

SHINHAN FINANCIAL GROUP CO LTD

Form 20-F

June 30, 2004

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As filed with the Securities and Exchange Commission on June 30, 2004

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

Form 20-F

(Mark One)

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (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, 2003
- or
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____

Commission file number: _____

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)

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*
American depository shares

New York Stock Exchange
New York Stock Exchange

* Not for trading, but only in connection with the listing of American depository 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

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Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the last full fiscal year covered by this Annual Report:

264,527,921 shares of common stock, par value of Won 5,000 per share

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 which financial statement item the registrant has elected to follow:

Item 17 Item 18

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EXPLANATORY NOTE

On August 19, 2003, we acquired 80.04% of the outstanding common shares of Chohung Bank. In December 2003, our ownership increased to 81.15% following our additional capital injection of W 200 billion. In June 2004, we acquired the remaining 18.85% of the outstanding shares of Chohung Bank that we previously did not own through a cash tender offer followed by a small-scale share swap pursuant to Korean law. See Item 4. Information on the Company Our Acquisition of Chohung Bank . We plan to delist Chohung Bank from the Korea Stock Exchange in the near future. However, we will not combine or merge the operations of Chohung Bank with those of our other principal banking subsidiary, Shinhan Bank, for a period of three years following the acquisition. Our consolidated financial statements as of and for the year ended December 31, 2003 include Chohung Bank as of and for the period from September 1, 2003 to December 31, 2003. Unless otherwise indicated, the income statement information and other data relating to the results of operations of Chohung Bank in 2003 refer to the results of operations of Chohung Bank for the period from September 1, 2003 to December 31, 2003. However, in those areas where we have not fully integrated the operations of Chohung Bank into ours, such as risk management, we have presented information about Chohung Bank separately from information about the rest of our group.

CERTAIN DEFINED TERMS, CONVENTIONS AND CURRENCY OF PRESENTATION

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 Supervisory Commission . References to MOFE are to the Ministry of Finance and Economy. The terms we, us and our mean Shinhan Financial Group Co., Ltd. (Shinhan Financial Group) and/or its consolidated subsidiaries as the context requires or unless the context otherwise requires. The terms Shinhan , SFG or the Group mean Shinhan Financial Group and/or its consolidated subsidiaries unless the context otherwise requires. The terms Shinhan Bank and SHB refer to Shinhan Bank on a consolidated basis, unless otherwise specified or the context otherwise requires. The terms Chohung Bank , Chohung and CHB refer to Chohung Bank on a consolidated basis, unless otherwise specified or the context otherwise requires.

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.

In this document, unless otherwise indicated, all references to Won or W are to the currency of the Republic, 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 W 1,192.00 to US\$1.00, which was the noon buying rate in The City of New York for cable transfers in Won per US\$1.00 as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate) on December 31, 2003. On June 25, 2004, the Noon Buying Rate was W 1,150.00 = US\$1.00. 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 any table between totals and the 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 our future operating or financial performance identify forward-looking

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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 following 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.

Table of Contents**Item 1. Identity of Directors, Senior Management and Advisers****DIRECTORS AND SENIOR MANAGEMENT**

The names and positions of our directors and executive officers are set forth below. The business address of all of our directors and executive officers is our registered office at 120, 2-Ga Taepyung-Ro, Jung-Gu, Seoul 100-102, Korea.

Executive Directors

Name	Position
<i>Eung Chan Ra</i>	Chairman of the Board of Directors and Head of the Board Steering Committee
<i>Young Hwi Choi</i>	President and Chief Executive Officer and a member of the Board Steering Committee

Non-Executive Directors

Name	Position
<i>In Ho Lee</i>	Non-Executive Director
<i>Yong Woong Yang</i>	Non-Executive Director
<i>Young Seok Choi</i>	Non-Executive Director; Audit Committee member; Compensation Committee member
<i>Pyung Joo Kim</i>	Outside Director; Board Steering Committee member; Head of Risk Management Committee
<i>Sang Chul Lee</i>	Outside Director; Compensation Committee member
<i>Il Sup Kim</i>	Outside Director; Head of Audit Committee; Compensation Committee member
<i>Sang Yoon Lee</i>	Outside Director; Audit Committee member; Compensation Committee member
<i>Yoon Soo Yoon</i>	Outside Director; Head of Compensation Committee; Risk Management Committee member; Board Steering Committee member
<i>Byung Hun Park</i>	Outside Director; Board Steering Committee member
<i>Moon Pil Oh</i>	Outside Director; Audit Committee member
<i>Dong Hyun Kwon</i>	Outside Director; Audit Committee member
<i>Young Soo Lee</i>	Outside Director
<i>Philippe Reynieix</i>	Outside Director; Risk Management Committee member

Non-executive directors are directors who are not our employees and do not hold executive officer positions in us. Outside directors are non-executive directors who also satisfies the requirements set forth under the Korea Securities and Exchange Act to be independent of our major shareholders, affiliates and the management.

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In addition to the executive directors who are also our executive officers, we currently have the following executive officers.

Name	Position
<i>Bhang Gil Choi</i>	Senior Executive Vice President of Integration Coordination Team I and II (Responsible for Chohung Bank's operational integration and related issues)
<i>Chil Sun Hong</i>	Senior Executive Vice President of Subsidiary Management Team II, Public Relations Team and Audit & Compliance Team
<i>Hee Soo Kim</i>	Senior Executive Vice President of Subsidiary Management Team I and Integration Coordination Team I
<i>Byung Jae Cho</i>	Chief Financial Officer and Senior Executive Vice President of Planning & Financial Management Team and Investor Relations Team
<i>Baek Soon Lee.</i>	Senior Executive Vice President of General Services Team, Information & Technology Planning Team and Integration Coordination Team II

ADVISERS

Certain legal matters in connection with the American depository shares will be passed upon for us by Simpson Thacher & Bartlett LLP, at 425 Lexington Avenue, New York, New York, our United States counsel, and by Horizon Law Group, at Dabong Tower Building, 890-12, Daechi-dong, Kangnam-ku, Seoul 135-280, Korea, our Korean counsel.

AUDITORS

Our independent auditor for the consolidated financial statements prepared under accounting principles generally accepted in the United States of America, or U.S. GAAP, for the years ended December 31, 2001, 2002 and 2003 was as follows.

Name	Address	Membership in Professional Bodies
Samil PricewaterhouseCoopers	Kukje Center Building 15th Floor 191 Hangangro 2ga, Yongsangu, Seoul, Korea	Korean Institute of Certified Public Accountants

Item 2. Offer Statistics and Expected Timetable

Not applicable.

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The selected consolidated financial data set forth below for the years ended December 31, 2001, 2002 and 2003 and as of December 31, 2001, 2002 and 2003 have been derived from our consolidated financial statements which have been prepared in accordance with U.S. GAAP.

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 the future.

Consolidated Income Statement Data

	Year Ended December 31,			
	2001	2002	2003	2003
	(In billions of Won and millions of US\$, except per common share data)			
Interest and dividend income	W 3,694	W 3,735	W 5,331	\$4,472
Interest expense	2,439	2,305	2,998	2,515
Net interest income	1,255	1,430	2,333	1,957
Provision for loan losses	411	236	1,011	848
Provision for guarantees and acceptances	(6)	10	(46)	(38)
Noninterest income	632	1,037	1,118	938
Noninterest expense	828	1,302	1,937	1,625
Income tax expense	223	320	248	208
Minority interest	(1)	10	26	21
Extraordinary gain and cumulative effect of a change in accounting principle, net of taxes(1)	64			
Net income	W 496	W 589	W 275	\$ 231
Net income per common shares (in currency unit):				
Net income basic(2)	W 1,948	W 2,246	W 994	\$ 0.83
Net income diluted(3)	1,663	2,243	984	0.83
Weighted average common shares outstanding basic (in thousands of common shares)	254,680	262,480	262,987	
Weighted average common shares outstanding diluted (in thousands of common shares)	299,215	262,812	279,745	

Notes:

- (1) Includes W (196) million of cumulative effect of accounting change, net of taxes in 2001.
- (2) Basic earnings per share are calculated by dividing the net income available to common stockholders by the weighted average number of common shares issued and outstanding for the period.

- (3) Diluted earnings per share are computed 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 stock were converted into or exercised for common stock. We have three categories of potentially dilutive common shares: (i) shares issuable on exercise of stock option, (ii) shares issuable on bond with warrants and (iii) shares issuable on conversion of preferred shares.

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	As of December 31,			
	2001	2002	2003	2003
	(In billions of Won and millions of US\$, except per common share data)			
Assets				
Cash and cash equivalents	W 580	W 282	W 1,897	\$ 1,591
Restricted cash	678	1,365	3,662	3,072
Interest-bearing deposits in banks	255	125	409	343
Call loans and securities purchased under resale agreements	1,816	576	1,898	1,592
Trading assets:				
Trading securities and other	858	926	2,857	2,397
Derivatives assets	98	139	520	437
Securities:				
Available-for-sale securities	7,087	8,737	18,099	15,183
Held-to-maturity securities	6,038	4,408	3,605	3,024
Loans (net of allowance for loan losses of W 720 billion in 2001, W 996 billion in 2002 and W 3,631 billion in 2003)	32,997	44,139	91,791	77,006
Customers liability on acceptances	1,566	928	2,365	1,984
Premises and equipment, net	530	828	2,003	1,680
Goodwill and intangible assets	4	219	1,676	1,406
Security deposits	390	466	966	811
Other assets	2,205	1,648	4,601	3,861
	<u>W 55,102</u>	<u>W 64,786</u>	<u>W 136,349</u>	<u>\$ 114,387</u>
Liabilities and Stockholders Equity				
<i>Liabilities:</i>				
<i>Deposits:</i>				
Interest-bearing	W 31,036	W 35,886	W 82,161	\$ 68,927
Non-interest-bearing	1,184	1,163	1,328	1,114
Trading liabilities	119	131	513	430
Acceptances outstanding	1,566	928	2,365	1,984
Short-term borrowings	5,759	6,994	11,204	9,400
Secured borrowings	4,088	4,706	6,316	5,299
Long-term debt	4,876	8,235	21,218	17,800
Accrued expenses and other liabilities	3,562	3,193	6,555	5,499
	<u>52,190</u>	<u>61,236</u>	<u>131,660</u>	<u>110,453</u>
Minority interest	2	288	583	489
Redeemable convertible preferred stock			711	597
<i>Stockholders equity:</i>				
Common stock	1,462	1,462	1,472	1,235
Additional paid-in capital	1,041	1,048	1,073	900
Retained earnings	638	1,077	1,189	997
Accumulated other comprehensive income, net of taxes	164	70	58	49
Less: treasury stock, at cost	(395)	(395)	(397)	(333)