Creating a Sustainable Future

SHINHAN BANK

The Shinhan Way

for a Sustainable Future

Shinhan Bank is applying a different way of thinking in order to maximize stakeholder value.

With our unique business management style, which we have coined **"The Shinhan Way,"** we have changed the history of business in Korea.

Shinhan Bank is renowned throughout Korea for its willingness to adapt to new situations as a means of increasing its competitiveness. This includes proactively seeking out new customers--even in the midst of one of the worst financial crises the world has ever known. By continuing to follow **"The Shinhan Way,"** we will lead our customers, our company, and the society in which we operate to a better and happier future.

Contents

02 PROFILE
03 FINANCIAL HIGHLIGHTS
04 YEAR 2008 AT A GLANCE
06 MESSAGE FROM THE CEO
10 VISION & STRATEGY
14 SOCIAL CONTRIBUTIONS
17 ETHICAL MANAGEMENT
18 BOARD OF DIRECTORS
19 REVIEW OF OPERATIONS
42 MD&A
50 GLOBAL NETWORK
52 ORGANIZATION CHART
53 CORPORATE DATA

PROFILE

THE BANK OF PRIDE

Shinhan Bank was the first bank to be established by private capital in 1982 in Korea. It was also the first to introduce ATMs and Internet banking. It boasts industry leadership and expertise with advanced financial systems and it converted its corporate governance to a board of directors management structure in 1999. Particularly through the successful consolidation with Chohung Bank in 2006, it has grown into a strong, quality bank.

As of the end of 2008, the new Shinhan Bank recorded KRW 249 trillion in total assets (including bank, merchant bank, and trust accounts) and KRW 2.9 trillion in income before loan loss provisions, backed by its strong global network with 10,963 employees and 1,026 branches. Net income amounted to KRW 1.4 trillion, and return on equity stood at 12.69%. Non-performing loans(NPL) ratio recorded 1%.

Today, the bank is primed to reinforce its industry leadership following changes in the financial environment. To this end, it strives to develop customized channels and products and services by customer group, backed by crossovers and enlargement, and ensure marketing and risk management capabilities, effective IT infrastructure, and differentiated brands.

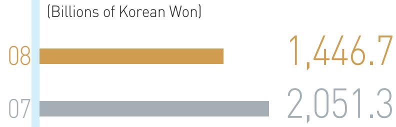
Following the implementation of revised Basel II, the bank is now committed to seeking stable asset growth and improving profits to strengthen risk management and maintain optimal equity capital. Furthermore, it strives to fulfill its corporate social responsibilities by continuing to develop its social contribution activities such as environmentally friendly financial products and services. Eventually, it aspires to be a "number one bank," and the pride of Korean finance. It will do this by enhancing its management efficiency and profitability and placing a top priority on customer value.

FINANCIAL HIGHLIGHTS

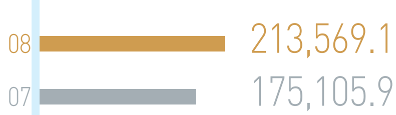
	In Billions of Korean Won		In Millions of US Dollars*	
	2008	**2007**	**2008**	**2007**
Bank Account				
For the Year				
Operating Revenues	49,507.3	17,797.8	39,369.6	18,970.2
Operating Expenses	47,601.5	14,886.6	37,854.1	15,867.2
Operating Income	1,905.8	2,911.2	1,515.6	3,103.0
Ordinary Income	1,903.1	2,854.9	1,513.4	3,043.0
Net Income	1,446.7	2,051.3	1,150.5	2,186.4
At Year-End				
Total Assets	213,569.1	175,105.9	169,836.3	186,640.3
Total Loans	145,341.8	125,405.3	115,580.0	133,665.9
Total Securities	36,592.3	32,329.4	29,099.2	34,458.9
Total Deposits	119,238.0	104,021.9	94,821.4	110,873.9
Total Stockholders' Equity	11,947.9	11,319.4	9,501.3	12,065.1
Trust Account				
At Year-End				
Total Assets	37,122.6	34,258.6	29,520.9	36,515.2
Total Loans	744.4	677.0	592.0	721.6
Total Securities	10,627.8	11,903.2	8,451.5	12,687.3
Total Money Trusts	12,822.5	13,574.5	10,196.8	14,468.6
Financial Ratios				
Return on Average Assets	0.71	1.17		
Return on Average Equity	12.69	18.90		
Substandard & Below	1.00	0.73		
NPL Ratio by FSS	0.85	0.63		
Net Interest Margin	2.13	2.32		
BIS Capital Adequacy Ratio	13.44	12.09		
(Tier 1 Capital Ratio)	9.30	7.64		
(Tier 2 Capital Ratio)	4.13	4.45		

* Translated into U.S. dollars at the rates of KRW 1,257.50/USD 1.0 and KRW 938.20/ USD 1.0, respectively, those prevailing on December 31, 2008 and December 31, 2007.

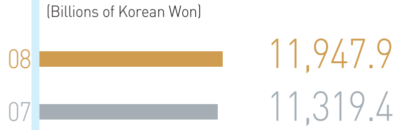
Net Income*
(Billions of Korean Won)



Total Asset*
(Billions of Korean Won)



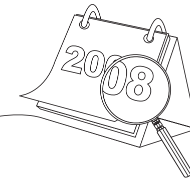
Total Stockholders' Equity*
(Billions of Korean Won)



* Bank accounts only

YEAR 2008 AT A GLANCE

June 2008	**Opened China Shinhan Bank, a local subsidiary in China** Shinhan Bank (SHB) opened China Shinhan Bank (capital stock: CNY 2 billion, 100% stake) following the successful conversion of its Beijing branch into its largest local subsidiary in China. The bank shifted its focus from local Korean companies and residents to retail banking services targeting local companies and populations.
December 2008	**Established Shinhan Kazakhstan Bank, a fully-owned local subsidiary** As the first network to be built in the Central Asia region by SHB, the bank will play a role within SHB's headquarters in the Commonwealth of Independent States (CIS) region.
December 2008	**Obtained authorization to establish local subsidiary in Vietnam** SHB obtained authorization to establish a local subsidiary from the Bank of Vietnam. This was the first by a Korean bank and the fourth among foreign banks following HSBC, SCB, and ANZ.
September 2008	**Obtained authorization to establish local subsidiary in Canada** SHB was granted a license to establish a local subsidiary in Canada. Owning a 100% stake in the company, SHB was able to significantly expand its customer service base in the North American market.
August, June, May 2008	**Expanded Global Network** SHB obtained authorization to establish Wuxi branch in China from the China Banking Regulatory Commission (CBRC) through its local subsidiary China Shinhan Bank in August. SHB also opened Shinhan Bank America's Irvine branch in May, and China Shinhan Bank's Puxi branch in Shanghai, the 6th branch in China, in June 2008.
April 2008	**Became the first Korean bank to obtain approval for the use of Basel II's internal rating systems** SHB obtained approval for its internal rating systems from the Financial Supervisory Service. This verifies the excellence of the risk discrimination, stability, and forecasts of its internal credit rating systems that it has independently developed and operated. It also signified official recognition that the control structure, loan approvals and ceilings, interest rate decisions and performance evaluations for credit risk management are at exemplary levels.
May, February, January 2008	**Implemented sustainability management and social responsibilities** In order to fulfill its social obligations and duties for sustainability management as a financial institution, SHB joined the United Nations Environment Programme Finance Initiative (UNEP FI) in January and the UN Global Compact in May, and singed on the Carbon Disclosure Project 6 (CDP 6) in February.



Awards and Accolades

- **Superior Financial Institution For Consumer Protection:** *Financial Supervisory Service* (Jan. 2008)
- **Korea Consumers' Forum's Korea First Brand Awards:** *Grand Prize in banking category* (Jan. 2008, four consecutive years)
- **Premium Brand Index:** *Number one brand in PB sector* (Feb. 2008)
- **Korea's Most Respected Company Awards:** *Ranked first in banking category* (Feb. 2008, five consecutive years)
- **Excellent Achievement Award:** *for Ho Chi Minh branch* (Apr. 2008)
- **Best Bank:** *Civil petition evaluation by Financial Supervisory Service* (Apr. 2008)
- **2008 Global Standard Management Award:** *Grand Prize in social responsible management category, Korea Management Association (KMA) and KMA Global Standard Management Committee* (May 2008, for three consecutive years)
- **Korea Social Contribution Awards:** *Grand Prize for two consecutive years* (June 2008)
- **Korean Service Award:** *Grand Prize in the banking category, Korea Standards Association* (June 2008, for five consecutive years)
- **Ranked first in the Korean Standard Service Quality Index (KS-SQI) survey:** *Korean Standards Association* (Sep. 2008, for seven consecutive years)
- **Brand of the Year Award:** *Korea Economic Daily* (Sep. 2008, for five consecutive years)
- **Korea Great Workplace Award:** *Grand Prize in the finance category, JoongAng Ilbo and GWP Korea* (Oct. 2008)
- **Global Reporting Initiative (GRI) Sustainability Report Award:** *Grand Prize* (Nov. 2008)
- **Outstanding institution for financial action on money laundering:** *Commendation from Financial Supervisory Financial Intelligence Unit* (Nov. 2008)
- **Asia Financial Culture Award:** *Grand Prize in banking category* (Dec. 2008)
- **Korea Communication Award:** *Best Broadcasting Prize in banking category, Korea Corporate Newsletter Association* (Dec. 2008)
- **Good Company For New Management-Employees Culture Award:** *Ministry of Labor Award from Seoul Regional Labor Office* (Dec. 2008)
- **Deal of the Year Award (South Korean Capital Markets Deal 2008):** *IFR ASIA* (Dec. 2008)
- **Best New Financial Product:** *for Shinhan G1 gold account from Financial Supervisory Service* (Dec. 2008)

Awards received from overseas financial magazines and journals

- **The Best Cash Management Bank in Korea:** The Asset (March 2008)
- **The Best Bank in Korea:** Global Finance (October 2008)
- **The Best Bank in Korea:** Euromoney (July 2008)
- **Best Domestic Commercial Bank:** AsiaMoney (September 2008)
- **The Best Bank in Korea:** FinanceAsia (September 2008)
- **The Best Bank in Korea:** The Asset (January 2009)

We at Shinhan Bank always believed in our shared common goal and aspirations in building "**THE Bank Shinhan, the pride of Korean finance**."

Baek Soon Lee
President & Chief Executive Officer

MESSAGE FROM THE CEO

Shinhan Bank has never hesitated to take on what seemed to be impossible. We are a bank buttressed by long- standing tradition and a passion for creativity and innovation. This is the spirit in which Shinhan Bank has opened up fresh tracks and new horizons for the Korean financial industry.

In the same way that many people are experiencing hardship as a result of the current global economic downturn, we have experienced many challenges in the past, and overcome them all. We have never wavered in the face of difficulties. "Together we can accomplish anything" is the rallying cry of Shinhan Bank. This is the spirit that led to the successful merger in 2006, laying a solid foundation for further advances in the future.

As the new President and Chief Executive Officer of Shinhan Bank, I intend to build on this proud legacy. I promise that I will carry out my duties to the full, like those who have headed the bank before me, guiding Shinhan Bank into a new phase of growth and development.

Starting in 2009, we will create a bank that can withstand any crisis, enriching the lives of our clients, shareholders, and employees. Our overall aim is for Shinhan Bank to be acknowledged as a strong and healthy financial institution by all its stakeholders.

Shinhan Bank will also strive to adhere to all the principles of public virtue. This means benefiting not just individuals and corporations, but also society at large. We seek to create value for Shinhan Bank, our clients, and the societies in which we operate, gaining respect and trust.

The economic situation looks very bleak at the moment because of the overwhelming global economic downturn, and the scale of the crisis is certainly without parallel in our time. As a result, many leading financial institutions in advanced nations have failed or need government assistance. In such a situation, our main priority is to soldier on with wisdom. Rather than merely rely on hope and dreams, we will assess our situation realistically. In order to survive the crisis, the strength and efforts of every one of us will be gathered together.

The Shinhan family is renowned for its ability to rise to whatever challenges confront it and overcome any difficulties that it encounters. In addition, the entire staff and management are known for their dedicated teamwork, whether in normal times or periods of crisis alike.

As part of their effort to shore up the bank's capital base, staff and employees have subscribed to 170% of the recent rights offering. This attests to the loyalty that our employees have to the Bank and their commitment to helping Shinhan Bank weather current economic hardships and lay strong foundations for the future.

With an unwavering commitment to the Bank's progress, all of us at Shinhan Bank are ready to tackle the current global financial crisis head on.

One thing that the crisis has taught us is the importance of realizing the true role of a financial institution. We plan to serve faithfully as a financial intermediary while at the same time focusing more strongly on our core competencies.

These turbulent times have forced us to think deeply about the importance of a solid foundation for growth. We believe that Shinhan Bank should resist all attempts to reap quick returns and concentrate on building a system that can yield bountiful fruit even in times such as these.

We will also concentrate on working smartly. Nowadays, when the financial industry is more specialized and complex than ever before, we cannot become a world-class bank simply by working hard.

With a handful of sand, you can make a simple brick or create a high-value semiconductor chip, depending on how you use that handful of sand.

As we begin our new phase of growth, we will shed outdated habits and develop new and creative approaches to growing our business.

With an emphasis on highly trained financial experts, Shinhan Bank will strive to build a workforce whose members will earn the trust of its clients and possess all the required standards, ethics, and probity.

As we move further into 2009, I wish to emphasize the fact that we will have another successful year no matter what difficulties we face, provided that we cling to our principles of creating a leading bank that is strong, healthy, and attentive to public virtues and its obligations as a corporate citizen.

Sun Tzu, in his "Art of War," wrote, "If from the general down to the soldiers all share a common goal from the bottom of their hearts, then they will win the battle." We at Shinhan Bank have always believed in our shared common goal and aspirations in building "THE Bank Shinhan, the pride of Korean finance." Let the word go out that all members of the Shinhan Family will do their utmost to strive for continuing and sustainable prosperity.

Thank you.

Baek Soon Lee

Baek Soon Lee
President & Chief Executive Officer

Win-Win Relationship

for a More Sustainable Future

As a recognized leader in Korea's financial industry, Shinhan Bank is mapping out more efficient and flexible management strategies that will allow it to turn any crisis into an opportunity. We are growing into a smarter and more productive financial player with an emphasis on constant change and innovation.

All Shinhan Bank stakeholders are working together to realize our dream of becoming the nation's most successful financial institution, **"THE Bank of Pride," and one of Asia's Top 10 banks.**

VISION & STRATEGY

OUR VISION

Shinhan Bank aims to represent the pride of its customers as a world class bank leading the Asian banking industry. We are committed to augmenting our profile as a leading global bank, and have established an integrated Shinhan culture that continues our company's founding spirit of "Rejuvenating Korean Finance," and giving back to society.

Through advanced systems and effective business structures, we seek value-oriented growth and greater recognition in the global financial market.

OUR CORE VALUES

Shinhan Bank's five core values are customer value creation, integrity, ownership, teamwork, and initiative for change. Our core values support our vision of becoming a world-class financial company and are taken seriously by our employees and executives.

*** Customer Value Creation :**
We create value with our customers for their success.

*** Integrity :**
We build faith through honesty and devote ourselves to the development of our society.

*** Ownership :**
We provide the best services through teamwork and our group's extensive financial network.

*** Teamwork :**
We try our best while performing our duties with the mindset of ownership and responsibilities.

*** Initiative for Change :**
We aim to achieve world-class standards through endless changes and challenges.

MANAGEMENT STRATEGIES

The banking industry's management environment in 2009 will enter a new phase of risk management by providing against deteriorations in management performance in all sectors including growth potential, profitability, soundness, and capital adequacy. It will test and verify our competence.

Shinhan Financial Group's strategic goal is "Solid Foundations, Sustainable Growth." Grounded upon this, Shinhan Bank's strategic goal is "Improve structure and lead change to strengthen competencies for growth." To effectively achieve this goal, we established four core strategies: "Enhance the efficiency of growth foundations," "Advance revenue structure," "Differentiate risk management capabilities," and "Maximize organizational productivity."

We will solidify smart growth foundations in preparation for an economic recession, improve our revenue generating structure, and build a risk management system that will enable us to preemptively cope with changes in our internal and external environment. In addition, in light of the current situation, we will aggressively exert self-help efforts to maximize our organizational productivity where profitability is aggravated.

In 2009, as our business conditions are forecasted to face unpredictable volatility, we plan to manage our business agenda and goals on a quarterly or half-yearly basis which will enable us to flexibly deal with changes in our surroundings and circumstances.

BOOSTING PRODUCTIVITY VIA DOWNSIZING

We scaled back our 14 business groups to 11, while reducing the number of our headquarter divisions and departments to 46 from 51. In addition, 104 branches were merged with other closely-located ones, thereby curtailing our branch expenses and intensifying their efficiencies.

We created a risk management group to upgrade the quality of our organization. We also introduced a "unit system," which combines business groups with similar functions into four units. This was aimed at increasing synergies and expediting the decision-making processes.

Furthermore, we incorporated our global banking group to have better control over our global business channels, which had quickly grown for the past few years and thus increase their global competencies as well. Such an "upgrading" policy was also expanded to our overseas network by establishing a separate global business support team.

In 2009, we will implement our strategic goal--"Improve structure and lead change to strengthen competencies for growth"--as early as possible by developing three pillars of our operations: Risk Management, Efficiency Enhancement, and Growth. At the same time, we will create value and present a vision for our customers and employees. By doing so, we aim to more faithfully fulfill our basic role of energizing the national economy.

THE SHINHAN WAY

With our unique business management style, which we have coined "The Shinhan Way," we have changed the history of business in Korea.

We achieved our rapid growth and success by following seven primary management principles.

*** Nothing is impossible in terms of achieving customer satisfaction.**

*** A strong company culture builds a foundation for a strong organization.**

*** Capability-oriented and fair human resources (HR) management is required for an extraordinary organization.**

*** Participating in and leading with transformational leadership is crucial.**

*** Continuous growth is possible only through continuous innovation.**

*** Only a company with ethics and transparent management can emerge as a winner.**

*** A company must advance with society through socially responsible management.**

Sharing

for a Sustainable Future

Shinhan Bank is committed to fulfilling its social, environmental, and ethical responsibilities, winning the trust and respect of its customers and the larger society as a model corporate citizen.
Under the guide **"Shinhan Bank, creating a happier tomorrow,"** all our employees are dedicated to managing our social responsibilities more efficiently and effectively.

SOCIAL CONTRIBUTIONS

"Towards a Better Society"

THE Bank Shinhan: A friendly company, like an extensive vessel

Shinhan Bank has been a pioneer in corporate ethics and corporate social responsibility (CSR): it has implemented corporate ethics and CSR management since early 1980.
Since its founding, the bank has carried forward a variety of CSR programs to grow into a representative service model company in Korea. We have sought management that is faithful to the basics of honesty and principles, creates value for customer satisfaction, and carries out our responsibilities and roles as a corporate citizen.

In 2005, we became the first domestic financial institution to publish a CSR report that introduced our CSR activities. Since then, we have manifested our will to continuously practice CSR management internally and externally by issuing the report on a regular basis. We also set up "coexistence and co-prosperity with stakeholders" as our CSR direction. This is to contribute to improving the financial industry and creating national wealth by becoming a solid buttress for the national economy. By creating CSR goals and strategies, along with long- and short-term imperatives by stakeholder to be utilized through to 2012, we are operating a wide spectrum of CSR programs.

We are committed to returning a portion of our profits to society and sharing our accomplishments and values with the communities in which we live and work. This is done through a variety of social contribution projects in such areas as social welfare, volunteer services, environmental preservation, culture and the arts, the promotion of sports, and the development of products that benefit public interest. Our CSR slogan is "A Warmer, Brighter, and More Sharing World." In addition, we promote true corporate citizenship, sharing with our neighbors through voluntary participation of all of our employees as well as our customers.

We incorporate CSR into our corporate culture and build lasting communications channels with our external stakeholders by publishing a monthly CSR e-newsletter containing news on CSR trends, CSR Mecenate, and volunteer activities. Furthermore, our homepage offers the Voice of Customer (VOC) section to gather feedback from local communities and positively reflect them on our internal policies.

Under the motto "Sharing Happiness, Creating Joy," the Shinhan Bank Volunteer Group engages in such activities as preserving traditional culture, developing more livable neighborhoods, and nurturing future leaders.

The company-wide volunteer activities include protecting cultural assets, assisting social welfare institutions, supporting undernourished children, providing the needy with charcoal briquettes and kimchi, and assisting in disaster relief operations.

One of our main environmental preservation campaigns involves labeling trees in 18 national parks to stir up nature conservation consciousness among hikers. We also hold an annual nation-wide environmental photography contest. Sponsored by the Ministry of the Environment, this contest focuses on scenic beauty, harmony between people and nature, and complaints of environmental degradation. In addition, we take part in campaigns to protect animals and plants and make donations through a matching grant program by developing environmental products, such as "Green" Compound Interest Trust and bankbooks to save the Nakdong River.

We were the first Korean commercial bank to establish a scholarship foundation and a finance museum. The Shinhan Bank Hope Foundation aims to foster talented professionals who can contribute to the nation and society, and promote education, the arts, and culture. Every year, the foundation awards scholarships to juvenile heads of households and differently-challenged students of special schools. It also provides annual scholarships to Korean children living in Kazakhstan, Uzbekistan, and China.

The Museum of Korean Financial History carries about 3,000 pieces of financial data in a space of about 1,200 m^2, while the Shinhan Gallery supports the activities of promising young artists by holding special exhibitions for them. They are both located in Taepyeongno, a cultural street in Seoul.

Lately, we have become involved in public interest-linked programs including education on sharing and support for low-income earners, and the underprivileged in partnership with such non-profit organizations as the Beautiful Foundation and the Social Solidarity Bank. We are also the first financial institution in Korea to operate credit recovery support programs that enable bad credit holders to improve their credit ratings by engaging in community service activities.

Other activities include economics classes for children, special events for children living on islands and in remote areas, overseas travel programs for teachers, and the promotion of sports. We have also contributed to the spread of CSR by developing a variety of public-interest products. These include CSR Management Loans, the "Beautiful Fund," a term deposit to support philanthropists, and a "Love Pledge" deposit and installment savings plan.

We are conducting a campaign drive to find irregularities to ensure clean financial transaction practices, execute expenses in a transparent manner to develop a clean corporate culture with mutual trust, reject bribes for jobs and promotion, and create groups to keep a sound and transparent HR management culture in place.

In recognition of our corporate-wide practice of CSR management, we have received numerous awards. They include: grand prize at the "Global Standard Management Award" in the social responsible management category from Korea Management Association Registration & Assessments (KMAR); the Minister Award for "Mother and child/Father and Child Welfare Project" (single-parent family welfare service) from the Ministry of Gender Equality; grand prize at the "Korea Social Contribution Award" from Korean Journalist Forum; and the "Korea Social Contribution Award" from the Ministry of Commerce, Industry and Energy.

After analyzing changes in social trends and consumer perceptions, global standards, and the characteristics of the banking industry, led by our Corporate Social Responsibility Team in charge of all our CSR management functions, we decided to focus on four major CSR strategies: "future leaders," "sharing happiness," "the environment," and "cultural sharing." We are also taking part in the global standardization of CSR management by joining CSR-related global memberships including the UN Global Compact, the UN Environmental Program Finance Initiative (UNEP FI), and the Carbon Disclosure Project (CDP).

Moving forward, we will remain committed to building a better society and future for all our stakeholders. To this end, we will continue to systematize and strengthen the intrinsic value of our CSR programs so that we can play a pioneering role in sustainable development.

ETHICAL MANAGEMENT

Shinhan Bank aims to grow and share with all its stakeholders. To this end, we engage in fair corporate activities to fulfill our social responsibilities and demand our employees to comply with laws and corporate ethics.

Ethics Management for Sustainable Development

"Ethics management is the first step toward our further growth into a world-class bank and our sustainable development."

Shinhan Bank is practicing ethical management to grow into a world-class bank, setting up standards for its employees to follow as financial professionals and utilizing diverse tools. These revolve around a code of conduct, an integrity pact, a securities transactions report system, employee ethics and compliance checkups, and a "whistle blower" program. We also offer online training in ethics and compliance, and guidebooks on ethics and compliance and a code of ethics to promote morals and a strong law-abiding spirit in our daily lives.

Compliance

ABC Week

We are continuously updating and enhancing our internal control policies to ensure the thorough compliance of the Banking Act and supervisory regulations in all our management activities. For example, we operate a compliance week, "ABC Week," every third week of the month during which we inform our employees of recent accident cases, finance-related laws and regulations, and major in-service legal cases through a compliance letter. In addition, we published case studies in practical financial laws to promote employees' knowledge of law.

Guidelines for the management of inter-group trading

We established guidelines for the management of insider trading among Shinhan Financial Group affiliates in 2008. Designed to reinforce our voluntary fair trade observance activities, these guidelines enable the bank to closely watch and supervise unfair support of funds, capital, and human resources on its own accord.

Prevention of Money Laundering

Selected as Outstanding Anti-Money Laundering Institution

As part of our ethical and transparent management, we have operated anti-money laundering strategies, while making improvements to our systems and diverse employee training programs to prevent money laundering. These include reporting suspicious transactions and large cash transactions. Particularly, in line with the execution of the reinforced anti-money laundering prevention system from December 2008, we have significantly contributed to the introduction of a new system by participating in group-work to build a new anti-money laundering system by the Korea Financial Intelligence Unit.

We were also selected as a representative financial institution for due diligence to join the Financial Action Task Force on Money Laundering (FATF). Recognized for such contributions, we were awarded "Outstanding Anti-Money Laundering Institution" from the Financial Supervisory Commission in 2008.

Shinhan Bank observes all laws and regulations relating to corporate soundness and transparency. Details are available in our CSR 2007 report and the public disclosures section of our homepage.

BOARD OF DIRECTORS

The Board of Directors (BOD) consists of eleven executive directors, including six outside directors. It also includes a number of committees, such as the Risk Management Committee, the Audit Committee, the Auditor Candidate Recommendation Committee, and the Outside Director Candidate Recommendation Committee. The BOD held 12 meetings in 2008 to primarily deal with the enactment of and revisions to management regulations, the establishment of local subsidiaries abroad, and the appointment of the Fair Trade Compliance Officer.

In addition, according to the BOD regulations, outside directors-only meetings are held more than twice a year to reflect their professional opinions on Shinhan Bank's management. Information on the BOD composition and compensation for its members are available through our Public Disclosure of Management Performance on our web site.

BOARD OF DIRECTORS

Executive Director

Baek Soon Lee
President & Chief Executive Officer

Director

Woo Jong Won
Director & Standing Auditor

Outside Director

Cheol Soon Park
Professor,
Seoul National University

Kyung Suh Park
Professor, Korea University

Sung Ho Wi
President,
Shinhan Financial Group

Sang Rock Seo
Professor, Kyungbuk University,
& Dean, Incheon College

Jae Ha Park
Researcher,
Korea Institute of Finance

Hirakawa Yuki
CEO,
Pyungchun Industrial Company

Executive Officers

Jeum Joo Gweon
Deputy President,
Retail Business Unit &
Retail Business Development Group

Joo Won Park
Deputy President,
Risk Management Group

Chan Park
Deputy President,
Management Support Group

Jung Won Lee
Deputy President,
Credit Analysis & Assessment Group

Hyung Jin Kim
Deputy President,
Management Planning Group

Young Hoon Lee
Deputy President,
Corporate Business Unit &
Corporate Banking Group

Sung Rack Lee
Deputy President,
Institutional Banking Group

Dong Dae Lee
Executive Vice President,
Investment Banking Group

Se Il Oh
Executive Vice President,
IT Group

Yong Byoung Cho
Executive Vice President,
Treasury & Global Banking Group

Jong Bok Moon
Executive Vice President,
Wealth Management Group

Review of **Operations**

In 2008, Shinhan Bank made many dramatic overseas advances as part of its quest to become a true global player. We also set new standards for the Korean financial sector and improved through management innovation activities such as Six Sigma.

INSTITUTIONAL BANKING GROUP

The Institutional Banking Group targets institutional customers. These include government organizations (such as courts and public prosecutors' offices), local governments, public organizations (such as universities, hospitals, and military-related institutions), airports, all employees and relevant institutions.

Particularly, we are reinforcing our position as the best specialist in court-related businesses: we are the only bank to conduct court operations since 1958. We also operate Korea's largest airport-based banking network and provide currency exchange and other financial services at four major domestic airports (Incheon, Gimpo, Gimhae, and Jeju).

In addition, we have established branches and outlets at key universities and general hospitals across the nation. In 2006 we began expanding into military-related organizations and local government markets; we also opened a depository in Incheon Metropolitan City.

Our core competitiveness lies in that we have secured a highly-loyal, quality customer base of institutions including courts, colleges, hospitals, municipal and provincial depositories, and airports. We have also built a high entry barrier through our accumulated know-how along with trusting relationships with long-term customers. In addition, we are developing a strong base for the future by opening branches in major institutions and carrying out extensive marketing activities such as aerial marketing.

Next, the group boasts a solid revenue structure with a focus on low-cost deposits and currency exchange. We have a considerable number of low-cost deposit account holding customers such as universities and hospitals. We also deal in deposits from the courts and municipal and provincial depositories. Foreign exchange services at major domestic airports currently form the majority of our gains on foreign exchange transactions.

In 2008, the group attracted about KRW 370 billion in institutional funds. This resulted from new, quality customers. For example, the newly established Anyang Court selected us as its deposit bank, while Guri City and Songpa District Office opened depositories with us. The Korea International Cooperation Agency and the Global Fair & Festival 2009 Incheon chose us as their main bank. We also renewed our contract with Gimhae Airport, laying a foundation to retain our market leadership. In addition, we exceeded our original management targets for all indicators, including our pre-tax income target by 110.5% (as of the end of December 2008). This success placed us at the forefront of the bank's core groups.

In 2009, our strategic objective is to build a stable business foundation by expanding our market share and diversifying our earnings base. To achieve this, we have formulated three strategic directions: building stable business foundations, diversifying earnings bases, and improving productivity.

In order to build stable business foundations, we will attract new clients through selection and concentration with a focus on government and public agencies, and maturing municipal and provincial depositories. Specifically, we will work to renew our contracts with seven municipal and provincial depositories, Sangji University, Ewha Woman's University Mokdong Hospital, and Jeju Airport. In addition, we will upgrade our IT systems, activate product sales, and reinforce our social contribution activities in linkage with institutions to build stronger partnerships with those customers.

To diversify earnings bases, we will assist the 2009 Global Fair & Festival Incheon and try to become an official supporter for the Expo 2012 Yeosu. We will also target our institutional clients by actively take part in our clients' new businesses and generate diverse revenues primarily through the sales of our synergy generating products and retirement pensions.

In order to enhance productivity, we will improve our business processes mainly for municipal and provincial depositories. We will also boost the capabilities of our employees by operating training and educational programs, developing online training for court operations, and expanding the application of our standard manuals for municipal and provincial depository operations.

The banking industry currently faces an increasingly difficult operational environment due to the economic recession. This increases the importance of our role as we have prime-quality institutional customers and healthy assets such as low-cost deposits. Accordingly, we will carry out our role with passion and a spirit of challenge to achieve the above strategic directions, based on our extensive and unique experiences and know-how.

RETAIL BUSINESS DEVELOPMENT GROUP

The Retail Business Development Group targets retail customers including those with less than KRW 0.5 billion in deposits, self-employed businesses, and corporations whose financial statements are not subject to examination by independent auditors. At the end of 2008, the group had 702 branch channels, with total loans and deposits amounting to KRW 72.4 trillion and KRW 83.2 trillion, respectively.

In 2008, in the aftermath of a subprime mortgage crisis in the USA, the retail banking environment continued to face difficulties, mainly due to downfalls in real estate prices and a bearish stock market. Competition for external growth among banks also decreased.

Under these circumstances, we built a foundation for long-term growth by successfully attracting credit card settlement accounts and debit cards. We also secured deposits through the successful sale of hybrid securities and subordinated bonds, and promotional deposits and campaigns. The delinquency ratio for our household loans also recorded the lowest in the banking industry. Our pre-tax income amounted to KRW 755.5 billion. Overall, the group recorded satisfactory results.

Household loans increased by KRW 3.7 trillion over the year, thanks to our selective asset growth, focusing on quality assets as part of our efforts for risk management. Deposits expanded by KRW 6.8 trillion, backed by our beginning and end-of-year campaigns to secure bank-wide liquidity. Low-cost deposits continued to fall due to stagnant business activities during the second half of the year. Savings deposits, however, remained at satisfactory levels as compared to other banks, mainly led by our inducement of credit card settlement accounts.

RETAIL BUSINESS UNIT

The number of our customers increased, although we failed to meet our target goal because of the migration of fund customers and the economic recession. Still, results were satisfactory when compared to the previous year's result.

The number of new credit card settlement accounts amounted to 3 million, exceeding our original target for 2.2 million by 136.5%. Our annual target to attract these accounts through the bank's channels was also achieved by 166.2%. Contribution to our low-cost deposits by customers with these accounts increased by KRW 781.1 billion (based on the monthly average balance as of December 2008). The loyalty (usage amount and ratio) of customers who converted to credit card settlement accounts were higher than that of those who did not.

In terms of asset quality, the delinquency ratios of all domestic banks sharply rose after September due to the global financial crisis, but we maintained the industry's lowest delinquency ratio for household loans.

In 2009, we expect to see more difficulties in our operating environment in the wake of the global financial crisis and the real economic crisis. The domestic market will be faced with a continuing economic recession, uncertainties in the financial market, slowdowns in real estate, a rise in bad loans to households, a prolonged age of super-low interest rates, and downturns in confidence in financial institutions. Accordingly, efforts for preemptive risk management, improvement of profitability, and differentiated customer management are required. We also will secure stable fund raising bases and recover customer trust.

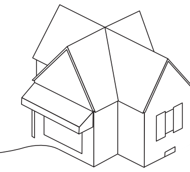
Also anticipated are great changes in regulations and practices which include: the enactment of the Capital Market Consolidation Act, advancement of the fund market, strengthening regulations by supervisory authorities, reforms in financial systems, and financial convergence. Thus, we will improve our expertise in fund operations, enhance our BIS ratios, increase deposits, and activate sales by linking direct and indirect banking channels.

Our strategic directions for 2009 are to improve asset quality, build up profitability, enrich customer relationships, and upgrade infrastructure.

First, we will seek quality asset-oriented selective growth through strengthened delinquency management and flexible quarterly household loan operations to improve our asset quality.

To build up our profitability, we will make improvements to our funding structure by attracting salary transfers and collective master accounts and by expanding the sales of installment-type deposit products. We will also increase the profitability of household loans through changes in the loan interest rate structure, and thereby improve loan margins and secure proper margins.

In order to enrich customer relationships, we will prevent the migration of funds and active customers, enhance marketing efforts to attract customers of SFG affiliates and become their major bank, and expand our customer base.



We will also upgrade our infrastructure by re-establishing our fund business, reorganizing our retail window operation system, and strengthening sales in linkage with direct and indirect banking channels. In addition, we will improve our business process reengineering (BPR) program while expanding its target operations.

Ultimately, we will continue to step up our capabilities by restoring customer trust and thereby enhancing our future competitiveness to break though difficult circumstances and become "The Best Retail Bank in Asia" in 2009.

Small & Medium Business Division

The small and medium-sized enterprise (SME) market was marked by a decline in growth, starting from the second half of 2007; it continued in the first half of 2008, but quickly cooled starting from the second half following the global financial crisis and concomitant economic downturns. The worsening economic recession--led by the construction, shipbuilding, and marine transportation industries--drastically affected SMEs, including contractors; this resulted in a rise in the possibility of potential insolvency. As capital demand soared and risk rose even greater in the market, it was difficult for the financial industry to support them sufficiently.

In this climate, we sought to enhance profitability and improve our asset structure through strategic asset growth. As a consequence, we achieved noticeable results in overall areas of sales, profitability, and soundness.

By the end of 2008, the average balance of SME loans surged by KRW 2.9 trillion to KRW 22.5 trillion, while SME deposits grew by KRW 411.3 billion to KRW 4.6 trillion. We also realized satisfactory revenues through quality-oriented asset growth. Particularly, we maintained the soundness of SME assets, which is vulnerable to economic downturns. This was attributed to our continuous endeavors to strengthen our capabilities amid the difficult market environment.

In addition, we enhanced our productivity and reduced risk by alleviating the workload on small-amount loans through the stable maintenance of our Small-Office-Home-Office credit scoring system (SOHO CSS).

In 2009, uncertainties in the financial industry may grow further. The economic recession will likely continue, and prospects for recovery are mixed at best. Accordingly, we plan to consolidate our soundness, profitability, and core competencies in the direction of seeking differentiation and building customer trust to realize our ultimate goal and vision for "No. 1, Value Creator."

Particularly, we will strengthen our soundness by preemptively managing risk factors and improving our asset structure, our profitability by reducing expenses through improved loan margins and productivity, and employee capabilities to deal with stricter legal and institutional regulations.

WEALTH MANAGEMENT (WM) GROUP

The Wealth Management Group provides asset management services in the "private financial doctor concept," targeting wealthy customers. The group consists of the Private Banking (PB) Department, targeting high net worth individuals (HNWIs) with more than KRW 1 billion under deposit, and the Wealth Management (WM) Department, targeting the mass affluent with more than KRW 100 million under deposit.

The PB Department is responsible for strategizing for the PB business and offering sales support to all PB centers.
The WM Department was newly launched in 2009 to expand bank-wide asset management operations. It offers differentiated investment consulting and portfolio suggestions, and other professional services--mainly for tax and real estate--through its 54 V-Round (associate PB center) windows and all the VIP windows of the bank's branches.

In 2001, Shinhan Bank became the first domestic financial institution to start private banking in Korea. Today, we offer total life care services (including health, travel, shopping, and golf), as well as financial services (such as banking, securities, insurance, and investment trusts), and non-financial services (such as tax and legal advice and the management of wills and inheritances). As of the end of 2008, the group consisted of 16 PB centers whose task was to oversee operations for PB customers.

In 2008, the group consolidated its PB market leadership further; net assets amounted to KRW 10.8 trillion and pre-tax income was KRW 55.0 billion. The number of customers with more than KRW 1.0 billion under deposit exceeded 5,000. We also ranked first in the 2008 KS-PBI (Korea Standard-Premium Brand Index) survey (in the PB category) in recognition of our market leadership.

In addition, the group added one more center in Busan giving it a nationwide total of 16 (12 in Seoul and metropolitan areas and 4 in big provincial cities) and making it the largest PB network in Korea in terms of customers with more than KRW 1.0 billion under deposit. Meanwhile, we opened the Seoul Finance Gold Center in August 2008, mainly targeting HNWIs with complex cash management transactions needs. The center will continue to pursue PB operations, including the Family Office service, which specialized in products and services more than our currently existing PB centers, equity investments, private equity funds(PEFs), and hedge fund.

We also strengthened our PB compliance regulations during the year. Given the characteristics of a PB business, compliance is the most fundamental and important factor. Thus, we developed a variety of compliance programs to increase customer trust. For example, we strictly oblige to all the dictates of the Shinhan PB Code of Ethics including those relating to ethical behavior, confidentiality, customer prioritization, risk management, honesty, and expertise. We also protected our customers and prevented accidents through quarterly submissions of integrity pledges, monthly compliance reports, and cross-checks of account settlements by head of PB centers and PB team leaders.

In 2009, we plan to surmount the prolonged financial crisis and solidify our leadership in the asset management market. To this end, we will extend our differentiated asset management services bank-wide under our vision: "Provide the best asset management services through enhanced core competencies."

Specifically, we will reinforce our organizational efficiency through enhanced employee capabilities and risk management by product and customer, increase new customers, and diversify earnings sources. In particular, the WM Consulting Team, which was newly established to enhance employee capabilities, will effectively convey the bank's investment strategies and recommended products to our asset management consultants, while providing one-on-one consulting and coaching services and specialist support programs.

Additionally, we will operate diverse training courses to acquire various certificates including a global PB specialist course in Hong Kong to facilitate employees training in general operations, sales skills, and financial expertise, while continuously reinforcing our educational programs to foster human resources for asset management.

We also are committed to asset quality through risk management by product and customer and exhaustive customer management. On this note, we will apply risk limitations for each product through risk management by scenario in accordance with market conditions, and operate customer portfolio clinic programs following portfolio asset allocation strategies.

Likewise, we will do our utmost to bolster our earnings bases through the diversification of earnings sources and secure new clients. We will develop new business models including a comprehensive real estate management service and the Family Business service. We will also seek out new customers and business opportunities by utilizing a variety of SFG's business lineups, and directly develop new potential markets such as CEOs and land compensation payers and collectors.

Lastly, we will attract domestic investments by Koreans living abroad through the SFG's global operation network. At the same time, we will offer new global investment advisory services that will enable quality customers in Korea to use overseas investment advisory services and channels, while carrying forward differentiated global strategies to meet the needs of our prime customers for global asset management.

CORPORATE BUSINESS UNIT

CORPORATE BANKING GROUP

The Korean corporate banking market enjoyed substantial growth in 2008, led by companies whose financial statements were audited by certified public accountants, despite the global credit crunch and the slowing worldwide economy. This was due to the government's strengthened SME-centered financial support policies and economic downturns, leading to a rise in capital demand by companies. As of the end of 2008, overall market volume increased by KRW 111.71 trillion from a year earlier to KRW 545.97 trillion. This included KRW 69.31 trillion in the market for companies whose financial statements were examined by independent auditors, KRW 15.34 trillion in the market for those who were not and KRW 27.06 trillion in the large corporate market.

Amidst such market growth, the Corporate Banking Group sales (total loans plus deposits) to SMEs and large corporations amounted to KRW 112.2 trillion. Total loans grew by KRW 15.6 trillion over the year, while deposits surged by KRW 5.2 trillion.

Although our asset growth was limited by a series of corporate bankruptcies, overdue loans, and increasing bad assets during the year, we successfully carried out four core strategies based on our strategic goal "Become a corporate banking market leader with value growth through smart selection and concentration."

Concentrated on higher-yielding, quality-oriented asset growth

In order to preemptively cope with economic uncertainties, we continued to pursue the replacement of low-margin loans with high-margin quality loans. Thanks to such efforts, simple margin profitability and net interest margins (NIM) of won-currency loans rose by 14 basis points and 25 basis points, respectively, over the year.

Generated non interest income-oriented earnings sources through collaborations with SFG affiliates

We actively sought the issuance of corporate bonds, convertible bonds (CBs), bonds with warrant (BWs), and initial public offerings (IPOs) through collaborations with SFG affiliates including Good Morning Shinhan Securities and Shinhan Capital. Particularly, we generated synergy between Shinhan Bank and Shinhan Card by implementing a marketing campaign to encourage our corporate customers to pay their premiums for unemployment insurance and workers' compensation through credit cards, a first in the industry.

Promoted new businesses to secure early dominance of future revenue sources

Answering to a need for a comprehensive marketing organization to embrace constant demand for loans and consulting functions such as advisory services for customer assets, we established the Strategy Business Division (July 2008) to strengthen our marketing efforts targeting the corporate banking-type markets with high growth potential. The division is tasked with strategic new businesses including the inducement of target customers, consulting on business succession, real estate total service (RETS), and corporate and investment banking (CIB) operations.

Maintained asset soundness through preemptive risk management

We preemptively managed companies with inferior credit ratings and those for early warning by introducing a "high-risk loan management system" in early 2008. We also endeavored to minimize delinquency ratios through regular loan reviews by our branches on potential loan losses. In addition, we provided loans to companies that demonstrated recovery possibility.

For 2009, the group set its strategic goal "Lead in differentiating the corporate banking market through improving asset and earnings structures and strengthening profitability." To achieve this, we will pursue the following four core strategies:

1) Build foundations for sustainable growth

* We will efficiently manage assets on an optimum level through quarterly asset management.
* We will practice our CSR management by boosting our financial support for SMEs.
* We will enhance marketing for long-term growth products such as retirement funds, and seek out new businesses.

2) Improve revenue structures

* We will do our best to enhance NIMs by improving margins.
* We will solve the mismatch of funding and management by improving interest rate structures.
* We will move away from traditional interest margins and continuously expand non-interest income.

3) Improve asset structure with preemptive risk management

* We will continue to preemptively manage risk by controlling potential non-performing loans.
* We will boost initial management of delinquent loans through cooperation with relevant departments and teams.
* We will strengthen our management of supervised business types and will dominate promising industries.

4) Maximize organizational competency and productivity

* We will develop employee capabilities with a focus on senior relationship manager (SRM) marketing.
* We will focus on customer needs and strengthen events for customer relationships.
* We will maximize productivity by improving our SRM system.

Merchant Banking Department

The Merchant Banking Department began operations as an independent account (merchant banking account) within Shinhan Bank, with partial limitations to its business scope, when the bank acquired Hyundai Investment Bank during the foreign exchange crisis in late 1990s.

As of January 2009, its deposits amounted to KRW 6.6 trillion (including KRW 6 trillion in bonds issued and KRW 0.6 trillion in CMAs). Invested assets totaled KRW 6.1 trillion (excluding KRW 1 trillion in corporate bonds in the bank account). Through this, we generated pre-tax income of KRW 19.0 billion in January. We had also retained the highest commercial paper (CP) market share (based on the number of deposits) at 20.4% for several consecutive years, backed by the teamwork of 25 employees.

The department has been generating high profitability through its extensive corporate customer base and differentiated earnings generation models.

In 2008, our pre-tax income amounted to KRW 70.2 billion, posting a rise of 138% over the year without asset growth. This was attributable to our efforts to properly coping with market change. Our income before tax per regular employee stood at KRW 4.1 billion, boasting the industry's highest productivity.

In addition to such financial achievements, we did our best to enhance our bank-wide BIS ratios in preparation for the implementation of Basel II, mainly by limiting use of commercial paper. We also continuously sought to diminish unused loan commitments. As a result, we reduced KRW 3.8 trillion in limitations to unused loans on an annual basis. We also boosted the efficiency of all our internal processes primarily through the Six Sigma activities as part of our constant internal reforms.

Moreover, we benchmarked advanced money markets by dispatching our employees to New York and Tokyo with the aim to preemptively deal with various changes in competitive environment including the enactment of the Capital Market Consolidation Act. We formulated internal guidelines for business operations and comprehensive risk management.

Following the collapse of Lehman Brothers in September 2008, KRW 7 trillion worth of asset-backed commercial paper (ABCP)--which the bank had agreed to purchase--became a potential bank-wide risk, reducing our liquidity. We then maximized our market and short-term funding functions to resolve this situation.

In 2009, the department plans to maximize its profitability, retain its dominating presence and generate the highest profitability in the money market. We will overcome the aggravated competitive environment (following the enactment of the Capital Market Consolidation Act and the revised Banking Act), and such negative factors as credit crunch (behind an overall upturn in credit risk) with risk management and strategic market adaptation.

Particularly, we will be dedicated to expanding our customer base and organizing our customers throughout the year, as the importance of customer bases is again being highlighted again under the Capital Market Consolidation Act. We will also seek out opportunities for sustainable growth, based on our extensive customer base, by developing a broad spectrum of customized loan and deposit projects and actively meeting the needs of our customers with our relationship managers (RMs).

INVESTMENT BANKING GROUP

The Investment Banking Group provides all-inclusive financial solutions, from its one-portal system in its role as a partner for corporate growth, while engaging in traditional IB operations such as leveraged buyouts, asset securitization, real estate financing, and equity/venture investments.

On the international front, our Hong Kong IB center, which began full-scale operations in 2007, recorded USD 10.0 million in earnings during its first business year by arranging financing and offering consultations for overseas expansion to Korean companies. It is also tasked with forwarding IB operations in China and southeastern Asian countries.

In 2008, the group posted KRW 328.2 billion in pre-tax income despite crisis situations in the financial market, while continuing its sound growth trend. It had recorded pre-tax income of KRW 336.4 billion in 2005, KRW 388.2 billion in 2006, and KRW 485.7 billion in 2007.

The IB industry continued to be influenced by the US sub-prime mortgage crisis. It was also impacted by growing expectations for qualitative, rather than quantative, growth in the wake of intensifying domestic competition.

In this climate, under its strategic goal "differentiated growth by creating new markets and building sound internal control system," the group pursued three strategic directions: re-establish IB business models, create new systematic businesses, and differentiate global businesses.

Observing by business sector, we raised our profile in the domestic syndication market during the year through the lead management of large-scale local and international M&A underwriting loans, financial support for turnaround companies, and offshore banking.

In addition, we successfully launched mezzanine funds to secure new revenue drivers and strengthen our product development capabilities. Given the continuously growing M&A market and expanding M&A deals, we should be able to get a foothold in the IB leadership market as well. We will solidify our initiative for M&A underwritings through the operation of mezzanine funds, diversify earnings, and provide "one-stop" financing that meets the needs of underwriters.

We have been a leader in the securitization sector ever since our introduction of asset-backed commercial paper (AMCP) conduit--the first special purpose entity to be offered in Korea. In 2008, we expanded our underlying assets to include social overhead capital (SOC) assets, overseas trade receivables, equities, and derivatives in addition to traditional card loan-related securitization. In 2009, we plan to broaden our global businesses, including asset securitization and overseas commercial real estate securitization which targets companies that have expanded overseas.

In the principal investment (PI) sector, we mainly deal in M&A advisory services and equity and non-performing loan (NPL) investments, achieving satisfactory results through direct investments in financially healthy companies and indirect investments in funds. In 2009, we plan to expand our equity investments in leading companies and SMEs, utilizing our corporate network, and to secure global investment opportunities through indirect investments.

In the project financing (PF) area, we operated KRW 500.0 billion worth of blind-type real estate funds--another "first" for a Korean bank in 2007. We also changed our focus from residential PF to the development of high-quality commercial facilities, such as extensive offices and apartment-type factories.

In addition, we participated in the introduction of sizeable foreign capital and overseas development projects, while consolidating our market leadership in the build-to-lease (BTL) type private investment project area.

In 2009, we will consolidate our market leadership in large-scale government and public projects and strengthen our real estate fund operations further. We will also take the lead in private school-related development projects and expand our participation in government-led infrastructure development projects and overseas PF intermediaries.

The IB Group will remain committed to becoming a market leader by enhancing risk management and marketing strategies to serve as the bank's future growth engine. We will also engage in more customer-oriented and professional global IB operations in earnest by carrying forward our management strategy of building on our global IB brand power.

TREASURY & GLOBAL BANKING GROUP

International Trade Business Department

In 2008, the Treasury & Global Banking Group devoted its marketing efforts to achieving its strategic goal: "Pursue value-oriented growth, seek out new growth engines, and strengthen foreign exchange competence."

In order to pursue value-oriented growth, we carried forward foreign exchange and invisible remittance services including imports and exports. As a result, we recorded USD 137.6 billion in imports and exports (an increase of USD 20.5 billion over the year), USD 3.2 billion in foreign exchange, and USD 28.7 billion in invisible remittance. Our global cash management service (CMS), which we developed to support efficient corporate foreign currency funds management and seek out new growth engines for the bank, attracted 600-some corporate customers within approximately one year of launch.

The global CMS provides corporate customers with a specialized foreign currency funds management service. It also secured marketing capabilities to generate new revenues in the transaction banking and supplementary service areas including commissions for foreign exchange remittance.

In addition, we improved our foreign exchange processes by expanding the base for foreign exchange business process reengineering (BPR) and reinforced our support for branch operations. The "Import & Export Academy," through which we operated training programs about foreign exchange for new recruits of import and export-oriented businesses, was also successfully completed, providing an opportunity for us to solidify close ties with our corporate customers.

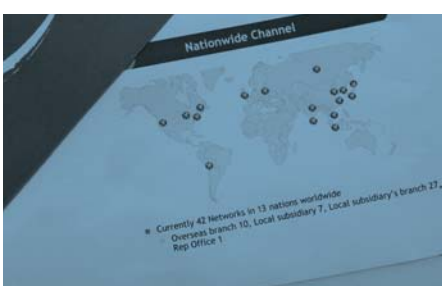
In 2009, we will promote profitable growth by focusing on the improvement of foreign exchange infrastructure and earnings.

First, in the corporate banking sector, we will carry forward customer marketing to support the imports and exports of companies through efficient asset management. Particularly, we will devote all our marketing capabilities to assist the trade financing of SMEs.

We will also reduce the burden on the bank's foreign-currency assets through "foreign-currency asset save-type trade financing" products such as foreign exchange sale forfeiting, while enhancing our trade financing support to import and export companies. We will strive to position global CMS as our key foreign exchange infrastructure by improving customer convenience and efficiency.

In the private banking sector, we will aid marketing in order to save expenses and increase earnings by strengthening indirect sales channel services including money exchange and remittance. In addition, we will initiate marketing activities in the direction of activating foreign exchange synergies in the corporate and private banking businesses.

Lastly, we will fortify our internal competencies to successfully complete these business strategies. Particularly, we will strengthen our employee training programs for foreign exchange operations to efficiently manage the realigned business organization, while activating programs to enhance ties with our customers. By doing so, we will overcome difficulties together with our customers faced at home and overseas, and become a true world-class bank with competitiveness in foreign exchange operations.



Treasury Department

The year 2008 was marked by unrest in the international financial markets caused by the subprime mortgage crisis in the USA, following Lehman Brothers filing for bankruptcy protection and AIG's shortage of liquidity. This led to the loss of trust and preference of safe assets. Deleverage also accelerated, resulting in a rapid credit crunch spread over all domestic and overseas financial markets. Consequently, foreign-currency funding became difficult and the insufficiency of won-currency funds also grew, thereby pulling up market and customer interest rates simultaneously. The year was indeed a time when the industry was faced with a new challenge.

In this climate, we proactively coped with market risk by reducing our level of short-term funds and strengthening their management in the won-currency sector. We also endeavored to increase deposits by utilizing our existing customer base, improve customer relationships by diversifying our won-currency financial bond issuance channels and thereby meeting their needs, and build our image as a leading bank. We also continued to raise the stability of our funding operations by entering into such new areas as the issuance of structured notes and interest rate swap (IRS)-linked bonds.

Other activities included minimizing contractions in low-cost liquid deposits, taking preemptive measures based on long-term liquidity ratio forecasts, and maintaining deposits at an optimal level. As a result, we were able to effectively meet the liquidity risk which had been triggered by the global financial crisis.

In the area of investment bond management, we posted operating profit margins which exceeded our benchmark indices by implementing differentiated operational strategies by portfolio based on mid- to long-term interest rate forecasts.

With regard to foreign currency operations, we kept our securitization process in place by succeeding in the securitization of fixed-rate home equity loans, a first among domestic banks. In particular, the RMBS we advised was given the "Deal of the Year (2008)" award, from the International Financial Review (IFR) Asia, creating momentum for the bank to further raise its profile both internally and externally. We also secured a total of USD 1.0 billion worth of short-term funds during the year, beginning with the first issuance in January by utilizing our Euro commercial paper (CP) program. Our mid- to long-term foreign-currency financing included the issuance of JPY 35 billion worth of samurai bonds (equivalent to USD 0.39 billion) by tackling the Japanese market when overseas bonds issuance was difficult. Meanwhile, we sought to diversify our financing by establishing an overseas certificate of deposit (CD) issuance program. Moving forward, we will continue expanding a base for stable foreign-currency financing through diversified and multilateral borrowing vehicles and markets.

The group also improved stable liquidity risk management capabilities with preemptive risk management. This was mainly done by strengthening our market factor identifying practices, improving the accuracy of the bank's account forecasts, and forecasting liquidity ratios and interest rate gaps for the next one year. This will enhance our ability to cope with the volatility of funds, given market conditions, asset and liability (ALM) structure and customer behaviors in the future. We will also aid the efficiency of our funds allocation operations by utilizing internal interest rate sensitivity analyzes and net interest income (NII) estimation and ALM margin assessments. This will contribute to strengthening our competitiveness and enable the bank to proactively meet changes to its operating environment.

In 2009, funding difficulties will likely continue for a considerable period of time due to credit crunch following uncertainties in the international financial markets and slowdowns in real economy. Therefore, we set stable and efficient funding as our core imperative, clearly recognizing that liquidity management is a basic perquisite for the bank's competitiveness. To this end, we plan to focus on reinforcing our competitiveness in the won-currency funding market, diversifying foreign-currency funding sources, securing stable long-term funding sources through securitization, and improving profitability through enhanced ALM management.

RISK MANAGEMENT GROUP

Risk Management

Shinhan Bank has established a series of risk management systems to prepare for the full-scale implementation of the revised Basel Capital Accord (new BIS framework), which mainly aims at ensuring more risk sensitive capital allocation and separating operational risk from credit risk.

We operate a Risk Management Committee, Credit Policy Committee, and ALM Committee for efficient risk management. Each business unit that is exposed to risk or is likely to generate risk is responsible for the initial management of those risks, while risk managers in each unit report to the main management on the results of monitoring and regular inspections.

We also utilize a system which quantifies major risks such as credit, market, interest rate, and liquidity risks with an aim to manage for risk volume at a certain level. A comprehensive earnings management system is also in place to connect managing risks and earnings. This enables us to calculate yields and control operations in consideration of risks.

Given the increasing importance of environmental issues throughout the world, we strive to overhaul our practices primarily by paying increased attention to environmental risk by reflecting the potential dangers on our loan analysis and assessment, and offer educational and training programs on environmental risk management. In addition, we will operate systems to deal with relevant regulations including the International Financial Reporting Standards (IFRS) and Anti-Money Laundering (AML) Act.

Comprehensive risk management structure

We established a comprehensive risk management structure that includes stress tests to identify and cope with various risks as early as possible. We also developed a set of general risk management guidelines to manage indices and action plans by crisis stage. These indices, which are classified into caution required stage, imminent crisis stage, and crisis stage, are managed by the divisions to which they apply.

Finally, the Risk Management Department conducts quarterly stress tests. The goals of these exercises are to carry out statistical assessments of our risk measurement operations and identify potential problem areas that could have a negative impact on the bank. The results are reported to the ALM Committee and the CEO.

Credit Risk Management

Credit risk refers to risks which arise when customers fail to discharge their liabilities according to contract. This is the greatest risk to our operations.

We double-check credit risk from portfolio and individual loan perspectives. As for portfolios, loans are managed by establishing limitations by nation and industry to prevent the concentration of loans on specific sectors. Individual loans are managed by considering debtors' credit ratings and recovery ratios by product in order to expand and maintain portfolios with satisfactory credit ratings.

All loans are managed by credit ratings that are calculated through a credit rating system. This combines personal information, records of use in the bank, and external credit information for individuals and considers such financial data and non-financial items as industrial risk, operational risk, and management risk in the case of businesses. Credit ratings calculated as such are utilized mainly for loan approvals, limitations control, pricing, and loan loss provisions.

Accounting for more than 80% of the bank's risks, credit risk is largely classified into expected loss and unexpected loss. Expected loss is calculated on the basis of bankruptcy and recovery ratios that are estimated by utilizing internal data. The bank's loan loss provisions are then derived from these anticipated losses. Our loan loss provisions are put aside based on a conservative policy, using either the Financial Supervisory Service's guidelines or its own index, depending on which is higher.

On the other hand, unexpected loss refers to risk capital which the bank has to hold against credit losses exceeding average volume. It is measured and managed, based on both regulatory capital and economic capital standards. Regulatory capital for credit risk is calculated by using risk weighted assets following the Basel II's basic internal rating processes, and it is utilized mainly for the management of BIS ratios. Economic capital for credit risk is utilized for limitations management and performance evaluations by business unit by calculating the credit value-at-risk (VaR) on a 99.9% confidence level, selecting credit metrics methodologies and using Monte Carlo simulation methods.

The consistent risk elements used when calculating expected and unexpected losses were approved by the supervisory authorities in April 2008 in recognition of their adequacy and consistency as they meet standards for Credit Risk Foundation Internal Rating Based Approach.

Finally, we are continuously strengthening a new credit risk management system which has reflected the new Basel II requirements in all loan processes encompassing the calculation of interest rates, collateral management, and loan applications to post, limit, and portfolio management.

Market Risk Management

Market risk refers to risks generated by fluctuations in market prices, such as interest rates, share prices, exchange rates, and product prices. Its management is geared to seeing that the maximum amount of loss falls within pre-established and permissible levels.

This is primarily managed by establishing value-at-risk limits, investment limits, position limits, transaction limits, loss limits, and stop-loss selling limits by desk, department and dealer. The Risk Management Department is tasked with monitoring adherence to these limits, while the limits are established or adjusted through the ALM Committee.

To measure market risk, the bank uses VaR, a statistical system for calculating the maximum potential loss due to market fluctuations. We are currently able to calculate market risk within a 99% confidence level by applying historical simulation methods. In addition, we strive to identify and cope with crises at the earliest possible point by defining judgment indices and action plans according to crisis stage and comprehensive risk management guidelines. We guard the appropriateness of our equity capital by estimating the maximum potential loss of our trading positions in time of emergencies; we use Duration, Basis Point Value (BPV), Delta, Gamma, Vega, and other systems to calculate the amount of sensitivity limit management needed according to a given product's inherent characteristics.

Finally, we use a market risk management system called RiskWatch to measure daily risks and establish limits on a daily basis. It makes calculations based on data regarding the level of trading in stocks, bonds, and derivatives-all of which are prime targets for market risk measurement. All results are reported to management. We also analyze portfolio risk and hedge strategies by using the results of these measurements, while reinforcing our risk management elaborating nonlinear risk measurements through historical simulations.

Asset & Liability Management (ALM)

Interest Rate Risk Management

Interest rate risk refers to the possibility of losses (i.e., declines in net asset values or net interest income) being generated by unfavorable interest rate movements.

Shinhan Bank's interest rate risk management system uses ALM to measure, monitor, and control for risk. Particularly, changes in our net interest income are measured and managed within a given period of time mainly through interest rate gap, net interest income (NII) and earnings at risk (EaR) simulations.

We also measure and manage maximum potential losses in net asset value including assets, liabilities, and cash flow generated from off-balance-sheet transactions.

Interest rate gap limits and interest rate VaR limits are established by the interest rate risk management department; their management conditions are reported to the Risk Management Committee and the ALM Committee on a regular basis. We also conduct quarterly stress tests to measure and manage potential losses at the time of market crisis situations. The results are presented to the ALM Committee.

Liquidity Risk Management

Liquidity risk refers to the potential inability to fulfill contractual payment obligations on time, being forced to raise capital at higher-than-market prices, or maintaining operational funds at lower-than-market rates.

Shinhan Bank follows all liquidity-related guidelines (including those dealing with liquidity ratios) set by relevant supervisory organizations, and establishes its own contingency plans against unexpected shortages of available cash that could result from sudden changes in capital markets or monetary policies.

Our measurement indices such as liquidity ratios and gaps are calculated and managed at the end of every month and reported to management and the ALM committee. We have also introduced the liquidity VaR concept and managed risk capital in preparation against a decline in the bank's market credibility and a rise in refinancing due to sudden and rapid capital withdrawals by customers.

We manage the maturity of financing and operating funds simultaneously. This keeps us informed regarding the daily and monthly maturities of all funds and allows us to apply countermeasures when and if necessary. In addition, we spread out the maturity dates of our financing products to limit the possibility of liquidity risk and secure stable financing bases.

Operational Risk Management

Operational risk refers to risk resulting from direct and/or indirect losses caused by incomplete or incorrect internal processes, employee fraud or misconduct, system errors, or external factors.

Shinhan Bank's operational risk management structure involves three major lines, in addition to the BOD and management. They include sales organizations (which are charged with primary responsibility), supporting departments (which are tasked with the construction and operation of operational risk management systems), and examination departments (which are responsible for conducting thorough and efficient inspections).

In addition, Shinhan Bank has been operating the Basel II operational risk management system since February 2006.

We have also built an operational risk management system that includes six modules: Risk and Control Self-Assessment (RCSA), Key Risk Indicators (KRIs), Loss Data Collection (LDC), Operational Risk Measurement, Scenario Analyzes, and Operational Risk Culture. By utilizing this system, we meet the quantitative and qualitative requirements for operational risk management of the Basel Committee and the Financial Supervisory Service (FSS).

Middle Office

Since February 2009, we have expanded the middle office functions in the Risk Management Group to independently carry out checks and balances in front offices in the IB Group and the Treasury & Global Banking Group. Previously, middle functions were spread over both front and back offices, limiting effective performance of middle functions. Through reorganization in 2009, however, middle functions are now operated separately, enabling systematic and effective risk management.

The middle office for securities and derivative products manages market data while occupying the role of front system manager to examine the value and fairness of new transactions concluded in the front office.

It also calculates losses by desk and dealer, and risks (sensitivity levels, positions and investment status), while monitoring the observance of loss and risk limitations by each department, desk, and front that are established by the ALM Committee. It also monitors stocks that are targets for stop-loss sales. In the future, its functions will be expanded to our overseas branches as well.

We expect effective checks and balances in all our front offices and an improvement to risk management processes by front and back offices as well.

Risk Model Validation

We deploy a wide range of risk models to measure and manage for risks-the volume of which is steadily multiplying due to increasingly specialized and complicated operational activities. Unfortunately, this can lead to the possibility of loss risk (or model risk) resulting from errors within the models being utilized. As a result, we need to validate the appropriateness of all our risk models.

Although the Basel II guidelines allow banks to use independently established internal credit rating systems, they also demand that banks ensure their compatibility and stability.

In order to comply with these requirements, Shinhan Bank developed a series of guidelines governing the validation of its risk measuring models in May 2008. We conducted regular validation tests on the non-retail, retail, and SOHO credit assessment system, the LGD/CCF estimation system, the risk-weighted asset (RWA) calculation system, and the operational risk measuring system in 2008, in accordance with our internal guidelines. The results were then presented to management and the Risk Management Committee.

The middle office controls all operational models by regularly determining their overall compatibility and analyzes from data input to methodologies and the performance and utilization of all models. It is also tasked with reporting on the reliability and accuracy of all our risk measurement results--including BIS ratios and economic capital--to external authorities.

In the future, we will continue to improve our risk models' performance and utilization by introducing new methodologies and continuing to offer employees educational and training programs.

CREDIT ANALYSIS & ASSESSMENT GROUP

The Credit Analysis & Assessment Group is comprised of the Credit Planning Department, which manages loan-related systems, regulations and policies, aiming for the continuous growth of healthy loan assets; the Credit Analysis & Assessment Department, which is tasked with loan analysis and assessment and general risk management; and Credit Collection Department, which is in charge of operations related to legal procedures on liquidated loans and individual and corporate resuscitation process and restructuring.

In 2008, the group recorded a 14.6% year-on-year (YoY) increase in loans (based on total loans) even amidst the challenging economic recession, while maintaining superior asset quality to competitor banks. This was attributed to our flexible loan practices to support marketing campaigns for quality customers and our efforts to improve our soundness through preemptive risk management and regular loan monitoring. We also built up the foundation for sustainable growth by focusing on the improvement of profitability. This was done by establishing future-oriented loan policies, reinforcing loan analysis and assessment capabilities, and efficient management of non-performing loans.

In 2009, our strategic goal is to build a strong risk management structure and present a path toward long-term sustainable growth. To successfully achieve this, we will pursue the following action plans.

First, in order to be alerted of and prohibit potential risks, we will manage estimated risks in advance, prevent the generation of possible bad loans, and operate earnings and risk-considered loan portfolios.

Second, for efficient loan systems and operations, we will improve our loan systems and loan screening processes, and strengthen our screening capabilities and risk management structures.

Third, to boost our social responsibility, we will provide institutional assistance to quality SMEs, while actively seeking out and supporting new growth engine areas (green technology, high-tech fusion, and high-end service industries).

IT GROUP

The IT Group is composed of three departments and one team to provide efficient business supports and stable and convenient customer services.

The IT General Management Department is tasked with supporting the development and construction of efficient systems while establishing long and short-term IT strategies. The Information System Department and the Core Banking System Department carry out a variety of system developments to support businesses and customer services. The IT System Management Team is in charge of stable infrastructure and network operation.

In 2008, we aimed to secure global-standard IT competitiveness under the rapidly changing financial environment. Our mid- to long-term goals were "Support business in a preemptive and timely manner," "Enhance organizational efficiency through internal process reforms," and "Secure IT capabilities for the stable operation of IT infrastructure and the efficiency of development." To this end, we sought to build a variety of systems.

One of our major IT projects during the year was the construction of global IT systems. This will eventually enable the bank to cope with increasingly competitive overseas markets for global operations by utilizing excellent IT capabilities of domestic banks. We also established IT operation systems which can systematically support expanding global operations.

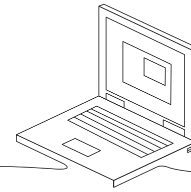
We also upgraded our enterprise data warehouse (EDW) to reinforce our synergy generating capabilities, built an integrated customer information management system for consistent customer marketing, and developed marketing systems by analyzing the behaviors of our Internet banking customers.

In addition, we built an independent retirement pension system to deal with the expanding retirement pension market, and a system to materialize global-standard anti-money laundering infrastructure. Internally, we ensured stable and efficient system operation through the diagnosis on the current system operation status and processes based on the international standard, Information Technology Infrastructure (ITIL).

In 2009, we will consolidate our IT competencies further to support global and IB operations by successfully completing large-scale ongoing projects such as the global IT and IB support systems. We will also advance IT-based marketing infrastructure for differentiated customer marketing, and build accounting systems that are suitable for the International Financial Reporting Standards (IFRS), while actively coping with strengthening international compliance practices including an advanced anti-money laundering system.

We will also prepare for the recertification of the ISO 27001, an international standard for information security management systems, and increase our investments in security infrastructures to minimize security risk including the protection of corporate information.

In addition, we will establish a business-centered IT service and management structure for stable system operation, user satisfaction, and increased organizational efficiency. This will enable optimal services for all IT service users.



PENSION & TRUST DIVISION

In 2008, Shinhan Bank secured a foothold to become a leading player in the retirement pension market. Through energetic marketing efforts to increase our assets under management (AUM) amid the worldwide financial crisis, we ranked first in retirement fund AUM for (based on YoY increase in amount) among banks. We also enjoyed the largest retirement trust and pension market share as of the end of 2008 for the second consecutive year. In addition, we built an independent retirement pension system which can provide differentiated retirement pension products and services after one year of preparations.

In the trustee and custodial services sector, we achieved a marked increase of approximately KRW 40 trillion in AUM over the year, amid difficult circumstances including downturns in the stock market behind the global financial crisis. Our earnings also grew by more than 34% over the year, by generating additional earnings through the activation of stock lending and borrowing. In December, we completed a next-generation trustee and custodial services system in preparation against the implementation of the Capital Market Consolidation Act, thereby continuing to enhance our customer services and operational capabilities.

In 2009, our strategic goal is to solidify our market leading position in the retirement pension business which is one of long-term growth engines for the bank. To this end, we will deploy differentiated marketing following customer segmentation, and upgrade our consulting capabilities to provide better customer services. At the same time, we will provide upgraded functions through the second-stage development of the computerized retirement pension system.

In the trust sector, we anticipate a sales shrinkage due to slowdowns in the financial market and a decline in market interest rates. Still, we will be devoted to securing product competitiveness by defending a decrease in sales through the development of higher-yielding assets and expanding higher-margin products. We will also enlarge our earnings bases by seeking out new business areas in trust properties including real estate trusts.

In the trustee and custodial services, we will continue to build a solid market basis as the largest market share holder through fortifying our core capabilities and marketing activities. Specifically, we plan to strengthen our growth foundations, business and marketing competencies, and increase earnings by improving the management of our funds portfolios.

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis

Financial Highlights

	In Billions of Korean Won		In Millions of US Dollars*	
	2008	**2007**	**2008**	**2007**
Bank Account				
For the Year				
Operating Revenues	49,507.3	17,797.8	39,369.6	18,970.2
Operating Expenses	47,601.5	14,886.6	37,854.1	15,867.2
Operating Income	1,905.8	2,911.2	1,515.6	3,103.0
Ordinary Income	1,903.1	2,854.9	1,513.4	3,043.0
Net Income	1,446.7	2,051.3	1,150.5	2,186.4
At Year-End				
Total Assets	213,569.1	175,105.9	169,836.3	186,640.3
Total Loans	145,341.8	125,405.3	115,580.0	133,665.9
Total Securities	36,592.3	32,329.4	29,099.2	34,458.9
Total Deposits	119,238.0	104,021.9	94,821.4	110,873.9
Total Stockholders' Equity	11,947.9	11,319.4	9,501.3	12,065.1
Trust Account				
At Year-End				
Total Assets	37,122.6	34,258.6	29,520.9	36,515.2
Total Loans	744.4	677.0	592.0	721.6
Total Securities	10,627.8	11,903.2	8,451.5	12,687.3
Total Money Trusts	12,822.5	13,574.5	10,196.8	14,468.6
Financial Ratios				
Return on Average Assets	0.71	1.17		
Return on Average Equity	12.69	18.90		
Substandard & Below	1.00	0.73		
NPL Ratio by FSS	0.85	0.63		
Net Interest Margin	2.13	2.32		
BIS Capital Adequacy Ratio	13.44	12.09		
(Tier 1 Capital Ratio)	9.30	7.64		
(Tier 2 Capital Ratio)	4.13	4.45		

* Translated into U.S. dollars at the rates of KRW 1,257.50/USD 1.0 and KRW 938.20/ USD 1.0, respectively, those prevailing on December 31, 2008 and December 31, 2007.

Overview

The global financial crisis triggered by the sub-prime mortgages in the USA brought about a severe credit crunch in the financial industry, while non-performing loans and the money squeeze in the financial sector are leading to restructuring in the real business sector. In Korea as well, caused by economic woes, private consumption, investments, and exports have been on the decline and the soundness of small- and medium-sized enterprises (SMEs) with relative vulnerability to economic fluctuations have been aggravated.

Accordingly, Shinhan Bank posted a decrease of 29.5% in net income year-on-year to KRW 1.4 trillion in 2008. This was primarily driven by a fall in non-interest income by KRW 1.3 trillion due to the extinction of one-time gains on securities in the prior year. It was also attributed to a rise of KRW 0.3 trillion in loan loss provisions over the year, following the deterioration of asset quality led by business recession. Nonetheless, through our excellent risk and asset quality management--one of our strengths--we maintained our non-performing loans to total loans ratio and our delinquency ratio (based on the arrearage of principal payments for more than a month) at stable levels of 1.0% and 0.72%, respectively, as of the end of 2008. The NPL coverage ratio also stood at 164%, the highest among domestic banks. As such, we were thoroughly prepared against any further bad loans.

Total assets in the bank account expanded by 19.8% over the year to KRW 249.5 trillion, resulting from even growth in all sectors, including loans and securities. Deposits increased by 12.0% to KRW 115.5 trillion. Other meaningful achievements included an upturn in the BIS ratio to 13.44% through our preemptive financing efforts.

Net Income Summary

(In Billions of Korean Won, %)

	FY2006	FY2007	FY2008	YoY
Operating Revenues	13,4 74.6	12,933.4	17,797.8	37.6%
Interest Income	7,158.5	6,792.3	9,4 09.8	38.5%
Commission Income	795.1	719.4	1,018.0	41.5%
Other Operating Income	5,521.0	5,421.7	7,370.0	35.9%
Operating Expenses	11,890.4	11,544.0	14 ,886.6	29.0%
Interest Expenses	3,591.9	3,764.8	5,748.8	52.7%
Commission Expenses	196.4	146.4	129.5	-11.5%
Other Operating Expenses	6,228.6	5,737.9	6,655.0	16.0%
(Provision for Credit Losses)	834.3	455.3	459.6	0.9%
Selling and Administrative Expenses	1,873.5	1,894.9	2,353.4	24.2%
Operating Income	1,389.5	2,911.2	1,905.8	-34.5%
Non-Operating Income	942.7	157.3	235.3	49.5%
Non-Operating Expenses	389.3	213.6	237.9	11.4%
Ordinary Income	1,942.9	2,854.9	1,903.1	-33.3%
Extraordinary Gains		0.0	0.0	
Income before Income Taxes Expense	1,942.9	2,854.9	1,903.1	-33.3%
Income Tax Expenses	511.7	803.6	456.4	-43.2%
Net Income for the Year	1,431.1	2,051.3	1,446.7	-29.5%

Interest income grew by 21.1% over the year, led by an increase in loan assets. Commission income, including commissions from the sale of beneficiary certificates, marginally decreased. Other operating income, on the contrary, soared by 403.6% due to surges in transactions and exchange trading.

Selling and administrative expenses decreased by 10.1% reflecting the bank's cost cutting efforts. Operating expenses, however, expanded by 219.8% due to upturns in interest expenses (following an expansion in deposit volume) and loss on currency exchange (led by a rise in exchange rates), along with a significant increase in provision for credit losses after the economic slowdowns.

As such, net income in 2008 declined by 29.5% as compared to the previous year's figure triggered by the global financial risk, an economic recession, and a jump in the foreign exchange rate. Still, it is believed that the bank realized noteworthy results on the back of its efforts for conservative asset growth and excellent risk management capability.

Net Interest Income and Margin

(In Billions of Korean Won, %)

	FY2006	FY2007	FY2008	Increase	YoY
Interest Income					
Interest on Due from Banks	39.6	46.8	118.8	72.0	153.8
Interest on Securities	865.0	1,309.0	1,656.9	347.9	26.6
Interest on Loans	5,822.8	7,988.9	9,555.8	1,566.9	19.6
Other	64.8	65.1	67.9	2.7	4.2
Total	6,792.3	9,409.8	11,399.4	1,989.5	21.1
Interest Expenses					
Interest on Deposits	2,237.6	3,449.7	4,594.5	1,144.9	33.2
Interest on Borrowings	498.9	722.3	784.9	62.5	8.7
Interest on Debentures	973.8	1,473.8	1,822.4	348.6	23.7
Other	54.5	103.0	126.1	23.1	22.5
Total	3,764.8	5,748.8	7,328.0	1,579.2	27.5
Net Interest Income	3,027.5	3,661.1	4,071.4	410.3	11.2

Interest income rose by 21.1% due to an increase in interest-earning assets, centering on corporate loans. Interest expenses also increased by 27.5% due mainly to an expansion in the volume of deposits. Consequently, net interest income augmented by 11.2% from the previous year.

Net Interest Margin

(In Billions of Korean Won, %)

	FY2007		FY2008	
	Volume	Yield	Volume	Yield
Interest Earning Assets	138,812.6	6.34	160,867.2	6.57
IEA in KRW	123,144.9	6.45	140,950.2	6.89
Due From Banks	534.1	4.98	502.3	4.92
Securities	18,562.7	5.32	21,178.3	5.62
Loans	103,947.1	6.63	119,180.9	7.10
Loans in KRW	100,921.7	6.56	116,436.2	7.00
Corporates	48,867.5	6.46	59,258.0	7.00
Households	49,402.6	6.72	54,181.7	7.06
Loan Loss Reserves(△)	1,661.4	0.00	1,995.3	0.00
IEA in Foreign Currency	15,667.7	5.51	19,917.0	4.30
Due From Banks	576.2	3.51	1,298.0	1.75
Securities	989.8	7.12	1,387.9	5.65
Loans	14,101.8	5.48	17,231.1	4.38
Loans in FC	8,575.2	5.85	9,990.2	5.11
Bills Bought in FC	5,647.1	4.80	7,456.2	3.29
Loan Loss Reserves(△)	120.6	0.00	215.3	0.00
Interest Bearing Liabilities	131,160.0	4.26	152,845.0	4.67
IBL in KRW	115,228.8	4.27	132,420.8	4.90
Deposits	81,285.2	3.87	93,587.4	4.56
Borrowings	8,524.7	4.40	8,525.3	4.87
Finance Debentures	24,057.2	5.37	28,191.7	5.87
Others	1,361.7	7.95	2,116.5	6.98
IBL in Foreign Currency	15,931.2	4.15	20,424.2	3.23
Deposits	4,126.2	3.20	5,182.4	2.53
Borrowings	7,373.2	3.82	10,540.4	3.05
Finance Debentures	2,875.8	6.34	3,404.3	4.75
Others	1,556.1	4.23	1,297.1	3.55
Net Interest Spread in KRW		2.76		2.54
Net Interest Margin		2.32		2.13
KRW		2.45		2.29
Foreign Currency		1.29		0.98

Net interest margin (NIM) dropped by 19 basis points over the year to 2.13%. This is attributable to a rise in the financing expenses ratio following a decline in the percentage of low-cost deposits to total deposits.

Net Interest Income

(In Billions of Korean Won, %)

	FY2006	FY2007	FY2008	Increase	YoY
Fees & Commissions	573.1	888.5	776.0	-112.6	-12.7
(Credit Card)	(85.4)	(121.7)	(121.9)	0.2	0.2
Fees on Trust Accounts	74.8	83.3	75.2	-8.1	-9.7
Securities-related Income	28.3	1,236.0	275.5	-960.6	-77.7
Gain on Foreign Currency Transaction	107.1	162.7	482.0	319.4	196.3
Gain Related to Derivatives	167.6	122.0	-386.4	-508.4	-416.7
Other Income	-694.0	-889.1	-1,271.3	-382.2	43.0
Total	256.9	1,603.5	-49.0	-1,652.5	-103.1

Non-interest income decreased by KRW 1.7 trillion over the year. This was primarily due to a contraction in commission income from the sale of beneficiary certificates caused by downfalls in stock prices and the extinction of one-time gains on securities.

Sales and Administrative Expenses

(In Billions of Korean Won, %)

	FY2006	FY2007	FY2008	Increase	YoY
Salaries	671.5	840.3	742.1	-98.1	-11.68
Retirement Allowance	90.5	94.7	88.4	-6.3	-6.64
Other Employee Benefits	440.5	435.3	372.8	-62.5	-14.36
Rent	93.0	126.9	140.3	13.4	10.52
Entertainment	10.1	13.7	13.5	-0.2	-1.16
Depreciation	166.1	250.4	236.1	-14.3	-5.71
Taxes and Dues	63.0	87.3	98.7	11.4	13.06
Advertising	47.7	53.7	45.8	-7.9	-14.67
Other Expenses	312.7	451.1	378.8	-72.3	-16.02
Total S&A Expenses	1,894.9	2,353.4	2,116.6	-236.8	-10.06

Sales and administrative (S&A) expenses fell 10.1% to KRW 2.1 trillion. We minimized these expenses mainly through our efforts for efficient cost control in preparation for possible business downturns in 2009.

Balance Summary

Total Loans

(In Billions of Korean Won, %)

	FY2006	FY2007	FY2008	Increase	YoY
Loans in Won					
Retails	47,943.0	52,257.3	56,131.2	3,874.0	7.4
Mortgage	30,452.0	31,744.4	34,509.6	2,765.2	8.7
Others	17,491.0	20,512.9	21,621.6	1,108.7	5.4
SMEs	34,731.2	45,976.3	52,416.5	6,440.2	14.0
Large Corp.	5,292.0	5,900.7	8,894.8	2,994.1	50.7
Public & Others	1,636.9	1,860.4	2,354.4	494.0	26.6
Total	89,603.0	105,994.7	119,797.0	13,802.3	13.0
Loans in FC	6,855.9	6,899.2	7,647.8	748.6	10.9
Credit Card Accounts	0.0	0.0	0.0	0.0	0.0
Bills Bought in FC	3,224.4	3,425.8	3,107.0	-318.7	-9.3
Call Loans, RPs	1,051.3	347.6	2,737.6	2,390.0	687.6
Others	10,135.6	9,427.4	9,893.3	465.8	4.9
(Loan Loss Allowance)	(1,681.2)	(1,980.5)	(2,620.7)	(640.2)	(32.3)
(Present Value Discount)	(37.0)	(96.8)	(94.7)	-(2.2)	-(2.2)
Total	**109,152.2**	**124,017.4**	**140,467.4**	**16,450.0**	**13.3**

※ Bank accounts only

Loans in the bank account expanded by 13.0% over the year to reach KRW 140.5 trillion at year-end. This was backed by sharp upturns overall centering on corporate loans.

Won-currency loans grew by 13.0%, led by corporate loans with even growth in loans to large corporations and SME loans. Foreign-currency loans increased by 10.9%.

We will strive to attain both external growth and profitable management by trying to secure margins so as not to undermine our earning power with asset growth at the same time.

Total Securities

(In Billions of Korean Won, %)

	FY2006	FY2007	FY2008	Increase	YoY
Stocks	4,521.5	5,180.4	4,149.3	-1,031.1	-19.9
Government Bonds	2,444.2	2,805.7	5,499.1	2,693.4	96.0
Finance Debentures	10,875.1	13,307.9	18,076.4	4,768.5	35.8
Corporate Bonds	2,219.6	3,128.4	3,026.7	-101.6	-3.2
Beneficiary Certificates	2,306.0	1,722.0	2,325.2	603.2	35.0
Securities Denominated in Foreign Currencies	1,001.8	1,234.3	1,646.7	412.5	33.4
Others	124.9	319.6	337.6	18.0	5.6
Total	**23,493.2**	**27,698.3**	**35,061.2**	**7,362.9**	**26.6**

※ Bank accounts only

Securities in the bank account amounted to KRW 35.6 trillion, increasing 26.6% from a year earlier. Likewise, other securities including government and public bonds, financial bonds, and beneficiary certificates also demonstrated even growth.

Total Deposits

(In Billions of Korean Won, %)

	FY2006	FY2007	FY2008	Increase	YoY
Low Cost Deposits	37,289.9	37,992.5	36,002.4	-1,990.1	-5.2
Demand	12,481.4	12,406.4	11,725.0	-681.4	-5.5
Low Cost Saving*	24,808.5	25,586.1	24,277.4	-1,308.7	-5.1
Time Deposits	34,477.2	39,403.6	55,895.6	16,492.0	41.9
Installment Deposits	828.0	343.0	225.5	-117.5	-34.3
CDs	12,966.9	15,167.7	13,123.6	-2,044.0	-13.5
RPs, Bills Sold	4,813.4	5,498.4	3,186.9	-2,311.5	-42.0
Deposits in Won	90,375.3	98,405.2	108,434.1	10,028.9	10.2
Deposits in FC	3,673.3	4,778.4	7,106.8	2,328.4	48.7
Total	**94,048.6**	**103,183.5**	**115,540.8**	**12,357.3**	**12.0**

※ Bank accounts only

Deposits in the bank account amounted to KRW 115.5 trillion, recording an increase of 12.0% from the year before.

This was led by marginal decreases in low-cost deposits and demand deposits and an increase of 41.9% in time deposits.

Asset Quality

(In Billions of Korean Won, %)

	FY2006	FY2007	FY2008	Increase	YoY
Normal	115,253.4	132,179.5	150,627.2	18,447.6	14.0%
Precautionary	1,415.7	1,080.6	1,693.2	612.7	56.7%
Substandard	471.2	502.7	743.4	240.7	47.9%
Doubtful	126.2	124.2	302.0	177.8	143.2%
Estimated Loss	285.3	353.8	485.7	131.9	37.3%
Total	117,551.7	134,240.8	153,851.5	19,610.7	14.6%
Doubtful & Below Ratio	0.35%	0.36%	0.51%	0.16%p	
Substandard & Below Ratio	0.75%	0.73%	1.00%	0.26%p	
Precautionary & Below Ratio	1.96%	1.54%	2.10%	0.56%p	
Provisions[1]	1,626.2	1,869.1	2,509.2	640.0	34.2%
Coverage Ratio Against					
Doubtful & Below	395.3%	391.1%	318.5%	40.1%p	
Substandard & Below	184.2%	190.6%	163.9%	49.3%p	
Precautionary & Below	70.8%	90.7%	77.8%	24.4%p	

1) Based on loans that are targets for the calculation of non-performing loans (including banking, merchant banking and trust)

The ratios of substandard-and-below and precautionary-and-below loans to total loans rose by 0.26% and 0.56%, respectively, to 1.00% and 2.10%. This was attributed to the global financial crisis and business slumps caused by subprime loans in the USA. Despite such deterioration in asset quality, the bank continued to maintain the substandard-and-below loans ratio (NPL ratio 1.00%) and the delinquency ratio (0.72%) at extremely stable levels. The NPL coverage ratio also stood at 164%, the industry's highest level, proof that we are well provided against future non-performing loans.

Provisions

(In Billions of Korean Won, %)

	FY2006	FY2007	FY2008	Increase	YoY
Bank Accounts[1]					
LLR at the Start of the Period	1,572.4	1,706.6	1,991.6	284.9	16.7%
Provisions During Period	426.3	459.6	928.9	469.2	102.1%
Write-off	192.0	186.3	340.9	154.6	83.0%
Other Adjustments	-99.9	11.6	81.9	70.3	604.1%
LLR at the End of Period	1,706.7	1,991.6	2,661.4	669.9	33.6%
Trust Accounts					
LLR at the Start of the Period	15.4	15.4	9.6	-5.8	-37.6%
Provisions During Period	-5.3	-13.1	-3.4	9.8	-74.4%
Write-off	0.3	0.5	0.2	-0.2	-51.1%
Other Adjustments	5.6	7.8	2.1	-5.7	-72.7%
LLR at the End of Period	15.4	9.6	8.2	-1.5	-15.2%
Total					
LLR at the Start of the Period	1,587.8	1,722.0	2,001.2	279.1	16.2%
Provisions During Period	421.0	446.5	925.5	479.0	107.3%
Write-off	192.3	186.8	341.2	154.4	82.7%
Other Adjustments	-94.3	19.4	84.1	64.6	332.3%
LLR at the End of Period	1,722.1	2,001.2	2,669.6	668.4	33.4%

1) Bank account provisions refer to the balance of loan loss provisions (excluding allowances for acceptances and guarantees losses and other provisions).

As discussed above, the worsening asset quality led to a sharp increase in the volume of loan loss provisions to KRW 928.9 billion, soaring 102.1% from a year earlier. Consequently, the balance of loan loss provisions surged 33.6% over the year to reach KRW 2.7 trillion at year-end.

The NPL coverage ratio stood at 163.88%, the highest among domestic commercial banks.

The amount of loan loss provisions in the trust account diminished 15.2% over the year to reach KRW 8.2 billion.

Delinquency Ratios

(In Billions of Korean Won, %)

	FY2006			FY2007			FY2008		
	Total	Overdue	Ratio	Total	Overdue	Ratio	Total	Overdue	Ratio
Overall	113,652.7	733.8	0.92%	127,413.3	902.2	0.71%	145,578.4	1,192.9	0.82%
Corporate*	40,044.9	390.5	1.29%	51,986.7	601.8	1.16%	61,421.0	821.6	1.34%
Consumer*	48,287.4	292.2	0.77%	52,804.5	216.2	0.41%	56,746.7	195.0	0.34%

* Based on the arrearage of principal for more than one day

The bank's total delinquency ratio increased by 0.11% to 0.82% at the end of 2008. By loan type, that of corporate loans slightly grew to 1.34%, while that of household loans marginally fell to 0.34%.

Although the ratio for corporate loans rose due to economic slowdowns, it was maintained at the industry's highest level. We will continue to retain high-level asset soundness going forward in order to minimize a rise in credit risk behind asset growth in 2008.

Capital Adequacy

(In Billions of Korean Won, %)

	YE2006	YE2007	YE2008	Chg in Amount	YoY
Total Capital	13,639.7	16,374.9	17,889.1	1,514.3	9.2%
Risk-weighted Assets	113,557.5	135,495.7	133,140.1	-2,355.5	-1.7%
Credit Risk-weighted Assets	111,471.9	132,954.1	122,803.9	-10,150.2	-7.6%
Market Risk-weighted Assets	2,085.6	2,541.5	1,895.4	-646.2	-25.4%
BIS Capital Adequacy Ratio	12.01%	12.09%	13.44%	1.35%p	
Tier 1 Ratio	7.81%	7.64%	9.30%	1.66%p	
Tier 2 Ratio	4.20%	4.45%	4.13%	-0.32%p	

The bank's BIS capital adequacy ratio advanced by 1.35% to 13.44%, while its Tier 1 ratio also rose by 1.66% to 9.30%.

In spite of a significant increase in assets, we advanced the BIS ratio to a highly stable level through preemptive financing efforts.

Trust Account

Income

(In Billions of Korean Won)

	FY2006	FY2007	FY2008	Increase	YoY
Fees and Commissions from T/A	74.8	83.3	75.2	-8.1	-9.7%
Subsidy for T/A	-	-	-	-	0.0%
Net Income from T/A	74.8	83.3	75.2	-8.1	-9.7%

Outstanding

(In Billions of Korean Won)

	FY2006	FY2007	FY2008	Increase	YoY
Total Asset	23,750.1	34,258.6	37,122.6	2,864.0	8.4%
Money in Trust	12,191.5	13,574.5	12,822.5	-752.0	-5.5%
Property in Trust	11,210.3	20,324.8	23,909.3	3,584.4	17.6%

Assets in the trust account climbed 8.4% to reach KRW 37.1 trillion. Monies in trust decreased by 5.5%, while properties in trust boosted by 17.6%.

GLOBAL NETWORK

Head Office

120, 2-Ga, Taepyung-Ro, Jung-Gu, Seoul, 100-724, Korea Mailing Address: C.P.O. Box 6999, Seoul, 100-669, Korea
email: corres@shinhan.com Homepage: www.shinhan.com

Overseas Office

JAPAN

TOKYO BRANCH
9th Fl. Shiroyama Trust Tower, 3-1 Toranomon 4-chome, Minato-ku, Tokyo, Japan
Tel. 81-3-3578-9321
Fax. 81-3-3578-9355
SWIFT: SHBKJPJXTOK

OSAKA BRANCH
3rd Fl., Resona Semba Bldg. 4-21, Minami-Semba, 4-Chome, Chuo-ku, Osaka, Japan
Tel. 81-6-6243-2341
Fax. 81-6-6243-2346
SWIFT: SHBKJPJX

FUKUOKA BRANCH
8th Fl., Tenjin Mitsui Bldg. 14-13, Tenjin 2-chome, Chuo-ku, Fukuoka, Japan
Tel. 81-92-724-7004
Fax. 81-92-724-7003
SWIFT: SHBKJPJXFUK

SOUTHEAST ASIA

SINGAPORE BRANCH
50 Raffles Place #40-02/03, Singapore Land Tower, Singapore 048623
Tel. 65-6536-1144
Fax. 65-6533-1244
SWIFT: SHBKSGSG

MUMBAI BRANCH
42, Jolly Maker Chambers II, 4th Fl., 225, Nariman Point, Mumbai, 400-021. India
Tel. 91-22-2282-2200
Fax. 91-22-2288-4277
SWIFT: SHBKINBB

NEWDELHI BRANCH
Upper Ground Floor, Mercantitle House, 15 Kasturba Gandhi Marg, New Delhi 110-001, India
Tel. 91-11-2411-5564
Fax. 91-11-2651-1088
SWIFT: SHBKINBB

HONGKONG BRANCH
Room 3401, Gloucester Tower, The Landmark, 15 Queen's Road, Central, Hong Kong
Tel. 852-2877-3121
Fax. 852-2877-2460
SWIFT: SHBKHKHX

HOCHIMINH CITY BRANCH
7th Fl., Yoco Bldg., 41, Nguyen Thi Minh Khai St., District 1, Ho Chi Minh City, Vietnam
Tel. 84-8-823-0012
Fax. 84-8-823-0009
SWIFT: SHBKVNVX

SHINHAN KHMER BANK
No.277 Norodom Blvd Sangkat Tonle Bassac Khan Chamkarmon Phnom Penh Cambodia
Tel. 855-23-727-380
Fax. 855-23-727-383
SWIFT: SHBKKHPP

SHINHAN ASIA LIMITED
Suites 3507, 35th Fl., Two Exchange Square, 8 Connaught Place, Central, HK
Tel. 852-3717-0700
Fax. 852-2877-2460
SWIFT: SHBKHKHX

SHINHANVINA BANK
3-5 Ho Tung Mau Street, District 1, Ho Chi Minh City, Vietnam
Tel. 84-8-829-1581
Fax. 84-8-914-2635
SWIFT: SHBKVNVN

HOCHIMINH BRANCH
3-5 Ho Tung Mau Street, District 1, Ho Chi Minh City, Vietnam
Tel. 84-8-829-1581
Fax. 84-8-914-2635
SWIFT: SHBKVNVN

HANOI BRANCH
2nd floor, Daeha Business Center, 360 Kim Ma St. BaDinh, Hanoi, Vietnam
Tel. 84-4-831-5205
Fax. 84-4-831-5134
SWIFT: SHBKVNVNHAN

BINHDUONG BRANCH
No.1, Truong Son Highway, An Binh Commune, Di An District, Binh Duong Province, Vietnam
Tel. 84-8-724-2791
Fax. 84-8-724-2795
SWIFT: SHBKVNVN

DONGNAI BRANCH
9,10,11 Lot 4 Road 51 Quater 1 Long Binh tan Ward Bien Hoa City Dong Nai Province, Vietnam
Tel. 84-61-883-0511
Fax. 84-61-883-0523
SWIFT: SHBKVNVN

CHINA

SHINHAN BANK (CHINA) LTD.
12th Fl. Zhongyu Plaza No.6, Workers' Stadium Road N.,Chaoyang District, Beijing 100027, China
Tel. 86-10-8529-0088
Fax. 86-10-8529-0188
SWIFT: SHBKCNBJ

BEIJING BRANCH
1st Fl. Zhongyu Plaza No.6, Workers' Stadium Road N.,Chaoyang District, Beijing 100027, China
Tel. 86-10-8523-5555
Fax. 86-10-8523-5696
SWIFT: SHBKCNBJBJG

SHANGHAI BRANCH
22nd Floor, HSBC Tower, 1000 Lujiazui Ring Road, Pudong New Area, Shanghai, China
Tel. 86-21-6841-2100
Fax. 86-21-6841-2108
SWIFT: SHBKCNBJSHA

SHANGHAI PUXI SUB-BRANCH
1st Floor, Hyunyoon International Building, block 5, 1100 Wuzhong Road, Min Hang district, Shanghai, China
Tel. 86-21-6465-2300
Fax. 86-21-6465-2313, 2314
SWIFT: SHBKCNBJSHA

TIANJIN BRANCH
Room 1901/6, Tianjin International Building, 75 Nanjing Road, Tianjin, 300050 P.R. China
Tel. 86-22-2339-4070
Fax. 86-22-2339-4043
SWIFT: SHBKCNBJTJN

TIANJIN BINHAI SUB-BRANCH
Unit27, Fortune Plaza21, The 3rd Street, TEDA Tianjin 300457, China
Tel. 86-22-6628-1234
Fax. 86-22-6628-1235
SWIFT: SHBKCNBJTJN

TIANJIN AOCHENG SUB-BRANCH
No. 1-03 Ao-cheng Commercial Plaza Binshuixi Street, Nankai District, Tianjin 300381 P.R. CHINA
Tel. 86-22-5885-0088
Fax. 86-22-5885-0090
SWIFT: SHBKCNBJSHA

QINGDAO BRANCH
4th Fl., CITIC WT Securities Co., Ltd, Bldg.
No.28 Donghai West Road, Qingdao 266071,
CHINA
Tel. 86-532-8502-5500
Fax. 86-532-8502-5566
SWIFT: SHBKCNBJQDO

QINGDAO CHENGYANG SUB-BRANCH
No.151, Zhengyang Road, Chengyang District,
Qingdao, 266109, P.R. China
Tel. 86-532-6696-0505
Fax. 86-532-6696-0215
SWIFT: SHBKCNBJQDO

WUXI BRANCH
2 Floor No.5 Changjiang North Road,
Changjiang Club, Wuxi, Jiangsu 214028, China
Tel. 86-0510-8181-3068
Fax. 86-0510-8181-3058
SWIFT: SHBKCNBJWXI

EUROPE

LONDON BRANCH
3rd Fl. 51-55 Gresham Street.,London EC2V
7HB , United Kingdom
Tel. 44-207-600-0606
Fax. 44-207-600-1826
SWIFT: SHBKGB2L

SHINHAN BANK EUROPE GmbH
Neue Mainzer Strasse 75, 60311 Frankfurt am
Main, Germany
Tel. 49-69-975-7130
Fax. 49-69-741-0506
SWIFT: SHBKDEFF

SHINHAN BANK KAZAKHSTAN
123/7 Dostyk ave. Medeu District, Almaty,
Republic of Kazakhstan
Tel. 7-727-385-9600
Fax. 86-22-2339-4043

AMERICA

NEWYORK BRANCH
600 3rd Ave, 17th Floor, New York, NY10016,
USA
Tel. 1-212-371-8000
Fax. 1-212-371-8875
SWIFT: SHBKUS33

SHINHAN BANK AMERICA
330 5th Avenue 4th Floor New York, NY 10001
USA
Tel. 1-646-843-7300
Fax. 1-212-447-7477
SWIFT: SHBKUS6LNYX

MANHATTAN BRANCH
313 5th Ave., New York, NY 10016, USA
Tel. 1-646-843-7333
Fax. 1-212-447-9169
SWIFT: SHBKUS6LNYX

FLUSHING BRANCH
136-68, Roosevelt Ave., Flushing, NY 11354,
USA
Tel. 1-718-939-9595
Fax. 1-718-939-3229
SWIFT: SHBKUS6LNYX

NORTHERN 150 BRANCH
150-29 Northern Blvd., Flushing, NY 11354,
USA
Tel. 1-718-799-7100
Fax. 1-718-888-9696
SWIFT: SHBKUS6LNYX

BAYSIDE BRANCH
211-11 Northern Blvd., Bayside, NY 11354,
USA
Tel. 1-718-799-7090
Fax. 1-718-224-5764
SWIFT: SHBKUS6LNYX

FORTLEE BRANCH
222 Main St., Fort Lee, NJ 07024, USA
Tel. 1-202-363-9009
Fax. 1-201-363-9049
SWIFT: SHBKUS6LNYX

PALISADEPARK BRANCH
21 Grand Ave. PalisadesPark, NewJersey,
07650, USA
Tel. 1-201-303-1009
Fax. 1-201-313-9688
SWIFT: SHBKUS6LNYX

LITTLENECK BRANCH
252-20 Northern Blvd. Littleneck, NY, 11362,
USA
Tel. 1-718-281-7888
Fax. 1-718-886-9157
SWIFT: SHBKUS6LNYX

NORTH ATLANTA BANK
10500 Old Alabama Road connector
Alpharetta, GA30022, USA
Tel. 1-678-277-8426
Fax. 1-678-277-8440
SWIFT: SHBKUS6LNYX

DULUTH BRANCH
2170 Plesant Hill Road, Duluth, GA 30096,
USA
Tel. 1-678-512-8200
Fax. 1-678-957-9974
SWIFT: SHBKUS6LNYX

VIRGINIA LPO
7002 Evergreen Court suite B, Annandale, VA
22003, USA
Tel. 1-703-256-8244
Fax. 1-703-256-8245

SHINHAN BANK AMERICA
3000 West Olympic Blvd., Los Angeles, CA
90006, USA
Tel. 1-213-380-8300
Fax. 1-213-386-7208
SWIFT: SHBKUS6LCAX

OLYMPIC BRANCH
3000 West Olympic Blvd., Los Angeles, CA
90006, USA
Tel. 1-213-380-8300
Fax. 1-213-386-2170
SWIFT: SHBKUS6LCAX

BUENA PARK BRANCH
6771 Beach Blvd., Buena Park, CA 90621, USA
Tel. 1-714-443-6400
Fax. 1-714-443-5960
SWIFT: SHBKUS6LCAX

DOWNTOWN BRANCH
738 East Pico Blvd., Los Angeles, CA 90021,
USA
Tel. 1-213-251-3090
Fax. 1-213-748-9422
SWIFT: SHBKUS6LCAX

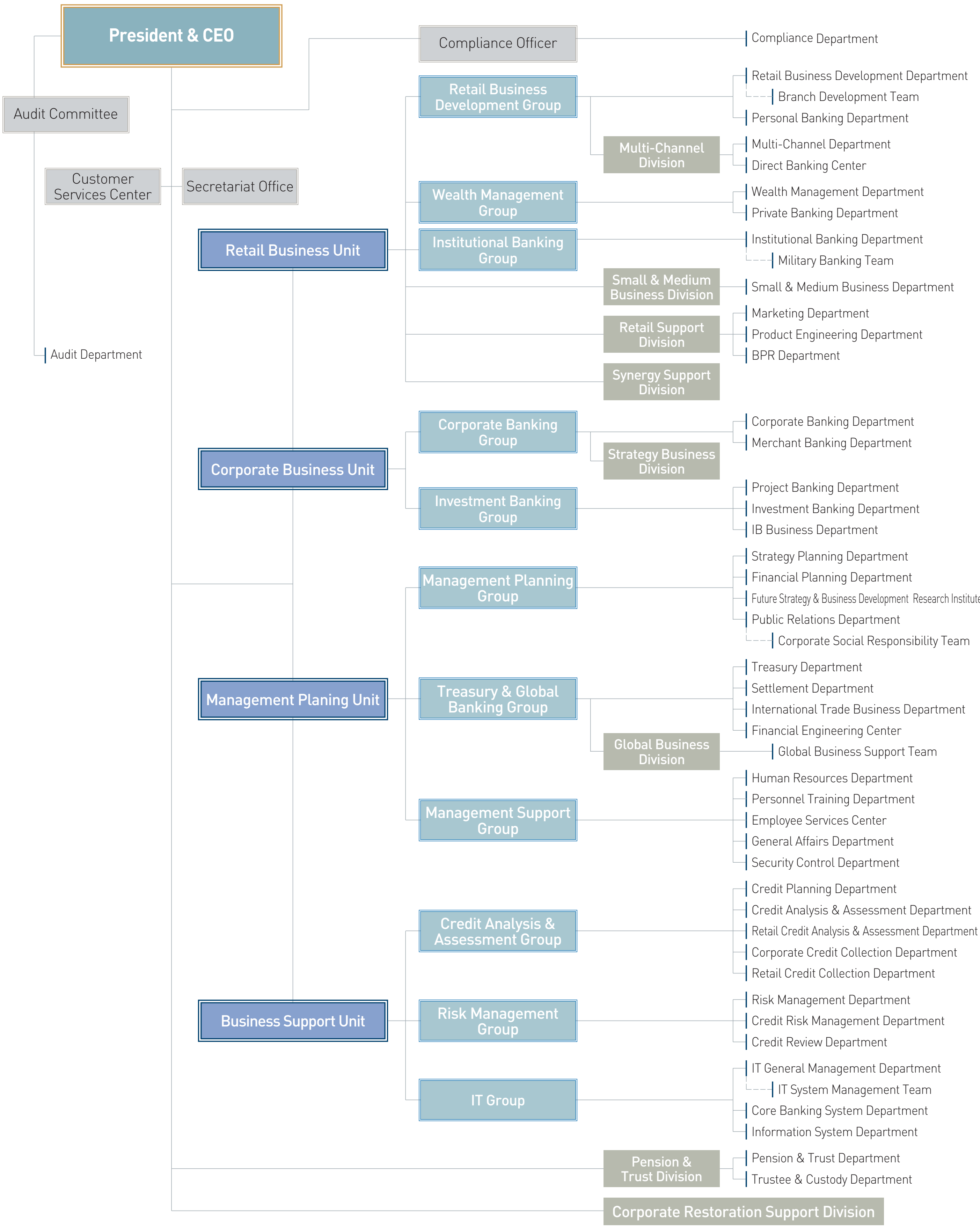
IRVINE BRANCH
2730 Alton Parkway, Sutie 111, Irvine,
CA92606, USA
Tel. 1-949-660-0505
Fax. 1-949-660-0503
SWIFT: SHBKUS6LCAX

SHINHAN BANK CANADA
23rd, 24th Fl. 5140 Young St. North York,
Ontario, Canada
Tel. 1-416-250-3500
Fax. 1-416-250-3507
SWIFT: SHBKCATT

MAIN BRANCH
5095 Yonge Street, Unit B2, Toronto, Ontario
M2N 6Z4, Canada
Tel. 1-416-250-3550
Fax. 1-416-250-3557
SWIFT: SHBKCATT

SHINHANBANK MEXICO REPRESENTATIVE OFFICE
Piso 12 Torre Summa, 213 Hamburgo Col.
Juarez, Mexico D.F
Tel. 52-55-5525-7787/8
Fax. 52-55-5525-7787

ORGANIZATION CHART



CORPORATE DATA (As of December 31, 2008)

Date of Establishment	Shinhan Bank (est. 1982) and Chohung Bank (est. 1897) merged to the new Shinhan Bank on April 1, 2006
Major Shareholder	Shinhan Financial Group (100%)
Business Network	Domestic: 1,026 branches and offices Overseas: 10 Overseas branches, 7 Local subsidiaries, 27 Local subsidiary's branches, 1 Rep Office
Number of Customers	15,838,964
Number of Employees	10,963
Members of Shinhan Financial Group	Shinhan Bank (100%) Shinhan Card (100%) Good Morning Shinhan Securities (100%) Shinhan Life Insurance (100%) Shinhan Capital (100%) Jeju Bank (62%) Shinhan Credit Information (100%) Shinhan Private Equity (100%) Shinhan BNP Paribas ITMC (50%) SH&C Life Insurance (50%) Shinhan Macquarie Financial Advisory (51%) *( ) shows Shinhan Financial Group's holdings in its subsidiaries.

SHINHAN BANK
120, 2-Ga, Taepyung-Ro, Jung-Gu, Seoul, 100-724, Korea
Tel: 82-2-756-0505 Fax: 82-2-774-7013
Website: www.**shinhan**.com