluates the company's executive management, as well as makes decisions regarding the compensation system.

Outside Director Recommendation Committee

This committee is only assembled when necessary, and is charge of recommending outside director candidates and all other matters with regards to such recommendations.

Audit Committee Member Recommendation Committee

Composed entirely of outside directors and only assembled when necessary, this committee recommends candidates for the company's audit committee and makes all relevant decisions regarding this.

*** COMMITTEES OF THE BOARD OF DIRECTORS**

Board Steering Committee	Risk Management Committee	Audit Committee	Compensation Committee
Eung Chan Ra (Chair)	Shee Yul Ryoo (Chair)	Ke Sup Yun (Chair)	Byung-Il Kim (Chair)
Shee Yul Ryoo	Ke Sup Yun	Yo Koo Kim	Shee Yul Ryoo
Byung-Il Kim	Philippe Aguiñier	Sung Bin Chun	Ke Sup Yun
Sung Bin Chun			
Haeng Nam Chung			

Outside Director Recommendation Committee and Audit Committee Member Recommendation Committee will be formed when deemed necessary

RISK MANAGEMENT

The Group manages the various risks it faces through a semi-matrix type management system which integrates the check and balance of the Group and its subsidiaries, thus enabling the comprehensive management and efficient adjustment of risk management at the Group level.

Shinhan Financial Group has instituted a Group-wide risk philosophy for its employees, stating that, “All employees shall possess a sense of risk management and pursue a balance between risk and return in their day-to-day business practices.”

Based on this philosophy, the Group manages the various risks it faces through a semi-matrix type management system which integrates the check and balance of the Group and its subsidiaries, thus enabling the comprehensive management and efficient adjustment of risk management at the Group level.

The embedded risk philosophy and effective credit risk management were the pillars that enabled us to successfully weather the perfect storm of the financial crisis, allowing us to defend our asset quality even at times when risk levels were at their historically highest. In addition, even before the crisis, these measures had provided us with an early warning sign regarding pro-cyclical companies in 2008. This allowed the Group to adjust credit extended to those companies and reconfigure the portfolio mix in advance, which in turn led to less exposure to troubled corporations and thereby reduce a hefty credit cost to our operation.

Differentiated group risk management tools

- **Adhering to Group risk philosophy and principles**
Daily operations are conducted using the Group's risk philosophy and seven main principles, so as to consider the potential risk aspects ahead of time.
- **Adopting risk tolerance**
Risk tolerance, defined as the allowable level of risk, is set per subsidiary and per business segment based on the analysis of possible losses. Subsidiaries must manage their operations to ensure they run under this level and are not vulnerable to concentration risk, and therefore implement various limit control systems.
- **Group-wide comprehensive risk monitoring system**
There is a comprehensive monitoring system in place that collects mass information, from both external and internal sources, and assesses the current risk management status. This system enables the Group to identify, analyze and assess any potential risk factors and major issues of the Group, and helps address them before they turn into a concern.

*** GROUP ASSET QUALITY INDICATORS**

	2008	2009
Precautionary and below	2.4%	2.9%
NPL ratio	1.1%	1.3%
Delinquency ratio (Bank)	0.7%	0.4%
(Card)	3.1%	2.7%

*** GROUP RISK MANAGEMENT HIERARCHY****- A Group-level Risk Expert Network (REN)**

In order to enhance its overall risk management capabilities, the Group has assigned a team of risk experts, each of whom have extensive experience and knowledge, to take charge of the Groups' risk education and competence-building.

Organization

The Group's risk management organization is comprised of the Group Risk Management Committee, Group Risk Management Council, Chief Risk Officer and Group Risk Management Team, as well as the respective risk management committees and teams of each subsidiary.

- Group Risk Management Committee

Comprised of outside directors from the holding company, the committee makes decisions on the following:

1. Establishing basic risk management policies consistent with management strategies
2. Establishing risk limits for the Group and each subsidiary
3. Approving appropriate investment limits or allowed loss limits
4. Enacting and amending risk management regulations

- Group Risk Management Council

Comprised of the Group's chief risk officer, risk management team head, and risk officers from each subsidiary, the council deliberates on various risk-related issues of the Group and its subsidiaries in order to maintain consistency in policies and strategies, including the following areas:

1. Determining risk appetites for the Group and its subsidiaries
2. Matters related to the risk limits of the Group and its subsidiaries
3. Matters related to the operation of the Group and its subsidiaries' risk measuring systems
4. Matters requiring joint deliberation in relation to risk management at the Group level
5. Risk management matters related to providing funds to subsidiaries

- Group Chief Risk Officer (Group CRO)

Aiding the Group Risk Management Committee, the Group's CRO implements risk policies and strategies, as well as ensuring consistency among the subsidiaries. Furthermore, the CRO evaluates the risk officers of each subsidiary in addition to monitoring the risk management practices of each subsidiary.

- Group Risk Management Team supports the Group CRO

The risk management committees and organizations of the subsidiaries implement their respective risk policies and strategies in line with those of the Group's own risk management policies and strategies. Furthermore, they also report to the holding company regarding risk management practices, as well as control any possible risks and improve the risk management systems.



OUTPERFORMING THROUGH BALANCE

SFG has established a well-balanced business portfolio both in banking and non-banking areas with our non-banking portfolio accounting for 60.0% of our net income in 2009.



OUTPERFORMING THROUGH BALANCE

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A WELL-DIVERSIFIED BUSINESS PORTFOLIO WITH SOUND PROFITABILITY

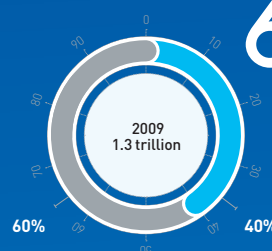
Established as Korea's first privately founded financial holding company, Shinhan Financial Group (SFG) has developed itself toward a premier financial institution with a comprehensive financial solution. Through our eleven subsidiaries, SFG has established a well-balanced business portfolio both in banking and non-banking areas with our non-banking portfolio accounting for 60.0% of our net income in 2009.

As our track records indicate, SFG has demonstrated outstanding profitability in responding to the market situation and further gained the market's confidence by focusing on balanced growth in spite of audacious financial environment. SFG is truly well-positioned to deliver consistent and sound performance even in unfavorable circumstances.

SFG continuously provides a comprehensive financial solution by leveraging the strengths of our diversified business platform to maximize synergies, and most importantly to create sustainable value for our stake and share holders.

NET INCOME CONTRIBUTION

● Non-Bank ● Bank



60% : 40%



SYNERGY



We set forth our strategic goal to “create customer value through synergies.” In detail, our mission was to improve cross-selling among the Group’s 24 million customer base, to further underscore the foundation for synergies to enhance customer value, to upgrade the Group-wide integrated CRM capacity, and to increase joint marketing of the Group’s subsidiaries.

Shinhan Financial Group’s synergy model has been designed under the concept of helping our customers satisfy their diverse financial needs through the Group’s business portfolio - a well-balanced and efficient platform of banking and nonbanking subsidiaries. The key to successfully realizing this is having a good understanding of our customers, and we believe that we are well equipped to do this, both in software; with a large pool of customer data, and hardware; with a nation-wide network of 1,400 branches.

So, how are we able to create synergy? First, we introduce a pool of products for our non-bank subsidiaries, most of which do not have a point of direct contact with customers, through our banking channels. From the feedback of these sales, our people, who work in different fields and thus possess different knowledge bases and backgrounds, team up to develop new and better financial products that cater to the changing needs of our customers. If the customers, personal clients or corporate, like the product and feel it is worthwhile, they will then introduce it to others. The Group supports these activities using an integrated Customer Relationship Management (CRM) system, which maximizes use of the Group’s customer information and enables systematic customer relationship management

Although we have earned the title ‘market leader’ in this synergy field, we still feel there are areas that can be improved and developed. That is why we will remain focused on market developments and change in order to better serve our customers.

2009 SYNERGY ACCOMPLISHMENTS

At the beginning of 2009, we set forth our strategic goal to “create customer value through synergies.” In detail, our mission was to improve cross-selling among the Group’s 24 million customer base, to further underscore the foundation for synergies to enhance customer value, to upgrade the Group-wide integrated CRM capacity, and to increase joint marketing of the Group’s subsidiaries.

Furthermore, in 2009 we improved our evaluation system to accommodate the change in perspective of our synergy sales, where true customer value matters more than merely the number of cross products sold. In line with this, the Group also revamped its sale procedures and processes to warrant a perfect sale that takes into account the risk appetite of customers. In addition, we analyzed our CRM capacity system to search and develop areas for further possible upgrade. New synergy products were added to the product line thanks to the joint effort between the Group’s subsidiaries. For instance, the “S-MORE” points bank passbook and credit card are a hit synergy product of Shinhan Financial Group and integrate the best features of the subsidiaries’ services.

In terms of profit, synergy profits of the Group stood at KRW 525.7 billion for 2009, down 11.2% year-

*** GROUP SYNERGY FINANCIAL PERFORMANCE** [KRW in billions]

	2006	2007	2008	2009	YoY
Mutual Funds	139.8	316.8	251.8	226.4	-10.1%
Credit card	46.8	71.7	128.1	148.1	15.6%
Insurance (Bancassurance)	58.9	61.9	79.7	47.6	-40.3%
FNA	40.0	61.9	43.6	53.7	23.2%
IB	67.6	76.0	88.5	49.9	-43.6%
Total	353.1	588.3	591.7	525.7	-11.2%

on-year. However, this drop is attributable to a 10.1% decline in fund sales profits following weak investor sentiment after the global financial crisis, and a 43.6% drop in IB-linked sales profits, as well as a 40.3% drop in insurance premiums written due to the spin-off of Cardif Life Insurance. However, credit card profits grew by 15.6% since its incorporation in 2008, and FNA profits, a hybrid product of bank and financial investment, rose 23.2%.

Meanwhile, the Group's synergy mission increased the cross-selling client base by 1.63 million from the previous year. As a result, approximately 13 million of the Group's client base maintains transactions with at least two of its subsidiaries, establishing a better holding of customers' needs.

2010 SYNERGY MARKETING PLAN

In 2010, we have set the Group synergy strategic goal to "generate a market-driven synergy performance", with the following four core missions;

First, we will apply different cross-selling marketing strategies for different clients. That is, for key customers our sales focus will be placed on enhancing synergy quality by further developing products and services that fit their needs. At the same time, we will also draw on the vast channels of our subsidiaries to promote marketing activities in order to search for more eligible customers. Furthermore, we will strive to develop and introduce more synergy products and fortify joint marketing, reflecting changes in demographics, financial needs and life-cycle stages.

Second, we will further enhance market leading products and services. In order to further strengthen our market leadership position in the synergy field, we will launch key synergy products and foster market leadership in all our business arenas. While integrating the strengths of the S-MORE products with the products of each subsidiary, we will first consider the synergy potential of a new product before bringing it onto the market.

Third, we will find ways to increase the application and use of the Group-wide integrated CRM system. Based on the existing CRM system, we will enhance EBM-centric marketing activities in step with changes in the pattern of customer behavior. In addition, we will employ a group-wide training system so as to educate employees about the application and use of the CRM system.

Finally, we will work on creating a culture that prioritizes synergy and contributes to synergy profit generation. By spreading the "One Shinhan" corporate culture from top to bottom, we will spread joint marketing between subsidiaries for mutual success.

*** 2010
GROUP SYNERGY
STRATEGIES**

RETAIL BANKING



Under the business strategy of “Retail ABCI: recovering customer confidence to strengthen future competitiveness,” our retail banking executed a four-pronged key mission in 2009; improving asset quality through risk management, increasing profitability, enriching customer relationships and upgrading infrastructure.

Shinhan Financial Group provides retail banking services via Shinhan Bank and Jeju Bank. Retail customers include individual customers with less than KRW 500 million in deposit, proprietary businesses and non-external auditing corporate clients. As end of 2009, the Group's bank subsidiaries operated KRW 89 trillion in total loans and KRW 116.2 trillion in total deposits through a nationwide network of 767 branches.

MAJOR ACHIEVEMENTS IN 2009

Under the business strategy of “Retail ABCI: recovering customer confidence to strengthen future competitiveness,” our retail banking executed a four-pronged key mission in 2009; improving asset quality through risk management, increasing profitability, enriching customer relationships and upgrading infrastructure.

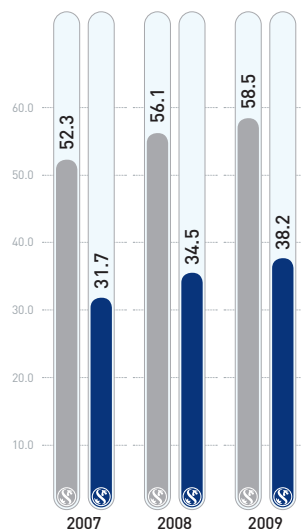
First, with risk management a key indicator of retail business soundness, the Group has strictly managed non-performing loans throughout the year by establishing an exclusive delinquency-control task-force team. Consequently, the Group realized the industry's lowest delinquency rate of 0.23% in household loans, while also completing a proactive loan review system by adopting a pre-emptive risk management approach.

Second, with the aim of enhancing profitability and asset soundness, the Group opted for selective and quality asset-oriented growth, realizing KRW 812.1 billion in pretax net income thanks to continuous improvements in net interest margin and commission income.

Third, in terms of upgrading Customer Relationship Management (CRM), the Group established a WM (Wealth Management) business group as well as centralized the CRM process into the marketing department. Furthermore, the Group established a customer management system by applying differentiated approaches to the segmented client groups of PB (Private Banking), MA (Mass Affluent), institutional, corporate and SMEs. In particular, through the upgrade of the “Shinhan Retail Way” for organized CRM, the group separately executed CRM and product marketing tasks, as well as provided standardized CRM activities to retail branches. As a result, “TOPS Premier Clients” achieved a sound 12% growth, or 21,510 customer increase, year-on-year, with active clients growing by 620,000 individuals.

**HOUSEHOLD LOANS AND
HOME MORTGAGE LOANS OF
SHINHAN BANK** (KRW in trillions)

● Household ● Mortgage



In particular, a total of 2.28 million new customers subscribed to housing subscription deposits, setting a platform for sustainable growth.

Fourth, the Group restructured its fund sales system in order to build an organized sales infrastructure, and improved productivity by expanding the number of teller's consultation windows and the scope of teller's operations. In particular the Group's computerization process - BPR (Business Process Re-engineering) system was expanded through the "BPR Level-Up" project, while cross-selling between face-to-face and non face-to-face channels and "Single View" Marketing further improved efficiency.

BUSINESS PLAN FOR 2010

In 2010, the retail banking sector of the Group sets its business strategy of "Retail Revolution 3.0." Under the slogan "Retail Revolution 3.0 Creative Challenge for Top Retail Banking," we set the following four strategies: expanding customer base, maximizing profits, strengthening basics, and innovating services.

First, we will expand our customer base.

We will expand our customer base, especially the number of active clients. To this effect, we will promote a cross-selling marketing strategy throughout the Group so as to expand customer base, particularly subscribers to our housing-subscription deposits and corporate pension, as well as attract new clients via non face-to-face channels. Furthermore, we will also phase in the Segment Program Manager (SPM) system for a more engaged and incremental approach to our customer base.

Second, we will maximize profits.

We will increase profitability through improved funding sources, such as pay-roll accounts and sweeping services, as well as installment deposit products, while enhancing the profitability of loans through appropriate risk pricing. We will also strive to increase synergy profits and commission income.

Third, we will strengthen the basic fundamental of the group.

We will further enhance customer reliance through ethical sales practices. We will maintain a stable loan-to-deposit ratio, establish a new paradigm for risk management, promote sales of installment deposits and corporate pension products, establish the "Retail Shinhan Way" and fortify the competence level of our employees.

Finally, we will pursue service innovation.

We will achieve service innovation through the management of innovative channels, reorganization of the teller operations, cross-selling between face-to-face and non face-to-face channels, strengthening and innovating customer relations and satisfaction, product development and brand management.

CORPORATE BANKING



In order to realize a strong corporate banking business platform amid adverse business environments caused by the global economic recession and the resultant risks of corporate client insolvencies, the corporate banking unit set a three-pronged strategic directions for 2009: improving customer base and asset portfolio, expanding the profit-generation base, and reinforcing a sound growth platform.

The corporate banking group of Shinhan Bank provides comprehensive corporate banking services to SMEs and large corporations through two departments at the head office and 142 sales branches nationwide. Corporate clients include large corporations, external auditing corporate clients, non-external auditing corporate clients with more than KRW 5 billion in sales, state-run corporations, financial institutions and investment banking clients.

The Group's corporate banking service includes electronic settlements, cash management services and corporate internet banking services in addition to the traditional corporate depository and loan services and foreign exchange products and services. In 2009, the corporate banking group integrated with the investment banking group to form the corporate business unit, enabling comprehensive corporate investment banking services in a single channel of business.

Featuring 377 industry-leading relationship managers with extensive expertise in corporate banking services, the corporate business unit is dedicated to providing our corporate clients with the best possible financial solutions. In 2010, the corporate banking group set its goal of becoming the "Industry's No.1 corporate banking service provider."

MAJOR ACHIEVEMENTS IN 2009

In order to realize a strong corporate banking business platform amid adverse business environments caused by the global economic recession and the resultant risks of corporate client insolvencies, the corporate banking unit set a three-pronged strategic directions for 2009: improving customer base and asset portfolio, expanding the profit-generation base, and reinforcing a sound growth platform.

Improving customer base and asset portfolio

By defining target markets and customer base, as well as fortifying target marketing on core target clients (large corporations/quality external auditing & non external auditing corporate clients), we were able to increase our market share of target customers by 0.2%p from 2008. In addition, we also strived to maintain an adequate level of asset quality by quick sales and write-offs of bad loans.

Expanding profit-generation base

With the aim of improving profitability, we reduced reverse margin and low-margin loans by KRW 6.8 trillion year-on-year, and therefore improving our net interest margin rate by more than 40 basis points year-on-year. We also reduced the portion of CD-linked loans to less than 40.0%, and thus readjusting our interest rate portfolio to an adequate level. In addition, we promoted deposit-taking bases, signifi-

cantly increasing deposits by KRW 7.8 trillion year-on-year. In regards to export-import transactions, aggressive marketing helped push our market share at the end of 2009 to 16.8%.

Reinforcing a sound growth platform

In order to reinforce corporate banking competencies, the Group trained relationship managers under its RM competence-building program. Meanwhile, our new integrated CMS product “Inside Bank” was launched to enhance efficiency in the capital management of corporate clients. At the same time, COP (Community of Practice) activities were encouraged to create differentiated customer services and types of content. The Group also mounted intensive target-marketing on large and public corporations by utilizing its multi-contact channels to expand its corporate pension trust pool, one of our long-term growth engine products. As a result, the Group’s corporate pension fund increased by KRW 472.4 billion.

2010 BUSINESS PLAN

In line with its strategic goal of becoming the “Industry’s No.1 corporate banking service provider,” the corporate banking unit has defined its 2010 strategic mission at “strengthening the growth platform to secure leadership in corporate banking.”

Improving customer base and asset portfolio

With the aim of taking the lead in the corporate banking sector, we will mount an aggressive marketing campaign to secure more quality large and public corporations. At the same time, we will continue target marketing activities in order to attract new SME clients. In particular, we will strengthen our marketing activities regarding green growth and new growth engine industries, such as those of secondary batteries, LED, green energy, low-carbon and high efficiency.

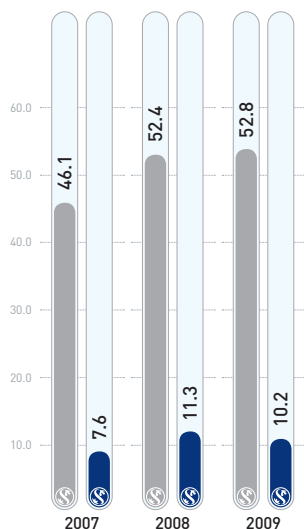
Reinforcing a sound growth platform

For intensive marketing regarding corporate pension trust, we operate CoP for our large and public corporation clients. In addition, we will also mount so-called, “High-Touch” marketing, in which our top management directly engages in marketing activities in order to become an industry-leading corporate pension operator. In the run-up to the launch of the new integrated CMS product “Inside Bank” in March 2010, we will also conduct intensive marketing activities, significantly increasing the number of subscribers and usage rate. Furthermore, we will reinforce our non-price competitiveness through differentiated customer services and improved content provision.

Expanding profit-generation base

By attracting the suppliers of large corporate for main banking transactions, we will improve our export/import transaction performances and fortify our base for SME foreign exchange customers through various activities, such as conducting foreign exchange seminars for SME counterparts. To that end, we will cooperate with the foreign exchange business department in order to support export/import transactions. In regards to active CIB and merchant banking business activities, we will reinforce our deal sourcing for premier clients at the branch office level. In addition, we will also expand joint high-touch marketing between the corporate banking and investment banking groups.

CORPORATE LOANS OF SHINHAN BANK (KRW in trillions)
● SME ● Large Corporate



CREDIT CARD



Our financial health remained sound throughout the crisis, with improvements in our delinquency rate and profitability particularly standing out. In 2010, we aim to reinforce market leadership through differentiated competitiveness of our soft strategy. We will also focus on building a strong balance sheet and healthy quality of assets, rather than competing for size.

Shinhan Card is a firm market leader in its field in Korea. With our expertise as the nation's largest credit card company and support from the family members of the Group, we were able to report more than 14 million active customers for the first time in Korea's credit card history. More importantly, this was achieved without sacrificing profitability thanks to pre-emptive, watertight risk management practices during the recent adverse business environment.

2009 MAJOR ACHIEVEMENTS

Improved asset quality through pre-emptive risk management

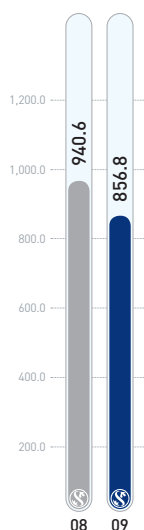
To prepare for worse-case scenarios that may arise in the aftermath of the economy recession and because of reduced household disposable income, we maintained a tight grip on risk management, eventually helping improve our asset quality. We reduced lending in riskier assets, such as cash advance and card loans, and upgraded our risk management system so as to detect early warning signs and establish countermeasures. As a result, our financial health remained sound throughout the crisis, with improvements in our delinquency rate and profitability particularly standing out.

Completed a differentiated synergy model

We provided various services and benefits by taking advantage of the Group's platform, something our competitors can only dream of. In October 2009, we launched a new "S-MORE" card, an innovative hybrid financial product that introduced a new notion of "point" management, and further expanded the marketing platform for cross-selling to the Group's customers.

Provided customized products and services

Based on in-depth analyses of customer lifestyles and consumption patterns, we developed customer-oriented products and services. For instance, we introduced an innovative product named HI-POINT NANO card – a card that doesn't have designated stores where you have to use it in order to get more mileage, but one that instead allows customers to design or select high mileage merchandise from their favorite shopping places. This was made possible thanks to our large distribution channels and franchise networks, which we believe is how we promote convenience and benefits to our customers. Our way of conducting business was widely recognized, as proven by us winning the "Customer Satisfaction Management Award" by the Korea Management Association for the third consecutive year.

NET INCOME
(KRW in billions)

2010 PLAN

Business environment

We believe that competition in the credit card business will further heat up, with late-comers employing high cost marketing campaigns in an attempt to penetrate the credit card market and expand their market presence. Furthermore, the pressure on merchant commissions and interest rates on cash advance services is increasing and may compromise the profit base of the company, while restructuring of the banking sector and convergence between financial and telecommunications businesses may change the very landscape of the industry. On the regulatory end, financial authorities are asking for disciplined credit policies, reduced competition and higher levels of consumer protection.

2010 Plans

In 2010, we aim to reinforce market leadership through differentiated competitiveness of our soft strategy. We will focus on building a strong balance sheet and healthy quality of assets, rather than competing for size. In order to do so, we plan to fortify market leadership, double our competitiveness in soft power for sustainable growth, optimize risk management, enhance group synergies, and develop future growth engines.

* SHINHAN CARD PERFORMANCES

	Effective Card holders (1,000 persons)	Net Income (KRW in billions)	Market Share
2009 Performance	14,324	856.8	23.6%

* SHINHAN CARD FINANCIAL STATUS

	Adjusted Capital Adequacy Ratio or CAR	Delinquency Ratio
2009-end	26.7%	2.67%

WEALTH MANAGEMENT



In 2009, SFG's WM Group solidified its platform for customer value creation in the asset management business, boasting a customer base numbering 200,000 individuals, a 12% increase year-on-year, and accounting for 42.7% of total deposits and 19.1% of total retail customer loans.

Shinhan Financial Group's Wealth Management (WM) group provides distinctive asset management services to High Net Worth Individual (HNWI) customers through the use of its extensive pool of experts in real estate, taxes and law. The WM group is comprised of three subdivisions; the WM Division, which offers services to customers classified as "TOPS Premier" due to their excellent transaction records; the Real Estate Division, an independent team established in 2010 which focuses on providing specialized consulting services to top-class clients in the areas of real estate and finance; and the Private Banking (PB) Division, which manages assets for HNWI customers with at least KRW 500 million in deposit with Shinhan Financial Group.

MAJOR ACHIEVEMENTS IN 2009

In 2009, the WM Division mobilized the VIP sections of its retail branches, the main sales channel of asset management, for a segmented marketing campaign targeting potential top-class customers. It also offered asset portfolios based on different risk characteristics of customers', thereby increasing SFG's Share of Wallet (SOW) and rebalancing the asset portfolio. The Division also strived for successful asset management and a competitive advantage by training its employees to provide effective asset management consulting services.

Reinforcing the platform for customer value creation

In 2009, SFG's WM Group solidified its platform for customer value creation in the asset management business, boasting a customer base numbering 200,000 individuals, a 12% increase year-on-year, and accounting for 42.7% of total deposits and 19.1% of total retail customer loans. In real estate services, the WM Group published a monthly report "Review & Prospect" in order to cultivate the consulting capabilities of its employees. The Division also adopted the "Building Manager (BM)" program as a re-employment program for retirees. Furthermore, the PB Division added two more PB centers in the district of Gangnam as well as the "Taepyeongno Gold Center" which specialized in services for overseas Koreans, bringing its nationwide network of PB centers to 19, 15 in Seoul and its vicinity and 4 in regional areas. The Division also developed financial products possessing lower risk and higher return, mainly through PB PEFs, further enhancing customer satisfaction. With KRW 10.9 trillion in net assets and a vast customer base of 4,000 HNWI with assets totaling more than KRW 1 billion, the SFG's PB Division further fortified its market leadership. The Division also topped the PB category in the 2009

*** SHINHAN BANK WEALTH MANAGEMENT BUSINESS PERFORMANCES**

	No. of Customers (1,000 persons)	Total Loans (KRW in trillions)	Total Deposits (KRW in trillions)
2009 Performance	226	15	43

Premium Brand Index conducted by the Korean Standards Association, the Chosun Daily and Seoul National University for the second consecutive year, as well as receiving the Best PB Center for 2009 award by Hankyung Business.

2010 BUSINESS PLAN

The WM Group set the strategic goal of "achieving remarkable growth and innovation in the top-class customer base" and devised the following three missions: expand the WM customer base, reinforce expertise of asset management and achieve both a qualitative and quantitative leap forward through optimizing the WM customer management base.

WM customer base expansion

The WM Group will expand its customer base by exploring new markets and expanding community banking and referral marketing. Intensive marketing focusing on top-class customers will help the Group attract new clients and expand its market share through specialized products and differentiated services.

Reinforcing expertise in asset management

For the systematic career development plan (CDP) management of employees, we will adopt a company-wide WM expert certification program, as well as a multi evaluation system regarding asset management capability. These systems will help the Group foster financial experts and upgrade our asset management capabilities.

Optimizing WM customer management base

In 2010, the WM Group will take on full-scale measures to optimize its customer relationship management by establishing around-the-clock WM customer management system, devising an exclusive program to enhance customer satisfaction and securing a differentiated brand image of SFG in WM services called Shinhan Premier Service. At the same time, the Group will increase non-interest income from the real estate business through specialized research and consulting services. To that end, the Group will redefine its up-selling process, reinforce its market research activities and differentiated real estate management marketing service and raise the success rate of its real estate brokerage.

BROKERAGE



In 2009, the company renamed itself Shinhan Investment, solidifying its brand image as a subsidiary of Shinhan Financial Group. The new name also encompasses new business areas that the Financial Investment Service and Capital Market Act opened.

Shinhan Investment is one of the leading market players in the brokerage business thanks to its outstanding research capability, industry-leading international and derivatives sales, stable commodity trading platform, advanced risk management and highly-trained employees. Through our extensive network of 110 branches nationwide and 3 overseas subsidiaries, we offer comprehensive securities services to both individual and institution clients.

MAJOR ACHIEVEMENTS IN 2009

Shinhan Investment posted an operating profit of KRW 39.0 billion and net income of KRW 44.2 billion in 2009. Despite strong performances in its traditional areas of strength, the net income of Shinhan Investment fell sharply from the previous year's KRW 156.3 billion due to additional provisioning for real estate project financing and Kumho Group restructuring.

Recovering stock markets and improving brokerage commissions

As the stock market began to recover from the global financial crisis in 2009, the annual Average Order Book Turnover (AOBT) totaled KRW 8.9 trillion, up KRW 2 trillion from 2008. As a result, Shinhan Investment recorded KRW 361.8 billion in brokerage profits and 5.37% in market share, outperforming our goal of KRW 291.8 billion and 5.12%, respectively. Our market share in futures and options, two traditionally strong areas, recorded industry leading figures of 8.30% and 9.45%, respectively. Furthermore, the National Pension Fund of Korea designated us the only domestic brokerage firm to provide overseas market brokerage services, and we plan to develop key competence in this area.

Expanding asset management business

After experiencing substantial losses during the unwinding of the global financial crisis and growing uncertainty, the indirect investment market fund shrank by 7.5% year-on-year to KRW 332 trillion. Nonetheless, our balance grew 22%, from KRW 10.9 trillion in 2008 to KRW 13.3 trillion in 2009, reflecting our strong sales effort. As a result, profits from these products increased 13%, from KRW 28.9 billion in 2008 to KRW 32.8 billion in 2009. These achievements can be attributed to our strategic direction and execution to expand customer base.

Strong global business

Shinhan Investment also demonstrated strong performance in global business, becoming the lead manager for the IPO of a number of Chinese companies – such as China Food Packaging, China Engine Group, and China Hao Ran. We were also the top player in underwriting foreign currency-denominated bonds.

*** SHINHAN INVESTMENT BROKERAGE PERFORMANCE** (KRW in billions)

	2008	2009
Brokerage commission income	295.7	361.8

Investment for the future

In the meantime, investments for a sustainable future continued. In 2009, the company renamed itself Shinhan Investment, solidifying its brand image as a subsidiary of Shinhan Financial Group. The new name also encompasses new business areas that the Financial Investment Service and Capital Market Act opened, such as asset management and investment banking business, thereby further broadening our scope of business.

2010 BUSINESS PLAN

With the Financial Investment Service and Capital Market Act beginning to take full-scale effect in its second year, many new innovative products, such as SPAC(Special Purpose Acquisition Company) and green financing are expected to enter the market. In the meantime, customers are demanding improved investor protection, particularly the establishment of an appropriate sale procedure. Therefore, it is critical we secure customer trust and realize fundamental change in order to secure new growth engines. Against this backdrop, we set our strategic goal for 2010 as “constructing a company-wide asset management synergy system.” In line with this goal, we have developed the following missions:

First, we will strengthen our retail business in terms of infrastructure, customer base and product competitiveness in order to build an “asset management fundamental.”

Second, our wholesale business sector will reinforce its competence in “network maintenance and sales” by realigning its global network, becoming a top five wholesale desk and establishing a futures-trading business platform.

Third, the IB business sector will strive to join the leading players, upgrade its commission-oriented profit model and secure a competitive edge in new business areas, such as SPAC and green financing in order to “enhance market position in the traditional investment banking sector.”

Finally, the trading business sector will strengthen its product line by expanding the supply of key products and completing infrastructure for commodity trading.

Furthermore, we plan to achieve our 2010 targets by improving research capacity, upgrading our risk management system in order to bring more check and balance, conducting a company-wide change management scheme and introducing new innovative practices.

In line with our mid-to long-term vision of becoming the “No. 1 financial investment company,” we will create a “solid platform on which to become a top 3 company by 2012 as well as fortify our asset management competencies.

INSURANCE



While the Korean insurance industry suffered stagnant growth in premium income and a fall in new subscriptions in 2009, we were able to increase monthly initial premiums income by 7.3% YoY, and ranked fourth in terms of premiums income. Despite increasing lapse and surrenders, premiums income went up by 9.7% YoY.

Shinhan Life Insurance is the insurance wing of Shinhan Financial Group. Founded in March 1990, Shinhan Life Insurance was incorporated into the Group in December 2005. With the vision to preserve the dreams and happiness of clients, Shinhan Life provides comprehensive and distinct insurance services through its network of 160 branches and 9,669 sales representatives, as well as the 1,204 dedicated office workers. Going forward, we will look for opportunities to expand through the Group's extensive network and grow as a solid insurance company that balances growth and substance.

MAJOR ACHIEVEMENTS IN 2009

Stable revenue stream

While the Korean insurance industry suffered stagnant growth in premium income and a fall in new subscriptions in 2009, we were able to increase monthly initial premiums income by 7.3% YoY, and ranked fourth in terms of premiums income. Despite increasing lapse and surrenders, premiums income went up by 9.7% YoY. Total assets amounted to KRW 10,054.7 billion, with net income recording KRW 174.0 billion, helping to contribute annual profits of more than KRW 100 billion to the Group. Our solvency margin ratio stood at 262.7% based on RBC measures, more than doubling the requirement set by the Financial Supervisory Service. Going forward, we intend to establish a more stable asset portfolio and sharpen our competitiveness in marketing channels.

*** SHINHAN LIFE INSURANCE PERFORMANCE** (KRW in billions)

	2008	2009	
		Performance	Growth rate
Monthly initial premium	67.5	72.4	7.3%
Premiums income	2,624.9	2,879.8	9.7%
Net income	139.2	174.0	25.0%
Total assets	8,517.3	10,054.7	18.1%
Solvency margin ratio	209.5	262.7	52.2%

Note) 2009 solvency margin ratio is based on the RBC.

2010 BUSINESS PLAN

For 2010, we have set our goal at “promoting differentiated growth and securing future competitiveness” and to this end, we have selected four missions: securing market-oriented sales competitiveness; identifying strategic new growth engines; building a platform for sustainable growth; and reinforcing synergy competences.

Securing market-oriented sales competitiveness

We will solidify our market position by introducing competitive products through a differentiated sales channel with better marketing skills. Furthermore, we will look into our selling practices and enhance our customer relations capability so as to strengthen customer relations.

Identifying strategic new growth engines

We will expand our operations in regional areas, opening branches in locations where high potential for growth is expected. Furthermore, we will closely monitor the business environment, especially on the regulatory end, so as to respond to changes and pursue new growth opportunities.

Building a platform for sustainable growth

In celebration of our 20th anniversary, we aim to enhance brand identity, and promote a strong and vivid corporate culture within. In addition, we will establish a stringent policy for risk management as well as upgrade customer satisfaction services, thereby building a platform with our customers for sustainable growth.

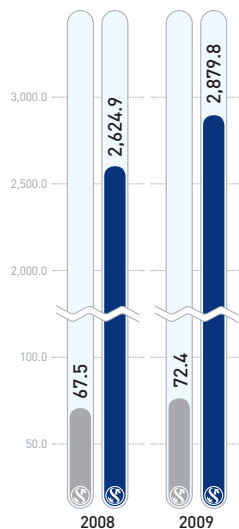
Reinforcing synergy competences

We will extend our businesses across the Group's broad customer base, promoting sales and participating in joint marketing with Group subsidiaries in the IB and corporate pension fund businesses.

SHINHAN LIFE INSURANCE PERFORMANCE

(KRW in billions)

● Premiums income ● Monthly initial premium



INVESTMENT BANKING



The IB Group set its business strategies at enhancing asset quality, improving profitability and activating a Corporate Investment Banking (CIB) business, while also focusing on the establishment of a mid-to long-term IB business model.

Strategically integrating the extensive competencies of Shinhan Bank in the commercial IB business and Shinhan Investment in the traditional IB business, Shinhan Financial Group's IB Division provides customized IB services catering to the diverse financial needs of corporate customers. Specifically, our IB services include total financial solutions ranging from M&A arrangement, IPO administration, corporate bond issuance, Leveraged Buy-Out (LBO) financing and Asset-Backed Securitization (ABS) to real estate financing, overseas project financing, and equity and venture investments. Furthermore, opened in October 2006 and achieving full-scale IB business operations in 2007, the Hong Kong IB Center offers financial arrangements and advisory services to Korean companies aspiring to advance into local markets, and successfully established itself in Hong Kong markets due to its competent services for Chinese and South Eastern companies through cooperation with the other global IB firms.

MAJOR ACHIEVEMENTS IN 2009

Despite the global financial crisis and economic recession in 2009, the IB Group set its business strategies at enhancing asset quality, improving profitability and activating a Corporate Investment Banking (CIB) business, while also focusing on the establishment of a mid-to long-term IB business model.

Enhancing asset quality

The IB Group realized gross operating income of KRW 169.3 billion, pretax income of KRW 113.6 billion and outperformed its new deal operating income ratio by 5%, further increasing profitability. Our delinquency ratio was a mere 0.2%, with a substandard and below ratio only 0.9%, showing a competitive asset quality condition that stands comparison even against leading global financial institutions.

Building up employees' competences

We first adopted the CIB business model in 2009, and in cooperation with the Corporate Banking Group, we will further promote our communication channels by arranging CIB breakfast meetings, conducting meetings with corporate banking branches and operating an IB business Help Desk. In the meantime, we have adopted a "Deal Case Study" scheme as well as published a work manual in order to help strengthen employee competence.

Establishing an effective risk management system

In addition, we also constructed a preemptive and comprehensive risk management system. While operating an "Asset Quality Control Emergency Council," we launched a preemptive risk consultation council called "IB Deal Council" as well as instituted guidelines regarding the operation of real estate PF and ship financing.

*** SFG RANKING IN THE KOREA SYNDICATED LOANS MARKET**

Mandated Arranger			
	Rank	Mkt. Share (%)	Amount (USD in millions)
2009	4	6.4	962
2008	2	16.4	4,568
Book Runner			
	Rank	Mkt. Share (%)	Amount (USD in millions)
2009	4	9.0	877
2008	1	20.1	3,625

Source: Bloomberg

2010 BUSINESS PLAN

The IB Group set its strategic goal for 2010 as “laying the foundation to become the No. 1 IB player.” In line with this goal, we devised the following four missions;

Expanding deal sourcing and enhancing mediation role

While diversifying deal sourcing products and channels, we will mount a pre-emptive marketing campaign on selected target customers in the IB business sector. Also, we will proactively expand pre-sales activities tailored to customer needs. And, we will centralize and expand our syndication business to build strategic partnerships with various institutional investors, and develop various market networks.

Maximizing profits

We will actively reinforce our capability to develop new revenue sources by pursuing new business areas both domestic and overseas, such as SOC projects in emerging markets and overseas plant and cross-border acquisition financing. In doing so, we will fully utilize the resources and infrastructure of the Hong Kong IB Center in order to establish a global business model and provide diverse financial solutions. At the same time, we will maximize the profitability of conventional business areas by increasing our deal arrangements in cash-generating businesses, such as M&A, real estate and structured financing.

Establishing an innovative risk management system

We will build up a systematic preemptive risk management system by completing a checklist for new IB deals and complying with guidelines. Moreover, we will diversify our risk management capacity through organic collaboration with the middle and back offices and systematically monitor markets, industries and corporations as well as providing preemptive responses to risk factors.

Building up the strongest IB infrastructure

We will maximize our human resources competences through customized training programs, and career road maps for competence development, as well as foster junior IB players. In addition, we will build up our research capacity through cooperation with other subsidiaries of the group, including Shinhan FSB Research Institute.

OUTSTANDING
TO OUTPERFORM

ASSET MANAGEMENT

OUTPERFORMING THROUGH BALANCE



Shinhan BNPP AM combines BNP Paribas's knowledge and experience in the international asset management market and SFG's strong sales network in the domestic market. Current assets under management (AUM) total KRW 32 trillion, ranking us third among the 80 asset management companies in Korea.

In January 2009, the Group merged the former Shinhan BNP Paribas ITMC and SH Asset Management into the new Shinhan BNP Paribas Asset Management (Shinhan BNPP AM). With SFG holding a 65% share and BNP Paribas a 35% share, Shinhan BNPP AM combines BNP Paribas's knowledge and experience in the international asset management market and SFG's strong sales network in the domestic market. Current Assets Under Management (AUM) total KRW 32 trillion, ranking us third among the 80 asset management companies in Korea.

MAJOR ACHIEVEMENTS IN 2009

Equity management

Regarding equity management, we have taken a bottom-up approach, focusing our resources to perform in-depth analysis of individual companies in order to identify undervalued companies. Investment decisions are made based on a combination of the outstanding operating skills of fund managers in-depth analyses including valuation models and corporate research by our industry-leading in-house research team. This process ensures consistency and continuity in asset management at our corporate level.

Bond management

As for bonds, through an in-depth research and analysis, we search for market inefficiency and the opportunity it allows for excess return on the long-term. In line with this strategy, we continue to pursue risk-adjusted, stable gains on a long-term perspective in line with our investment philosophies and principles.

2009 Awards

Despite volatile market conditions, our 2009 performance was outstanding, receiving the "Best Institutional House in Korea" award at the "Best of best country awards" held by Asia Asset Management, a renowned Hong Kong-based investment management company. The company was also named "Best performer in overseas equity-type fund" by institutional investors at the "2009 Zeroin Fund Awards." Other achievements include winning the "Best index" award in the domestic index category at the "2009 Korea Fund Awards" held by Maeil Business Daily, as well as the Fixed-income desk award by the National Pension Fund of Korea for the second consecutive year.

2010 BUSINESS PLAN

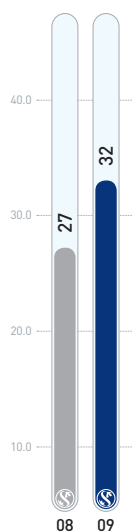
After the historic integration of the two AM wings of SFG, we successfully launched operations in 2009. The merger of these two provided us with an opportunity to share our expertise and knowledge, further boosting investment skills and capabilities. In addition, new market leading products were introduced and an advanced risk management system was put in place.

Gaining momentum for future leaps

Shinhan BNPP AM's strategic goal for 2010 is to "gain momentum for future leaps" and so to meet that end, our resources will be channeled in order to enhance our market position, reinforce our key capabilities and improve our brand power. We will contribute to the Group's synergies campaign by developing differentiated asset management services and products on a timely basis, further enhancing customer trust and brand identity befitting the Group's market-leading position.

Furthermore, we will further upgrade our overseas products through development and investment, thereby leading the overseas business as well.

AUM
(KRW in trillions)



* SHINHAN BNPP AM PERFORMANCE

	AUM (KRW in trillions)	Market Share (M/S)
2009 Performance	32	3

OUTSTANDING SOCIAL STEWARDSHIP

Shinhan Financial Group has remained dedicated to fulfilling its responsibility as a corporate citizen based on a firm belief in the importance of supporting the society and communities in which it operates.





OUTSTANDING SOCIAL STEWARDSHIP

Shinhan Financial Group has remained dedicated to fulfilling its responsibility as a corporate citizen based on a firm belief in the importance of supporting the society and communities in which it operates.

DJSI KOREA



The **BEST** Company



DEDICATED TO FULFILLING CORPORATE RESPONSIBILITIES

Shinhan Financial Group has remained dedicated to fulfilling its responsibility as a corporate citizen based on a firm belief in the importance of supporting the society and communities in which it operates. We understood that it is our responsibility to make a real contribution to the economical and social development, and that our ability to do so is imperative to deliver sustainable value to our shareholders, customers and society. Accordingly, social contributions, philanthropic campaigns and activities for the people and communities in need were conducted ever since the Group's inception.

Last year, Dow Jones Indexes launched a dedicated sustainability index for Korea named the "Dow Jones Sustainability indexes Korea (DJSI Korea)" to track the sustainability leaders among Korea's 200 largest companies. In recognition of the Group's activities, Shinhan Financial Group was selected as the best company in the banking sector in October 2009. We will continue to meet our commitments to our society, communities and environment in pursuit of the common good and prosperous future for all.



CORPORATE SOCIAL RESPONSIBILITY

During 2009, Shinhan Financial Group strengthened its Group-wide activities, of which can be categorized into the following four areas: “building on the advantage as a financial group,” “community engagement activities,” “culture-sharing” and “environmental management activities.”



Since its inception, Shinhan Financial Group has been consistently devoted to its corporate social responsibilities. Even while focusing on its main business of increasing customer value and wealth through its back-to-basics style of management, the Group did not fall short in its duty as a corporate citizen in addition to its economical role as a leading financial group. That is, the Group implemented various initiatives to fulfill its social, environmental and ethical accountability to society.

Shinhan Bank, the Group's flagship subsidiary, was the first company within the sector to take the initiative. It was the first Korean financial institution to publish a corporate social responsibility report according to GRI guidelines in 2005. Moreover, it has participated in the Carbon Disclosure Project (CDP) since 2007 and joined the UN Global Compact in 2008. These efforts spread across the Group subsidiaries. They have learned from the cases of Shinhan Bank and applied this knowledge to their own operations. In recognition of the activities of each and every subsidiary, the Group became the first Korean financial institution to be included on the DJSI Asia-Pacific Index in 2009. Moreover, Shinhan Financial Group received the most ‘sustainable performer’ award among Korean financial institutions by the Dow Jones Sustainability Index Korea (DJSI Korea) in 2009.

2009 MAJOR ACTIVITIES

During 2009, Shinhan Financial Group strengthened its Group-wide activities, of which can be categorized into the following four areas: “building on the advantage as a financial group,” “community engagement activities,” “culture-sharing” and “environmental management activities.”

Building on the advantage as a Financial Group

- Shinhan Smile Microcredit Bank (Dec. 2009): contributed KRW 50.0 billion of capital
- Child Development Account (Seed Money Account): participation in the financial support project conducted by the Ministry for Health, Welfare and Family Affairs (MOHW) to provide building assets to children from low-income brackets
- Donation Card and Donation Web site: adopted in 2006, was the first among Korean banks, and had collected accumulated contributions of KRW 3.0 billion as of the end of 2009, and establishing a small-amount donation practice
- Shinhan Hope & Love Insurance: a small-amount coverage insurance product that provides those in the low-income bracket with diverse insurance coverage
- Financial education program: financial education programs and exclusive programs for multi-cultural families

Community engagement activities

- Shinhan Scholarship Foundation: Shinhan Financial Group and six other subsidiaries donated KRW 50 billion to establish the foundation and made an additional KRW 30.0 billion contribution



- Donated KRW 5.0 billion to the Community Chest for Korea
- Sponsored the “19th Seoul International Wheelchair Marathon”
- Sponsored the “Disabled Youth Dream Team Crosses the Six Continents” program
- A partner of the “Love Basketball Team” a team of intellectually-challenged players
- One Company-One Village sisterhood activities
- “SME employment support program” for job creation
- Overseas medical service activities in Cambodia and Uzbekistan
- A Group-wide “volunteerism festival”

Culture-sharing

- Protecting traditional culture: mobilizing its nationwide branch network to protect cultural assets, participating in the project to restore the burnt Sungnyemun Gate, fund-raising activities to sponsor traditional culture academies, field trips for low-income children to ancient palaces and other diverse cultural programs for the socially underprivileged
- Various culture-sharing activities: “Shinhan Music Awards” to identify and sponsor promising classic talent, “Funny Saturday” program that showcases musical performances by undernourished children

Environmental management activities

- Signed up to the Carbon Disclosure Project (CDP): Shinhan Bank signed the 2007, 2008 and 2009 pacts.
- Declared its commitment to green financing in September 2009 and setting its three basic directions as “supporting low-carbon green growth,” “supporting the transformation into an environment-friendly green industry structure” and “minimizing the environmental impact”
- Hosted the “Youth environment camp”
- Hosted the “Nationwide Environmental Photography Contest”
- Initiated campaign to label trees in national parks
- Initiated campaign to form a “One-peyong Park”
- “Eco-friendly energy welfare promotion program” for the socially underprivileged
- “Gardening project” for the socially underprivileged

MAJOR PLANS FOR 2010

At the end of 2009, a CSR team was established to take the lead in the Group’s social responsibility programs with the goal of combining and concentrating the efforts of each subsidiary.

As the first step, the CSR team will publish the Group’s first Corporate Social Responsibility (CSR) report during the first half of 2010, a first among Korean financial groups. In addition, as part of its dedication to low-carbon green growth initiatives, the Group will employ staff to exclusively handle green financing. The Group also aims to strengthen the operation of “Shinhan Smile Microcredit Bank” which it established at the end of 2009.

The Group intends to pursue these social programs on the long term. So far, the initial take off seems to be on the right track. Yet, the Group will further double its efforts to to promote sustainable growth aligned with the mutual prosperity of communities both home and abroad.

ETHICAL MANAGEMENT

As our CEO Mr. Shin reiterated in his New Year Address for 2010, we will remain deeply committed to being a good corporate citizen and adhere to strict practices in order to ensure sustainable growth.



Shinhan Financial Group is committed to transparent management practices and its corporate social responsibilities, with ethical management making up a major part of our overall management policy. As such, we have instituted and implemented codes of conduct and ethics codes as ethical standards to which all of our employees comply. At the same time, to fulfill our responsibility as a corporate citizen, each of our subsidiaries has founded an organization in order to make philanthropic endeavors and support the communities in which they operate. These endeavors include providing contributions and financial services to the underprivileged and promoting activities designed to conserve the environment.

Not only do these activities instill a sense of pride in all employees, but they also help us strengthen our positive reputation. As our CEO Mr. Shin reiterated in his New Year Address for 2010, we will remain deeply committed to being a good corporate citizen and adhere to strict practices in order to ensure sustainable growth.

Institution and implementation of Code of Ethics

To uphold the integrity, accuracy and reliability of our accounting and financial information, we have enacted a “code of ethics for financial staff.” Furthermore, each subsidiary has adopted respective codes - such as those regarding ethics, conduct and business guidelines.

These codes encompass ethical values required to us as a financial expert and a responsible corporate citizen and serve as a beacon to our employees to follow in our day-to-day business activities.

Diverse ethical management programs

To ensure that ethical management is practiced in all our daily operations, we have established various action plans and programs that adhere to high ethical principles, and which each subsidiary follows according to their circumstances.

In addition, in order to guarantee the continuity of these programs, every year our employees reaffirm their pledge to practice ethical management, helping them to refresh their way of thinking and adhere to higher ethical values, not only for the customers, but also themselves and the Group.

On a group level, we activated a Whistle-blowing program and Compliance Program (CP) to support any employees or customers who report wrongdoings, such as the covering up of conflicts of interest or unfair competition, directly up to the top management. Also, to further promote transparency and fairness within the group business management, we have also enacted a “Group Internal Transaction Guidelines” to help each subsidiary to self-monitor, detect and report irregularities in financial transactions, including capital, asset and human resources.

Furthermore, each subsidiary operates various programs to practice ethical management at their level as well. For instance, Shinhan Bank provides a “Compliance self-check program” on its intranet system so that employees can conduct self-checks regarding ethical codes and regulations. The Bank also operates an “Ethical Management Help Center” so as to establish a transparent financial transaction practice and eliminate irregularities within its premises. Furthermore, the “integrity pact” ensures fairness during the processes of bidding and contracting with business partners regarding outsourcing services and procurement.

Establishing a corporate culture of doing the right thing the right way

We believe the corporate culture of how we uphold higher values is very important. A sense of mutual trust, fair evaluation and incentives, combined with a unified spirit and ‘oneness’ help us to consistently do the right thing the right way.

Regular on-and off-line programs are conducted to bring employees attention to social or group-wide issues, such as fair promotion, legal stock trading practices, sound investment practices and the prohibition of giving or receiving holiday gifts.

Enhancing ethics and compliance through education

The Group ensures the ethical and legal practices of all its business activities by educating its employees. All employees are mandated to attend regular training sessions that include management strategic meetings, training courses, and job training sessions featuring ethics guidelines.

For example, Shinhan Bank operates a “Compliance Education Week (ABC Week)” on the third week of every month in order to conduct ethical and compliance education programs through a “Compliance Letter” which introduces case studies regarding financial scandals and financial and ethical compliances. In addition, each employee must take a cyber training course regarding “ethical management and compliance”, while all newly hired and newly promoted employees are required to take customized programs. For remote areas, compliance officers will visit branches and provide education regarding ethics and compliance practices, while all employees are encouraged to always carry the Group’s ethics and compliance and code of ethics handbooks.

Group’s ethical management recognition to others

The Group’s consistent hard work has built up a positive reputation.

Shinhan Bank received the “All Star” award as well as the banking sector “Most Respected Companies in Korea for 2010” award at the “2010 Korea’s Most Respected Companies” ceremony held by the Korea Management Association (KMA). Shinhan Card topped the survey for a third year in a row, while Shinhan Investment won the grand prize for its support of cultural and artistic assets in the “2009 Corporate Social Responsibility Awards” held by the Korea Journalists Forum for the fourth consecutive year. In addition, Shinhan Life Insurance was awarded the grand prize for the life insurance sector at the “2010 Korea First Brand Awards” jointly organized by the Korea Business Daily and Korea Consumers’ Forum.

Not content with this and eager to push forward, Shinhan Financial Group will double its efforts to practice the highest standards of ethical management and fulfill its corporate social responsibilities as a leading financial group.

CUSTOMER SATISFACTION

Since its inception, Shinhan Financial Group has placed customer satisfaction at the center of all its consideration and is constantly seeking ways to improve. We remain true to our belief that customer satisfaction is not only an integral part of sustainable growth but that it is our required duty as a corporate citizen.



The global crisis has reminded us the importance of our customers once again. Their trust and faith in our business is what keep us in the business. As a result, We have established a new Customer Satisfaction (CS) strategy based on one strong ideal - "our customers' success is what leads our sustainable growth". In line with this strategy, we have redefined our essence of service as "providing customized service from the bottom of our hearts" with the following three-pronged action plan: "to better understand customers," "to spread CS culture across the Group" and "to prevent customer complaints and adopt on-site CS practices."

MAJOR ACHIEVEMENTS IN 2009

Better understanding customers

We believe that to understand something truly well, it is crucial to gather as much information as possible. Therefore, we have overhauled our established way of collecting customer information, further systemized our surveying procedures and refined our reporting and sharing systems. These new processes are designed to ensure that all information is shared throughout the Group. For example, Shinhan Bank, who meets customers on a daily basis, adopted a real-time based customer satisfaction survey called "mobile customer satisfaction survey" in January 2009, the first such one in Korea. Every month, 25,000 customers answer questions and express their opinions and satisfaction level regarding services they received, which are then reflected in our management activities. Furthermore, these survey results are distributed to branches each week, helping to improve our contact-point services.

Spreading CS culture across the group

Shinhan Bank was the first Korean bank to operate a "CS Self-Assessment Program" which is a micro-level CS consulting program targeting individual employees. This program reveals the perception gap between the level of service our employees feel they have provided and the level of service the customer acknowledge. It helps us better understand what customers expect and allow us to remedy any blind spots as well as upgrade services. In conjunction with this new program, we also operate training programs designed to help our employees remain up-to-date regarding the very latest CS competencies. In 2009, approximately 500 employees completed the course. In 2010, we plan to expand the program to cover all employees, and therefore establish a bank-wide CS culture practice.

In addition to these training programs, a consulting script competition and various CS boosting events are held for employees, all of which garner good responses from everyone involve.

Preventing customer complaints and adopting on-site CS practices

For efficient complaint management or what we call VOC(Voice of Customers) management, Shinhan Bank operates a three-stepped "Complaint Care Program". The first step of this program is called "customer complaint forecast" which is a preventive stage that involves the listing of possible complaints

and proactively take caring of them before they become a real complaint. If unsuccessful, we enter our second step called “visit-and-care service”. VOC officers will meet with the customer making the complaint and listen to resolve any issues. In the last step of this program, which is called the “follow up program”, we share these valuable experiences and case studies in order to prevent such recurrences in the future.

Every month, these VOC analysis results are reported to the top management, while any major issues identified from the customers’ point of view are looked into at the quarterly “CS Committee”. This efficient VOC management process helps to prevent customer complaints by addressing inconveniences ahead of time so as to enhance customer satisfaction. As a result, we were able to reduce the number of complaints we received in 2009 by 48% compared to 2006.

Shinhan CS Culture for our Global Network

Creating customer value through customer satisfaction is the differentiated competitiveness of SFG. To spread this ideal throughout our global network, we offer various support and training designed to fit or localize our unique CS culture. In 2007, we conducted CS training courses at our Chinese subsidiaries and branches, including our Chingda, Beijing, Wuxi branch and Tianjin branches. In 2008, we completed training of local staff at Shinhan Bank Canada Ltd., and in 2009, SBJ Bank, our Japanese subsidiary. In the second half of 2009, we conducted a four-month CS education program at our American subsidiary, Shinhan Bank America.

2010 BUSINESS PLAN

Customer satisfaction is one of our differentiating strategies by which Shinhan Financial Group will pursue its goal of becoming a leading global financial group. The Group announced that 2010 will be a year of “CS Innovation” for the Group - spreading differentiated CS services and customer-oriented CS culture throughout the Group and establishing better measurement and evaluation of CSI survey - in order to create value that truly is beneficial to our customers.

Since its inception, Shinhan Financial Group has placed customer satisfaction at the center of all its consideration and is constantly seeking ways to improve. We remain true to our belief that customer satisfaction is not only an integral part of sustainable growth but that it is our required duty as a corporate citizen.

2009 Recognitions and Awards

- Topped the Global Customer Satisfaction Index conducted by the Japan Management Association for five consecutive years
- Awarded the grand prize at the “Korea Service Awards” by the Korea Management Association for six consecutive years
- Topped the Korea Service Quality Index (KS-SQI) conducted by the Korea Standards Association for eight consecutive years
- Topped the “Global Management Awards” conducted by the Japan Management Association for five consecutive years



FINANCIAL SECTION

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MANAGEMENT'S DISCUSSION AND ANALYSIS

I. 2009 REVIEW

Having begun in the aftershock of the global financial crisis triggered by the U.S. subprime crisis, 2009 witnessed fluctuation in the global financial markets along with the alignment of regulations and talk of exit strategies.

On the domestic front, foreign exchange rate fluctuated from fear of foreign liquidity shortage and interest income decrease in response to the historical drop in market interest rate. Ongoing corporate restructuring and growing delinquencies led to asset deterioration, which in turn, raised doubt about the capital level of financial institutions.

In dealing with these adverse market conditions, the Korean financial sector collaborated with the government to conduct strict restructuring in troubled industries under distress due to lack of competitiveness and business prospects. The whole sector concentrated to restore profitability, uphold asset quality and limit the damages.

Against this backdrop, Shinhan Financial Group was the first among Korean banks to successfully raise capital, and thereby regain market trust. At the same time, the Group was able to lay the foundation for sustainable future growth after realizing industry-top performances, backed by stringent risk management and back-to-basics management policies.

In 2009, SFG realized consolidated net income of KRW 1,305.3 billion (KRW 1,306.3 billion on non-consolidated basis), down 35.3% from 2008. This decrease was largely due to the KRW 748.7 billion, 48.3% drop in Shinhan Bank's net income for 2009. This fall was largely due to a sharp decrease in the Net Income Margin (NIM) and asset growth, leading to a 10.5% drop in interest income from 2008. In addition, a deterioration in asset quality caused a 48.4% year-on-year growth in provisioning expenses compared to 2008.

Non-bank subsidiaries recorded a combined net income of KRW 1,137.6 billion, down 14.6% from the previous year. Nonetheless, their contribution to the Group's net income grew from 47.7% in 2008 to 60% in 2009 due to the bank's sagging net income performance. Meanwhile, the sound performances of various non-bank subsidiaries, especially those of the credit card and life insurance sectors, offset the decrease in the bank's net income, with Shinhan Card posting KRW 856.8 billion in net income and Shinhan Life Insurance realizing KRW 174.0 billion, a 25.0% year-on-year growth. Furthermore, Shinhan Investment posted KRW 44.2 billion, Shinhan Capital, KRW 38.4 billion and Shinhan BNP Paribas Asset management KRW 31.7 billion in net income.

Looking at the reasons behind the changes in the Group's net income for 2009, it is notable that interest income decreased due to the 51 basis point decline in the combined Net Interest Margin (NIM) of the bank and card subsidiaries. Despite cost reductions brought about by a wage-freeze policy, the one-off factors of early retirement program and accounting adjustment in preparation of the adopting IFRS eventually led to a 2.1% growth in SG&A.

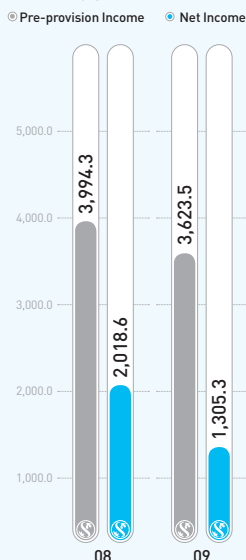
MANAGEMENT'S DISCUSSION AND ANALYSIS

On the non-interest income end, despite a decrease in commission income from the sales of mutual funds and bancassurance, non-interest operating income increased by 31.9%, backed by gains on the disposition of securities. In terms of loan loss provisioning, additional provisioning for ongoing restructuring of corporations such as Kumho and for the continued sector-wide restructuring in the construction, shipbuilding and shipping industries resulted in a KRW 525.0 billion growth in consolidated provisioning expenses.

In 2009, total assets of the group shrank 3.4% year-on-year due to a lesser demand from corporate customers, a hefty charge-off and sales of NPLs and a reduction in securities and foreign currency assets. Deposits with Shinhan Bank realized a growth rate of 17.2% compared to the 1.5% of low growth rate in loans. Furthermore, while low-cost deposits increased by 17.2% year-on-year and time deposits grew by 31.4% year-on-year, the bank debenture decreased by 27.9%, thus resulting in an improvement in funding structure more oriented to deposits. The loan-to-deposit ratio (excluding CDs) also decreased considerably to 103%, maintaining at around the 100% level.

The Group's non-performing loan ratio remained at a stable 1.3% amid the economic recession, thanks to the Group's quality growth strategy, enhanced credit risk management and charge-off and sales of NPLs. This figure represents a sound level when compared with the Group's competitors. As of the end of 2009, Shinhan Bank and Shinhan Card maintained a sound level of substandard and below loan ratios at 1.00% and 2.58%, respectively. The NPL coverage ratio of the Group, Shinhan Bank and Shinhan Card stood at 157%, 164% and 187%, respectively, greatly exceeding the industry averages.

**PRE-PROVISION INCOME &
NET INCOME** (KRW in billions)



II. SUMMARY OF THE INCOME STATEMENT (PROFITABILITY AND MARKET POSITION)

1. Shinhan Financial Group

Shinhan Financial Group posted KRW 1,305.3 billion in consolidated net income for 2009, down KRW 713.3 billion, or 35.3%, from the previous year. While Korean financial institutions struggled to maintain profitability amid the global financial and economic crisis, Shinhan Financial Group realized an industry-top performance in net income for the second year in a row. As such, the group was able to accelerate the pace of recovery thanks to improved asset quality backed by proactive risk management, charge-off and sales of non-performing loans. Despite the decreased profits of the bank subsidiaries due to additional provisioning for corporate restructuring, including the Kumho Group, and the decreasing Net Interest Margin (NIM), the non-bank subsidiaries' contribution grew, leading to a gain in Group-level profits.

Capitalizing on our nationwide distribution channel network, strong customer base and balanced business portfolio between banks and non-bank subsidiaries, the Group focused on solidifying the core competences of each subsidiary. While the banks concentrated on recovering profitability, the non-bank subsidiaries, in particular the credit card and life insurance companies, strived to expand their profit base. As a result, Shinhan Life Insurance and Shinhan BNP Paribas Asset Management all realized sound double-digit net income growth.

For interest income, the Net Income Margin (NIM) dropped 51 basis points in 2009 from the previous year, resulting in a decrease in interest income. Meanwhile, SG&A edged up 2% due to one-time expenses from the early retirement program and change in accounting methods for certain bonuses from cash to accrual basis in preparation of IFRS.

Despite the decline in income from the sales of funds and bancassurance, non-interest operating income grew by 31.9% year-on-year thanks to the gain on disposition of securities of Hyundai Engineering & Construction and Ssangyong E&C.

There were additional provisioning set aside by Shinhan Bank and other subsidiaries in connection with troubled corporate restructuring, such as Kumho, and industry restructuring of construction, shipbuilding and shipping. The sum for these additional provisioning amounts to KRW 525.0 billion. As a result, the credit cost ratio for the group jumped up to 93 basis point for the three-year average of 52 basis point.

[KRW in billions]

CATEGORY	FY2009	FY2008	Chg Amt	Chg %
Total Income	7,710.8	7,918.8	-208.0	-2.6
Interest Income	6,507.3	7,006.3	-499.0	-7.1
Non-interest Income	1,203.5	912.5	291.0	31.9
SG&A Expense	3,968.8	3,886.3	82.6	2.1
Operating Income	3,741.9	4,032.5	-290.6	-7.2
Non-operating Income	-118.4	-38.3	-80.2	n.a.
Pre-provision Income	3,623.5	3,994.3	-370.8	-9.3
Loan Loss Provision	1,644.0	985.8	658.2	66.8
Pre-tax Income	1,979.5	3,008.5	-1,029.0	-34.2
Income Tax Expense	666.7	978.7	-312.0	-31.9
Consolidated Net Income	1,305.3	2,018.6	-713.3	-35.3

Of the group's subsidiaries, Shinhan Bank suffered a 48.3% drop in its net income due to declining NIM and growing loan loss provisions, while non-bank subsidiaries suffered a 14.6% decrease due to the income decreases suffered by Shinhan Card and Shinhan Investment. Shinhan Card experienced a 10.7% decrease in profits, but in FY 2008 earnings includes KRW 88.6 billion of one-off gains from VISA IPO. Given this, Shinhan Card reported sound profit as a result of selective growth strategy on assets such as credit sales and stable funding resources. Shinhan Investment, however, suffered a 71.7% decline in profits due to the provisioning of losses from real estate project financing. Meanwhile, Shinhan Life Insurance maintained a sound profit growth as its profit grew 25.0% year-on-year thanks to the insurance sales balance and investment gains.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(KRW in billions)

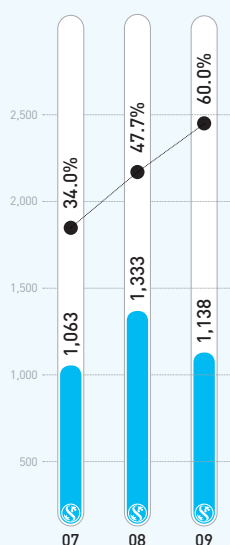
CATEGORY	FY2009	FY2008	Chg Amt	Chg %
Bank	757.5	1,460.5	-703.0	-48.1
Shinhan Bank	748.7	1,446.7	-698.0	-48.3
Jeju Bank	8.8	13.8	- 4.9	-35.9
Non-Bank	1,137.6	1,332.7	-195.1	-14.6
Shinhan Card	856.8	959.6	-102.8	-10.7
Shinhan Investment	44.2	156.3	-112.1	-71.7
Shinhan Life Insurance	174.0	139.2	34.8	25.0
Shinhan Capital	38.4	66.1	-27.7	-41.9
Shinhan Credit Information	1.1	1.9	-0.8	-41.3
Shinhan Private Equity	3.6	0.4	3.2	n.a.
Shinhan BNPP AM	20.6	14.1	6.5	46.2
Shinhan Macquarie FA	-1.1	-4.9	3.8	n.a.
Net Income	1,895.1	2,793.2	-898.1	-32.2
Consolidated Net Income	1,305.3	2,018.6	-713.3	-35.3

Note1) After reflecting ownership by SFG

2) FY 2008 figures for Shinhan Card includes KRW 19.0 billion from SHC management, the former Shinhan Card in the dissolving process.

NET INCOME CONTRIBUTION BY NON-BANK SUBSIDIARIES (KRW in billions)

● Non-Bank Total Net Income ● Net Income Contribution



2. Shinhan Bank

1) Overview

Shinhan Bank's net income for 2009 totaled KRW 748.7 billion, down 48.3% or KRW 698.0 billion year-on-year.

The bank's interest income dropped by 10.5% or KRW 438.2 billion due to the 40bps decrease in its annual net income margin. However, non-interest income grew by 27.2% or KRW 240.8 billion to reach KRW 1,127.2 billion. Of the non-interest income, fund and bancassurance sales commissions declined due to the economic crisis, while one-off gains resulted from the sales of securities such as Ssangyong and Hyundai E&C securities and bonds. In the second half of the year, however, non-interest income grew as the stabilizing foreign exchange rate led to valuation gains on equity in foreign currency.

Despite a decrease in actual expenses thanks to the prudent expense policy, including salary cuts, the bank's SG&A expenses rose 6.7%, or KRW 147.6 billion. This increase is attributable to the KRW 151.1 billion paid for the early retirement program in the fourth quarter of 2009 and the adjustment to accounting methods in preparation for IFRS adaptation.

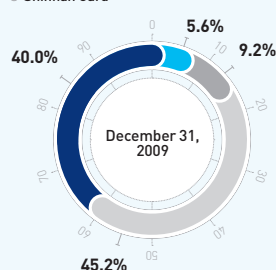
The bank's annual loan loss provision increased 46.4% year-on-year to amount KRW 1,301.6 billion in 2009. This growth can be ascribed to the KRW 141.6 billion loan loss provision for Kumho Group restructuring in the fourth quarter and the additional provisioning for the asset quality deterioration and industrial restructuring of construction, shipbuilding and shipping. In addition, a total of KRW 1,666.2 billion of NPLs were either charged-off or sold in 2009 which attributed to stabilize delinquency rate of household and SME loans at 0.23% and 0.70%, respectively, with a substandard and below loan ratio of 1.0% at the end of 2009.

[KRW in billions]

CATEGORY	FY2009	FY2008	Chg Amt	Chg %
Total Income	4,847.3	5,044.6	-197.3	-3.9
Interest Income	3,720.1	4,158.3	-438.2	-10.5
Non-interest Income	1,127.2	886.4	240.8	27.2
SG&A Expense	2,366.0	2,218.4	147.6	6.7
Operating Income	2,481.3	2,826.2	-345.0	-12.2
Non-operating Income	-104.7	-32.6	-72.1	n.a.
Pre-provision Income	2,376.6	2,793.6	-417.1	-14.9
Loan Loss Provision	1,301.6	877.2	424.4	48.7
Pre-tax Income	1,075.0	1,916.5	-841.5	-43.9
Net Income	748.7	1,446.7	-698.0	-48.3

NET INCOME CONTRIBUTION BY SUBSIDIARIES

- Shinhan Bank & Jeju Bank
- Shinhan Investment & etc.
- Shinhan Life
- Shinhan Card



2) Interest Income & Net Interest Margin (NIM)

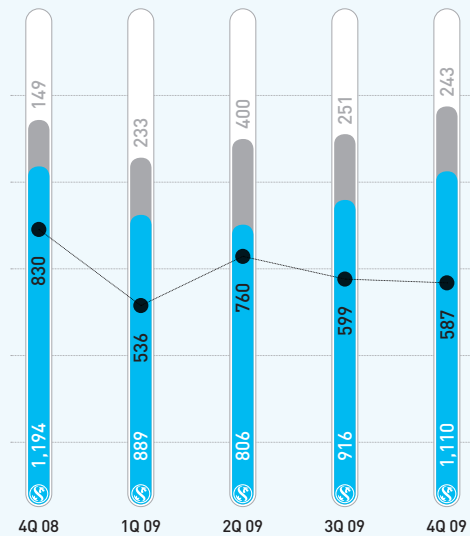
Shinhan Bank's interest income declined KRW 438.2 billion, or 10.5%, from the previous year to KRW 3,720.1 billion, despite a 1.5% growth in loan asset balance by the end of the year. This owes to a decrease in the net income margin due to the abrupt drop of the market interest rate. On the positive note, however, the CD rate, which is the widely used benchmark rate for loan assets, started to bounce back in the second half of the year. Also, the repricing of loan assets and change of funding structure somewhat compensated for the drop in the annual interest income. In terms of funding sources, the bank focused on taking deposits and reducing wholesale funding such as financial debentures and CDs. In addition, most of the high cost deposits sold in late 2008 with high yield were rolled over at a much lower rate, further lowering funding cost and thereby improving the NIM and funding structure.

The accumulated NIM of Shinhan Bank in 2009 stood at 1.72%, down 40 basis points from 2.12% in 2008. The main reason for the decrease was the drastic decrease in market interest rates in the first quarter. However, the NIM recovered to 45bps in the second half of the year thanks to the bank's initiative to increase low interest-bearing deposits such as Shinhan Card settlement accounts and court escrow deposits and to increase spreads for loans by applying appropriate risk pricing, while at the same curtailing the rise in funding expenses by re-depositing time-deposits at a lower rate.

MANAGEMENT'S DISCUSSION AND ANALYSIS

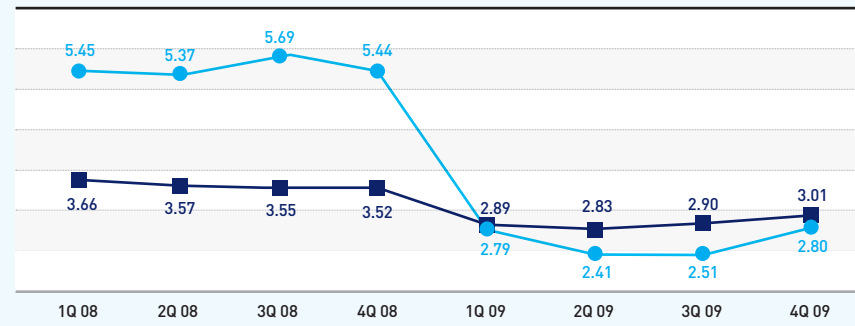
INTEREST INCOME+ NON-INTEREST INCOME [KRW in billions]

● Interest Income ● Non-interest income ● Pre-provision Operating Income



NIM [%]

● SHB + Shinhan Card ● 3 month CD



3) Non-Interest Income

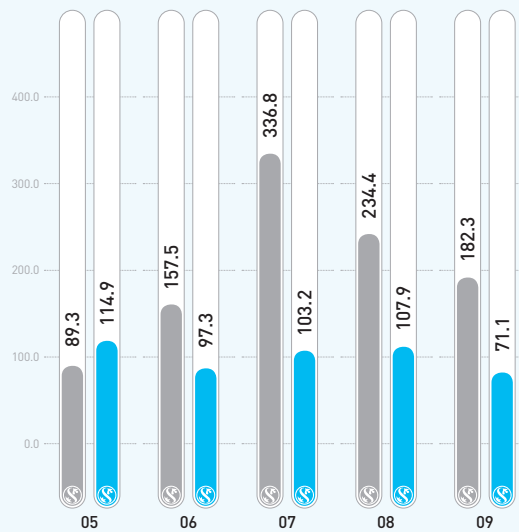
Shinhan Bank's non-interest income grew by 27.2%, or KRW 240.8 billion, year-on-year to reach KRW 1,127.2 billion. This increase is partly from the base effect in which 2008 non-interest income was weighed down by the impairment loss on CDOs and CDSs. In addition, there were one-time gains from disposition of securities in Hyundai E&C and Ssangyong stocks and gains on disposition of the available-for-sale debt securities that on aggregate amounted to KRW 82.7 billion. Also, as the FX rate stabilized near the year end of 2009, Shinhan Bank was able to recognize valuation gains on derivatives and equities in foreign currency.

(KRW in billions)

CATEGORY	FY2009	FY2008	Chg Amt	Chg %
Non-Interest Income (A)	1,127.2	886.4	240.8	27.2
Fees & Commissions	773.8	891.8	-118.0	-13.2
Fund	182.3	234.4	-52.1	-22.2
Bancassurance	71.1	107.9	-36.8	-34.1
Trust Fees	41.0	43.8	-2.8	-6.3
Securities related	326.1	292.1	34.0	11.6
Others	-13.7	-341.3	327.6	n.a.

FUND/BANCASSURANCE SALES FEES & COMMISSIONS (KRW in billions)

● Fund ● Bancassurance

**4) Sales, General and Administrative Expenses**

Despite a rise in prices and ordinary expenses, recurring expenses significantly dropped in 2009, thanks to the prudent cost management including salary cuts. However, the KRW 151 billion for the early retirement program and KRW 105.2 billion due to the accounting change from cash to accrual basis for certain incentives in preparation for IFRS, resulted in an increase in overall SG&A expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Shinhan Bank's cost income ratio maintained an appropriate level of 47.4% in 2009, up 3.7%p from 2008. This growth can be attributed to one-off expenses in 2009.

(KRW in billions)

CATEGORY	FY2009	FY2008	Chg Amt	Chg %
SG&A Expenses	2,366.0	2,218.4	147.6	6.7
Labor Costs	1,209.7	876.4	333.3	38.0
Admin Expenses	823.1	956.4	-133.3	-13.9
D&A Costs	234.6	241.9	-7.3	-3.0
Taxes & Dues	98.6	143.7	-45.1	-31.4

3. Shinhan Card

1) Overview

The Korean credit card market is considered mature, with consumer's credit card expenditure in the private sector remaining around the 40% level since 2002. In 2008, market competition intensified owing to aggressive marketing activities conducted in a bid to increase customer base and market share. After the round of restructuring in the industry, credit card companies regrouped and pursued cross-selling, mobilizing their distribution channels of financial and non-financial subsidiaries.

Amid the fierce competition with aggressive marketing activities of bank-owned and monoline card companies, the Korean credit card industry pursued stable asset growth, sound asset quality and high profitability. However, in 2009, as the financial crisis posed a high threat to the real economy and household wealth, credit card companies changed their strategy to a more conservative side and concentrated on risk management.

As it turned out, the Korean credit card industry suffered a decrease in credit card usage rate in 2009 due largely to the global financial crisis and the resultant economic recession. In terms of profitability, however, the industry realized a relatively moderate profitability through conservative management strategies and risk management policies.

Shinhan Card focused on preemptive risk management in 2009 and improved the quality of its customer base and asset soundness. Through its 6 Sigma campaign, it was also able to improve cost structure and process, realizing consistent improvement to its operating efficiency.

This stable risk management and efficient operations led to robust market leadership and quality competitiveness of the company. In the second half of 2009, the company continued enhancing efficiency and prepared for expected opportunities arising from future economic recovery by expanding its quality assets and upgrading its business models while maintaining an effective risk management system.

With the government's active financial policies resulting in faster-than-expected economic recovery in the second half of 2009, the market forecasts growth in the transaction volume in 2010, largely thanks to the regaining consumer sentiment and deregulation of the card settlement scope. However, concerns still remain. Regulators are pressuring credit card companies to lower commission or fees on certain financial products. Also, if interest rate starts to rise at a faster-than-expected pace, it will increase interest burden on households, thereby lower disposable income may damage asset soundness. Therefore, consistent risk management is still essential.

2) Income Statement Analysis

INCOME STATEMENT

(KRW in billions)

CATEGORY	FY2009	FY2008	Chg Amt	Chg %
Operating Revenue	3,774.8	4,275.5	-500.7	-11.7
Interest Expenses	683.0	731.6	-48.6	-6.6
SG&A Expenses / Others	1,908.3	2,245.3	-337.0	-15.0
Operating Income	1,183.7	1,298.5	-114.8	-8.8
Loan Loss Provision	73.1	24.0	49.1	204.7
Earnings before Income Tax	1,100.6	1,324.4	-223.8	-16.9
Income Tax Expense	243.8	383.8	-140.0	-36.5
Net Income	856.8	940.6	-83.8	-8.9

Note) Managed-based income statement

Operating revenue declined by 11.7% year-on-year, due to the reduction of financial product assets as part of a preemptive risk management policy. Commissions received, however, grew by KRW 19.3 billion from 2008 to reach KRW 1,736.0 billion thanks to growing credit sales, while interest income dropped by KRW 172.4 billion from the previous year. Interest expenses inched down 6.6% or KRW 48.6 billion in 2009 year-on-year, owing to the repayment of borrowings and dropping funding expenses.

SG&A expenses declined by KRW 337.0 billion as a result of an early retirement program at the end of 2008. Specifically for trade-off from the ERP in 2009, salaries savings was KRW 31.7 and retirement allowance savings KRW 92.4 billion respectively. In 2009, Shinhan Card recovered KRW 381.3 billion from written-off assets. This marks a KRW 58.3 billion decrease from the KRW 439.6 billion the previous year. However, it is encouraging that these written-off assets continue to recover and generate profits. This remarkable performance owes to the company's outstanding collection system and continuous improvements in collection skills. As of the end of 2009, Shinhan Card held a capital sum of KRW 6.2 trillion in written-off asset balance. In 2010, the continued economic recession and aging assets are expected to influence the recovery from written-off assets. However, the recovery is expected to remain as the company's key source of income in 2010.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The before tax income dropped by KRW 223.8 billion year-on-year, due to the strict risk management practice and KRW 49.1 billion growth in loan loss provisioning. The net income stood at KRW 856.8 billion in 2009, down KRW 83.8 billion from the previous year. However, the company was able to maintain its high profitability.

4. Shinhan Investment

In the first half of 2009, the business environment for the securities industry deteriorated to a great extent. Influenced by the global financial crisis, the trading volume in the stock markets shrank due to unstable financial markets, the bond and foreign exchange market suffered greater volatility, and the growth of the fund market sharply slowed down. In the second half of 2009, however, foreigners increased buying, foreign exchange rates improved and trading volume in the stock market showed signs of a rebound, resulting in the partial recovery in the business of securities brokerage. Nonetheless, the reflection of loss from the real estate project financing that the company suffered in 2009 pushed down the operating income of Shinhan Investment to KRW 39.0 billion, a 79.6% drop from the previous year, with its net income shrinking by 71.7% year-on-year to KRW 44.2 billion.

Looking into the operating revenue by sector, commissions received, which accounted for 73% of total operating income in 2008, realized a 13.1% growth, due largely to the recovering trading volume in stock markets. As a result, the brokerage commissions received improved by 23.6% from KRW 295.7 billion in 2008 to KRW 365.4 billion in 2009.

In the meantime, the fund market continued to shrink in 2009, resulting in a 20.6% year-on-year drop in brokerage commissions on beneficiary certificates to KRW 13.9 billion. The corporate finance commission, the sum of underwriting commission and consulting fee, rose by KRW 18.2 billion from the previous year to reach KRW 29.5 billion in 2009. Trust fees stood at KRW 4.8 billion in 2009, realizing an 84.6% year-on-year growth from KRW 2.6 billion in 2008.

Net trading gains, being comprised of actual and valuation gains and losses trading securities and derivatives, dropped by 27.9% from KRW 141.4 billion to KRW 101.9 billion in 2009.

Interest income realized a 34.2% year-on-year decrease to KRW 67.4 billion, owing to the shrinking interest income from real estate project financing and declining interest income from deposits at Korea Securities Finance Corporation (KSFC).

Regarding operating expenses, SG&A expenses grew by 23.9% to post KRW 341.6 billion, up from KRW 275.6 billion in 2008, as a result of accounting changes from cash to accrual basis in preparation for IFRS.

(KRW in billions)

CATEGORY	CY2009	CY2008	Chg Amt	Chg %
Operating Revenue	437.2	531.8	-94.6	-17.8
Commissions received	436.0	385.6	50.4	13.1
Net trading gain	101.9	141.4	-39.5	-27.9
Net interest income	67.4	102.4	-35.0	-34.2
Other operating income	-168.0	-97.7	-70.3	N.A
Operating Expenses	398.2	340.2	58.0	17.0
Commission expense	56.6	64.6	-8.0	-12.4
G&A expense	341.6	275.6	66.0	23.9
Operating Income	39.0	191.5	-1,525	-79.6
Non operating income (loss)	18.0	17.9	0.1	0.6
Net Income before Taxes	57.0	209.4	-152.4	-72.8
Income Tax	12.8	53.1	-40.3	-75.9
Net Income (loss) for the Year	44.2	156.3	-112.1	-71.7

*COMMISSIONS RECEIVED

(KRW in billions)

CATEGORY	CY2009	CY2008	Chg Amt	Chg %
Commissions Received	436.6	383.5	53.1	13.8
Brokerage commissions	365.4	295.7	69.7	23.6
Brokerage commissions on beneficial certificates	13.9	17.5	-3.6	-20.6
Underwriting commissions	19.0	15.0	4.0	26.7
Consulting fee	10.5	3.2	7.3	228.1
Trust fees and commissions received from trust account	4.8	2.6	2.2	84.6
Others ¹⁾	23.0	49.5	-26.5	-53.5

1) Includes ELS sales commission and Project Financing advisory fee

*SG&A EXPENSES

(KRW in billions)

CATEGORY	CY2009	CY2008	Chg Amt	Chg %
G&A Expense	341.6	275.6	66.0	23.9
Salary	224.9	199.1	25.8	13.0
Other general expenses	102.8	64.3	38.5	59.9
Depreciation	13.9	12.2	1.7	13.9

MANAGEMENT'S DISCUSSION AND ANALYSIS

Trading Volume and Market Share

In 2009, Shinhan Investment's trading volume surged by 37.6% year-on-year to reach KRW 241 trillion, with its market share advancing by 0.3%p to 5.4%. In 2009, the futures trading volume grew by 13.2% year-on-year to KRW 1,269 trillion, while the market share dropped by 0.7%p to 8.3%. In the meantime, options trading volume stood at KRW 48 trillion in 2009, down 19.3% from the previous year, with the market share dropping by 1%p year-on-year to 9.5%.

MARKET SHARE

CATEGORY	2009	2008	Chg %p
Stocks	5.4%	5.1%	0.3
Futures	8.3%	9.0%	-0.7
Options	9.5%	10.4%	-0.9

TRADING VOLUME

(KRW in trillions)

CATEGORY	2009	2008	Chg %p
Stocks	241	175	37.6
Futures	1,269	1,121	13.2
Options	48	60	-19.3

5. Shinhan Life Insurance

Shinhan Life Insurance posted KRW 174 billion in net income for 2009, up 25.0% or KRW 34.8 billion from the previous year. Separate account operating net results dropped KRW 74.3 billion and provision of policy reserves rose by KRW 89.8 billion, resulting from increased in-force business. However, general account operating net results saw an annual growth of KRW 202.1 billion, thanks to increased premiums written, stemming from the growth in new contracts.

The KRW 74.3 billion decrease of separate account operating net results is attributable to a KRW 155.4 billion growth in claims paid, including retirement claims, despite the KRW 75.4 billion growth in premiums written for retirement insurance.

Of general account operating net results, insurance operating net results posted a year-on-year rise of KRW 138.6 billion (13.6%) because of the rise in premiums written, owing to an expanded sales network (number of non-billable resources: 7,325 persons: 6.3% year-on-year growth and an increase in the monthly initial premiums written (KRW 72.6 billion: 7.6% year-on-year growth), exceeding the increase in claims paid and operating expenses.

Net investment gains improved by an annual KRW 74.6 billion, or 21.1%, from the previous year, thanks to a year-on-year growth of KRW 58.1 billion in interest income, resulting from the establishment of a stable asset portfolio through a KRW 110.6 billion rise in loan assets (KRW 2,490.1 billion) and a KRW 567.1 billion growth in hold-to-maturity bonds (KRW 1,680.2 billion).

(KRW in billions)

CATEGORY	CY2009	CY2008	Chg Amt	Chg %
Insurance Operating Net Results	1,157.0	1,018.4	138.6	13.6
Premiums Written	2,879.8	2,625.3	254.5	9.7
Claims Paid(-)	1,124.3	1,018.7	105.6	10.4
Reinsurance Operating Results	-0.9	-1.1	0.2	n.a.
Operating Expenses(-)	597.6	587.1	10.5	1.8
Net Investment Gains	428.5	353.9	74.6	21.1
Others	-19.1	-8.0	-11.1	138.8
General Account Operating Net Results	1,566.4	1,364.3	202.1	14.8
Separate Account Operating Net Results	-62.2	12.1	-74.3	n.a.
Total Operating Net Results	1,504.2	1,376.4	127.8	9.3
Provision of Policy Reserve(-)	1,279.8	1,190.0	89.8	7.5
Net Income Before Taxes	224.4	186.4	38.0	20.4
Net Income	174.0	139.2	34.8	25.0

MANAGEMENT'S DISCUSSION AND ANALYSIS

III. BALANCE SHEET REVIEW & ASSET QUALITY

1. Shinhan Financial Group

1) Total Assets

As of the end of 2009, the Group's total assets stood at KRW 255 trillion, down KRW 9 trillion, or 3.4% year-on-year according to the consolidated financial statements. Breaking down by subsidiary, Shinhan Bank's total assets decreased by KRW 16.0 trillion, Shinhan Capital's total assets by KRW 0.3 trillion, Shinhan BNP Paribas Asset Management by KRW 2.2 trillion. By category, loans drop by KRW 2 trillion, while others, including derivatives drastically fell, resulting in a decrease in the total assets. Of the loans in KRW, corporate loans edged down 1%, particularly due to the drop in large corporation loans, while mortgage loans demonstrated a stable growth rate of 10.6%, realizing an overall 4.3% growth in household loans in KRW. Of corporate loans, SOHO loans demonstrated a sound growth rate of 1.5%.

Deposits grew by KRW 20.9 trillion, or 16.5% year-on-year. In 2009, the Group increased the percentage of retail funding through deposits and reduced the reliance on wholesale funding for stable liquidity management. The group's funding from time-deposit taking and low-cost deposit taking grew by 31.4% and 17.2% respectively.

(KRW in billions)				
CATEGORY	2009	2008	Chg Amt	Chg %
Cash and dues from banks	15,855	13,125	2,730	20.8
Securities	51,292	47,485	3,807	8.0
Loans	165,025	167,083	-2,058	-1.2
(Loan loss allowances)	3,597	3,317	280	8.5
Properties, premises and equipments	2,324	2,411	-87	-3.6
Other assets	20,523	33,957	-13,434	-39.6
Total assets	255,018	264,061	-9,043	-3.4
Deposits	147,737	126,810	20,927	16.5
Borrowings	18,100	27,735	-9,635	-34.7
Debentures	39,903	49,176	-9,273	-18.9
Other liabilities	28,155	42,388	-14,233	-33.6
Total liabilities	233,895	246,109	-12,214	-5.0
Paid-in capital	2,852	2,462	390	15.9
Capital surplus	9,925	9,033	892	9.9
Retained earnings	7,183	6,300	883	14.0
Capital adjustments	765	-191	956	-500.7
Minority Interest	397	348	49	14.2
Total shareholders' equity	21,123	17,952	3,171	17.7
Total liabilities and shareholders' equity	255,018	264,061	-9,043	-3.4

ASSET BREAKDOWN BY SUBSIDIARIES

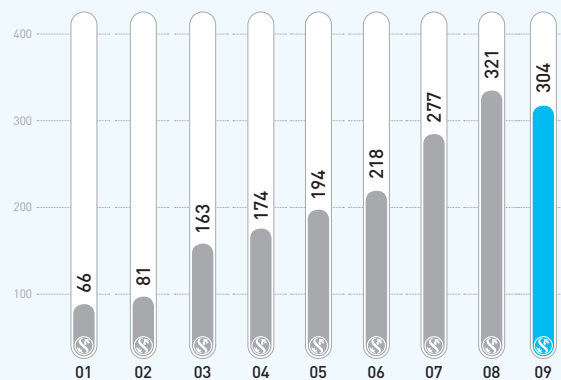
(KRW in billions)

CATEGORY	2009	2008	Chg amt	Chg %
Bank	236,493	252,413	-15,920	-6.3
Shinhan Bank	233,537	249,509	-15,972	-6.4
Jeju Bank	2,956	2,903	53	1.8
Non-Bank	63,764	64,038	162	0.3
Shinhan Card	17,573	17,076	497	2.9
Shinhan Investment	7,552	7,315	237	3.2
Shinhan Life Insurance	10,055	8,517	1,538	18.1
Shinhan Capital	3,684	4,008	-324	-8.1
Shinhan BNPP AM	24,900	27,123	-2,222	-8.2
Total Assets (note)	303,902	321,263	-17,361	-5.4

(Note) Including Trust A/C and AUM (Shinhan BNP Paribas Asset Management), simple aggregation of subsidiaries

As of the end of 2009, the Group's total Assets Under Management (AUM) combining assets entrusted in trust and asset management subsidiary stood at KRW 304 trillion, down by KRW 17.4 trillion, or 5.4% from 2008. This was due to asset deleveraging, repayment of real estate project financing by Shinhan Bank and Shinhan Capital, and the drop in the AUM of Shinhan BNPP Paribas AM.

SFG TOTAL ASSETS (KRW in trillions)



2) Total Deposits

As of the end of 2009, the Group's total deposits stood at KRW 142.0 trillion, up 8.1% or KRW 10.6 trillion year-on-year. Most conspicuously, the deposits of Shinhan Bank grew by a sizeable KRW 10.1 trillion. This strong growth is attributable to a KRW 17.8 trillion or 31.8% year-on-year growth in time-deposits as a result of a flight to quality from the fund market to time-deposits in sought of safe assets and the bank's various efforts to increase their percentage of deposits. Deposits in foreign currency, however, demonstrated a 27.1% or KRW 1.9 trillion year-on-year decrease due to the stabilizing foreign exchange rate.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(KRW in billions)

CATEGORY	2009	2008	Chg amt	Chg %
Total Deposits	142,040	131,411	10,629	8.1
SHB	139,235	129,111	10,124	7.8
Low Cost Deposits	42,184	36,002	6,182	17.2
Time Deposits	73,945	56,115	17,830	31.8
Installment Deposits	144	226	-82	-36.0
CDs	7,357	13,124	-5,767	-43.9
RPs & Bills Sold	681	3,187	-2,506	-78.6
Deposits in FC	5,018	6,887	-1,869	-27.1
Trust Account	9,905	13,570	-3,665	-27.0
Shinhan Investment	921	1,191	-270	-22.6
Jeju Bank	2,349	2,311	38	1.6
Intra Transaction (-)	464	1,202	-738	-61.4

3) Total Loans

As of the end of 2009, the Group's total loans declined by KRW 3.9 trillion or 2.3% year-on-year to KRW 162.6 trillion, largely owing to the KRW 4.6 trillion decrease in total loans of Shinhan Bank. The drop in Shinhan Bank's loans was mainly due to the falling large corporation loans. Shinhan Card reduced cash advance services, the high-risk assets, to enhance asset quality. Shinhan Capital has also reduced loans by repaying real estate project financing loans. Meanwhile, Shinhan Life Insurance increased assets under management by expanding new insurance business.

(KRW in billions)

CATEGORY	2009	2008	Chg Amt	Chg %
Total Loans	162,640	166,507	-3,867	-2.3
SHB	136,596	141,212	-4,616	-3.3
Bank Account	135,973	140,467	-4,494	-3.2
Trust Account	623	744	-121	-16.2
Shinhan Card	17,158	16,815	343	2.0
Shinhan Investment	941	752	189	25.1
Shinhan Life	2,520	2,380	140	5.9
Shinhan Capital	3,250	3,396	-146	-4.3
Jeju Bank	2,211	2,072	139	6.7
Intra Transaction (-)	35	120	-85	-70.8

4) Group Asset Quality

As of the end of 2009, the Group's Non-Performing Loan (NPL) ratio went up 16 basis points (bps) from the previous year to record 1.30%. This was because of the conservative asset classification policy followed by Shinhan Bank, Shinhan Investment and Shinhan Capital. In effect, exposures related to restructured companies and sector was preemptively and conservatively classified.

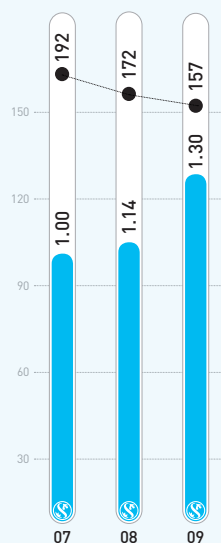
Nevertheless, asset quality ratios of subsidiaries' mostly improved by the year end of 2009. In particular, Shinhan Bank lowered its NPL ratio to 1%, which indicates a thorough asset quality management.

The Group's NPL coverage ratio stood at 157% as of the end of 2009, down 15%p from the previous year. This drop is attributable to the rise of NPLs for troubled sectors and corporate, whereas some of the loan loss reserves actually decreased in the process of charge-off and sales of NPLs. However, reserves for bad debts still remain high.

On the retail side, the healthiness of household loans remained stable despite the continued economic recession, and that of the credit card sector remained intact as well.

All in all, the Group's loans were controlled within a comfortable range.

GROUP NPL RATIO & COVERAGE RATIO [%]
● NPL Ratio ● NPL Coverage Ratio

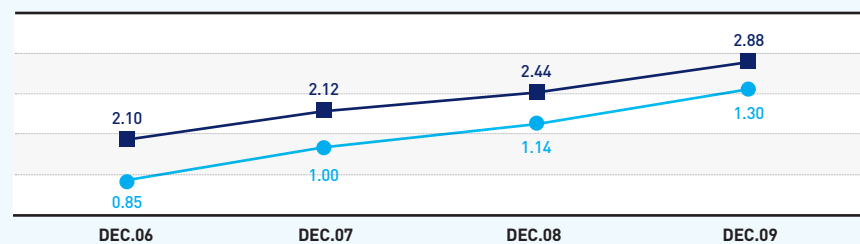


[KRW in billions]				
CATEGORY	2009	2008	Chg amt	Chg % [%p]
Total *	176,737	179,561	-2,824	-1.6
Normal	171,642	175,182	-3,540	-2.1
Precautionary	2,795	2,332	463	16.6
Substandard	1,148	764	384	33.4
Doubtful	524	430	94	17.9
Estimated Loss	628	853	-225	-35.8
Substandard & Below	2,300	2,047	253	11
Ratio	1.30%	1.14%	-	0.16
Loan Loss Reserve	3,605	3,523	82	2.3
NPL Coverage Ratio	157%	172%	-	15

* Simple aggregation of Shinhan/Jeju Bank, Shinhan Card, Shinhan Investment, Shinhan Life Insurance and Shinhan Capital

PRECAUTIONARY & BELOW RATIO/ NPL RATIO [%]

● NPL Ratio ● Precautionary & below ratio



MANAGEMENT'S DISCUSSION AND ANALYSIS

2. Shinhan Bank

1) Loans in Korean Won

Loans in KRW increased slightly in 2009, largely attributable to household loans. Loans to large corporations declined due to government-driven corporate restructuring and loans to small- and medium-sized corporations also remained steady with the previous year, while mortgage loans led the 4.3% annual growth in household loans, resulting in a growth in total loans. Mortgage loans posted a stable 10.6% growth despite the loan-to-value ratio (LTV) and debt-to-income ratio (DTI) regulations. As of the end of 2009, Shinhan Bank maintains a sound 46.4% of LTV of mortgage loans.

(KRW in billions)

CATEGORY	2009	2008	Chg amt	Chg %
Loans in Won (A)	121,596	119,797	1,799	1.5
Household	58,553	56,131	2,422	4.3
Mortgage	38,174	34,510	3,664	10.6
Others	20,379	21,622	-1,243	-5.7
Corporate	63,043	63,666	-623	-1.0
SME	52,824	52,414	410	0.8
SOHO	18,456	18,189	267	1.5
Large Corporation	10,220	11,252	-1,032	-9.2

2) Asset Quality

As of the end of 2009, Shinhan Bank's substandard and below loans stood at 1.00%, remaining steady from the previous year, an industry-top level of asset quality. Even after setting aside additional provisioning for Kumho group, the NPL ratio remained under 1%. In particular, the NPL coverage ratio, an indicator of the buffer for potential future losses, stood at 165%, an exceedingly high level even by international standards.

In addition, the delinquency ratio dropped by 31 bps to 0.41%, maintaining a considerably stable level. Household and SME loans post 0.23% and 0.70%, respectively. The delinquency ratio of SOHO, known to be the most vulnerable to economic fluctuations among SME loans, remained 0.49%, lower than that of the average delinquency ratio of SMEs. The overall drop in the delinquency ratio can be ascribed to the charge-off and sales of NPLs, asset deleveraging and stringent risk management.

Of corporate loans, SME loans demonstrated a relatively high delinquency ratio, due largely to the relatively high delinquency ratio, 1.3%, of companies in the construction sector. This sector was particularly hit hard from the downturn business cycle, sluggish property market and cash flow problems caused by the inventory of unsold apartments. However, the delinquency ratio of companies in the real estate and leasing industries remains steady at 0.70%.

The delinquency ratio of the manufacturing sector also considerably stabilized from the 1.48% of 2008 to 0.6% in 2009. The delinquency ratio of overall corporate loans also considerably dropped from 1.25% in 2008 to 0.7% in 2009, reflecting good asset quality control. In particular, Shinhan Bank is doubling its monitoring system to prepare for the possibility of additional delinquencies for companies whose competitiveness is weakening and business types that are sensitive to business cycles. Although the overall delinquency ratio of SME loans is relatively high, it remains within a controllable level. Moreover, average collateralization ratio stands at 55%, and hence even in a case where SMEs fail, the expected loss will be substantially covered.

(KRW in billions)				
CATEGORY	2009	2008	Chg Amt	Chg %
Total*	150,175	153,851	-3,676	-2.4
Normal	146,530	150,627	-4,097	-2.7
Precautionary	2,165	1,693	472	27.8
Substandard	1,033	743	290	39.0
Doubtful	258	302	-44	-14.7
Estimated Losses	189	486	-297	-61.1
Substandard & Below	1,480	1,531	-51	-3.3
Ratio	1.00%	1.00%	-	-
Loan Loss Reserves	2,452	2,509	-57	-2.3
NPL coverage ratio	166%	164%	-	2

3. Shinhan Card

1) Card Member

During the credit card bubble in 2002, the effective card holders of the former LG Card reached approximately 11.85 million. The number dropped, however, to around 9.5 million by the middle of 2005 through continued cleansing of cardholders. By the end of 2007, the figure rebounded to roughly 13.3 million, thanks to the company's active engagement in such measures as member retention activities and active recruitment of financially sound members, as well as the merger of the former Shinhan Card in October 2007. As of the end of 2009, the effective card holders amounts to 14.32 million, sustaining a stable growth. The card usage rate also temporarily reduced to around 50% during the credit card crisis in 2003. However, the number increased thanks to continuous marketing activities, and had reached 65% as of the end of 2009, recording a slight increase from the previous year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

2) Earning Assets

Shinhan Card's earning assets are classified into normal and risk assets. Risk assets are comprised of refinanced assets and assets of one month overdue. In a preemptive response to the global financial crisis, Shinhan Card began to employ risk control-oriented management in the first half of 2008, consistently reducing the percentage of high-risk financial assets from 2008 to 2009. While the risk assets significantly shrank thanks to the decreasing cash advance, refinanced assets and card loans, the stable assets of credit purchase receivables continued to grow. As a result, the company's earning assets realized a mild growth of 2.0% to reach KRW 17.2 trillion in 2009. In the earning asset portfolio, the low-risk credit purchase receivables grew by 11.9% year-on-year, and the high-risk cash advance declined by 14.1%, of which portion in the overall assets reduced to 19.1%, resulting in a healthier asset portfolio mix.

Through this successful adjustment in its business portfolio, Shinhan Card maintained stable revenues while controlling risk at an adequate level.

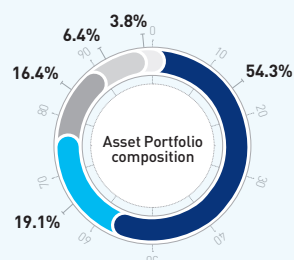
CHANGES IN THE ASSET PORTFOLIO COMPOSITION

(KRW in billions)

CATEGORY	2009	2008	Chg Amt	Chg %
Assets (Managed)	17,158	16,815	343	2.0
Credit Purchase Receivables	9,312	8,325	987	11.9
Cash Advances	3,273	3,826	-553	-14.5
Card Loans	2,808	2,702	106	3.9
(Refinanced Loans)	298	395	-97	-24.6
Installment Finance	1,106	1,263	-157	-12.4
Leases	659	699	-40	-5.7

ASSET PORTFOLIO COMPOSITION

- Credit Purchase Receivables
- Cash Advances
- Card Loans
- Installment Finance
- Leases



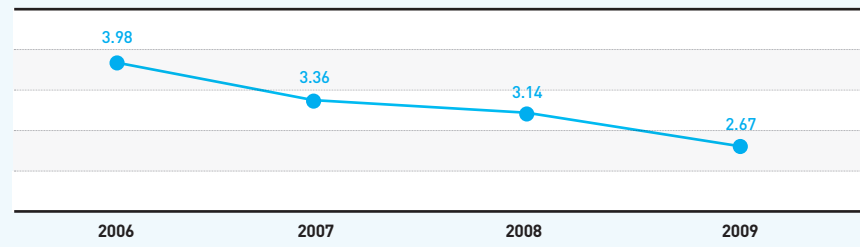
3) Asset Quality

The one month overdue delinquency ratio approached as high as 30% at the end of 2003 when the credit card bubble burst. However, the market stabilized with recovering economy. Shinhan Card's one month overdue delinquency ratio fell continuously, ending up at 2.67% as of the end of 2009 and still is in a descending mode. Despite concerns over a possible rise in the delinquency ratio resulting from the spillover effect of the global financial crisis into the real economy, the delinquency ratio stabilized. It is highly unlikely that the delinquency ratio will skyrocket to the level of credit crisis in the past.

The former LG Card has written off KRW 5.4 trillion in 2004 and KRW 1.5 trillion in 2005, before being incorporated into the Shinhan Financial Group in March 2007. However, the write-off amount continued to decline as the company engaged in a stable business after successful corporate and asset restructuring. As a result, the company's write-off amount dropped to KRW 603.9 billion in 2008 and ended up at KRW 469.2 billion in 2009. In 2010, the amount is forecast to fall further thanks to the recovering economy and stabilizing delinquency ratio.

DELINQUENCY RATIO [%]

One month overdue delinquency ratio



As of the end of 2009, Shinhan Card had accumulated a total of KRW 829 billion in bad debt reserves. This is 4.8% of the KRW 17,158 billion of earning assets, with the NPL coverage ratio standing as high as 188% for three months overdue loans. The company's reserves totaled KRW 1,329 billion, when including provisions for unused credit lines of KRW 489 billion and others.

4. Shinhan Investment

(KRW in billions)

CATEGORY	2009	2008	Chg amt	Chg %
Cash and Deposit	1,572	1,377	195.0	14.2
(Deposits)	1,063	1,132	-69.5	-6.1
Securities	4,366	4,562	-195.5	-4.3
(Trading securities)	3,892	4,062	-170.2	-4.2
Derivatives	82	166	-84.0	-50.7
Loans	931	748	182.3	24.4
(Broker's loans)	616	351	265.1	75.5
Tangible fixed assets	172	176	-3.9	-2.2
Other assets	430	289	140.4	48.5
Total Assets	7,552	7,316	236.1	3.2
Deposits	945	1,195	-250.5	-21.0
(Customers' deposits)	921	1,192	-270.2	-22.7
Borrowings	4,573	4,176	397.2	9.5
Call money	497	274	222.1	80.9
Borrowings	278	149	129.0	86.5
Bonds sold under repurchase agreements	2,387	2,689	-301.1	-11.2
Other liabilities	267	234	33.1	14.1
Total Liabilities	5,785	5,606	179.9	3.2
Total Stockholder's equity	1,766	1,710	56.3	3.3
Total Liabilities & Stockholder's equity	7,552	7,316	236.1	3.2

MANAGEMENT'S DISCUSSION AND ANALYSIS

Shinhan Investment's total assets edged up 3.2% from the previous year to reach KRW 7,551.8 billion as of the end of 2009. Of this, securities, including trading securities, posted KRW 4,366 billion, accounting for 57.8 % of total assets, and cash and deposits amounted to KRW 1,571.9 billion, accounting for 20.8% of the total.

Despite the 14.2% year-on-year growth in cash and deposits, reserve for claims of customers' deposits and other deposits fell by 6.1% from KRW 1,132.2 billion in 2008 to KRW 1,062.7 billion at the end of 2009. Securities also declined by 4.3% year-on-year, owing to the 4.2% decline in trading securities, which accounts for the majority of securities, from KRW 4,062 billion in 2008 to KRW 3,891.7 billion at the end of 2009. Of the trading securities, bonds accounted for 96% of the total. Loans grew by 24.4% to reach KRW 930.7 billion at the end of 2009, due to the substantial increase in broker's loans from KRW 351.0 billion in 2008 to KRW 616.1 billion at the end of 2009, resulting from the growing trading volumes during the rally in the stock markets in the second half of 2009.

Total liabilities increased by 3.2% year-on-year to KRW 5,785.5 billion as of the end of 2009, resulting from the growing short-term borrowings following the declining customers' deposits. Customers' deposits declined by 21% from KRW 1,191.5 billion to KRW 944.7 billion at the end of 2009, while the repurchase agreement (RP) dropped by 11.2% from KRW 2,688.5 billion in 2008 to KRW 2,387.4 billion. On the other hand, call money and short-term borrowings recorded a year-on-year growth of 80.9% and 86.5%, respectively in 2009, thanks to the company's drive to increase liquidity in response to the decreasing customers' deposits in the aftermath of the global financial crisis and credit crunch.

Total stockholder's equity rose by 3.3% year-on-year to reach KRW 1,766.3 billion as of the end of 2009, reflecting the net income growth of 2009.

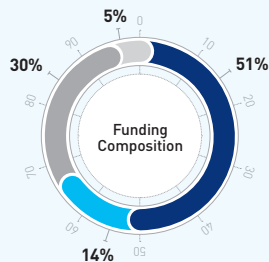
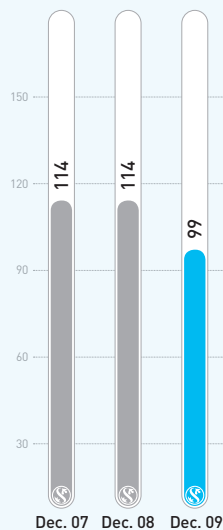
5. Shinhan Life Insurance

1) Asset Quality

As of the end of 2009, the loan loss provision ratio stood at 292.3%, up 26.9%p from the previous year. This owes much to the company's active measures to control the delinquency ratio and expand new quality loans, mainly policy loans, hence it is expected to be maintained within a controllable level even in the event of insolvencies in the future.

FUNDING COMPOSITION

- Time Savings
- Debenture
- Low Cost Deposit
- CD

**LOAN-TO-DEPOSIT RATIO (%)**

(KRW in billions)

CATEGORY	2009	2008	Chg % [%p]
Total	2,554.0	2,407.6	6.1%
Normal	2,542.2	2,396.8	6.1
Substandard	0.9	1.6	-0.7
Doubtful	-	0.1	-0.1
Estimated Loss	11.3	9.1	2.2
Substandard & Below Loans	12.2	10.8	1.4
Substandard & Below Loan Ratio	0.48	0.44	0.04
Loan Loss Provision Ratio	292.3	265.4	26.9

2) Solvency Margin Ratio

As of the end of December 2009, the solvency margin ratio stood at 255%, an industry-top level that even greatly exceeds the regulatory requirements of 100%. This is the result of a consistent increase in retained earnings, notwithstanding the rise in the required solvency margin owing to an increase in the business in force.

IV. FUNDING**1. Shinhan Bank**

Shinhan Bank's deposits in KRW grew by 17.2%, or KRW 18.1 trillion year-on-year in 2009. In 2009, the bank focused to secure stable sources of funding, mainly taking deposits. Time-deposits and savings deposits grew 33.8% and 18.6%, respectively. In contrast, the Certificate Deposits (CDs), which had maintained significant growth for several years until 2007, posted a substantial decrease of 43.9% in 2009.

Low cost deposits takes about 30% of our total funding, which are gathered throughout the banks nation-wide retail network.. Time deposits, bank debentures and CDs account for 51%, 14% and 5%, respectively. The percentage of time savings made an additional jump from 42% at the end of 2008 to 51% at the end of 2009.

(KRW in billions)

CATEGORY	2009	2008	Chg Amt	Chg %
Total Deposits In KRW	123,311	105,247	18,064	17.2
Low Cost Deposits	42,184	36,002	6,182	17.2
Demands	13,380	11,725	1,655	14.1
Savings	28,805	24,277	4,527	18.6
Other Savings	73,770	56,121	17,649	31.4
Time Deposits	67,586	50,516	17,070	33.8
Accumulative / Others	6,184	5,605	579	10.3
Certificate Deposit	7,357	13,124	-5,767	-43.9
Debentures In KRW	20,760	28,783	-8,023	-27.9

MANAGEMENT'S DISCUSSION AND ANALYSIS

2. Shinhan Card

As a monoline credit card company in the past, the former LG Card depended heavily on wholesale funding as its main funding sources. However, its incorporation with Shinhan Financial Group ensured another stable funding source for the company.

Shinhan Card raised its required funds from diverse channels including corporate bonds, asset-backed securities at home and abroad and commercial papers. As of December 2009, the funding balance stood at KRW 11.8 trillion.

The table below describes the maturity and composition of Shinhan Card's funding.

LIABILITIES COMPOSITION				(As of the end of 2009)
Type	Credit card debentures	ABS	CP	Borrowings from holding company, etc.
Portion	72%	16%	4%	8%

* managed basis

MATURITY				(As of the end of 2009)
Type	1 year or less	1~2 years	3 years or more	
	38%	34%	28%	

* managed basis

V. CAPITAL MANAGEMENT

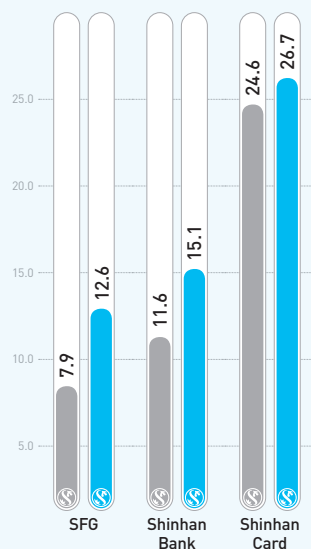
1. Shinhan Financial Group

As of the end of 2009, the group's BIS ratio stood at 12.6%, up 2.4%p from the previous year. Given Shinhan Bank's BIS ratio of 15.1%, the figure is considered relatively low. However, it is because the goodwill, amounting to KRW 372.5 billion, related to the merger of LG Card in March 2007 was deducted from Tier I capital for calculation of the group's BIS ratio. In addition, the bank uses the Basel II Internal Ratings-Based approach (IRB). However, the group observes the BIS Basel I criteria, resulting in larger risk-weighted assets.

Shinhan Financial Group successfully completed a secondary rights issue in March 2009, through which the group's BIS ratio improved by 1.5%p. In the future, the group's capital adequacy is forecast to further strengthen with growing profits.

GROUP'S BIS RATIO [%]

● BIS ● Tier I



(KRW in billions)

CATEGORY	2009	2008	Chg Amt	Chg % [%p]
Risk-weighted Assets	179,083	183,741	-4,658	-2.5%
Capital	22,572	18,723	3,849	20.6%
Tier I	14,088	9,822	4,266	43.4%
Tier II	8,484	8,901	-417	-4.7%
BIS Ratio	12.6%	10.2%	-	2.4%p
Tier I Ratio	7.9%	5.4%	-	2.5%p
Tier II Ratio	4.7%	4.8%	-	-0.1%p

2. Shinhan Bank

Shinhan Bank's BIS ratio improved by 1.7%p to 15.1% as of the end of 2009. The bank's Tier I capital ratio recorded a sound 11.6%. This significant improvement can be ascribed to the increase in retained earnings from business activities and capital increase from the issuance of subordinated bonds worth KRW 1 trillion in the second quarter of 2009, and the result of efficient asset management through control of risk assets.

Shinhan Bank obtained approval from the Financial Supervisory Service regarding the use of the Basel II Internal Ratings-Based (IRB) approach in April 2008. Accordingly, it is calculating its BIS capital adequacy ratio based on the IRB approach starting from the second quarter of 2008.

(KRW in billions)

CATEGORY	2009	2008	Chg Amt	Chg % [%p]
TRisk-Weighted Assets	121,132	133,140	-12,008	-9.0%
Capital	18,323	17,889	434	2.4%
Tier I	14,059	12,389	1,670	13.5%
Tier II	4,264	5,501	-1,237	-22.5%
BIS Ratio	15.1%	13.4%	-	1.7%p
Tier I Ratio	11.6%	9.3%	-	2.3%p
Tier II Ratio	3.5%	4.1%	-	-0.6%p

3. Shinhan Card

As of the end of 2009, Shinhan Card's equity capital stood at KRW 5.0 trillion, with a high Capital Adequacy Ratio (CAR) of 26.7%, thanks to the consistently high returns over the past several years, from 2005 to 2009. The company paid dividends totaling around KRW 600 billion to the holding company in regular dividends in March 2010, while its CAR still rose from the previous year's 20.3%.

Independent Auditors' Report

Based on a report originally issued in Korean

**The Board of Directors and Stockholders
Shinhan Financial Group Co., Ltd.:**



KPMG Samjong Accounting Corp.

10th Floor, Gangnam Finance Center, 737 Yeoksam-dong,
Gangnam-gu, Seoul 135-984, Republic of Korea
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We have audited the accompanying consolidated statements of financial position of Shinhan Financial Group Co., Ltd. and its subsidiaries (collectively the "Consolidated Company") as of December 31, 2009 and 2008 and the related consolidated statements of income, changes in equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of Shinhan Financial Group Co., Ltd.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Consolidated Company as of December 31, 2009 and 2008 and the results of its operations, the changes in its equity and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

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

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

As discussed in note 1(b) to the consolidated financial statements, effective January 1, 2009, SH Asset Management Co., Ltd., a subsidiary of the Shinhan Financial Group Co., Ltd. was merged into Shinhan BNP Paribas Asset Management Co., Ltd., another subsidiary of the Shinhan Financial Group Co., Ltd., in accordance with a resolution of the extraordinary shareholders' meeting held on November 5, 2008. In connection with the merger, Shinhan BNP Paribas Asset Management Co., Ltd. issued common stock to the Shinhan Financial Group Co., Ltd. in exchange for SH Asset Management Co., Ltd.'s stock. As a result, the Shinhan Financial Group Co., Ltd.'s ownership interest in Shinhan BNP Paribas Asset Management Co., Ltd. increased from 50% to 73%. The merger was accounted for as a business combination between entities under common control, and had no effect on the Shinhan Financial Group Co., Ltd.'s results of operations. Furthermore, on January 2, 2009, the Consolidated Company disposed 1,276,162 shares of Shinhan BNP Paribas Asset Management Co., Ltd. stock at ₩18,023 per share. As a result, the Shinhan Financial Group Co., Ltd.'s ownership interest in Shinhan BNP Paribas Asset Management Co., Ltd. decreased to 65%.

As discussed in note 37 to the consolidated financial statements, in accordance with a resolution of the Board of Directors' meeting held on March 20, 2009, Shinhan Financial Group Co., Ltd. disposed 3,290,002 shares and 1,409,999 shares of Cardif Life Insurance Co., Ltd. to BNP Paribas Assurance and Shinhan Bank, respectively, effective June 26, 2009. Accordingly, Cardif Life Insurance Co., Ltd. was excluded from the subsidiary of the Consolidated Company.



KPMG Samjong Accounting Corp.
Seoul, Korea
February 5, 2010

This report is effective as of February 5, 2010, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Consolidated Statements of Financial Position

As of December 31, 2009 and 2008

(In millions of Won)

	Notes	2009	2008
Assets			
Cash and due from banks	4,18	₩ 15,855,307	₩ 13,078,807
Securities	5,18	51,291,635	47,485,326
Loans, net	6	166,963,829	170,345,242
Property and equipment, net	8,18	2,323,874	2,411,138
Goodwill, net	9	4,074,710	4,528,166
Other assets	10	14,508,732	26,166,608
Total assets		₩ 255,018,087	₩ 264,015,287
Liabilities			
Deposits	11	₩ 147,737,458	₩ 126,763,679
Borrowings	12	18,097,872	27,730,528
Debentures, net	13	39,904,757	49,181,313
Retirement and severance benefits, net	14	176,766	381,457
Other liabilities	15	27,978,208	42,006,155
Total liabilities		233,895,061	246,063,132
Stockholders' equity			
Capital stock of ₩5,000 par value	22		
Common stock		2,370,998	1,980,998
Authorized-1,000,000,000 shares			
Issued and outstanding:			
474,199,587 shares in 2009			
396,199,587 shares in 2008			
Redeemable and convertible preferred stock		481,475	481,475
Issued and outstanding :			
53,094,459 shares in 2009			
62,411,251 shares in 2008			
Capital surplus		9,924,852	9,032,572
Capital adjustments	23	(417,142)	(432,887)
Accumulated other comprehensive income	27	1,182,574	242,333
Retained earnings		7,182,853	6,299,623
Minority interest in consolidated subsidiaries		397,416	348,041
Total stockholders' equity		21,123,026	17,952,155
Total liabilities and stockholders' equity		₩ 255,018,087	₩ 264,015,287

See accompanying notes to consolidated financial statements

Consolidated Statements of Income

For the years ended December 31, 2009 and 2008

(In millions of Won)

	Notes	2009	2008
Interest income and dividends:			
Interest on due from banks		₩ 196,204	₩ 296,889
Interest and dividends on securities		2,268,007	2,451,341
Interest on loans		11,458,486	13,345,894
Other		57,025	129,461
Total interest income and dividends		13,979,722	16,223,585
Interest expense:			
Interest on deposits		4,345,358	4,915,832
Interest on borrowings		663,673	1,137,180
Interest on debentures		2,181,083	2,686,730
Other		95,852	125,436
Total interest expense		7,285,966	8,865,178
Net interest income		6,693,756	7,358,407
Provision for loan losses, net		1,578,802	1,043,892
Net interest income after provision for loan losses		5,114,954	6,314,515
Non-interest income:			
Fees and commission income		1,378,019	1,401,899
Insurance income		2,869,727	2,405,622
Realized gain from sale of trading securities		444,593	316,221
Unrealized gain on trading securities		32,902	341,665
Realized gain from sale of available-for-sale securities		337,553	285,480
Reversal of impairment loss on available-for-sale securities		9,317	52,935
Reversal of impairment loss on held-to-maturity securities		28,400	30,166
Gain from equity method accounted investments		16,997	70,791
Gain from disposition of equity method accounted investments		15,077	4,795
Gain from sale of loans		76,379	24,629
Gain on foreign currency transactions		9,913,637	6,434,694
Gain on derivatives		20,999,520	30,814,698
Others		1,164,209	1,496,946
Total non-interest income		₩ 37,286,330	₩ 43,680,541

See accompanying notes to consolidated financial statements

Consolidated Statements of Income

For the years ended December 31, 2009 and 2008

(In millions of Won, Except earning per share)

	Notes	2009	2008
Non-interest expense:			
Fees and commission expense		₩ 1,223,507	₩ 1,141,211
Insurance expense		3,069,947	2,588,351
Realized loss from sale of trading securities		373,408	468,741
Unrealized loss on trading securities		120,931	128,515
Realized loss from sale of available-for-sale securities		73,143	16,826
Impairment loss on available-for-sale securities		35,207	258,960
Impairment loss on held-to-maturity securities		1,635	27,253
Loss from equity method accounted investments		3,984	878
Loss from disposition of equity method accounted investments		6,242	964
Loss from sale of loans		46,619	23,815
General and administrative expenses	28	3,968,837	3,911,767
Loss on foreign currency transactions		9,179,118	6,283,876
Loss on derivatives		21,306,909	30,935,816
Others		1,012,322	1,207,045
Total non-interest expense		40,421,809	46,994,018
Net non-interest expense		(3,135,479)	(3,313,477)
Income from continuing operations before income taxes		1,979,475	3,001,038
Income taxes	25	666,682	971,231
Pre-acquisition loss in subsidiary		-	(364)
Income from continuing operations		1,312,793	2,030,171
Income from discontinued operations			
(net of income tax: ₩2,485 million in 2009 and ₩(2,683) million in 2008)	37	15,460	(4,509)
Consolidated net income		1,328,253	2,025,662
Net income in majority interest		1,305,311	2,018,627
Net income in minority interest		22,942	7,035
		₩ 1,328,253	₩ 2,025,662
Earnings per share	26		
Basic earnings per share from continuing operations		₩ 2,273	₩ 4,242
Basic earnings per share		2,303	4,236
Diluted earnings per share from continuing operations		2,261	4,157
Diluted earnings per share		₩ 2,290	₩ 4,152

See accompanying notes to consolidated financial statements

Consolidated Statements of Changes in Equity

For the years ended December 31, 2009 and 2008

(In millions of Won)

	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Minority interest	Total
Balance at January 1, 2008	₩ 2,462,473	₩ 8,617,811	₩ 198,368	₩ 1,477,335	₩ 5,221,814	₩ 196,614	₩18,174,415
Cumulative effect for accounting changes	-	414,761	(611,557)	[73]	196,869	51,397	51,397
	2,462,473	9,032,572	(413,189)	1,477,262	5,418,683	248,011	18,225,812
Dividends	-	-	-	-	(620,442)	-	(620,442)
Redemption of redeemable preferred stocks	-	-	-	-	(537,834)	-	(537,834)
Net income for year	-	-	-	-	2,018,627	7,035	2,025,662
Changes in other capital adjustments	-	-	(19,698)	-	-	(271)	(19,969)
Changes in retained earnings of subsidiaries	-	-	-	-	20,589	-	20,589
Changes in valuation gain on available-for-sale securities	-	-	-	(1,349,347)	-	3,368	(1,345,979)
Changes in unrealized gain (loss) on equity method accounted investments	-	-	-	15,448	-	(17)	15,431
Changes in adjustment for foreign currency translation	-	-	-	155,459	-	-	155,459
Changes in valuation gain on derivatives	-	-	-	(56,489)	-	-	(56,489)
Other changes in minority interest	-	-	-	-	-	89,915	89,915
Balance at December 31, 2008	₩ 2,462,473	₩ 9,032,572	₩ (432,887)	₩ 242,333	₩ 6,299,623	₩ 348,041	₩17,952,155
Balance at January 1, 2009	₩ 2,462,473	₩ 9,032,572	₩ (432,887)	₩ 242,333	₩ 6,299,623	₩ 348,041	₩17,952,155
Dividends	-	-	-	-	(244,987)	-	(244,987)
Redemption of redeemable preferred stocks	-	-	-	-	(172,793)	-	(172,793)
Common stock issuance	390,000	885,260	-	-	-	-	1,275,260
Net income for year	-	-	-	-	1,305,311	22,942	1,328,253
Changes in other capital surplus	-	7,020	-	-	-	-	7,020
Changes in other capital adjustments	-	-	15,745	-	-	(929)	14,816
Changes in retained earnings of subsidiaries	-	-	-	-	(4,301)	-	(4,301)
Changes in valuation gain on available-for-sale securities	-	-	-	1,074,279	-	(858)	1,073,421
Changes in unrealized gain (loss) on equity method accounted investments	-	-	-	(15,015)	-	10	(15,005)
Changes in adjustment for foreign currency translation	-	-	-	(154,111)	-	(364)	(154,475)
Changes in valuation gain on derivatives	-	-	-	35,088	-	-	35,088
Other changes in minority interest	-	-	-	-	-	28,574	28,574
Balance at December 31, 2009	₩ 2,852,473	₩ 9,924,852	₩ (417,142)	₩ 1,182,574	₩ 7,182,853	₩ 397,416	₩21,123,026

See accompanying notes to consolidated financial statements

Consolidated Statements of Cash Flows

For the years ended December 31, 2009 and 2008

(In millions of Won)

	Notes	2009	2008
Cash flows from operating activities			
Net income		₩ 1,328,253	₩ 2,025,662
Adjustments for:			
Depreciation and amortization		729,362	805,615
Provision for loan losses, net		1,578,798	1,043,900
Provision for retirement and severance benefits		108,002	146,841
Unrealized loss (gain) on trading securities, net		87,870	(213,154)
Impairment loss on available-for-sale securities		35,207	258,960
Reversal of impairment loss on available-for-sale securities		(9,317)	(52,935)
Impairment loss on held-to-maturity securities		1,635	27,253
Reversal of impairment loss on held-to-maturity securities		(28,400)	(30,166)
Gain from equity method accounted investment, net		(13,013)	(69,913)
Gain from disposition of equity method accounted investment, net		(20,915)	(3,831)
Loss (gain) on foreign currency transactions, net		(971,881)	105,139
Valuation gain on derivatives, net		(598,092)	(521,286)
Stock compensation costs, net		51,780	(2,217)
Policy reserves and other insurance expense		1,467,108	1,195,982
Other, net		301,221	52,161
Changes in assets and liabilities:			
Decrease (increase) in trading securities		(348,904)	2,901,168
Decrease (increase) in available-for-sale securities		1,512,132	(8,773,239)
Increase in held-to-maturity securities		(4,080,623)	(633,112)
Dividend received from equity method accounted investment		6,977	1,094,635
Decrease (increase) in loans		2,149,630	(19,254,698)
Increase in loan origination fee		133,037	183,999
Decrease (increase) in other assets		12,487,271	(6,621,770)
Increase (decrease) in other liabilities		(15,185,870)	8,539,864
Retirement and severance benefits paid		(233,594)	(97,764)
Decrease in deposit for severance benefit insurance		(78,973)	(3,993)
Net cash provided by (used in) operating activities		408,701	(17,896,899)
Cash flows from investing activities			
Cash provided by investing activities:			
Decrease in equity method accounted investments		137,473	15,290
Proceeds from disposal of property and equipment		69,583	92,217
Decrease in other assets		204,606	207,432
		₩ 411,662	₩ 314,939

See accompanying notes to consolidated financial statements

(In millions of Won)

	Notes	2009	2008
Cash used in investing activities:			
Acquisition of equity method accounted investments		₩ (36,260)	₩ (162,947)
Acquisition of subsidiaries		-	(36,729)
Purchase of property and equipment		(240,043)	(389,637)
Increase in other assets		(234,287)	(329,503)
		(510,590)	(918,816)
Net cash used in investing activities		(98,928)	(603,877)
Cash flows from financing activities			
Cash provided by financing activities:			
Increase in deposits		27,861,051	18,090,470
Proceeds from borrowings		18,569,767	35,366,897
Proceeds from debentures		9,967,114	19,363,642
Increase in other liabilities		255,745	2,204,244
Issuance of common stock		1,310,400	-
Disposition of subsidiary		22,885	-
Increase in minority interest		66,988	100,958
Disposition of treasury stock		26	-
		58,053,976	75,126,211
Cash used in financing activities:			
Decrease in deposits		(6,642,465)	(3,171,551)
Repayment of borrowings		(28,005,759)	(33,829,514)
Repayment of debentures		(18,081,164)	(14,890,628)
Debentures issue cost paid		(216,890)	(94,830)
Decrease in other liabilities		(2,130,271)	(60,849)
Stock issuance costs paid		(35,157)	(1,984)
Dividends paid		(245,035)	(619,916)
Redemption of redeemable preferred stocks		(172,793)	(537,834)
Acquisition of stock of subsidiaries		(3,303)	-
Decrease in minority interest		(29,597)	(26,551)
		(55,562,434)	(53,233,657)
Net cash provided by financing activities		2,491,542	21,892,554
Increase (decrease) in cash and due from banks due to change in consolidation scope		(24,815)	9,697
Net increase in cash and due from banks		2,776,500	3,401,475
Cash and due from banks at beginning of year		13,078,807	9,677,332
Cash and due from banks at end of year		₩ 15,855,307	₩ 13,078,807

See accompanying notes to consolidated financial statements

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

(1) General Description on the Consolidated Company

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

(a) Controlling Company

Shinhan Financial Group Co., Ltd. (the "Shinhan Financial Group") was incorporated on September 1, 2001 through a business combination involving exchange of Shinhan Financial Group's common stock with the former shareholders of Shinhan Bank, Shinhan Securities Co., Ltd., Shinhan Capital Co., Ltd. and Shinhan BNP Paribas AMC (formerly Shinhan BNP Paribas Investment Trust Management Co., Ltd.). Shinhan Financial Group was formed with ₩1,461,721 million of initial capital stock for the purpose of providing management services and financing to affiliated companies and Shinhan Financial Group's shares were listed on the Korea Exchange on September 10, 2001. In addition, on September 16, 2003, Shinhan Financial Group's American Depository Shares were listed on the New York Stock Exchange.

As of December 31, 2009, Shinhan Financial Group has 30 subsidiaries which are consolidated and its capital stock amounted to ₩2,370,998 million in common stock and ₩481,475 million in redeemable and convertible preferred stock, respectively.

(b) Subsidiaries included in Consolidation

a. Shinhan Bank

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

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

As of December 31, 2009, Shinhan Bank operated through 825 domestic branches, 100 depository offices and 6 overseas branches, and its capital stock amounted to ₩7,928,078 million.

b. Shinhan Card Co., Ltd.

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

As of December 31, 2009, Shinhan Card had 48 branches, approximately 2.42 million merchants in its network, 14.32 million active credit card holders, and its capital stock amounted to ₩626,847 million.

c. Shinhan Investment Corp.

Shinhan Investment Co., Ltd. ("Shinhan Investment") was incorporated on April 2, 1973 to engage in securities trading, underwriting and brokerage services and became a wholly owned subsidiary in August 17, 2004 through a tender offer and share exchange. As of December 31, 2009, it operated through 86 branches and its capital stock amounted to ₩1,296,998 million (including ₩19,117 million of preferred stock).

d. Shinhan Life Insurance Co., Ltd.

Shinhan Life Insurance Co., Ltd. ("Shinhan Life Insurance") was incorporated in January 1990 under the laws of the Republic of Korea to engage in life insurance and related businesses and became a wholly owned subsidiary as of December 31, 2005. As of December 31, 2009, Shinhan Life Insurance operated through 157 branches and its capital stock amounted to ₩200,000 million.

e. Shinhan Capital Co., Ltd.

Shinhan Capital Co., Ltd. ("Shinhan Capital") was incorporated on April 19, 1991 to engage in the leasing and rental business. It changed its name on May 27, 1999 from Shinhan Leasing Co., Ltd. to Shinhan Capital Co., Ltd. As of December 31, 2009, its capital stock amounted to ₩180,000 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 commercial banking and the trust business and listed its shares on the Korea Exchange on December 28, 1972. As of December 31, 2009, its capital stock amounted to ₩110,644 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. As of December 31, 2009, its capital stock amounted to ₩3,000 million.

h. Shinhan Private Equity, Inc.

Shinhan Private Equity, Inc. ("Shinhan PE") was established on December 8, 2004 to provide financial advisory services and operating assistance to domestic and overseas private equity funds. As of December 31, 2009, its capital stock amounted to ₩10,000 million.

i. Shinhan BNP Paribas Asset Management Co., Ltd.

On August 1, 1996, Shinhan Investment Trust Management Co., Ltd. was established and obtained a license to engage in the business of investment and trust of securities and advisory services under the Investment and Trust of Securities Law. Under the joint venture agreement on October 2002, with BNP Paribas Asset Management Group, Shinhan Investment Trust Management Co., Ltd. was renamed Shinhan BNP Paribas Investment Trust Management Co., Ltd.

Effective January 1, 2009, SH Asset Management Co., Ltd., a subsidiary of the Shinhan Financial Group Co., Ltd., was merged into Shinhan BNP Paribas Asset Management Co., Ltd. in accordance with a resolution of the extraordinary shareholders' meeting held on November 5, 2008. In connection with the merger, Shinhan BNP Paribas Asset Management Co., Ltd. issued common stock to the Shinhan Financial Group Co., Ltd. in exchange for SH Asset Management Co., Ltd.' stock at a ratio of 0.786083. As a result, the Shinhan Financial Group Co., Ltd.' s ownership interest in Shinhan BNP Paribas Asset Management Co., Ltd. increased from 50.00% to 73.47%. The merger was accounted for as a business combination between entities under common control, and had no effect on the Shinhan Financial Group Co., Ltd.' s results of operations. Furthermore, on January 2, 2009, the Shinhan Financial Group Co., Ltd. disposed 1,276,162 shares of Shinhan BNP Paribas Asset Management Co., Ltd. stock at ₩18,023 per share. As a result, the Shinhan Financial Group Co., Ltd.' s ownership interest in Shinhan BNP Paribas Asset Management Co., Ltd. ("Shinhan BNP Paribas AMC") decreased to 65%.

As of December 31, 2009, its capital stock amounted to ₩75,374 million.

j. Shinhan Macquarie Financial Advisory Co., Ltd.

On August 1, 2001, Shinhan Macquarie Financial Advisory Co., Ltd. ("Shinhan Macquarie") was incorporated to engage in financial advisory services and cross border leasing under the joint venture agreement with Macquarie International Holdings Ltd. As of December 31, 2009, its capital stock amounted to ₩1,000 million.

k. Trust accounts of Shinhan Bank and Jeju Bank

Trust accounts managed by Shinhan Bank and Jeju Bank are consolidated only if Shinhan Bank or Jeju Bank guarantees repayment of principal and, in certain cases, minimum interest earnings.

l. Shinhan Asia Limited

Shinhan Asia Limited ("Shinhan Asia") engages in merchant banking activities in Hong Kong. As of December 31, 2009, its capital stock amounted to US\$100,000 thousand.

m. Shinhan Bank America

Shinhan Bank America was established on March 24, 2003 through the merger of Chohung Bank of New York and California Chohung Bank. As of December 31, 2009, its capital stock amounted to US\$93,000 thousand.

n. Shinhan Bank Europe GmbH

Shinhan Bank Europe GmbH ("Shinhan Europe") was established in 1994. As of December 31, 2009, its capital stock amounted to EUR 23,000 thousand.

Notes to Consolidated Financial Statements, Continued

December 31, 2009 and 2008

o. Shinhan Khmer Bank

Shinhan Khmer Bank ("Shinhan Khmer") was established on August 10, 2007. As of December 31, 2009, its capital stock amounted to US\$20,000 thousand.

p. Shinhan Kazakhstan Bank

Shinhan Kazakhstan Bank ("Shinhan Kazakhstan") was established on March 21, 2008. As of December 31, 2009, its capital stock amounted to KZT5,029 million.

q. Shinhan Canada Bank

Shinhan Canada Bank ("Shinhan Canada") was established on August 22, 2008. As of December 31, 2009, its capital stock amounted to CAD30,000 thousand.

r. Shinhan Bank China Limited

Shinhan Bank China Limited ("Shinhan China") was established on April 30, 2008. As of December 31, 2009, its capital stock amounted to CNY2,000,000 thousand.

s. SBJ Bank

SBJ Bank was established on September 14, 2009. As of December 31, 2009, its capital stock amounted to JPY10,000,000 thousand.

t. Shinhan Bank Vietnam

Shinhan Bank Vietnam ("Shinhan Vietnam") was established on October 13, 2009. As of December 31, 2009, its capital stock amounted to VND1,670,000 million.

u. Shinhan Aitas Co., Ltd.

Shinhan Aitas Co., Ltd. ("Shinhan Aitas") was established in June, 2000 to engage in the business of bookkeeping services on trust assets. As of December 31, 2009, its capital stock amounted to ₩2,372 million.

v. Petra Private Equity Fund

Petra Private Equity Fund ("Petra PEF") was established on December 3, 2009. As of December 31, 2009, its capital stock amounted to ₩42,000 million.

w. Shinhan Investment Corp. Europe Ltd.

Shinhan Investment Corp. Europe Ltd. ("Shinhan Investment Europe") was established in 1991 and provides securities trading, underwriting and derivative brokerage services in Europe under the Securities and Futures Authority of UK. As of December 31, 2009, its capital stock amounted to GBP 3,400 thousand.

x. Shinhan Investment Corp. USA Ltd.

Shinhan Investment Corp. USA Ltd. ("Shinhan Investment USA") was established in 1993 and provides securities trading, underwriting and derivative brokerage services under the Federal Securities Act of USA. As of December 31, 2009, its capital stock amounted to US\$4,200 thousand.

y. Shinhan Investment Corp. Asia Ltd.

Shinhan Investment Corp. Asia Ltd. ("Shinhan Investment Asia") was established on May 25, 2007 and provides securities trading, underwriting and derivative brokerage services under the Securities and Futures Ordinance of Hong Kong. As of December 31, 2009, its capital stock amounted to HKD 40,000 thousand.

z. Shinhan National Pension Service Private Equity Fund 1st

Shinhan National Pension Service Private Equity Fund 1st ("Shinhan PEF 1st") was established on August 18, 2005. As of December 31, 2009, its capital stock amounted to ₩222,000 million.

aa. Shinhan Private Equity Fund 2nd

Shinhan Private Equity Fund 2nd ("Shinhan PEF 2nd") was established on August 11, 2008. As of December 31, 2009, its capital stock amounted to ₩166,520 million.

bb. Symphony Energy Co., Ltd.

Symphony Energy Co., Ltd. ("Symphony Energy") was established on April 24, 2004 and provides manufacturing and installation services of solar module. As of December 31, 2009, its capital stock amounted to ₩6,074 million.

cc. SHPE Holdings One Limited

SHPE Holdings One Limited ("SHPE Holdings One") was established on October 31, 2008, based on the Act on Capital Market and Financial Investment Business and has been engaged in investments by private funding. As of December 31, 2009, its capital stock amounted to ₩6,200 million.

Ownership between Shinhan Financial Group and its subsidiaries included in consolidation as of December 31, 2009 and 2008 were as follows:

Investor	Investee	2009		2008	
		Number of shares	Ownership (%)	Number of shares	Ownership (%)
Shinhan Financial Group	Shinhan Bank	1,585,615,506	100.0	1,585,615,506	100.0
"	Shinhan Card	125,369,403	100.0	125,369,403	100.0
"	Shinhan Investment	259,399,664	100.0	259,399,664	100.0
"	Shinhan Life Insurance	40,000,000	100.0	40,000,000	100.0
"	Shinhan Capital	32,250,000	100.0	32,250,000	100.0
"	Jeju Bank	15,241,424	68.9	9,692,369	62.4
"	Shinhan Credit Information	600,000	100.0	600,000	100.0
"	Shinhan PE	2,000,000	100.0	2,000,000	100.0
"	SH Asset Management	-	-	9,000,000	100.0
"	Shinhan BNP Paribas AMC	9,798,585	65.0	4,000,001	50.0
"	Cardif Life Insurance	-	-	4,700,001	50.0
"	Shinhan Macquarie	102,000	51.0	102,000	51.0
Shinhan Bank	Shinhan Asia	999,999	99.9	999,999	99.9
"	Shinhan Bank America	2,657,141	100.0	1,799,999	100.0
"	Shinhan Europe	Limited	100.0	Limited	100.0
"	Shinhan Khmer	16,020,000	80.1	16,020,000	80.1
"	Shinhan Kazakhstan	276,411	100.0	276,411	100.0
"	Shinhan Canada	Limited	100.0	Limited	100.0
"	Shinhan China	Limited	100.0	Limited	100.0
"	SBJ Bank	20,000,000,000	100.0	-	-
"	Shinhan Vietnam	Limited	100.0	-	-
"	Shinhan Data System	-	-	200,000	100.0
"	Shinhan Aitas	421,358	89.6	421,358	89.6
"	Shinhan PEF 1 st	624	26.7	624	26.7
"	Shinhan PEF 2 nd	33,840	26.1	33,840	26.1
Shinhan Card	Shinhan Financial Group	-	-	529	-
Shinhan Investment	Shinhan Investment Europe	3,400,000	100.0	3,400,000	100.0
"	Shinhan Investment USA	15,000	100.0	15,000	100.0
"	Shinhan Investment Asia	40,000,000	100.0	40,000,000	100.0
Shinhan Life Insurance	Shinhan PEF 1 st	78	3.3	78	3.3
"	Shinhan PEF 2 nd	5,640	4.4	5,640	4.4
Shinhan Capital	Petra PEF	10,000,000,000	23.8	-	-
Jeju Bank	Shinhan PEF 1 st	39	1.7	39	1.7
Shinhan PE	Shinhan PEF 1 st	117	5.0	117	5.0
"	Shinhan PEF 2 nd	2,820	2.2	2,820	2.2
Shinhan PEF 1 st	Symphony Energy	9,424,193	77.6	9,424,193	86.2
Shinhan PEF 2 nd	SHPE Holdings One	Limited	100.0	-	-

Notes to Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(c) Other Equity Method Investees

Details of ownerships in subsidiaries and associates accounted for under the equity method of accounting as of December 31, 2009 and 2008 were as follows:

Investor	Investee	Ownership (%)	
		2009	2008
Shinhan Financial Group	SHC Management Co., Ltd.	100.0	100.0
Shinhan Bank	Cardif Life Insurance	15.0	-
"	Shinhan Data System	100.0	-
"	Shinhan Corporate Restructuring Fund 7 th	58.8	58.8
"	Shinhan Corporate Restructuring Fund 8 th	14.4	14.4
"	Macquarie Shinhan Infrastructure Management Co., Ltd.	35.2	35.2
"	Aju Capital Co., Ltd.	14.4	14.4
"	Shinhan Vina Bank	50.0	50.0
"	Shinhan Finance Ltd.([*])	-	100.0
"	Westend Corporate Restructuring Fund	17.2	-
"	UAMCO., Ltd.	17.5	-
Shinhan Card	High Technology Investment, Ltd.	28.6	28.6
"	Shinhan KTF Mobile Card	50.0	50.0
Shinhan Investment	APC Fund	21.9	21.9
Shinhan Capital	KTIC Corporate Restructuring Fund 18 th	47.2	47.2
"	Macquarie Shinhan Infrastructure Management Co., Ltd.	14.8	14.8
"	Shinhan Corporate Restructuring Fund 5 th	45.0	45.0
"	Shinhan Corporate Restructuring Fund 7 th	29.4	29.4
"	Shinhan Corporate Restructuring Fund 8 th	11.4	11.4
"	DCC Corporate Restructuring Fund 1 st	24.1	24.1
"	KTIC Corporate Restructuring Fund 16 th (KTIC 16th CRV)([*])	-	21.7
"	HTIC Corporate Restructuring Fund 2 nd (HTIC 2nd CRV)	20.0	20.0
"	Nawoo IB Fund 2 nd ([*])	-	34.0
"	PT Clemont Finance Indonesia	30.0	30.0
"	Haejin Shipping Co. Ltd.	24.0	24.0
"	APC Fund	3.3	3.3
"	Westend Corporate Restructuring Fund (Westend CRV)	10.3	-
"	TSYoon 2 nd Corporate Restructuring Fund (TSYoon 2 nd CRV)	23.3	-
"	SHC-IMM New Growth Fund	64.5	-
"	SHC-AJU 1 st Investment Fund	19.2	-
Jeju Bank	Shinhan Corporate Restructuring Fund 7 th	4.9	4.9
Shinhan PEF 2 nd	SHPE Holdings One	-	100.0
Symphony Energy	Korea Solec Energy Co., Ltd.	100.0	100.0

([*]) These companies were liquidated for the year ended December 31, 2009.

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

(a) Basis of Financial Statements Presentation

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

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

(b) Investments in Securities

Classification

Upon acquisition, the Consolidated Company classifies debt and equity securities (excluding investments in subsidiaries, associates and joint ventures) into the following categories: held-to-maturity, available-for-sale or trading securities. This classification is reassessed at the end of each reporting period.

Investments in debt securities where the Consolidated Company has the positive intent and ability to hold to maturity are classified as held-to-maturity. Securities that are acquired principally for the purpose of selling in the short term are classified as trading securities. Investments not classified as either held-to-maturity or trading securities are classified as available-for-sale securities.

Initial recognition

Investments in securities (excluding investments in subsidiaries, associates and joint ventures) are initially recognized at cost. And equity securities and debt securities are recorded by the moving average method and the individual identification method, respectively.

Subsequent measurement and income recognition

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

Fair value information

The fair value of marketable securities is determined using quoted market prices as of the period end. Non-marketable equity securities are recorded at fair value calculated by the valuation model using reliable data of independent professional institutes. Non-marketable debt securities are fair valued by discounting cash flows using the prevailing market rates for debt with a similar credit risk and remaining maturity. Credit risk is determined using the issuer's credit rating as announced by accredited credit rating agencies in Korea. Non-marketable beneficiary certificates are recorded at fair value using the standard trading yield rate determined by fund management companies.

Impairment

The Consolidated Company audits investments in securities whenever events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable. Impairment losses are recognized when the reasonably estimated recoverable amounts are less than the carrying amount and there is no clear evidence that impairment is not necessary. Impairment, if any, is recorded as a reduction in the carrying amount of the securities and included in the non-consolidated income statement in the period in which they arise. Recovery of impairment loss, when it is objectively related to an event occurring after the recognition of impairment loss, is recognized as current income. However, the new carrying amount after the reversal of impairment cannot exceed the carrying value of the investment security that would have been measured at the date of reversal had no impairment loss been recognized.

(c) Investments in Associates

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

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

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

Notes to Consolidated Financial Statements, Continued

December 31, 2009 and 2008

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

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

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

If an associate uses accounting policies or estimates other than those of the Consolidated Company for like transactions and events in similar circumstances, the Consolidated Company makes appropriate adjustments to conform the associate's accounting policies to those of the Consolidated Company when the associate's financial statements are used by the Consolidated Company in applying the equity method.

If the investee is a subsidiary, net income and net assets of the parent company's separate financial statements should agree with the parent company's share in the net income and net assets of the consolidated financial statements, except when the Company discontinues the application of the equity method due to its investment in a subsidiary being reduced to zero.

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

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

(d) Allowance for Loan Losses

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

i) Expected Loss Method

The Consolidated Company estimates the allowance for corporate and household loan losses using the expected loss method, which multiplies loan balances by probability of default ("PD") and loss given default ("LGD"). This provisional method considers both financial and non-financial factors of borrowers to assess PD and LGD. PD is determined by considering the type of borrowers, the nature of loans and delinquent days and LGD is determined by considering the type of loan and collateral.

ii) Financial Supervisory Service ("FSS") Guideline

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

	Corporate loans	Household loans
Normal	(*) 0.85%	1%
Precautionary	7%	10%
Substandard	20%	20%
Doubtful	50%	55%
Estimated loss	100%	100%

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

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

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

(e) Troubled Debt Restructuring

A loan which contractual terms are modified in a troubled debt restructuring program is accounted for at the present value of future cash flows in the modified contract discounted using the effective interest rate in the original contract. If the present value differs from the face value of the loans, the difference is recorded as an allowance for loan losses and provision for loan losses in the current period. The present value discounts are recorded in allowance for loan losses, which is shown as a deduction from the nominal value of the loans. Allowance for loan losses are amortized using the effective interest method and are recognized as interest income.

(f) Deferred Loan Origination Fee

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

(g) Transfer of Assets

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

(h) Property and Equipment

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

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

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

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

(i) Intangible Assets

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

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

Notes to Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(j) Bonds under Resale or Repurchase Agreements

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

(k) Convertible Bonds and Bond with Warrants

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

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

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

(l) Discount (Premium) on Debentures

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

(m) Retirement and Severance Benefits

The Consolidated Company introduced a pension plan. Under the Retirement Benefits Regulation, consideration of service requirements under the plan begins from the date the plan is effective; the period of service prior to the effective date of the plan will continue to be covered by the existing retirement benefits plan.

The Consolidated Company introduced a defined benefit pension plan, where each eligible employee receives a fixed amount of pension after retirement. The Consolidated Company accrued, as a liability for retirement and severance benefits, lump-sum payments payable to employees who are currently in service, assuming that they left the Consolidated Company as of the end of the reporting period. All employees with a minimum of one year of service are eligible to participate and must elect to participate in the plan. Participants accrue estimated benefits based on actuarial assumptions measured on the end of the reporting period at the discounted present value. The benefits vest after employees have completed five years of vesting service or reaching age 65, if earlier.

The Consolidated Company sponsors a defined contribution plan in which contributions in the amount of 1/12 of employee's annual salary is made by the Consolidated Company. The amount of benefit payments depends on the performance of the plan assets and is not guaranteed. The benefits vest after employees have completed five years of vesting service or reaching age 65, if earlier. Contributions to the plan are expensed as retirement and severance benefits when remitted to the plan.

The combined provision for retirement and severances benefits under the pension plan and those under the existing retirement benefit plan is recorded as the liability for retirement and severance benefits. Pension plan assets, together with the existing retirement and severance benefit deposit and the deposit previously made to the National Pension Fund under the old National Pension Law, as referred to above, is reflected in the accompanying consolidated statements of financial position as a reduction of the liability for retirement and severance benefits.

(n) Allowance for Unused Credit Commitments

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

i) Expected Loss Method

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

ii) FSS Guideline

The Consolidated Company estimates the allowance for unused loan commitments based on each classification in accordance with the Regulations for the Supervision of Banks revised at December 7, 2007 as follows: for unused corporate loan commitments a minimum of 0.85% for normal (0.9% for construction, real estate and rental services, retail and wholesale, lodging and restaurant; industries susceptible to market), 7% for precautionary, 20% for substandard, 50% for doubtful and 100% for estimated loss, respectively; for unused household loan commitments a minimum of 1.0% for normal, 10% for precautionary, 20% for substandard, 55% for doubtful and 100% for estimated loss, respectively; and for credit card commitments a minimum of 1.5% for normal, 15% for precautionary, 20% for substandard, 60% for doubtful and 100% for estimated loss, respectively.

(o) Allowance for Guarantees and Acceptances

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

(p) Provisions, Contingent Assets and Contingent Liabilities

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

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

(q) Deferred Acquisition Costs

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

(r) Policy Reserves

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

i. Premium reserve

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

ii. Unearned premium reserve

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

iii. Reserve for outstanding claims

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

iv. Reserve for participating policyholders' dividends

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

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December 31, 2009 and 2008

v. Dividend reserve for policyholders' income participation

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

vi. Reserve for reinsurance premium

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

(s) Translation of Foreign Currency Denominated Assets and Liabilities

Assets and liabilities denominated in foreign currencies are translated into Korean Won at the reporting dates, with the resulting gains and losses recognized in current results of operations. Assets and liabilities denominated in foreign currencies are translated into Korean Won at ₩1,167.60 and ₩1,257.50 to US\$1 based on the basic exchange rate and the cross exchange rates announced by the Seoul Money Brokerage Services Ltd. on December 31, 2009 and 2008, respectively.

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

(t) Share-Based Payments

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

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

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

(u) Leases

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

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

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

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

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

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

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

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

(v) Derivatives and Hedge Accounting

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

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

Hedge accounting

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

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

Fair value hedge

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

Cash flow hedge

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

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

Derivatives that do not qualify for hedge accounting

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

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Separable embedded derivatives

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

(w) Interest Income

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

(x) Valuation of Receivables and Payables at Present Value

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

(y) Income Taxes

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted. Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner in which the carrying amount of assets and liabilities will be realized or settled, using tax rates enacted or substantially enacted at the reporting 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.

(z) Cash Management Account ("CMA")

The Consolidated Company offers Cash Management Accounts (CMA) services, of which investments consist of eligible securities for open market operations, bills discounted, trade bills, etc. The trust money received from the CMA depositor is presented as trust of cash management account in liabilities and invested in securities, bills discounted, etc., and such assets under custody in cash management is accounted for both cash management account assets and other trading securities. As the Consolidated Company renders the investment yield to the depositor, such earnings are recognized as interest on deposits in operating expenses. As the Consolidated Company receives commission from the depositor with regard to withdrawal of the trust money or arrival to maturity, such commissions are recognized as commissions income in operating revenues.

(aa) Income from Discontinued Operations

Operating and non-operating income, net of income tax effect is reported as income from discontinued operations in the income statement for the period in which an initial disclosure event occurred. The prior period financial statements, presented comparatively, are reclassified to show the income(loss) from discontinued operations separately from continuing operations.

(bb) Use of Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the Republic of Korea requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes to consolidated financial statements. Actual results could differ from those estimates.

(cc) Earnings per Share

Earnings per share are calculated by dividing net income attributable to stockholders of the Consolidated Company by the weighted-average number of shares outstanding during the period.

Diluted earnings per share are determined by adjusting net income attributable to stockholders and the weighted-average number of shares outstanding for the effects of all dilutive potential shares, which comprise redeemable convertible preferred stock and stock options.

(3) Standards Applied for Preparing Consolidated Financial Statements

(a) The equity method investment securities account of Shinhan Financial Group is eliminated against the stockholders' equity account of each subsidiary as of the date of acquisition.

(b) The Consolidated Company records differences between the cost of investment accounts and the corresponding fair value of subsidiaries' net assets at the time of acquisition as goodwill (negative goodwill) which are amortized over 10 to 14 years.

In addition, the Consolidated Company reflects the difference between the acquisition cost and the book value of minority interests in the consolidated statement of financial position as consolidated capital surplus or capital adjustment.

(c) All significant inter-company transactions and account balances among the consolidated companies are fully eliminated in consolidation.

(d) With regards to the same borrowers' loans with same credit risk, the Consolidated Company applies the same provision policy for purposes of preparing the consolidated financial statements.

(4) Cash and Due from Banks

(a) Cash and due from banks as of December 31, 2009 and 2008 consisted of the following:

	(In millions of Won)	
	2009	2008
Cash and cash equivalents	₩ 1,846,790	₩ 1,908,960
Due from banks in Won	10,863,038	8,585,472
Due from banks in foreign currencies	2,889,235	2,525,638
Due from banks invested in gold	256,244	58,737
	₩ 15,855,307	₩ 13,078,807

(b) Restricted due from banks as of December 31, 2009 and 2008 were as follows:

	(In millions of Won)		
	2009	2008	Restrictions
Due from banks in Won:			
Reserve deposits at the Bank of Korea	₩ 6,205,780	₩ 4,746,796	General banking account
Due from banks for customer accounts	708,736	1,109,336	Reserve for customer deposits
Other	226,264	106,816	Deposit for severance benefit insurance and security deposit
	7,140,780	5,962,948	
Due from banks in foreign currencies	682,414	1,023,328	General banking account
	₩ 7,823,194	₩ 6,986,276	

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December 31, 2009 and 2008

(c) The maturities of due from banks as of December 31, 2009 and 2008 were as follows:

(In millions of Won)

At December 31, 2009	Due from banks in			
	Won	Foreign currencies	Gold	Total
Due in 3 months or less	₩ 10,023,528	2,349,637	256,244	12,629,409
Due after 3 months through 6 months	316,528	340,046	-	656,574
Due after 6 months through 1 year	224,949	79,319	-	304,268
Due after 1 year through 3 years	46,370	40,645	-	87,015
Thereafter	251,663	79,588	-	331,251
	₩ 10,863,038	2,889,235	256,244	14,008,517

(In millions of Won)

At December 31, 2008	Due from banks in			
	Won	Foreign currencies	Gold	Total
Due in 3 months or less	₩ 6,740,213	2,523,819	58,737	9,322,769
Due after 3 months through 6 months	210,802	-	-	210,802
Due after 6 months through 1 year	1,400,568	1,805	-	1,402,373
Due after 1 year through 3 years	25,666	-	-	25,666
Thereafter	208,223	14	-	208,237
	₩ 8,585,472	2,525,638	58,737	11,169,847

(d) Cash and Due from Banks from financial institutions as of December 31, 2009 and 2008 were as follows :

(In millions of Won)

At December 31, 2009	Due from banks in			
	Won	Foreign currencies	Gold	Total
Bank of Korea	₩ 6,205,780	855,250	-	7,061,030
Banking Institutions	1,569,828	2,033,429	256,244	3,859,501
other	3,087,430	556	-	3,087,986
	₩ 10,863,038	2,889,235	256,244	14,008,517

(In millions of Won)

At December 31, 2008	Due from banks in			
	Won	Foreign currencies	Gold	Total
Bank of Korea	₩ 4,746,796	961,158	-	5,707,954
Banking Institutions	2,029,353	1,534,234	58,737	3,622,324
Other	1,809,323	30,246	-	1,839,569
	₩ 8,585,472	2,525,638	58,737	11,169,847

(5) Securities

(a) Securities as of December 31, 2009 and 2008 consisted of the following:

(In millions of Won)

	2009	2008
Trading securities	₩ 9,229,061	₩ 8,837,754
Available-for-sale securities	29,005,672	29,305,130
Held-to-maturity securities	12,802,041	8,885,487
Equity method accounted investments	254,861	456,955
Total securities	₩ 51,291,635	₩ 47,485,326

(b) Trading Securities

i) Trading securities as of December 31, 2009 and 2008 consisted of the following:

(In millions of Won)

	2009	2008
Equity securities:		
Stocks	₩ 524,699	₩ 219,444
Debt securities:		
Government bonds	1,393,438	978,436
Finance debentures	3,434,866	4,587,951
Corporate bonds	1,250,760	669,368
	6,079,064	6,235,755
Beneficiary certificates	164,558	305,619
Securities in foreign currencies	15,821	1
Other	2,444,919	2,076,935
	₩ 9,229,061	₩ 8,837,754

ii) Details of equity securities as of December 31, 2009 and 2008 were as follows:

(In millions of Won)

	2009		
	Acquisition cost	Fair value	Book value
Trading equity securities	₩ 499,666	₩ 524,699	₩ 524,699

(In millions of Won)

	2008		
	Acquisition cost	Fair value	Book value
Trading equity securities	₩ 261,628	₩ 219,444	₩ 219,444

iii) Details of debt securities classified as trading securities as of December 31, 2009 and 2008 were as follows:

(In millions of Won)

	2009			
	Face value	Acquisition cost	Fair value(*1)	Book value(*2)
Government bonds	₩ 1,396,928	₩ 1,392,566	₩ 1,409,142	₩ 1,393,438
Finance debentures	3,456,521	3,437,308	3,445,226	3,434,866
Corporate bonds	1,245,809	1,250,618	1,260,398	1,250,760
	₩ 6,099,258	₩ 6,080,492	₩ 6,114,766	₩ 6,079,064

(In millions of Won)

	2008			
	Face value	Acquisition cost	Fair value(*1)	Book value(*2)
Government bonds	₩ 973,196	₩ 959,671	₩ 996,487	₩ 978,436
Finance debentures	4,602,263	4,536,042	4,603,107	4,587,951
Corporate bonds	662,301	658,922	681,469	669,368
	₩ 6,237,760	₩ 6,154,635	₩ 6,281,063	₩ 6,235,755

(*1) Debt securities are measured at fair value by applying the lesser of two quoted bond prices provided by two bond pricing agencies as of the latest trading date from the end of reporting period.

(*2) Accrued income is recorded as other assets.

Notes to Consolidated Financial Statements, Continued

December 31, 2009 and 2008

iv) Details of beneficiary certificates as of December 31, 2009 and 2008 were as follows:

(In millions of Won)

	2009		
	Acquisition cost	Fair value	Book value
Beneficiary certificates	₩ 161,413	₩ 164,558	₩ 164,558

(In millions of Won)

	2008		
	Acquisition cost	Fair value	Book value
Beneficiary certificates	₩ 290,631	₩ 305,619	₩ 305,619

v) Trading securities denominated in foreign currencies classified by currency as of December 31, 2009 and 2008 were as follows:

(in millions of won and thousands of U.S. dollars, except ratio)

	2009			2008		
	U.S. dollar	Equivalent Won	Ratio (%)	U.S. dollar	Equivalent Won	Ratio (%)
USD	\$ 10,024	₩ 11,705	73.98	\$ 1	₩ 1	100.00
HKD	3,525	4,116	26.02	-	-	0
	\$ 13,549	₩ 15,821	100.00	\$ 1	₩ 1	100.00

vi) Details of other trading securities as of December 31, 2009 and 2008 were as follows:

(In millions of Won)

	2009		
	Acquisition cost	Fair value	Book value
Commercial Paper	₩ 2,186,637	₩ 2,185,980	₩ 2,185,980
Other	296,961	258,939	258,939
	₩ 2,483,598	₩ 2,444,919	₩ 2,444,919

(In millions of Won)

	2008		
	Acquisition cost	Fair value	Book value
Commercial Paper	₩ 1,841,714	₩ 1,849,528	₩ 1,849,528
Other	299,538	227,407	227,407
	₩ 2,141,252	₩ 2,076,935	₩ 2,076,935

vii) Details of securities classified by major categories as of December 31, 2009 and 2008 were as follows:

(In millions of Won)

At December 31, 2009				
	In won	In foreign currency	Total	Ratio[%]
Equity Securities	₩ 524,699	₩ 4,116	₩ 528,815	5.73
Floating Rate Note	553,414	-	553,414	6.00
Fixed Rate Note	5,525,650	11,705	5,537,355	60.00
Other	2,609,477	-	2,609,477	28.27
	₩ 9,213,240	₩ 15,821	₩ 9,229,061	100.00

(In millions of Won)

At December 31, 2008				
	In won	In foreign currency	Total	Ratio(%)
Equity Securities	₩ 219,444	₩ 1	₩ 219,445	2.48
Floating Rate Note	3,653,505	-	3,653,505	41.34
Fixed Rate Note	2,582,250	-	2,582,250	29.22
Other	2,382,554	-	2,382,554	26.96
	₩ 8,837,753	₩ 1	₩ 8,837,754	100.00

viii) Details of securities classified by industry as of December 31, 2009 and 2008 were as follows:

(In millions of Won)

At December 31, 2009				
	In won	In foreign currency	Total	Ratio(%)
Government	₩ 1,861,347	₩ -	₩ 1,861,347	20.17
Financial institutions	5,230,350	-	5,230,350	56.67
Other	2,121,543	15,821	2,137,364	23.16
	₩ 9,213,240	₩ 15,821	₩ 9,229,061	100.00

(In millions of Won)

At December 31, 2008				
	In won	In foreign currency	Total	Ratio(%)
Government	₩ 4,321,919	₩ -	₩ 4,321,919	48.91
Financial institutions	2,344,939	1	2,344,940	26.53
Other	2,170,895	-	2,170,895	24.56
	₩ 8,837,753	₩ 1	₩ 8,837,754	100.00

(c) Available-for-Sale Securities

i) Available-for-sale securities as of December 31, 2009 and 2008 consisted of the following:

(In millions of Won)

	2009	2008
Equity securities:		
Stocks	₩ 4,621,017	₩ 3,328,978
Investment in special funds	489,470	522,060
	5,110,487	3,851,038
Debt securities:		
Government bonds	5,711,947	3,936,095
Finance debentures	9,810,432	14,287,011
Corporate bonds	4,095,747	3,977,207
	19,618,126	22,200,313
Beneficiary certificates	1,971,584	964,928
Securities in foreign currencies	2,114,780	2,062,286
Other	190,695	226,565
	₩ 29,005,672	₩ 29,305,130

Notes to Consolidated Financial Statements, Continued

December 31, 2009 and 2008

ii) Details of available-for-sale equity securities as of December 31, 2009 and 2008 were as follows:

(In millions of Won)

	2009		
	Acquisition cost	Fair value	Book value
Stocks	₩ 3,375,037	₩ 4,621,017	₩ 4,621,017
Investment in special funds	507,839	489,470	489,470
	₩ 3,882,876	₩ 5,110,487	₩ 5,110,487

(In millions of Won)

	2008		
	Acquisition cost	Fair value	Book value
Stocks	₩ 3,469,196	₩ 3,328,978	₩ 3,328,978
Investment in special funds	516,324	522,060	522,060
	₩ 3,985,520	₩ 3,851,038	₩ 3,851,038

iii) Details of debt securities classified as available-for-sale securities as of December 31, 2009 and 2008 were as follows:

(In millions of Won)

	2009			
	Face value	Acquisition cost	Fair value(*1)	Book value(*2)
Government bonds	₩ 5,807,045	₩ 5,654,234	₩ 5,831,817	₩ 5,711,947
Finance debentures	9,804,811	9,780,544	9,882,777	9,810,432
Corporate bonds	4,214,883	4,187,796	4,117,535	4,095,747
	₩ 19,826,739	₩ 19,622,574	₩ 19,832,129	₩ 19,618,126

(In millions of Won)

	2008			
	Face value	Acquisition cost	Fair value(*1)	Book value(*2)
Government bonds	₩ 3,917,561	₩ 3,774,416	₩ 4,022,845	₩ 3,936,095
Finance debentures	14,238,654	14,146,416	14,436,449	14,287,011
Corporate bonds	4,107,097	4,087,732	3,995,560	3,977,207
	₩ 22,263,312	₩ 22,008,564	₩ 22,454,854	₩ 22,200,313

(*1) Debt securities are measured at fair value by applying the lesser of two quoted bond prices provided by two bond pricing agencies as of the latest trading date from the end of reporting period.

(*2) Accrued income is recorded as other assets.

iv) Details of beneficiary certificates as of December 31, 2009 and 2008 were as follows:

(In millions of Won)

	2009		
	Acquisition cost	Fair value	Book value
Beneficiary certificates	₩ 1,879,342	₩ 1,971,584	₩ 1,971,584

(In millions of Won)

	2008		
	Acquisition cost	Fair value	Book value
Beneficiary certificates	₩ 1,047,448	₩ 964,928	₩ 964,928

v) Available-for-sale securities denominated in foreign currencies classified by currency as of December 31, 2009 and 2008 were as follows:

(in millions of won and thousands of U.S. dollars, except ratio)

	2009			2008		
	U.S. dollar	Equivalent Won	Ratio (%)	U.S. dollar	Equivalent Won	Ratio (%)
USD	\$ 1,654,123	₩ 1,931,354	91.34	\$ 1,471,904	₩ 1,850,917	89.75
JPY	109,837	128,246	6.06	117,541	147,808	7.17
SGD	7,830	9,142	0.43	16,667	20,959	1.02
EUR	528	617	0.03	12,501	15,720	0.76
INR	31,915	37,264	1.76	14,284	17,964	0.87
GBP	1,334	1,557	0.07	1,542	1,939	0.09
AUD	-	-	-	1	1	-
CHF	5,653	6,600	0.31	5,549	6,978	0.34
	\$ 1,811,220	₩ 2,114,780	100.00	\$ 1,639,989	₩ 2,062,286	100.00

vi) Details of other available-for-sale securities as of December 31, 2009 and 2008 were as follows:

(In millions of Won)

	2009		
	Acquisition cost	Fair value	Book value
Entrusted assets to investment service companies	₩ 139,583	₩ 145,239	₩ 145,239
Other	45,117	45,456	45,456
	₩ 184,700	₩ 190,695	₩ 190,695

(In millions of Won)

	2008		
	Acquisition cost	Fair value	Book value
Entrusted assets to investment service companies	₩ 150,245	₩ 124,607	₩ 124,607
Other	83,780	101,958	101,958
	₩ 234,025	₩ 226,565	₩ 226,565

vii) Available-for-sale securities restricted for sale for certain periods as of December 31, 2009 were as follows:

(In millions of Won)

	Book value	Restricted until
Hynix Semiconductor Inc.	₩ 585,013	Merger & Acquisition
Hyundai Engineering & Construction Co., Ltd.	208,310	Merger & Acquisition
Ssangyong Cement Industrial Co., Ltd.	85,420	Merger & Acquisition
Saehan Media Co., Ltd.	477	December 31, 2010
Hanchang Paper Co., LTD.	1,204	December 31, 2012
Ssangyong Engineering & Construction Co., Ltd.	10,232	Merger & Acquisition
Taesan LCD., inc	15,021	December 31, 2013
Daewoo International Corporation	44,489	Merger & Acquisition
Pantech Co., Ltd.	22,421	December 31, 2011
Daewoo Electronics Co., Ltd.	4,781	Joint-sale by creditors
Daehan Shipbuilding Co., LTD	900	Unsettled
HJC Corp.	21,284	December 31, 2010
Credit Recovery Fund	101,040	Board of Directors' approval
Korean private carbon fund 1st	1,399	December 26, 2010
	₩ 1,101,991	

Notes to Consolidated Financial Statements, Continued

December 31, 2009 and 2008

viii) Details of impairment loss and reversal of impairment loss of available-for-sale securities for the years ended December 31, 2009 and 2008 were as follows:

(In millions of Won)

	2009		2008	
	Impairment	Reversal	Impairment	Reversal
Equity securities	₩ 11,423	₩ 1,918	₩ 6,066	₩ -
Investment in special funds	295	-	-	-
Debt securities	842	7,343	88,564	52,935
Other securities	22,647	56	164,330	-
	₩ 35,207	₩ 9,317	₩ 258,960	₩ 52,935

ix) The maturity of debt securities as of December 31, 2009 and 2008 as follows :

(In millions of Won)

At December 31, 2009				
	Government bonds	Finance debentures	Corporate bonds	Total
Due in 3 months or less	₩ 65,287	₩ 2,753,602	₩ 377,336	₩ 3,196,225
Due after 3 months through 6 months	352,205	1,497,854	195,732	2,045,791
Due after 6 months through 1 year	170,463	1,767,233	406,491	2,344,187
Due after 1 year through 3 years	2,198,574	2,226,233	1,774,098	6,198,905
Thereafter	2,925,418	1,565,510	1,342,090	5,833,018
	₩ 5,711,947	₩ 9,810,432	₩ 4,095,747	₩ 19,618,126

(In millions of Won)

At December 31, 2008				
	Government bonds	Finance debentures	Corporate bonds	Total
Due in 3 months or less	₩ 663,986	₩ 4,086,726	₩ 517,274	₩ 5,267,986
Due after 3 months through 6 months	71,940	2,119,728	197,560	2,389,228
Due after 6 months through 1 year	179,501	1,761,170	466,413	2,407,084
Due after 1 year through 3 years	1,145,545	5,431,399	1,676,402	8,253,346
Thereafter	1,875,123	887,988	1,119,558	3,882,669
	₩ 3,936,095	₩ 14,287,011	₩ 3,977,207	₩ 22,200,313

x) Details of securities classified by major categories as of December 31, 2009 and 2008 were as follows:

(In millions of Won)

At December 31, 2009				
	In won	In foreign currency	Total	Ratio(%)
Equity Securities	₩ 4,621,017	₩ 382,223	₩ 5,003,240	17.25
Floating Rate Note	196,512	635,082	831,594	2.87
Fixed Rate Note	19,421,614	1,033,409	20,455,023	70.52
Other	2,651,749	64,066	2,715,815	9.36
	₩ 26,890,892	₩ 2,114,780	₩ 29,005,672	100.00

(In millions of Won)

At December 31, 2008				
	In won	In foreign currency	Total	Ratio(%)
Equity Securities	₩ 3,328,978	₩ 256,301	₩ 3,585,279	12.23
Floating Rate Note	201,941	685,439	887,380	3.03
Fixed Rate Note	21,998,372	1,049,381	23,047,753	78.65
Other	1,713,553	71,165	1,784,718	6.09
	₩ 27,242,844	₩ 2,062,286	₩ 29,305,130	100.00

xii) Details of securities classified by industry as of December 31, 2009 and 2008 were as follows:

(In millions of Won)

At December 31, 2009				
	In won	In foreign currency	Total	Ratio(%)
Government	₩ 8,104,940	₩ 83,936	₩ 8,188,876	28.23
Financial institutions	10,145,181	889,802	11,034,983	38.04
Other	8,640,771	1,141,042	9,781,813	33.73
	₩ 26,890,892	₩ 2,114,780	₩ 29,005,672	100.00

(In millions of Won)

At December 31, 2008				
	In won	In foreign currency	Total	Ratio(%)
Government	₩ 5,183,643	₩ 140,428	₩ 5,324,071	18.17
Financial institutions	16,633,521	897,201	17,530,722	59.82
Other	5,425,680	1,024,657	6,450,337	22.01
	₩ 27,242,844	₩ 2,062,286	₩ 29,305,130	100.00

xii) Structured notes as of December 31, 2009 consisted of the following:

(In millions of Won)

	Pair value	Book value	Inherent risk
Credit linked notes(*)	₩ 216,823	₩ 120,388	Loss from occurrence of a credit event

(*) If one or more credit events occur including bankruptcy, payment defaults, default on obligation, refusal of payment or restructuring, the Consolidated Company will receive the underlying bonds issued or guaranteed by reference company or cash equivalent to the market value at the time of the credit event from the counterparty.

(d) Held-to-maturity securities

i) Held-to-maturity securities as of December 31, 2009 and 2008 consisted of the following:

(In millions of Won)

	2009	2008
Government bonds	₩ 5,706,571	₩ 2,706,484
Finance debentures	4,521,243	4,261,638
Corporate bonds	2,446,809	1,852,382
Securities in foreign currencies	127,418	64,983
	₩ 12,801,041	₩ 8,885,487

ii) Details of debt securities classified as held-to-maturity securities as of December 31, 2009 and 2008 consisted of the following:

(In millions of Won)

	2009			
	Face value	Acquisition cost	Fair value(*1)	Book value
Government bonds	₩ 5,792,019	₩ 5,682,426	₩ 5,836,532	₩ 5,706,571
Finance debentures	4,526,001	4,518,631	4,588,036	4,521,243
Corporate bonds	2,446,725	2,442,410	2,487,564	2,446,809
	₩ 12,764,745	₩ 12,643,467	₩ 12,912,132	₩ 12,674,623

Notes to Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(In millions of Won)

	2008			
	Face value	Acquisition cost	Fair value(*1)	Book value
Government bonds	₩ 2,774,507	₩ 2,689,326	₩ 2,853,183	₩ 2,706,484
Finance debentures	4,272,746	4,262,534	4,361,662	4,261,638
Corporate bonds	1,859,323	1,850,322	1,896,564	1,852,382
	₩ 8,906,576	₩ 8,802,182	₩ 9,111,409	₩ 8,820,504

[*] Debt securities are measured at fair value by applying the lesser of two quoted bond prices provided by two bond pricing agencies as of the latest trading date from the end of reporting period.

iii) Held-to-maturity securities in foreign currencies classified by currency as of December 31, 2009 and 2008 were as follows:

(in millions of won and thousands of U.S. dollars, except ratio)

	2009			2008		
	U.S. dollar	Won equivalent	Ratio [%]	U.S. dollar	Won equivalent	Ratio [%]
USD	\$ 35,746	₩ 41,737	32.76	\$ 38,759	₩ 48,740	75.00
JPY	64,863	75,734	59.44	2,743	3,449	5.31
INR	8,519	9,947	7.80	10,174	12,794	19.69
	\$ 109,128	₩ 127,418	100.00	\$ 51,676	₩ 64,983	100.00

iv) Changes in impairment loss and reversal of impairment loss on held-to-maturity securities for the years ended December 31, 2009 and 2008 were as follows:

(In millions of Won)

	2009		2008	
	Impairment	Reversal	Impairment	Reversal
Debt securities	₩ 1,635	₩ 28,400	₩ 27,253	₩ 30,166

v) The maturity of debt securities as of December 31, 2009 and 2008 as follows:

(In millions of Won)

At December 31, 2009				
	Government bonds	Finance debentures	Corporate bonds	Total
Due in 3 months or less	₩ 11,101	₩ 306,639	₩ 86,072	₩ 403,812
Due after 3 months through 6 months	179,987	309,758	89,868	579,613
Due after 6 months through 1 year	130,508	1,183,637	79,964	1,394,109
Due after 1 year through 3 years	1,464,130	1,262,873	1,104,825	3,831,828
Thereafter	3,920,845	1,458,336	1,086,080	6,465,261
	₩ 5,706,571	₩ 4,521,243	₩ 2,446,809	₩ 12,674,623

(In millions of Won)

At December 31, 2008				
	Government bonds	Finance debentures	Corporate bonds	Total
Due in 3 months or less	₩ 264,837	₩ 259,250	₩ 114,987	₩ 639,074
Due after 3 months through 6 months	299,117	255,213	99,970	654,300
Due after 6 months through 1 year	68,792	672,773	170,001	911,566
Due after 1 year through 3 years	818,762	1,948,180	500,470	3,267,412
Thereafter	1,254,976	1,126,222	966,954	3,348,152
	₩ 2,706,484	₩ 4,261,638	₩ 1,852,382	₩ 8,820,504

vi) Details of securities classified by major categories as of December 31, 2009 and 2008 were as follows:

(In millions of Won)

At December 31, 2009				
	In won	In foreign currency	Total	Ratio(%)
Floating Rate Note	₩ 185,000	₩ 30,067	₩ 215,067	1.68
Fixed Rate Note	12,489,623	97,351	12,586,974	98.32
	₩ 12,674,623	₩ 127,418	₩ 12,802,041	100.00

(In millions of Won)

At December 31, 2008				
	In won	In foreign currency	Total	Ratio(%)
Floating Rate Note	₩ 225,000	₩ 18,802	₩ 243,802	2.74
Fixed Rate Note	8,595,504	42,732	8,638,236	97.22
Other	-	3,449	3,449	0.04
	₩ 8,820,504	₩ 64,983	₩ 8,885,487	100.00

vii) Details of securities classified by industry as of December 31, 2009 and 2008 were as follows:

(In millions of Won)

At December 31, 2009				
	In won	In foreign currency	Total	Ratio(%)
Government	₩ 7,713,751	₩ 45,829	₩ 7,759,580	60.61
Financial institutions	4,697,818	57,725	4,755,543	37.15
Other	263,054	23,864	286,918	2.24
	₩ 12,674,623	₩ 127,418	₩ 12,802,041	100.00

(In millions of Won)

At December 31, 2008				
	In won	In foreign currency	Total	Ratio(%)
Government	₩ 3,834,276	₩ 12,794	₩ 3,847,070	43.30
Financial institutions	4,604,336	21,034	4,625,370	52.05
Other	381,892	31,155	413,047	4.65
	₩ 8,820,504	₩ 64,983	₩ 8,885,487	100.00

(e) Investment in Associates

Details of equity method accounted investments as of December 31, 2009 and 2008 were as follows:

(In millions of Won)

Investees	2009				
	Beginning balance	Acquisition (dividend/disposal), net	Equity method income (loss)	Accumulated other comprehensive income	Ending balance
SHC Management Co., Ltd.	₩ 8,899	₩ -	₩ [244]	₩ -	₩ 8,655
Cardif Life Insurance	-	4,788	[168]	[222]	4,398
Shinhan Data System	-	4,927	679	-	5,606
Shinhan Finance Ltd.	105,345	[107,154]	[470]	2,279	-
Aju Capital Co., Ltd.	89,537	[6,242]	993	2,589	86,877
Macquarie Shinhan infrastructure Management Co., Ltd.	4,675	[6,741]	6,471	-	4,405
Shinhan Vina Bank	50,627	-	6,177	[3,619]	53,185
Shinhan KTF Mobile Card	708	-	[460]	-	248
Shinhan Corporate Restructuring Fund 5 th	4,610	[242]	1,076	[79]	5,365
Shinhan Corporate Restructuring Fund 7 th	3,794	-	572	1,009	5,375
Shinhan Corporate Restructuring Fund 8 th	24,401	[235]	26	-	24,192
DCC Corporate Restructuring Fund 1 st	₩ 3,437	₩ [1,979]	₩ 32	₩ 59	₩ 1,549

(Continued)

Notes to Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(In millions of Won)

Investees	2009				
	Beginning balance	Acquisition (dividend/disposal), net	Equity method income (loss)	Accumulated other comprehensive income	Ending balance
Nawoo IB Fund 2 nd	₩ 3,208	₩ (3,369)	₩ 161	₩ -	₩ -
KTB Corporate Restructuring Fund 18 th	708	-	(301)	-	407
High Technology Investment, Ltd.	2,476	(1,498)	(41)	(794)	143
KTIC 16 th CRV	-	(230)	(588)	818	-
HTIC 2 nd CRV	3,928	-	(37)	-	3,891
PT Clemont Finance Indonesia	3,772	-	809	325	4,906
Haejin Shipping Co. Ltd.	1,052	-	(134)	(42)	876
APC Fund	8,628	8,510	(1,178)	(1,565)	14,395
Westend CRV	-	8,000	(58)	-	7,942
TSYoon 2 nd CRV	-	5,000	1	-	5,001
SHC-IMM New Growth Fund	-	3,000	(46)	-	2,954
SHC-AJU 1 st Investment Fund	-	2,500	(1)	-	2,499
UAMCO., Ltd.	-	12,250	(258)	-	11,992
SHPE Holdings One	137,150	(137,150)	-	-	-
	₩ 456,955	₩ (215,865)	₩ 13,013	₩ 758	₩ 254,861

(In millions of Won)

Investees	2008					
	Beginning balance	Acquisition (dividend/disposal), net	Equity method income (loss)	Capital surplus	Accumulated other comprehensive income	Ending balance
SHC Management Co., Ltd.	₩ 1,086,650	₩(1,171,987)	₩ 18,968	₩ 75,268	₩ -	₩ 8,899
Shinhan Data System	3,644	(3,644)	-	-	-	-
Shinhan Finance Ltd.	78,550	-	62	-	26,733	105,345
Aju Capital Co., Ltd.	71,839	(2,884)	21,700	-	(1,118)	89,537
Macquarie Shinhan Infrastructure Management Co., Ltd.	15,222	(17,626)	7,079	-	-	4,675
Shinhan Vina Bank	20,501	21,950	4,286	-	3,890	50,627
Shinhan KTF Mobile Card	-	1,000	(292)	-	-	708
CFAG Corporate Restructuring Fund 8 th	533	(593)	60	-	-	-
Shinhan Corporate Restructuring Fund 5 th	4,310	-	298	-	2	4,610
Shinhan Corporate Restructuring Fund 6 th	8,819	(4,396)	1,353	-	(5,776)	-
Shinhan Corporate Restructuring Fund 7 th	-	3,905	126	-	(237)	3,794
Shinhan Corporate Restructuring Fund 8 th	23,249	(212)	1,364	-	-	24,401
DCC Corporate Restructuring Fund 1 st	3,902	(350)	188	-	(303)	3,437
Now Corporate Restructuring Fund 3 rd	2,189	(2,265)	76	-	-	-
Nawoo IB Fund 2 nd	-	3,000	208	-	-	3,208
KTB Corporate Restructuring Fund 18 th	814	-	(106)	-	-	708
High Technology Investment, Ltd.	1,730	-	92	-	654	2,476
KTIC 13 th CRV	1,169	(1,417)	248	-	-	-
KTIC 16 th CRV	4,970	(5,350)	1,174	-	(794)	-
HTIC 2 nd CRV	3,974	-	(46)	-	-	3,928
PT Clemont Finance Indonesia	-	3,431	309	-	32	3,772
Haejin Shipping Co. Ltd.	-	1,052	-	-	-	1,052
APC Fund	-	8,514	(384)	-	498	8,628
Korea Solec Energy Co., Ltd.	-	50	(50)	-	-	-
SHPE Holdings One	-	123,950	13,200	-	-	137,150
	₩ 1,332,065	₩(1,043,872)	₩ 69,913	₩ 75,268	₩ 23,581	₩ 456,955

(6) Loans

(a) Loans outstanding as of December 31, 2009 and 2008 consisted of the following:

(In millions of Won)

	2009	2008
Loans in Won	₩ 132,552,321	₩ 130,853,812
Loans in foreign currency	9,583,926	12,156,628
Loans in gold banking	4,894	6,246
Call loans	859,602	733,928
Domestic import usance bills	2,956,722	2,732,864
Bills bought in Won	915,548	1,776,588
Bills bought in foreign currency	3,402,056	3,113,141
Bonds purchased under repurchase agreements	421,100	2,292,223
Factoring receivables	147,371	218,985
Advances for customers	22,243	82,777
Privately placed bonds	2,706,954	3,330,844
CMA assets	676,349	731,801
Financing leases	1,495,419	1,497,564
Credit card accounts	13,640,262	12,506,623
Other	1,343,730	1,814,802
	170,728,497	173,848,826
Less:		
allowance for loan losses	(3,597,397)	(3,316,564)
present value discount	(9,219)	(10,261)
deferred loan origination fees	(158,052)	(176,759)
	₩ 166,963,829	₩ 170,345,242

(b) Loan maturities as of December 31, 2009 and 2008 were as follows:

(In millions of Won)

At December 31, 2009				
	Loans in Won	Loans in foreign currencies	Other loans	Total
Due in 3 months or less	₩ 29,075,137	₩ 1,525,723	₩ 17,122,138	₩ 47,722,998
Due after 3 months through 6 months	20,930,546	1,726,438	3,525,231	26,182,215
Due after 6 months through 1 year	32,702,789	2,453,581	2,850,043	38,006,413
Due after 1 year through 3 years	18,574,542	1,676,865	3,812,568	24,063,975
Thereafter	31,269,307	2,201,319	1,282,270	34,752,896
	₩ 132,552,321	₩ 9,583,926	₩ 28,592,250	₩ 170,728,497

(In millions of Won)

At December 31, 2008				
	Loans in Won	Loans in foreign currencies	Other loans	Total
Due in 3 months or less	₩ 29,476,431	₩ 2,203,966	₩ 19,582,645	₩ 51,263,042
Due after 3 months through 6 months	20,533,015	2,061,138	2,952,178	25,546,331
Due after 6 months through 1 year	29,862,667	2,480,761	2,974,997	35,318,425
Due after 1 year through 3 years	18,473,094	2,185,133	4,072,582	24,730,809
Thereafter	32,508,605	3,225,630	1,255,984	36,990,219
	₩ 130,853,812	₩ 12,156,628	₩ 30,838,386	₩ 173,848,826

Notes to Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(c) Loans from Banks from Financial Institutions as of December 31 2009 and 2008 were as follows :

(In millions of Won)

At December 31, 2009	Loans in			
	Bank of Korea	Banking Institutions	Other	Total
Loans in Won	₩ -	₩ 213,019	₩ 588,420	₩ 801,439
Loans in foreign currencies	-	308,300	135,792	444,092
Billis bought in Won	-	-	154,316	154,316
Call loans	-	473,986	385,616	859,602
Bonds purchased under repurchase agreements	300,000	-	90,800	390,800
Private placement bonds	-	-	482,629	482,629
Other	-	-	1,072,800	1,072,800
	₩ 300,000	₩ 995,305	₩ 2,910,373	₩ 4,205,678

(In millions of Won)

At December 31, 2008	Loans in			
	Bank of Korea	Banking Institutions	Other	Total
Loans in Won	₩ -	₩ 178,450	₩ 1,781,462	₩ 1,959,912
Loans in foreign currencies	-	29,330	958,483	987,813
Billis bought in Won	-	-	394,904	394,904
Bills bought in foreign currency	-	-	44	44
Call loans	-	216,794	517,134	733,928
Bonds purchased under repurchase agreements	2,190,000	-	100,000	2,290,000
Domestic import usance bill	-	12,824	46,016	58,840
Private placement bonds	-	-	686,139	686,139
Other	-	-	4,566	4,566
	₩ 2,190,000	₩ 437,398	₩ 4,488,748	₩ 7,116,146

(d) Loans classified by country as of December 31, 2009 and 2008 were as follows:

(In millions of Won)

At December 31, 2009	Loans in Won	Loans in foreign currencies	Other	Total	Ratio[%]
Korea	₩ 132,528,882	₩ 4,328,186	₩ 27,998,116	₩ 164,855,184	96.56
U.S.A	19,839	1,285,650	54,080	1,359,569	0.80
U.K.	-	22,623	116,760	139,383	0.08
Japan	-	620,094	69,455	689,549	0.40
Germany	-	17,418	3,889	21,307	0.01
Vietnam	-	52,612	82,902	135,514	0.08
China	-	870,505	76,409	946,914	0.55
Other	3,600	2,386,838	190,639	2,581,077	1.51
	₩ 132,552,321	₩ 9,583,926	₩ 28,592,250	₩ 170,728,497	100.00

(In millions of Won)

At December 31, 2008					
	Loans in Won	Loans in foreign currencies	Other	Total	Ratio(%)
Korea	₩ 130,853,812	₩ 5,684,415	₩ 30,342,335	₩ 166,880,562	95.99
U.S.A	-	1,612,281	18,875	1,631,156	0.94
U.K.	-	43,099	-	43,099	0.02
Japan	-	1,409,232	483	1,409,715	0.81
Vietnam	-	210,120	27,433	237,553	0.14
China	-	963,178	92,942	1,056,120	0.61
Other	-	2,234,303	356,318	2,590,621	1.49
	₩ 130,853,812	₩ 12,156,628	₩ 30,838,386	₩ 173,848,826	100.00

(e) Loans classified by industry as of December 31, 2009 and 2008 were as follows:

(In millions of Won)

At December 31, 2009					
	Loans in Won	Loans in foreign currencies	Other	Total	Ratio(%)
Manufacturing	₩ 19,576,255	₩ 3,313,740	₩ 7,074,414	₩ 29,964,409	17.55
Retail and wholesale	11,293,599	711,116	1,330,166	13,334,881	7.81
Real estate and rental services	16,858,445	1,248,396	192,416	18,299,257	10.72
Construction	5,857,791	40,854	774,970	6,673,615	3.91
Lodging and restaurant	3,627,311	239,009	108,925	3,975,245	2.33
Financial services and insurance	4,241,347	444,094	1,434,339	6,119,780	3.58
Other corporate loans	9,210,576	3,446,620	2,154,169	14,811,365	8.68
Household loans	61,886,997	140,097	15,522,851	77,549,945	45.42
	₩ 132,552,321	₩ 9,583,926	₩ 28,592,250	₩ 170,728,497	100.00

(In millions of Won)

At December 31, 2008					
	Loans in Won	Loans in foreign currencies	Other	Total	Ratio(%)
Manufacturing	₩ 20,263,494	₩ 4,046,240	₩ 6,290,564	₩ 30,600,298	17.60
Retail and wholesale	11,131,121	863,350	1,584,985	13,579,456	7.81
Real estate and rental services	17,987,915	1,811,987	1,225,051	21,024,953	12.09
Construction	6,118,468	61,386	1,153,620	7,333,474	4.22
Lodging and restaurant	3,363,700	179,203	148,460	3,691,363	2.12
Financial services and insurance	4,637,973	914,613	4,654,331	10,206,917	5.87
Other corporate loans	7,851,205	4,103,573	1,143,766	13,098,544	7.53
Household loans	59,499,936	176,276	14,637,609	74,313,821	42.76
	₩ 130,853,812	₩ 12,156,628	₩ 30,838,386	₩ 173,848,826	100.00

Notes to Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(f) Loans classified by consumer as of December 31, 2009 and 2008 were as follows:

(In millions of Won)

At December 31, 2009					
	Loans in Won	Loans in foreign currencies	Other	Total	Ratio(%)
Corporate	₩ 68,448,287	₩ 9,443,365	₩ 12,935,675	₩ 90,827,327	53.20
Household	61,886,997	140,097	15,522,851	77,549,945	45.42
Public and other	2,217,037	464	133,724	2,351,225	1.38
	₩ 132,552,321	₩ 9,583,926	₩ 28,592,250	₩ 170,728,497	100.00

(In millions of Won)

At December 31, 2008					
	Loans in Won	Loans in foreign currencies	Other	Total	Ratio(%)
Corporate	₩ 69,143,581	₩ 12,141,451	₩ 16,057,763	₩ 97,342,795	55.99
Household	59,499,936	15,177	14,637,609	74,152,722	42.65
Public and other	2,210,295	-	143,014	2,353,309	1.36
	₩ 130,853,812	₩ 12,156,628	₩ 30,838,386	₩ 173,848,826	100.00

(g) Changes in allowance for losses on loans, accounts receivable and accrued income for the years ended December 31, 2009 and 2008 were as follows:

(In millions of Won)

	2009		
	Beginning balance	Increase (Decrease)	Ending balance
Shinhan Financial Group	₩ 38	₩ 337	₩ 375
Shinhan Bank	2,659,345	(27,066)	2,632,279
Shinhan Bank (Trust account)	7,830	(490)	7,340
SH Asset Management	32	(32)	-
Shinhan Asia	1,019	(73)	946
Shinhan Bank America	9,004	23,340	32,344
Shinhan Europe	1,220	240	1,460
Shinhan Canada	-	593	593
Shinhan Khmer	-	309	309
Shinhan China	12,863	(347)	12,516
SBJ Bank	-	25,520	25,520
Shinhan Vietnam	-	17,278	17,278
Shinhan Card	773,961	19,509	793,470
Shinhan Investment	62,217	120,070	182,287
Shinhan Life Insurance	30,204	7,739	37,943
Shinhan Capital	52,394	19,929	72,323
Jeju Bank	26,464	6,624	33,088
Shinhan PE	-	470	470
Shinhan BNP Paribas AMC	60	50	110
Cardif Life Insurance	59	(59)	-
Shinhan Macquarie	15	(13)	2
	₩ 3,636,725	₩ 213,928	₩ 3,850,653

(*) Allowance for losses on other assets and allowance for disposition of operating lease assets are included.

(In millions of Won)

	2008		
	Beginning balance	Increase (Decrease)	Ending balance
Shinhan Financial Group	₩ -	₩ 38	₩ 38
Shinhan Bank	1,988,844	670,501	2,659,345
Shinhan Bank (Trust account)	9,075	[1,245]	7,830
SH Asset Management	23	9	32
Shinhan Asia	667	352	1,019
Shinhan Bank America	5,190	3,814	9,004
Shinhan Europe	1,588	[368]	1,220
Shinhan China	-	12,863	12,863
Shinhan Card	947,736	[173,775]	773,961
Shinhan Investment	36,237	25,980	62,217
Shinhan Life Insurance	21,380	8,824	30,204
Shinhan Capital	41,433	10,961	52,394
Jeju Bank	31,849	[5,385]	26,464
Shinhan BNP Paribas AMC	101	[41]	60
Cardif Life Insurance	84	[25]	59
Shinhan Macquarie	51	[36]	15
	₩ 3,084,258	₩ 552,467	₩ 3,636,725

(*) Allowance for losses on other assets and allowance for disposition of operating lease assets are included.

(h) As of December 31, 2009 and 2008, details of loan balances including accounts receivable and other suspense receivable and the related allowance for credit losses by asset credit risk classification were as follows:

(In millions of Won)

		2009		
		Balance	Allowance	Provision ratio (%)
Corporate loans	Normal	₩ 88,757,084	₩ 1,011,742	1.14
	Precautionary	2,571,409	325,193	12.65
	Substandard	1,053,105	308,357	29.28
	Doubtful	290,097	213,297	73.53
	Estimated loss	199,553	199,553	100.00
		92,871,248	2,058,142	2.22
Household loans	Normal	63,635,535	621,953	0.98
	Precautionary	185,887	17,980	9.67
	Substandard	131,916	26,669	20.22
	Doubtful	117,076	65,305	55.78
	Estimated loss	56,551	56,551	100.00
		64,126,965	788,458	1.23
Credit card loans	Normal	12,995,329	295,348	2.27
	Precautionary	235,559	68,549	29.10
	Substandard	9	2	22.22
	Doubtful	56,168	33,701	60.00
	Estimated loss	353,197	353,197	100.00
		13,640,262	750,797	5.50
Other		2,986,103	253,256	8.48
		₩ 173,624,578	₩ 3,850,653	2.22

Notes to Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(In millions of Won)

		2008		
		Balance	Allowance	Provision ratio [%]
Corporate loans	Normal	₩ 97,277,495	₩ 945,162	0.97
	Precautionary	1,498,800	199,064	13.28
	Substandard	597,514	161,021	26.95
	Doubtful	203,591	144,367	70.91
	Estimated loss	380,973	380,973	100.00
		99,958,373	1,830,587	1.83
Household loans	Normal	61,093,722	607,384	0.99
	Precautionary	227,953	21,491	9.43
	Substandard	128,591	25,841	20.10
	Doubtful	108,812	61,584	56.60
	Estimated loss	60,059	60,059	100.00
		61,619,137	776,359	1.26
Credit card loans	Normal	11,818,071	328,022	2.78
	Precautionary	377,818	116,963	30.96
	Substandard	20	4	20.00
	Doubtful	74,418	44,651	60.00
	Estimated loss	236,296	236,296	100.00
		12,506,623	725,936	5.80
Other		1,410,361	303,843	21.54
		₩ 175,494,494	₩ 3,636,725	2.07

(i) Deferred loan origination fees

Changes in deferred loan origination fees for the years ended December 31, 2009 and 2008 were as follows :

(In millions of Won)

	2009	2008
Beginning Balance	₩ 176,759	₩ 154,398
Increase	149,531	218,524
Decrease	(168,238)	(196,163)
Ending Balance	₩ 158,052	₩ 176,759

(j) Restructured loans due to commencement of bankruptcy proceedings, debt restructuring proceedings by creditors or workout programs for the years ended December 31, 2009 and 2008 were as follows:

(In millions of Won)

	2009		
	Corporate loans	Household loans	Total
Convertible to equity securities:			
Balance before restructuring	₩ 114,269	₩ -	₩ 114,269
Balance after restructuring	40,072	-	40,072
Loss resulting from restructuring	74,197	-	74,197
Modification of terms:			
Balance before restructuring	530,797	29,977	560,774
Balance after restructuring	487,658	21,117	508,775
Loss resulting from restructuring	₩ 43,139	₩ 8,860	₩ 51,999

(In millions of Won)

	2008		
	Corporate loans	Household loans	Total
Modification of terms:			
Balance before restructuring	₩ 44,842	₩ 16,457	₩ 61,299
Balance after restructuring	35,092	12,249	47,341
Loss resulting from restructuring	₩ 9,750	₩ 4,208	₩ 13,958

(k) Cash Management Assets

Cash management assets as of December 31, 2008 and 2007 consisted of the following:

(In millions of Won)

	2009	2008
Bill discounted	₩ 676,349	₩ 667,000
Securities(*)	512,704	64,801
	₩ 1,189,053	₩ 731,801

(*) recorded as trading securities.

(l) Details of loans transferred for the years ended December 31, 2009 and 2008 were as follows:

(In millions of Won)

Loans sold to	2009	2008
Korea Asset Management Corporation	405,915	230,653
Shinhan Mortgage 2 nd ABS Specialty Co., Ltd.	₩ 605,589	₩ 786,467
Pine Tree Partners Co. Ltd	114,484	-
Korea Development Financing Corp.	100,391	-
Shinhan Chang-i ABS Specialty Co., Ltd.	-	484,036
Shinhan 8 th ABS Specialty Co., Ltd.	-	30,996
Credit Recovery Fund	-	486
Others	108,159	-
	₩ 1,334,538	₩ 1,532,638

(7) Lease Assets

(a) As of December 31, 2009 and 2008, details of operating lease assets were as follows:

(In millions of Won)

	2009	2008
Operating lease assets	₩ 254,548	₩ 273,101
Accumulated depreciation	(168,730)	(187,888)
Allowance for loss on disposition of operating lease assets	(464)	(464)
	₩ 85,354	₩ 84,749

Notes to Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(b) Future lease receivables as of December 31, 2009 are as follows:

(In millions of Won)

	Operating lease	Financing lease	Total
2010.1.1 ~ 2010.12.31	₩ 37,329	₩ 631,601	₩ 668,930
2011.1.1 ~ 2011.12.31	28,556	510,906	539,462
2012.1.1 ~ 2012.12.31	13,499	345,645	359,144
2013.1.1 ~ 2013.12.31	68	93,185	93,253
Thereafter	-	89,556	89,556
	79,452	1,670,893	1,750,345
Unrealized interest income on financing leases	-	(175,474)	(175,474)
	₩ 79,452	₩ 1,495,419	₩ 1,574,871

(8) Property and Equipment

(a) Property and equipment as of December 31, 2009 and 2008 consisted of the following:

(In millions of Won)

	2009	2008
Property and equipment:		
Land	₩ 1,137,463	₩ 1,130,214
Buildings	1,232,771	1,178,816
Leasehold improvements	272,656	222,797
Vehicles and equipment	1,590,404	1,645,523
Construction in process	29,018	59,109
	4,262,312	4,236,459
Less: accumulated depreciation	(1,933,132)	(1,820,015)
accumulated impairment loss	(5,306)	(5,306)
	₩ 2,323,874	₩ 2,411,138

(b) The officially declared value of land used in domestic branches at December 31, 2009 and 2008, as announced by the Minister of Construction and Transportation, was as follows:

(In millions of Won)

	Book value		Declared value(*)	
	2009	2008	2009	2008
Land (domestic only)	₩ 1,135,753	₩ 1,127,888	₩ 1,424,522	₩ 1,480,681

(*) The officially declared value, which is used for government purposes, does not represent the fair value.

(9) Goodwill (Negative Goodwill)

Changes in goodwill and negative goodwill for the years ended December 31, 2009 and 2008 were as follows:

(In millions of Won)

	2009			
	Beginning balance	Increase (decrease)	Amortization (reversal)	Ending balance
Shinhan Bank	₩ 531,217	₩ 2,216	₩ (61,472)	₩ 471,961
Shinhan Card	3,584,041	1,084	(303,291)	3,281,834
Shinhan Capital	₩ 8,373	₩ 3	₩ (709)	₩ 7,667

(Continued)

(In millions of Won)

	2009			
	Beginning balance	Increase (decrease)	Amortization (reversal)	Ending balance
Shinhan Investment	₩ 59,517	₩ -	₩ [17,005]	₩ 42,512
Shinhan Life Insurance	289,136	-	[41,802]	247,334
Shinhan Bank America	20,893	-	[20,893]	-
Shinhan Aitas	29,012	-	[11,278]	17,734
Symphony Energy	8,205	-	[994]	7,211
	4,530,394	3,303	[457,444]	4,076,253
Jeju Bank	[2,228]	-	685	[1,543]
	₩ 4,528,166	₩ 3,303	₩ [456,759]	₩ 4,074,710

(In millions of Won)

	2008			
	Beginning balance	Increase (decrease)	Amortization (reversal)	Ending balance
Shinhan Bank	₩ 592,511	₩ -	₩ [61,294]	₩ 531,217
Shinhan Card	3,964,404	[9,240]	[371,123]	3,584,041
Shinhan Capital	-	9,240	[867]	8,373
Shinhan Investment	76,521	-	[17,004]	59,517
Shinhan Life Insurance	330,939	-	[41,803]	289,136
Shinhan Bank America	15,588	5,305	-	20,893
Shinhan Aitas	-	30,819	[1,807]	29,012
Symphony Energy	9,200	-	[995]	8,205
	4,989,163	36,124	[494,893]	4,530,394
Jeju Bank	[2,914]	-	686	[2,228]
	₩ 4,986,249	₩ 36,124	₩ [494,207]	₩ 4,528,166

(10) Other Assets

Other assets as of December 31, 2009 and 2008 consisted of the following:

(In millions of Won)

	2009	2008
Security deposits paid	₩ 1,280,009	₩ 1,356,869
Accounts Receivable	2,801,888	5,979,759
Accrued Income	1,257,042	1,320,568
Advance Payments	193,181	211,557
Prepaid Expense	157,982	170,104
Prepaid Income taxes	2,903	4,641
Derivative assets (note 31)	4,679,081	12,338,757
Deferred Income Tax Assets	447,603	781,168
Other intangible assets	188,116	103,486
Operating lease assets, net	85,354	84,749
Sundry Assets	₩ 3,668,365	₩ 4,134,647
	₩ 14,761,524	₩ 26,486,305
Less: allowance for losses	[252,792]	[319,697]
	₩ 14,508,732	₩ 26,166,608

Notes to Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(11) Deposits

(a) Deposits as of December 31, 2009 and 2008 consisted of the following:

(In millions of Won)

	2009	2008
Demand deposits:		
Deposits in Won	₩ 42,657,106	₩ 36,327,575
Deposits in foreign currency	2,755,245	2,783,722
	45,412,351	39,111,297
Time deposits:		
Deposits in Won	78,339,080	60,204,407
Deposits in foreign currency	8,348,518	5,802,042
	86,687,598	66,006,449
Negotiable certificates of deposits	7,761,281	13,850,686
Other	7,876,228	7,795,247
	₩ 147,737,458	₩ 126,763,679

(b) The maturities of deposits as of December 31, 2009 and 2008 were as follows:

(In millions of Won)

At December 31, 2009					
	Demand deposits	Time deposits	Negotiable certificate of deposits	Other	Total
Due in 3 months or less	₩ 10,508,376	₩ 15,212,876	₩ 2,703,625	₩ 6,979,428	₩ 35,404,305
Due after 3 months through 6 months	318	10,943,827	1,586,818	7,780	12,538,743
Due after 6 months through 1 year	-	50,161,226	2,519,312	13,168	52,693,706
Due after 1 year through 3 years	1,943,730	5,875,774	931,083	22,306	8,772,893
Thereafter	32,959,927	4,493,895	20,443	853,546	38,327,811
	₩ 45,412,351	₩ 86,687,598	₩ 7,761,281	₩ 7,876,228	₩ 147,737,458

(In millions of Won)

At December 31, 2008					
	Demand deposits	Time deposits	Negotiable certificate of deposits	Other	Total
Due in 3 months or less	₩ 7,731,844	₩ 13,416,520	₩ 2,985,627	₩ 7,328,963	₩ 31,462,954
Due after 3 months through 6 months	364	6,373,974	3,403,020	5,833	9,783,191
Due after 6 months through 1 year	-	36,806,071	5,008,537	13,161	41,827,769
Due after 1 year through 3 years	1,798,830	5,508,444	2,423,563	21,693	9,752,530
Thereafter	29,580,259	3,901,440	29,939	425,597	33,937,235
	₩ 39,111,297	₩ 66,006,449	₩ 13,850,686	₩ 7,795,247	₩ 126,763,679

(c) Deposits from financial institutions as of December 31, 2009 and 2008 were as follows :

(In millions of Won)

At December 31, 2009				
		Banking institutions	Other	Total
Demand deposits	₩	402,836	₩ 5,589,597	₩ 5,992,433
Time deposits		1,934,720	19,701,456	21,636,176
Negotiable certificate of deposits		2,298	1,286,368	1,288,666
Deposits on bills issued		1,703,072	3,112,959	4,816,031
Deposits on CMA		4,349	1,165,901	1,170,250
	₩	4,047,275	₩ 30,856,281	₩ 34,903,556

At December 31, 2008				
		Banking institutions	Other	Total
Demand deposits	₩	821,604	₩ 5,279,373	₩ 6,100,977
Time deposits		1,987,873	9,824,891	11,812,764
Negotiable certificate of deposits		200	2,504,574	2,504,774
Deposits on bills issued		3,022,406	2,028,882	5,051,288
Deposits on CMA		1,434	546,694	548,128
	₩	5,833,517	₩ 20,184,414	₩ 26,017,931

(12) Borrowings

(a) Borrowings as of December 31, 2009 and 2008 consisted of the following:

(In millions of Won)

	2009	2008
Call money	₩ 2,347,547	₩ 4,877,940
Bills sold	68,659	637,109
Bonds sold with repurchase agreements	3,003,358	5,166,667
Borrowings in Won	6,837,134	7,588,157
Borrowings in foreign currencies	5,643,590	9,242,563
Due to the Bank of Korea in foreign currencies	197,584	218,092
	₩ 18,097,872	₩ 27,730,528

(b) The maturities of borrowings by remaining periods as of December 31, 2009 and 2008 were as follows:

(In millions of Won)

At December 31, 2009					
		Borrowings in Won	Borrowings in foreign currencies	Other	Total
Due in 3 months	₩	1,968,434	₩ 2,115,909	₩ 5,133,704	₩ 9,218,047
Due after 3 months through 6 months		1,049,794	1,670,743	287,571	3,008,108
Due after 6 months through 1 year		1,082,659	724,395	195,813	2,002,867
Due after 1 year through 3 years		1,317,813	844,968	58	2,162,839
Due thereafter		1,418,434	287,575	2	1,706,011
	₩	6,837,134	₩ 5,643,590	₩ 5,617,148	₩ 18,097,872

Notes to Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(In millions of Won)

At December 31, 2008				
	Borrowings in Won	Borrowings in foreign currencies	Other	Total
Due in 3 months	₩ 2,154,664	₩ 5,955,096	₩ 6,632,816	₩ 14,742,576
Due after 3 months through 6 months	680,176	1,495,344	730,800	2,906,320
Due after 6 months through 1 year	2,051,299	850,353	827,265	3,728,917
Due after 1 year through 3 years	1,555,097	679,093	2,708,927	4,943,117
Due thereafter	1,146,921	262,677	-	1,409,598
	₩ 7,588,157	₩ 9,242,563	₩ 10,899,808	₩ 27,730,528

(c) Borrowings from financial institutions as of December 31, 2009 and 2008 were as follows :

(In millions of Won)

	Bank of Korea	Banking Institutions	Other	Total
Borrowings in Won	₩ 1,236,146	₩ 36,306	₩ 2,157,529	₩ 3,429,981
Borrowings in foreign currencies	-	5,506,334	137,256	5,643,590
Call Money	-	1,332,247	1,015,300	2,347,547
Other	395,684	31,097	562,341	989,122
	₩ 1,631,830	₩ 6,905,984	₩ 3,872,426	₩ 12,410,240

(In millions of Won)

At December 31, 2008	Bank of Korea	Banking Institutions	Other	Total
Borrowings in Won	₩ 1,041,198	₩ 300,697	₩ 6,130,066	₩ 7,471,961
Borrowings in foreign currencies	-	9,130,791	89,738	9,220,529
Call Money	-	2,156,840	2,721,100	4,877,940
Other	416,192	552,745	4,415,822	5,384,759
	₩ 1,457,390	₩ 12,141,073	₩ 13,356,726	₩ 26,955,189

(13) Debentures

(a) Debentures as of December 31, 2009 and 2008 consisted of the following :

(In millions of Won)

	2009	2008
Debentures in Won	₩ 35,166,709	₩ 43,725,038
Debentures in foreign currencies	4,738,048	5,456,275
	₩ 39,904,757	₩ 49,181,313

(b) Details of debentures in Won as of December 31, 2009 and 2008 were as follows:

(In millions of Won)

	2009		2008	
	Face value	Interest rate(%)	Face value	Interest rate(%)
Discounted debentures	₩ 420,000	2.75~5.39	₩ 660,000	5.17~7.25
Compound interest debentures	410,000	5.68~7.65	510,000	5.55~7.83
Coupon debentures	28,461,353	2.76~9.00	35,422,703	4.10~10.75
Subordinated debentures	3,661,792	4.56~8.00	4,439,621	4.56~14.45
Hybrid securities	1,702,572	5.70~7.30	922,469	5.70~7.80
Convertible bond	-	-	299,670	3.00
Bond with warrants	-	-	282,665	3.00
Other	540,000	5.19~7.18	735,000	4.97~8.70
	35,195,717		43,272,128	
Gain on fair value hedge	11,275		325,504	
	35,206,992		43,597,632	
Less: bond discounts	(40,283)		(41,302)	
conversion rights adjustments	-		(1,282)	
stock warrants adjustments	-		(2,026)	
Add: premium on redemption of convertible bond	-		99,001	
premium on redemption of bond with warrants	-		73,015	
	₩ 35,166,709		₩ 43,725,038	

(c) Details of debentures in foreign currencies as of December 31, 2009 and 2008 are as follows:

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

	2009			2008		
	U.S. dollars	Equivalent Won	Interest rate (%)	U.S. dollars	Equivalent Won	Interest rate (%)
GMTN	\$ 1,203,099	₩ 1,404,738	2.75~8.13	\$ 620,037	₩ 779,696	2.75~6.88
Hybrid securities	650,000	758,940	5.66~6.82	650,000	817,375	5.66~6.82
Non-guaranteed debentures	1,316,000	1,719,931	3.92~5.80	1,817,963	2,286,088	3.92~5.80
Subordinated debentures	650,000	758,940	5.13~5.75	1,100,000	1,383,250	4.50~5.75
	\$ 3,819,099	₩ 4,642,549		\$ 4,188,000	₩ 5,266,409	
Gain (loss) on fair value hedge		106,988			192,941	
		4,749,537			5,459,350	
Less: discount		(13,650)			(13,382)	
Add: present value premium		2,161			10,307	
		₩ 4,738,048			₩ 5,456,275	

Notes to Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(d) The maturities of debentures by remaining period as of December 31, 2009 and 2008 were as follows:

(In millions of Won)

At December 31, 2009			
	Debentures in Won	Debentures in foreign currencies	Total
Due in 3 months	₩ 3,511,647	₩ 58,380	₩ 3,570,027
Due after 3 months through 6 months	2,955,629	315,252	3,270,881
Due after 6 months through 1 year	3,768,700	971,604	4,740,304
Due after 1 year through 3 years	13,643,504	1,615,969	15,259,473
Due thereafter	11,327,512	1,788,332	13,115,844
	₩ 35,206,992	₩ 4,749,537	₩ 39,956,529

(In millions of Won)

At December 31, 2008			
	Debentures in Won	Debentures in foreign currencies	Total
Due in 3 months	₩ 5,485,331	₩ 43,778	₩ 5,529,109
Due after 3 months through 6 months	4,027,889	168,715	4,196,604
Due after 6 months through 1 year	5,156,056	326,735	5,482,791
Due after 1 year through 3 years	15,214,504	1,935,531	17,150,035
Due thereafter	13,713,852	2,984,591	16,698,443
	₩ 43,597,632	₩ 5,459,350	₩ 49,056,982

(e) Debentures from financial institutions as of December 31, 2009 and 2008 were as follows

(In millions of Won)

At December 31, 2009				
	Bank of Korea	Banking Institutions	Other	Total
Debenture in Won	₩ 150	₩ -	₩ 8,924,936	₩ 8,925,086
Debenture in foreign currency	-	-	1,520,041	1,520,041
	₩ 150	₩ -	₩ 10,444,977	₩ 10,445,127

(In millions of Won)

At December 31, 2008				
	Bank of Korea	Banking Institutions	Other	Total
Debenture in Won	₩ 600	₩ 21,296	₩ 29,161,477	₩ 29,183,373
Debenture in foreign currency	-	-	4,792,874	4,792,874
	₩ 600	₩ 21,296	₩ 33,954,351	₩ 33,976,247

(14) Retirement and Severance Benefits

Changes in retirement and severance benefits for the years ended December 31, 2009 and 2008 were as follows:

(In millions of Won)

	2009	2008
Estimated liability at beginning of year	₩ 528,923	₩ 478,506
Net transfer from acquisition and disposal of subsidiaries	[2,259]	2,651
Adjustment due to foreign exchange rate	[2]	235
Payments	[229,396]	(97,752)
Retirement benefit payable	₩ [3,764]	₩ -

(Continued)

	(In millions of Won)	
	2009	2008
Transfer to retirement pension	₩ (4,096)	₩ (1,563)
Provision (*)	112,843	146,846
Estimated liability at end of period	402,249	528,923
Less: deposit for severance benefit insurance	(123,686)	(122,242)
pension assets for severance benefit	(100,833)	(24,130)
contribution to National Pension Fund	(964)	(1,094)
Ending balance	₩ 176,766	₩ 381,457

(*) Includes retirement benefit payment of ₩4,841 million recorded as insurance expense etc. by Shinhan Life Insurance and Symphony Energy. In addition, the payment on severance benefits for employees and directors under the defined contribution pension plan amounted to ₩12,931 million.

(15) Other Liabilities

Other liabilities as of December 31, 2009 and 2008 consisted of the following:

	(In millions of Won)	
	2009	2008
Allowance for losses on guarantees and acceptances (note 16)	₩ 105,792	₩ 113,768
Other allowances (note 17)	1,160,000	1,093,357
Borrowings from trust accounts	1,014,310	3,112,977
Foreign exchange remittances pending	246,906	148,681
Securities sold	27,966	9,417
Accounts payable	3,215,232	6,877,643
Accrued expenses	3,223,154	3,718,311
Income tax payable	456,092	632,352
Dividend payable	4,120	3,808
Advance receipts	85,665	76,544
Unearned revenues	135,329	201,012
Taxes withheld	216,913	300,175
Security deposits received	588,298	458,734
Derivatives liabilities (note 31)	4,260,046	11,703,045
Deferred tax liabilities	458	3,516
Domestic exchange remittances pending	2,376,853	3,499,893
Policy reserves (note 18)	7,459,293	6,548,000
Other	3,401,781	3,504,922
	₩ 27,978,208	₩ 42,006,155

(16) Guarantees and Acceptances

(a) The guarantees and acceptances as of December 31, 2009 and 2008 were as follows:

	(In millions of Won)	
	2009	2008
Guarantees and acceptances outstanding		
Guarantees and acceptances in Won:		
Performance guarantees	₩ 1,216,181	₩ 1,070,838
Credit-linked derivatives	-	28,755
Guarantees on loan collateral	₩ 120,781	₩ 106,727

(Continued)

Notes to Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(In millions of Won)

	2009	2008
Financial guarantees	₩ 129,111	₩ 5,446
Guarantees on debentures	110,084	116,886
Guarantees on electronic payments	325,527	380,895
Guarantees on letter of credit	7,744	5,274
	1,909,428	1,714,821
Guarantees and acceptances in foreign currencies:		
Performance guarantees	5,109,649	5,364,069
Financial guarantees	521,593	608,565
Acceptances on letter of credit	702,342	472,859
Acceptances for letters of guarantee for importers	117,226	71,046
	6,450,810	6,516,539
Contingent guarantees and acceptances		
Letters of credit	3,337,948	3,008,868
Performance guarantees	3,281,031	4,978,090
Financial guarantees	246,166	-
Other	583	-
	6,865,728	7,986,958
	₩ 15,225,966	₩ 16,218,318

(b) Guarantees and acceptances classified by country as of December 31, 2009 and 2008 were as follows:

(In millions of Won)

	2009					
	Guarantees and acceptances outstanding in				Contingent guarantees and acceptances	
	Won		Foreign currencies			
	Balance	Ratio[%]	Balance	Ratio[%]	Balance	Ratio[%]
Korea	₩ 1,909,428	100.00	₩ 6,119,617	94.87	₩ 6,827,926	99.45
U.S.A.	-	-	35,845	0.56	13,311	0.19
U.K.	-	-	270	0.00	440	0.01
China	-	-	62,643	0.97	6,185	0.09
Vietnam	-	-	-	-	191	0.00
Other	-	-	232,435	3.60	17,675	0.26
	₩ 1,909,428	100.00	₩ 6,450,810	100.00	₩ 6,865,728	100.00

(In millions of Won)

	2008					
	Guarantees and acceptances outstanding in				Contingent guarantees and acceptances	
	Won		Foreign currencies			
	Balance	Ratio[%]	Balance	Ratio[%]	Balance	Ratio[%]
Korea	₩ 1,714,821	100.00	₩ 6,239,299	95.74	₩ 7,937,075	99.38
U.S.A.	-	-	55,344	0.85	21,639	0.27
Japan	-	-	21,610	0.33	1,314	0.02
U.K.	-	-	9,225	0.14	-	-
China	-	-	16,317	0.25	11,426	0.14
Vietnam	-	-	13,440	0.21	5,305	0.07
Other	-	-	161,304	2.48	10,199	0.12
	₩ 1,714,821	100.00	₩ 6,516,539	100.00	₩ 7,986,958	100.00

(c) Guarantees and acceptances classified by industry as of December 31, 2009 and 2008 were as follows:

(In millions of Won)

	2009					
	Guarantees and acceptances outstanding in				Contingent guarantees and acceptances	
	Won		Foreign currencies			
	Balance	Ratio[%]	Balance	Ratio[%]	Balance	Ratio[%]
Manufacturing	₩ 767,125	40.17	₩ 5,322,202	82.51	₩ 5,587,559	81.38
Retail and wholesale	396,741	20.78	260,672	4.04	707,021	10.30
Construction	156,143	8.18	311,766	4.83	156,107	2.27
Other corporate	589,419	30.87	556,170	8.62	415,041	6.05
	₩ 1,909,428	100.00	₩ 6,450,810	100.00	₩ 6,865,728	100.00

(In millions of Won)

	2008					
	Guarantees and acceptances outstanding in				Contingent guarantees and acceptances	
	Won		Foreign currencies			
	Balance	Ratio[%]	Balance	Ratio[%]	Balance	Ratio[%]
Manufacturing	₩ 514,508	30.00	₩ 5,371,689	82.43	₩ 7,097,001	88.85
Retail and wholesale	480,559	28.02	247,715	3.80	509,322	6.38
Construction	129,576	7.56	366,162	5.62	98,147	1.23
Other corporate	590,178	34.42	530,973	8.15	282,488	3.54
	₩ 1,714,821	100.00	₩ 6,516,539	100.00	₩ 7,986,958	100.00

(d) Guarantees and acceptances classified by consumer as of December 31, 2009 and 2008 were as follows:

(In millions of Won)

	2009					
	Guarantees and acceptances outstanding in				Contingent guarantees and acceptances	
	Won		Foreign currencies			
	Balance	Ratio[%]	Balance	Ratio[%]	Balance	Ratio[%]
Corporate	₩ 1,909,428	100.00	₩ 6,450,810	100.00	₩ 6,865,728	100.00

(In millions of Won)

	2008					
	Guarantees and acceptances outstanding in				Contingent guarantees and acceptances	
	Won		Foreign currencies			
	Balance	Ratio[%]	Balance	Ratio[%]	Balance	Ratio[%]
Corporate	₩ 1,714,821	100.00	₩ 6,516,539	100.00	₩ 7,986,958	100.00

(e) The allowance for losses on guarantees and acceptances as of December 31, 2009 and 2008 were as follows:

(In millions of Won)

	2009					
	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total
Guarantees and acceptances outstanding:						
Balance	₩ 8,246,664	₩ 86,387	₩ 18,893	₩ 7	₩ 8,287	₩ 8,360,238
Allowances	57,506	8,571	2,964	2	7,004	76,047
Ratio [%]	₩ 0.70	₩ 9.92	₩ 15.69	₩ 28.57	₩ 84.52	₩ 0.91

(Continued)

Notes to Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(In millions of Won)

	2009					
	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total
Contingent guarantees and acceptances:						
Balance	₩ 6,646,119	₩ 137,338	₩ 66,446	₩ 4,196	₩ 11,629	₩ 6,865,728
Allowances	14,371	4,946	7,076	576	2,325	29,294
Ratio (%)	0.22	3.60	10.65	13.73	20.00	0.43
Total						
Balance	₩ 14,892,783	₩ 223,725	₩ 85,339	₩ 4,203	₩ 19,916	₩ 15,225,966
Allowances	71,878	13,517	10,040	578	9,329	105,342
Ratio (%)	0.48	6.04	11.76	13.75	46.84	0.69

(*) ₩450 million of allowance for endorsed bills excluded.

(In millions of Won)

	2008					
	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total
Guarantees and acceptances outstanding:						
Balance	₩ 8,027,860	₩ 153,763	₩ 42,684	₩ 688	₩ 6,365	₩ 8,231,360
Allowances	43,789	16,795	8,598	440	6,365	75,987
Ratio (%)	0.55	10.92	20.14	63.95	100.00	0.92
Contingent guarantees and acceptances:						
Balance	₩ 7,798,291	₩ 69,968	₩ 111,424	₩ 1,042	₩ 6,233	₩ 7,986,958
Allowances	17,830	2,941	10,496	150	6,233	37,650
Ratio (%)	0.23	4.20	9.42	14.40	100.00	0.47
Total						
Balance	₩ 15,826,151	₩ 223,731	₩ 154,108	₩ 1,730	₩ 12,598	₩ 16,218,318
Allowances	61,619	19,736	19,094	590	12,598	113,637
Ratio (%)	0.39	8.82	12.39	34.10	100.00	0.70

(*) ₩131 million of allowance for endorsed bills excluded.

(f) As of December 31, 2009, 2008 and 2007, allowance ratios to guarantees and acceptances were as follows:

(In millions of Won)

	2009	2008	2007
Guarantees and acceptances	₩ 15,225,966	₩ 16,218,318	₩ 13,714,426
Allowances for loss on guarantees and acceptances	105,342	113,637	59,566
Ratio (%)	0.69%	0.70%	0.43%

(17) Other Allowances

Other allowances as of December 31, 2009 and 2008 consisted of the following:

(In millions of Won)

	2009	2008
Allowance for unused credit commitments	₩ 757,247	₩ 736,874
Allowance for bonus card points program	274,142	246,791
Allowance for expected loss related to litigation	109,223	57,034
Allowance related to escheated funds	-	8,009
Other	19,388	44,649
	₩ 1,160,000	₩ 1,093,357

(18) Policy Reserves

As of December 31, 2009 and 2008, details of policy reserves provided by insurance type were as follows:

(In millions of Won)

	2009			2008		
	Individual	Group	Total	Individual	Group	Total
Premium reserve	₩ 6,962,248	₩ 58,161	₩ 7,020,409	₩ 6,125,446	₩ 62,213	₩ 6,187,659
Unearned premium reserve	882	2,329	3,211	1,334	1,775	3,109
Reserve for outstanding claims	374,154	36,981	411,135	302,075	35,711	337,786
Reserve for participating policyholders' dividends	22,747	6	22,753	21,497	29	21,526
Dividend reserve for policyholders' income participation	3,378	-	3,378	-	-	-
Reserve for reinsurance premium	(1,593)	-	(1,593)	(2,046)	(34)	(2,080)
	₩ 7,361,816	₩ 97,477	₩ 7,459,293	₩ 6,448,306	₩ 99,694	₩ 6,548,000

(19) Pledged Assets

Assets pledged as collateral as of December 31, 2009 and 2008 were as follows:

(In millions of Won)

Accounts	2009	2008	Pledged for
Due from banks	₩ 72,806	₩ 114,205	Credit card loans and beneficiary certificates
Securities	9,997,747	13,168,760	Borrowings, derivatives trading
Land and buildings	199,489	163,061	Borrowings
	₩ 10,270,042	₩ 13,446,026	

(20) Insured Assets

Details of insured assets as of December 31, 2009 and 2008 were as follows:

(In millions of Won)

Assets insured	2009	2008
Cash	₩ 7,417	₩ 17,750
Property and equipment used in operations	1,249,502	1,264,162
Fire Insurance	383,913	336,412
	₩ 1,640,832	₩ 1,618,324

In addition, the Consolidated Company maintains vehicle insurance, management indemnity insurance, workers' compensation insurance and other insurance policies covering loss and liability arising from accidents.

(21) Assets and Liabilities Denominated in Foreign Currency

Assets and liabilities denominated in foreign currency as of December 31, 2009 and 2008 were as follows:

Notes to Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(In millions of Won)

	Foreign currency		Won equivalent	
	2009	2008	2009	2008
Assets:				
Cash and due from banks	\$ 2,706,297	\$ 2,254,127	₩ 3,159,868	₩ 2,834,564
Securities	1,996,854	1,979,473	2,331,524	2,489,187
Loans	14,536,289	15,336,858	16,972,551	19,286,098
Other assets	1,119,783	2,501,779	1,307,457	3,145,987
	\$ 20,359,223	\$ 22,072,237	₩ 23,771,400	₩ 27,755,836
Liabilities:				
Deposits	\$ 9,633,435	\$ 6,894,662	₩ 11,247,999	₩ 8,670,037
Borrowings	5,679,468	9,514,704	6,631,338	11,964,740
Debentures	4,067,783	4,341,431	4,749,537	5,459,350
Other liabilities	1,115,028	2,231,394	1,301,907	2,805,979
	\$ 20,495,714	\$ 22,982,191	₩ 23,930,781	₩ 28,900,106

(22) Capital Stock

(a) Details of preferred stocks issued as of December 31, 2009 were as follows:

(In millions of Won)

	Number of shares	Predetermined dividend rate [%] (*1)	Redeemable period
Redeemable preferred stock:			
Series 5	9,316,793	4.04	August 19, 2008 - August 18, 2010
Series 8	66,666	7.86	July 19, 2010 - August 18, 2010
Series 10 (*2)	28,990,000	7.00	January 25, 2012 - January 25, 2027
Convertible redeemable preferred stock:			
Series 11 (*3)	14,721,000	3.25	January 25, 2012 - January 25, 2027
	53,094,459		

(*1) Based on initial issuance price

(*2) Shinhan Financial Group maintains the right to redeem Series 10 redeemable preferred stock in part or in its entirety within the redeemable period. If the preferred shares are not redeemed by the end of the redeemable period, those rights will lapse.

(*3) Details with respect to the conversion right are as follows:

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

Conversion ratio : One common stock per one preferred stock

Conversion price : ₩57,806

The following redeemable preferred stocks were redeemed as of December 31, 2009. As a result, the amount of capital stock differs from the total par value of the outstanding capital stock.

(In millions of Won)

Redemption year	Redeemable preferred stock	Number of shares	Redemption amount
2009	Series 4	9,316,792	₩ 172,793
2008	Series 3	9,316,792	172,812
	Series 7	2,433,334	365,022
2007	Series 2	9,316,792	172,812
2006	Series 1	9,316,792	172,831
	Series 6	3,500,000	525,033
		43,200,502	₩ 1,581,303

(b) Details of changes in capital stock for the years ended December 31, 2009 and 2008 were as follows:

(In millions of Won)

	Number of shares	Common stock	Preferred stock
Balance at January 1, 2008	470,360,964	₩ 1,980,998	481,475
Repayment of preferred stocks	(11,750,126)	-	-
Balance at December 31, 2008	458,610,838	₩ 1,980,998	481,475
Issuance of common stocks	78,000,000	390,000	-
Repayment of preferred stocks	(9,316,792)	-	-
Balance at December 31, 2009	527,294,046	₩ 2,370,998	481,475

(c) Details of preferred stock which was redeemed by appropriation of retained earnings for the years ended December 31, 2009 and 2008 were as follows:

(In millions of Won)

At December 31, 2009	Number of shares	Redemption date	Redemption price per share	Redemption amount
Series 4 redeemable preferred stock	9,316,792	August 19, 2008	₩ 18,546.425	₩ 172,793

(In millions of Won)

At December 31, 2008	Number of shares	Redemption date	Redemption price per share	Redemption amount
Series 3 redeemable preferred stock	9,316,792	August 19, 2008	18,548.427	₩ 172,812
Series 7 redeemable preferred stock	2,433,334	August 19, 2008	150,009.493	365,023
	11,750,126			₩ 537,835

(d) Details of reserves for redemption of preferred stock as of December 31, 2009 were as follows :

(in millions of Won, except shares)

	Number of shares	Redemption date	Redemption price per share	Redemption amount
Series 5 redeemable preferred stock	9,316,793	August 19, 2010	18,546.425	₩ 172,793
Series 8 redeemable preferred stock	66,666	August 19, 2010	150,009.492	10,001
	9,383,459			₩ 182,794

(23) Capital Adjustments

Capital adjustments as of December 31, 2009 and 2008 consisted of the following:

(In millions of Won)

	2009	2008
Treasury stock	₩ -	₩ (28)
Other	(417,142)	(432,859)
	₩ (417,142)	₩ (432,887)

(24) Share-Based Payment

(a) Details of cash-settled share-based payment granted as of December 31, 2009 were as follows:

Notes to Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(in Won, except shares)

	4th grant	5th grant
Grant date	March 30, 2005	March 21, 2006
Exercise price in Won	₩28,006	₩38,829
Number of shares granted	2,695,200	3,296,200
Vesting period	Within four years after three years from grant date	Within four years after three years from grant date
Changes in number of shares granted:		
Balance at January 1, 2009	1,983,258	2,765,738
Exercised	215,850	119,449
Balance at December 31, 2009	1,767,408	2,646,289
Exercisable at December 31, 2009	1,767,408	2,646,289

(b) Details of share-based payments for which Shinhan Financial Group has the option of cash or equity settlement as of December 31, 2009 were as follows:

(in Won, except shares)

	6th grant	7th grant
Grant date	March 20, 2007	March 19, 2008
Exercise price in Won	₩54,560	₩49,053
Number of shares granted	1,301,050	808,700
Vesting period	Within four years after three years from grant date	Within four years after three years from grant date
Terms:		
Service period	Two years from grant date	Two years from grant date
Market performance:		
Management	Increase rate of stock price and target ROE	Increase rate of stock price and target ROE
Employee	Achievement of annual target ROE for three consecutive years	-
Changes in number of shares granted:		
Outstanding at January 1, 2009	1,157,898	702,860
Canceled or forfeited	47,471	28,622
Outstanding at December 31, 2009	1,110,427	674,238
Exercisable at December 31, 2009	-	-
Assumptions used to determine the fair value of options:		
Risk-free interest rate	3.98%	4.37%
Expected exercise period	2.25 years	3.25 years
Expected stock price volatility	44.94%	39.92%
Expected dividend yield	0.81%	1.46%
Weighted average fair value	Management : ₩7,585 Employee : ₩8,638	Management : ₩9,852

The Consolidated Company has the option to settle cash or equity in respect to share-based payments. For the sixth and seventh grant, the Consolidated Company recognized compensation costs as an expense and a liability as accrued expense.

(c) Changes in stock compensation costs for the year ended December 31, 2009 were as follows:

(In millions of Won)

Stock options granted	Stock compensation cost	Employee of		
		Shinhan Financial Group	Subsidiaries	Total
2nd	Recorded at beginning of the period	₩ 7,303	₩ 24,252	₩ 31,555
	Incurred during the period	(84)	(450)	(534)
	To be recorded in subsequent periods	-	-	-
3rd	Recorded at beginning of the period	8,159	20,969	29,128
	Incurred during the period	(144)	(1,038)	(1,182)
	To be recorded in subsequent periods	-	-	-
4th	Recorded at beginning of the period	1,374	12,517	13,891
	Incurred during the period	4,879	23,008	27,887
	To be recorded in subsequent periods	-	-	-
5th	Recorded at beginning of the period	-	-	-
	Incurred during the period	2,791	14,874	17,665
	To be recorded in subsequent periods	-	-	-
6th	Recorded at beginning of the period	428	2,113	2,541
	Incurred during the period	964	5,176	6,140
	To be recorded in subsequent periods	-	-	-
7th	Recorded at beginning of the period	183	885	1,068
	Incurred during the period	1,027	3,999	5,026
	To be recorded in subsequent periods	104	409	513
Total	Recorded at beginning of the period	₩ 17,447	₩ 60,736	₩ 78,183
	Incurred during the period	9,433	45,569	55,002
	To be recorded in subsequent periods	104	409	513

(25) Income Taxes

(a) The Consolidated Company is subject to income taxes based on taxable income, which result in the nominal tax rate of 24.2%. The components of income tax expense for the years ended December 31, 2009 and 2008 were as follows:

(In millions of Won)

	2009	2008
Current income tax expense	₩ 647,730	₩ 984,579
Changes in deferred tax arising from temporary differences	330,234	(741,462)
Deferred tax expense adjusted to equity	(308,308)	552,932
Change in deferred tax arising from loss carryforwards	(489)	172,499
Income tax expense (benefit) allocated directly to discontinued operations income	(2,485)	2,683
	₩ 666,682	₩ 971,231

Notes to Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(b) Deferred tax assets and liabilities are measured using the tax rate to be applied for the year in which temporary differences are expected to be realized, and the change in deferred tax assets(liabilities) due to the change in the income tax rate amounting to ₩(46,400) million of which ₩1,752 million was recognized directly to equity and ₩(48,152) million was recognized in current income tax expense.

(c) Reconciliation of income before income taxes for financial reporting purposes and income tax expense rates for the years ended December 31, 2009 and 2008 are as follows:

		(In millions of Won)	
	2009	2008	
Income before income taxes	₩ 1,979,475	₩ 3,001,038	
Expense for income taxes at normal tax rates	479,033	837,853	
Adjustments:			
Non taxable income	(3,655)	(129,521)	
Non deductible expense	246,601	156,070	
Tax credit	(2,568)	(15,977)	
Changes in statutory tax rate	(48,152)	167,206	
Changes in probability of temporary differences	(61,386)	(67,246)	
Other	56,541	29,097	
Income tax return	268	(6,251)	
Income tax expense	₩ 666,682	₩ 971,231	
Effective tax rate	33.68%	32.36%	

(d) The deferred tax assets and liabilities that were directly charged or credited to equity for the year ended December 31, 2009 are as follows

		(In millions of Won)	
	Temporary difference	Deferred tax asset(liability)	
Unrealized gain on available-for-sale securities, net	₩ 1,386,005	₩ (311,726)	
Gain (loss) on valuation of derivatives	45,180	(10,092)	
Valuation gain (loss) on equity method accounted investments	(18,784)	3,769	
Foreign currency translation adjustments	6,825	2,918	
Capital Surplus	-	6,823	
	₩ 1,419,226	₩ (308,308)	

(e) Changes in significant accumulated temporary differences and tax effects for the years ended December 31, 2009 and 2008 were as follows:

		2009				(In millions of Won)	
	Beginning balance	Increase	Decrease	Ending balance			
Deductible temporary differences:							
Securities	₩ 280,802	₩ 24,550	₩ 280,802	₩ 24,550			
Impairment loss on securities	1,412,622	471,238	482,504	1,401,356			
Allowance for losses on guarantees and acceptances	129,560	91,110	114,879	105,791			
Retirement and severance benefits	341,062	63,864	108,854	296,072			
Restructured loans	2	5,405	-	5,407			
Provision for loan losses	169,295	147,602	169,681	147,216			
Other allowances	829,158	952,050	827,062	954,146			
Other	2,282,827	902,294	1,644,604	1,516,315			
	₩ 5,445,328	₩ 2,658,113	₩ (3,628,386)	₩ 4,475,055			

(Continued)

(In millions of Won)

	2009			
	Beginning balance	Increase	Decrease	Ending balance
Taxable temporary differences:				
Accrued income	₩ 294,117	₩ 59,167	₩ 294,200	₩ 59,084
Securities	399,577	1,839,113	378,212	1,860,478
Unrealized gain on equit method accounted investments	361,428	4,378,988	(2,444,682)	7,185,098
Group retirement and severance benefits	339,658	58,953	107,039	291,572
Other	892,121	(125,575)	401,573	364,973
	2,286,901	6,210,646	(1,263,658)	9,761,205
Net	3,158,427			(5,286,150)
Unrealizable temporary differences (*)	256,565			7,110,859
Realizable temporary differences	3,414,992			1,824,709
Tax effect of temporary difference	767,935			426,988
Tax effect of temporary differences in overseas subsidiaries	6,262			15,906
Tax effects of tax loss carryforwards	3,454			4,251
Net deferred tax assets	₩ 777,651	₩	₩	₩ 447,145

(*) Unrealizable temporary differences consist of ₩7,804,191 million for the Controlling Company, ₩28,370million for Shinhan Bank, ₩60 million for Shinhan Capital and ₩(1,762) million for Shinhan PE.

(In millions of Won)

	2008			
	Beginning balance	Increase	Decrease	Ending balance
Deductible temporary differences:				
Securities	₩ 45,666	₩ 355,467	₩ 120,331	₩ 280,802
Impairment loss on securities	1,270,435	796,693	654,506	1,412,622
Allowance for losses on guarantees and acceptances	72,004	122,425	64,869	129,560
Retirement and severance benefits	304,908	103,784	67,630	341,062
Restructured loans	1,103	-	1,101	2
Provision for loan losses	135,052	176,855	142,612	169,295
Other allowances	823,517	865,374	859,733	829,158
Other	1,538,274	1,362,750	618,197	2,282,827
	4,190,959	3,783,348	2,528,979	5,445,328
Taxable temporary differences:				
Accrued income	503,826	283,153	492,862	294,117
Securities	47,488	74,287	42,316	79,459
Unrealized gain on equit method accounted investments	153,326	211,374	3,272	361,428
Group retirement and severance benefits	298,075	104,489	62,906	339,658
Other	418,555	767,054	293,488	892,121
	₩ 3,735,369	₩ 1,734,004	₩ 3,182,472	₩ 2,286,901
Net	455,590			3,158,427
Unrealizable temporary differences (*)	(265,501)			256,565
Realizable temporary differences	190,089			3,414,992
Tax effect of cumulative temporary difference	52,274			767,935
Tax effect of cumulative temporary differences in overseas subsidiaries	1,498			6,262
Tax effects of tax loss carryforwards	156,150			3,454
Net deferred tax assets (liability)	₩ 209,222			₩ 777,651

(*) Unrealizable temporary differences consist of ₩7,627 million for the Controlling Company, ₩(265,902) million for Shinhan Bank, ₩1,676 million for Shinhan Investment, ₩(310) million for Shinhan Capital and ₩344 million for Shinhan PE.

Notes to Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(26) Earnings Per Share

(a) Basic earnings per share for the years ended December 31, 2009 and 2008 were as follows:

	(In millions of Won)	
	2009	2008
Income from continuing operations	₩ 1,291,541	₩ 2,020,882
Dividends on preferred stock	242,469	249,319
Ordinary income from continuing operations available for common stock	1,049,072	1,771,563
Weighted average number of shares outstanding(*)	461,500,172	417,673,260
Earnings per share from continuing operations in Won	₩ 2,273	₩ 4,242
Net income in majority interest	₩ 1,305,311	₩ 2,018,627
Dividends on preferred stock	242,469	249,319
Ordinary income available for common stock	1,062,842	1,769,308
Weighted average number of shares outstanding	461,500,172	417,673,260
Earnings per share in Won	₩ 2,303	₩ 4,236

Basic earnings per share and diluted earnings per share for the year ended December 31, 2008, which were ₩4,466 and ₩4,369 respectively, presented above have been recalculated reflecting the effect of discontinued operations and capital increase without consideration resulted from common stock issuance by way of rights issue to stockholders.

(*) Weighted average number of common shares outstanding for the years ended December 31, 2009 and 2008 were as follows:

	(In millions of Won)		
	2009		
	Number of shares	Number of days	Accumulated number of shares
Outstanding at January 1, 2009	417,673,260	365	152,450,739,900
Effect of treasury stock held	529	42	22,218
Common stock issued	54,497,285	283	15,422,731,655
Capital increase without consideration	2,028,513	283	574,069,179
Outstanding at December 31, 2009	474,199,587		168,447,562,952
			365
			461,500,172

	(In millions of Won)		
	2008		
	Number of shares	Number of days	Accumulated number of shares
Outstanding at January 1, 2008	396,199,587	366	145,009,048,842
Effect of treasury stock held	(529)	366	(193,614)
Capital increase without consideration	21,474,202	366	7,859,557,932
Outstanding at September 30, 2008	417,673,260		152,868,413,160
			366
			417,673,260

(b) Diluted earnings per share for the years ended December 31, 2009 and 2008 were as follows:

	(In millions of Won)	
	2009	2008
Ordinary income from continuing operations available for common stock	₩ 1,049,072	₩ 1,771,563
Plus: dividends on redeemable convertible preferred stock	27,656	27,656
Diluted ordinary income and net earnings	1,076,728	1,799,219
Weighted average number of common shares outstanding and common equivalent shares	476,221,172	432,781,042
Diluted earnings per share from continuing operations in Won	₩ 2,261	₩ 4,157
Ordinary income available for common stock	₩ 1,062,842	₩ 1,769,308
Plus: dividends on redeemable convertible preferred stock	27,656	27,656
Diluted ordinary income and net earnings	1,090,498	1,796,964
Weighted average number of common shares outstanding and common equivalent shares(*)	476,221,172	432,781,042
Diluted earnings per share in Won	₩ 2,290	₩ 4,152

(*) Weighted average number of common shares outstanding and common equivalent shares for the years ended December 31, 2009 and 2008 were as follows:

	(In millions of Won)	
	2009	2008
Weighted average number of shares outstanding (basic)	₩ 461,500,172	₩ 417,673,260
Effect of redeemable convertible preferred stock	14,721,000	14,721,000
Effect of stock option on issue	-	386,782
Weighted average number of shares outstanding (diluted)	₩ 476,221,172	₩ 432,781,042

(c) Securities Applicable to Common Shares

	(In millions of Won)	
	Exercise period	Exercisable shares
6 th Stock options	March 21, 2010 - March 20, 2014	1,110,427
7 th Stock options	March 20, 2011 - March 19, 2015	674,238

(27) Accumulated Other Comprehensive Income

(a) Consolidated accumulated other comprehensive income as of December 31, 2009 and 2008 consisted of the following:

	(In millions of Won)	
	2009	2008
Unrealized gain on available-for-sale securities	₩ 1,250,834	₩ 176,555
Unrealized holding gain on equity method accounted investments	279	12,856
Unrealized holding loss on equity method accounted investments	(27,290)	(24,852)
Cumulative effects of foreign currency translation adjustments	(23,981)	130,130
Loss from effective portion of changes in fair value of cash flow hedges	(17,268)	(52,356)
	₩ 1,182,574	₩ 242,333

Notes to Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(b) Comprehensive income for the years ended December 31, 2009 and 2008 were as follows:

	(In millions of Won)	
	2009	2008
Net income	₩ 1,328,253	₩ 2,025,662
Other comprehensive income:		
Unrealized gain (loss) on available-for-sale securities	1,073,421	[1,345,979]
Unrealized holding gain on equity method accounted investments	[12,577]	6,225
Unrealized holding loss from equity method accounted investments	[2,428]	9,206
Cumulative effects of foreign currency translation adjustments	[154,475]	155,459
Valuation gain (loss) from derivatives	35,088	[56,489]
Comprehensive income	2,267,282	794,084
Comprehensive income - majority interest	2,245,552	783,698
Comprehensive income - minority interest	21,730	10,386
	₩ 2,267,282	₩ 794,084

(28) General and Administrative Expenses

Details of general and administrative expenses for the years ended December 31, 2009 and 2008 were as follows:

	(In millions of Won)	
	2009	2008
Salaries and wages	₩ 1,493,938	₩ 1,247,737
Provision for retirement and severance benefits	120,933	141,398
Retirement and severance benefits paid due to early retirement	157,482	85,965
Other employee benefits	372,408	465,478
Rental	179,019	177,872
Entertainment	24,070	24,528
Depreciation	234,635	291,038
Amortization	494,166	514,125
Tax and dues	142,725	182,119
Advertising	166,076	177,930
Other	583,385	603,577
	₩ 3,968,837	₩ 3,911,767

(29) Statements of Cash Flows

(a) Cash and cash equivalents as of December 31, 2009 and 2008 in the consolidated statements of cash flows are equivalent to cash and due from banks on the consolidated statements of financial position.

(b) Significant transactions not involving cash inflows or outflows for the years ended December 31, 2009 and 2008 were as follows:

	(In millions of Won)	
	2009	2008
Changes in other comprehensive income of subsidiaries	₩ 940,241	₩ 1,234,929
Changes in retained earnings of subsidiaries	₩ 4,301	₩ 20,589

(30) Dividends

(a) Dividends for the years ended December 31, 2009 and 2008 were as follows:

(in millions of Won, except per share)

	2009		
	Common stocks	Preferred stocks	Total
Total number of shares issued	474,199,587	53,094,459	527,294,046
Par value per share in Won	5,000	5,000	5,000
Dividend per share in Won (rate per share) (*)	₩ 400(8%)	4,486(89.72%)	811(16.22%)
Dividends	₩ 189,680	238,180	427,860

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

(in millions of Won, except per share)

	Number of shares	Dividends per share in Won	Dividend rate per share (%)	Dividends
Redeemable preferred stock:				
Series 5	9,316,793	730.674	14.6135	6,808
Series 8	66,666	11,790	235.80	786
Series 10	28,990,000	7,000	140.00	202,930
Series 11	14,721,000	1,878.695	37.5739	27,656
	53,094,459			238,180

(in millions of Won, except per share)

	2008		
	Common stocks	Preferred stocks	Total
Total number of shares issued	396,199,587	62,411,251	458,610,838
Shares excluded (*1)	529	-	529
Total number of shares outstanding	396,199,058	62,411,251	458,610,309
Par value per share in Won	5,000	5,000	5,000
Dividend per share in Won (rate per share) (*2)	₩ -	3,925(78.51%)	534(10.68%)
Dividends	₩ -	244,987	244,987

(*1) Dividends on shares held by subsidiaries as of December 31, 2008 were not paid.

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

(in millions of Won, except per share)

	Number of shares	Dividends per share in Won	Dividend rate per share (%)	Dividends
Redeemable preferred stock:				
Series 4	9,316,792	730.674	14.6135	6,807
Series 5	9,316,793	730.674	14	6,808
Series 8	66,666	11,790	235.80	786
Series 10	28,990,000	7,000	140.00	202,930
Series 11	14,721,000	1,878.695	37.5739	27,657
	62,411,251			244,987

Notes to Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(b) Payout ratios for the years ended December 31, 2009 and 2008 were calculated as follows:

(in millions of Won, except payout ratio)

	2009			2008		
	Common stocks	Preferred stocks	Total	Common stocks	Preferred stocks	Total
Dividends in Won	₩ 189,680	₩ 238,180	₩ 427,860	₩ -	₩ 244,987	₩ 244,987
Net earnings in Won(*)	₩ 1,068,112	₩ 238,180	₩ 1,306,292	₩ 1,775,411	₩ 244,987	₩ 2,020,398
Payout ratios (%)	17.76		32.75	0.00		12.13

(*) Based on net income of the Controlling Company's non-consolidated financial statements.

(c) Dividend yields on common shares for the years ended December 31, 2009 and 2008 were calculated as follows:

(in Won, except dividends yields)

	2009	2008
Dividends per share in Won	₩ 400	₩ -
Market price as of year end(*)	₩ 44,563	₩ -
Dividends yields ratio(%)	0.90	-

(*) Stock price is the average of the quoted prices during the week ending two days prior to the record date.

(31) Derivatives

(a) Details of the notional amounts of unsettled derivative instruments as of December 31, 2009 and 2008 were as follows:

(In millions of Won)

		2009		
		Trading	Hedge	Total
Currency related:	Futures	₩ 176,332	₩ -	₩ 176,332
	Forwards	59,733,542	26,738	59,760,280
	Options bought	3,378,290	-	3,378,290
	Options sold	713,053	-	713,053
	Swap	23,640,054	2,969,633	26,609,687
		87,641,271	2,996,371	90,637,642
Interest rate related:	Futures bought	5,431	-	5,431
	Futures sold	38,017	-	38,017
	Options bought	5,371,200	-	5,371,200
	Options sold	5,975,144	-	5,975,144
	Swap	131,848,852	10,906,464	142,755,316
	Interest Rate Futures	374,340	-	374,340
		143,612,984	10,906,464	154,519,448
Stock related:	Futures	71,811	-	71,811
	Stock index options bought	2,465,247	-	2,465,247
	Stock index options sold	1,358,531	-	1,358,531
	Swaps	1,737,543	-	1,737,543
	Exchange traded options	541,177	-	541,177
		₩ 6,174,309	₩ -	₩ 6,174,309

(Continued)

(In millions of Won)

		2009		
		Trading	Hedge	Total
Other:	Credit-linked derivatives	₩ 174,918	₩ -	₩ 174,918
	Commodity options bought	56,647	-	56,647
	Commodity options sold	24,278	-	24,278
	Other	35,201	-	35,201
		291,044	-	291,044
		₩ 237,719,608	₩ 13,902,835	₩ 251,622,443

(In millions of Won)

		2008		
		Trading	Hedge	Total
Currency related:	Futures	₩ 50,544	₩ -	₩ 50,544
	Forwards	62,812,242	36,472	62,848,714
	Options bought	14,516,713	-	14,516,713
	Options sold	8,339,285	-	8,339,285
	Swap	31,949,697	468,911	32,418,608
		117,668,481	505,383	118,173,864
Interest rate related:	Futures sold	22,522	-	22,522
	Futures bought	1,131,750	-	1,131,750
	Interest futures	542,615	-	542,615
	Options bought	7,869,411	-	7,869,411
	Options sold	5,231,200	-	5,231,200
	Swap	104,648,760	13,703,448	118,352,208
		119,446,258	13,703,448	133,149,706
Stock related:	Futures	371,862	-	371,862
	Stock index options bought	1,199,450	-	1,199,450
	Stock index options sold	893,551	-	893,551
	Exchange traded options	360,719	-	360,719
	Swaps	2,460,553	-	2,460,553
		5,286,135	-	5,286,135
Other:	Credit-linked derivatives	77,000	-	77,000
	Commodity options bought	263,809	-	263,809
	Commodity options sold	263,809	-	263,809
	Other	185,559	-	185,559
		790,177	-	790,177
		₩ 243,191,051	₩ 14,208,831	₩ 257,399,882

(b) Details of Valuation on trading and hedging derivative instruments as of December 31, 2009 and 2008 were as follows:

(In millions of Won)

		2009				
		Valuation gain (losses)			Fair value	
		Trading	Hedge	Total	Assets	Liabilities
Currency related:						
	Forwards	₩ (146,445)	₩ 1,017	₩ (145,428)	₩ 1,735,985	₩ 725,111
	Futures	(3,518)	-	(3,518)	-	-
	Options bought	₩ (100,287)	₩ -	₩ (100,287)	₩ 348,937	₩ 8,909

(Continued)

Notes to Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(In millions of Won)

	2009				
	Valuation gain (losses)			Fair value	
	Trading	Hedge	Total	Assets	Liabilities
Options sold	₩ 24,704	₩ -	₩ 24,704	₩ 4,544	₩ 66,618
Swap	478,153	(30,100)	448,053	1,349,727	2,013,380
	252,607	(29,083)	223,524	3,439,193	2,814,018
Interest rate related:					
Futures	(6)	-	-	-	-
Options bought	(31,409)	-	(31,409)	55,768	-
Options sold	41,135	-	41,135	-	53,218
Swap	136,570	(339,585)	(203,015)	894,869	1,101,060
	146,290	(339,585)	(193,295)	950,637	1,154,278
Stock related:					
Futures	(2,161)	-	(2,161)	-	-
Stock index options bought	87,136	-	87,136	151,060	5,266
Stock index options sold	(65,628)	-	(65,628)	5,567	109,718
Exchange traded options bought	15,448	-	15,448	6,064	-
Exchange traded options sold	521	-	521	-	608
Swaps	(4,614)	-	(4,614)	120,079	149,761
	30,702	-	30,702	282,770	265,353
Other:					
Credit-linked derivatives	7,965	-	7,965	2,554	23,890
Commodity options bought	145	-	145	1,900	-
Commodity options sold	(759)	-	(759)	-	1,178
Other	245	-	245	2,027	1,329
	7,596	-	7,596	6,481	26,397
	₩ 437,195	₩ (368,668)	₩ 68,527	₩ 4,679,081	₩ 4,260,046

(In millions of Won)

	2008									
	Valuation gain (losses)			Fair value						
	Trading		Hedge	Total	Assets	Liabilities				
Currency related:										
Forwards	₩	2,006,786	₩	(2,493)	₩	2,004,293	₩	5,558,660	₩	3,542,125
Swap		(2,558,679)		(29,302)		(2,587,981)		2,168,068		4,305,073
Options bought		1,561,030		-		1,561,030		1,810,906		67,305
Options sold		(835,743)		-		(835,743)		24,731		908,047
		173,394		(31,795)		141,599		9,562,365		8,822,550
Interest rate related:										
Options bought		32,342		-		32,342		92,344		-
Options sold		(48,794)		-		(48,794)		-		99,951
Swap		(496,977)		907,174		410,197		2,045,389		2,233,722
Futures		(662)		-		(662)		-		-
		(514,091)		907,174		393,083		2,137,733		2,333,673
Stock related:										
Futures		927		-		927		-		-
Stock index options bought	₩	4,844	₩	-	₩	4,844	₩	115,479	₩	-

(Continued)

(In millions of Won)

	2008					
	Valuation gain (losses)			Fair value		
	Trading	Hedge	Total	Assets	Liabilities	
Stock index options sold	₩ (68,538)	₩ -	₩ (68,538)	₩ -	₩ 99,062	
Exchange traded options	40,648	(675)	39,973	68,863	3,390	
Swaps	38,049	-	38,049	406,540	368,202	
	15,930	(675)	15,255	590,882	470,654	
Other:						
Credit-linked derivatives	(39,338)	-	(39,338)	-	39,077	
Commodity options bought	35,222	-	35,222	35,222	-	
Commodity options sold	(35,222)	-	(35,222)	-	35,222	
Other	10,687	-	10,687	12,555	1,869	
	(28,651)	-	(28,651)	47,777	76,168	
	₩ (353,418)	₩ 874,704	₩ 521,286	₩ 12,338,757	₩ 11,703,045	

(32) Commitments and Contingencies

(a) Guarantees and acceptances and commitments as of December 31, 2009 were as follows:

(In millions of Won)

	2009
Guarantees and acceptances outstanding	₩ 8,360,238
Contingent guarantees and acceptances	6,865,728
Commitments	62,461,666
Endorsed bills	11,733,598
Insurance contracts	63,787,767

(b) As of December 31, 2009, the Consolidated Company was involved in pending lawsuits as a defendant (total claim amount : ₩412,575 million) and recorded a provision of ₩109,223 million and reserve of ₩788 million with respect to these lawsuits in other liabilities, respectively. Management is of the opinion that the foregoing lawsuits and claims will not have a material adverse effect on the Consolidated Company's financial position, operating results or cash flows.

(c) As of December 31, 2009, Shinhan Bank and Jeju Bank guaranteed repayment of principal and, in certain cases, minimum interest earnings on trust account assets for a total amount of ₩3,744,724 million. Additional losses might be recorded based upon the results of future operations of these guaranteed trust accounts.

(d) Credit-linked derivatives

Details of credit-linked derivatives held by Shinhan Bank and Shinhan Investment as of December 31, 2009 were as follows:

(In millions of Won)

	Credit Guarantee Contracts Sold		
	Overseas	Domestic	Total
Credit Default Swap	₩ 23,352	₩ 118,902	₩ 142,254
CDS on CDO	32,664	-	32,664
	₩ 56,016	₩ 118,902	₩ 174,918

With regard to guarantee contracts sold, Shinhan Bank accepts risk of loss due to the credit risk of the respective reference entity.

Notes to Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(e) Potential recovery of bad debts

The Consolidated Company has receivables which were written-off as they were deemed to be uncollectible. However, for certain receivables, the Consolidated Company still retains the legal right for recovery under Commercial Law as the receivables have not been repaid or legally terminated. As of December 31, 2009 and 2008, such receivables amounted to ₩4,067,804 million and ₩3,472,712 million, respectively.

(33) Related Party Transactions

(a) Details of transactions

Significant transactions with the related parties for the years ended December 31, 2009 and 2008 were as follows:

		[In millions of Won]	
Related Party	Account	2009	2008
i) Controlling company and subsidiaries included in consolidation:			
<i>Shinhan Financial Group:</i>			
Shinhan Bank	Interest income	₩ 3,716	₩ 7,329
"	Fee and commission income	113,249	90,911
"	Interest income on deposits for severance benefits	9	-
"	Other non-operating revenues	31	-
Shinhan Data System	Fee and commission income	-	94
Shinhan Aitas	Fee and commission income	38	-
Shinhan Investment	Interest income	9,340	9,290
"	Fee and commission income	4,337	9,266
Shinhan Life Insurance	Fee and commission income	6,605	13,542
Shinhan Capital	Interest income	49,098	53,877
"	Fee and commission income	1,462	1,354
Jeju Bank	Fee and commission income	500	962
Shinhan Credit Information	Fee and commission income	60	143
Shinhan Card	Interest income	60,790	53,310
"	Fee and commission income	9,484	18,825
Shinhan PE	Interest income	438	425
"	Fee and commission income	12	14
SH Asset Management	Fee and commission income	-	178
Shinhan BNP Paribas AMC	Fee and commission income	142	192
Cardif Life Insurance	Interest income	-	12
"	Fee and commission income	-	232
Shinhan Macquarie	Fee and commission income	9	59
		259,320	260,015
<i>Shinhan Bank:</i>			
Shinhan Financial Group	Rental income	733	735
Shinhan Card	Interest income	1,874	5,093
"	Fee and commission income	145,247	117,324
"	Rental income	4,745	3,006
"	Gain on derivatives	3,856	22,452
Shinhan Investment	Interest income	112	1,104
"	Fee and commission income	424	-
"	Rental income	1,620	1,315
"	Gain on derivatives	₩ 1,527	₩ 4,174

(Continued)

(In millions of Won)

Related Party	Account	2009	2008
<i>Shinhan Bank:</i>			
Shinhan Life Insurance	Interest income	₩ 64	₩ 7,032
"	Fee and commission income	9,988	14,857
"	Rental income	4,350	4,349
"	Gain on derivatives	1,008	29,703
"	Interest income on deposits for severance benefits	6,202	-
Shinhan Capital	Interest income	5	10
"	Fee and commission income	-	8
"	Rental income	800	792
"	Gain on derivatives	30,048	1,730
Jeju Bank	Interest income	398	764
Shinhan Credit Information	Rental income	147	147
Shinhan PE	Fee and commission income	50	131
SH Asset Management	Fee and commission income	-	9
Shinhan BNP Paribas AMC	Fee and commission income	16	381
"	Rental income	14	1
Cardif Life Insurance	Fee and commission income	-	22,633
Shinhan Macquarie	Fee and commission income	8	2,000
Shinhan Bank (Trust)	Fees on trust accounts	26,248	75,205
"	Fee and commission income	-	11
Shinhan Data System	Rental income	-	132
Shinhan Asia	Interest income	61	-
"	Gain on derivatives	154	-
Shinhan Bank America	Interest income	-	1,333
Shinhan Europe	Interest income	908	540
"	Gain on derivatives	983	-
Shinhan Canada	Gain on derivatives	348	-
Shinhan Khmer	Interest income	1	-
Shinhan China	Interest income	344	483
SBJ Bank	Interest income	309	-
"	Gain on derivatives	7,031	-
Shinhan Vietnam	Interest income	203	-
		249,826	317,454
<i>Shinhan Bank(Trust):</i>			
Shinhan Bank	Interest income	5,174	73,724
<i>Shinhan Data System:</i>			
Shinhan Financial Group	Fee and commission income	-	3
Shinhan Bank	Interest income	-	188
"	Fee and commission income	-	15,518
<i>Shinhan Data System:</i>			
Shinhan Card	Fee and commission income	-	1,428
Shinhan Investment	Fee and commission income	-	880
Shinhan Life Insurance	Interest income	-	17
"	Fee and commission income	₩ -	₩ 503

(Continued)

Notes to Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(In millions of Won)

Related Party	Account	2009	2008
Shinhan Capital	Fee and commission income	₩ -	₩ 138
Jeju Bank	Fee and commission income	-	16
Shinhan Credit Information	Fee and commission income	-	308
SH Asset Management	Fee and commission income	-	1
Shinhan BNP Paribas AMC	Fee and commission income	-	1
Cardif Life Insurance	Fee and commission income	-	394
		-	19,395
<i>Shinhan Aitas:</i>			
Shinhan Bank	Interest income	47	-
"	Fee and commission income	112	159
Shinhan Investment	Interest income	53	-
"	Fee and commission income	8	6
SH Asset Management	Fee and commission income	-	176
Shinhan BNP Paribas AMC	Fee and commission income	1,140	121
		1,360	462
<i>Shinhan Asia:</i>			
Shinhan Bank	Interest income	461	-
"	Gain on derivatives	110	-
		571	-
<i>Shinhan Europe:</i>			
Shinhan Bank	Gain on derivatives	2,602	-
<i>Shinhan Canada:</i>			
Shinhan Bank	Gain on derivatives	2,165	-
<i>Shinhan China:</i>			
Shinhan Bank	Interest income	163	-
<i>SBJ Bank:</i>			
Shinhan Bank	Interest income	9,620	-
"	Gain on derivatives	1,083	-
		10,703	-
<i>Shinhan Card:</i>			
Shinhan Bank	Interest income	19	547
"	Fee and commission income	438	7,862
<i>Shinhan Card:</i>			
Shinhan Bank	Gain on derivatives	-	98,983
"	Rental income	31	-
"	Interest income on deposits for severance benefits	946	-
Shinhan Data System	Fee and commission income	-	3
Shinhan Investment	Interest income	3	9
Shinhan Life Insurance	Interest income	538	390
"	Fee and commission income	13,659	25,577
Jeju Bank	Interest income	1	-
"	Fee and commission income	₩ 267	₩ 228

(Continued)

(In millions of Won)

Related Party	Account	2009	2008
Shinhan Credit Information	Fee and commission income	₩ 7	₩ 7
"	Rental income	524	-
Cardif Life Insurance	Fee and commission income	-	3,004
		16,433	136,610
<i>Shinhan Investment:</i>			
Shinhan Financial Group	Fee and commission income	540	655
Shinhan Bank	Interest income	5,421	8,610
"	Fee and commission income	15	106
"	Rental income	492	550
"	Gain on derivatives	2,073	1,390
"	Interest income on deposits for severance benefits	8	-
SH Asset Management	Rental income	-	596
Shinhan Card	Interest income	160	-
"	Fee and commission income	201	118
"	Rental income	1,002	1,053
Shinhan Life Insurance	Interest income	13	68
"	Fee and commission income	2	121
"	Rental income	21	22
Shinhan Capital	Interest income	868	-
"	Fee and commission income	45	101
Jeju Bank	Interest income	1,974	836
Shinhan BNP Paribas AMC	Rental income	1,803	574
		14,638	14,800
<i>Shinhan Investment USA:</i>			
Shinhan Investment	Fee and commission income	755	2,515
<i>Shinhan Investment Europe:</i>			
Shinhan Investment	Fee and commission income	305	809
<i>Shinhan Investment Asia:</i>			
Shinhan Investment	Fee and commission income	951	2,013
<i>Shinhan Life Insurance:</i>			
Shinhan Financial Group	Insurance income	20	15
Shinhan Bank	Insurance income	1,093	1,507
"	Interest income	6,605	4,268
"	Fee and commission income	528	602
"	Gain on derivatives	2,650	204
Shinhan Data System	Insurance income	-	12
"	Fee and commission income	-	4
<i>Shinhan Card:</i>			
"	Insurance income	225	254
"	Interest income	2,113	442
"	Fee and commission income	164	531
Shinhan Investment	Insurance income	43	36
"	Fee and commission income	1	9
Shinhan Capital	Insurance income	₩ 6	₩ -

(Continued)

Notes to Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(In millions of Won)

Related Party	Account	2009	2008
Jeju Bank	Insurance income	₩ -	₩ 20
Shinhan Credit Information	Insurance income	4	-
Shinhan BNP Paribas AMC	Insurance income	-	5
"	Fee and commission income	-	6
Cardif Life Insurance	Fee and commission income	-	1
		13,452	7,916
<i>Shinhan Capital:</i>			
Shinhan Bank	Interest income	123	773
"	Gain on derivatives	1,872	49,132
Petra PEF	Fee and commission income	5	-
		2,000	49,905
<i>Jeju Bank:</i>			
Shinhan Bank	Interest income	11	24
Shinhan Card	Fee and commission income	47	84
Shinhan Investment	Interest income	1	-
Shinhan Life Insurance	Fee and commission income	155	238
"	Rental income	2	5
Jeju Bank(trust)	Fees and commission from trust account	243	1,388
Cardif Life Insurance	Fee and commission income	-	34
		459	1,773
<i>Jeju Bank(trust):</i>			
Jeju Bank	Interest income	244	199
<i>Shinhan Credit Information:</i>			
Shinhan Bank	Interest income	422	31
"	Fee and commission income	5,330	6,275
Shinhan Card	Fee and commission income	24,729	13,658
Shinhan Investment	Fee and commission income	69	18
Shinhan Life Insurance	Fee and commission income	103	137
Shinhan Capital	Fee and commission income	16	108
Jeju Bank	Fee and commission income	-	11
		30,669	20,238
<i>Shinhan PE:</i>			
Shinhan Investment	Interest income	111	46
Shinhan PEF 1 st	Fee and commission income	2,321	2,736
Shinhan PEF 2 nd	Fee and commission income	5,845	2,336
		8,277	5,118
<i>SH Asset Management:</i>			
Shinhan Bank	Interest income	-	970
"	Fee and commission income	-	74
		-	1,044
<i>Shinhan BNP Paribas AMC:</i>			
Shinhan Bank	Interest income	3,083	2,027
"	Interest income	2	55
"	Fee and commission income	100	-
		₩ 3,185	₩ 2,082

(Continued)

(In millions of Won)

Related Party	Account	2009	2008
<i>Cardif Life Insurance:</i>			
Shinhan Bank	Interest income	₩ -	₩ 4
Shinhan Life Insurance	Interest income	-	8
		-	12
<i>Shinhan Macquarie:</i>			
Shinhan Bank	Interest income	32	190
		623,284	916,274
<i>ii) Subsidiaries accounted for under the equity method:</i>			
<i>Shinhan Financial Group:</i>			
Shinhan Data System	Fee and commission income	50	-
Cardif Life Insurance	Interest income	222	-
"	Fee and commission income	79	-
		351	-
<i>Shinhan Bank:</i>			
Shinhan Data System	Rental income	389	-
Cardif Life Insurance	Fee and commission income	10,129	-
Aju Capital	Gain on derivatives	3,877	-
		14,395	-
<i>Shinhan Data System:</i>			
Shinhan Financial Group	Fee and commission income	182	-
Shinhan Bank	Interest income	182	-
"	Fee and commission income	17,700	-
Shinhan Aitas	Fee and commission income	188	-
Shinhan Card	Fee and commission income	2,107	-
Shinhan Investment	Fee and commission income	2,722	-
Jeju Bank	Fee and commission income	22	-
Shinhan Credit Information	Fee and commission income	23	-
Shinhan BNP Paribas AMC	Fee and commission income	6	-
Cardif Life Insurance	Fee and commission income	188	-
		23,320	-
<i>Aju Capital:</i>			
Shinhan Bank	Interest income	262	-
"	Gain on derivatives	3,259	-
		3,521	-
<i>Macquarie Shinhan Infrastructure Asset Management:</i>			
Shinhan Bank	Interest income	198	363
<i>Shinhan Corporate Restructuring Fund 6th:</i>			
Shinhan Bank	Interest income	-	4
<i>Shinhan Corporate Restructuring Fund 7th:</i>			
Shinhan Bank	Interest income	-	4
<i>Shinhan Corporate Restructuring Fund 8th:</i>			
Shinhan Bank	Interest income	₩ 6	₩ 23

(Continued)

Notes to Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(In millions of Won)

Related Party	Account	2009	2008
<i>Shinhan Card:</i>			
SHC Management	Fee and commission income	₩ 129	₩ 250
Cardif Life Insurance	Fee and commission income	1,309	-
		1,438	250
<i>SHC Management:</i>			
Shinhan Bank	Interest income	-	958
Shinhan Card	Interest income	-	2,756
Shinhan Investment	Interest income	-	12
		-	3,726
<i>Shinhan Life Insurance:</i>			
Cardif Life Insurance	Fee and commission income	2	-
<i>Jeju Bank:</i>			
Cardif Life Insurance	Fee and commission income	7	-
<i>SHC Management:</i>			
Shinhan Bank	Interest income	76	-
Shinhan Investment	Interest income	4	-
		80	-
<i>Cardif Life Insurance:</i>			
Shinhan Bank	Interest income	5	-
"	Interest income	10	-
		15	-
		43,333	4,370
		666,617	920,644
<i>i) Controlling company and subsidiaries included in consolidation:</i>			
<i>Shinhan Financial Group:</i>			
Shinhan Bank	Due from banks	9,822	305,771
"	Guarantee deposits	8,974	9,982
"	Accounts receivables	38,240	9,912
"	Accrued income	-	235
"	Deposit for severance benefit insurance	2,300	1,531
Shinhan Data System	Accounts receivables	-	36
Shinhan Card	Loans in Won	800,000	1,180,000
"	Accounts receivables	3,517	891
"	Accrued income	3,682	6,988
Shinhan Investment	Loans in Won	170,000	170,000
"	Accounts receivables	4,443	995
"	Accrued income	1,569	1,544
Shinhan Life Insurance	Accounts receivables	2,533	355
Shinhan Capital	Loans in Won	600,000	1,040,000
"	Accounts receivables	1,822	1,145
"	Accrued income	3,412	5,316
Shinhan Credit Information	Accounts receivables	₩ 476	₩ 97

(Continued)

(In millions of Won)

Related Party	Account	2009	2008
Shinhan PE	Loans in Won	₩ 5,000	₩ 10,000
SH Asset Management	Accounts receivables	-	14
Shinhan BNP Paribas AMC	Accounts receivables	68	-
Cardif Life Insurance	Loans in Won	-	10,000
"	Accrued income	-	12
Shinhan Macquarie	Accounts receivables	-	59
"	Accrued income	75	-
		1,655,933	2,754,883
<i>Shinhan Bank:</i>			
Shinhan Card	Loans in Won	58,200	112,200
"	Securities	20	39,654
"	Derivative assets	3,856	11,487
Shinhan Investment	Guarantee deposits	11,243	11,128
"	Derivative assets	1,527	4,174
Shinhan Life Insurance	Accrued income	978	1,770
"	Derivative assets	18,773	30,019
"	Deposit for severance benefit insurance	88,732	142,851
Jeju Bank	Due from banks	-	3,200
"	Loans in Won	-	9,484
"	Loans in Foreign Currency	10,507	-
"	Accrued income	45	165
<i>Shinhan Bank:</i>			
Cardif Life Insurance	Accrued income	-	1,052
Shinhan Asia	Due from banks	140	265
"	Loans in Foreign Currency	16,930	22,006
"	Derivative assets	316	-
Shinhan Bank America	Due from banks	96	-
"	Loans in Foreign Currency	-	1,332
Shinhan Europe	Due from banks	1,376	941
"	Call Loan	7,006	-
"	Loans in Foreign Currency	64,218	50,300
"	Derivative assets	105	-
Shinhan Khmer	Due from banks	20	19
Shinhan Canada	Due from banks	464	-
"	Derivative assets	200	-
Shinhan China	Due from banks	907	116
"	Loans in Foreign Currency	-	93,684
"	Call Loan	-	12,575
SBJ Bank	Loans in Foreign Currency	197,584	-
"	Call Loan	69,455	-
"	Derivative assets	6,357	-
"	Other Asset	499	-
Shinhan Vietnam	Due from banks	18,657	-
"	Call Loan	74,726	-
"	Loans in Foreign Currency	12,178	-
"	Accrued income	₩ 14,148	₩ -

(Continued)

Notes to Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(In millions of Won)

Related Party	Account	2009	2008
Aju Capital	Derivative assets	₩ 1,057	₩ -
Shinhan Bank(trust)	Borrowing from Bank Account	24,391	-
		708,447	548,422
<i>Shinhan Bank(trust):</i>			
Shinhan Bank	Due from bank account	465,684	253,528
<i>Shinhan Data System:</i>			
Shinhan Bank	Due from banks	-	4,494
"	Guarantee deposits	-	110
"	Accrued income	-	93
Shinhan Card	Accounts receivables	-	171
Shinhan Investment	Accounts receivables	-	183
Shinhan Life Insurance	Accounts receivables	-	40
Jeju Bank	Accounts receivables	-	2
		-	5,093
<i>Shinhan Aitas:</i>			
Shinhan Bank	Due from banks	3,736	81
SH Asset Management	Accrued income	-	172
Shinhan BNP Paribas AMC	Accrued income	-	119
		3,736	372
<i>Shinhan Asia:</i>			
Shinhan Bank	Loans in Foreign Currency	9,925	-
<i>Shinhan China:</i>			
Shinhan Bank	Loans in Foreign Currency	25,774	31,531
<i>SBJ Bank:</i>			
Shinhan Bank	Due from banks	27	-
"	Call Loan	50,515	-
"	Loans in Foreign Currency	2,435,415	-
		2,485,957	-
<i>Shinhan Europe:</i>			
Shinhan Bank	Derivative assets	447	-
<i>Aju Capital:</i>			
Shinhan Bank	Due from banks	414	-
<i>Shinhan Corporate Restructuring Fund 7th:</i>			
Shinhan Bank	Due from banks	-	226
"	Accounts receivables	-	3
		-	229
<i>Shinhan Card:</i>			
Shinhan Financial Group	Accounts receivables	₩ 234	₩ 152

(Continued)

(In millions of Won)

Related Party	Account	2009	2008
Shinhan Bank	Due from banks	₩ 29,281	₩ 604,659
"	Guarantee deposits	23,586	5,013
"	Accounts receivables	-	4,093
"	Derivative assets	52,901	64,003
"	Deposit for severance benefit insurance	1,351	43,220
Shinhan Data System	Accounts receivables	-	29
Shinhan Investment	Due from banks	1,484	238
"	Guarantee deposits	3,974	3,974
"	Accounts receivables	-	975
Shinhan Life Insurance	Accounts receivables	1,644	1,790
"	Deposit for severance benefit insurance	9,108	14,826
Shinhan Capital	Accounts receivables	195	187
Jeju Bank	Due from banks	247	280
Shinhan Credit Information	Accounts receivables	90	51
<i>Shinhan Card:</i>			
Shinhan PE	Accounts receivables	33	34
SH Asset Management	Accounts receivables	-	83
Shinhan BNP Paribas AMC	Accounts receivables	70	55
Cardif Life Insurance	Accounts receivables	-	68
"	Accrued income	-	127
		124,198	743,857
<i>Shinhan Investment:</i>			
Shinhan Bank	Due from banks	207,564	90,443
"	Guarantee deposits	20,580	16,284
"	Accrued income	915	534
"	Derivative assets	-	1,468
"	Deposit for severance benefit insurance	517	162
Shinhan Card	Securities	11,383	-
"	Accrued income	54	-
Shinhan Life Insurance	Deposit for severance benefit insurance	510	151
Shinhan Capital	Trading Securities	20,060	-
"	Accrued income	58	-
Jeju Bank	Due from banks	67,420	17,164
"	Accrued income	486	12
		329,547	126,218
<i>Shinhan Investment USA:</i>			
Shinhan Investment	Accrued income	-	60
<i>Shinhan Investment Europe:</i>			
Shinhan Investment	Accrued income	174	-
<i>Shinhan Investment Asia:</i>			
Shinhan Investment	Accrued income	₩ -	₩ 1,451

(Continued)

Notes to Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(In millions of Won)

Related Party	Account	2009	2008
<i>Shinhan Life Insurance:</i>			
Shinhan Bank	Due from banks	₩ 63,149	₩ 62,984
"	Available-for-sale securities	4,035	3,823
"	Held-to-maturity securities	54,999	55,000
"	Guarantee deposits	12,345	9,861
"	Accrued income	15,647	8,278
"	Deposit for severance benefit insurance	-	12,975
Shinhan Card	Securities	25,814	25,205
"	Accounts receivables	102	-
"	Accrued income	442	-
Shinhan Investment	Guarantee deposits	228	228
Jeju Bank	Due from banks	242	241
		177,003	178,595
<i>Shinhan Capital:</i>			
Shinhan Financial Group	Prepaid expenses	-	8,492
Shinhan Bank	Due from banks	7,920	16,116
"	Guarantee deposits	963	660
"	Accrued income	6	2
"	Derivative assets	19,273	46,187
		28,162	71,457
<i>Jeju Bank:</i>			
Shinhan Card	Accounts receivables	19	-
Shinhan Life Insurance	Accrued income	4	-
Cardif Life Insurance	Accrued income	-	2
Jeju Bank(trust)	Accrued income	243	-
		266	2
<i>Jeju Bank(trust):</i>			
Jeju Bank	Due from bank account	10,910	458
<i>Shinhan Credit Information:</i>			
Shinhan Bank	Due from banks	9,452	5,721
"	Guarantee deposits	1,352	855
"	Accounts receivables	-	477
"	Accrued income	583	-
Shinhan Card	Accrued income	2,171	881
Shinhan Investment	Accounts receivables	-	8
Shinhan Life Insurance	Accrued income	10	-
Shinhan Capital	Accrued income	1	2
		13,569	7,944
<i>Shinhan PE:</i>			
Shinhan Financial Group	Prepaid expenses	122	361
Shinhan Bank	Due from banks	3,551	713
"	Deposit for severance benefit insurance	-	169
Shinhan Investment	Due from banks	285	-
		₩ 3,958	₩ 1,243

(Continued)

(In millions of Won)

Related Party	Account	2009	2008
<i>Shinhan PEF 1st</i>			
Shinhan Bank	Due from banks	₩ 2,763	₩ -
<i>SH Asset Management:</i>			
Shinhan Bank	Due from banks	-	33,754
"	Accrued income	-	850
"	Deposit for severance benefit insurance	-	53
Shinhan Investment	Guarantee deposits	-	2,961
Cardif Life Insurance	Accrued income	-	124
		-	37,742
<i>Shinhan BNP Paribas AMC:</i>			
Shinhan Bank	Due from banks	59,847	37,501
"	Accrued income	1,828	-
Shinhan Investment	Guarantee deposits	962	3,000
Shinhan Life Insurance	Accrued income	7	-
"	Deposit for severance benefit insurance	-	593
		62,644	41,094
<i>Cardif Life Insurance:</i>			
Shinhan Bank	Due from banks	-	1,796
"	Guarantee deposits	-	35
Shinhan Life Insurance	Deposit for severance benefit insurance	-	267
Jeju Bank	Due from banks	-	2
		-	304
<i>Shinhan Macquarie:</i>			
Shinhan Bank	Due from banks	2,389	5,254
"	Accrued income	-	254
		2,389	5,508
		6,108,164	4,811,787
<i>ii) Subsidiaries accounted for under the equity method:</i>			
<i>Shinhan Financial Group:</i>			
Shinhan Data System	Accounts receivables	190	-
SHC Management	Accounts receivables	68	12
		258	12
<i>Shinhan Bank:</i>			
Shinhan Data System	Due from banks	6,330	-
"	Guarantee deposits	219	-
"	Accounts receivables	436	-
		6,985	-
<i>Shinhan Bank:</i>			
Cardif Life Insurance	Accrued income	₩ 515	₩ -

(Continued)

Notes to Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(In millions of Won)

Related Party	Account	2009	2008
UAMCO., Ltd.	Due from banks	₩ 5,132	₩ -
"	Accounts receivables	4	-
		5,651	-
<i>Shinhan Data System:</i>			
Shinhan Financial Group	Accounts receivables	1	-
Shinhan Bank	Due from banks	6,330	-
"	Guarantee deposits	219	-
"	Accounts receivables	436	-
		6,986	-
<i>Shinhan Data System:</i>			
Shinhan Card	Accounts receivables	276	-
Shinhan Investment	Accounts receivables	632	-
Shinhan Capital	Accounts receivables	33	-
Shinhan Life Insurance	Accounts receivables	75	-
Jeju Bank	Accounts receivables	6	-
Shinhan Credit Information	Accounts receivables	75	-
Shinhan BNP Paribas AMC	Accounts receivables	2	-
		1,099	-
<i>Shinhan Aitas:</i>			
Shinhan Investment	Due from banks	4,273	-
Shinhan BNP Paribas AMC	Accounts receivables	98	-
		4,371	-
<i>Cardif Life Insurance:</i>			
Shinhan Bank	Due from banks	1,310	-
"	Guarantee deposits	35	-
"	Deposit for severance benefit insurance	382	-
Jeju Bank	Due from banks	2	-
		1,729	-
<i>Shinhan Corporate Restructuring Fund 7th:</i>			
Shinhan Bank	Due from banks	5,828	-
<i>Shinhan Corporate Restructuring Fund 8th:</i>			
Shinhan Bank	Due from banks	972	1,000
<i>Westend Corporate Restructuring Fund:</i>			
Shinhan Bank	Due from banks	1,509	-
<i>Macquarie Shinhan Infrastructure Asset Management :</i>			
Shinhan Bank	Due from banks	11,190	-
"	Accounts receivables	83	-

(Continued)

(In millions of Won)

Related Party	Account	2009	2008
<i>Shinhan Card:</i>			
Shinhan Data System	Accounts receivables	₩ 47	₩ -
Shinhan Aitas	Accounts receivables	75	-
Cardif Life Insurance	Accounts receivables	88	-
SHC Management	Accrued income	5	26
		11,488	26
<i>Shinhan BNP Paribas AMC:</i>			
Cardif Life Insurance	Accrued income	45	-
<i>SHC Management:</i>			
Shinhan Bank	Due from banks	100	4,200
"	Accrued income	-	189
Shinhan Investment	Due from banks	51	79
		151	4,468
<i>Macquarie Shinhan Infrastructure Asset Management :</i>			
Shinhan Bank	Due from banks	-	7,335
<i>Aju Capital:</i>			
Shinhan Bank	Due from banks	-	23,314
"	Accounts receivables	-	570
		-	23,884
		47,072	36,725
		₩ 6,155,236	₩ 4,848,512

(c) Guarantees and acceptances

The guarantees and acceptances provided between the related parties as of December 31, 2009 were as follows:

(In millions of Won)

Creditor	Debtor	Account	Amount of guarantees and acceptances
Shinhan Bank	Shinhan Capital	Guarantees for letter of credit	₩ 625
"	SHC Management	Performance guarantees	47
"	Aju Capital Co., Ltd.	Guarantees for debenture issuance	113
"	"	Guarantees for letter of credit	3
"	Shinhan Investment	Finance guarantees	34,050
"	Shinhan China	Finance guarantees	17,514
"	SBJ Bank	Finance guarantees	101,026
			₩ 153,378

Notes to Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(34) Segment Information

(a) The Consolidated Company has five reportable operating segments - providing corporations, governments, institutions and investors with commercial banking and financial products and services (the Banking business segment), credit card services and related businesses (the Credit Card business segment), securities trading, underwriting and brokerage services (the Securities business segment), life insurance and related businesses services (the Life Insurance segment) and leasing business, business of investment and trust of securities, debt collection services and other businesses (Others). The following table provides information for each operating segment as of and for the years ended December 31, 2009 and 2008:

(In millions of Won)

	2009						
	Banking	Credit Card	Securities	Life Insurance	Others	Adjustment for consolidation	Total
Gross operating revenue(*)	42,089,993	3,693,746	1,631,798	3,418,428	1,010,978	(673,041)	51,171,902
Inter-segment transaction	259,496	15,878	13,331	13,452	304,812	(606,969)	-
Net operating revenue	41,830,497	3,677,868	1,618,467	3,404,976	706,166	(66,072)	51,171,902
Operating income	1,195,819	1,114,830	36,446	236,461	(99,965)	(385,684)	2,097,907
Total assets	216,976,837	17,572,883	7,569,773	10,054,742	31,610,187	(28,766,335)	255,018,087

(In millions of Won)

	2008						
	Banking	Credit Card	Securities	Life Insurance	Others	Adjustment for consolidation	Total
Gross operating revenue(*)	50,180,180	4,145,875	1,873,920	2,940,007	1,292,340	(656,716)	59,775,606
Inter-segment transaction	151,532	136,610	12,005	7,928	332,476	(640,551)	-
Net operating revenue	50,028,648	4,009,265	1,861,915	2,932,079	959,864	(16,165)	59,775,606
Operating income	1,955,698	1,278,992	191,905	196,817	(52,817)	(538,238)	3,032,357
Total assets	222,152,906	17,075,577	7,314,651	9,786,645	30,525,474	(22,839,966)	264,015,287

(*) Based on presentation in the Korean language consolidated financial statements, operating revenue and expense mainly consist of the following:

Operating revenue	Operating expense
Interest and dividend income	Interest expense
Gain on valuation and disposition of securities	Provision for credit losses
Gain on valuation and disposition of loans	Loss on valuation and disposition of securities
Gain on foreign currency transactions	Loss on valuation and disposition of loans
Commission income	Loss on foreign currency transactions
Fees and commissions from trust accounts	Selling and administrative expense
Gain on derivatives	Loss on derivatives

[b] The Consolidated Company conducts business globally and is managed geographically. The following table provides information for each geographical segment as of and for the years ended December 31, 2009 and 2008

(In millions of Won)

	2009			
	Domestic	Overseas	Adjustment for consolidation	Total
Gross operating revenue	₩ 49,835,102	₩ 2,009,841	₩ (673,041)	₩ 51,171,902
Inter-segment transaction	588,754	18,215	(606,969)	-
Net operation revenue	49,246,348	1,991,626	(66,072)	51,171,902
Operating income	2,407,413	76,178	(385,684)	2,097,907
Total assets	₩ 272,519,202	₩ 11,265,220	₩ (28,766,335)	₩ 255,018,087

(In millions of Won)

	2008			
	Domestic	Overseas	Adjustment for consolidation	Total
Gross operating revenue	₩ 58,436,433	₩ 1,979,667	₩ (640,494)	₩ 59,775,606
Inter-segment transaction	632,858	7,693	(640,551)	-
Net operation revenue	57,803,575	1,971,974	57	59,775,606
Operating income	3,442,829	127,766	(538,238)	3,032,357
Total assets	₩ 278,315,802	₩ 8,539,451	₩ (22,839,966)	₩ 264,015,287

(35) Results of Operations for the Last Interim Period

(In millions of Won)

	2009	2008
	4th Quarter	4th Quarter
Operating revenue (*)	₩ 8,193,718	₩ 23,146,976
Operating income (*)	492,816	514,690
Net income for the period	₩ 262,460	₩ 289,932
Net income - majority interest	₩ 256,211	₩ 283,724
Earnings per share	414	532
Diluted earnings per share in Won	₩ 414	₩ 530

(*) Based on presentation in the Korean language consolidated financial statements.

Notes to Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(36) Condensed Financial Statements of the Consolidated Company

(a) Statements of Financial Position

Condensed statements of financial position of the Consolidated Company as of December 31, 2009 and 2008 were as follows:

(In millions of Won)

	2009		
	Total assets	Total liabilities	Total stockholders' equity
Controlling company and subsidiaries included in consolidation:			
Shinhan Financial Group	₩ 27,120,706	₩ 6,392,345	₩ 20,728,361
Shinhan Bank	202,237,352	188,821,769	13,415,583
Shinhan Bank (Trust)	3,727,705	3,727,705	-
Shinhan Asia	209,869	48,721	161,148
Shinhan Bank America	1,154,668	1,052,675	101,993
Shinhan Europe	347,549	271,597	75,952
Shinhan Khmer	54,709	30,090	24,619
Shinhan Kazakhstan	42,212	1,849	40,363
Shinhan Canada	101,706	72,370	29,336
Shinhan China	1,333,194	978,141	355,053
SBJ Bank	4,449,993	4,234,428	215,565
Shinhan Vietnam	350,706	257,859	92,847
Shinhan Aitas	18,395	2,424	15,971
Shinhan Card	17,572,883	12,931,388	4,641,495
Shinhan Investment	7,551,809	5,785,472	1,766,337
Shinhan Investment Europe	7,423	105	7,318
Shinhan Investment USA	5,524	96	5,428
Shinhan Investment Asia	5,017	135	4,882
Shinhan Life Insurance	10,054,742	9,274,787	779,955
Shinhan Capital	3,652,012	3,253,785	398,227
Petra PEF	41,990	-	41,990
Jeju Bank	2,950,155	2,736,667	213,488
Jeju Bank (Trust)	17,019	17,019	-
Shinhan Credit Information	19,763	4,380	15,383
Shinhan PE	21,765	7,003	14,762
Shinhan PEF 1 st	199,644	900	198,744
Shinhan PEF 2 nd	178,287	6	178,281
Symphony Energy	36,345	15,983	20,362
SHPE Holdings One	143,795	-	143,795
Shinhan BNP Paribas AMC	167,973	27,110	140,863
Shinhan Macquarie	9,512	15,164	[5,652]
	₩ 283,784,422	₩ 239,961,973	₩ 43,822,449

(In millions of Won)

	2008		
	Total assets	Total liabilities	Total stockholders' equity
Controlling company and subsidiaries included in consolidation:			
Shinhan Financial Group	₩ 25,913,566	₩ 8,307,683	₩ 17,605,883
Shinhan Bank	213,569,099	201,621,217	11,947,882
Shinhan Bank (Trust)	3,727,077	3,727,077	-
Shinhan Asia	248,220	82,867	165,353
Shinhan Bank America	1,174,510	1,023,885	150,625
Shinhan Europe	367,794	291,461	76,333
Shinhan Khmer	70,387	44,813	25,574
Shinhan Kazakhstan	53,044	480	52,564
Shinhan Canada	31,149	-	31,149
Shinhan China	1,375,994	1,004,419	371,575
Shinhan Data System	6,733	1,806	4,927
Shinhan Aitas	14,874	2,161	12,713
Shinhan Card	17,075,577	13,420,864	3,654,713
Shinhan Investment	7,315,710	5,605,646	1,710,064
Shinhan Investment Europe	7,655	109	7,546
Shinhan Investment USA	7,479	589	6,890
Shinhan Investment Asia	6,373	123	6,250
Shinhan Life Insurance	8,517,262	7,913,023	604,239
Shinhan Capital	4,007,727	3,643,671	364,056
Jeju Bank	2,887,688	2,715,839	171,849
Jeju Bank (Trust)	16,979	16,979	-
Shinhan Credit Information	16,344	2,077	14,267
Shinhan PE	21,834	10,822	11,012
Shinhan PEF 1 st	244,449	37,821	206,628
Shinhan PEF 2 nd	141,208	511	140,697
Symphony Energy	55,313	37,821	17,492
SH Asset Management	98,169	7,729	90,440
Shinhan BNP Paribas ITMC	89,745	28,063	61,682
Cardif Life Insurance	1,269,383	1,194,741	74,642
Shinhan Macquarie	13,297	16,840	[3,543]
	₩ 288,344,639	₩ 250,761,137	₩ 37,583,502

Notes to Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(b) Statements of Income

Condensed statements of income of the Consolidated Company for the years ended December 31, 2009 and 2008 were as follows:

(In millions of Won)

	2009				
Subsidiaries	Operating revenue	Operating expense	Operating income (loss)	Ordinary income (loss)	Net income (loss)
Controlling company and subsidiaries included in consolidation:					
Shinhan Financial Group	₩ 1,800,354	₩ 504,176	₩ 1,296,178	₩ 1,306,279	₩ 1,306,292
Shinhan Bank	41,466,693	40,233,903	1,232,790	1,066,208	748,664
Shinhan Bank (Trust)	219,912	219,912	-	-	-
Shinhan Asia	13,573	9,932	3,641	(354)	(586)
Shinhan Bank America	66,963	134,532	(67,569)	(71,778)	(71,943)
Shinhan Europe	19,036	13,214	5,822	5,892	3,999
Shinhan Khmer	4,110	2,398	1,712	1,189	875
Shinhan Kazakhstan	3,801	3,139	662	643	643
Shinhan Canada	2,969	6,840	(3,871)	(3,873)	(3,873)
Shinhan China	64,134	51,440	12,694	13,083	9,778
SBJ Bank	32,711	33,821	(1,110)	(13,940)	(14,950)
Shinhan Vietnam	6,654	18,656	(12,002)	(12,011)	(12,697)
Shinhan Aitas	18,760	14,453	4,307	3,884	3,259
Shinhan Card	3,693,714	2,578,916	1,114,798	1,100,554	856,755
Shinhan Investment	1,583,574	1,547,127	36,447	56,911	44,184
Shinhan Investment Europe	1,427	1,925	(498)	(498)	(498)
Shinhan Investment USA	1,234	2,364	(1,130)	(1,130)	(1,014)
Shinhan Investment Asia	1,293	2,222	(929)	(930)	(930)
Shinhan Life Insurance	3,418,331	3,181,967	236,364	224,375	173,973
Shinhan Capital	449,042	397,502	51,540	50,516	38,413
Petra PEF	-	10	(10)	(10)	(10)
Jeju Bank	189,400	172,710	16,690	16,912	12,837
Jeju Bank (Trust)	828	828	-	-	-
Shinhan Credit Information	35,367	34,252	1,115	1,441	1,115
Shinhan PE	8,348	3,953	4,395	4,913	3,625
Shinhan PEF 1 st	21,019	8,211	12,808	10,053	10,053
Shinhan PEF 2 nd	62	5,901	(5,839)	784	784
Symphony Energy	63,104	66,134	(3,030)	(2,990)	(2,042)
SHPE Holdings One	6,623	-	6,623	6,623	6,623
Shinhan BNP Paribas AMC	115,227	70,008	45,219	42,624	31,714
Shinhan Macquarie	3,706	6,149	(2,443)	(2,832)	(2,110)
	₩ 53,311,969	₩ 49,326,595	₩ 3,985,374	₩ 3,802,538	₩ 3,142,933

(In millions of Won)

Subsidiaries	2008				
	Operating revenue	Operating expense	Operating income (loss)	Ordinary income (loss)	Net income (loss)
Controlling company and subsidiaries included in consolidation:					
Shinhan Financial Group	₩ 2,455,917	₩ 442,908	₩ 2,013,009	₩ 2,013,975	₩ 2,020,398
Shinhan Bank	49,507,280	47,601,469	1,905,811	1,903,136	1,446,727
Shinhan Bank (Trust)	241,719	234,505	7,214	-	-
Shinhan Asia	18,010	15,586	2,424	2,719	1,936
Shinhan Bank America	81,376	81,071	305	228	288
Shinhan Europe	31,069	20,751	10,318	10,502	7,152
Shinhan Khmer	4,250	2,875	1,375	1,612	1,591
Shinhan China	57,095	57,972	(877)	4,020	3,215
Shinhan Data System	21,914	20,432	1,482	1,586	1,283
Shinhan Aitas	16,802	13,011	3,791	4,118	2,011
Shinhan Card	4,145,875	2,866,883	1,278,992	1,324,375	940,575
Shinhan Investment	1,872,657	1,681,118	191,539	209,409	156,301
Shinhan Investment Europe	1,518	1,788	(270)	(278)	(278)
Shinhan Investment USA	2,970	2,573	397	398	177
Shinhan Investment Asia	2,111	1,873	238	238	238
Shinhan Life Insurance	2,859,518	2,667,093	192,425	186,394	139,234
Shinhan Capital	638,879	549,933	88,946	88,292	66,132
Jeju Bank	218,625	186,382	32,243	30,767	22,124
Jeju Bank (Trust)	2,050	2,050	-	-	-
Shinhan Credit Information	26,429	24,699	1,730	2,401	1,902
Shinhan PE	5,277	3,198	2,079	1,051	394
Shinhan PEF 1 st	174,514	198,562	(24,048)	(24,153)	(25,586)
Shinhan PEF 2 nd	758	3,003	(2,245)	10,977	10,977
Symphony Energy	127,535	121,449	6,086	(1,539)	(2,016)
SH Asset Management	40,441	20,005	20,436	19,949	14,330
Shinhan BNP Paribas ITMC	95,092	56,178	38,914	38,910	28,155
Cardif Life Insurance	81,363	81,373	(10)	4,138	4,600
Shinhan Macquarie	11,668	23,791	(12,123)	(11,704)	(9,790)
	₩ 62,742,712	₩ 56,982,531	5,760,181	₩ 5,821,521	₩ 4,841,070

(37) Discontinued Operations

In accordance with a resolution of the Board of Directors' meeting held on March 20, 2009, Shinhan Financial Group Co., Ltd. disposed 3,290,002 shares and 1,409,999 shares of Cardif Life Insurance Co., Ltd. to BNP Paribas Assurance and Shinhan Bank, respectively, effective June 26, 2009. Accordingly, Cardif Life Insurance Co., Ltd. was excluded from the subsidiary of the Consolidated Company. Accordingly, the Consolidated Company accounted for the results of operations from Cardif Life Insurance separately as discontinued operations. The comparative income statement has been restated to show the income (loss) from discontinued operation separately from continuing operations.

Notes to Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(a) Details of income (loss) from discontinued operations for the years ended December 31, 2009 and 2008 were as follows:

	(In millions of Won)	
	2009	2008
Operating revenues	₩ 88,295	₩ 53,538
Operating expenses	82,451	60,477
Operating income(loss)	5,844	[6,939]
Non-operating income(loss), net	21	[253]
Gain on disposition of subsidiaries	12,080	-
Tax effect	2,485	[2,683]
	₩ 15,460	₩ [4,509]

(b) Cash flows from discontinued operations for the years ended December 31, 2009 and 2008 were as follows:

	(In millions of Won)	
	2009	2008
Net cash provided by (used in) operating activities	₩ 53,995	₩ [41,880]
Net cash provided by investing activities(*)	22,809	105
Net cash from financing activities	-	-
Net cash provided by (used in) discontinued operation	₩ 76,804	₩ [41,775]

(*) Cash flows provided by disposition of subsidiaries amounting to ₩ 23,000 million are included.

(38) Plans and Status for the First-time Adoption of K-IFRS (International Financial Reporting Standards)

(a) Preparation of K-IFRS adoption

Under the Financial Supervisory Commission's announced roadmap for the adoption of K-IFRS in March 2007 and article 13 of the Securities-related External Audit Act, the Consolidated Company is required to issue financial statements prepared in accordance with K-IFRS from 2011. In August 2007, the Consolidated Company organized an IFRS Task Force Team ("IFRS TFT") and performed preliminary analysis of the effects of K-IFRS adoption and newly established the financial reporting system and other. The IFRS TFT is proceeding to prepare for consolidated financial information for opening balance at January 1, 2010.

(b) K-IFRS Adoption Status

i) Action Plan and Status

The Task Force Team has divided its operations into three phases to effectively manage and complete the long-term plans.

① Phase 1: Analysis Phase

The Consolidated Company identified differences between Statements of Korean Financial Accounting Standards (current Korean Accounting Standards) and K-IFRS, and assessed the potential impact of K-IFRS adoption over the period from August of 2007 to February of 2008. Also, the Consolidated Company has provided K-IFRS training course to its employees to enhance K-IFRS knowledge.

② Phase 2: Policy Establishment, System Design and Implementation Phase

Based on the outcome of Phase 1, from March 2008 to December 2009, the Consolidated Company performed detailed GAP and impact analysis, designed and implemented its IT infrastructure. The Consolidated Company also has continuously carried out training course for its employees.

③ Phase 3: K-IFRS application phase

Starting January 2010, the Consolidated Company is proceeding to prepare for opening balance at transition date and consolidated financial statements on a quarterly basis in accordance with K-IFRS. In addition, the Consolidated Company reorganizes internal accounting control system.

ii) Major Activities

① Establishment of Shinhan Financial Group (the "Group") accounting policies and accounting manuals

In consideration of the requirements of K-IFRS and the Group's current situations, the Consolidated Company performed an analysis of its various alternatives in order to establish the Group accounting policies that would best apply to both the Controlling Company and all its subsidiaries, and determined the detailed methodologies for each accounting treatment. In addition, each subsidiary reorganized its accounting policy and accounting practice manual to meet the consistency for accounting treatments.

② System Redesign

The Consolidated Company analyzed a financial reporting system and defined business requirement design in order to produce the financial information in a relevant and efficient manner. Then the Consolidated Company completed IFRS system at the end of reporting period. In addition, the Consolidated Company has performed financial data cleansing and uploaded data in IFRS system.

iii) Composition and Operation of the Action Plan

In order to ensure a smooth transition to K-IFRS, the Consolidated Company formed its K-IFRS Adoption Task Force Team, which included external consultants from an accounting firm. In order to maximize the efficiency in the major areas affected by the adoption of K-IFRS, the team broken into small groups such as consolidation, loans, securities and derivatives, other areas and its core members from each subsidiary performs detail conversion tasks. In addition, an IT IFRS Task Force Team was formed with IT experts from each sector and external IT system development consultants in order to carry out IT system design and implementation.

(c) Future Business Plan

Starting January 2010, the Consolidated Company is proceeding to prepare for opening balance at transition date and consolidated financial statements on a quarterly basis in accordance with K-IFRS. In addition, the Consolidated Company reorganizes internal accounting control system.

(d) Differences between K-IFRS and K-GAAP Expected to Have a Material Effect on the Group

The areas of accounting under the current financial statements for which the application of K-IFRS is expected to give rise to significant differences include the scope of consolidation, loss provisions, revenue recognition and employee benefits, among others. Also, transition report is expected to be issued through preparation of financial information at transition date.

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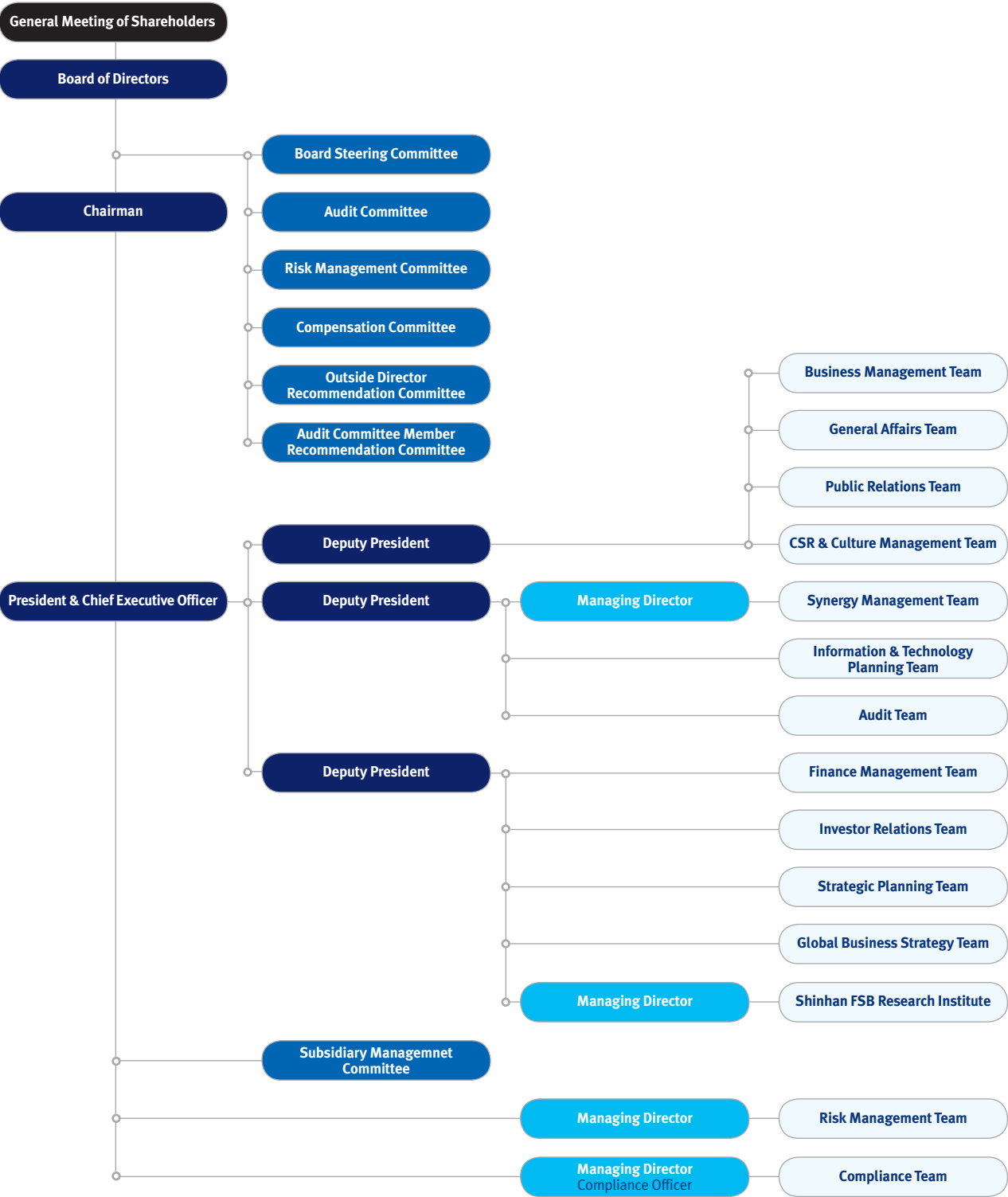
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Forward-Looking Statements

Shinhan Financial Group's 2009 Annual Report may contain forward-looking statements to provide value-added account of Shinhan Financial Group's businesses and results of operations. These forward-looking statements reflect our current views with respect to future events and performance, and are generally identified by the use of forward-looking terminology, such as "expect", "plan", "intend", and similar expressions. You are cautioned not to place undue reliance in these forward-looking statements, which reflect management's current analysis of future events. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.



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