



**SHINHAN INVESTMENT CORP.  
AND SUBSIDIARIES**

Consolidated Financial Statements

**December 31, 2013 and March 31, 2013**

(With Independent Auditors' Report Thereon)

# Contents

	<b>Page</b>
<b>Independent Auditors' Report</b>	1
Consolidated Statements of Financial Position	3
Consolidated Statements of Comprehensive Income	4
Consolidated Statements of Changes in Equity	5
Consolidated Statements of Cash Flows	6
Notes to the Consolidated Financial Statements	8

**KPMG Samjong Accounting Corp.**

P.O.Box  
Kangnam 1989

Gangnam Finance Center 10th Fl.,  
152 Teheran-ro, Gangnam-gu,  
Seoul 135 – 984  
Republic of Korea

Tel 82-2-2112-0100  
Fax 82-2-2112-0101  
[www.kr.kpmg.com](http://www.kr.kpmg.com)

## Independent Auditors' Report

Based on a report originally issued in Korean

The Board of Directors and Shareholder  
Shinhan Investment Corp.:

We have audited the accompanying consolidated statements of financial position of Shinhan Investment Corp. and its subsidiaries (the "Group") as of December 31, 2013 and March 31, 2013 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the nine month period ended December 31, 2013 and the year ended March 31, 2013. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2013 and March 31, 2013 and its financial performance and its cash flows for the nine month period ended December 31, 2013 and the year ended March 31, 2013, in accordance with Korean International Financial Reporting Standards.

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

The procedures and practices utilized in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying consolidated financial statements are for use by those knowledgeable about Korean auditing standards and their application in practice.

*KPMG Samjong Accounting Corp.*

KPMG Samjong Accounting Corp.  
Seoul, Korea  
March 14, 2014

This report is effective as of March 14, 2014, the audit report date. Certain subsequent events or

circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Consolidated Statements of Financial Position**  
As of December 31, 2013 and March 31, 2013

<i>In millions of won</i>	<b>Note</b>	<b>December 31, 2013</b>	<b>March 31, 2013</b>
<b>Assets</b>			
Cash and due from banks	4,24,25,29	₩ 1,957,785	1,739,134
Financial assets at fair value through profit or loss	5,24,25,29	12,715,774	11,695,158
Available-for-sale financial assets	6,24,25,29	1,658,455	1,338,815
Investments in associates	7	39,405	32,096
Loans	8,24,25,29	1,375,047	1,570,237
Property and equipment	9,29	118,467	122,698
Intangible assets	10	41,398	43,415
Investment properties	11	191,254	147,685
Current tax assets		16,353	8,130
Other assets	12,24,25	983,787	1,280,220
<b>Total assets</b>		₩ 19,097,725	17,977,588
<b>Liabilities</b>			
Deposits	13,24,25	₩ 789,779	959,630
Financial liabilities at fair value through profit or loss	14,24,25	7,219,053	5,365,993
Borrowings	15,24,25	7,820,954	8,232,947
Provisions	16	3,520	9,189
Deferred tax liabilities	27	23,852	33,923
Current tax liabilities		-	2,392
Other liabilities	17,24,25	1,004,860	1,155,376
<b>Total liabilities</b>		16,862,018	15,759,450
<b>Equity</b>			
Capital stock	33	1,296,998	1,296,998
Capital surplus	33	15	15
Capital adjustments	33	(56)	184
Accumulated other comprehensive income	33	103,432	103,905
Retained earnings	33	835,318	817,036
<b>Total equity</b>		2,235,707	2,218,138
<b>Total liabilities and equity</b>		₩ 19,097,725	17,977,588

See accompanying notes to the consolidated financial statements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Consolidated Statements of Comprehensive Income**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

In millions of won

	<i>Note</i>	<b>December 31, 2013</b>	<b>March 31, 2013</b>
<b>Operating revenue:</b>			
Commission income	18	₩ 199,614	266,782
Gain on financial instruments at fair value through profit or loss	24	1,430,716	1,305,243
Gain on available-for-sale financial assets	24	19,354	44,021
Interest income	19	377,742	475,280
Gain on valuation and sale of loans	24	15,076	2,538
Gain on foreign transactions	20	36,143	15,963
Others	22	4,740	4,956
		<u>2,083,385</u>	<u>2,114,783</u>
<b>Operating expense:</b>			
Commission expense	18	36,506	46,529
Loss on financial instruments at fair value through profit or loss	24	1,505,826	1,356,921
Loss on available-for-sale financial assets	24	7,385	10,661
Interest expense	19	174,459	216,753
Loss on valuation and sale of loans	24	147	4,964
Loss on foreign transactions	20	29,384	16,155
Selling and administrative expenses	21	277,940	352,816
Others	22	7,311	14,773
		<u>2,038,958</u>	<u>2,019,572</u>
<b>Operating income</b>		44,427	95,211
Non-operating income	23	14,153	21,446
Non-operating expense	23	(21,095)	(9,058)
<b>Profit before income taxes</b>		<u>37,485</u>	<u>107,599</u>
Income tax expense	27	9,203	20,327
<b>Profit for the period</b>		<u>28,282</u>	<u>87,272</u>
<b>Other comprehensive income (loss) for the period, net of income tax</b>			
<b>Items that are or may be reclassified subsequently to profit or loss</b>			
Net change in unrealized fair value of available-for-sale financial assets		(10,469)	(2,352)
Loss on valuation of investments in associates		(1,368)	(373)
Foreign currency translation adjustments for foreign operations		11,364	(287)
<b>Total other comprehensive loss, net of tax</b>		<u>(473)</u>	<u>(3,012)</u>
<b>Total comprehensive income for the period</b>	₩	<u>27,809</u>	<u>84,260</u>

See accompanying notes to the consolidated financial statements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Consolidated Statements of Changes in Equity**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

*In millions of won*

	Common stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total
<b>Balance at April 1, 2012</b>	₩ 1,296,998	15	98	106,917	749,764	2,153,792
<b>Profit for the period</b>	-	-	-	-	87,272	87,272
<b>Other comprehensive loss, net of income tax</b>						
Net change in unrealized fair value of available-for-sale financial assets	-	-	-	(2,352)	-	(2,352)
Share of the other comprehensive loss of associates	-	-	-	(373)	-	(373)
Foreign currency translation differences	-	-	-	(287)	-	(287)
<b>Transactions recorded directly in equity</b>						
Dividends	-	-	-	-	(20,000)	(20,000)
Change in share-based payment	-	-	86	-	-	86
<b>Balance at March 31, 2013</b>	₩ 1,296,998	15	184	103,905	817,036	2,218,138

	Common stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total
<b>Balance at April 1, 2013</b>	₩ 1,296,998	15	184	103,905	817,036	2,218,138
<b>Profit for the period</b>	-	-	-	-	28,282	28,282
<b>Other comprehensive income (loss), net of income tax</b>						
Net change in unrealized fair value of available-for-sale financial assets	-	-	-	(10,469)	-	(10,469)
Share of the other comprehensive loss of associates	-	-	-	(1,368)	-	(1,368)
Foreign currency translation differences	-	-	-	11,364	-	11,364
<b>Transactions recorded directly in equity</b>						
Dividends	-	-	-	-	(10,000)	(10,000)
Change in share-based payment	-	-	(240)	-	-	(240)
<b>Balance at December 31, 2013</b>	₩ 1,296,998	15	(56)	103,432	835,318	2,235,707

See accompanying notes to the consolidated financial statements.



SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Consolidated Statements of Cash Flows**

For the nine months ended December 31, 2013 and the year ended March 31, 2013

<i>In millions of won</i>	<b>December 31, 2013</b>	<b>March 31, 2013</b>
<b>Cash flows from operating activities</b>		
Profit before income taxes	₩ 37,485	107,599
Adjustment for:		
Interest income	(377,742)	(475,280)
Interest expense	174,459	216,753
Dividend income	(4,249)	(3,897)
Net gain on valuation of financial assets at fair value through profit or loss	(8,256)	(40,365)
Net gain on sales of available-for-sale financial assets	(16,473)	(20,358)
Impairment loss on available-for-sale financial assets	4,503	9,145
Reversal of impairment on available-for-sale	-	(22,147)
Provision (reversal of) for loan loss	(6,385)	4,893
Net gain on sales of loans	(8,544)	(2,467)
Net gain on foreign exchanges translation	(4,585)	(389)
Depreciation	7,704	11,634
Amortization of intangible assets	6,957	13,085
Stock-based compensation expense(benefit)	936	(1,861)
Non-cash other operating expenses, net	8,115	13,686
Non-cash non-operating expenses, net	18,906	1,057
	<u>(204,654)</u>	<u>(296,511)</u>
Changes in assets and liabilities:		
Due from banks	(27,678)	563,726
Financial assets at fair value through profit or loss	(1,030,676)	(3,938,448)
Loans	208,663	(484,344)
Collective fund for default loss	3,230	(998)
Other assets	278,535	91,520
Deposits	(165,999)	26,233
Financial liabilities at fair value through profit or loss	1,871,377	838,482
Provision	(8,637)	(23,318)
Other liabilities	(155,353)	83,503
	<u>973,462</u>	<u>(2,843,644)</u>
Income taxes paid	(14,819)	(42,841)
Interests received	397,628	473,558
Interests paid	(167,869)	(243,830)
Dividends received	5,171	3,309
<b>Net cash provided by (used in) operating activities</b>	<u>₩ 1,026,404</u>	<u>(2,842,360)</u>

See accompanying notes to the consolidated financial statements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Consolidated Statements of Cash Flows, Continued**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

<i>In millions of won</i>	<b>December 31, 2013</b>	<b>March 31, 2013</b>
<b>Cash flows from investing activities</b>		
Proceed from disposal of available-for-sale financial assets	₩ 3,142,948	5,385,724
Acquisition of available-for-sale financial assets	(3,466,459)	(5,116,451)
Proceed from disposal of investments in associates	-	50
Acquisition of investments in associates	(25,295)	(938)
Proceed from disposal of property and equipment	2	23,089
Acquisition of property and equipment	(5,190)	(7,599)
Proceed from disposal of intangible assets	1,015	1,671
Acquisition of intangible assets	(5,876)	(9,001)
Proceed from disposal of investment property	-	27,268
Acquisition of investment property	(44,520)	(38)
<b>Net cash provided by (used in) investing activities</b>	<u>(403,375)</u>	<u>303,775</u>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	591,205	7,003,833
Repayment of borrowings	(1,006,627)	(4,308,404)
Dividends paid	(10,000)	(20,000)
<b>Net cash provided by (used in) financing activities</b>	<u>(425,422)</u>	<u>2,675,429</u>
<b>Effect of exchange rate fluctuations on cash and cash equivalents held</b>	<u>(4,654)</u>	<u>(239)</u>
<b>Net increase in cash and cash equivalents</b>	<u>192,953</u>	<u>136,605</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>517,553</u>	<u>380,948</u>
<b>Cash and cash equivalents at end of period</b>	<u>₩ 710,506</u>	<u>517,553</u>

See accompanying notes to the consolidated financial statements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

**1. Reporting entity**

General information of Shinhan Investment Corp. (the "Company") and its subsidiaries included in consolidation (collectively the "Group") are summarized as follows:

**(a) Controlling company**

Shinhan Investment Corp. was established on April 2, 1973 under the name of HyoSeong Securities Co., Ltd. to engage in proprietary trading, underwriting and brokerage services. The Company changed its name from Good Morning Shinhan Securities Co., Ltd. to Shinhan Investment Corp. on August 24, 2009. The Company is wholly owned by Shinhan Financial Group Co., Ltd. and operates through 93 branches and 6 sales offices as of December 31, 2013.

Since December 28, 2005, the Company has been in the trust business pursuant to the Korea Trust Business Law. Assets under trust management amounted to ₩ 10,868,403 million as of December 31, 2013 and the related fee income amounted to ₩ 6,422 million for the period ended December 31, 2013.

In accordance with Article 6 of 'Financial Investment Services and Capital Markets Act', the Group changed its fiscal year end from March 31 to December 31. In relation, the current fiscal year is nine months from April 1, 2013 to December 31, 2013.

**(b) Scope of consolidation**

(i) Subsidiaries

Ownership of Shinhan Investment Corp. and its major consolidated subsidiaries except special purpose entities as of December 31, 2013 are as follows:

Investor	Investee	Country	Closing date	Ownership (%)
Shinhan Investment Corp.	Shinhan Investment America Inc.	USA	March 31	100.0
"	Shinhan Investment Asia Ltd.	Hong Kong	March 31	100.0

(ii) Special purpose entities

As of December 31, 2013, consolidated special purpose entities are summarized as follows:

Parent company	SPE	Location	Reference
Shinhan Investment Corp.	Shinhan Maritime Private Equity Fund I	Rep. of Korea	PEF
Shinhan Maritime Private Equity Fund I	SS TRITON A S.A.	Panama	Ship lending SPC
"	SS TRITON B S.A.	"	"
Shinhan Investment Corp.	KAMCO Value Recreation 11th Securitization Specialty Co., Ltd.	Rep. of Korea	Securitization SPC
"	VALUE PLUS the 8th Co., Ltd.	"	"
"	Busan Education Love BTL Co., Ltd.	"	"
"	VALUE PLUS the 16th Co., Ltd.	"	"
"	VALUE PLUS the 17th Co., Ltd.	"	"
"	SHIC PLUS the 1st Co., Ltd.	"	"
"	MARS the 1st L.L.C.	"	Real estate investment SPC

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

**1. Reporting entity, Continued**

**(b) Scope of consolidation, continued**

(ii) Special purpose entities, continued

Parent company	SPE	Location	Reference
Shinhan Investment Corp.	KDB Retail Investment Trust the 1st	Rep. of Korea	Real estate investment trust
"	Korea investment gong-pyeong office real estate investment trust 2nd	"	"
"	VALUE PLUS the 21th Co., Ltd.	"	Securitization SPC
"	VALUE PLUS the 22th Co., Ltd.	"	"
"	VALUE PLUS the 23th Co., Ltd.	"	"
"	KDB Retail Investment Trust the 1st	"	Real estate investment trust
"	Samsung Millennium Stock C503	"	Collective investment business
"	Santaclause 98 Short-term Bond Fund 1	"	"
"	G1 Santaclause 98 Short-term Bond Fund 1	"	"
"	Samsunglife New Short Fund B301	"	"
"	Samsunglife New Short Fund A423	"	"
"	Samsung Jinpum Short Fund C501	"	"
"	Samsung Jinpum Short Fund C503	"	"
"	Santaclause Long-term Bond Fund 4	"	"
"	Santaclause Long-term Bond Fund 5	"	"
"	Santaclause New Long-term Bond Fund 1	"	"
"	Neo Short-term Bond #22	"	"
"	Hanbaguni E-2	"	"
"	Kyobo Tomorrow SGIC-1	"	"
"	KDB Private SH-1	"	"
"	Specific Money Trust	"	Trust

**(c) Changes in subsidiaries**

The list of subsidiaries that were newly acquired or excluded from consolidation for the periods ended December 31, 2013 and March 31, 2013 were as follows:

December 31, 2013		
Company	Reason	Invest company
<b>Newly acquired subsidiaries</b>		
VALUE PLUS the 16th Co., Ltd.	Commercial Paper purchase commitments	Shinhan Investment Corp.
VALUE PLUS the 17th Co., Ltd.	Commercial Paper purchase commitments	Shinhan Investment Corp.
VALUE PLUS the 21th Co., Ltd.	Commercial Paper purchase commitments	Shinhan Investment Corp.
VALUE PLUS the 22th Co., Ltd.	Commercial Paper purchase commitments	Shinhan Investment Corp.
VALUE PLUS the 23th Co., Ltd.	Commercial Paper purchase commitments	Shinhan Investment Corp.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

**1. Reporting entity, Continued**

**(c) Changes in subsidiaries, Continued**

December 31, 2013		
Company	Reason	Invest company
<b>Newly acquired subsidiaries</b>		
SHIC PLUS the 1st Co., Ltd.	Commercial Paper purchase commitments	Shinhan Investment Corp.
MARS the 1st L.L.C.	Asset management	Shinhan Investment Corp.
KDB Retail Investment Trust the 1st	100% equity	MARS the 1st L.L.C.
Korea investment gong-pyeong office real estate investment trust 2nd	64% equity	Shinhan Investment Corp.
<b>Excluded subsidiaries</b>		
Goodmorning Long-term Gold 3-1 Bond Fund	Liquidating	Shinhan Investment Corp.
Goodmorning Long-term Gold 3-2 Bond Fund	Liquidating	Shinhan Investment Corp.
Pine Avenue L.L.C.	Liquidating	Shinhan Investment Corp.

March 31, 2013		
Company	Reason	Invest company
<b>Newly acquired subsidiaries</b>		
VALUE PLUS the 8th Co., Ltd.	Commercial Paper purchase commitments	Shinhan Investment Corp.
Busan Education Love BTL Co., Ltd.	Commercial Paper purchase commitments	Shinhan Investment Corp.
Pine Avenue L.L.C.	Subordinated bonds	Shinhan Investment Corp.
KDB Private SH-1	100% equity	Shinhan Investment Corp.
Specific Money Trust	100% equity	Shinhan Investment Corp.
<b>Excluded subsidiaries</b>		
Shinhan Investment Europe Ltd.	Liquidating	Shinhan Investment Corp.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

**1. Reporting entity, Continued**

**(d) Summary of financial information of subsidiaries**

(i) Condensed financial positions of the Company and its subsidiaries as of December 31, 2013 and March 31, 2013 were as follows:

Entity	December 31, 2013			March 31, 2013		
	Total assets	Total liabilities	Total equity (deficit)	Total assets	Total liabilities	Total equity (deficit)
Shinhan Investment Corp.	₩ 18,658,288	16,429,387	2,228,901	17,352,580	15,132,269	2,220,311
Shinhan Investment America Inc.	2,821	107	2,714	3,134	65	3,069
Shinhan Investment Asia Ltd.	2,048	100	1,948	1,883	167	1,716
Shinhan Maritime PEF I (*)	244,246	156,588	87,658	238,906	165,474	73,432
KAMCO Value Recreation 11th Securitization Specialty Co., Ltd.	22,317	34,378	(12,061)	25,663	32,202	(6,539)
VALUE PLUS the 8th Co., Ltd.	13	9	4	22,035	22,034	1
Busan Education Love BTL Co., Ltd.	43,611	43,580	31	45,962	46,200	(238)
Pine Avenue L.L.C.	-	-	-	344,075	343,935	140
Korea investment gong-pyeong office real estate investment trust 2nd	55,984	21	55,963	-	-	-
VALUE PLUS the 16th Co., Ltd.	28,612	28,805	(193)	-	-	-
VALUE PLUS the 17th Co., Ltd.	28,398	28,670	(272)	-	-	-
SHIC PLUS the 1st Co., Ltd.	20,644	20,500	144	-	-	-
MARS the 1st LLC(*)	44,645	46,191	(1,546)	-	-	-
VALUE PLUS the 21th Co., Ltd.	43,116	43,514	(398)	-	-	-
VALUE PLUS the 22th Co., Ltd.	20,308	20,388	(80)	-	-	-
VALUE PLUS the 23th Co., Ltd.	30,327	30,321	6	-	-	-
Beneficiary certificate	3,210	3,952	(742)	4,375	5,030	(655)
Specific Money Trust	200,833	-	200,833	336,146	-	336,146

(\*) Consolidated financial statement

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

**1. Reporting entity, Continued**

**(d) Summary of financial information of subsidiaries, continued**

(ii) Condensed comprehensive income statement of the Company and its subsidiaries for the periods ended December 31, 2013 and March 31, 2013 were as follows:

Entity	December 31, 2013			March 31, 2013		
	Operating revenues	Net income (loss)	Total comprehensive income	Operating revenues	Net income (loss)	Total comprehensive income
Shinhan Investment Corp.	₩ 2,050,881	29,329	18,830	2,108,418	87,991	85,560
Shinhan Investment America Inc.	904	(206)	(206)	612	(876)	(876)
Shinhan Investment Asia Ltd.	1,466	330	330	681	(782)	(782)
Shinhan Maritime PEF I (*)	17,525	12,833	12,833	10,510	4,592	4,592
KAMCO Value Recreation 11th Securitization Specialty Co., Ltd.	524	(5,535)	(5,535)	-	(1,923)	(1,923)
VALUE PLUS the 8th Co., Ltd.	553	3	3	1,174	-	-
Busan Education Love BTL Co., Ltd.	1,722	269	269	485	(239)	(239)
Pine Avenue L.L.C.	-	-	-	1,916	135	135
Korea investment gong-pyeong office real estate investment trust 2nd	11	(37)	(37)	-	-	-
VALUE PLUS the 16th Co., Ltd.	916	(194)	(194)	-	-	-
VALUE PLUS the 17th Co., Ltd.	902	(273)	(273)	-	-	-
SHIC PLUS the 1st Co., Ltd.	471	143	143	-	-	-
MARS the 1st LLC(*)	1,189	(965)	(965)	-	-	-
VALUE PLUS the 21th Co., Ltd.	187	(399)	(399)	-	-	-
VALUE PLUS the 22th Co., Ltd.	67	(81)	(81)	-	-	-
VALUE PLUS the 23th Co., Ltd.	26	5	5	-	-	-
Beneficiary certificate	57	22	22	37	(61)	(24)
Specific Money Trust	196	196	196	1,146	1,146	1,146

(\*) Consolidated financial statement

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

**2. Basis of preparation**

**(a) Statement of compliance**

The consolidated financial statements have been prepared in accordance with Korean International Financial Reporting Standards ("K-IFRS"), as prescribed in the Act on External Audits of Corporations in the Republic of Korea.

**(b) Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- available-for-sale financial assets are measured at fair value
- liabilities for cash-settled share-based payment arrangements are measured at fair value

**(c) Functional and presentation currency**

These consolidated financial statements are presented in Korean won which is the Group's functional currency and the currency of the primary economic environment in which the Group operates. The subsidiaries whose functional currencies are different from the Company's are as follows.

Subsidiaries	Functional Currency
Shinhan Investment America Inc.	USD
Shinhan Investment Asia Ltd.	HKD
SS TRITON A S.A.	USD
SS TRITON B S.A.	USD



SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

**2. Basis of preparation, Continued**

**(d) Use of estimates and judgements**

The preparation of consolidated financial statements requires the application of certain critical estimates and judgments relative to the future. Management's estimated outcomes may differ from actual outcomes. The change in an accounting estimate is recognized prospectively in profit or loss in the period of the change, if the change affects that period only, or the period of the change and future periods, if the change affects both.

(i) Income taxes

Within the normal business process, there are various types of transactions and different accounting methods that may add uncertainties to the decision of the final income taxes. The Group has recognized current and deferred tax that reflect tax consequences that would follow from the manner in which the entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. However, actual income taxes in the future may not be identical to the recognized deferred tax assets and liabilities, and this difference can affect current and deferred tax at the period when the final tax effect is conformed.

(ii) Fair value of financial instruments

The fair values of financial instruments which are not actively traded in the market are determined by using valuation techniques. The Group determines valuation methods and assumptions based on significant market conditions at the end of each reporting period. Diverse valuation techniques are used to determine the fair value of financial instruments, from general market accepted valuation models to internally developed valuation models that incorporate various types of assumptions and variables.

(iii) Allowances for loss

The Group determines and recognizes allowances for losses on loans through impairment testing. The accuracy of provisions for credit losses is determined by the methodology and assumptions used for estimating expected cash flows of the borrower for allowances on individual loans and collectively assessing allowances for groups of loans.

(iv) Provisions

The Group recognizes a provision considering inevitable risks and an uncertainty under the given circumstance of the event. At the end of each reporting period, the remaining provision balance is reviewed and assessed to determine if the current best estimate is being recognized.

(v) Impairment on available-for-sale equity instruments

When there is a significant or prolonged decline in the fair value of an investment in an equity instrument below its original cost, there is objective evidence that available-for-sale equity investments are impaired. Accordingly, the Group considers the decline in the fair value of more than 30% against the original cost as "significant decline" and the status when the market price for marketable equity less than the carrying amounts of instruments for a six consecutive months as a "prolonged decline".

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

**2. Basis of preparation, Continued**

**(e) Approval of the consolidated financial statements**

These consolidated financial statements have been approved by the Board of Directors on February 10, 2014, which will be submitted for approval to the shareholder's meeting to be held on March 24, 2014.

**3. Significant accounting policies**

The significant accounting policies applied by the Group in preparation of its consolidated financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements except for the changes in accounting policies as explained in Note 3 (a).

**(a) Changes in accounting policies**

(i) Amendments to K-IFRS No. 1001, 'Presentation of Financial Statements'

The Group has applied the amendments to K-IFRS No. 1001, 'Presentation of Financial Statements' since April 1, 2013. The amendments require presenting in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). Comparative information has been re-presented on the same basis.

(ii) Enactment to K-IFRS No. 1110, 'Consolidated Financial Statements'

The Group adopted K-IFRS No. 1110, 'Consolidated Financial Statements' since April 1, 2013. The standard defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. A subsidiary is an entity that is controlled by another entity. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group re-assessed the control conclusion for its investees as of April 1, 2013. As a consequence, there has been no impact on consolidated financial statements of the Group.

(iii) Enactment to K-IFRS No. 1112, 'Disclosure of Interests in Other Entities'

The Group adopted K-IFRS No. 1112, 'Disclosure of Interests in Other Entities' since April 1, 2013. The standard brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group is currently assessing the disclosure requirements for interests in subsidiaries, interests in joint arrangements and associates and unconsolidated structured entities in comparison with the existing disclosures. The standard requires the disclosure of information about the nature, risks and financial effects of these interests.

(iv) Enactment to K-IFRS No. 1113, 'Fair Value Measurement'

The Group adopted K-IFRS No. 1113, 'Fair Value Measurement' since April 1, 2013. The standard defines fair value and a single framework for fair value, and requires disclosures about fair value measurements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

**3. Significant accounting policies, Continued**

**(b) Basis of consolidation**

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of the other entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

If a member of the Group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

(ii) Structured entity

The Group establishes or invests in various structured entities. A structured entity is an entity designed so that its activities are not governed by way of voting rights. When assessing control of a structured entity, the Group considers factors such as the purpose and the design of the investee; its practical ability to direct the relevant activities of the investee; the nature of its relationship with the investee; and the size of its exposure to the variability of returns of the investee. The Group does not recognize any non-controlling interests in the consolidated statements of financial position since the Group's interests in these entities are recognized as liabilities of the Group.

(iii) Intra-group transactions

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Intra-group losses are recognized as expense if intra-group losses indicate an impairment that requires recognition in the consolidated financial statements.

(iv) Non-controlling interests

Non-controlling interests in a subsidiary are accounted for separately from the parent's ownership interests in a subsidiary. Each component of net profit or loss and other comprehensive income is attributed to the owners of the parent and non-controlling interest holders, even when the allocation reduces the non-controlling interest balance below zero.

(v) Changes in the Parent Company's ownership interest in a subsidiary.

Changes in the Parent Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognized in profit or loss. The difference between the consideration and the adjustments made to non-controlling interest is recognized directly in equity attributable to the owners of the Parent Company.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

**3. Significant accounting policies, Continued**

**(c) Associates and jointly controlled entities (collectively "associates")**

An associate is those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement, and require unanimous consent for strategic financial and operating decisions.

The investment in associates and jointly controlled entities is accounted for using the equity method and is initially recognized at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has to make payments on behalf of the investee.

**(d) Foreign currency**

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency using the reporting date's exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined, while those measured at historical cost are retranslated at the exchange rate at the date of transaction.

Foreign currency differences arising on retranslation of monetary items are recognized in profit or loss. On the other hand, foreign currency difference arising on retranslation of non-monetary items is recognized in other comprehensive profit or loss / profit and loss, if profit and loss arising on the asset is recognized in other comprehensive profit and loss / profit and loss.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

**3. Significant accounting policies, Continued**

**(d) Foreign currency, Continued**

(ii) Foreign operations

If the presentation currency of the Group is different from a foreign operation's functional currency, the financial statements of the foreign operation are translated into the presentation currency using the following methods:

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to won at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to won at exchange rates at the dates of the transactions. Foreign currency differences are recognized in other comprehensive income.

When a foreign operation is disposed of, the relevant amount in the translation is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the translation reserve.

(iii) Net investment in a foreign operation

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, then foreign currency differences arising on the item form part of the net investment in the foreign operation and are recognized in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

**(e) Cash and cash equivalents**

Cash and cash equivalents comprise balances with cash in hand, deposits held at call with banks and other short-term highly liquid investments with insignificant risk of changes in their fair value. Equity investments are excluded from cash equivalents unless they are, in substance, cash equivalents, for example in the case of preferred shares acquired within a short period of their maturity and with a specified redemption date.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

**3. Significant accounting policies, Continued**

**(f) Non-derivative financial assets**

The Group recognizes and measures non-derivative financial assets by the following four categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The Group recognizes financial assets in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Upon initial recognition, non-derivative financial assets are measured at their fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the asset's acquisition or issuance.

***Financial assets at fair value through profit or loss (the "Financial assets at FVTPL")***

A financial asset is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Upon initial recognition, transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

***Held-to-maturity investments***

A non-derivative financial asset with a fixed or determinable payment and fixed maturity, for which the Group has the positive intention and ability to hold to maturity, are classified as held-to-maturity investments. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method.

***Loans and receivables***

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, except for loans and receivables for which the effect of discounting is immaterial.

***Available-for-sale financial assets***

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, held-to-maturity investments or loans and receivables. Subsequent to initial recognition, they are measured at fair value, with changes in fair value, net of any tax effect, recorded in other comprehensive income in equity. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost.

When a financial asset is derecognized or impairment losses are recognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Dividends on an available-for-sale equity instrument are recognized in profit or loss when the Group's right to receive payment is established.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

**3. Significant accounting policies, Continued**

**(f) Non-derivative financial assets, continued**

***Available-for-sale financial assets, continued***

The Group has designated some of its debt securities as available-for-sale financial assets. As of December 31, 2013 and March 31, 2013, the amounts designated as available-for-sale financial assets were ₩5,691 million and ₩920 million, respectively.

***Derecognition of financial assets***

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows of the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a consolidated asset or liability.

If the Group retains substantially all the risks and rewards of ownership of the transferred financial assets, the Group continues to recognize the transferred financial assets and recognizes financial liabilities for the consideration received.

***Offsetting between financial assets and financial liabilities***

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Group currently has a legal enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

**(g) Derivative financial instruments**

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are either recognized in profit or loss or, when the derivatives are designated in a hedging relationship and the hedge is determined to be an effective hedge, other comprehensive income.

***Separable embedded derivatives***

Embedded derivatives are separated from the host contract and accounted for separately only if the following criteria have been met: (a) the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (c) the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss. Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss.

***Other non-trading derivatives***

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in profit or loss.

The Group does not hold any derivatives designated as hedging derivatives as of December 31, 2013 and March 31, 2013.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

**3. Significant accounting policies, Continued**

**(h) Impairment of financial assets**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. However, losses expected as a result of future events, regardless of likelihood, are not recognized.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If financial assets have objective evidence that they are impaired, impairment losses should be measured and recognized.

***Loans***

The Group first assesses whether objective evidence of impairment exists individually for loans that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).



SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

**3. Significant accounting policies, Continued**

**(h) Impairment of financial assets, continued**

***Loans, continued***

If the interest rate of loans is a floating rate, the discount rate used to evaluate impairment is the current effective interest rate defined in the agreement. The present value of estimated future cash flows of secured financial assets is calculated by including cash flows from collateral after deducting costs to acquire and sell the collateral, regardless of probability of realization of such collateral.

In assessing collective impairment, the Group rates and classifies financial assets, based on credit risk assessment or a credit rating assessment process that takes into account asset type, industry, regional location, collateral type, delinquency and other relative factors.

Future cash flows of financial assets applicable to collective impairment assessment are estimated by using statistical modeling of historical trends of the probability of default, timing of recoveries and the amount of losses incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the impairment losses are likely to be greater or less than suggested by historical modeling. In adjusting the future cash flows by historical modeling, the result has to be in line with changes and trends of observable data (e.g., impairment losses of collective assets and unemployment rates, asset prices, commodity prices, payment status and other variables representing the size of impairment losses). Methodologies and assumptions used to estimate future cash flow are reviewed on a regular basis in order to reduce discrepancy between estimated impairment losses and actual loss.

Impairment losses are recognized in profit or loss and reflected in an allowance account against loans. When a subsequent event causes the amount of impairment losses to decrease, and the decrease can be related objectively to an event occurring after the impairment is recognized, the decrease in impairment losses is reversed through profit or loss of the period.

***Financial assets carried at cost***

If there is objective evidence that an impairment loss has occurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

***Available-for-sale financial assets***

When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available-for-sale shall not be reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

**3. Significant accounting policies, Continued**

**(i) Property and equipment**

Property and equipment initially measured at cost and after initial recognition, are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of property and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent to initial recognition, an item of property and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Property and equipment, except for land, are depreciated on a straight-line basis over estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed. A component that is significant compared to the total cost of property and equipment is depreciated over its separate useful life.

The estimated useful lives of the Group's assets are as follows:

<b>Descriptions</b>	<b>Useful lives</b>
Buildings	40~60 years
Vehicles	4 years
Furniture and fixtures	4 years
Other tangible assets	15 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. The change is accounted for as a change in an accounting estimate.

**(j) Intangible assets**

Intangible assets are measured initially at cost and after initial recognition are carried at cost less accumulated amortization and accumulated impairment losses.

Amortization of intangible assets is calculated on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The residual value of intangible assets is zero. However, as there are no foreseeable limits to the periods over which memberships and Settlement system right of use are expected to be available for use, these intangible assets are determined as having indefinite useful lives and not amortized.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

**3. Significant accounting policies, Continued**

**(j) Intangible assets, continued**

Descriptions	Useful lives
Computer software	4 years
Other	5 years
Memberships	Indefinite useful lives
Settlement system right of use	Indefinite useful lives

Amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period. The useful lives of intangible assets that are not being amortized are reviewed at the end of each reporting period to determine whether events and circumstances continue to support indefinite useful life assessments for those assets. Changes are accounted for as changes in accounting estimates.

**(k) Investment property**

Property held for the purpose of earning rentals or benefiting from capital appreciation is classified as investment property. Investment property is measured initially at its cost. Transaction costs are included in the initial measurement. Subsequently, investment property is carried at depreciated cost less any accumulated impairment losses.

The estimated useful lives and depreciation methods of the Group's assets in the current period and prior period are as follows.

Description	Useful life	Depreciation method
Buildings	40~60 years	Straight-line method

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

**3. Significant accounting policies, Continued**

**(l) Impairment of non-financial assets**

The carrying amounts of the Group's non-financial assets, other than arising from employee benefits, deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

The Group estimates the recoverable amount of an individual asset. If it is impossible to measure the individual recoverable amount of an asset, then the Group estimates the recoverable amount of each cash-generating unit ("CGU"). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. The value in use is estimated by applying a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

**(m) Non-derivative financial liabilities**

The Group classifies non-derivative financial liabilities into financial liabilities at fair value through profit or loss or other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities. The Group recognizes financial liabilities in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the financial liability.

***Financial liabilities at fair value through profit or loss (the "Financial liabilities at FVTPL")***

Financial liabilities at fair value through profit or loss include financial liabilities held for trading or designated as such upon initial recognition. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred.

***Other financial liabilities***

Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities. At the date of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

The Group derecognizes a financial liability from the consolidated statement of financial position when it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

**3. Significant accounting policies, Continued**

**(n) Equity capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

A preference share that do not provide for redemption or at the option of the issuer and when distributions to holders of a preference shares are at the discretion of the issuer, is classified as equity. Dividends are recognized when approved by a general meeting of shareholders. Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in profit or loss as accrued.

**(o) Employee benefits**

(i) Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service. When an employee has rendered service to the Group during an accounting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

(ii) Other long-term employee benefits

Other long-term employee benefits include employee benefits that are settled beyond 12 months after the end of the period in which the employees render the related service, and are calculated at the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, less the fair value of any related assets. The present value is determined by discounting the expected future cash flows using the interest rate of corporate bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise.

(iii) Retirement benefits: defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that is due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

**3. Significant accounting policies, Continued**

**(o) Employee benefits, continued**

(iv) Termination benefits

Termination benefits are recognized as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

**(p) Share-based payment transactions**

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

For cash-settled share-based payment transactions, the Group measures the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Group remeasures the fair value of the liability at each reporting date and at the date of settlement, with changes in fair value recognized in profit or loss for the period.

**(q) Provisions**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, provisions are determined at the present value of the expected future cash flows.

Where some or all of the expenditures required to settle a provision are expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

**3. Significant accounting policies, Continued**

**(r) Financial income and financial expense**

(i) Interest

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

(ii) Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including underwriting commissions, management fees on wrap accounts and asset management are recognized as the related services are performed.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

(iii) Dividends

Dividend income is recognized when the right to receive income is established.

**(s) Income taxes**

Income tax expense comprises current and deferred tax. Current and deferred tax is recognized in profit or loss, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Shinhan Financial Group Co., Ltd., the parent company, files its national income tax return with the Korean tax authorities under the consolidated corporate tax system, which allows it to make national income tax payments based on the consolidated profits or losses of the Shinhan Financial Group Co., Ltd. and its wholly owned domestic subsidiaries including the Group. Deferred taxes are measured based on the future tax benefits expected to be realized in consideration of the expected profits or losses of eligible companies in accordance with the consolidated corporate tax system. Consolidated corporate tax amounts, once determined, are allocated to each of the subsidiaries and are used as a basis for the income taxes to be recorded in their separate financial statements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

**3. Significant accounting policies, Continued**

**(s) Income taxes, continued**

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The Group recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Group recognizes a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries and associates, to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis.

**(t) Leases**

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

**(i) Finance leases**

At the commencement of the lease term, the Group recognizes as finance assets and finance liabilities in its consolidated statements of financial position, the lower amount of the fair value of the leased property and the present value of the minimum lease payments, each determined at the inception of the lease. Any initial direct costs are added to the amount recognized as an asset.



SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

**3. Significant accounting policies, Continued**

**(t) Leases, Continued**

(i) Finance leases, continued

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life. The Group reviews to determine whether the leased asset may be impaired.

(ii) Operating leases

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the period of the lease.

**(u) Operating segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The Group has five reportable segments which consist of retail, wholesale, investment bank (IB), trading, and others, as described in note 26.

**(v) Reclassification of accounts**

The Group has reclassified certain prior period accounts to confirm with the classification in the current period. There is no effect on reported net assets or net income of the prior period due to the reclassification.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

**3. Significant accounting policies, Continued**

**(w) New standards and interpretations not yet adopted**

The following new standards, interpretations and amendments to existing standards have been published and are mandatory for the Group for annual periods beginning after April 1, 2013, and the Group has not early adopted them.

(i) Amendments to K-IFRS No. 1032, *'Financial Instruments: Presentation'*

The amendments clarified the application guidance related to 'offsetting a financial asset and a financial liability'. The amendment is mandatorily effective for periods beginning on or after January 1, 2014. The amendments are not expected to have a material effect on the Group's financial statements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**4. Cash and due from banks**

(a) Details of cash and due from banks as of December 31, 2013 and March 31, 2013 were summarized as follows:

		<u>December 31, 2013</u>	<u>March 31, 2013</u>
Cash and cash equivalents	Cash on hand	₩ 99	96
	Current deposits	2,420	2,518
	Demand deposits	35,935	18,387
	Time deposits	570,000	445,000
	Others	60,000	-
	Foreign currency deposits	42,052	51,552
			<u>710,506</u>
Due from banks in won	Time deposits	954,696	871,467
	Reserve for claims of customers' deposits	46,200	4,600
	Subscription deposits	300	69
	Guarantee deposits for stock borrowing for KSFC	625	1,834
	Guarantee deposits for KSFC trading	2,450	-
	Others	122,981	123,162
			<u>1,127,252</u>
Due from banks in foreign currency	Reserve for claims of customers' deposits	108,361	210,114
	Others	11,666	10,335
		<u>120,027</u>	<u>220,449</u>
	₩	<u>1,957,785</u>	<u>1,739,134</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**4. Cash and due from banks, Continued**

(b) Restricted due from banks as of December 31, 2013 and March 31, 2013 were as follows:

	Placed at	December 31, 2013	March 31, 2013	Restriction
Time deposits	Jeonbuk Bank and others	₩ 915	1,098	collateral for the sales of beneficiary certificates
	Shinhan Bank and others	67,000	67,000	collateral for a bank overdraft facility
	Shinhan Bank	5,000	5,000	collateral for the small amount of payment
	Kookmin Bank and others	50,000	50,000	collateral for the issue of ELS (Equity Linked Securities)
Reserve for claims on customers' deposits	Korean Securities Finance Corporation	154,561	214,714	(*1)
Reserve for claims on customers' deposits (trust)	Korean Securities Finance Corporation	1,209,975	1,224,086	(*1),( *2)
Subscription Deposits	MAREX Financial Limited and others	300	69	deposits for public subscription
Guarantee deposits for stock borrowing for KSFC	Korean Securities Finance Corporation	625	1,834	guarantee deposits for stock borrowing for KSFC
Guarantee deposits for KSFC trading	Korean Securities Finance Corporation	2,450	-	guarantee deposits for KSFC trading
Other deposits in won	Shinhan Bank and others	67	64	deposit for checking accounts
Other deposits in foreign currency	MAREX Financial Limited and others	11,393	8,876	collateral for trading the foreign futures
	Korea Exchange	245	1,430	collateral for trading the domestic futures
	Hong Kong Exchange and Clearing Limited	27	29	collateral for trading securities
		₩ 1,502,558	1,574,200	

(\*1) Pursuant to the Regulation on Financial Investment Business, the Group is required to deposit certain portions of customers' deposits with the Korean Securities Finance Corporation ("KSFC") or banks to ensure repayment of customer deposits.

(\*2) Reserve for claims on customers' deposits (trust) is recognized in financial assets at fair value through profit or loss.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**5. Financial assets at fair value through profit or loss**

(a) Details of financial assets at fair value through profit or loss as of December 31, 2013 and March 31, 2013 were summarized as follows:

		<u>December 31, 2013</u>	<u>March 31, 2013</u>
Trading financial assets	₩	9,399,511	8,629,879
Financial assets designated at fair value through profit or loss		3,088,936	2,798,644
Derivative assets		227,327	266,635
	₩	<u>12,715,774</u>	<u>11,695,158</u>

(b) Details of trading financial assets as of December 31, 2013 and March 31, 2013 were summarized as follows:

		<u>December 31, 2013</u>	<u>March 31, 2013</u>
Trading financial assets in won			
Government bonds	₩	534,086	2,588,887
Local bonds		43,714	50,390
Financial bonds		4,326,752	3,728,449
Corporate bonds		3,314,150	1,463,343
Commercial papers		249,962	-
Stocks		340,651	136,479
Collective investment securities		111,367	141,126
Others		226,300	380,408
		<u>9,146,982</u>	<u>8,489,082</u>
Trading financial assets in foreign currency			
Bonds		199,159	137,521
Stocks		32,372	524
Others		20,998	2,752
		<u>252,529</u>	<u>140,797</u>
	₩	<u>9,399,511</u>	<u>8,629,879</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**5. Financial assets at fair value through profit or loss, Continued**

(c) Details of financial assets designed at fair value through profit or loss as of December 31, 2013 and March 31, 2013 were summarized as follows:

	<u>December 31, 2013</u>	<u>March 31, 2013</u>
Hybrid instruments		
Derivatives-combined securities	₩ 703,609	542,368
Management and performance evaluation on a fair value basis		
Reserve for claims of customers' deposit (trust)	1,209,975	1,224,086
Bonds	1,059,461	980,492
Stocks	115,891	51,698
	<u>2,385,327</u>	<u>2,256,276</u>
	₩ <u>3,088,936</u>	<u>2,798,644</u>

(d) Details of derivative assets as of December 31, 2013 and March 31, 2013 were summarized as follows:

	<u>December 31, 2013</u>	<u>March 31, 2013</u>
Derivatives in won		
Over the counter:		
Interest rate	₩ 53,191	51,579
Equity	140,493	168,610
Credit	1,480	1,304
Others	6,239	9,418
	<u>201,403</u>	<u>230,911</u>
Exchange traded:		
Equity options	1,331	19,119
	<u>202,734</u>	<u>250,030</u>
Derivatives in foreign currency		
Over the counter:		
Currency	18,930	3,109
Others	3,223	7,586
	<u>22,153</u>	<u>10,695</u>
Exchange traded:		
Interest futures	214	-
Equity futures	79	-
Commodity futures	2,147	5,910
	<u>2,440</u>	<u>5,910</u>
	<u>24,593</u>	<u>16,605</u>
	₩ <u>227,327</u>	<u>266,635</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**6. Available-for-sale financial assets**

Details of available-for-sale financial assets as of December 31, 2013 and March 31, 2013 were summarized as follows:

	<u>December 31, 2013</u>	<u>March 31, 2013</u>
Debt securities		
Government bonds	₩ 2,008	178,135
Financial bonds	487,005	216,832
Corporate bonds	871,242	763,530
Bonds with warrants	62,072	920
Corporate commercial paper	41,034	4,103
	<u>1,463,361</u>	<u>1,163,520</u>
Equity securities		
Stocks(*)	147,114	150,723
Investments in partnerships(*)	29,592	10,450
Collective investment securities	4,277	3,451
Securities in foreign currency(*)	5,895	1,198
	<u>186,878</u>	<u>165,822</u>
Collective fund for default loss	8,216	9,473
	<u>₩ 1,658,455</u>	<u>1,338,815</u>

(\*) Equity securities with no quoted market prices in active markets and for which the fair value cannot be measured reliably are recorded at cost amounting ₩1,262 million and ₩2,302 million as of December 31, 2013 and March 31, 2013, respectively.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**7. Investments in associate**

(a) Details of investments in associates as of December 31, 2013 and March 31, 2013 were as follows:

	Location	Business	December 31, 2013			March 31, 2013
			Ownership(%)	Acquisition cost	Book value	Book value
The Asia Pacific Capital Fund II L.P	Cayman islands	Collective investment business	21.90%	₩ 25,125	19,900	31,269
KoFC Shinhan Frontier Champ 2010-4 PEF(*)	Rep. of Korea	Collective investment business	8.50%	4,526	4,695	827
Innopolis-CJ Bio Healthcare Fund	Rep. of Korea	Collective investment business	25.00%	4,000	3,969	-
Truston Falcon Asia US Feeder Fund	Cayman islands	Collective investment business	31.60%	10,032	10,841	-
				₩ <u>43,683</u>	<u>39,405</u>	<u>32,096</u>

(\*) As a general partner, the Group has significant influence over the investee.

(b) Changes in investments in associates for the periods ended December 31, 2013 and March 31, 2013 were as follows:

		December 31, 2013				Ending balance
		Beginning balance	Acquisition	Equity method income (loss)	Other comprehensive loss	
The Asia Pacific Capital Fund II L.P(*)	₩	31,269	7,618	(17,284)	(1,703)	19,900
KoFC Shinhan Frontier Champ 2010-4 PEF		827	3,645	223	-	4,695
Innopolis-CJ Bio Healthcare Fund		-	4,000	(31)	-	3,969
Truston Falcon Asia US Feeder Fund		-	10,032	911	(102)	10,841
	₩	<u>32,096</u>	<u>25,295</u>	<u>(16,181)</u>	<u>(1,805)</u>	<u>39,405</u>



SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**7. Investments in associate, Continued**

	March 31, 2013						
	Beginning balance	Acquisition (disposal)	Equity method loss	Impairment	Other comprehensive loss	Others	Ending balance
The Asia Pacific Capital Fund II L.P(*)	₩ 32,147	-	(386)	-	(492)	-	31,269
KoFC Shinhan Frontier Champ 2010-4 PEF	-	938	(53)	(58)	-	-	827
Special Short Term 8	59	(50)	-	-	-	(9)	-
Special Middle Term 2	156	-	-	-	-	(156)	-
	₩ <u>32,362</u>	<u>888</u>	<u>(439)</u>	<u>(58)</u>	<u>(492)</u>	<u>(165)</u>	<u>32,096</u>

(\*) The Group accounted for its investment by using the equity method of accounting based on financial statements of September 30, 2013 and December 31, 2012, respectively.

(c) Condensed financial information of major associate as of December 31, 2013 and March 31, 2013 and for the periods ended December 31, 2013 and March 31, 2013 were as follows:

	December 31, 2013		March 31, 2013		December 31, 2013		March 31, 2013	
	Assets	Liabilities	Assets	Liabilities	Operating revenue	Net income (loss)	Operating revenue	Net loss
The Asia Pacific Capital Fund II L.P	91,163	86	151,563	8,456	-	(79,103)	-	(1,769)
KoFC Shinhan Frontier Champ 2010-4 PEF	55,474	218	12,554	2,816	2,644	3,272	54	(412)
Innopolis-CJ Bio Healthcare Fund	15,879	2	-	-	15	(123)	-	-
Truston Falcon Asia US Feeder Fund	35,209	880	-	-	3,977	2,887	-	-
	₩ <u>197,725</u>	<u>1,186</u>	<u>164,117</u>	<u>11,272</u>	<u>6,636</u>	<u>(73,067)</u>	<u>54</u>	<u>(2,181)</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**8. Loans**

(a) Details of loans as of December 31, 2013 and March 31, 2013 were as follows:

	<u>December 31, 2013</u>	<u>March 31, 2013</u>
Broker's loans	₩ 751,089	735,509
Loans purchased	251,031	501,787
Loans for housing	13,846	14,959
Call loan	412	180
advances for customers	12,850	11,049
Bonds purchased under repurchase agreements	121,350	121,350
Private placement bonds	5,013	5,282
Other loans	262,303	287,082
	<u>1,417,894</u>	<u>1,677,198</u>
Allowance for credit loss	(40,760)	(104,488)
Present value discount	(1,664)	(1,635)
Deferred loan origination costs	(423)	(838)
	₩ <u>1,375,047</u>	<u>1,570,237</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**8. Loans, Continued**

(b) Changes in the allowance for credit loss for the periods ended December 31, 2013 and March 31, 2013 were as follows:

		December 31, 2013		
		Loans	Other assets	Total
Beginning balance	₩	104,488	11,819	116,307
Provision for (reversal of) allowance		(6,385)	6,055	(330)
Write-offs		(161)	(861)	(1,022)
Sale of loans		(57,182)	(10,572)	(67,754)
Ending balance	₩	<u>40,760</u>	<u>6,441</u>	<u>47,201</u>
		March 31, 2013		
		Loans	Other assets	Total
Beginning balance	₩	104,520	15,890	120,410
Provision for allowance		4,893	6,867	11,760
Sale of loans		(4,424)	(11,439)	(15,863)
Reclassification		(501)	501	-
Ending balance	₩	<u>104,488</u>	<u>11,819</u>	<u>116,307</u>

(c) Changes in deferred loan origination fees for the periods ended December 31, 2013 and March 31, 2013 were as follows:

	December 31, 2013	March 31, 2013
Beginning balance	₩ 838	694
Loan originations	358	1,300
Amortization	(773)	(1,156)
Ending balance	<u>₩ 423</u>	<u>838</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**9. Property and equipment**

(a) Details of property and equipment as of December 31, 2013 and March 31, 2013 were as follows:

		December 31, 2013		
		Acquisition cost	Accumulated depreciation	Book value
Land	₩	54,505	-	54,505
Buildings		55,569	(8,721)	46,848
Others		94,796	(77,682)	17,114
	₩	<u>204,870</u>	<u>(86,403)</u>	<u>118,467</u>
		March 31, 2013		
		Acquisition cost	Accumulated depreciation	Book value
Land	₩	55,468	-	55,468
Buildings		56,346	(7,231)	49,115
Others		95,335	(77,220)	18,115
	₩	<u>207,149</u>	<u>(84,451)</u>	<u>122,698</u>

(b) Changes in property and equipment for the periods ended December 31, 2013 and March 31, 2013 were as follows:

		December 31, 2013			
		Land	Buildings	Others	Total
Beginning balance	₩	55,468	49,115	18,115	122,698
Acquisition		5	159	5,163	5,327
Disposal		-	-	(85)	(85)
Depreciation		-	(1,625)	(6,079)	(7,704)
Transferred from investment property		(968)	(801)	-	(1,769)
	₩	<u>54,505</u>	<u>46,848</u>	<u>17,114</u>	<u>118,467</u>
		March 31, 2013			
		Land	Buildings	Others	Total
Beginning balance	₩	64,180	49,791	20,126	134,097
Acquisition		-	-	8,261	8,261
Disposal		(16,141)	(5,021)	(667)	(21,829)
Depreciation		-	(2,029)	(9,605)	(11,634)
Transferred to investment property		7,429	6,374	-	13,803
	₩	<u>55,468</u>	<u>49,115</u>	<u>18,115</u>	<u>122,698</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**10. Intangible assets**

Changes in intangible assets for the periods ended December 31, 2013 and March 31, 2013 were as follows:

		December 31, 2013				
		Finite useful lives		Infinite useful lives		
		Software	Others	Membership	Settlement system right of use	Total
Beginning balance	₩	13,455	177	10,087	19,696	43,415
Acquisition		3,519	-	2,357	-	5,876
Disposals		-	-	(772)	-	(772)
Depreciation		(6,845)	(112)	-	-	(6,957)
Impairment		-	-	(164)	-	(164)
Others		-	87	(87)	-	-
Ending balance	₩	10,129	152	11,421	19,696	41,398

		March 31, 2013				
		Finite useful lives		Infinite useful lives		
		Software	Others	Membership	Settlement system right of use	Total
Beginning balance	₩	21,771	269	7,264	19,696	49,000
Acquisition		4,677	-	4,324	-	9,001
Disposals		-	-	(1,121)	-	(1,121)
Depreciation		(12,993)	(92)	-	-	(13,085)
Impairment		-	-	(380)	-	(380)
Ending balance	₩	13,455	177	10,087	19,696	43,415

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**11. Investment property**

(a) Details of investment property as of December 31, 2013 and March 31, 2013 were as follows:

		December 31, 2013		
		Acquisition cost	Accumulated depreciation	Book value
Land	₩	107,948	-	107,948
Buildings		96,549	(13,243)	83,306
	₩	<u>204,497</u>	<u>(13,243)</u>	<u>191,254</u>
		March 31, 2013		
		Acquisition cost	Accumulated depreciation	Book value
Land	₩	74,836	-	74,836
Buildings		83,237	(10,388)	72,849
	₩	<u>158,073</u>	<u>(10,388)</u>	<u>147,685</u>

(b) Changes in investment property for the periods ended December 31, 2013 and March 31, 2013 were as follows:

		December 31, 2013		
		Land	Buildings	Total
Beginning balance	₩	74,836	72,849	147,685
Acquisition		32,144	12,376	44,520
Depreciation		-	(2,720)	(2,720)
Transferred to property and equipment		968	801	1,769
Ending balance	₩	<u>197,948</u>	<u>83,306</u>	<u>191,254</u>
		March 31, 2013		
		Land	Buildings	Total
Beginning balance	₩	100,618	90,096	190,714
Acquisition		38	-	38
Disposals		(18,391)	(7,426)	(25,817)
Depreciation		-	(3,447)	(3,447)
Transferred from property and equipment		(7,429)	(6,374)	(13,803)
Ending balance	₩	<u>74,836</u>	<u>72,849</u>	<u>147,685</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**11. Investment property, Continued**

(c) Details of gain (loss) on investment property for the periods ended December 31, 2013 and March 31, 2013 were as follows:

		<u>December 31, 2013</u>	<u>March 31, 2013</u>
Rental income	₩	12,539	16,760
Direct operating expenses for investment property that generated rental income		2,721	3,447

(d) The fair value of investment property as of December 31, 2013 and March 31, 2013 were as follows:

		<u>December 31, 2013</u>	<u>March 31, 2013</u>
Fair value	₩	202,612	157,704

**12. Other assets**

Details of other assets as of December 31, 2013 and March 31, 2013 were as follows:

		<u>December 31, 2013</u>	<u>March 31, 2013</u>
Leasehold rights	₩	39,948	43,151
Receivables		738,911	1,009,460
Accrued income		83,504	90,386
Prepaid expenses		10,091	10,891
Deposits for guarantees		37,623	32,978
Advance payments		53,884	70,560
Prepaid income tax		183	34
Receivables from inter-bank fund transfer		32,450	36,612
Others		2,445	4,558
		<u>999,039</u>	<u>1,298,630</u>
Allowance for credit loss (Note 8)		(6,441)	(11,819)
Present value discount		(8,811)	(6,591)
	₩	<u>983,787</u>	<u>1,280,220</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**13. Deposits**

Details of deposits as of December 31, 2013 and March 31, 2013 were as follows:

	<u>December 31, 2013</u>	<u>March 31, 2013</u>
Customers' deposits		
Customers' deposits for brokerage	₩ 465,878	460,130
Customers' deposits for exchange-traded derivatives trading	180,726	264,513
Customers' deposits for savings	3,742	2,947
Customers' deposits for other securities	73	73
Customers' deposits for foreign securities	130,288	222,880
	<u>780,707</u>	<u>950,543</u>
Guarantee deposits		
Deposits for margin loans	9,072	9,087
	₩ <u>789,779</u>	<u>959,630</u>

**14. Financial liabilities at fair value through profit or loss**

(a) Details of financial liabilities at fair value through profit or loss as of December 31, 2013 and March 31, 2013 were as follows:

	<u>December 31, 2013</u>	<u>March 31, 2013</u>
Trading financial liabilities	₩ 857,367	246,156
Financial liabilities designated at fair value through profit or loss	5,909,130	4,766,698
Derivative liabilities	452,556	353,139
	₩ <u>7,219,053</u>	<u>5,365,993</u>

(b) Details of trading liabilities as of December 31, 2013 and March 31, 2013 were as follows:

	<u>December 31, 2013</u>	<u>March 31, 2013</u>
Securities sold		
Stocks	₩ 283,296	118,273
State and local bonds	424,445	124,148
Others	149,626	3,735
	₩ <u>857,367</u>	<u>246,156</u>



SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**14. Financial liabilities at fair value through profit or loss, Continued**

(c) Details of financial liabilities designated at fair value through profit or loss as of December 31, 2013 and March 31, 2013 were as follows:

		<u>December 31, 2013</u>	<u>March 31, 2013</u>
Hybrid instruments			
Equity linked securities sold	₩	4,545,850	3,598,721
Others derivatives-combined securities sold		<u>1,362,608</u>	<u>1,100,276</u>
		<u>5,908,458</u>	<u>4,698,997</u>
Management and performance evaluation on a fair value basis			
Securities sold		672	67,701
	₩	<u>5,909,130</u>	<u>4,766,698</u>

(d) Details of derivative liabilities as of December 31, 2013 and March 31, 2013 were as follows:

		<u>December 31, 2013</u>	<u>March 31, 2013</u>
Derivatives in won			
Over the counter:			
Interest rate	₩	91,961	64,695
Equity		274,006	248,395
Credit		5,324	3,724
Other		<u>69,451</u>	<u>1,775</u>
		<u>440,742</u>	<u>318,589</u>
Exchange traded:			
Equity options		<u>928</u>	<u>19,108</u>
		<u>441,670</u>	<u>337,697</u>
Derivatives in foreign currency			
Over the counter:			
Currency		5,602	2,107
Other		<u>2,090</u>	<u>5,864</u>
		<u>7,692</u>	<u>7,971</u>
Exchange traded:			
Commodity futures		<u>3,194</u>	<u>7,471</u>
		<u>10,886</u>	<u>15,442</u>
	₩	<u>452,556</u>	<u>353,139</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**15. Borrowings**

(a) Details of borrowings as of December 31, 2013 and March 31, 2013 were as follows:

		<u>December 31, 2013</u>	<u>March 31, 2013</u>
Debt securities issued	₩	17,432	17,432
Borrowings		<u>7,803,522</u>	<u>8,215,515</u>
	₩	<u>7,820,954</u>	<u>8,232,947</u>

(b) Details of borrowings as of December 31, 2013 and March 31, 2013 were as follows:

	<u>December 31, 2013</u>		<u>March 31, 2013</u>	
	<u>Interest rate (%)</u>	<u>Amount</u>	<u>Interest rate (%)</u>	<u>Amount</u>
Call money	2.45~2.65	₩ 1,034,900	2.70~2.87	₩ 646,500
Notes payable	-	-	2.79~2.82	480,000
Bank overdrafts	-	-	4.94	9,500
Bonds sold under repurchase agreements (won)	1.00~3.00	5,950,581	1.00~3.00	6,121,755
Bonds sold under repurchase agreements (foreign currency)	0.30~1.00	108,794	0.30~1.10	53,654
Borrowings from KSFC	2.62~2.67	125,675	3.03~3.53	32,301
Borrowings from Banks	-	-	3.45	50,000
Borrowings from affiliated company	4.11	100,000	4.11	100,000
	3.84	100,000	3.84	100,000
Borrowings in foreign currency	Libor 3 month+3.90	147,303	Libor 3 month+3.90	164,134
Others	-	236,269	-	457,671
		₩ <u>7,803,522</u>		₩ <u>8,215,515</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**16. Provisions**

Changes in provisions for the periods ended December 31, 2013 and March 31, 2013 were as follows:

		December 31, 2013		
		Asset retirement obligation(*)	Allowance for litigation	Total
Beginning balance	₩	3,502	5,687	9,189
Provision		137	-	137
Reversal		(215)	-	(215)
Provision used		-	(5,687)	(5,687)
Others		96	-	96
Ending balance	₩	3,520	-	3,520

  

		March 31, 2013			
		Asset retirement obligation(*)	Allowance for litigation	Other allowances	Total
Beginning balance	₩	3,084	21,942	2	25,028
Provision		662	-	-	662
Transfer		-	7,231	-	7,231
Reversal		(413)	-	-	(413)
Provision used		-	(23,486)	-	(23,486)
Other		169	-	(2)	167
Ending balance	₩	3,502	5,687	-	9,189

(\*) Asset retirement obligation liabilities represent the estimated costs to restore the existing leased properties which are discounted to the present value using the appropriate discount rate at the end of the reporting period. Disbursements of such costs are expected to incur at the end of the lease contract. Such costs are reasonably estimated using the average lease year and the average restoration expenses. The average lease year is calculated based on the past three -year historical data of the expired leases. The average restoration expense is calculated based on the actual costs incurred for the past three years using the three-year average inflation rate.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**17. Other liabilities**

Details of other liabilities as of December 31, 2013 and March 31, 2013 were as follows:

	<u>December 31, 2013</u>	<u>March 31, 2013</u>
Accounts payable	₩ 725,553	933,521
Accrued expenses	67,204	56,199
Unearned income	6,795	2,746
Deposits for rent	31,762	34,535
Domestic exchanges payable	32,263	38,087
Account for agency business	429	384
Advances from customers	26	-
Withholding income taxes	12,656	18,412
Deposits for derivatives	104,095	71,656
Others	26,509	1,956
	<u>1,007,266</u>	<u>1,157,496</u>
Present value discount	(2,406)	(2,120)
	<u>₩ 1,004,860</u>	<u>1,155,376</u>

**18. Net commission income**

Net commission income for the periods ended December 31, 2013 and March 31, 2013 were as follows:

	<u>December 31, 2013</u>	<u>March 31, 2013</u>
Commission income		
Brokerage commissions	₩ 154,295	209,374
Brokerage commissions on	8,672	10,783
Underwriting commissions	11,711	14,706
Consulting commissions	4,907	11,383
Commissions on entrusted investments	4,537	3,775
Trust fees and commissions received	6,422	5,886
Others	9,070	10,875
	<u>199,614</u>	<u>266,782</u>
Commission expense		
Trading commissions	(13,528)	(18,387)
Commission on securities borrowed	(6,164)	(3,508)
Commission on Shinhan Group brand	(6,722)	(9,315)
Partnership commission	(3,385)	(5,426)
Others	(6,707)	(9,893)
	<u>(36,506)</u>	<u>(46,529)</u>
Net commission income	<u>₩ 163,108</u>	<u>220,253</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
**For the nine months ended December 31, 2013 and the year ended March 31, 2013**

(In millions of won)

**19. Net interest income**

Net interest income for the periods ended December 31, 2013 and March 31, 2013 were as follows:

	<u>December 31, 2013</u>	<u>March 31, 2013</u>
Interest income		
Interest on deposits	₩ 29,983	67,744
Interest on financial assets designated at fair value through profit or loss	32,605	24,690
Interest on trading financial assets	208,690	247,006
Interest on available-for-sale financial assets	24,869	47,913
Interest on loans	50,678	67,330
Others	30,917	20,597
	<u>377,742</u>	<u>475,280</u>
Interest expense		
Interest on customers' deposits	(7,990)	(10,224)
Interest on borrowings	(21,057)	(23,276)
Interest on bonds sold under repurchase agreements	(118,700)	(159,164)
Interest on call money	(9,284)	(16,128)
Interest on debentures	(7,986)	(3,208)
Others	(9,442)	(4,753)
	<u>(174,459)</u>	<u>(216,753)</u>
Net interest income	₩ <u>203,283</u>	<u>258,527</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**20. Net gain (loss) on foreign transactions**

Net gain (loss) on foreign transactions for the periods ended December 31, 2013 and March 31, 2013 were as follows:

	<u>December 31, 2013</u>	<u>March 31, 2013</u>
Gain on foreign transactions		
Gain on foreign currency transactions	₩ 24,515	12,802
Gain on foreign exchange translations	11,628	3,161
	<u>36,143</u>	<u>15,963</u>
Loss on foreign transactions		
Loss on foreign currency transactions	(22,341)	(13,383)
Loss on foreign exchange translations	(7,043)	(2,772)
	<u>(29,384)</u>	<u>(16,155)</u>
Net gain (loss) on foreign transactions	₩ <u>6,759</u>	<u>(192)</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**21. Selling and administrative expenses**

Selling and administrative expenses for the periods ended December 31, 2013 and March 31, 2013 were as follows:

	<u>December 31, 2013</u>	<u>March 31, 2013</u>
Personnel expenses		
Salary and other benefits for employees	₩ 159,126	212,393
Early retirement	13,578	1,363
Severance pay	11,118	13,649
	<u>183,822</u>	<u>227,405</u>
Depreciation	7,704	11,635
Amortization of intangible assets	6,957	13,085
Others		
Rental expense	13,908	16,966
Entertainment expense	4,614	5,467
Advertising expense	6,585	11,250
Computer system operation expense	8,758	12,615
Research and study expense	4,265	5,386
Communication expense	6,278	8,291
Maintenance and repairs expense	2,950	4,449
Tax and dues	15,781	12,207
Others	16,318	24,060
	<u>79,457</u>	<u>100,691</u>
	<u>₩ 277,940</u>	<u>352,816</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**22. Other operating revenues and expenses**

Other operating revenues and expenses for the periods ended December 31, 2013 and March 31, 2013 were as follows:

	<u>December 31, 2013</u>	<u>March 31, 2013</u>
Other operating revenues		
Dividends income	₩ 4,249	3,897
Reversal of assets retirement obligation	215	413
Others	276	646
	<u>₩ 4,740</u>	<u>4,956</u>
Other operating expenses		
Provision for loss for other assets	₩ 6,055	6,867
Deposit insurance premium	323	536
Contribution to provisions for legal	-	7,231
Others	933	139
	<u>₩ 7,311</u>	<u>14,773</u>



SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**23. Non-operating incomes and expenses**

Non-operating incomes and expenses for the periods ended December 31, 2013 and March 31, 2013 were as follows:

	<u>December 31, 2013</u>	<u>March 31, 2013</u>
Non-operating incomes		
Gain on equity method valuation	₩ 1,134	-
Rental income	12,539	16,760
Gain on disposition of property and equipment	1	1,458
Gains on disposition of investment properties	-	1,878
Gains on disposition of intangible assets	280	605
Others	199	745
	<u>₩ 14,153</u>	<u>21,446</u>
Non-operating expenses		
Loss on equity method valuation	₩ 17,315	439
Impaired loss on investments in associates	-	58
Depreciation on investment properties	2,721	3,447
Donations	680	1,081
Loss on disposition of property and equipment	85	198
Loss on disposition of investment properties	-	426
Loss on disposition of intangible assets	37	56
Impairment losses on intangible assets	164	380
Others	93	2,973
	<u>₩ 21,095</u>	<u>9,058</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**24. Financial instrument classification by category**

(a) Detail of financial instruments' book value as of December 31, 2013 and March 31, 2013 were as follows:

		December 31, 2013							
		Trading assets	Financial asset designated at FVTPL	Available-for-sale financial assets	Loans and receivables	Trading liabilities	Financial liabilities designated at FVTPL	Financial liabilities measured at amortized cost	Total
Assets:									
Cash and due from banks	₩	-	-	-	1,957,785	-	-	-	1,957,785
Financial assets at FVTPL		9,626,838	3,088,936	-	-	-	-	-	12,715,774
Available-for-sale financial assets		-	-	1,658,455	-	-	-	-	1,658,455
Loans		-	-	-	1,375,047	-	-	-	1,375,047
Other financial assets		-	-	-	918,908	-	-	-	918,908
	₩	<u>9,626,838</u>	<u>3,088,936</u>	<u>1,658,455</u>	<u>4,251,740</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,625,969</u>
Liabilities:									
Deposits	₩	-	-	-	-	-	-	789,779	789,779
Financial liabilities at FVTPL		-	-	-	-	1,309,923	5,909,130	-	7,219,053
Borrowings		-	-	-	-	-	-	7,820,954	7,820,954
Other financial liabilities		-	-	-	-	-	-	854,804	854,804
	₩	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,309,923</u>	<u>5,909,130</u>	<u>9,465,537</u>	<u>16,684,590</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**24. Financial instrument classification by category, Continued**

		March 31, 2013							
		Trading assets	Financial asset designated at FVTPL	Available- for-sale financial assets	Loans and receivables	Trading liabilities	Financial liabilities designated at FVTPL	Financial liabilities measured at amortized cost	Total
Assets:									
Cash and due from banks	₩	-	-	-	1,739,134	-	-	-	1,739,134
Financial assets at FVTPL		8,896,514	2,798,644	-	-	-	-	-	11,695,158
Available-for-sale financial assets		-	-	1,338,815	-	-	-	-	1,338,815
Loans		-	-	-	1,570,237	-	-	-	1,570,237
Other financial assets		-	-	-	1,196,822	-	-	-	1,196,822
	₩	<u>8,896,514</u>	<u>2,798,644</u>	<u>1,338,815</u>	<u>4,506,193</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,540,166</u>
Liabilities:									
Deposits	₩	-	-	-	-	-	-	959,630	959,630
Financial liabilities at FVTPL		-	-	-	-	599,295	4,766,698	-	5,365,993
Borrowings		-	-	-	-	-	-	8,232,947	8,232,947
Other financial liabilities		-	-	-	-	-	-	1,060,607	1,060,607
	₩	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>599,295</u>	<u>4,766,698</u>	<u>10,253,184</u>	<u>15,619,177</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**24. Financial instrument classification by category, Continued**

(b) Gains or losses of financial instruments for the periods ended December 31, 2013 and March 31, 2013 were as follows:

	<u>December 31, 2013</u>	<u>March 31, 2013</u>
Trading assets		
Gain on valuation	₩ 24,466	40,568
Gain on sales	149,401	153,183
Loss on valuation	(32,382)	(7,396)
Loss on sales	(179,451)	(98,177)
	<u>₩ (37,966)</u>	<u>88,178</u>
Derivatives		
Gain on valuation of derivatives	₩ 261,009	269,578
Gain on derivatives transactions	583,195	606,677
Loss on valuation of derivatives	(277,670)	(197,333)
Loss on derivatives transactions	(495,884)	(416,458)
	<u>₩ 70,650</u>	<u>262,464</u>
Financial assets designated at fair value through profit or loss		
Gain on valuation	₩ 52,019	74,803
Gain on sales	27,813	32,957
Loss on valuation	(37,502)	(16,084)
Loss on sales	(17,401)	(6,417)
	<u>₩ 24,929</u>	<u>85,259</u>
Available for sale financial instruments		
Gain on sales	₩ 19,354	21,874
Reversal of impairment	-	22,147
Loss on sales	(2,882)	(1,516)
Impaired loss	(4,503)	(9,145)
Gain on valuation	(10,469)	(2,352)
	<u>₩ 1,500</u>	<u>31,008</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**24. Financial instrument classification by category, Continued**

	<u>December 31, 2013</u>	<u>March 31, 2013</u>
Loans and receivables		
Gain on sales of loans	₩ 8,691	2,538
Reversal	6,385	-
Provision for loan loss	-	(4,893)
Loss on sales of loans	(147)	(71)
Provision for loss for other assets	(6,055)	(6,867)
	<u>₩ 8,874</u>	<u>(9,293)</u>
Trading financial liabilities		
Gain on valuation	₩ 9,437	4,315
Gain on redemption	85,855	24,462
Loss on valuation	(8,684)	(6,254)
Loss on redemption	(70,811)	(41,869)
	<u>₩ 15,797</u>	<u>(19,346)</u>
Financial liability designated at fair value through profit or loss		
Gain on valuation	₩ 219,209	93,059
Gain on redemption	18,312	5,641
Loss on valuation	(201,646)	(214,891)
Loss on redemption	(184,395)	(352,042)
	<u>₩ (148,520)</u>	<u>(468,233)</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**25. Financial risk management**

(a) General information of risk management

The principal risks to which the Group is exposed are credit risk, market risk, interest risk and liquidity risk. These risks are recognized, measured and reported in accordance with risk management guidelines established at the controlling company level and implemented at the subsidiary level through a carefully stratified checks-and-balances system.

(i) Risk management principles

The Group risk management is guided by the following core principles:

- identifying and managing all inherent risks;
- standardizing risk management process and methodology;
- ensuring supervision and control of risk management independent of business activities;
- continuously assessing risk preference;
- preventing risk concentration;
- operating a precise and comprehensive risk management system including statistical models; and
- balancing profitability and risk management through risk-adjusted profit management

(ii) Risk management framework

The Group has established the Group Risk Management Committee, the Group Risk Management Council and the Group Risk Management Team at the holding company level and the Risk Management Committees and the Risk Management Team of the relevant subsidiary at the subsidiary level.

The Group Risk Management Committee consists of directors of the controlling company. The Group Risk Management Committee convenes at least once every quarter and may also convene on an ad hoc basis as needed. Specifically, the Group Risk Management Committee does the following: (i) establish the overall risk management policies consistent with management strategies, (ii) set risk limits for the entire group and each of subsidiaries, (iii) approve appropriate investment limits or allowed loss limits, (iv) enact and amends risk management regulations, and (v) decide other risk management-related issues the Board of directors or the Group Risk Management Committee sees fit to discuss. The results of the Group Risk Management Committee meetings are reported to the Board of Directors of the controlling company. The Group Risk Management Committee makes decisions through affirmative votes by a majority of the committee members.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**25. Financial risk management, Continued**

(a) General information of risk management, Continued

Group Risk Management Council consists of the Group's chief risk officer, head of risk management team, and risk officers from each subsidiary. The Group Risk Management Council holds meetings for risk management executives from each subsidiary to discuss the Group's groupwide risk management guidelines and strategy in order to maintain consistency in the groupwide risk policies and strategies. Specifically, the Group Risk Management Council deliberates on the following: (i) changes in risk management policies and strategies for each subsidiary, (ii) matters warranting discussion of risk management at the Group level and cooperation among the subsidiaries, (iii) the effect of external factors on the groupwide risk, (iv) determination of the risk appetite for the Group as a whole and for each of the subsidiaries, (v) risk limits of the Group as a whole and for each of the subsidiaries, (vi) operation of risk measuring systems for the Group as a whole and for each of the subsidiaries, (vii) matters requiring joint deliberation in relation to group-wide risk management and (viii) matters related to providing funds to the subsidiaries. The Group Risk Management Council has a sub-council consisting of working-level risk management officers to discuss the above-related matters in advance.

(b) Credit risk

(i) Maximum exposure to credit risk

Credit risk is the risk of financial loss of the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises principally from due from banks, the lending process related to loans, investment activities in debt securities and off balance sheet items including purchase agreements, etc. Credit risk management is critical to the Group's business activities; thus, the Group carefully manages the credit risk exposure.

Details of the Group's maximum exposure to credit risk without taking account of any collateral held or other credit enhancements as of December 31, 2013 and March 31, 2013 were as follows:

		December 31, 2013	March 31, 2013
Due from banks and loans(*)	₩	3,332,733	3,309,275
Banks		1,918,951	1,640,151
Retail		706,261	695,148
Mortgage lending		12,165	13,305
Other		694,096	681,843
Government		487	346
Corporate		707,034	973,630
Large company		508,312	506,780
Small business		198,722	466,850
Trading financial assets			
Debt securities		8,667,823	7,968,590
Financial assets designated at fair value through profit or loss			
Debt securities		1,763,070	1,522,860
Available-for-sale financial assets			
Debt securities		1,463,361	1,163,520

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**25. Financial risk management, Continued**

(b) Credit risk, Continued

	December 31, 2013	March 31, 2013
Derivative assets	227,327	266,635
Other financial assets	918,908	1,196,822
	<u>16,373,222</u>	<u>15,427,702</u>
ABCP purchase agreement	183,800	142,100
Loan commitment	-	110,000
	<u>183,800</u>	<u>252,100</u>
	<u>₩ 16,557,022</u>	<u>15,679,803</u>

(\*) Cash on hand is excluded from due from banks.

(ii) Due from banks and loans

Details of due from banks and loans as of December 31, 2013 and March 31, 2013 were as follows:

		December 31, 2013					
		Banks	Customers			Sub total	Total
			Retail	Government	Corporate		
Neither past due nor impaired	₩	1,918,951	705,893	487	704,878	1,411,258	3,330,209
Past due but not impaired		-	371	-	116	487	487
Impaired		-	1,415	-	41,382	42,797	42,797
		<u>1,918,951</u>	<u>707,679</u>	<u>487</u>	<u>746,376</u>	<u>1,454,542</u>	<u>3,373,493</u>
Less : allowance		-	(1,418)	-	(39,342)	(40,760)	(40,760)
	₩	<u>1,918,951</u>	<u>706,261</u>	<u>487</u>	<u>707,034</u>	<u>1,413,782</u>	<u>3,332,733</u>
		March 31, 2013					
		Banks	Customers			Sub total	Total
			Retail	Government	Corporate		
Neither past due nor impaired	₩	1,640,151	694,574	346	961,614	1,656,534	3,296,685
Past due but not impaired		-	577	-	36	613	613
Impaired		-	1,585	-	114,879	116,464	116,464
		<u>1,640,151</u>	<u>696,736</u>	<u>346</u>	<u>1,076,529</u>	<u>1,773,611</u>	<u>3,413,762</u>
Less : allowance		-	(1,588)	-	(102,899)	(104,487)	(104,487)
	₩	<u>1,640,151</u>	<u>695,148</u>	<u>346</u>	<u>973,630</u>	<u>1,669,124</u>	<u>3,309,275</u>



SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**25. Financial risk management, Continued**

(b) Credit risk, Continued

Details of due from banks and loans, net of allowance, that are neither past due nor impaired as of December 31, 2013 and March 31, 2013 were as follows:

		December 31, 2013					
		Banks	Customers			Sub total	Total
			Retail	Government	Corporate		
Grade 1	₩	1,918,951	-	487	550,744	551,231	2,470,182
Grade 2		-	705,893	-	154,134	860,027	860,027
Allowance		-	(3)	-	(877)	(880)	(880)
	₩	<u>1,640,151</u>	<u>705,890</u>	<u>487</u>	<u>704,001</u>	<u>1,410,378</u>	<u>3,329,329</u>
Fair value of collateral	₩	121,350	698,719	-	542,657	1,241,376	1,362,726

  

		March 31, 2013					
		Banks	Customers			Sub total	Total
			Retail	Government	Corporate		
Grade 1	₩	1,640,060	-	346	509,845	510,191	2,150,251
Grade 2		91	694,574	-	451,769	1,146,343	1,146,434
Allowance		-	(3)	-	(6,967)	(6,970)	(6,970)
	₩	<u>1,640,151</u>	<u>694,571</u>	<u>346</u>	<u>954,647</u>	<u>1,649,564</u>	<u>3,289,715</u>
Fair value of collateral	₩	121,350	691,064	-	738,991	1,430,055	1,551,405

Credit quality of due from banks and loans were classified based on the internal credit rating.

Details of due from banks and loans that were past due but not impaired as of December 31, 2013 and March 31, 2013 were as follows:

		December 31, 2013					
		Banks	Customers			Sub total	Total
			Retail	Government	Corporate		
Within 30 days	₩	-	371	-	116	487	487
30~60 days		-	-	-	-	-	-
60~90 days		-	-	-	-	-	-
More than 90 days		-	-	-	-	-	-
	₩	<u>-</u>	<u>371</u>	<u>-</u>	<u>116</u>	<u>487</u>	<u>487</u>
Fair value of collateral	₩	-	359	-	104	463	463

  

		March 31, 2013					
		Banks	Customers			Sub total	Total
			Retail	Government	Corporate		
Within 30 days	₩	-	577	-	36	613	613
30~60 days		-	-	-	-	-	-
60~90 days		-	-	-	-	-	-
More than 90 days		-	-	-	-	-	-
	₩	<u>-</u>	<u>577</u>	<u>-</u>	<u>36</u>	<u>613</u>	<u>613</u>
Fair value of collateral	₩	-	577	-	36	613	613

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**25. Financial risk management, Continued**

(b) Credit risk, Continued

Details of impaired due from banks and loans as of December 31, 2013 and March 31, 2013 were as follows:

		December 31, 2013				
		Banks	Customers			Total
			Retail	Government	Corporate	Sub total
Impaired amounts	₩	-	1,415	-	41,382	42,797
Allowance		-	(1,415)	-	(38,465)	(39,880)
	₩	-	-	-	2,917	2,917
Fair value of collateral	₩	-	-	-	2,917	2,917

  

		March 31, 2013				
		Banks	Customers			Total
			Retail	Government	Corporate	Sub total
Impaired amounts	₩	-	1,585	-	114,879	116,464
Allowance		-	(1,585)	-	(95,932)	(97,517)
	₩	-	-	-	18,947	18,947
Fair value of collateral	₩	-	-	-	18,947	18,947

(iii) Credit rating

Details of credit rating of trading financial assets, financial assets designated at fair value through profit or loss and available-for-sale financial assets as of December 31, 2013 and March 31, 2013 were as follows:

		December 31, 2013			
		Trading financial assets	Financial assets designated at fair value through profit or loss	Available-for-sale financial assets	Total
AAA	₩	2,575,511	181,843	52,028	2,809,382
AA- to AA+		4,222,635	253,736	659,137	5,208,926
A- to A+		1,748,441	866,705	534,504	3,149,650
Lower than A-		121,236	460,786	204,488	786,510
Unrated		-	-	13,204	13,204
	₩	8,667,823	1,763,070	1,463,361	11,967,672
Neither past due nor impaired	₩	8,667,823	1,763,070	1,457,828	11,962,139
Impaired		-	-	5,533	5,533
	₩	8,667,823	1,763,070	1,463,361	11,967,672

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**25. Financial risk management, Continued**

(b) Credit risk, Continued

		March 31, 2013			
		Trading assets	Financial assets designated at fair value through profit or loss	Available-for-sale financial assets	Total
AAA	₩	4,948,689	342,275	238,406	5,529,370
AA- to AA+		2,018,578	214,602	154,172	2,387,352
A- to A+		665,883	605,509	463,903	1,735,295
Lower than A-		330,650	360,474	252,784	943,908
Unrated		4,790	-	54,255	59,045
	₩	<u>7,968,590</u>	<u>1,522,860</u>	<u>1,163,520</u>	<u>10,654,970</u>
Neither past due nor impaired	₩	7,968,590	1,522,860	1,114,288	10,605,738
Impaired		-	-	49,232	49,232
	₩	<u>7,968,590</u>	<u>1,522,860</u>	<u>1,163,520</u>	<u>10,654,970</u>

(iv) Concentration by location

Details of concentration by location of due from banks and loans as of December 31, 2013 and March 31, 2013 were as follows:

		December 31, 2013				
		Banks	Retail	Government	Corporate	Total
Korea	₩	1,893,461	706,261	487	461,517	3,061,726
USA		2,651	-	-	1,501	4,152
UK		4	-	-	505	509
Other		22,835	-	-	243,511	266,346
	₩	<u>1,918,951</u>	<u>706,261</u>	<u>487</u>	<u>707,034</u>	<u>3,332,733</u>
		March 31, 2013				
		Banks	Retail	Government	Corporate	Total
Korea	₩	1,606,759	695,148	346	733,199	3,035,452
USA		2,985	-	-	2,860	5,845
UK		38	-	-	296	334
Other		30,369	-	-	237,275	267,644
	₩	<u>1,640,151</u>	<u>695,148</u>	<u>346</u>	<u>973,630</u>	<u>3,309,275</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**25. Financial risk management, Continued**

(b) Credit risk, Continued

(v) Concentration by industry sector

Details of concentration by industry sector of due from banks and loans as of December 31, 2013 and March 31, 2013 were as follows:

	December 31, 2013				
	Banks	Retail	Government	Corporate	Total
Finance and insurance	₩ 1,918,951	-	128	174,059	2,093,138
Manufacturing	-	-	-	13,145	13,145
Retail and wholesale	-	-	-	66,691	66,691
Real estate and service	-	-	-	100,674	100,674
Construction	-	-	-	2,142	2,142
Other	-	-	359	350,323	350,682
Retail customers	-	706,261	-	-	706,261
	₩ 1,918,951	706,261	487	707,034	3,332,733

  

	March 31, 2013				
	Banks	Retail	Government	Corporate	Total
Finance and insurance	₩ 1,640,151	-	346	305,676	1,946,173
Manufacturing	-	-	-	3,260	3,260
Retail and wholesale	-	-	-	4,880	4,880
Real estate and service	-	-	-	336,667	336,667
Construction	-	-	-	2,065	2,065
Other	-	-	-	321,082	321,082
Retail customers	-	695,148	-	-	695,148
	₩ 1,640,151	695,148	346	973,630	3,309,275

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**25. Financial risk management, Continued**

(c) Market risk

(i) Trading position Value at Risk (VaR)

Market risk is the risk that changes in market price, such as interest rates, equity prices, and foreign exchange rates, will affect the Group's income or the value of its trading portfolios.

The Group assesses its market risks using a variety of criteria such as standard methods that measure market risk exposure, risk valuation criteria (VaR: Value at Risk) and others, and report it daily.

Overall authority for market risk is vested in The Risk Management Committee. The Risk Management Practical Committee which is composed of the Group's financial officer, agenda initiative executive, executives of major operation departments and the Risk Management Officer (Chief Risk Officer) set risk management policy and investment limits. The Risk Management Practical Committee monitors operation departments and reports regularly to The Risk Management Committee. Operation departments which possess and manage trading assets also perform risk management on their own process.

The Group uses risk valuation techniques to evaluate, assess and control market risk, including the following measurement methods:

Risk valuation is calculated by multiplying risk weight to value of assets. The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level).

The Group utilizes one-day 99.9% confidence level based VaR assuming the probability that daily loss of the portfolio would not exceed reported VaR is 99.9%. The Group uses the ten-day 99.9% confidence level-based VaR for managing market risk. VaR computation is based on historical simulation. The Group calculates the ten-day 99.9% VaR by multiplying the one-day 99.9% VaR by the square root of ten and uses such VaR on a supplemental basis.

Limitation of market risk is set within total risk limitation and calculated by multiplying the Group's average VaR with a multiplier. The Group uses this risk to manage its capital structure.

The Risk Management Department manages risk limits given by the Risk Management Committee and Risk Management Practical Committee. Risk limits are comprised of transaction limits, stop loss, and instrument limits. If limits are exceeded, the operating unit manager reports that fact, reason, and solution to the Risk Management Department head. This procedure is stipulated well, therefore the risk can be treated effectively in an emergency situation.

## SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements****For the nine months ended December 31, 2013 and the year ended March 31, 2013**

(In millions of won)

**25. Financial risk management, Continued**

## (c) Market risk, Continued

An analysis of trading positions VaR as of and for the periods ended December 31, 2013 and March 31, 2013 were as follows:

		December 31, 2013			At December
		Average	Maximum	Minimum	31, 2013
Interest rate	₩	13,830	33,534	2,930	6,404
Equities		8,335	17,163	3,418	3,471
Foreign exchange		2,400	6,930	126	1,194
Option volatility		3,013	6,854	146	1,409
Portfolio diversification		(10,481)	(24,419)	(2,469)	(7,416)
	₩	<u>17,097</u>	<u>40,062</u>	<u>4,151</u>	<u>5,062</u>
		March 31, 2013			At March
		Average	Maximum	Minimum	31, 2013
Interest rate	₩	8,974	15,797	2,532	10,246
Equities		4,229	12,672	921	6,331
Foreign exchange		2,625	10,825	117	756
Option volatility		3,935	11,812	364	941
Portfolio diversification		(10,997)	(20,771)	(3,037)	(12,104)
	₩	<u>8,766</u>	<u>30,335</u>	<u>897</u>	<u>6,170</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
**For the nine months ended December 31, 2013 and the year ended March 31, 2013**

(In millions of won)

**25. Financial risk management, Continued**

(c) Market risk, Continued

(ii) Non-trading position VaR

The principal market risk from non-trading activities of the Group is interest rate risk, which affects the Group's earnings and the economic value of the Group's net assets:

- Earnings: interest rate fluctuations have an effect on the Group's net interest income by affecting its interest-sensitive operating income and expenses and EaR (Earnings at Risk) is a commonly used risk management measurement technique.
- Economic value of net assets: interest rate fluctuations influence the Group's net worth by affecting the present value of cash flows from the assets, liabilities and other transactions of the Group and interest rate VaR is a commonly used risk management measurement technique.

Accordingly, the Group measures and manages interest rate risk for non-trading activities by taking into account effects of interest rate changes on both its income and net asset value.

Interest rate VaR and EaR of non-trading positions as of December 31, 2013 and March 31, 2013 were as follows:

	December 31, 2013	March 31, 2013
Interest rate VaR	₩ 11,725	22,907
Interest rate EaR	126,321	132,360

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**25. Financial risk management, Continued**

(c) Market risk, Continued

(iii) Foreign exchange risk

Foreign exchange risk is the risk of loss that occurs due to fluctuations in future cash flows or fair values as a result of fluctuations in foreign exchange rates. Foreign exchange risk is due to differences between foreign currency denominated assets and liabilities, and is also from forward positions. The Group sets a limit for net open positions by currency.

The Group does not have of foreign currency denominated assets and liabilities that are applied to hedge accounting.

Exposures to foreign exchange risk of foreign currency denominated assets and liabilities as of December 31, 2013 and March 31, 2013 were as follows:

		December 31, 2013				
		USD	JPY	EUR	Other	Total
<b>Assets</b>						
Cash and due from banks	₩	139,034	1,207	8,704	13,134	162,079
Loans		241,943	-	-	-	241,943
Trading financial assets		228,263	5,020	-	19,246	252,529
Available-for-sale financial assets		5,391	-	-	504	5,895
Other financial assets		20,757	206	36	1,493	22,492
		<u>635,388</u>	<u>6,433</u>	<u>8,740</u>	<u>34,377</u>	<u>684,938</u>
<b>Liabilities</b>						
Deposits		122,467	826	7,733	7,437	138,463
Trading financial liabilities		46,806	-	-	-	46,806
Borrowings		256,907	-	-	-	256,097
Other financial liabilities		12,534	206	36	675	13,451
		<u>437,904</u>	<u>1,032</u>	<u>7,769</u>	<u>8,112</u>	<u>454,817</u>
Net assets		197,484	5,401	971	26,265	230,121
Off-balance sheet derivative exposure		(20,635)	(269)	(728)	(3,344)	(24,976)
Net position	₩	<u>176,849</u>	<u>5,132</u>	<u>243</u>	<u>22,921</u>	<u>205,145</u>



SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**25. Financial risk management, Continued**

(c) Market risk, Continued

		March 31, 2013				
		USD	JPY	EUR	Other	Total
<b>Assets</b>						
Cash and due from banks	₩	259,525	1,841	2,127	8,507	272,000
Loans		242,810	-	-	-	242,810
Trading financial assets		139,968	142	-	687	140,797
Available-for-sale financial assets		1,040	-	-	158	1,198
Other financial assets		61,845	-	5	1,009	62,859
		<u>705,188</u>	<u>1,983</u>	<u>2,132</u>	<u>10,361</u>	<u>719,664</u>
<b>Liabilities</b>						
Deposits		221,294	1,757	1,290	6,246	230,587
Borrowings		217,788	-	-	-	217,788
Other financial liabilities		32,994	-	5	731	33,730
		<u>472,076</u>	<u>1,757</u>	<u>1,295</u>	<u>6,977</u>	<u>482,105</u>
Net assets		233,112	226	837	3,384	237,559
Off-balance derivative exposure		(238,787)	-	(570)	-	(239,357)
Net position	₩	<u>(5,675)</u>	<u>226</u>	<u>267</u>	<u>3,384</u>	<u>(1,798)</u>

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

In addition to liquidity risk management under the normal market situations, the Group has contingency plans to effectively cope with a possible liquidity crisis. A liquidity crisis could arise if the Group is not able to effectively manage its liquidity needs with its normal sources of funds, an epidemic financial markets crisis occurs or an abrupt deterioration of the Group's credit occurs. The Group's contingency plans correspond to the following different stages of a liquidity crisis: "liquidity risk limits", "early warning indicators" and "monitoring indicators".

The Group applies the following basic principles for liquidity risk management:

- maintain an appropriate level of liquidity risk through liquidity risk management based on liquidity gap or debt-to-equity ratio at each maturity date;
- assess and monitor net cash flows by currency and by maturity and continuously evaluate available sources of funds and possibility of disposal of any liquid assets;
- diversify source and uses of funds by product and by maturity to prevent excessive concentration in certain periods or products; and
- prepare contingency plans to cope with a liquidity crisis.

The Group manages its liquidity risk within the limits set on won and foreign currency by using various analysis methods such as liquidity gap and various indices including risk limits, early warning index, and monitoring index.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**25. Financial risk management, Continued**

(d) Liquidity risk, Continued

(i) Contractual maturities for financial instruments

Contractual maturities for financial instruments including cash flows of principal and interest and off balance as of December 31, 2013 and March 31, 2013 were as follows:

		December 31, 2013						
		Less than 1 month	1~3 months	3~6 months	6 months ~ 1 year	1~5 years	More than 5 years	Total
Assets:								
Cash and due from bank	₩	755,394	388,536	555,031	212,904	-	60,094	1,971,959
Trading financial assets		9,399,511	-	-	-	-	-	9,399,511
Financial asset designated at FVTPL		2,387,535	146,011	99,491	88,401	367,666	-	3,089,104
Derivative assets		227,288	39	-	-	-	-	227,327
Available-for-sale financial assets		4,552	1,371,338	38,160	-	56,381	191,297	1,661,728
Loans		76,997	363,354	516,524	31,518	386,500	125,443	1,500,336
Other financial assets		869,833	11,864	7,422	10,051	32,671	2,319	934,160
		<u>13,721,110</u>	<u>2,281,142</u>	<u>1,216,628</u>	<u>342,874</u>	<u>843,218</u>	<u>379,153</u>	<u>18,784,125</u>
Liabilities:								
Deposits		790,475	-	-	-	-	-	790,475
Trading financial liabilities		857,367	-	-	-	-	-	857,367
Financial liabilities designated at FVTPL		56,175	206,479	442,352	677,631	4,205,094	321,399	5,909,130
Derivative liabilities		452,556	-	-	-	-	-	452,556
Borrowings		7,313,370	68,354	24,585	13,593	288,614	181,970	7,890,486
Other financial liabilities		813,469	12,369	8,937	2,139	19,564	732	857,210
		<u>10,283,412</u>	<u>287,202</u>	<u>475,874</u>	<u>693,363</u>	<u>4,513,272</u>	<u>504,101</u>	<u>16,757,224</u>
Net position	₩	<u>3,437,698</u>	<u>1,993,940</u>	<u>740,754</u>	<u>(350,489)</u>	<u>(3,670,054)</u>	<u>(124,948)</u>	<u>2,026,901</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**25. Financial risk management, Continued**

(d) Liquidity risk, Continued

		March 31, 2013						
		Less than 1 month	1~3 months	3~6 months	6 months ~ 1 year	1~5 years	More than 5 years	Total
Assets:								
Cash and due from bank	₩	658,149	443,279	299,014	351,979	-	92	1,752,513
Trading financial assets		183,305	231,169	484,860	61,087	410,489	370,250	1,741,160
Financial asset designated at FVTPL		8,629,878	-	-	-	-	-	8,629,878
Derivative assets		266,635	-	-	-	-	-	266,635
Available-for-sale financial assets		2,262,956	31,666	57,992	56,752	392,248	-	2,801,614
Loans		9,398	1,113,617	-	-	1,414	222,288	1,346,717
Other financial assets		1,093,321	23,354	21,489	26,780	28,519	21,769	1,215,232
		<u>13,103,643</u>	<u>1,843,085</u>	<u>863,355</u>	<u>496,598</u>	<u>832,670</u>	<u>614,399</u>	<u>17,753,750</u>
Liabilities:								
Deposits		960,538	-	-	-	-	-	960,538
Trading financial liabilities		246,157	-	-	-	-	-	246,157
Financial liabilities designated at FVTPL		147,524	208,806	171,170	662,644	3,420,224	156,328	4,766,696
Derivative liabilities		353,139	-	-	-	-	-	353,139
Borrowings		7,424,463	18,840	12,420	66,747	618,521	170,431	8,311,422
Debt securities issued		73	17,481	-	-	-	-	17,554
Other financial liabilities		988,808	17,335	4,221	37,080	14,571	712	1,062,727
		<u>10,120,702</u>	<u>262,462</u>	<u>187,811</u>	<u>766,471</u>	<u>4,053,316</u>	<u>327,471</u>	<u>15,718,233</u>
Net position	₩	<u>2,982,941</u>	<u>1,580,623</u>	<u>675,544</u>	<u>(269,873)</u>	<u>(3,220,646)</u>	<u>286,928</u>	<u>2,035,517</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**25. Financial risk management, Continued**

(d) Liquidity risk, Continued

(ii) Contractual maturities for off balance sheet items

Contractual maturities for off balance sheet items as of December 31, 2013 and March 31, 2013 were as follows:

		December 31, 2013					
		Less than 1 month	1~3 months	3~6 months	6 months ~ 1 year	1~5 years	Total
ABCP purchase agreement	₩	183,800	-	-	-	-	183,800
		March 31, 2013					
		Less than 1 month	1~3 months	3~6 months	6 months ~ 1 year	1~5 years	Total
ABCP purchase agreement	₩	142,100	-	-	-	-	142,100
Loan commitment		110,000	-	-	-	-	110,000
	₩	<u>252,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>252,100</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**25. Financial risk management, Continued**

(e) Capital risk management

(i) Capital management

The objective of capital management is to maintain a competitive credit rating for maximizing Group value and support its going concern.

The Group manages capital risk by considering the risk concerning market status change and operating activities. The Group maintains required capital by restricting dividends, increasing capital stock and capital reduction.

(ii) Regulatory Capital Status

Financial Supervisory Service imposes limitations on the Group's net capital ratio (NCR) to maintain at over 150%, otherwise the following measures are taken:

- NCR between 120%~150%: recommending management improvement
- NCR between 100%~120%: demanding management improvement
- NCR less than 100%: ordering management improvement

The Group manages NCR according to its separate financial statements and details of NCR as of December 31, 2013 and March 31, 2013 were as follows:

		December 31, 2013	March 31, 2013
1. Net capital	₩	1,505,391	1,520,264
Net assets		2,228,901	2,220,311
Adjustment(-)		723,939	700,101
Adjustment(+)		429	54
2. Total risk		303,123	257,843
Market risk		234,334	190,483
Credit risk		51,125	49,596
Operating risk		17,664	17,764
3. Net capital ratio		496.63%	589.61%
: (1/2) X 100 (%)			
4. Surplus capital : (1 - 2)	₩	1,202,268	1,262,421

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**25. Financial risk management, Continued**

(f) Measurement of fair value

The fair value which the Group primarily uses for measurement of financial instruments are the published price quotations in an active market which are based on the market prices or the dealer price quotations of financial instruments traded in an active market where available, which are the best evidence of fair value.

If the market for a financial instrument is not active, fair value is established either by using a valuation technique or independent third-party valuation service. The Group uses diverse valuation techniques using certain assumptions which are based on the inputs observable in markets at the end of each reporting date.

Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. For example, the fair value for an interest swap is the present value of estimated future cash flows, and the fair value for a foreign exchange forwards contract is measured using the published forward exchange rate at the end of each reporting date.

(i) Financial instruments measured at amortized cost

The method of measuring the fair value of financial instruments measured at amortized cost is as follows:

Type	Measurement methods of fair value
Cash and due from banks	The book value and the fair value for cash are identical and most deposits are floating interest rate deposits or deposits that are a short-term instrument. For this reason, the book value is used as a substitute figure for the fair value.
Loans	The fair value of the loans is measured by discounting the expected cash flows at the market interest rate and credit risk, etc.
Deposits and borrowings	The book value and the fair value for demand deposits that are short-term instruments are identical. The fair value of borrowings is measured by discounting the contractual cash flows at the market interest rate that takes into account the residual risk.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**25. Financial risk management, Continued**

(f) Measurement of fair value, Continued

(i) Financial instruments measured at amortized cost, Continued

The financial instruments measured at amortized cost as of December 31, 2013 and March 31, 2013 were as follows:

	December 31, 2013				
	Book value				
	Balance	Unamortized balance	Allowance	Total	Fair value
<b>Assets</b>					
Cash and due from banks:					
Cash and cash equivalents	₩ 710,506	-	-	710,506	710,506
Due from banks	1,247,279	-	-	1,242,279	1,242,279
	<u>1,957,785</u>	<u>-</u>	<u>-</u>	<u>1,957,785</u>	<u>1,957,785</u>
Loans:					
Retail	744,049	(1,663)	(1,419)	740,967	740,967
Corporate	673,845	(423)	(39,342)	634,080	634,080
	<u>1,417,894</u>	<u>(2,086)</u>	<u>(40,761)</u>	<u>1,375,047</u>	<u>1,375,047</u>
Other financial assets	934,160	(8,811)	(6,441)	918,908	927,071
	<u>₩ 4,309,839</u>	<u>(10,897)</u>	<u>(47,202)</u>	<u>4,251,740</u>	<u>4,259,903</u>
<b>Liabilities</b>					
Deposits	₩ 789,779	-	-	789,779	789,779
Borrowings:					
Call money	1,034,900	-	-	1,034,900	1,034,900
Bonds sold under repurchase agreements	6,059,375	-	-	6,059,375	6,059,375
Borrowings	709,247	-	-	709,247	709,247
Debt securities issued	17,432	-	-	17,432	17,432
	<u>7,820,954</u>	<u>-</u>	<u>-</u>	<u>7,820,954</u>	<u>7,820,954</u>
Other financial liabilities	857,210	(2,406)	-	854,804	854,901
	<u>₩ 9,467,943</u>	<u>(2,406)</u>	<u>-</u>	<u>9,465,537</u>	<u>9,474,034</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**25. Financial risk management, Continued**

(f) Measurement of fair value, Continued

(i) Financial instruments measured at amortized cost, Continued

	March 31, 2013				
	Book value				Fair value
	Balance	Unamortized balance	Allowance	Total	
<b>Assets</b>					
Cash and due from banks:					
Cash and cash equivalents	₩ 517,553	-	-	517,553	517,553
Due from banks	1,221,581	-	-	1,221,581	1,221,581
	<u>1,739,134</u>	<u>-</u>	<u>-</u>	<u>1,739,134</u>	<u>1,739,134</u>
Loans:					
Retail	732,528	(1,635)	(1,588)	729,305	729,305
Corporate	944,669	(838)	(102,899)	840,932	840,932
	<u>1,677,197</u>	<u>(2,473)</u>	<u>(104,487)</u>	<u>1,570,237</u>	<u>1,570,237</u>
Other financial assets	1,215,232	(6,591)	(11,819)	1,196,822	1,209,266
	<u>₩ 4,631,563</u>	<u>(9,064)</u>	<u>(116,306)</u>	<u>4,506,193</u>	<u>4,518,637</u>
<b>Liabilities</b>					
Deposits	₩ 959,630	-	-	959,630	959,630
Borrowings:					
Call money	646,500	-	-	646,500	646,500
Bonds sold under repurchase agreements	6,175,409	-	-	6,175,409	6,175,409
Borrowings	1,393,606	-	-	1,393,606	1,400,361
Debt securities issued	17,432	-	-	17,432	20,097
	<u>8,232,947</u>	<u>-</u>	<u>-</u>	<u>8,232,947</u>	<u>8,242,367</u>
Other financial liabilities	1,062,726	(2,119)	-	1,060,607	1,061,039
	<u>₩ 10,255,303</u>	<u>(2,119)</u>	<u>-</u>	<u>10,253,184</u>	<u>10,263,036</u>



SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**25. Financial risk management, Continued**

(f) Measurement of fair value, Continued

(i) Financial instruments measured at amortized cost, Continued

Details of financial instruments measured at amortized cost by the level in the fair value hierarchy into which the fair value measurement is categorized as of December 31, 2013 were as follows:

		Level 1	Level 2	Level 3	Total
<b>Assets</b>					
Cash and due from banks	₩	1,957,785	-	-	1,957,785
Loans		411	-	1,374,636	1,375,047
Other financial assets		4,146	-	922,925	927,071
	₩	<u>1,962,342</u>	<u>-</u>	<u>2,297,561</u>	<u>4,259,903</u>
<b>Liabilities</b>					
Deposits	₩	789,779	-	-	789,779
Borrowings		6,544,275	-	1,285,079	7,829,354
Other financial liabilities		4,185	-	850,716	854,901
	₩	<u>7,338,239</u>	<u>-</u>	<u>2,135,795</u>	<u>9,474,034</u>

(ii) Financial instruments measured at fair value

The Group classifies and discloses fair value of financial instruments into the following three-level hierarchy:

- Level 1: Financial instruments measured at quoted prices from active markets are classified as fair value level 1.
- Level 2: Financial instruments measured using valuation techniques where all significant inputs are observable market data are classified as level 2.
- Level 3: Financial instruments measured using valuation techniques where one or more significant inputs are not based on observable market data are classified as level 3.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**25. Financial risk management, Continued**

(f) Measurement of fair value, Continued

(ii) Financial instruments measured at fair value, Continued

Details of financial instruments measured at the fair value by the level in the fair value hierarchy into which the fair value measurement is categorized as of December 31, 2013 and March 31, 2013 were as follows:

	December 31, 2013			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Trading financial assets:				
Debt securities	₩ 473,817	256,374	1,497	731,688
Equity securities	2,457,251	6,210,572	-	8,667,823
	<u>2,931,068</u>	<u>6,466,946</u>	<u>1,497</u>	<u>9,399,511</u>
Derivative assets:				
Trading purpose	6,995	74,086	146,246	227,327
Financial assets designated at fair value through profit or loss				
Reserve for claims of customers' deposit (trust)	-	1,209,975	-	1,209,975
Debt securities	171,880	887,581	-	1,059,461
Equity securities	46,573	-	69,318	115,891
Derivatives-combined securities	-	150,050	553,559	703,609
	<u>218,453</u>	<u>2,247,606</u>	<u>622,877</u>	<u>3,088,936</u>
Available-for-sale financial assets:				
Debt securities	52,027	1,411,334	-	1,463,361
Equity securities	1,281	9,668	175,929	186,878
Collective fund for default loss	-	8,216	-	8,216
	<u>53,308</u>	<u>1,429,218</u>	<u>175,929</u>	<u>1,658,455</u>
	<u>₩ 3,209,824</u>	<u>10,217,856</u>	<u>946,549</u>	<u>14,374,229</u>
<b>Liabilities</b>				
Trading financial liabilities:				
Securities sold	₩ 857,367	-	-	857,367
Derivative liabilities:				
Trading purpose	6,212	105,477	340,867	452,556
Financial liabilities designated at fair value through profit or loss:				
Derivatives-combined securities sold	-	1,379,367	4,529,091	5,908,130
Securities sold	672	-	-	672
	<u>672</u>	<u>1,379,367</u>	<u>4,529,091</u>	<u>5,909,130</u>
	<u>₩ 864,251</u>	<u>1,484,844</u>	<u>4,869,958</u>	<u>7,219,053</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**25. Financial risk management, Continued**

(f) Measurement of fair value, Continued

(ii) Financial instruments measured at fair value, Continued

	March 31, 2013			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Trading financial assets:				
Debt securities	₩ 261,348	399,940	-	661,288
Equity securities	4,613,468	3,355,122	-	7,968,591
	<u>4,874,816</u>	<u>3,755,062</u>	<u>-</u>	<u>8,629,879</u>
Derivative assets:				
Trading purpose	25,029	77,883	163,723	266,635
Financial assets designated at fair value through profit or loss				
Reserve for claims of customers' deposit (trust)	-	1,224,086	-	1,224,086
Debt securities	325,638	654,854	-	980,492
Equity securities	51,698	-	-	51,698
Derivatives-combined securities	-	1,782	540,586	542,368
	<u>377,336</u>	<u>1,880,722</u>	<u>540,586</u>	<u>2,798,644</u>
Available-for-sale financial assets:				
Debt securities	238,406	925,114	-	1,163,520
Equity securities	2,933	3,451	159,438	165,822
Collective fund for default loss	-	9,473	-	9,473
	<u>241,339</u>	<u>938,038</u>	<u>159,438</u>	<u>1,338,815</u>
	<u>₩ 5,518,520</u>	<u>6,651,705</u>	<u>863,747</u>	<u>13,033,972</u>
<b>Liabilities</b>				
Trading financial liabilities:				
Securities sold	₩ 246,156	-	-	246,156
Derivative liabilities:				
Trading purpose	26,579	206,024	120,536	353,139
Financial liabilities designated at fair value through profit or loss:				
Derivatives-combined securities sold	-	23,456	4,675,541	4,698,997
Securities sold	67,581	120	-	67,701
	<u>67,581</u>	<u>23,576</u>	<u>4,675,541</u>	<u>4,766,698</u>
	<u>₩ 340,316</u>	<u>229,600</u>	<u>4,796,077</u>	<u>5,365,993</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**25. Financial risk management, Continued**

(f) Measurement of fair value, Continued

(ii) Financial instruments measured at fair value, Continued

Changes in level 3 of the fair value hierarchy for the periods ended December 31, 2013 and March 31, 2013 were as follows:

	December 31, 2013					
	Trading Financial assets	Financial assets designated at fair value through profit or loss	Available-for- sale financial assets	Financial liabilities designated at fair value through profit or loss	Derivative	Total
Beginning balance	₩ -	540,586	159,438	(4,675,541)	43,187	(3,932,330)
Total income						
Profit or loss	-	17,983	(3,647)	(177,478)	54,267	(108,875)
Other comprehensive income	-	-	(9,076)	-	-	(9,076)
Purchases and issuances	1,497	491,868	32,351	(4,405,537)	15,808	(3,864,013)
Sales and settlements	-	(427,560)	(3,137)	4,729,465	(307,883)	3,990,885
Ending balance	₩ 1,497	622,877	175,929	(4,529,091)	(194,621)	(3,923,409)
	March 31, 2013					
		Financial assets designated at fair value through profit or loss	Available-for- sale financial assets	Financial liabilities designated at fair value through profit or loss	Derivative	Total
Beginning balance	₩	316,423	167,717	(3,708,108)	(104,739)	(3,328,707)
Total income						
Profit or loss		18,461	(552)	(287,549)	178,909	(90,731)
Other comprehensive income		-	(12,302)	-	-	(12,302)
Purchases and issuances		657,125	4,508	(4,542,407)	(74,199)	(3,954,973)
Sales and settlements		(451,423)	(1,929)	3,862,523	43,216	3,452,387
Transferred to Level 3		-	1,996	-	-	1,996
Ending balance	₩	540,586	159,438	(4,675,541)	43,187	(3,932,330)

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**25. Financial risk management, Continued**

(f) Measurement of fair value, Continued

Day 1 profit or loss for the periods ended December 31, 2013 and March 31, 2013 were as follows:

		December 31, 2013	March 31, 2013
Beginning balance	₩	(13,651)	(3,522)
New transactions		(24,954)	(12,285)
Amounts recognized in profit or loss during the period		9,158	2,156
Ending balance	₩	<u>(29,447)</u>	<u>(13,651)</u>

Information about valuation technique and inputs used at December 31, 2013 in the fair value measurement of financial instruments classified as level 2 was as follows:

Type of financial instrument	Valuation technique	Book value	Inputs
<b>Assets</b>			
Trading assets	DCF(*)	₩ 6,466,946	Discount rate
Financial assets designated at fair value through profit or loss	DCF(*)	2,247,606	Discount rate Price of underlying assets
Derivative assets	DCF(*)	74,086	Discount rate Price of underlying assets
Available-for-sale financial assets	DCF(*)	1,429,218	Discount rate
		<u>₩ 10,217,856</u>	
<b>Liabilities</b>			
Financial liabilities designated at fair value through profit or loss	DCF(*)	₩ 1,379,367	Discount rate Price of underlying assets
Derivative liabilities	DCF(*)	105,477	Discount rate Price of underlying assets
		<u>₩ 1,484,844</u>	

(\*) DCF : Discounted cash flow

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**25. Financial risk management, Continued**

(f) Measurement of fair value, Continued

Information about valuation technique and significant unobservable inputs used at December 31, 2013 in the fair value measurement of financial instruments classified as level 3 was as follows:

Type of financial instrument	Valuation technique	Book value	significant unobservable inputs	Range
<b>Assets</b>				
Trading assets	Option model(*)	₩ 1,497	Discount rate Growth rate	
Financial assets designated at fair value through profit or loss	Option model(*)	622,877	The volatility of the underlying asset Correlations	Discount rate : 4.81% ~ 17.95% Growth rate : 0% ~ 1% The volatility of the underlying asset : 0.016 ~ 0.488 Correlations : (-)0.033~0.947
Derivative assets	Option model(*)	146,246	The volatility of the underlying asset Correlations	
Available-for-sale financial assets	DCF	175,929	Discount rate Growth rate	
		<u>₩ 946,549</u>		
<b>Liabilities</b>				
Financial liabilities designated at fair value through profit or loss	Option model(*)	₩ 4,529,091	The volatility of the underlying asset Correlations	The volatility of the underlying asset : 0.016 ~ 1.059 Correlations : (-)0.049~0.859
Derivative liabilities	Option model(*)	340,867	The volatility of the underlying asset Correlations	
		<u>₩ 4,869,958</u>		

(\*) Option model that the Group uses in derivative valuation includes Black-Scholes model, Hull-White model, Monte Carlo simulation, etc.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**25. Financial risk management, Continued**

(f) Measurement of fair value, Continued

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

For level 3 fair value measurement, changing one or more of the unobservable inputs used to reasonably possible alternative assumptions would have the following effect on profit or loss, or other comprehensive income:

	December 31, 2013	
	Favorable changes	Unfavorable changes
Financial assets at fair value through profit or loss (*1)		
Financial assets designated at FVTPL	₩ 5,170	(4,385)
Derivative assets	12,244	(20,364)
Available-for-sale financial assets(*2)	<u>13,557</u>	<u>(13,515)</u>
	<u>30,971</u>	<u>(38,264)</u>
Financial assets at fair value through profit or loss (*1)		
Financial liabilities designated at FVTPL	45,080	(48,732)
Derivative liabilities	36,784	(38,316)
	₩ <u>81,864</u>	<u>(87,048)</u>

(\*1) Fair value changes are calculated by increasing or decreasing the volatility of the underlying asset (-10~10%) or correlations (-10~10%).

(\*2) Fair value changes are calculated by increasing or decreasing discount rate (-1~1%) or growth rate (0~1%).

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**25. Financial risk management, Continued**

(g) Offsetting financial assets and financial liabilities

Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2013 and March 31, 2013 were as follows:

	December 31, 2013					Net amount
	Gross amounts of recognized financial assets/ liabilities	Gross amounts of recognized financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position		
				Financial instruments	Cash collateral received	
<b>Assets</b>						
Derivatives	₩ 225,061	-	225,061	(135,761)	(74)	89,226
Other financial instruments	764,448	(616,568)	147,880	(33,572)	-	-
Bonds purchased under repurchase agreements	6,588,567	-	6,588,567	(6,180,725)	-	470,060
Securities loaned	3,368	-	3,368	(3,368)	-	-
Domestic exchange settlement debit	4,145	-	4,145	(4,145)	-	114,308
	₩ <u>7,585,589</u>	<u>(616,568)</u>	<u>6,969,021</u>	<u>(6,357,571)</u>	<u>(74)</u>	<u>611,376</u>
<b>Liabilities</b>						
Derivatives	₩ 448,772	-	448,772	(169,332)	-	279,440
Other financial instruments	810,017	(616,568)	193,449	(74)	-	193,375
Bonds purchased under repurchase agreements	6,059,375	-	6,059,375	(6,059,375)	-	-
Securities borrowed	858,039	-	858,039	(858,039)	-	-
Domestic exchange settlement pending	4,185	-	4,185	(4,145)	-	40
	₩ <u>8,180,388</u>	<u>(616,568)</u>	<u>7,563,820</u>	<u>(7,090,965)</u>	<u>-</u>	<u>472,855</u>



SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**25. Financial risk management, Continued**

(g) Offsetting financial assets and financial liabilities, continued

	March 31, 2013					Net amount
	Gross amounts of recognized financial assets/ liabilities	Gross amounts of recognized financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position		
				Financial instruments	Cash collateral received	
<b>Assets</b>						
Derivatives	₩ 266,635	-	266,635	(147,515)	-	119,121
Other financial instruments	1,122,183	(831,300)	290,883	(165,082)	-	125,082
Bonds purchased under repurchase agreements	6,638,085	-	6,638,085	(6,296,759)	-	341,436
Securities loaned	50,548	-	50,548	(50,548)	-	-
Domestic exchange settlement debit	42,027	-	42,027	(41,971)	-	56
	₩ 8,119,478	(831,300)	7,288,178	(6,701,875)	-	586,305
<b>Liabilities</b>						
Derivatives	₩ 353,139	-	353,139	(312,596)	-	40,542
Other financial instruments	900,741	(831,300)	69,441	-	-	69,441
Bonds purchased under repurchase agreements	6,175,409	-	6,175,409	(6,175,409)	-	-
Securities borrowed	313,858	-	313,858	(313,858)	-	-
Domestic exchange settlement pending	41,971	-	41,971	(41,971)	-	-
	₩ 7,785,118	(831,300)	(6,843,834)	(6,843,834)	-	109,983

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**26. Operating Segments**

(a) Segment information

The general descriptions of the Group's operating segments are as follows:

Description	Area of business
Retail group	Loan, deposits and its related activities for retail, institution and WM (Wealth Management) customers
Wholesale group	Large company, small business, overseas operations and work involved
IB group	Loan, deposits and its related activities for IB customers
Trading group	Investing to derivative, securities and work involved
Other	Management supporting, risk management and other supporting functions (including adjustments)

(b) The following table provides information of operating income and net income for each operating segment for the periods ended December 31, 2013 and March 31, 2013.

	December 31, 2013					
	Retail	Wholesale	IB	Trading	Other	Total
Net fees and commission Income (loss)	₩ 134,841	30,289	18,548	(11,800)	(8,770)	163,108
Net gain (loss) on financial instruments (*)	-	2,527	998	21,830	(88,496)	(63,141)
Net interest income	36,284	892	2,102	59,381	104,174	203,283
Selling and administrative expenses	173,799	23,725	16,707	37,702	26,007	277,940
Other, net	1,747	1,465	15,181	(45,645)	39,427	12,175
Income tax expense (benefit)	(228)	2,811	4,940	(3,311)	4,991	9,203
Profit (loss) for the period	₩ (699)	8,637	15,182	(10,175)	15,337	28,282

(\*) Gain on financial instruments at fair value through profit or loss & gain on available-for-sale financial assets

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**26. Operating Segments, Continued**

		March 31, 2013					Total
		Retail	Wholesale	IB	Trading	Other	
Net fees and commission	₩	176,255	36,119	27,990	(4,413)	(15,698)	220,253
Income (loss)							
Net gain (loss) on financial instruments (*)		-	1,202	252	20,275	(40,047)	(18,318)
Net interest income		48,584	3,409	1,707	113,596	91,231	258,527
Selling and administrative expenses		236,634	32,879	21,672	44,597	17,034	352,816
Other		364	1,659	6,388	(22,176)	13,178	(47)
Income tax expense (benefit)		(2,159)	1,797	2,770	11,842	6,077	20,327
Profit (loss) for the period	₩	<u>(9,272)</u>	<u>7,713</u>	<u>11,895</u>	<u>50,843</u>	<u>26,093</u>	<u>82,272</u>

(\*) Gain on financial instruments at fair value through profit or loss & gain on available-for-sale financial assets

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**26. Operating Segments, Continued**

(c) The following table provides information of the main assets for each operating segment as of December 31, 2013 and March 31, 2013.

		December 31, 2013					
		Retail	Wholesale	IB	Trading	Other	Total
Cash and due from banks	₩	6,385	-	-	10,786	1,940,614	1,957,785
Financial assets at fair value through profit or loss		5,452	59,822	84,474	10,899,612	1,666,414	12,715,774
Available-for-sale financial assets		4,506	-	696,618	562,446	394,885	1,658,455
Investments in associates		-	-	24,595	14,810	-	39,405
Loans		751,942	-	489,832	114,752	18,521	1,375,047
Total	₩	<u>768,285</u>	<u>59,822</u>	<u>1,295,519</u>	<u>11,602,406</u>	<u>4,020,434</u>	<u>17,746,466</u>

  

		March 31, 2013					
		Retail	Wholesale	IB	Trading	Other	Total
Cash and due from banks	₩	6,227	2,986	3,520	11,256	1,715,145	1,739,134
Financial assets at fair value through profit or loss		13,779	90,768	100,565	9,805,080	1,684,966	11,695,158
Available-for-sale financial assets		9,119	-	775,594	335,431	218,671	1,338,815
Investments in associates		-	-	827	31,269	-	32,096
Loans		736,680	-	697,527	114,751	21,279	1,570,237
Total	₩	<u>765,805</u>	<u>93,754</u>	<u>1,578,033</u>	<u>10,297,787</u>	<u>3,640,061</u>	<u>16,375,440</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**27. Income tax expense**

- (a) The components of income tax expense of the Group for the periods ended December 31, 2013 and March 31, 2013 were as follows:

	<u>December 31, 2013</u>	<u>March 31, 2013</u>
Current income tax expense	₩ 19,081	33,367
Additional payment (refund) of income tax	44	(3,876)
Changes in deferred tax arising from temporary differences	(10,071)	(10,052)
Deferred income tax adjustment charged or credited directly to equity	149	888
Income tax expense	₩ <u>9,203</u>	<u>20,327</u>

- (b) The income tax expense calculated by applying statutory tax rates to the Group's taxable income differs from the actual tax expense in the consolidated statements of comprehensive income for the periods ended December 31, 2013 and March 31, 2013 for the following reasons:

	<u>December 31, 2013</u>	<u>March 31, 2013</u>
Income before income taxes	₩ 37,485	107,599
Tax rates	<u>24.20%</u>	<u>24.20%</u>
Income taxes at statutory tax rates	9,071	26,039
Adjustments :		
Non-taxable income	(109)	(201)
Non-deductible expense	1,107	1,619
Consolidated tax return	(801)	(3,257)
Income tax refunds	44	(3,876)
Others	(109)	3
Income tax expense	₩ <u>9,203</u>	<u>20,327</u>
Effective tax rate (%)	<u>24.55%</u>	<u>18.89%</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**27. Income tax expense, Continued**

(c) Changes in deferred tax assets (liabilities) for the periods ended December 31, 2013 and March 31, 2013 were as follows:

	December 31, 2013			
	Beginning balance	Net income	Accumulated other comprehensive income (capital adjustments)	Ending balance
Stocks at fair value through profit or loss	₩ (1,248)	(1,443)	-	(2,691)
Bonds at fair value through profit or loss	(11,879)	25,451	-	13,572
Derivatives-combined securities	348	(20)	-	328
Derivatives-combined securities sold	11,558	(40,765)	-	(29,207)
Exchange traded derivatives	1,167	(670)	-	497
Over the counter derivatives	(3,587)	32,318	-	28,740
Other financial assets at fair value through profit or loss	(652)	176	-	(476)
Other financial liabilities at fair value through profit or loss	469	(644)	-	(175)
Available-for-sale financial assets	174	(17,909)	3,342	(14,393)
Investments in associates	3,153	6,815	(3,270)	6,698
Allowance for credit loss	(2,274)	-	-	(2,274)
Property and equipment and investment properties	(33,989)	510	-	(33,479)
Intangible assets	(3,174)	(680)	-	(3,854)
Accrued income	(13,344)	(449)	-	(13,793)
Account payable and accrued expenses	3,786	305	77	4,168
Provisions	8,281	(7,251)	-	1,030
Borrowings	2,117	-	-	2,117
Day 1 profit or loss	3,974	18,701	-	22,675
Amortization of up-front fee	1,604	326	-	1,930
Net gain(loss) on foreign exchange translations	(321)	(986)	-	(1,307)
Others	(95)	(3,863)	-	(3,958)
	₩ <u>(33,923)</u>	<u>9,922</u>	<u>149</u>	<u>(23,852)</u>

## SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements****For the nine months ended December 31, 2013 and the year ended March 31, 2013**

(In millions of won)

**27. Income tax expense, Continued**

		March 31, 2013			
		Beginning balance	Net income	Accumulated other comprehensive income (capital adjustments)	Ending balance
Stocks at fair value through profit or loss	₩	(2)	(1,246)	-	(1,248)
Bonds at fair value through profit or loss		(4,195)	(7,684)	-	(11,879)
Derivatives-combined securities		(491)	839	-	348
Derivatives-combined securities sold		(2,421)	13,979	-	11,558
Exchange traded derivatives		180	987	-	1,167
Over the counter derivatives		11,842	(15,420)	-	(3,578)
Other financial assets at fair value through profit or loss		(316)	(336)	-	(652)
Other financial liabilities at fair value through profit or loss		464	5	-	469
Available-for-sale financial assets		(4,353)	3,776	751	174
Investments in associates		1,170	1,818	165	3,153
Allowance for credit loss		(4,791)	2,517	-	(2,274)
Property and equipment and investment properties		(40,643)	6,654	-	(33,989)
Intangible assets		(2,200)	(974)	-	(3,174)
Accrued income		(12,071)	(1,273)	-	(13,344)
Account payable and accrued expenses		2,974	840	(28)	3,786
Provisions		6,057	2,224	-	8,281
Borrowings		2,117	-	-	2,117
Day 1 profit or loss		852	3,122	-	3,974
Amortization of up-front fee		1,169	435	-	1,604
Net gain(loss) on foreign exchange translations		(326)	5	-	(321)
Others		1,009	(1,104)	-	(95)
	₩	<u>(43,975)</u>	<u>9,164</u>	<u>888</u>	<u>(33,923)</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**27. Income tax expense, Continued**

(d) The deferred tax assets and liabilities that were directly charged or credited to equity for the periods ended December 31, 2013 and March 31, 2013 were as follows:

	December 31, 2013				
	Current period	Deferred tax liability	Prior period	Deferred tax liability	Change in deferred tax
Gain on valuation of available-for-sale financial assets	₩ 124,658	(30,168)	138,469	(33,509)	3,341
Foreign currency translation differences	14,881	(3,766)	(189)	(60)	(3,706)
Share of the other comprehensive loss of associates	(2,867)	694	(1,062)	257	437
Stock option (Capital adjustments)	(74)	17	243	(59)	76
	<u>₩ 136,598</u>	<u>(33,223)</u>	<u>137,461</u>	<u>(33,372)</u>	<u>149</u>

	March 31, 2013				
	Current period	Deferred tax liability	Prior period	Deferred tax liability	Change in deferred tax
Gain on valuation of available-for-sale financial assets	₩ 138,469	(33,509)	141,572	(34,260)	751
Foreign currency translation differences	(189)	(60)	144	(106)	46
Share of the other comprehensive loss of associates	(1,062)	257	(570)	138	119
Stock option (Capital adjustments)	243	(59)	129	(31)	(28)
	<u>₩ 137,461</u>	<u>(33,372)</u>	<u>141,275</u>	<u>(34,259)</u>	<u>888</u>

(e) The deductible temporary differences which were not recognized as deferred tax assets as of December 31, 2013 and March 31, 2013 were as follows:

	December 31, 2013	March 31, 2013
Investments in subsidiaries	₩ 3,443	3,320



SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
**For the nine months ended December 31, 2013 and the year ended March 31, 2013**

(In millions of won)

**27. Income tax expense, Continued**

(f) There are no taxable temporary differences which were not recognized as deferred tax liabilities as of December 31, 2013 and March 31, 2013.

(g) The current tax assets (liabilities) and deferred tax assets (liabilities) presented on a gross basis prior to any offsetting as of December 31, 2013 and March 31, 2013 were as follows:

	<u>December 31, 2013</u>	<u>March 31, 2013</u>
Deferred tax assets	₩ 215,688	191,231
Deferred tax liabilities	(239,540)	(225,154)

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**28. Derivatives**

(a) Details of the notional amounts of derivatives as of December 31, 2013 and March 31, 2013 were as follows:

	<u>December 31, 2013</u>	<u>March 31, 2013</u>
Interest rates		
Over the counter:		
Interest rate swaps	₩ 20,828,698	16,152,178
Interest rate options	15,000	-
	<u>20,843,698</u>	<u>16,152,178</u>
Exchange traded:		
Interest rate futures	<u>758,633</u>	<u>2,310,793</u>
Foreign exchange		
Over the counter:		
Currency forwards	490,777	349,168
Currency swaps	94,120	76,989
Currency options	193,787	47,479
	<u>778,684</u>	<u>473,636</u>
Exchange traded:		
Currency futures	<u>1,343</u>	<u>20,657</u>
Equity		
Over the counter:		
Equity swap	3,040,561	2,664,025
Equity options	1,316,544	1,146,653
	<u>4,375,105</u>	<u>3,810,678</u>
Exchange traded:		
Equity futures	189,408	73,943
Equity options	1,031,691	6,931,071
	<u>1,221,099</u>	<u>7,005,014</u>
Credit		
Over the counter:		
Credit swap	127,039	165,789
TRS Swap	102,703	50,278
	<u>229,742</u>	<u>216,067</u>
Commodity		
Over the counter:		
Commodity forwards	185,349	357,503
Commodity swaps	598,699	608,171
Commodity options	61,590	48,094
	<u>845,638</u>	<u>1,013,768</u>
Exchange traded:		
Commodity futures	185,346	357,503
	<u>₩ 29,221,288</u>	<u>31,360,294</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**28. Derivatives, Continued**

(b) Details of the gain(loss) on valuation of derivatives for the periods ended December 31, 2013 and March 31, 2013 were as follows:

	December 31, 2013	March 31, 2013
Interest rates		
Over the counter:		
Interest rate swaps	₩ (30,998)	(12,235)
Interest rate options	(214)	-
	<u>(31,212)</u>	<u>(12,235)</u>
Exchange traded:		
Interest rate futures	(205)	(2,215)
Foreign exchange		
Over the counter:		
Currency forwards	6,147	1,449
Currency swaps	(249)	(664)
Currency options	4,378	(384)
	<u>10,276</u>	<u>401</u>
Exchange traded:		
Currency futures	8	26
Equity		
Over the counter:		
Equity swap	72,943	86,729
Equity options	(204)	(5,370)
	<u>72,739</u>	<u>81,359</u>
Exchange traded:		
Equity futures	(1,190)	(365)
Equity options	380	(561)
	<u>(810)</u>	<u>(926)</u>
Credit		
Over the counter:		
Credit swap	1,378	808
TRS Swap	(2,919)	(2,743)
	<u>(1,541)</u>	<u>(1,935)</u>
Commodity		
Over the counter:		
Commodity forwards	1,132	1,723
Commodity swaps	(66,424)	9,157
Commodity options	423	(1,549)
	<u>(64,869)</u>	<u>9,331</u>
Exchange traded:		
Commodity futures	(1,047)	(1,561)
	<u>₩ (16,661)</u>	<u>72,245</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**29. Pledged Assets**

Assets pledged as collateral as of December 31, 2013 and March 31, 2013 were as follows:

		December 31, 2013							
		Pledged for							
		ELS/DLS			Securities				
		sold	Borrowing	Derivative	borrowed	RP	Lease	Other	Total
Due from banks	₩	50,000	67,000	-	-	-	-	5,915	122,915
Trading financial assets		10,487	-	60,368	793,764	5,837,068	-	-	6,701,687
Financial assets designated at fair value through profit or loss		115,833	-	-	302,162	67,207	-	-	485,202
Available-for-sale financial assets		-	-	79,263	619,660	441,592	-	-	1,140,515
Loans		-	-	-	-	121,350	-	-	121,350
Property		-	-	-	-	-	99,948	-	99,948
	₩	<u>176,320</u>	<u>67,000</u>	<u>139,631</u>	<u>1,715,586</u>	<u>6,467,217</u>	<u>99,948</u>	<u>5,915</u>	<u>8,671,617</u>
		March 31, 2013							
		Pledged for							
		ELS/DLS			Securities				
		sold	Borrowing	Derivative	borrowed	RP	Lease	Other	Total
Due from banks	₩	50,000	67,000	-	-	-	-	6,098	123,098
Trading financial assets		10,027	-	119,227	226,236	6,058,774	-	-	6,414,264
Financial assets designated at fair value through profit or loss		101,506	-	63,344	112,463	-	-	-	277,313
Available-for-sale financial assets		20,090	-	150,917	253,795	457,961	-	-	882,763
Loans		-	17,432	-	-	-	-	-	17,432
Property		-	-	-	-	-	100,134	-	100,134
	₩	<u>181,623</u>	<u>84,432</u>	<u>333,488</u>	<u>592,494</u>	<u>6,516,735</u>	<u>100,134</u>	<u>6,098</u>	<u>7,815,004</u>

The carrying amounts of asset pledged that the pledges have the right to repledge regardless of the Group's default as of December 31, 2013 and March 31, 2013 were ₩6,467,217 million and ₩6,516,735 million, respectively.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won, except per share data)

**30. Share-based payments**

(a) Share-based payments granted.

Details of stock options granted as of December 31, 2013 were as follows:

	6th grant	7th grant
Type	Cash-settled share-based payment	Cash-settled share-based payment
Grant date	2007. 3.20	2008.3.19
Exercise price(in won)	₩ 54,560	₩ 49,053
Number of shares granted	166,298	79,544
Vesting period	Within four years after three years from grant date	Within four years after three years from grant date
Changes in number of shares granted:		
Outstanding at April 1, 2013	117,569	56,979
Exercised and etc.	-	-
Outstanding at December 31, 2013	117,569	56,979
Exercisable at December 31, 2013	117,569	56,979
Assumptions used to determine the fair value of options:		
Risk-free interest rate	2.64%	2.64%
Expected exercise period	Feb. 8, 2014	Aug. 9, 2014
Expected stock price volatility	16.91%	19.76%
Expected dividend yield	1.80%	1.80%
Weighted average fair value per share (in won)	₩5	₩2,228

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won, except per share data)

**30. Share-based payments, Continued**

(b) Details of performance shares granted as of December 31, 2013 were as follows:

	Grant in 2010
Type	Equity-settled share-based payment
Service period	2010~2012
Performance conditions	Increase rate of stock price(33.4%) and achievement of target ROE(66.6%)
Number of shares estimated at December 31, 2013	32,550

The amount of cash payment for the Company's equity-settled share-based payment arrangements with performance conditions is determined based on the share price which is an arithmetic mean of weighted average share prices for the past two-months, past one-month and past one-week from the date at four years from the beginning of the fiscal year which includes the grant date. The fair value of cash payment is estimated using the closing share price at the end of reporting period.

(c) Stock compensations costs (benefits) calculated as of and for the periods ended December 31, 2013 were as follows:

	December 31, 2013		
	Stock options	Performance shares	Total
Compensation costs recorded for the period	₩ 70	865	935
Accrued expenses (benefits) related to compensation cost	127	2,484	2,611

(d) Book value of liabilities and intrinsic value of liabilities regarding share-based payment As of December 31, 2013 were as follows:

	December 31, 2013	
	Accrued expenses	Intrinsic value
Stock options	₩ 127	-
Performance shares	2,484	2,484
Total	₩ 2,611	2,484

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**31. Commitments and contingencies**

(a) As of December 31, 2013, the Group has faced with pending lawsuits were as follows:

December 31, 2013				
Lawsuits	Plaintiff	Details		Amount
Compensation for loss	Gowell Securitization Specialty Co., Ltd.	A claim for compensation on NPL consultation	₩	2,936
Return of unjust enrichment	TreeStar Co., Ltd.	A claim for return of unjust enrichment		750
Compensation for loss	An individual	A claim for compensation on incomplete sales of CP		318
Compensation for loss	An individual	A claim for compensation on violation of explanation about financial instruments		279
Compensation for loss	An individual	A claim for compensation on violation of customer protection		200
Compensation for loss	An individual	A claim for compensation on computer problem		21
			₩	<u>4,504</u>

As of December 31, 2013, the Group set aside no provision for litigation for the lawsuits such as ruled in favor of the plaintiff at the first appeal. Additional losses may be incurred from these legal actions besides the current provision established by the Group, but the amount of loss is not expected to have a material adverse effect on the Group's financial position or results of operations.

(b) Commercial paper purchase commitments

Company	Underlying asset	Amount	Date of agreements	Date of maturity
VALUE PLUS the 7th Co., Ltd.	Account receivables	30,000	March 29, 2012	March 29, 2015
VALUE PLUS the 10th Co., Ltd.	Account receivables	5,000	November 20, 2012	November 15, 2014
VALUE PLUS the 11th Co., Ltd.	Account receivables	3,000	November 20, 2012	November 15, 2014
VALUE PLUS the 12th Co., Ltd.	Account receivables	5,000	November 20, 2012	November 15, 2014
VALUE PLUS the 15th Co., Ltd.	Moahsteel Private placement bonds	15,100	March 28, 2013	May 28, 2015
Songdo Saok Third Co., Ltd.	Loans	50,000	April 23, 2013	June 30, 2016
VALUE PLUS the 18th Co., Ltd.	Account receivables	50,000	July 19, 2013	August 30, 2014
Sol Invictus LTD.	Loans	25,700	September 27, 2013	April 18, 2014
		₩	<u>183,800</u>	

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**31. Commitments and contingencies, Continued**

(c) Obligation to conserve its loss by priority on PEF

As a General partner of Shinhan Maritime Private Equity Fund I, the Group is under an obligation to conserve its loss by priority as much as the amount of money invested by the Company, whose limit is up to 3% of the total amount of the money invested by each party. In addition, as one of the co-general partner of KoFC Shinhan Frontier Champ 2010-4 Private Equity Fund, the Group is obliged to conserve its loss by priority, whose limit is 3% of the its investment to the PEF. Therefore, the amount of the investment collected as a result of liquidation of the PEF is subject to change. Any adjustments which may be caused by the possibility of the change are not booked, because the amount of the obligations cannot be measured reliably.

(d) Onerous contract

As of December 31, 2013, the Group entered into a guarantee contract with Franklin Templeton Investment Trust Management Co., Ltd. to provide for contingent losses that may result from beneficiary certificates, including guaranteed bonds issued by financially distressed companies, such as the Daewoo Group. The Group's time deposit of ₩915 million was pledged as collateral to Franklin Templeton Investment Trust Management Co., Ltd. for the potential losses.



SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**32. The transaction as a transfer of financial instruments**

(a) Transfers that do not qualify for derecognition

(i) Bonds sold under repurchase agreements as of December 31, 2013 and March 31, 2013 were as follows:

		December 31, 2013	March 31, 2013
<b>Transferred assets</b>			
Financial assets designated at fair value through profit or loss	₩	5,904,275	6,058,774
Available-for-sale financial assets		441,592	457,961
Loans		121,350	-
		<u>6,467,217</u>	<u>6,516,735</u>
<b>Associated liabilities</b>			
Bonds sold under repurchase agreements	₩	6,059,375	6,175,409

(ii) Securities loaned as of December 31, 2013 and March 31, 2013 were as follows:

		December 31, 2013	March 31, 2013	
Government bonds	₩	-	50,548	Korea Securities Finance
Commercial bonds		3,368	-	Miraeasset Finance
	₩	<u>3,368</u>	<u>50,548</u>	

(b) Qualified for derecognition and continuing involvement in financial assets

There are no financial assets that meet the conditions of the derecognition and in which the Group has continuing involvement as of December 31, 2013 and March 31, 2013.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won, except per share data)

**33. Equity**

(a) Details of equity as of December 31, 2013 and March 31, 2013 were summarized as follows:

	<u>December 31, 2013</u>	<u>March 31, 2013</u>
Stockholder's equity		
Common	₩ 1,277,882	1,277,882
Preferred	19,116	19,116
	<u>1,296,998</u>	<u>1,296,998</u>
Capital surplus		
Gain from reduction of capital	15	15
Capital adjustments		
Stock options	(56)	184
Accumulated other comprehensive income		
Valuation of available-for-sale financial assets	94,490	104,959
Change of investments in a associate	(2,173)	(805)
Accumulated foreign exchange differences	11,115	(249)
	<u>103,432</u>	<u>103,905</u>
Retained earnings		
Legal reserve	9,500	8,500
Voluntary reserve (*)	155,390	171,113
Retained earning before appropriation	670,428	637,423
	<u>835,318</u>	<u>817,036</u>
	<u>₩ 2,235,707</u>	<u>2,218,138</u>

(\*) It is consist of revaluation reserve.

(b) Stockholder's equity as of December 31, 2013 and March 31, 2013 were summarized as follows:

	<u>Common</u>	<u>Preferred</u>
Authorized capital	450,000,000	150,000,000
Par value per stock (in won)	5,000	5,000
Capital stock	255,576,350	3,823,314
Stockholder's equity	<u>1,277,882</u>	<u>19,116</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**33. Equity, Continued**

(c) Change in accumulated other comprehensive income for the periods ended December 31, 2013 and March 31, 2013 were as follows:

	December 31, 2013			
	Valuation of available-for-sale financial assets	Change of investments in a associate	Accumulated foreign exchange differences	Total
Opening balance	₩ 104,960	(805)	(250)	103,905
Change in fair value of available-for-sale financial assets	(12,341)	-	-	(12,341)
Change in impairment	97	-	-	97
Change in disposal	(1,567)	-	-	(1,567)
Effect of change in equity of investee	-	(1,805)	-	(1,805)
Effect of exchange rate difference	-	-	15,071	15,071
Deferred tax effect	3,341	437	(3,706)	72
Ending balance	₩ 94,490	(2,173)	11,115	103,432

	March 31, 2013			
	Valuation of available-for-sale financial assets	Change of investments in a associate	Accumulated foreign exchange differences	Total
Opening balance	₩ 107,312	(432)	37	106,917
Change in fair value of available-for-sale financial assets	(2,981)	-	-	(2,981)
Change in impairment	(59)	-	-	(59)
Change in disposal	(63)	-	-	(63)
Effect of change in equity of investee	-	(492)	-	(492)
Effect of exchange rate difference	-	-	(333)	(333)
Deferred tax effect	751	119	46	916
Ending balance	₩ 104,960	(805)	(250)	103,905

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won, except per share data)

**33. Equity, Continued**

(d) Statements of appropriation of retained earnings.

Statements of appropriation of retained earnings for the periods ended December 31, 2013 and March 31, 2013 were as follows:

	<u>December 31, 2013</u>	<u>March 31, 2013</u>
Unappropriated retained earnings		
Balance at beginning of the period	₩ 644,461	551,747
Net income for the period	29,329	87,991
	<u>673,790</u>	<u>639,738</u>
Transfer from voluntary reserves		
Voluntary reserve	-	15,723
Appropriation of retained earnings		
Legal reserve	1,000	1,000
Asset revaluation surplus	4,671	-
Dividends	10,000	10,000
Cash dividends on common stock	9,664	9,664
Cash dividends on preferred stock	336	336
	<u>15,671</u>	<u>11,000</u>
Unappropriated retained earnings carried over to subsequent period	₩ <u>658,119</u>	<u>644,461</u>

These statements of appropriation of retained earnings were based on the separate financial statements of the Company.

**34. Dividends**

Dividends of common stock for the periods ended December 31, 2013 and March 31, 2013 were as follows:

	<u>December 31, 2013</u>		<u>March 31, 2013</u>	
	Common stock	Preferred stock	Common stock	Preferred stock
Number of issued shares outstanding	255,576,350	3,823,314	255,576,350	3,823,314
Par value per share (in won) ₩	5,000	5,000	5,000	5,000
Dividends per share (in won)	38	88	38	88
Dividends	9,664	336	9,664	336
Dividend rate per share	0.80%	1.80%	0.80%	1.80%

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**35. Leases**

(a) Operating leases

	December 31, 2013	
	<u>Minimum lease payment</u>	
Not later than 1 year	₩	4,835
1 ~ 5 years		5,363
Later than 5 years		-
	₩	<u>10,198</u>

(b) Future minimum lease payments under non-cancellable operating lease of the Group as lessee as of December 31, 2013 were as follows:

	December 31, 2013	
	<u>Minimum lease payment</u>	
Not later than 1 year	₩	6,765
1 ~ 5 years		4,484
Later than 5 years		-
	₩	<u>11,249</u>

**36. Cash flows**

Details of significant non-cash activities for the periods ended December 31, 2013 and March 31, 2013 were as follows:

	<u>December 31, 2013</u>	<u>March 31, 2013</u>
Investment properties transferred from property and equipment	₩ 1,769	(10,468)
Valuation gain on available-for-sale financial assets	(13,794)	(3,103)
Tax effect on valuation gain on available-for-sale financial assets	3,338	751
Change of investments in associate	(1,805)	(492)
Tax effect on change of investments in associate	437	119
Foreign currency translation differences	15,071	(333)
Tax effect on foreign currency translation differences	<u>(3,707)</u>	<u>46</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**37. Related party transactions**

(a) Significant account balances with related companies as of December 31, 2013 and March 31, 2013 were as follows:

Related party	Accounts	December 31, 2013	March 31, 2013
Assets:			
Shinhan Financial Group Co.Ltd	Other assets(*1)	₩ 19,505	8,130
Shinhan Bank	Bank deposits	56,091	105,717
	Accured income	58	1,843
	Derivatives assets	3,609	819
	Other assets(*1)	34,484	33,771
Jeju Bank	Bank deposits	10,073	25,080
	Accured income	119	608
KoFC Shinhan Frontier	Accured income	104	177
		₩ 124,043	176,145

Related party	Accounts	December 31, 2013	March 31, 2013
Liabilities:			
Shinhan Financial Group Co., Ltd.	Borrowings	₩ 200,000	200,000
	Accured expenses	746	738
	Other liabilities(*2)	2,612	3,751
Shinhan Bank	Borrowings	9,808	10,801
	Accured expenses	73	77
	Derivatives liabilities	2,017	1,083
	Other liabilities(*2)	18,705	22,489
	Other liabilities(*2)	2,440	2,680
Shinhan Card Co., Ltd.	Other liabilities(*2)	1,253	28
Shinhan Life Insurance Co., Ltd.	Other liabilities(*2)	13,558	1,104
Shinhan Data System	Borrowings	6,965	7,835
	Accured expenses	449	345
Shinhan Aitas Co., Ltd	Borrowings	1,719	1,688
	Other liabilities(*2)	2	2
Shinhan BNP Paribas Asset Management Co., Ltd.	Other liabilities(*2)	1,119	1,119
Shinhan Saving Bank	Other liabilities(*2)	632	12,066
		₩ 262,098	265,806

(\*1) Includes deposits for guarantees and others.

(\*2) Includes deposits for rent and others.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**37. Related party transactions, Continued**

(b) Significant transactions with related parties for the periods ended December 31, 2013 and March 31, 2013 were as follows:

Related party	Accounts	December 31, 2013	March 31, 2013
Revenue:			
Shinhan Financial Group Co., Ltd.	Commission	₩ 783	947
Shinhan Bank	Interest	1,670	8,746
	Rent	546	894
	Derivatives	6,757	1,219
	Commission	62	161
Shinhan Card Co., Ltd.	Interest	-	20
	Rent	74	382
	Commission	80	141
Shinhan Life Insurance Co., Ltd.	Rent	11	15
	Commission	155	280
Shinhan BNP Paribas Asset Management Co., Ltd.	Rent	1,370	1,652
	Commission	8	16
Shinhan Capital	Commission	12	96
Jeju Bank	Interest	445	2,216
Shinhan Aitas Co., Ltd.	Rent	3	-
	Commission	-	3
Kofc Shinhan Frontier	Commission	(62)	516
SHBNPP Growth Security Feeder Investment Trust 1	Commission	4	-
SHBNPP Private Real Estate 13	Commission	3	-
		₩ 11,921	17,304

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**37. Related party transactions, Continued**

(b) Significant transactions with related parties for the periods ended December 31, 2013 and March 31, 2013 were as follows:

Related party	Accounts	December 31, 2013	March 31, 2013
Expense:			
Shinhan Financial Group Co., Ltd.	Interest	₩ 5,971	7,055
	Commission	6,235	9,315
Shinhan Bank	Interest	912	1,444
	Rent	912	1,106
	Borrowings	10	12
	Derivatives	4,937	1,974
	Commission	2,015	3,187
Shinhan Card Co., Ltd.	Interest	26	806
	Rent	48	-
	Borrowings	-	50
	Commission	152	79
Shinhan Life Insurance	Interest	5	7
	Rent	8	8
	Commission	213	107
Shinhan BNP Paribas	Interest	22	34
	Commission	-	622
Shinhan Capital	Debt securities	-	1
Jeju Bank	Interest	-	1
	Commission	11	3
Shinhan Credit Information Co., Ltd.	Commission	2	29
	Rent	-	4
Shinhan Data System	Interest	188	45
	Commission	2,907	4,707
Shinhan Private Equity Inc.	Interest	-	58
	Commission	10	-
SHC Management	Interest	-	1
Shinhan Aitas Co., Ltd.	Interest	44	80
	Commission	8	11
Shinhan Saving Bank	Interest	-	92
	Commission	18	76
		₩ 24,654	30,914



SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**37. Related party transactions, Continued**

(c) Key management personnel compensation for the periods ended December 31, 2013 and March 31, 2013 were as follows:

	<u>December 31, 2013</u>	<u>March 31, 2013</u>
Salaries and wages	₩ 4,642	6,322
Share-based payments	1,733	(1,346)
	<u>₩ 6,375</u>	<u>4,976</u>

**38. Regulatory reserve for loan loss**

In accordance with Regulations for Investment 3-8, if the amount of allowance for credit losses by K-IFRS is smaller than that by Regulations for Investment 3-8, the Group reserves the difference between the allowance for credit losses by K-IFRS and Regulations and discloses the reserve.

(a) Regulatory reserve for loan losses as of December 31, 2013 and March 31, 2013 were as follows:

	<u>December 31, 2013</u>	<u>March 31, 2013</u>
Regulatory reserve for loan loss	₩ -	-
Accumulated		
To be scheduled	5,506	-
	<u>₩ 5,506</u>	<u>-</u>

(b) Provision for regulatory reserve for loan loss and income adjusted for regulatory reserve.

	<u>December 31, 2013</u>	<u>March 31, 2013</u>
Income for the period	₩ 28,282	87,272
Provision for regulatory reserve for loan loss	(5,506)	-
	<u>₩ 22,776</u>	<u>87,272</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the nine months ended December 31, 2013 and the year ended March 31, 2013

(In millions of won)

**39. Interests in unconsolidated structured entities**

(a) The nature and extent of interests in unconsolidated structured entities

The natures, purposes and activities of the unconsolidated structured entities which the Group had interest in as of December 31, 2013, and how these structured entities are financed were summarized as follows:

	Description
Assets-backed securitization	Securitization vehicles are established to buy the assets from the originators and issue the asset-backed securities in order to facilitate the originators' funding activities and enhance their financial soundness. The Group is involved in the securitization vehicles by purchasing the asset-backed securities issued, or providing credit enhancement.
Project financing	Structured entities for project financing are established to raise funds and invest in a specific project such as M&A (Mergers and Acquisitions), BTL (Build-Transfer-Lease), shipping finance, etc. The Group is involved in the structured entities by originating loans, investing in equity, or providing credit enhancement
Investment fund	Investment fund is a type of financial instrument where investment funds raise funds from the general public to invest in a group of assets such as stocks or bonds and distribute their income and capital gains to their investors. The Group is involved in investment fund by investing in various investment funds.

(b) Total assets of the unconsolidated structured entities, carrying value of equity and maximum exposure to loss related to the Group's interests in unconsolidated structured entities as of December 31, 2013 were as follows:

	Project financing	Investment fund	Total
Total assets of the unconsolidated structured	₩ 646,233	707,391	1,353,624
Carrying value			
Assets			
Loans	₩ 26,631	9,958	36,589
Available-for-sale financial assets	-	34,158	34,158
	₩ <u>26,631</u>	<u>44,116</u>	<u>70,747</u>
Maximum exposure to loss			
Investments	₩ 26,631	44,116	70,747
Purchase commitments	183,800	-	183,800
	₩ <u>210,431</u>	<u>44,116</u>	<u>254,547</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
**For the nine months ended December 31, 2013 and the year ended March 31, 2013**

(In millions of won)

**40. Change in fiscal year**

In accordance with Article 6 of 'Financial Investment Services and Capital Markets Act', the Group changed its fiscal year end from March 31 to December 31. In relation, the current fiscal year is nine months from April 1, 2013 to December 31, 2013.