

SHINHAN FINANCIAL GROUP CO LTD

Form 20-F

June 30, 2009

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As filed with the Securities and Exchange Commission on June 30, 2009

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 20-F

(Mark One)

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**
 - or**
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2008
 - or**
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to
 - or**
- SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Date of event requiring this shell company report

Commission File Number: 001-31798

Shinhan Financial Group Co., Ltd.

(Exact name of registrant as specified in its charter)

N/A

(Translation of registrant's name into English)

The Republic of Korea

(Jurisdiction of incorporation or organization)

**120, 2-Ga, Taepyung-Ro, Jung-Gu
Seoul 100-102, Korea**
(Address of principal executive offices)

**Sung Hun Ryu, +822 6360 3071, irshy@shinhan.com, +822 6360 3098 (F), 120, 2-Ga, Taepyung-Ro,
Jung-Gu Seoul 100-102 Korea**
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class:	Name of Each Exchange on Which Registered:
Common stock, par value Won 5,000 per share	New York Stock Exchange*
American depositary shares	New York Stock Exchange

* Not for trading, but only in connection with the listing of American depositary shares on the New York Stock Exchange, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of Shinhan Financial Group's classes of capital or common stock as of the close of the last full fiscal year covered by this Annual Report: 396,199,587 shares of common stock, par value of Won 5,000 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act: Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934: Yes No

Note: Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those sections.

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such

files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting
Standards as issued by the
International Accounting Standards
Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow: Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2) of the Exchange Act: Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court: Yes No

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EXPLANATORY NOTE

On March 19, 2007, we acquired the controlling equity interest in LG Card, the largest credit card company in Korea. Effective as of September 21, 2007, we completed the acquisition of the remaining LG Card shares, and LG Card became our wholly-owned subsidiary. On October 1, 2007, LG Card assumed all of the assets, liabilities, and contracts of the former Shinhan Card, our then-existing credit card subsidiary, and changed its name to Shinhan Card. On the same date, the former Shinhan Card changed its name to SHC Management Co., Ltd. Unless otherwise indicated, statistical and financial information relating to Shinhan Card for the year ended December 31, 2007 include the corresponding information of the former Shinhan Card for the period from January 1, 2007 through September 30, 2007 and the corresponding information of LG Card (renamed Shinhan Card on October 1, 2007) for the period from March 1, 2007 through December 31, 2007. See Item 5. Operating and Financial Review and Prospects Acquisition of LG Card.

Former Shinhan Card refers to the entity created on June 4, 2002 as a result of the spin-off of the credit card division of former Shinhan Bank, into which the credit card division of Chohung Bank was split-merged on April 3, 2006. Following the transfer of all of its assets and liabilities to LG Card on October 1, 2007, former Shinhan Card currently survives under the name of SHC Management Co., Ltd. without any significant assets and liabilities. Unless otherwise indicated, statistical and financial information relating to former Shinhan Card for the year ended December 31, 2006 includes the corresponding information of the credit card division of Chohung Bank for the period from April 3, 2006 through December 31, 2006. See Item 4. Information on the Company History and Development of Shinhan Financial Group History and Organization.

CERTAIN DEFINED TERMS, CONVENTIONS AND CURRENCY OF PRESENTATION

Unless otherwise specified or the context otherwise requires:

the terms we, us, our, Shinhan Financial Group, SFG and the Group mean Shinhan Financial Group Co., Ltd. and its consolidated subsidiaries;

the terms Shinhan Financial Group Co., Ltd., our company and our holding company mean Shinhan Financial Group Co., Ltd.;

the terms Shinhan Bank and SHB refer to the surviving entity following the merger of the former Shinhan Bank into Chohung Bank effective April 3, 2006 and such entity's consolidated subsidiaries;

the term former Shinhan Bank refers to Shinhan Bank and its consolidated subsidiaries as in existence prior to its merger with Chohung Bank effective April 3, 2006;

the terms Chohung Bank, Chohung and CHB refer to Chohung Bank and its consolidated subsidiaries as in existence prior to its merger with former Shinhan Bank effective April 3, 2006;

the term Shinhan Card refers to LG Card, which, on October 1, 2007, assumed all of the assets and liabilities of former Shinhan Card and was renamed as Shinhan Card, and its consolidated subsidiaries;

the term former Shinhan Card refers to the entity created on June 4, 2002 as a result of the spin-off of the credit card division of former Shinhan Bank, into which the credit card division of Chohung Bank was split-merged on April 3, 2006, and currently surviving under the name of SHC Management Co., Ltd. after transferring of all of its assets and liabilities to LG Card (renamed as Shinhan Card) on October 1, 2007; and

the term "LG Card" refers to LG Card and its consolidated subsidiaries. After acquisition by us of its controlling equity interest, LG Card became our subsidiary on March 19, 2007, and on October 1, 2007, LG Card assumed all of the assets and liabilities of former Shinhan Card and was renamed as Shinhan Card.

All references to "Korea" or the "Republic" contained in this document mean The Republic of Korea. All references to the "government" mean the government of The Republic of Korea. The "Financial Supervisory Service" is the executive body of the Financial Services Commission ("FSC"), renamed as such as of February 29, 2008, from the Financial Supervisory Commission. References to "MOSF" are to the Ministry of Strategy and Finance, renamed as such as of February 29, 2008, from the Ministry of Finance and Economy.

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Our fiscal year ends on December 31 of each year. All references to a particular year are to the year ended December 31 of that year.

The currency of the primary economic environment in which we operate is Korean Won.

In this annual report, unless otherwise indicated, all references to Won ~~₩~~ W are to the currency of The Republic of Korea, and all references to U.S. Dollars, Dollars, \$ or US\$ are to the currency of the United States of America. Unless otherwise indicated, all translations from Won to Dollars were made at ₩1,262 to US\$1.00, which was the noon buying rate in the City of New York for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate) as of December 31, 2008. The source of these rates is the Federal Reserve Bank of New York until December 31, 2008. Since January 1, 2009, the Federal Reserve Bank of New York discontinued publication of foreign exchange rates. The source of the rates since January 1, 2009 is the H.10 statistical release of the Federal Reserve Board. On June 1, 2009, the Noon Buying Rate was ₩1,234.7 to US\$1.00. The Noon Buying Rate has been highly volatile recently and the U.S. Dollar amounts referred to in this report should not be relied upon as an accurate reflection of our results of operations. We expect this volatility to continue in the near future. No representation is made that the Won or U.S. Dollar amounts referred to in this report could have been or could be converted into Dollars or Won, as the case may be, at any particular rate or at all.

Unless otherwise indicated, the financial information presented in this document has been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Any discrepancies in the tables included herein between totals and sums of the amounts listed are due to rounding.

FORWARD LOOKING STATEMENTS

This document includes forward-looking statements, as defined in Section 27A of the U.S. Securities Act, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the Exchange Act), including statements regarding our expectations and projections for future operating performance and business prospects. The words believe, expect, anticipate, estimate, project and similar words used in connection with any discussion of future operating or financial performance identify forward-looking statements. In addition, all statements other than statements of historical facts included in this document are forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. All forward-looking statements are management s present expectations of future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. This document discloses, under the caption

Item 3. Key Information Risk Factors and elsewhere, important factors that could cause actual results to differ materially from our expectations (Cautionary Statements). Included among the factors discussed under the caption

Item 3. Key Information Risk Factors are the followings risks related to our business, which could cause actual results to differ materially from those described in the forward-looking statements: the risk of adverse impacts from an economic downturn; increased competition; market volatility in securities and derivatives markets, interest or foreign exchange rates or indices; other factors impacting our operational plans; or legislative or regulatory developments.

We caution you not to place undue reliance on the forward-looking statements, which speak only as of the date of this document.

All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the Cautionary Statements.

ITEM 1. *IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS*

Not applicable.

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Not applicable.

ITEM 3. KEY INFORMATION**SELECTED FINANCIAL DATA****Selected Consolidated Financial and Operating Data under U.S. GAAP**

The selected consolidated financial data set forth below for the years ended December 31, 2004, 2005, 2006, 2007 and 2008 have been derived from our consolidated financial statements which have been prepared in accordance with U.S. GAAP. Our consolidated financial statements as of and for the years ended December 31, 2004, 2005, 2006, 2007 and 2008 have been audited by independent registered public accounting firm KPMG Samjong Accounting Corp.

You should read the following data with the more detailed information contained in Item 5. Operating and Financial Review and Prospects and our consolidated financial statements included in Item 18. Financial Statements. Historical results do not necessarily predict future results.

Consolidated Income Statement Data

	Year Ended December 31,					
	2004	2005	2006	2007	2008	2008
	(In billions of Won and millions of US\$, except per common share data)					
Interest and dividend income	₩ 7,712	₩ 7,488	₩ 8,893	₩ 12,149	₩ 14,734	\$ 11,675
Interest expense	4,138	4,014	4,912	6,979	8,955	7,095
Net interest income	3,574	3,474	3,981	5,170	5,779	4,580
Provision (reversal) for credit losses	135	(183)	226	81	1,437	1,138
Noninterest income	2,092	2,945	3,786	4,738	4,572	3,622
Noninterest expense	3,451	3,641	5,308	6,745	6,726	5,331
Income tax expense	682	1,015	650	1,057	695	551
Minority interest	153	16	18	95	12	9
Income before extraordinary item and effect of accounting change	1,245	1,930	1,565	1,930	1,481	1,173
Extraordinary gain	28					
Cumulative effect of a change in accounting principle, net of taxes	(23)		(10)			
Net income	₩ 1,250	₩ 1,930	₩ 1,555	₩ 1,930	₩ 1,481	\$ 1,173

Net income per common shares (in currency unit):												
Net income basic(1)(3)	₩	4,133	₩	5,763	₩	4,180	₩	4,480	₩	3,155	\$	2.50
Net income diluted(2)(3)		3,704		5,419		4,180		4,390		3,110		2.46
Weighted average common shares outstanding-basic (in thousands of common shares)												
		292,465		333,424		372,173		382,731		396,199		
Weighted average common shares outstanding-diluted (in thousands of common shares)												
		337,479		356,140		372,173		396,484		410,920		

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- (1) Basic earnings per share are calculated by dividing the net income available to holders of our common shares by the weighted average number of common shares issued and outstanding for the relevant period.
- (2) Dilutive earnings per share are calculated in a manner consistent with that of basic earnings per share, while giving effect to the potential dilution that could occur if convertible securities, options or other contracts to issue common shares were converted into or exercised for common shares. We have two categories of potentially dilutive common shares: (i) shares issuable upon the exercise of stock options and (ii) shares issuable upon conversion of the redeemable convertible preferred shares. In 2006, there was no dilutive effect on earnings per share due to a change in accounting policy in 2006 which resulted in the use of the number of the outstanding shares as of the beginning of the year and the election by us to grant cash in lieu of stock upon the exercise of stock options by our employees. We may in the future grant shares in lieu of cash upon the exercise of stock options by our employees, which may impact the dilutive earnings per share in the future.
- (3) We applied the equity method of accounting for the previous ownership interest of 7.15% in LG Card in conformity with APB opinion No. 18. Accordingly, the investment, our results of operation and retained earnings were retroactively adjusted as we acquired control over LG Card in 2007.

Consolidated Balance Sheet Data

	As of December 31,					
	2004	2005	2006	2007	2008	2008
	(In billions of Won and millions of US\$, except per common share data)					
<i>Assets:</i>						
Cash and cash equivalents	₩ 2,444	₩ 2,434	₩ 1,691	₩ 3,580	₩ 1,365	\$ 1,081
Restricted cash	3,301	3,644	6,758	4,745	7,049	5,586
Interest-bearing deposits	220	627	725	1,094	1,627	1,289
Call loans and securities purchased under resale agreements	1,591	1,499	1,243	802	3,066	2,429
Trading assets:						
Trading securities and other	4,639	3,573	3,474	8,220	6,724	5,328
Derivatives assets	1,678	934	1,363	1,962	11,977	9,490
Securities:						
Available-for-sale securities	18,108	22,480	16,939	22,849	29,746	23,571
Held-to-maturity securities	3,099	2,963	7,581	8,224	8,696	6,891
Loans (net of allowance for loan losses of ₩2,311 billion in 2004, ₩1,512 billion in 2005, ₩1,575 billion in 2006, ₩2,099 billion in 2007 and ₩3,201 billion in 2008)	94,752	104,447	120,989	149,723	167,308	132,574
Customers liability on acceptances	2,012	1,879	1,417	1,701	2,433	1,928

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Premises and equipment, net	1,848	1,876	2,097	2,455	2,412	1,912
Goodwill and intangible assets	1,660	2,957	2,584	6,160	5,571	4,414
Security deposits	968	1,078	1,108			