

SHINHAN FINANCIAL GROUP CO LTD

Form 6-K

August 21, 2006

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SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

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

For the Month of August 2006

SHINHAN FINANCIAL GROUP CO., LTD.

(Translation of registrant's name into English)

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

(Address of principal executive offices)

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

Form 20-F Form 40-F

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

Rule 101(b)(1):

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

Rule 101(b)(7):

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

Yes No

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

82- _____.

Summary of 2006 1H Business Report

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

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

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

April 1, 2006

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

April 11, 2006

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

Principal Subsidiaries under Korean Law as of June 30, 2006

Direct Subsidiaries

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

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

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

(As of June 30, 2006)

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

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

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

Number of Shares by type

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

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

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

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

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

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

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

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

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

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

(in millions of Korean Won)

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

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

(in millions of Korean Won)

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

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

Table of Contents**Use of Funds**

(in millions of Korean Won)

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

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

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

Other Financial Information**Requisite Capital Ratio**

(in billions of Korean Won)

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

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

Table of Contents**Won Liquidity Ratio**

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

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

Liabilities to Equity Ratio

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

Capital Adequacy Ratio and Other Ratios of Certain Subsidiaries

(1) Total Capital Adequacy Ratio (%) *

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

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

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

(2) Net Capital Ratio (%) *

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

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

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(3) Solvency Margin Ratio (%)

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

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

(4) Adjusted Equity Capital Ratio (%) *

	June 30 2006	2005	2004
Shinhan Card	15.20	17.68	16.48

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

(5) Non Performing Loans

(in billions of Korean Won)

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

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

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

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

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

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

(in billions of Korean Won)

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

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

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

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

Audit Opinion	2006 1H Unqualified	FY 2005 Unqualified	FY 2004 Unqualified
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Compensation to the Independent Auditor for Audit and Review Services

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

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

Compensation for Services Other than Korean GAAP Audit and Review

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

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

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

1) Executive Directors

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

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

2) Non-Executive Directors

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

Our non-executive directors are as follows:

Name	Date of Birth	Current Position	Service Term
Young Seok Choi	Jul. 2, 1929	Non-Executive Director Audit Committee member	3 years starting from March 25, 2004
Yong Woong Yang	Aug. 4, 1948	Non-Executive Director	3 years starting from March 25, 2004