



**SHINHAN INVESTMENT CORP.
AND SUBSIDIARIES**

Consolidated Financial Statements

December 31, 2018 and 2017

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

Based on a report originally issued in Korean

To the Board of Directors and Shareholder of
Shinhan Investment Corp.:

Opinion

We have audited the accompanying consolidated financial statements of Shinhan Investment Corp. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing (KSAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

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.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with K-IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As a part of an audit in accordance with KSAs, we exercise professional judgment and maintain professional skepticism

throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used in the preparation of the consolidated financial statements and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Samjong Accounting Corp.

KPMG Samjong Accounting Corp.

Seoul, Korea

March 14, 2019

This report is effective as of March 14, 2019, 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, 2018 and 2017

<i>(In millions of won)</i>	<i>Note</i>	December 31, 2018	December 31, 2017
Assets			
Cash and due from banks	4,24,25,29	₩ -	2,294,983
Cash and due from banks measured at amortized cost	4,24,25,29	2,561,029	-
Financial assets at fair value through profit or loss	5,24,25,29	-	18,038,162
Financial assets measured at FVTPL	5,24,25,29	18,735,324	-
Available-for-sale financial assets	6,24,25,29	-	1,768,331
Financial assets measured at FVOCI	6,24,25,29	1,215,754	-
Investments in associates	7	236,858	366,214
Loans	8,24,25	-	3,701,889
Loans measured at amortized cost	8,24,25	4,186,572	-
Property and equipment	9,29	122,860	121,904
Intangible assets	10	55,671	55,793
Investment property	11	296,885	193,756
Deferred tax assets	27	232	166
Current tax assets	27	-	16,577
Other assets	12,24,25	1,729,242	2,086,513
Total assets		₩ 29,140,427	28,644,288
Liabilities			
Deposits	13,24,25	₩ 1,722,895	1,742,855
Financial liabilities at fair value through profit or loss	14,24,25	-	10,129,444
Financial liabilities measured at FVTPL	14,24,25	10,017,053	-
Borrowings	15,24,25	11,484,675	10,656,341
Provisions	16	30,777	21,560
Deferred tax liabilities	27	24,236	32,161
Current tax liabilities	27	12,179	29
Other liabilities	17,24,25	2,476,043	2,809,209
Total liabilities		25,767,858	25,391,599
Equity			
Capital stock	34	1,546,998	1,546,998
Capital surplus	34	248,806	248,806
Capital adjustments	34	1,230	167
Accumulated other comprehensive income	34	94,234	88,264
Retained earnings	34	1,480,308	1,368,252
Non-controlling interests	34	993	202
Total equity		3,372,569	3,252,689
Total liabilities and equity		₩ 29,140,427	28,644,288

See accompanying notes to the consolidated financial statements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2018 and 2017

<i>(In millions of won)</i>	<i>Note</i>	December 31, 2018	December 31, 2017
Operating revenue:			
Commission income	18	₩ 508,831	391,250
Gain on financial instruments at fair value through profit or loss	24	-	4,310,269
Gain on financial instruments measured at FVTPL	24	4,091,330	-
Gain on available-for-sale financial assets	24	-	9,322
Gain on financial instruments measured at FVOCI	24	2,982	-
Interest income	19	554,236	547,686
Gain on valuation and sale of loans	24	-	558
Reversal of provision for credit loss	24	1,901	-
Gain on foreign currency transactions	20	342,206	256,437
Others	22,24	51,632	43,340
		<u>5,553,118</u>	<u>5,558,862</u>
Operating expense:			
Commission expense	18	113,462	81,862
Loss on financial instruments at fair value through profit or loss	24	-	4,355,438
Loss on financial instruments measured at FVTPL	24	4,074,180	-
Loss on available-for-sale financial assets	24	-	16,852
Loss on financial instruments measured at FVOCI	24	3,542	-
Interest expense	19	166,508	124,590
Loss on valuation and sale of loans	24	-	3,855
Transfer of provision for credit loss	24	10,512	-
Loss on foreign currency transactions	20	347,869	264,421
General and administrative expenses	21	500,332	456,605
Others	22,24	1,870	2,441
		<u>5,218,275</u>	<u>5,306,064</u>
Operating income		334,843	252,798
Non-operating income	23	45,558	34,083
Non-operating expense	23	(33,695)	(11,490)
Profit before income taxes		<u>346,706</u>	<u>275,391</u>
Income tax expense	27	95,438	63,472
Profit for the year		<u>₩ 251,268</u>	<u>211,919</u>

See accompanying notes to the consolidated financial statements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income, Continued
For the years ended December 31, 2018 and 2017

<i>(In millions of won)</i>	<i>Note</i>	December 31, 2018	December 31, 2017
Other comprehensive income (loss) for the year, net of income tax			
Items that are or may be reclassified subsequently to profit or loss:			
Net change in unrealized fair value of available- for-sale financial assets	24	₩ -	8,313
Financial instruments measured at FVOCI		4,312	-
Loss on valuation of investments in associates		13,389	(14,776)
Foreign currency translation adjustments for foreign operations		976	(6,244)
Effect of income tax expense		(4,858)	(3,302)
Items that cannot subsequently be reclassified to P/L			
Gain on financial instruments measured at FVOCI		₩ 3,102	-
Adjustment to financial liabilities measured at FVTPL		2,376	-
Net tax effect		(1,507)	-
Total other comprehensive income (loss), net of tax	34	17,790	(16,009)
Total comprehensive income for the year		₩ 269,058	195,910
Profit for the year attributable to:			
Equity holders of Shinhan Investment Corp.		₩ 251,265	211,907
Non-controlling interest		3	12
		₩ 251,268	211,919
Total comprehensive income attributable to:			
Equity holders of Shinhan Investment Corp.		₩ 269,055	195,898
Non-controlling interest		3	12
		₩ 269,058	195,910

See accompanying notes to the consolidated financial statements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the years ended December 31, 2018 and 2017

<i>(In millions of won)</i>		Common stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Non- controlling interests	Total
Balance at January 1, 2017	₩	1,546,998	248,806	(180)	104,273	1,176,345	190	3,076,432
Profit for the year		-	-	-	-	211,907	12	211,919
Other comprehensive income (loss), net of income tax								
Net change in unrealized fair value of available-for-sale financial assets		-	-	-	1,678	-	-	1,678
Share of the other comprehensive loss of associates		-	-	-	(10,829)	-	-	(10,829)
Foreign currency translation differences		-	-	-	(6,858)	-	-	(6,858)
Transactions recognized directly in equity								
Dividends		-	-	-	-	(20,000)	-	(20,000)
Change in share-based payment		-	-	347	-	-	-	347
Balance at December 31, 2017	₩	<u>1,546,998</u>	<u>248,806</u>	<u>167</u>	<u>88,264</u>	<u>1,368,252</u>	<u>202</u>	<u>3,252,689</u>

See accompanying notes to the consolidated financial statements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity, Continued
For the years ended December 31, 2018 and 2017

<i>(In millions of won)</i>		Common stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Non- controlling interests	Total
Balance at January 1, 2018	₩	1,546,998	248,806	167	88,264	1,368,252	202	3,252,689
Adoption effect of K-IFRS No. 1109, net of tax		-	-	-	(11,820)	5,791	-	(6,029)
Balance at January 1, 2018 (Adjusted)		1,546,998	248,806	167	76,444	1,374,043	202	3,246,660
Profit for the year		-	-	-	-	251,265	3	251,268
Other comprehensive income (loss), net of income tax								
Net change in unrealized fair value of financial instruments measured at FVOCI		-	-	-	5,375	-	-	5,375
Share of the other comprehensive loss of associates		-	-	-	9,707	-	-	9,707
Foreign currency translation differences		-	-	-	986	-	-	986
Adjustment to financial liabilities measured at FVTPL		-	-	-	1,722	-	-	1,722
Transactions recognized directly in equity								
Dividends		-	-	-	-	(145,000)	-	(145,000)
Change in share-based payment		-	-	1,063	-	-	-	1,063
Changes in non-controlling shares		-	-	-	-	-	788	788
Balance at December 31, 2018	₩	<u>1,546,998</u>	<u>248,806</u>	<u>1,230</u>	<u>94,234</u>	<u>1,480,308</u>	<u>993</u>	<u>3,372,569</u>

See accompanying notes to the consolidated financial statements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years ended December 31, 2018 and 2017

<i>(In millions of won)</i>	December 31, 2018	December 31, 2017
Cash flows from operating activities		
Profit before income taxes	₩ 346,706	275,391
Adjustment for:		
Interest income	(554,236)	(547,686)
Interest expense	166,508	124,590
Dividend income	(104,560)	(39,515)
Net gain on valuation of financial instruments at fair value through profit or loss	-	(43,404)
Net gain on valuation of financial instruments measured at FVTPL	(145,620)	-
Net gain on sales of available-for-sale financial assets	-	(4,456)
Net gain on disposal of financial instruments measured at FVTPL	(22,375)	-
Net gain on disposal of financial instruments measured at FVOCI	(55)	-
Impairment loss on available-for-sale financial assets	-	11,986
Impairment loss on financial instruments measured at FVOCI	615	-
Provisions for loan loss	8,611	3,627
Net gain on sales of loans	-	(331)
Net gain(loss) on foreign exchanges	10,563	(6,581)
Depreciation	11,225	11,278
Amortization of intangible assets	7,159	6,724
Employee related expenses	2,880	2,260
Non-cash other operating expenses, net	(25)	83
Non-cash non-operating expenses, net	3,775	(6,320)
	<u>(615,535)</u>	<u>(487,745)</u>
Changes in assets and liabilities:		
Due from banks	-	421,058
Deposits measured at amortized cost	(330,291)	-
Financial instruments at fair value through profit or loss	-	(2,721,683)
Financial instruments measured at FVTPL	106,420	-
Loans	-	(1,149,604)
Loan measured at amortized cost	(487,458)	-
Collective fund for default loss	680	1,160
Other assets	362,325	(778,134)
Deposits liabilities	(25,284)	121,136
Other liabilities	(343,296)	1,742,881
	<u>(716,904)</u>	<u>(2,363,186)</u>
Income taxes paid	(76,789)	(77,484)
Interests received	543,224	532,592
Interests paid	(131,166)	(110,523)
Dividends received	67,945	38,705
Net cash provided by (used in) operating activities	<u>(582,519)</u>	<u>(2,192,250)</u>

See accompanying notes to the consolidated financial statements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Consolidated Statements of Cash Flows, Continued
For the years ended December 31, 2018 and 2017

<i>(In millions of won)</i>	December 31, 2018	December 31, 2017
Cash flows from investing activities		
Proceeds from disposal of available-for-sale financial assets	₩ -	2,847,806
Disposal of financial instruments measured at FVTPL	881,374	-
Disposal of financial instruments measured at FVOCI	2,707,764	-
Acquisition of available-for-sale financial assets	-	(2,946,589)
Acquisition of financial instruments measured at FVTPL	(1,197,015)	-
Acquisition of financial instruments measured at FVOCI	(2,519,899)	-
Proceeds from disposal of investments in associates	149,440	64,724
Acquisition of investments in associates	(49,611)	(317,907)
Proceeds from disposal of property and equipment	973	79
Acquisition of property and equipment	(7,235)	(9,523)
Proceeds from disposal of intangible assets	-	2,029
Acquisition of intangible assets	(4,779)	(8,807)
Proceeds from disposal of investment property	159	1,362
Acquisition of investment property	(114,201)	(5)
Acquisition of business, net of cash acquired	(4,498)	-
Net cash provided by (used in) investing activities	(157,528)	(366,831)
Cash flows from financing activities		
Proceeds from borrowings	2,866,333	3,607,238
Repayment of borrowings	(2,051,255)	(1,250,571)
Dividends paid	(145,000)	(20,000)
Net cash provided by (used in) financing activities	670,078	2,336,667
Effect of exchange rate fluctuations on cash and cash equivalents held	(4,024)	(21,739)
Increase(decrease) in cash and cash equivalents	(73,993)	(244,153)
Cash and cash equivalents at the beginning of year	334,811	578,964
Cash and cash equivalents at the end of year	₩ 260,818	334,811

See accompanying notes to the consolidated financial statements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017

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

The Company 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 92 branches, 26 sales offices, and 2 overseas offices as of December 31, 2018.

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 ₩26,563,518 million as of December 31, 2017 and the related fee income amounted to ₩35,371 million for the year ended December 31, 2018.

(b) Scope of consolidation

(i) Subsidiaries

Ownership of the Company’s major consolidated subsidiaries except special purpose entities as of December 31, 2018 are as follows:

Investor	Investee	Country	Closing date	Ownership (%)
Shinhan Investment Corp.	Shinhan Investment America Inc.	USA	December 31	100.0
"	Shinhan Investment Asia Ltd.	Hong Kong	December 31	100.0
"	Shinhan Securities Vietnam Co., LTD	Vietnam	December 31	100.0
"	PT. Shinhan Sekuritas Indonesia	Indonesia	December 31	99.0
PT. Shinhan Sekuritas Indonesia	PT Shinhan Asset Mngement Indonesia	Indonesia	December 31	75.0

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017

1. Reporting entity, Continued

(b) Scope of consolidation, Continued

(ii) Special purpose entities

As of December 31, 2018, consolidated special purpose entities are summarized as follows:

Parent company	SPE	Location	Reference
Shinhan Investment Corp.	VALUE PLUS Logics the 1st L.L.C	Rep. of Korea	Securitization SPC
“	VALUE PLUS the 35th L.L.C	“	“
“	Mainstream the 4th Co., Ltd	“	“
“	VALUE PLUS the 38th Co., Ltd.	“	“
“	VALUE PLUS the 53th Co., Ltd.	“	“
“	VALUE PLUS the 54th Co., Ltd.	“	“
“	Mainstream the 7th L.L.C	“	“
“	Mainstream the 9th L.L.C	“	“
“	DMC 1st Co., Ltd	“	“
“	Biel energy 2nd Inc	“	“
“	Angelest the 19th L.L.C	“	“
“	Angelest the 14th L.L.C	“	“
“	Angelest the 13th L.L.C	“	“
“	Angelest the 15th L.L.C	“	“
“	Angelest the 16th L.L.C	“	“
“	Angelest the 12th L.L.C	“	“
“	Angelest the 17th L.L.C	“	“
“	Angelest the 18th L.L.C	“	“
“	Angelest the 8th Co., Ltd	“	“
“	Tigerdragon 1st Co., Ltd	“	“
“	JTC 1st CO., Ltd	“	“
“	Fieldsavenue 4th Co., Ltd	“	“
“	Fieldsavenue 3rd L.L.C	“	“
“	Fieldsavenue 5th Co., Ltd	“	“
“	Fieldsavenue 6th Co., Ltd	“	“
“	Fieldsavenue 1st L.L.C	“	“
“	Fieldsavenue 7th Co., Ltd	“	“
“	Finesolution 9th Co., Ltd	“	“
“	Finesolution 11th Co., Ltd	“	“
“	Finesolution 12th Co., Ltd	“	“
“	Finesolution 6th L.L.C	“	“
“	Finesolution 10th Co., Ltd	“	“
“	Globalsolution 8th Co., Ltd	“	“
“	Global Edition 1st L.L.C	“	“
“	Global SH the 1st Co., Ltd.	“	“
“	LandmarkSoonae Co.,Ltd	“	“
“	Value Plus HM Co.,Ltd	“	“
“	Value Plus LI Co.,Ltd	“	“
“	Value Plus Trinity Co.,Ltd	“	“
“	Shinhan Midstream 1st Co.,Ltd	“	“
“	SGMS 3rd Co.,Ltd	“	“
“	SGMS 2nd Co.,Ltd	“	“
“	SGMS 1st Co.,Ltd	“	“

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017

1. Reporting entity, Continued

(b) Scope of consolidation, Continued

Parent company	SPE	Location	Reference
Shinhan Investment Corp.	Chance Gopyeong Co.,Ltd	Rep. of Korea	Securitization SPC
“	Chance Brain Co.,Ltd	“	“
“	paradiseyeongjong the fourth co., ltd	“	“
“	Applebelly L.L.C	“	Structured SPC
“	JB Sangam Private Real Estate Investment Trust No.1	“	Real estate investment trust
“	Nomura-Rifa Private Real Estate Investment Trust 4	“	“
“	SICeres L.L.C	“	Other financial business
“	Irisnine L.L.C	“	“
“	Mstream PFV Co.,Ltd	“	“
“	Brain Professional Private Trust No.9	“	Trust
“	AION Metis Fund	“	“
“	Multi Asset Offshore Aircraft QI Investment Fund No.1	“	“
“	KTB Global Credit Pro Pri 1	“	“
“	KTB Aircraft Investment Fund 21-4	“	“
“	Lime Neptune L_ Mezzanine Private Equity Investment Trust 1	“	“
“	KB Star Emerging Index Securities Feeder Fund (Equity-Derivatives) C-F	“	“
“	Rhinos Global Mezzanine Multi-Strategy Private Investment Fund No.1	“	“
“	Hastings Tornado Private Equity Fund series 1	“	“
“	Kyobo AXA Czech Praha Real Estate Trust 1	“	“
“	Kyobo AXA Czech Praha Real Estate Trust 2	“	“
“	Global One Sangam PFV Real Estate Trust 1	“	“
“	LIME LongShort WIZARD Pro Pri 1	“	“
“	LIME Global Equity Pro Pri 1	“	“
“	Specific Money Trust	“	“
“	JB Midstream Private Investment Fund 1	“	“
“	ValueSystem THE MORDERN VIM Pro Pri	“	“
“	Vision Income Plus Alpha 1	“	“
“	Samchully Midstream Private Investment Fund 5-4	“	“
“	EXPONENTIAL SQUARE Pro Pri 1	“	“
“	KoreaAsset Classic VIM Pro Pri 1	“	“
“	Shinhan Biopharma Fund 1	“	Private investment fund
“	Shinhan Semiconductor New Technology Fund 1	“	“
“	Shinhan ICT Fund 1	“	“
“	Shinhan Consumer Fund 1	“	“
“	Shinhan-Cognitive Start-up Fund L.P.	“	“

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017

1. Reporting entity, Continued

(c) Changes in subsidiaries

The list of subsidiaries that were newly acquired or excluded from consolidation during the years ended December 31, 2018 and 2017 are as follows:

	December 31, 2018	
Company	Reason	Invest company
Newly acquired subsidiaries		
Specific Money Trust	100% equity	Shinhan Investment Corp.
Globalsolution 6 th Co., Ltd	Financial supplement commitment transactions	Shinhan Investment Corp.
Angelest the 19st L.L.C	Financial supplement commitment transactions	Shinhan Investment Corp.
Angelest the 18st L.L.C	Financial supplement commitment transactions	Shinhan Investment Corp.
Angelest the 17st L.L.C	Financial supplement commitment transactions	Shinhan Investment Corp.
VALUE PLUS the 53th Co., Ltd	Financial supplement commitment transactions	Shinhan Investment Corp.
Fieldsavenue 5th Co., Ltd.	Financial supplement commitment transactions	Shinhan Investment Corp.
VALUE PLUS the 54th Co., Ltd	Financial supplement commitment transactions	Shinhan Investment Corp.
Mainstream the 9th L.L.C	Financial supplement commitment transactions	Shinhan Investment Corp.
Mainstream the 7th L.L.C	Financial supplement commitment transactions	Shinhan Investment Corp.
Finesolution 10th Co., Ltd	Financial supplement commitment transactions	Shinhan Investment Corp.
Fieldsavenue 4th Co., Ltd	Financial supplement commitment transactions	Shinhan Investment Corp.
Fieldsavenue 6th Co., Ltd	Financial supplement commitment transactions	Shinhan Investment Corp.
Finesolution 17th Co., Ltd	Financial supplement commitment transactions	Shinhan Investment Corp.
Globalsolution 8th Co., Ltd	Financial supplement commitment transactions	Shinhan Investment Corp.
PT Shinhan Asset Management Indonesia	75.00% equity	PT Shinhan Sekuritas Indonesia
Fieldsavenue 7th Co., Ltd	Financial supplement commitment transactions	Shinhan Investment Corp.
Finesolution 12th Co., Ltd	Financial supplement commitment transactions	Shinhan Investment Corp.
SGMS 3rd Co.,Ltd	Financial supplement commitment transactions	Shinhan Investment Corp.
Kyobo AXA Czech Praha Real Estate Trust 1	98.71% equity	Shinhan Investment Corp.
Kyobo AXA Czech Praha Real Estate Trust 2	99.51% equity	Shinhan Investment Corp.
Samchully Midstream Private Investment Fund 5-4	100% equity	Global SH the 1st Co., Ltd.
JB Midstream Private Investment Fund 1	100% equity	Shinhan Investment Corp. Shinhan Midstream 1st Co.,Ltd

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017

1. Reporting entity, Continued

(c) Changes in subsidiaries, Continued

	December 31, 2018	
Company	Reason	Invest company
Shinhan Semiconductor New Technology Fund 1	22.73% equity as GP	Shinhan Investment Corp.
Vision Income Plus Alpha 1	98.04% equity	Shinhan Investment Corp.
KoreaAsset Classic VIM Pro Pri 1	94.34% equity	Shinhan Investment Corp.
Multi Asset Global Private Debt Investment Fund No.3	100% equity	Shinhan Investment Corp. Globalsolution 6th Co., Ltd
Value Plus LI Co.,Ltd	Financial supplement commitment transactions	Shinhan Investment Corp.
Value Plus Chris Co.,Ltd	Financial supplement commitment transactions	Shinhan Investment Corp.
Value Plus Trinity Co.,Ltd	Financial supplement commitment transactions	Shinhan Investment Corp.
Applebelly L.L.C	Exposure of strength and variable profit	Shinhan Investment Corp.
Mstream PFV Co.,Ltd	Exposure of strength and variable profit	Shinhan Investment Corp.
Shinhan ICT Fund 1	12.05% equity as GP	Shinhan Investment Corp.
Ryukyung VIM Pro Pri 1	99.80% equity	Shinhan Investment Corp.
ValueSystem THE MORDERN VIM Pro Pri	98.04% equity	Shinhan Investment Corp.
QUAD Absolute Longshort Equity Pro Pri 1	90.91% equity	Shinhan Investment Corp.
Shinhan Biopharma Fund 1	16.67% equity as GP	Shinhan Investment Corp.
LIME LongShort WIZARD Pro Pri 1	98.04% equity	Shinhan Investment Corp.
LIME Global Equity Pro Pri 1	99.65% equity	Shinhan Investment Corp.
HAN&Partners Lake Pro Pri	94.34% equity	Shinhan Investment Corp.
EXPONENTIAL SQUARE Pro Pri 1	68.93% equity	Shinhan Investment Corp.
KTB Aircraft Investment Fund 21-4	97.81% equity	Shinhan Investment Corp.
KTB Global Credit Pro Pri 1	99.67% equity	Shinhan Investment Corp.
Kiwoom Milestone US Real Estate Trust 16-B	100% equity	Shinhan Investment Corp.
ERS 2st co., ltd	Financial supplement commitment transactions	Shinhan Investment Corp.
Chance Brain Co.,Ltd	Financial supplement commitment transactions	Shinhan Investment Corp.
Global Edition 1st L.L.C	Financial supplement commitment transactions	Shinhan Investment Corp.
Global SH the 1st Co., Ltd.	Financial supplement commitment transactions	Shinhan Investment Corp.
paradiseyeongjong the fourth co., ltd	Financial supplement commitment transactions	Shinhan Investment Corp.
Value Plus HM Co.,Ltd	Financial supplement commitment transactions	Shinhan Investment Corp.
Shinhan Midstream 1st Co.,Ltd	Financial supplement commitment transactions	Shinhan Investment Corp.
Finesolution 11th Co., Ltd	Financial supplement commitment transactions	Shinhan Investment Corp.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017

1. Reporting entity, Continued

(c) Changes in subsidiaries, Continued

	December 31, 2018	
Company	Reason	Invest company
Value Plus Logis the First Co.,Ltd	Financial supplement commitment transactions	Shinhan Investment Corp.
SGMS 1st Co.,Ltd	Financial supplement commitment transactions	Shinhan Investment Corp.
Shinhan Consumer Fund 1	14.49% equity as GP	Shinhan Investment Corp.
SGMS 2nd Co.,Ltd	Financial supplement commitment transactions	Shinhan Investment Corp.
Chance Gopyeong Co.,Ltd	Financial supplement commitment transactions	Shinhan Investment Corp.
LandmarkSoonae Co.,Ltd	Financial supplement commitment transactions	Shinhan Investment Corp.
Finesolution 12th Co., Ltd	Financial supplement commitment transactions	Shinhan Investment Corp.
Global One Sangam PFV Real Estate Trust 1	97.77% equity	Applebelly L.L.C
Excluded subsidiaries		
QUAD Absolute Longshort Equity Pro Pri 1	Decrease in exposure to variable returns	Shinhan Investment Corp.
Mainstream the 2nd L.L.C	Expiration of financial supplement commitment transactions	Shinhan Investment Corp.
Mainstream the 1st Co., Ltd	Decrease in exposure to variable returns	Shinhan Investment Corp.
Value Plus Chris Co.,Ltd	Expiration of financial supplement commitment transactions	Shinhan Investment Corp.
Shinhan Stassets Healthcare Fund 1	Decrease in percentage ownership	Shinhan Investment Corp.
Globalsolution 6 th Co., Ltd	Expiration of financial supplement commitment transactions	Shinhan Investment Corp.
Globalsolution 1st Co., Ltd	Expiration of financial supplement commitment transactions	Shinhan Investment Corp.
Kiwoom Milestone US Real Estate Trust 16-B	Decrease in percentage ownership	Shinhan Investment Corp.
HAN&Partners Lake Pro Pri	Decrease in percentage ownership	Shinhan Investment Corp.
Finesolution 8th Co., Ltd	Expiration of financial supplement commitment transactions	Shinhan Investment Corp.
LIME Thetis Professional Private 3	Decrease in percentage ownership	Shinhan Investment Corp.
Ryukyung VIM Pro Pri 1	Decrease in percentage ownership	Shinhan Investment Corp.
Santaclause Long-term Bond Fund 4	Decrease in strength and fluctuating profit	Shinhan Investment Corp.
Santaclause Long-term Bond Fund 5	Decrease in strength and fluctuating profit	Shinhan Investment Corp.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017

1. Reporting entity, Continued

(c) Changes in subsidiaries, Continued

December 31, 2018		
Company	Reason	Invest company
Santaclause New Long-term Bond Fund 1	Decrease in strength and fluctuating profit	Shinhan Investment Corp.
Neo Short-term Bond #22	Decrease in strength and fluctuating profit	Shinhan Investment Corp.
Hanbaguni E-2	Decrease in strength and fluctuating profit	Shinhan Investment Corp.
Kyobo Tomorrow SGIC-1	Decrease in strength and fluctuating profit	Shinhan Investment Corp.
Multi Asset Global Private Debt Investment Fund No.3	Decrease in percentage ownership	Shinhan Investment Corp. Globalsolution 6 th Co., Ltd
Samsung Jinpum Short Fund C501	Decrease in strength and fluctuating profit	Shinhan Investment Corp.
Samsung Jinpum Short Fund C503	Decrease in strength and fluctuating profit	Shinhan Investment Corp.
SHBNPP Global Professional Investment Type Private Real Estate Investment Trust No.11	Decrease in percentage ownership	Shinhan Investment Corp.
Shinhan investment HI-FI Bond Professional Private1	Decrease in percentage ownership	Shinhan Investment Corp.
Fides May Man Multi-Strategy Fund	Decrease in percentage ownership	Shinhan Investment Corp.
KTB Global Multi Asset Allocation Fund	Decrease in percentage ownership	Shinhan Investment Corp.
KTB Pre-IPO Private Investment Trust[Derivatives]	Decrease in percentage ownership	Shinhan Investment Corp.
Shinhan IoT New Technology Fund No.1	Decrease in percentage ownership	Shinhan Investment Corp.
SHBNPP US Senior Loan Special Asset Investment Trust No.1(H)[Loan]	Decrease in percentage ownership	Shinhan Investment Corp.
SHBNPP Global Professional Investment Type Private Real Estate Investment Trust No.9	Decrease in percentage ownership	Shinhan Investment Corp.
Eugene Aviation special Investment type private investment trust 14	Decrease in percentage ownership	Shinhan Investment Corp.
Samsung Millennium Stock C503	Decrease in strength and fluctuating profit	Shinhan Investment Corp.
Santaclause 98 Short-term Bond Fund 1	Decrease in strength and fluctuating profit	Shinhan Investment Corp.
G1 Santaclause 98 Short-term Bond Fund 1	Decrease in strength and fluctuating profit	Shinhan Investment Corp.
Samsunglife New Short Fund B301	Decrease in strength and fluctuating profit	Shinhan Investment Corp.
Samsunglife New Short Fund A423	Decrease in strength and fluctuating profit	Shinhan Investment Corp.
KDB Private SH-1	Decrease in strength and fluctuating profit	Shinhan Investment Corp.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017

1. Reporting entity, Continued

(c) Changes in subsidiaries, Continued

Company	December 31, 2017	
	Reason	Invest company
Newly acquired subsidiaries		
DMC 1st L.L.C	Financial supplement commitment transactions	Shinhan Investment Corp.
Biel energy 2nd Inc	Financial supplement commitment transactions	Shinhan Investment Corp.
Finesolution first L.L.C	Financial supplement commitment transactions	Shinhan Investment Corp.
Angelest the 12st L.L.C	Financial supplement commitment transactions	Shinhan Investment Corp.
Angelest the 13st L.L.C	Financial supplement commitment transactions	Shinhan Investment Corp.
Angelest the 14st L.L.C	Financial supplement commitment transactions	Shinhan Investment Corp.
Angelest the 15st L.L.C	Financial supplement commitment transactions	Shinhan Investment Corp.
Tigerdragon 1st Co., Ltd.	Financial supplement commitment transactions	Shinhan Investment Corp.
Fieldsavenue 2nd L.L.C	Financial supplement commitment transactions	Shinhan Investment Corp.
JTC 1st CO., Ltd.	Financial supplement commitment transactions	Shinhan Investment Corp.
Mainstream the 5th Co., Ltd	Financial supplement commitment transactions	Shinhan Investment Corp.
Mainstream the 6th Co., Ltd	Exposure to variable returns	Mainstream the 5th Co., Ltd.
Finesolution second Co., Ltd	Financial supplement commitment transactions	Shinhan Investment Corp.
Fieldsavenue 1th L.L.C	Credit offering	Shinhan Investment Corp.
Finesolution 6th L.L.C	Credit offering	Shinhan Investment Corp.
Finesolution 8th Co., Ltd	Credit offering	Shinhan Investment Corp.
Globalsolution 1st Co., Ltd	Credit offering	Shinhan Investment Corp.
Angelest the 16st L.L.C	Credit offering	Shinhan Investment Corp.
Fieldsavenue 3th L.L.C	Credit offering	Shinhan Investment Corp.
Finesolution 9th Co., Ltd	Credit offering	Shinhan Investment Corp.
Shinhan IoT New Technology Fund No.1	19.61% equity as GP	Shinhan Investment Corp.
Shinhan Stassets Healthcare Fund 1	24.04% equity as GP	Shinhan Investment Corp.
Shinhan-Cognitive Start-up Fund L.P.	32.79% equity as GP	Shinhan Investment Corp.
PlatformPartners MR Squared Private Investment Trust 1	94.39% equity	Shinhan Investment Corp.
KTB Pre-IPO Private Investment Trust[Derivatives]	98.04% equity	Shinhan Investment Corp.
Lime Neptune L_ Mezzanine Private Equity Investment Trust 1	96.15% equity	Shinhan Investment Corp.
KB Star Emerging Index Securities Feeder Fund(Equity-Derivatives) C-F	99.91% equity	Shinhan Investment Corp.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017

1. Reporting entity, Continued

(c) Changes in subsidiaries, Continued

				December 31, 2017	
Company	Reason	Invest company			
Rhinos Global Mezzanine Multi-Strategy Private Investment Fund No.1	98.04% equity	Shinhan Investment Corp.			
SHBNPP US Senior Loan Special Asset Investment Trust No.1(H)[Loan]	95.45% equity	Shinhan Investment Corp.			
Lime Thetis Private Equity Investment Trust 3	100% equity	Shinhan Investment Corp.			
SHBNPP Global Professional Investment Type Private Real Estate Investment Trust No.9	88.28% equity	Shinhan Investment Corp.			
SHBNPP Global Professional Investment Type Private Real Estate Investment Trust No.11	99.91% equity	Shinhan Investment Corp.			
Shinhaninvestment HI-FI Bond Professional Private1	86.96% equity	Shinhan Investment Corp.			
Hastings Tornado Private Equity Fund series 1	98.04% equity	Shinhan Investment Corp.			
Eugene Aviation special Investment type private investment trust 14	97.94% equity	Shinhan Investment Corp.			
Excluded subsidiaries					
SS Junior 1th Inc.	Decrease in exposure to variable returns	Shinhan Investment Corp.			
Mainstream the 6th Co., Ltd	Decrease in exposure to variable returns	Minstream the 5th Co., Ltd.			
Mainstream the 5th Co., Ltd	Expiration of financial supplement commitment transactions	Shinhan Investment Corp.			
Finesolution second Co., Ltd	Expiration of financial supplement commitment transactions	Shinhan Investment Corp.			
Angelest the 11st L.L.C	Expiration of financial supplement commitment transactions	Shinhan Investment Corp.			
VALUE PLUS the 40th Co., Ltd.	Expiration of financial supplement commitment transactions	Shinhan Investment Corp.			
VALUE PLUS the 37th L.L.C	Expiration of financial supplement commitment transactions	Shinhan Investment Corp.			
Finesolution first Co., Ltd	Expiration of financial supplement commitment transactions	Shinhan Investment Corp.			
Fieldsavenue 2nd L.L.C	Expiration of financial supplement commitment transactions	Shinhan Investment Corp.			
PlatformPartners MR Squared Private Investment Trust 1	Decrease in percentage ownership	Shinhan Investment Corp.			

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017

1. Reporting entity, Continued

(c) Changes in subsidiaries, Continued

Company			December 31, 2017	Reason	Invest company
Lime Pluto FI Fund				Decrease in percentage ownership	Shinhan Investment Corp.
TongYang	SpecialSituations	Private		Decrease in percentage ownership	Shinhan Investment Corp.
1(Bond Balanced)					
Specific Money Trust				Decrease in percentage ownership	Shinhan Investment Corp.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(In millions of won)

1. Reporting entity, Continued

(d) Summary of financial information of the Company and its subsidiaries

(i) Condensed financial positions of the Company and its subsidiaries as of December 31, 2018 and 2017 are as follows:

Entity	December 31, 2018			December 31, 2017		
	Total assets	Total liabilities	Total equity	Total assets	Total liabilities	Total equity
Shinhan Investment Corp.	₩ 27,251,639	23,887,541	3,364,098	27,976,359	24,716,859	3,259,500
Shinhan Investment America Inc.	3,872	135	3,737	4,322	139	4,183
Shinhan Investment Asia Ltd.	41,106	3,252	37,854	33,162	86	33,076
Shinhan Securities Vietnam Co., LTD	45,919	5,982	39,937	36,885	60	36,825
PT. Shinhan Sekuritas Indonesia (*)	27,663	5,041	22,622	24,317	6,607	17,710
Beneficiary certificate	-	-	-	856	597	259
VALUE PLUS the 35nd L.L.C	30,144	31,110	(966)	49,258	47,110	2,148
Mainstream the 1st Co., Ltd	-	-	-	34,906	34,756	150
VALUE PLUS the 38th Co., Ltd	40,293	40,200	93	40,269	40,075	194
Angelest the 8st Co., Ltd	25,395	25,302	93	25,556	25,400	156
Mainstream the 2st L.L.C	-	-	-	371	371	-
Mainstream the 4st L.L.C	16,856	16,600	256	17,214	16,600	614
DMC 1st L.L.C	40,572	40,309	263	40,427	40,309	118
Biel energy 2nd Inc	69,129	70,194	(1,065)	68,684	67,505	1,179
Angelest the 12st L.L.C	10,109	10,243	(134)	10,114	10,240	(126)
Angelest the 13st L.L.C	15,380	13,759	1,621	13,254	13,700	(446)
Angelest the 14st L.L.C	14,714	14,751	(37)	14,728	14,700	28
Angelest the 15st L.L.C	25,263	25,519	(256)	25,457	25,659	(202)
Angelest the 16st L.L.C	33,293	33,963	(670)	33,797	34,161	(364)
Tigerdragon 1st Co., Ltd	10,490	10,321	169	17,999	17,927	72
JTC 1st CO., Ltd	30,690	31,591	(901)	32,472	33,043	(571)
Fieldsavenue 1st L.L.C	28,972	29,247	(275)	6,231	6,156	75
Fieldsavenue 3th L.L.C	117	114	3	12,083	12,100	(17)
Finesolution 6th L.L.C	14,106	14,003	103	13,912	14,250	(338)
Finesolution 8th Co., Ltd	-	-	-	20,575	20,538	37
Finesolution 9th Co., Ltd	15,123	14,802	321	15,197	15,202	(5)

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(In millions of won)

1. Reporting entity, Continued

(d) Summary of financial information of the Company and its subsidiaries, Continued

(i) Condensed financial positions of the Company and its subsidiaries as of December 31, 2018 and 2017 are as follows:, Continued

Entity	December 31, 2018			December 31, 2017		
	Total assets	Total liabilities	Total equity	Total assets	Total liabilities	Total equity
Globalsolution 1st Co., Ltd	₩ -	-	-	115,037	115,300	(263)
JB Sangam Private Real Estate Investment Trust No.1	28,526	681	27,845	2,203	5	2,198
Nomura-Rifa Private Real Estate Investment Trust 4	70,780	52,501	18,279	72,658	53,517	19,141
Shinhan IoT New Technology Fund No.1	-	-	-	2,599	-	2,599
Shinhan Stassets Healthcare Fund 1	-	-	-	2,049	-	2,049
Shinhan-Cognitive Start-up Fund L.P.	24,566	157	24,409	3,050	6	3,044
SICeres L.L.C	11,724	12,909	(1,185)	11,736	12,222	(486)
Irisnine L.L.C.	11,724	12,909	(1,185)	11,736	12,222	(486)
Global SH the 1st Co., Ltd.	91,010	90,500	510	-	-	-
Paradiseyeongjong the fourth co., ltd	50,775	51,243	(468)	-	-	-
Value Plus HM Co.,Ltd	95,728	96,280	(552)	-	-	-
VALUE PLUS the 53th Co., Ltd.	43,465	43,500	(35)	-	-	-
VALUE PLUS the 54th Co., Ltd.	306,009	306,500	(491)	-	-	-
Shinhan Midstream 1st Co.,Ltd	153,543	154,000	(457)	-	-	-
SGMS 3rd Co.,Ltd	30,059	30,132	(73)	-	-	-
Fides May Man Multi-Strategy Fund	-	-	-	11,847	3	11,844
Brain Professional Private Trust No.9	5,125	-	5,125	7,026	-	7,026
AION Metis Fund	4,886	-	4,886	5,081	-	5,081
Multi Asset Offshore Aircraft QI Investment Fund No.1	26,919	12	26,907	28,710	1	28,709
KTB Global Multi Asset Allocation Fund	-	-	-	5,454	326	5,128
KTB Pre-IPO Private Investment Trust[Derivatives]	-	-	-	5,108	4	5,104
Lime Neptune L_ Mezzanine Private Equity Investment Trust 1	543	-	543	4,517	-	4,517

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(In millions of won)

1. Reporting entity, Continued

(d) Summary of financial information of the Company and its subsidiaries, Continued

(i) Condensed financial positions of the Company and its subsidiaries as of December 31, 2018 and 2017 are as follows:, Continued

Entity	December 31, 2018			December 31, 2017		
	Total assets	Total liabilities	Total equity	Total assets	Total liabilities	Total equity
Lime Thetis Private Equity ₩ Investment Trust 3	-	-	-	15,101	4	15,097
KB Star Emerging Index Securities Feeder Fund(Equity-Derivatives) C-F	4,949	3	4,946	3,541	1	3,540
Rhinos Global Mezzanine Multi- Strategy Private Investment Fund No.1	5,441	77	5,364	5,165	16	5,149
SHBNPP US Senior Loan Special Asset Investment Trust No.1(H)[Loan]	-	-	-	13,825	3,236	10,589
SHBNPP Global Professional Investment Type Private Real Estate Investment Trust No.9	-	-	-	28,017	10	28,007
SHBNPP Global Professional Investment Type Private Real Estate Investment Trust No.11	-	-	-	110,426	15	110,411
Shinhan investment HI-FI Bond Professional Private1	-	-	-	50,247	27,007	23,240
Hastings Tornado Private Equity Fund series 1	5,272	1	5,271	5,101	1	5,100
Eugene Aviation special Investment type private investment trust 14	-	-	-	4,824	-	4,824
Kyobo AXA Czech Praha Real Estate Trust 1	7,749	1	7,748	-	-	-
Kyobo AXA Czech Praha Real Estate Trust 2	20,054	3	20,051	-	-	-
Samchully Midstream Private Investment Fund 5-4	67,309	51	67,258	-	-	-
JB Midstream Private Investment Fund 1	169,674	770	168,904	-	-	-
Value Plus Logis the 1st Co.,Ltd	22,646	22,483	163	-	-	-
VALUE PLUS the 17th Co., Ltd.	28,503	31,857	(3,354)	-	-	-
Fieldsavenue 4th Co., Ltd	20,851	20,400	451	-	-	-
Mainstream the 7th L.L.C	40,572	40,361	211	-	-	-
Shinhan Semiconductor New Technology Fund 1	2,150	-	2,150	-	-	-
Vision Income Plus Alpha 1	5,214	-	5,214	-	-	-
KoreaAsset Classic VIM Pro Pri 1	5,349	-	5,349	-	-	-
Specific Money Trust	190,010	-	190,010	-	-	-

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(In millions of won)

1. Reporting entity, Continued

(d) Summary of financial information of the Company and its subsidiaries, Continued

(i) Condensed financial positions of the Company and its subsidiaries as of December 31, 2018 and 2017 are as follows:, Continued

Entity	December 31, 2018			December 31, 2017		
	Total assets	Total liabilities	Total equity	Total assets	Total liabilities	Total equity
Angelest the 17th L.L.C	₩ 15,179	15,273	(94)	-	-	-
Value Plus LI Co.,Ltd	21,204	20,941	263	-	-	-
Angelest the 18th L.L.C	12,186	12,203	(17)	-	-	-
Finesolution 11th Co., Ltd	27,047	26,417	630	-	-	-
Fieldsavenue 5th Co., Ltd	32,332	32,000	332	-	-	-
Value Plus Trinity Co.,Ltd	10,350	10,330	20	-	-	-
Applebelly L.L.C	8,796	9,082	(286)	-	-	-
Mstream PFV Co.,Ltd	113,421	111,060	2,361	-	-	-
Global One Sangam PFV Real Estate Trust 1	9,000	12	8,988	-	-	-
Shinhan ICT Fund 1	4,117	-	4,117	-	-	-
ValueSystem THE MORDERN VIM Pro Pri	5,696	465	5,231	-	-	-
Fields avenue 7st co., Ltd	19,945	20,191	(246)	-	-	-
Mainstream the 9th L.L.C	33,989	34,078	(89)	-	-	-
Global Solution the 8th Co., Ltd.	9,537	9,504	33	-	-	-
Fields avenue 6st co., Ltd	31,249	31,162	87	-	-	-
Finesolution 12th Co., Ltd	50,871	50,587	284	-	-	-
Shinhan Biopharma Fund 1	29,732	-	29,732	-	-	-
LIME LongShort WIZARD Pro Pri 1	7,319	2,141	5,178	-	-	-
LIME Global Equity Pro Pri 1	28,426	-	28,426	-	-	-
EXPONENTIAL SQUARE Pro Pri 1	12,282	5,416	6,866	-	-	-
KTB Aircraft Investment Fund 21-4	4,584	-	4,584	-	-	-
KTB Global Credit Pro Pri 1	30,088	305	29,783	-	-	-
Angelest the 19th L.L.C	20,198	20,442	(244)	-	-	-
ERS 2st co., ltd	26,918	26,918	-	-	-	-
Chance Brain Co.,Ltd	30,326	30,492	(166)	-	-	-
Global Edition 1st L.L.C	17,310	17,302	8	-	-	-

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(In millions of won)

1. Reporting entity, Continued

(d) Summary of financial information of the Company and its subsidiaries, Continued

(i) Condensed financial positions of the Company and its subsidiaries as of December 31, 2018 and 2017 are as follows:, Continued

Entity	December 31, 2018			December 31, 2017		
	Total assets	Total liabilities	Total equity	Total assets	Total liabilities	Total equity
Shinhan Consumer Fund 1	₩ 20,509	-	20,509	-	-	-
SGMS 1st Co.,Ltd	12,558	12,552	6	-	-	-
SGMS 2nd Co.,Ltd	25,344	25,328	16	-	-	-
Chance Gopyeong Co.,Ltd	68,426	70,170	(1,744)	-	-	-
LandmarkSoonae Co.,Ltd	20,278	20,412	(134)	-	-	-

(*) PT Shinhan Asset Management Indonesia is a consolidated financial information of an intermediate controlling company.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(In millions of won)

1. Reporting entity, Continued

(d) Summary of financial information of the Company and its subsidiaries, Continued

(ii) Condensed comprehensive income statements of the Company and its subsidiaries for the years ended December 31, 2018 and 2017 are as follows:

Entity	December 31, 2018			December 31, 2017		
	Operating revenues	Net Income (loss)	Total comprehensive income(loss)	Operating revenues	Net Income (loss)	Total comprehensive income(loss)
Shinhan Investment Corp.	₩ 5,467,043	245,703	252,800	5,521,492	200,509	200,423
Shinhan Investment America Inc.	746	(619)	(446)	839	(679)	(1,005)
Shinhan Investment Asia Ltd.	6,530	3,346	4,778	3,144	965	(975)
Shinhan Securities Vietnam Co., LTD	4,253	2,313	3,113	439	(922)	(2,318)
PT. Shinhan Sekuritas Indonesia(*)	3,331	825	(568)	1,960	627	(1,755)
Beneficiary certificate	-	-	-	24	19	(1,362)
Mainstream the 1st Co., Ltd	-	-	-	2,075	(50)	(50)
Mainstream the 2st L.L.C	-	-	-	1,252	6	6
Mainstream the 4st L.L.C	779	(358)	(358)	931	282	282
VALUE PLUS the 35nd L.L.C	1,609	(3,114)	(3,114)	2,109	(64)	5,629
VALUE PLUS the 38nd Co., Ltd	1,863	(101)	(101)	1,826	80	80
SICeres L.L.C	823	(698)	(698)	1,079	(442)	(442)
Irisnine L.L.C.	823	(698)	(698)	1,079	(442)	(442)
Angelest the 8st Co., Ltd	1,017	(63)	(63)	1,072	125	125
Nomura-Rifa Private Real Estate Investment Trust 4	4,600	783	783	4,428	711	711
JB Sangam Private Real Estate Investment Trust No.1	25,844	25,648	25,648	-	(29)	(29)
Multi Asset Offshore Aircraft QI Investment Fund No.1	4,533	1,393	1,393	6,706	1,291	1,291
Value Plus HM Co.,Ltd	41	(553)	(553)	-	-	-
VALUE PLUS the 53th Co., Ltd.	-	(35)	(35)	-	-	-
VALUE PLUS the 54th Co., Ltd.	-	(491)	(491)	-	-	-
Shinhan Midstream 1st Co.,Ltd	-	(457)	(457)	-	-	-
SGMS 3rd Co.,Ltd	2	(73)	(73)	-	-	-
Fields avenue 7st co., Ltd	11	(246)	(246)	-	-	-
Global SH the 1st Co., Ltd.	1,013	510	510	-	-	-

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(In millions of won)

1. Reporting entity, Continued

(d) Summary of financial information of the Company and its subsidiaries, Continued

(ii) Condensed comprehensive income statements of the Company and its subsidiaries for the years ended December 31, 2018 and 2017 are as follows:, Continued

Entity	December 31, 2018			December 31, 2017		
	Operating Revenues	Net Income (loss)	Total comprehensive income(loss)	Operating revenues	Net Income (loss)	Total Comprehensive Income(loss)
AION Metis Fund	₩ 480	(137)	(137)	1,109	589	589
Brain Professional Private Trust No.9	1,990	792	792	1,435	971	971
Fides May Man Multi-Strategy Fund	-	-	-	4,539	1,379	1,379
KTB Global Multi Asset Allocation Fund	-	-	-	499	46	46
DMC 1st L.L.C	1,974	145	145	2,577	118	118
Biel energy 2nd Inc	1,340	(2,245)	(2,245)	4,495	1,179	1,179
Angelest the 12st L.L.C	529	(7)	(7)	374	(126)	(126)
Angelest the 13st L.L.C	3,033	2,066	2,066	158	(446)	(446)
Angelest the 14st L.L.C	738	(65)	(65)	617	28	28
Angelest the 15st L.L.C	1,171	(54)	(54)	450	(202)	(202)
Angelest the 16st L.L.C	1,490	(306)	(306)	155	(364)	(364)
Tigerdragon 1st Co., Ltd	2,379	97	97	2,789	71	71
JTC 1st CO., Ltd	1,357	(330)	(330)	732	(571)	(571)
Fieldsavenue 1st L.L.C	1,693	(350)	(350)	427	75	75
Fieldsavenue 3th L.L.C	721	20	20	57	(17)	(17)
Finesolution 6th L.L.C	862	441	441	(134)	(338)	(338)
Finesolution 8th Co., Ltd	-	-	-	330	37	37
Finesolution 9th Co., Ltd	887	326	326	66	(5)	(5)
Globalsolution 1st Co., Ltd	-	-	-	8,491	(263)	(263)
Shinhan IoT New Technology Fund No.1	-	-	-	98	49	49
Shinhan Stassets Healthcare Fund 1	-	-	-	-	(31)	(31)
Shinhan-Cognitive Start-up Fund L.P.	25	(594)	(594)	-	(6)	(6)
Samchully Midstream Private Investment Fund 5-4	1,098	(268)	(268)	-	-	-
JB Midstream Private Investment Fund 1	4,556	(596)	(596)	-	-	-

1. Reporting entity, Continued

(d) Summary of financial information of the Company and its subsidiaries, Continued

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(In millions of won)

(ii) Condensed comprehensive income statements of the Company and its subsidiaries for the years ended December 31, 2018 and 2017 are as follows:, Continued

Entity	December 31, 2018			December 31, 2017		
	Operating Revenues	Net Income (loss)	Total comprehensive income(loss)	Operating revenues	Net Income (loss)	Total comprehensive income(loss)
KTB Pre-IPO Private Investment Trust[Derivatives] ₩	-	-	-	168	4	4
Lime Neptune L_ Mezzanine Private Equity Investment Trust 1	8,684	7,307	7,307	914	737	737
Lime Thetis Private Equity Investment Trust 3	-	-	-	102	98	98
KB Star Emerging Index Securities Feeder Fund(Equity-Derivatives) C-F	983	(615)	(615)	455	365	365
Rhinos Global Mezzanine Multi-Strategy Private Investment Fund No.1	965	403	403	617	58	58
SHBNPP US Senior Loan Special Asset Investment Trust No.1(H)[Loan]	-	-	-	814	73	73
SHBNPP Global Professional Investment Type Private Real Estate Investment Trust No.9	-	-	-	1,130	(46)	(46)
SHBNPP Global Professional Investment Type Private Real Estate Investment Trust No.11	-	-	-	3,638	611	611
Shinhaninvestment HI-FI Bond Professional Private1	-	-	-	254	240	240
Hastings Tornado Private Equity Fund series 1	595	171	171	1	-	-
Eugene Aviation special Investment type private investment trust 14	-	-	-	2	(34)	(34)
Paradiseyeongjong the fourth Co., ltd	82	(467)	(467)	-	-	-
Mainstream the 9th L.L.C	30	(89)	(89)	-	-	-
Global Solution the 8th Co., Ltd.	128	33	33	-	-	-
Kyobo AXA Czech Praha Real Estate Trust 1	35	(5)	(5)	-	-	-
Kyobo AXA Czech Praha Real Estate Trust 2	133	(428)	(428)	-	-	-
Shinhan Consumer Fund 1	-	(191)	(191)	-	-	-
SGMS 2nd Co.,Ltd	278	16	16	-	-	-
Chance Gopyeong Co.,Ltd	1,351	(1,743)	(1,743)	-	-	-
LandmarkSoonae Co.,Ltd	661	(134)	(134)	-	-	-
Value Plus Logis the First Co.,Ltd	289	48	48	-	-	-

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(In millions of won)

1. Reporting entity, Continued

(d) Summary of financial information of the Company and its subsidiaries, Continued

(ii) Condensed comprehensive income statements of the Company and its subsidiaries for the years ended December 31, 2018 and 2017 are as follows:, Continued

Entity	December 31, 2018			December 31, 2017		
	Operating Revenues	Net Income (loss)	Total Comprehensive income(loss)	Operating revenues	Net Income (loss)	Total Comprehensive Income
Value Plus Logis the 1st Co.,Ltd	₩ 3,258	163	163	-	-	-
Finesolution 10th Co., Ltd	1,623	(3,354)	(3,354)	-	-	-
Fieldsavenue 4th Co., Ltd	1,371	450	450	-	-	-
Mainstream the 7th L.L.C	1,414	211	211	-	-	-
Shinhan Semiconductor New Technology Fund 1	2	(50)	(50)	-	-	-
Vision Income Plus Alpha 1	198	163	163	-	-	-
KoreaAsset Classic VIM Pro Pri 1	859	92	92	-	-	-
Specific Money Trust	10	10	10	-	-	-
Angelest the 17th L.L.C	518	(94)	(94)	-	-	-
Value Plus LI Co.,Ltd	1,328	263	263	-	-	-
Angelest the 18th L.L.C	312	(18)	(18)	-	-	-
Finesolution 11th Co., Ltd	3,016	630	630	-	-	-
Fieldsavenue 5th Co., Ltd	1,484	332	332	-	-	-
Value Plus Trinity Co.,Ltd	732	20	20	-	-	-
Applebelly L.L.C	297	(306)	(306)	-	-	-
Mstream PFV Co.,Ltd	2,732	(2,614)	(2,614)	-	-	-
Global One Sangam PFV Real Estate Trust 1	436	38	38	-	-	-
Shinhan ICT Fund 1	1	(33)	(33)	-	-	-
ValueSystem THE MORDERN VIM Pro Pri	923	161	161	-	-	-
Fieldsavenue 6th Co., Ltd	1,428	87	87	-	-	-
Finesolution 12th Co., Ltd	831	283	283	-	-	-
Angelest the 19th L.L.C	258	(245)	(245)	-	-	-
ERS 2st co., ltd	555	-	-	-	-	-
Chance Brain Co.,Ltd	1,140	(166)	(166)	-	-	-

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(In millions of won)

1. Reporting entity, Continued

(d) Summary of financial information of the Company and its subsidiaries, Continued

(ii) Condensed comprehensive income statements of the Company and its subsidiaries for the years ended December 31, 2018 and 2017 are as follows:, Continued

Entity	December 31, 2018			December 31, 2017		
	Operating Revenues	Net Income (loss)	Total comprehensive income(loss)	Operating revenues	Net Income (loss)	Total comprehensive income
Shinhan Biopharma Fund 1	₩ 3	(268)	(268)	-	-	-
LIME LongShort WIZARD Pro Pri 1	3,074	93	93	-	-	-
LIME Global Equity Pro Pri 1	132	(1,680)	(1,680)	-	-	-
EXPONENTIAL SQUARE Pro Pri 1	2,746	(353)	(353)	-	-	-
KTB Aircraft Investment Fund 21-4	343	160	134	-	-	-
KTB Global Credit Pro Pri 1	108	(275)	(275)	-	-	-
Global Edition 1st L.L.C	512	8	8	-	-	-
SGMS 1st Co.,Ltd	309	7	7	-	-	-

(*) PT Shinhan Asset Management Indonesia is a consolidated financial information of an intermediate controlling company.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017

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 Audit of Stock Companies.

This is the first set of the Group’s consolidated financial statements where K-IFRS No.1109 and K-IFRS No.1115 have been applied. The following amendments are described on Note 3.

(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 Company’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
Shinhan Securities Vietnam Co., LTD	VND
PT. Shinhan Sekuritas Indonesia	IDR
PT. Shinhan Asset Management Indonesia	IDR

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017

2. Basis of preparation, Continued

(d) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with K-IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period prospectively.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

(i) Income taxes

Within the normal business process, there are various types of transactions and different accounting methods that may add uncertainties to the determination of 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 confirmed.

(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 loan 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 risks and 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 amount needs to be updated.

(v) Approval of consolidated financial statements

The consolidated financial statements were authorized for issue by the Board of Directors on February 12, 2019, which will be submitted for approval to the stockholder's meeting to be held on March 27, 2019.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017

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 certain standards and amendments applied for the first time, which are effective for annual periods beginning on or after January 1, 2018.

(a) 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 is lost.

If a member of the Group uses accounting policies other than those adopted in the consolidated financial statements for identical 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.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017

3. Significant accounting policies, Continued

(a) Basis of consolidation, Continued

(iii) Transactions eliminated on consolidations

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 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 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 years ended December 31, 2018 and 2017

3. Significant accounting policies, Continued

(b) Associates and jointly controlled entities (collectively “associates”)

Associates are 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 joint ventures is accounted 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 is lost.

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.

(c) Business combinations

(i) Business combinations

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control.

Each identifiable asset and liability is measured at its acquisition-date fair value except for below:

- Leases and insurance contracts are required to be classified on the basis of the contractual terms and other factors
- Only those contingent liabilities assumed in a business combination that are a present obligation and can be measured reliably are recognized
- Deferred tax assets or liabilities are recognized and measured in accordance with K-IFRS No.1012 Income Taxes
- Employee benefit arrangements are recognized and measured in accordance with K-IFRS No.1019 Employee Benefits
- Indemnification assets are recognized and measured on the same basis as the indemnified liability or asset
- Reacquired rights are measured on the basis of the remaining contractual terms of the related contract
- Liabilities or equity instruments related to share-based payment transactions are measured in accordance with the method in K-IFRS No.1102 Share-based Payment
- Assets held for sale are measured at fair value less costs to sell in accordance with K-IFRS No.1105 Non-current Assets Held for Sale

As of the acquisition date, non-controlling interests in the acquiree are measured as the non-controlling interests’ proportionate share of the acquiree’s identifiable net assets.

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities

3. Significant accounting policies, Continued

(c) Business combinations, Continued

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017

(i) Business combinations, Continued

incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer. However, any portion of the acquirer's share-based payment awards exchanged for awards held by the acquiree's employees that are included in consideration transferred in the business combination shall be measured in accordance with the method described above rather than at fair value.

Acquisition-related costs are costs the acquirer incurs to effect a business combination. Those costs include finder's fees; advisory, legal, accounting, valuation and other professional or consulting fees; general administrative costs, including the costs of maintaining an internal acquisitions department; and costs of registering and issuing debt and equity securities. Acquisition-related costs, other than those associated with the issue of debt or equity securities, are expensed in the periods in which the costs are incurred and the services are received. The costs to issue debt or equity securities are recognized in accordance with K-IFRS No.1032 Financial Instruments: Presentation and K-IFRS No.1039 Financial Instruments: Recognition and Measurement.

(ii) Goodwill

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, bargain purchase gain is recognized immediately in profit or loss.

When the Group additionally acquires non-controlling interest, the Group does not recognize goodwill since the transaction is regarded as equity transaction.

(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 or loss / profit and loss.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017

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 years ended December 31, 2018 and 2017

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.

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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 years ended December 31, 2018 and 2017

3. Significant accounting policies, Continued

(f) Non-derivative financial assets, Continued

(v) De-recognition 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.

(vi) 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) Impairment of financial assets

The Group evaluates expected credit loss on financial assets measured at amortized cost and debt instruments measured at FVOCI.

The Group measures the provision at an amount equal to lifetime expected credit losses, except for the following financial assets measured at 12-month expected credit losses:

- Debt securities determined at the end of the reporting period that the credit risk is low
- Other debt securities of which credit risks have not increased significantly since initial recognition (the risk of default occurring over the expected life of the financial asset).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is available without undue cost or effort. This includes qualitative, quantitative information and analysis based on our experience and known credit evaluation, including future oriented information.

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured at the present value of all cash shortfalls (ie the difference between all contractual cash flows payable under the contract and all contractual cash flows expected to be received). Expected credit losses are discounted at the effective interest rate of the relevant financial asset.

At the end of each reporting period, the Group assesses whether the credit on financial assets measured at amortized cost and on debt securities measured at fair value through other comprehensive income are impaired. If one or more events occur that adversely affect the estimated future cash flows of the financial asset, the financial asset is considered as credit-impaired.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017

3. Significant accounting policies, Continued

(g) Impairment of financial assets, Continued

Evidence that financial asset is credit-impaired includes observable information as follow:

- Significant financial difficulties of the issuer or borrower
- Breach of contract, such as default in debt or past due of 90 days or more.
- Inevitable mitigation of the original loan terms for economic or contractual reasons related to the financial difficulties of the borrower;
- Borrowers are more likely than not to bankrupt or possibility of other financial restructuring is high.
- Active markets for financial assets become inactive due to financial difficulties

The loss allowance for financial assets measured at amortized cost is deducted from the carrying amount of those assets. For debt instruments measured at fair value through other comprehensive income, the loss allowance is included in profit or loss and recognized in other comprehensive income.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
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3. Significant accounting policies, Continued

(h) Property and equipment

Property and equipment initially are 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:

Descriptions	Useful lives
Buildings	40~60 years
Vehicles	5 years
Furniture and fixtures	4 years
Other property and equipment	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.

(i) 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.

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3. Significant accounting policies, Continued

(i) Intangible assets, Continued

Descriptions	Useful lives
Computer software	4 years
Others	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.

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.

(j) 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

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3. Significant accounting policies, Continued

(k) 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.

(l) 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.

(i) 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.

(ii) Financial liabilities measured at amortized cost

Non-derivative financial liabilities other than financial liabilities at fair value through profit of loss are classified as financial liabilities measured at amortized cost. At the date of initial recognition, financial liabilities measured at amortized cost are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, financial liabilities measured at amortized cost 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
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3. Significant accounting policies, Continued

(m) 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.

Preference shares 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.

(n) 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.

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3. Significant accounting policies, Continued

(n) 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.

(o) 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.

(p) 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.

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3. Significant accounting policies, Continued

(q) 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.

(r) 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 Company. 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
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3. Significant accounting policies, Continued

(r) 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.

(s) 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.

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3. Significant accounting policies, Continued

(s) 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.

(t) 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.

(u) Financial guarantee contract

A financial guarantee contract is a contract that the issuer must pay compensate for losses incurred by the holder due to the failure of a specific creditor to pay the due date on the original contract or modified terms of the debt instrument. Financial guarantee contracts are measured at fair value at initial recognition and are included in the provision for payment guarantees. Fair value is amortized over the period.

After initial recognition, it is measured as the greater of:

- Loss provision calculated in accordance with K-IFRS No. 1109, 'Financial Instruments'
- The amount initially recognized, net of accumulated profits recognized in accordance with K-IFRS 1115, 'Revenue from contracts with customers'

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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(In millions of won)

3. Significant accounting policies, Continued

(v) Changes in accounting policies

The Group has applied the K-IFRS 1109 'financial instrument' and K-IFRS No. 1115 'Revenue from contracts with customers' effective of January 1, 2018. Other standards effective after January 1, 2018 have no significant effect on the Group's financial statements. In accordance with the transition rules of K-IFRS No.1109 and K-IFRS No. 1115, the consolidated financial statements as of December 31, 2017 have not been restated as a result of the adoption of the new standards.

Changes in retained earnings by applying K-IFRS No. 1109 and No. 1115 are as follows.

Classification	₩	Retained earnings
Beginning retained earnings (before adjustments)	₩	1,368,252
Adjustments due to implementation of K-IFRS No.1109		8,331
Reclassification from loans and receivables to financial assets measured at FVTPL		133
Reclassification from available-for-sale financial assets to financial assets measured at FVTPL		12,236
Increase in loss provision of financial instruments at amortized cost		(6,803)
Increase in loss provision on loan and financial guarantee contract		(1,302)
Increase in loss provision of debt instruments measured at FVOCI		(207)
Change in fair value of financial liabilities measured at FVTPL due to credit risk		2,141
Adjustments to associates due to implementation of K-IFRS No.1109		2,133
Adjustments due to implementation of K-IFRS No.1115		(343)
Net tax effects		(2,197)
Beginning retained earnings (after adjustments)	₩	<u>1,374,043</u>

Changes in accumulated other comprehensive income by applying K-IFRS No. 1109 are as follows.

Classification	₩	Accumulated OCI
Beginning accumulated OCI (before adjustments)	₩	88,264
Adjustments due to implementation of K-IFRS No.1109		(16,303)
Reclassification from available-for-sale financial assets to financial assets measured at FVTPL		(12,236)
Increase in loss provision of debt instruments measured at FVOCI		207
Change in fair value of financial liabilities measured at FVTPL due to credit risk		(2,141)
Adjustments to associates due to implementation of K-IFRS No.1109		(2,133)
Net tax effects		4,483
Beginning accumulated OCI – K-IFRS No.1109	₩	<u>76,444</u>

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3. Significant accounting policies, Continued

(v) Changes in accounting policies, Continued

(i) K-IFRS No. 1109 'Financial Instruments'

The Group changed its accounting policy by applying K-IFRS No. 1109 and amended the amount recognized in the consolidated financial statements. For the classification, measurement and impairment of financial instruments, it did not re-instate its financial statements in accordance with the exemptions. The Standard replaces K-IFRS No. 1039 'Financial Instruments: Recognition and Measurement'. In addition, other standards covering financial instruments such as K-IFRS 1107 'Financial Instruments: Disclosure' have been amended in accordance with K-IFRS No. 1109.

1) Classification of financial products

K-IFRS No.1109 retained most of the existing requirements of K-IFRS No.1039 for the classification and measurement of financial liabilities. But, it has eliminated the existing classification of held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. K-IFRS No.1109 has no significant effect on the Group's accounting policies related to derivative financial instruments. The effects of the classification and measurement of financial instruments in K-IFRS No. 1109 are as follows.

The Group classifies financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets as shown in the below table when the new standard K-IFRS No. 1109 is adopted. Furthermore, if a hybrid contract contains a host that is an asset within the scope of this standard, an embedded derivative shall not be separated from the host and the hybrid contract is accounted as a financial asset.

Financial assets are measured at amortized cost if both of the following conditions are met and they are not designated as assets measured at FVTPL.

- The Group holds financial assets under a business model that is intended to hold to receive contractual cash flows.
- Under the terms of the contract, there is a cash flow consisting solely of interest payments on interest and principal on a specified date.

Debt instrument are measured at FVOCI if both of the following conditions are met and they are not designated as instruments measured at FVTPL.

- The Group holds financial assets under a business model that serves both through receipt of contractual cash flows and sale of financial assets.
- Under the terms of the contract, there is a cash flow consisting solely of interest payments on interest and principal balance on a specified date.

At the date of initial recognition of an equity instrument that is not a trading instrument, the Group may make an irrevocable choice to present subsequent changes in the fair value of that investment in other comprehensive income. The decision is made by financial instruments.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
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3. Significant accounting policies, Continued

(v) Changes in accounting policies, Continued

(i) K-IFRS No. 1109 'Financial Instruments', Continued

1) Classification of financial products, Continued

All financial instruments not measured at amortized cost, FVOCI, as described above, are measured by FVTPL, including all derivative financial assets. If the Group designates a financial asset that meets the requirements measured at amortize cost or FVOCI as an FVTPL measure, the entity may designate that financial asset as an FVTPL measure at the time of initial recognition if the accounting discrepancies are eliminated or significantly reduced. However, such designation is irrevocable.

A financial asset other than a trade receivable that does not have a significant financial component measured at the initial transaction price is initially measured at fair value plus the transaction costs directly attributable to the acquisition, unless it is an FVTPL.

The following accounting policies apply to subsequent measurement of financial assets.

Financial assets measured at FVTPL	These assets are subsequently measured at fair value. Income and expenses, including interest and dividend income, are recognized in profit or loss.
Financial assets measured at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. Amortization is reduced by impairment loss. Interest income, G/L of foreign currency are recognized in profit or loss. The gain or loss on disposal is also recognized in profit or loss.
Financial liabilities measured at FVOCI	These assets are subsequently measured at fair value. Interest income, G/L of foreign currency translation calculated using the effective interest method are recognized in profit or loss. Other net profit or loss is recognized in other comprehensive income. The G/LF of accumulated in OCI is reclassified to profit or loss when eliminated.
Equity instruments measured at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized in profit or loss unless the dividends clearly represent the amount of investment principal. Other net profit or loss is recognized in OCI and is never reclassified to profit or loss.

If at least one of the following conditions is met at the time of initial recognition, it can be designated as financial liability measured at FVTPL.

- Designation of financial liabilities measured at FVTPL eliminates or significantly reduces the recognition and measurement inconsistency that arises from measuring or recognizing the assets or liabilities on different basis.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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3. Significant accounting policies, Continued

(v) Changes in accounting policies, Continued

(i) K-IFRS No. 1109 'Financial Instruments', Continued

1) Classification of financial products, Continued

- To form part of a financial instrument set (a financial asset, a financial liability or a combination of both) in accordance with a documented risk management or investment strategy and to internally provide the information to key management personnel
- A financial liability that includes one or more embedded derivative financial instruments and a derivative contract that permits the designation of fair value measurements in accordance with K-IFRS 1109, 'Financial Instruments'

The effect of the adoption of K-IFRS No.1109 on the classification and measurement of financial assets and liabilities of the Group at January 1, 2018, which is the initial date of application, is as follows.

Classification by			Amount by	
K-IFRS No. 1039		K-IFRS No. 1109	K-IFRS No. 1039 (*1)	K-IFRS No. 1109(*1)
Due from banks	Loans and receivables	AC	₩ 2,294,897	2,294,897
Loans	Loans and receivables	FVPL(*2)	67,691	67,824
		AC	3,649,077	3,649,077
Other financial assets	Loans and receivables	AC	2,004,750	2,004,750
Trading assets (debt securities)	Fair value through profit or loss	FVPL	11,247,397	11,247,397
Trading assets (equity securities)	Fair value through profit or loss	FVPL	2,941,861	2,941,861
Designated at fair value through profit or loss (debt securities)(*3)	Fair value through profit or loss	FVPL	2,000,343	2,000,343
Designated at fair value through profit or loss (equity securities)(*3)	Fair value through profit or loss	FVPL	952,180	952,180
Designated at fair value through profit or loss (hybrid financial assets)(*3)	Fair value through profit or loss	FVPL	233,892	233,892
Derivative assets	Fair value through profit or loss	FVPL	662,490	657,783
Available-for-sale (debt securities)	Available-for-sale	FVPL(*2)	114,013	118,720
		FVOCI	1,249,731	1,249,731
Available-for-sale (equity securities)	Available-for-sale	FVPL(*2)	258,584	258,584
		FVOCI	146,004	146,004
			₩ 27,822,910	27,823,043

3. Significant accounting policies, Continued

(v) Changes in accounting policies, Continued

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(i) K-IFRS No. 1109 'Financial Instruments', Continued

1) Classification of financial products, Continued

Classification by			Amount by	
K-IFRS No. 1039		K-IFRS No. 1109	K-IFRS No. 1039	K-IFRS No. 1109
Deposit liabilities	Financial liabilities	AC	₩ 1,742,855	1,742,855
Trading liabilities	Fair value through profit or loss	FVPL	1,413,904	1,413,904
Designated at fair value through profit or loss (financial liabilities) (*3,4)	Fair value through profit or loss	FVPL	8,260,636	8,260,636
	Fair value through profit or loss	FVPL	36,973	36,973
Derivative liabilities	Fair value through profit or loss	FVPL	417,930	417,930
Borrowing liabilities	Amortized cost	AC	9,459,019	9,459,019
Debt	Amortized cost	AC	1,197,323	1,197,323
Other liabilities	Amortized cost	AC	1,926,231	1,926,231
			₩ 24,454,871	24,454,871

(*1) The carrying amount of non-deductible credit loss provisions.

(*2) In accordance with K-IFRS No. 1109, ₩ 67,691 million of loans and receivables measured at amortized cost as of December 31, 2017 and ₩ 372,597 million of trading assets are classified as at fair value through profit or loss. The portion of assets measured at fair value through profit or loss increases from 64.8% to 66.4%, and the volatility of financial instruments' fair value will increase.

(*3) The consolidated financial statements of the financial assets and liabilities that were previously excluded from the designation as a result of adoption of K-IFRS No. 1109 are ₩ 3,186,415 million and ₩ 36,973 million, respectively. The financial assets that require reclassification due to the unfunded contracted cash flow in accordance with K-IFRS No. 1109 are ₩ 1,186,072 million. Financial assets and financial liabilities for which the Group elected to reclassify as a change in the business model are ₩ 2,000,343 million and ₩ 36,973 million, respectively.

(*4) The Group designated liabilities amounting to ₩ 8,297,609 million from the total financial liabilities of ₩ 24,454,871 million as measured at fair value through profit or loss as of December 31, 2017. On the date of initial application of K-IFRS No. 1109, the loss recorded in opening retained earnings amounting to ₩ 100,685 million for these financial liabilities will be changed by ₩ 2,141 million related to the change in fair value as a result of change in credit risk of the financial liabilities.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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3. Significant accounting policies, Continued

(v) Changes in accounting policies, Continued

(i) K-IFRS No. 1109 'Financial Instruments', Continued

1) Classification of financial products, Continued

The Group's management has applied a business model for financial assets held as of January 1, 2018, and re-classified the financial assets in accordance with K-IFRS No. 1109. The effect of this reclassification is as follows:

Classification	Carrying amount (K-IFRS No.1039)	Reclassified Amount	Re-measured Amount	Carrying amount (K-IFRS No.1109)	Change in R/E	Change in OCI
<Financial Assets>						
Deposits:						
Carrying amount (K-IFRS No.1039)	₩ 2,294,897	-	-	-	-	-
Decrease: Classification to deposits measured at amortized cost	-	(2,294,897)	-	-	-	-
Carrying amount (K-IFRS No.1109)	-	-	-	-	-	-
Deposits measured at amortized cost (*5):						
Carrying amount (K-IFRS No.1039)	-	-	-	-	-	-
Add: Transfer from deposits	-	2,294,897	-	-	-	-
Carrying amount (K-IFRS No.1109)	-	-	-	2,294,897	-	-
Loan:						
Carrying amount (K-IFRS No.1039)	3,716,768	-	-	-	-	-
Decrease: Classification to loan measured at amortized cost	-	(3,649,077)	-	-	-	-
Decrease: Classification to financial instruments measured at FVTPL	-	(67,691)	-	-	-	-
Carrying amount (K-IFRS No.1109)	-	-	-	-	-	-

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3. Significant accounting policies, Continued

(v) Changes in accounting policies, Continued

(i) K-IFRS No. 1109 'Financial Instruments', Continued

1) Classification of financial products, Continued

Classification	Carrying amount (K-IFRS No.1039)	Reclassified Amount	Re-measured Amount	Carrying amount (K-IFRS No.1109)	Change in R/E	Change in OCI
Loan measured at amortized cost (*5):						
Carrying amount (K-IFRS No.1039)	₩ -	-	-	-	-	-
Add: Transfer from Loan	-	3,649,077	-	-	-	-
Carrying amount (K-IFRS No.1109)	-	-	-	3,649,077	-	-
Financial asset at fair value through profit or loss (*4):						
Carrying amount (K-IFRS No.1039)	18,038,163	-	-	-	-	-
Decrease: Classification to financial assets measured at FVTPL	-	(18,038,163)	-	-	-	-
Carrying amount (K-IFRS No.1109)	-	-	-	-	-	-
Financial asset measured at FVTPL:						
Carrying amount (K-IFRS No.1039)	-	-	-	-	-	-
Add: Transfer from financial asset measured at fair Value through profit or loss(*1)	-	18,038,163	-	-	-	-
Add: Transfer from available-for-sale financial assets(*2)	-	372,597	-	-	12,236	(12,236)
Add: Transfer from Loan	-	67,691	133	-	133	-
Carrying amount (K-IFRS No.1109)	-	-	-	18,478,584	-	-
Available-for-sale financial assets:						
Carrying amount (K-IFRS No.1039)	1,768,331	-	-	-	-	-
Decrease: Classification to financial asset measured at FVTPL	-	(372,597)	-	-	-	-
Decrease: Classification to financial asset measured at FVOCI (*2, *3)	-	(1,395,735)	-	-	-	-
Carrying amount (K-IFRS No.1109)	-	-	-	-	-	-

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3. Significant accounting policies, Continued

(v) Changes in accounting policies, Continued

(i) K-IFRS No. 1109 'Financial Instruments', Continued

1) Classification of financial products, Continued

Classification	Carrying amount (K-IFRS No.1039)	Reclassified Amount	Re-measured Amount	Carrying amount (K-IFRS No.1109)	Change in R/E	Change in OCI
Financial asset measured at FVOCI(*5):	₩	-	-	-	-	-
Carrying amount (K-IFRS No.1039)	-	-	-	-	-	-
Add: Transfer from available-for-sale financial assets (*3)	-	1,395,735	-	-	-	-
Carrying amount (K-IFRS No.1109)	-	-	-	1,395,735	-	-
<Financial Liabilities>						
Financial liabilities at fair value through profit or loss(*4,*6):						
Carrying amount (K-IFRS No.1039)	10,129,444	-	-	-	-	-
Decrease: Classification to financial liabilities measured at FVTPL	-	(10,129,444)	-	-	-	-
Carrying amount (K-IFRS No.1109)	-	-	-	-	-	-
Financial liabilities measured at FVTPL(*6):						
Carrying amount (K-IFRS No.1039)	-	-	-	-	-	-
Add: Transfer from financial liabilities at fair value through profit or loss	-	10,129,444	-	-	-	-
Carrying amount (K-IFRS No.1109)	-	-	-	10,129,444	2,141	(2,141)

(*1)The part of loans classified as loans and receivables in K-IFRS No. 1039 has been classified as financial asset measured at FVTPL in K-IFRS No. 1109. The financial instruments are not included in other business models or assets whose contractual cash flows consist of principal only. In addition, as the financial asset is measured at FVTPL, deferred income (loss) of ₩ 66 million related to the acquisition at initial recognition is replaced with retained earnings.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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3. Significant accounting policies, Continued

(v) Changes in accounting policies, Continued

(i) K-IFRS No. 1109 'Financial Instruments', Continued

1) Classification of financial products, Continued

(*2) Debt instruments classified as available-for-sale financial assets under K-IFRS No. 1039 have been classified as financial asset measured at AOCI under K-IFRS No.1109. These debt instruments correspond to business models that are achieved through both receipt of contractual cash flows and sale of financial assets, and cash flows consisting solely of principal payments.

(*3) Equity instruments classified as available-for-sale financial assets in accordance with K-IFRS No. 1039, or specific equity instruments held for strategic or policy purposes in accordance with K-IFRS No. 1109, classified as financial asset measured at FVOCI. Such options are irrevocable and other comprehensive income arising from the instrument is not subsequently transferred to profit or loss.

(*4) For the reclassified financial assets and financial liabilities in the P / L-fair value measurement category, the Group shall disclose the effective interest rate and the recognized interest income or expense at the date of the first application of K-IFRS No. 1109. As a result of the adoption of K-IFRS No. 1109, the Group did not reclassify the related assets.

(*5) Financial assets and financial liabilities reclassified to financial assets measured at amortized cost and financial assets reclassified to OCI-fair value measurement categories in the P / L-fair value measurement category are reported at the fair value of the financial asset or financial liability at the end of the reporting period. If not reclassified financial assets or financial liabilities, disclose fair value gains or losses that would have been recognized in profit or loss or other comprehensive income in the reporting period. As a result of the adoption of No. 1109, the Group did not reclassify the related assets.

(*6) Financial liabilities at fair value through profit or loss comprised of financial liabilities held for trading, financial liabilities designated at fair value through profit or loss, and derivative liabilities. Financial liabilities measured at FVTPL consists of trading securities, financial liabilities measured at FVTPL and derivative liabilities.

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3. Significant accounting policies, Continued

(v) Changes in accounting policies, Continued

(i) K-IFRS No. 1109 'Financial Instruments', Continued

2) Impairment: Financial assets and contract assets

K-IFRS No. 1109 replaces 'incurred loss model' under K-IFRS No. 1039 to 'expected credit loss impairment model'.

The Group has three types of financial assets subject to the new expected credit loss model of K-IFRS No. 1109.

- Deposits, loans, other financial assets, and debt instruments measured at amortized cost
- Debt instruments measured at FVOCI
- Financial guarantee contract and unused loan commitments

Under the K-IFRS No. 1109, the loss allowance is measured on two criteria

- 12-month expected credit losses: the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.
- Lifetime expected credit losses: the expected credit losses that result from all possible default events over the expected life of a financial instrument.

The Group measures the loss allowance based on lifetime expected credit losses, except for the following financial assets measured using 12-month expected credit losses

- Debt securities determined to have low credit risk at the end of the reporting period
- Other debt securities with no significant increase in credit risk since initial recognition.

When determining if the credit risk of financial assets has increased significantly since initial recognition and estimating expected credit losses, the Group considers information that is available, reasonable, and supported without significant cost or effort. This includes qualitative and quantitative information and analysis based on the Group's experience and known credit ratings, including forward-looking information.

The longest period to consider when measuring expected credit losses is the maximum contractual period, the Group is exposed to credit risk. Credit losses are measured at the present value of all cash shortfalls. Expected credit losses are discounted at the effective interest rate of the financial assets.

At the end of each reporting period, the Group assesses whether the credit of the financial assets measured at amortized cost and debt securities measured at FVOCI are impaired. In the case of one or more events that adversely affect the estimated future cash flows of financial assets, credit of the financial asset is impaired.

The loss allowance for financial assets measured at amortized cost is deducted from the carrying amount of the assets. For debt instruments measured at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

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3. Significant accounting policies, Continued

(v) Changes in accounting policies, Continued

(i) K-IFRS No. 1109 'Financial Instruments', Continued

2) Impairment: Financial assets and contract assets, Continued

The Group recognized impairment in accordance with the expected credit loss impairment model for financial assets held as of 1 January 2018, the date of initial application of K-IFRS No. 1109. The details of the loss allowance under the new application of K-IFRS No. 1109 are as follows

	Classification Under		Amount Under	
	K-IFRS No. 1039	K-IFRS No. 1109	K-IFRS No. 1039	K-IFRS No. 1109
Allowance for loan losses				
Loans and receivables				
Loans		AC	₩	14,866
		FVPL		14
Other financial assets		AC		7,623
Available-for-sale assets				
Debt securities		FVOCI		-
			₩	22,503
Financial guarantee contract		Financial guarantee contract	₩	946
Unused loan commitments And other credit risk		Unused loan commitments and other credit risk		-
			₩	946
				207
				29,512
				1,012
				1,236
				2,248

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3. Significant accounting policies, Continued

(v) Changes in accounting policies, Continued

(i) K-IFRS No. 1109 'Financial Instruments', Continued

2) Impairment: Financial assets and contract assets, Continued

The amounts adjusted as a result of the Group recognizing impairment in accordance with the expected credit loss model and the corresponding changes in capital are as follows.

Classification	Loss provision (K-IFRS No.1039)	Reclassified amount	Re-measured Amount	Loss provision (K-IFRS No.1109)	Change in R/E	Change in OCI
Accumulated credit loss (Loans)	₩ 14,880	(14)	6,816	21,682	(6,803)	-
Accumulated credit loss (Financial contract)	946	-	66	1,012	(66)	-
Accumulated credit loss (Unused commitments and other credits)	-	-	1,236	1,236	(1,236)	-
Accumulated credit loss (Debt securities measured at FVOCI)	-	-	207	207	(207)	207
Accumulated credit loss (Other assets)	7,623	-	-	7,623	-	-
Total loss provision	₩ 23,449	(14)	8,325	31,760	(8,312)	207

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3. Significant accounting policies, Continued

(v) Changes in accounting policies, Continued

(ii) K-IFRS No. 1115 'Revenue from contracts with customers'

K-IFRS No.1115, published on November 6, 2015, is a new accounting standard about revenue recognition, is effective for annual reporting periods beginning on or after January 1, 2018, with earlier application permitted. It replaces existing revenue recognition standards, including K-IFRS No.1018, 'Revenue', K-IFRS No.1011, 'Construction Contracts', K-IFRIC No.2031, 'Revenue-Barter Transactions Involving Advertising Services', K-IFRIC No.2113, 'Customer Loyalty Programmes'. K-IFRIC No.2115, 'Agreements for the Construction of Real Estate' and K-IFRIC No.2118, 'Transfers of Assets from Customers'.

The existing standards including K-IFRS No. 1018 suggest revenue recognition guidance by type of transactions such as sale of goods, rendering of services, interest revenue, royalty revenue, dividends revenue and construction contracts. However, according to K-IFRS No.1115, all types of contracts recognize revenue through five-step revenue recognition model (① 'Identifying the contract' → ② 'Identifying performance obligations' → ③ 'Determining the transaction price' → ④ 'Allocating the transaction price to performance obligations' → ⑤ 'Recognizing the revenue by satisfying performance obligations').

As a result of the analysis based on K-IFRS No. 1115, the part of sales of trust goods include additional performance obligation to provide maintenance services after the sales. Recognizing revenue when the Group satisfies the performance obligation by identifying performance obligation results that the opening retained earnings as of 1 January 2018 was decreased by ₩343 million.

(iii) K-IFRS No. 1102 'Share-based payment Transactions'

The amendments clarify that the accounting for the effects of vesting and non-vesting conditions on cash settled share-based payments should follow the same approach as for equity-settled share-based payments and classification of share-based payments settled net of tax withholding. The amendments are effective for annual periods beginning on or after 1 January 2018. The amendments are not expected to have a significant impact on the Group's consolidated financial statements.

(iv) K-IFRS No.1040 'Investment Property'

The amendments clarify that an entity shall transfer a property to, or from, investment property when, and only when, there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. The amendments are effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The amendments are not expected to have a significant impact on the Group's consolidated financial statements.

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3. Significant accounting policies, Continued

(v) Changes in accounting policies, Continued

(v) K-IFRS No. 1028 'Investments in Associates and Joint Ventures'

The amendments clarify that an entity may elect to measure investments in those associates and joint ventures at fair value through profit or loss when an investment in an associate or a joint venture is held by, or is held indirectly through, the entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds. The amendments are effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The amendments are not expected to have a significant impact on the Group's consolidated financial statements.

(vi) K-IFRIC No.2122 'Foreign Currency Transactions and Advance Consideration'

The amendments clarify that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of related asset, expense or income on the de-recognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency should be the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. The amendments are effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The amendments are not expected to have a significant impact on the Group's consolidated financial statements.

(vii) K-IFRS No.1104 'Insurance Contracts'

The amendments clarify that IFRS provides an temporary option to defer the application of K-IFRS No.9 for an entity whose activities are predominantly connected with insurance and an optional overlay approach that permits the entity to reclassify part of profit or loss for the designated financial assets to other comprehensive income for the entity that issues contracts included in the scope of K-IFRS No.1104. The amendments are effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The amendments are not expected to have a significant impact on the Group's consolidated financial statements.

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3. Significant accounting policies, Continued

(w) New standards and interpretations not yet adopted

The following new standards and interpretations have been published but the Group has not early adopted them.

(i) K-IFRS No.1116 'Lease'

K-IFRS No. 1116 "Lease" replaces current standards including K-IFRS No. 1017 "Leases" and K-IFRIC No.2104 "Determining whether an arrangement contains a lease". The new standard is effective for annual periods beginning on or after January 1, 2019, but may be applied early for the Company applying K-IFRS No. 1115.

At the date of commitment, the company determines whether the contract is a lease or whether the contract includes a lease, and identifies whether the contract includes a lease or a lease in accordance with this standard. The lessee and lessor must account for each lease element of the lease as a lease, separate from the non-lease element in an agreement that includes a lease or lease.

The lessee is required to recognize an asset that represents the right to use the underlying asset and a liability that represents the obligation to pay the lease payments. However, in the case of short-term lease and small asset lease, the lessee is not required to separate the non-lease component from the lease component in accordance with the simplified method, and can apply the method of accounting for each lease component and related non-lease component as one lease component.

The accounting treatment of lease provider is not significantly different from the accounting treatment of the current K-IFRS No. 1017.

1) Accounting treatment as a lessee

The lessee recognizes the cumulative effect of applying the retrospective application (full retroactive method) to each past reporting period presented in accordance with K-IFRS No. 1008, "Accounting Policies, Changes in Accounting Estimates and Errors" (Cumulative Effect Batch Reconciliation Action).

The Company plans to apply CAS Statement No. 1116 for the first time by applying cumulative effect and cumulative temporary adjustment measures as of January 1, 2019. Accordingly, the cumulative effect of applying K-IFRS No. 1116 is adjusted in the retained earnings (or, where appropriate, other components of equity) at the date of initial application and the comparative financial statements are not going to be restated.

We assessed the impact on the financial statements for the year 2019 based on the information and available information as of January 1, 2019, in order to assess the financial impact of the initial adoption of K-IFRS No. 1116.

The aggregate amount of the minimum lease payments prior to the present value discount of the assets currently used as operating leases is ₩ 12,338 million and the discount amount is ₩ 11,862 million at the incremental borrowing rate of the lessee. However, the Company will account for each lease element and associated non-lease element as a single lease element, using the simplified method of accounting for contracts that include all or part of the lease or lease.

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3. Significant accounting policies, Continued

(w) New standards and interpretations not yet adopted, Continued

(i) K-IFRS No.1116 'Lease', Continued

1) Accounting treatment as a lessee, Continued

As a result of a detailed analysis of the effect on the financial statements, the Company expects the assets and liabilities to be pledged as of January 1, 2019 to increase by ₩ 16,376 million and ₩ 10,736 million, respectively.

2) Accounting treatment as a lessor

As a lessor, the Group does not expect the financial impact of the initial adoption of K-IFRS No. 1116 is significant because the Group's accounting treatment are not different to K-IFRS No. 1116 significantly.

(ii) Amendment of K-IFRS No.1109 'Financial instruments'

Financial assets that are redeemable with reimbursable financial assets are premeasured to be measured at amortized cost. When the financial liabilities measured at amortized cost are changed but not eliminated, the effect of the change should be recognized in profit or loss. These amendments will be effective from the fiscal year beginning on or after January 1, 2019 and are subject to early adoption.

(iii) Amendment of K-IFRS No.1019 'Employee benefits'

If the change in the defined benefit plan results in the revision, reduction or settlement of the plan, the assumptions used in re-measurement of the net defined benefit obligation (asset) to estimate the current service cost and net interest for the remaining period of the period after the adjustments in the plan. In addition, the decrease in excess of the amount of unrecognized actuarial gain or loss is reflected in profit or loss as a part of past service cost or settlement profit or loss. The amendments are applied prospectively to the amendment, reduction, and settlement of systems that have occurred since the fiscal year beginning on or after January 1, 2019.

(iv) Amendment of K-IFRS No.1028 'Investment in associates and joint ventures'

The clarification has been conducted that other financial instruments (financial instruments that do not apply the equity method) to the related companies or joint ventures are subject to K-IFRS No. 1109, and that the long-term investment interests that form part of the net investment in the related companies or joint ventures was revised accordingly with the K-IFRS 1109. These amendments will be effective from the fiscal year beginning on or after January 1, 2019 and are subject to early adoption. In addition, the first-time adoption of this standard does not require reclassification of comparative information by applying the transitional provisions of No. 1109, and the effect of retroactive application is reflected in the beginning retained earnings (or other appropriate capital elements) at the date of initial application.

(v) Establishment of K-IFRIC No.2123 'Uncertainty over income tax treatments'

The interpretation is applied to the recognition and measurement of deferred tax and deferred income tax if there is uncertainty about whether or not the tax treatment applied by the entity will be recognized by the taxing authority. Guidance on accounting units of uncertainty in taxation and circumstances requiring re-evaluation Includes. The interpretation is effective from January 1, 2019, and it can choose between retroactively reclassifying comparative financial statements or reflect the effect of the change on the basis of the first year of adoption.

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3. Significant accounting policies, Continued

(w) New standards and interpretations not yet adopted, Continued

(vi) Annual amendments through year 2015-2017

1) K-IFRS No.1103 'Business combination'

The business combination that is held in stages to acquire control over the joint business (meeting the definition of the business) while retaining the rights and liabilities for the assets related to the joint business. Therefore, Re-measurement should be conducted for all underlying assets and liabilities. The amendments are effective for annual periods beginning on or after January 1, 2019, and may be applied early.

2) K-IFRS No. 1111 'Joint arrangements'

If a jointly controlled entity that participates in a joint venture but does not have joint control obtains joint control over the joint venture, the previously held equity interest in the joint venture is not re-measured. This amendment is effective for transactions beginning after January 1, 2019 and may be applied early.

3) K-IFRS No.1012 'Income taxes'

The provisions of paragraph 57A of K-IFRS 1012 (defining the timing and recognition of dividend tax effects) apply to all income tax effects of dividends and are recognized in profit or loss, other comprehensive income or capital. This amendment is effective for fiscal years beginning on or after January 1, 2019, but may be applied early.

4) K-IFRS No.1023 'Borrowing costs'

If most of the necessary activities to enable us to use (or sell) our qualifying assets has been completed, it will include the funds borrowed for specific purposes in ordinary borrowings to acquire those assets. This amendment applies to borrowing costs incurred subsequent to the first year of the application of the amendment and may be applied early in the financial year beginning after January 1, 2019.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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4. Cash and due from banks

(a) Details of cash and due from banks measured at amortized cost as of December 31, 2018 are summarized as follows:

		December 31, 2018	
Cash and cash equivalents	Cash on hand	₩	410
	Current deposits		8,677
	Demand deposits		77,153
	Time deposits		-
	Others		451
	Foreign currency deposits		173,127
Due from banks measured at amortized cost in won	Time deposits		233,000
	Limited time deposits		1,370,000
	Reserve for claims of customers' deposits		129,800
	Guarantee deposits for stock borrowing for KSFC		1,757
	Guarantee deposits for KSFC trading		60,000
	Gold deposits		4,900
	Deposits for checking accounts		66
	Others		19,935
Due from banks measured at amortized cost in foreign currency	Reserve for claims of customers' deposits		93,878
	Others		387,875
			481,753
		₩	2,561,029

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4. Cash and due from banks, Continued

(b) Details of cash and due from banks as of December 31, 2017 are summarized as follows:

		<u>December 31, 2017</u>
Cash and cash equivalents	Cash on hand	₩ 86
	Current deposits	6,176
	Demand deposits	34,296
	Time deposits	393
	Others	28,451
	Foreign currency deposits	265,409
		<u>334,811</u>
Due from banks in won	Reserve for claims of customers' deposits	154,600
	Guarantee deposits for KSFC trading	500
	Restricted time deposits	1,407,183
	Gold deposits	2,200
	Deposits for checking accounts	66
	Others	1,166
		<u>1,565,715</u>
Due from banks in foreign currency	Reserve for claims of customers' deposits	133,718
	Others	260,739
		<u>394,457</u>
		<u>₩ 2,294,983</u>

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4. Cash and due from banks, Continued

(c) Restricted due from banks as of December 31, 2018 and 2017 are as follows:

	Placed at	December 31, 2018	December 31, 2017	Restriction
Time deposits	Busan Bank	₩ -	182	Collateral for the sales of beneficiary certificates
	Shinhan Bank, etc.	57,000	77,000	Collateral for a bank overdraft facility
	Busan Bank, etc.	1,220,000	1,194,000	Collateral for lending/borrowing securities
	Shinhan Bank	5,000	5,000	Collateral for the small amount of payment
	Woori Bank, etc.	28,000	126,000	Collateral for the issue of ELS (Equity Linked Securities)
	Kookmin Bank	60,000	5,000	Collateral for derivatives-combined bonds
Reserve for claims on customers' deposits	Korean Securities Finance Corporation	223,678	288,318	(*1)
Reserve for claims on customers' deposits (trust)	Korean Securities Finance Corporation	1,040,180	948,705	(*1),(*2)
Gold deposits	Korean Securities Finance Corporation	4,900	2,200	Deposits for gold transactions
Guarantee deposits for stock borrowing for KSFC	Korean Securities Finance Corporation	1,757	-	Guarantee deposits for stock borrowing for KSFC
Guarantee deposits for stock KSFC trading	Korean Securities Finance Corporation	60,000	500	Guarantee deposits for stock KSFC trading
Other deposits in won	Shinhan Bank, etc.	66	66	Deposit for checking accounts
	KEB Hana Bank, etc.	18,936	1,166	Deposit for trading derivatives
Other deposits in foreign currency	MAREX Financial Limited, etc.	226,058	89,601	Collateral for trading foreign futures
	Korea Exchange	34,680	45,980	Collateral for trading foreign futures
	Hong Kong Exchange and Clearing Limited	127,128	121,678	Collateral for trading securities
	Others	9	3,480	Collateral for FX
	₩	3,107,392	2,908,876	

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4. Cash and due from banks, Continued

(c) Restricted due from banks as of December 31, 2018 and 2017 are as follows:, Continued

(*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 as of December 31, 2017 and in financial assets measured at FVTPL as of December 31, 2018.

5. Financial assets at fair value through profit or loss and financial assets measured at FVTPL

(a) Details of financial assets measured at FVTPL as of December 31, 2018 are summarized as follows:

		December 31, 2018
Securities measured at FVTPL	₩	16,895,258
Deposits and loan receivables measured at FVTPL		1,523,820
Derivative assets		316,246
	₩	<u>18,735,324</u>

(b) Details of securities measured at FVTPL as of December 31, 2018 are summarized as follows:

		December 31, 2018
Securities measured at FVTPL in won		
Government bonds	₩	1,320,448
Local bonds		67,258
Financial bonds		5,097,423
Corporate bonds		4,227,783
Corporate commercial papers		1,160,947
Stocks		511,905
Collective investment securities		1,242,013
Financial instruments with put option		338,560
Derivatives-linked securities		169,884
Hybrid bonds		245,933
Others		31,425
		<u>14,413,579</u>
Securities measured at FVTPL in foreign currency		
Bonds		1,113,979
Stocks		3,899
Collective investment securities		1,321,940
Financial instruments with put option		41,861
		<u>2,481,679</u>
	₩	<u>16,895,258</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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5. Financial assets at fair value through profit or loss and financial assets measured at FVTPL, Continued

(c) Details of Loans and receivables measured at FVTPL as of December 31, 2018 are summarized as follows:

		December 31, 2018
Korean Won		
Loan receivables	₩	156,992
Individual investor deposit (trust)		1,040,180
		1,197,172
Foreign Currency		
Loan receivables		326,648
Total	₩	1,523,820

(d) Details of derivative assets as of December 31, 2018 and 2017 are summarized as follows:

		December 31, 2018	December 31, 2017
Derivatives in won			
Over the counter:			
Interest rate	₩	49,581	48,025
Equity		48,569	151,642
Credit		37,951	63,359
Commodity		5,367	14,832
		141,468	277,858
Exchange traded:			
Equity		11,844	10,376
		153,312	288,234
Derivatives in foreign currency			
Over the counter:			
Interest rate		22,161	14,692
Currency		85,871	337,461
Equity		4,289	495
Commodity		182	159
		112,503	352,807
Exchange traded:			
Interest rate		412	1,771
Currency		11	416
Equity		41,782	13,225
Commodity		8,226	6,037
		50,431	21,449
		162,934	374,256
	₩	316,246	662,490

5. Financial assets at fair value through profit or loss and financial assets measured at FVTPL, Continued

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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(e) Details of financial assets at fair value through profit or loss as of December 31, 2017 are summarized as follows:

	<u>December 31, 2017</u>	
Trading financial assets	₩	14,189,258
Financial assets designated at fair value through profit		3,186,414
Derivative assets		<u>662,490</u>
	₩	<u><u>18,038,162</u></u>

(f) Details of trading financial assets as of December 31, 2017 are summarized as follows:

	<u>December 31, 2017</u>	
Trading financial assets in won		
Government bonds	₩	1,360,889
Local bonds		61,999
Financial bonds		5,003,302
Corporate bonds		3,242,803
Corporate commercial papers		863,745
Stocks		783,736
Collective investment securities		852,925
Others		<u>19,657</u>
		<u>12,189,056</u>
Trading financial assets in foreign currency		
Bonds		695,002
Stocks		8,935
Collective investment securities		<u>1,296,265</u>
		<u>2,000,202</u>
	₩	<u><u>14,189,258</u></u>

(g) Details of financial assets designed at fair value through profit as of December 31, 2017 are summarized as follows:

	<u>December 31, 2017</u>	
Hybrid instruments		
Derivatives-combined securities	₩	206,185
Management and performance evaluation on a fair value basis		
Reserve for claims of customers' deposit (trust)		948,705
Bonds		2,013,051
Corporate commercial papers		14,999
Stocks		409
Collective investment securities		<u>3,065</u>
		<u>2,980,229</u>
	₩	<u><u>3,186,414</u></u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
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6. Available-for-sale financial assets and financial assets measured at FVOCI

(a) Details of financial assets measured at FVOCI as of December 31, 2018 are summarized as follows:

	<u>December 31, 2018</u>	
Debt securities		
Government bonds	₩	30,099
Financial bonds		691,126
Corporate bonds		<u>345,423</u>
		<u>1,066,648</u>
Equity securities		
Stocks(*)		<u>149,106</u>
	₩	<u>1,215,754</u>

(*) There is no disposition of equity securities designated as OCI-fair value items during the period. At disposal, the related G / L on disposal of accumulated OCI is reclassified to retained earnings and not reclassified to profit or loss. Dividend income from equity securities designated as Accumulated OCI-fair value items during the year amounted to ₩ 2,954 million.

(b) Changes in carrying amount of financial liabilities measured at FVOCI are as follows:

	<u>Debt securities</u> <u>(expected credit loss for 12 months)</u>	
Beginning(*)	₩	1,249,731
Acquisition		2,519,899
Valuation and effective interest amortization		5,354
Disposal		<u>(2,708,336)</u>
Ending	₩	<u>1,066,648</u>

(*) Amounts are readjusted in accordance with K-IFRS No.1109

(c) Changes in loss provision of financial liabilities measured at FVOCI are as follows:

	<u>Debt securities</u> <u>(expected credit loss for 12 months)</u>	
Beginning loss provision	₩	207
Transfer loss provision		<u>615</u>
Ending loss provision	₩	<u>822</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
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6. Available-for-sale financial assets and financial assets measured at FVOCI, Continued

(d) Details of available-for-sale financial assets as of December 31, 2017 are summarized as follows:

		<u>December 31, 2017</u>
Debt securities		
Government bonds	₩	70,151
Financial bonds		622,844
Corporate bonds		621,243
Bonds with warrants		23,000
Corporate commercial paper		772
Debt securities issued in foreign currency		<u>25,734</u>
		<u>1,363,744</u>
Equity securities		
Stocks(*)		167,575
Investments in partnerships		73,314
Collective investment securities		119,576
Securities in foreign currency		<u>43,442</u>
		<u>403,907</u>
Collective fund for default loss		680
	₩	<u>1,768,331</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 to ₩5,553 million as of December 31, 2017, respectively.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
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7. Investments in associates

(a) Details of investments in associates as of December 31, 2018 and 2017 are as follows:

	Location	Ownership	December 31, 2018		December 31, 2017
			Acquisition cost	Book value	Book value
The Asia Pacific Capital Fund II L.P	Cayman islands	21.85%	₩ 30,403	347	6,340
KoFC Shinhan Frontier Champ 2010-4 PEF(*1)	Rep. of Korea	8.50%	3,301	512	4,248
Korea investment gong-pyeong office real estate investment trust 2nd	Rep. of Korea	35.71%	233	331	331
Shinhan Praxis K-Growth Global Private Equity Fund (*1)	Rep. of Korea	14.15%	11,891	12,395	14,214
Credian Healthcare Private Equity Fund II	Rep. of Korea	20.74%	2,525	2,771	2,321
Kiwoom Milestone Professional Private Real Estate Trust 19	Rep. of Korea	50.00%	11,000	10,419	10,408
FG EURO GREEN PRIVATE REAL ESTATE TRUST No.3 (*3)	Rep. of Korea	21.28%	20,000	20,544	20,459
Brain Professional Private Trust No.4	Rep. of Korea	27.50%	4,163	5,244	5,848
Brain KS Qualified Privately Placed Fund No.6	Rep. of Korea	30.00%	3,000	3,026	2,883
Hanhwa US Equity Strategy Private Real Estate Fund No.1	Rep. of Korea	44.84%	24,232	26,232	25,480
GB Private Fund for Professional Investor #3 (*2)	Rep. of Korea	66.67%	20,000	20,078	20,131
M360 CRE Income Fund	USA	-	-	-	153,904
Shinhan Display New Technology Fund No.1 (*1)	USA	9.62%	1,000	811	942
Shinhan Global Healthcare Fund 1 (*1)	Rep. of Korea	3.13%	2,440	2,330	2,416
Brain Asset Management PN Private Investment Trust Fund 13	Rep. of Korea	41.10%	1,500	1,674	1,550
Orion Mezzanine Private Investment Trust 4	Rep. of Korea	41.67%	638	658	1,443
JB Power TL Investment Type Private Placement Special Asset Fund 7	Rep. of Korea	33.33%	17,535	17,484	18,691
IBK AONE convertible 1	Rep. of Korea	47.25%	5,000	5,906	5,122
Rico synergy collabo Multi-Mezzanine 3 (*2)	Rep. of Korea	50.03%	5,006	5,290	5,026

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
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7. Investments in associates, Continued

(a) Details of investments in associates as of December 31, 2018 and 2017 are as follows:, Continued

	Location	December 31, 2018			December 31, 2017
		Ownership	Acquisition cost	Book value	Book value
KB NA Hickory Private Special Asset Fund	Rep. of Korea	37.50%	₩ 34,050	34,360	34,092
Shinhan Fintech New Technology Fund No.1 (*1)	Rep. of Korea	9.80%	1,000	1,164	1,005
GB Private Fund for Professional Investor #6 (*2)	Rep. of Korea	94.51%	8,600	8,588	8,600
Koramco Europe Core Private Placement Real Estate Fund No.2-2	Rep. of Korea	25.84%	11,408	10,928	20,760
GX SHINHAN INTERVEST 1 st Private Equity Fund (*1)	Rep. of Korea	14.48%	20,000	18,241	-
BRAIN SK Privately Placed Fund 21	Rep. of Korea	25.00%	1,000	917	-
Nomura-Rifa Private Real Estate Investment Trust 19	Rep. of Korea	31.20%	2,402	2,337	-
Shinhan-Cognitive Contents Fund I L.P. (*1)	Rep. of Korea	15.96%	500	496	-
Genesis North America Power Company No.1 PEF	Rep. of Korea	39.92%	21,592	20,825	-
SHBNPP Venture Professional Investment Type Private Investment Trust No.1	Rep. of Korea	29.78%	2,997	2,950	-
			₩ 267,416	236,858	366,214

(*1) Although the equity stake is less than 20%, we have entered into significant investment decisions as an executive officer.

(*2) Although the Company has significant influence over the ownership of 50%, it has no ability to determine the financial and operating policies according to its controlling power.

(*3) FG EURO GREEN PRIVATE REAL ESTATE TRUST No.3 has changed its name to AIP EURO GREEN PRIVATE REAL ESTATE TRUST No.3.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
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7. Investments in associates, Continued

(b) Changes in investments in associates for the years ended December 31, 2018 and 2017 are as follows:

		December 31, 2018				Ending balance
		Beginning balance	Acquisition (Disposal)	Equity method income(loss)	Other comprehensive income (loss)	
The Asia Pacific Capital Fund II L.P	₩	6,340	(2,612)	(5,643)	2,262	347
KoFC Shinhan Frontier Champ 2010-4 PEF		4,248	(1,827)	(1,909)	-	512
Korea investment gong-pyeong office real estate investment trust 2nd		331	(1)	1	-	331
Shinhan Praxis K-Growth Global Private Equity Fund		14,214	(5,553)	3,734	-	12,395
Credian Healthcare Private Equity Fund II		2,321	-	450	-	2,771
Kiwoom Milestone Professional Private Real Estate Trust 19		10,408	(199)	210	-	10,419
FG EURO GREEN PRIVATE REAL ESTATE TRUST No.3		20,459	(1,253)	1,338	-	20,544
Brain Professional Private Trust No.4		5,848	(1,274)	670	-	5,244
Brain KS Qualified Privately Placed Fund No.6		2,883	-	143	-	3,026
Hanhwa US Equity Strategy Private Real Estate Fund No.1		25,480	(2,000)	2,752	-	26,232
Brain Asset Management PN Private Investment Trust Fund 13		1,550	-	124	-	1,674
Orion Mezzanine Private Investment Trust 4		1,443	(959)	174	-	658
JB Power TL Investment Type Private Placement Special Asset Fund 7		18,691	(2,076)	869	-	17,484
IBK AONE convertible 1		5,122	-	784	-	5,906
Rico synergy collabo Multi-Mezzanine 3		5,026	-	264	-	5,290
KB NA Hickory Private Speical Asset Fund		34,092	(1,561)	1,829	-	34,360
Shinhan Fintech New Technology Fund No.1		1,005	-	159	-	1,164
GB Private Fund for Professional Investor #6		8,600	-	(12)	-	8,588
Koramco Europe Core Private Placement Real Estate Fund No.2-2		20,760	(9,955)	123	-	10,928
GX SHINHAN INTERVEST 1st Private Equity Fund (*1)		-	20,000	(1,759)	-	18,241
Shinhan Display New Technology Fund No.1		942	-	(131)	-	811

7. Investments in associates, Continued

(b) Changes in investments in associates for the years ended December 31, 2018 and 2017 are as follows:, Continued

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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		December 31, 2018				
		Beginning balance	Acquisition (Disposal)	Equity method income(loss)	Other comprehensive income (loss)	Ending balance
GB Private Fund for Professional Investor #3	₩	20,131	(819)	766	-	20,078
M360 CRE Income Fund		153,904	(171,215)	6,184	11,127	-
BRAIN SK Privately Placed Fund 21		-	1,000	(83)	-	917
Nomura-Rifa Private Real Estate Investment Trust No.19		-	2,317	20	-	2,337
Shinhan-Cognitive Start-up Fund L.P.		-	500	(4)	-	496
Genesis North America Power Company No.1 PEF		-	21,593	(768)	-	20,825
Shinhan Global Healthcare Fund 1		2,416	-	(86)	-	2,330
SHBNPP Venture Professional Investment Type Private Investment Trust No.1		-	2,997	(47)	-	2,950
	₩	<u>366,214</u>	<u>(152,897)</u>	<u>10,152</u>	<u>13,389</u>	<u>236,858</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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7. Investments in associates, Continued

(b) Changes in investments in associates for the years ended December 31, 2018 and 2017 are as follows:, Continued

		December 31, 2017				Ending balance
		Beginning balance	Acquisition (Disposal)	Equity method income(loss)	Other comprehensive income (loss)	
The Asia Pacific Capital Fund II L.P	₩	10,046	396	(783)	(3,319)	6,340
KoFC Shinhan Frontier Champ 2010-4 PEF		3,882	-	184	182	4,248
Korea investment gong-pyeong office real estate investment trust 2nd		331	(1)	1	-	331
Shinhan Praxis K-Growth Global Private Equity Fund		10,150	4,811	(1,193)	446	14,214
Credian Healthcare Private Equity Fund II		2,487	-	4	(170)	2,321
Kiwoom Milestone Professional Private Real Estate Trust 19		10,761	(222)	(131)	-	10,408
FG EURO GREEN PRIVATE REAL ESTATE TRUST No.3		21,237	(841)	640	(577)	20,459
Brain Professional Private Trust No.4		5,316	-	529	3	5,848
Brain KS Qualified Privately Placed Fund No.6		2,938	-	(33)	(22)	2,883
Hanhwa US Equity Strategy Private Real Estate Fund No.1		25,764	(1,859)	1,591	(16)	25,480
JB Power TL Investment Type Private Placement Special Asset Fund 6		-	(381)	381	-	-
Shinhan Display New Technology Fund No.1		-	1,000	(58)	-	942
Shinhan Global Healthcare Fund 1		-	2,440	(24)	-	2,416
Brain Asset Management PN Private Investment Trust Fund 13		-	1,500	50	-	1,550
Orion Mezzanine Private Investment Trust 4		-	1,500	(57)	-	1,443
JB Power TL Investment Type Private Placement Special Asset Fund 7		-	18,268	423	-	18,691
Bros Investment O Hedge fund 1		-	(79)	79	-	-
IBK AONE convertible 1		-	5,000	122	-	5,122
Rico synergy collabo Multi-Mezzanine 3		-	5,001	25	-	5,026
KB NA Hickory Private Speical Asset Fund		-	33,362	730	-	34,092
Shinhan Fintech New Technology Fund No.1		-	1,000	5	-	1,005

7. Investments in associates, Continued

(b) Changes in investments in associates for the years ended December 31, 2018 and 2017 are as follows:, Continued

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		December 31, 2017				
		Beginning balance	Acquisition (Disposal)	Equity method income(loss)	Other comprehensive income (loss)	Ending balance
GB Private Fund for Professional Investor #3	₩	20,011	(820)	940	-	20,131
M360 CRE Income Fund		23,167	132,768	9,269	(11,300)	153,904
SHBNPP Nine Tree Real Estate Investment Trust		-	(34)	34	-	-
GB Private Fund for Professional Investor #6		-	8,600	-	-	8,600
Koramco Europe Core Private Placement Real Estate Fund No.2-2		-	21,408	(648)	-	20,760
	₩	<u>136,090</u>	<u>232,817</u>	<u>12,080</u>	<u>(14,773)</u>	<u>366,214</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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7. Investments in associates, Continued

(c) Condensed financial information of major associate as of and for the years ended December 31, 2018 and 2017 are as follows:

	December 31, 2018				December 31, 2017			
	Assets	Liabilities	Operating revenue	Net income (loss)	Assets	Liabilities	Operating revenue	Net income (loss)
The Asia Pacific Capital Fund II L.P	₩ 1,674	86	1	(25,828)	29,103	88	-	(3,582)
KoFC Shinhan Frontier Champ 2010-4 PEF	8,714	2,692	317	(5,746)	50,007	3	2,223	2,177
Korea investment gong-pyeong office real estate investment trust 2nd	927	-	4	3	927	-	3	2
Shinhan Praxis K-Growth Global Private Equity Fund	87,897	307	31,059	26,381	100,805	353	7,273	(8,428)
Credian Healthcare Private Equity Fund II	13,408	47	2,364	2,171	11,236	47	211	19
Kiwoom Milestone Professional Private Real Estate Trust 19	57,678	36,839	3,383	422	57,405	36,589	2,742	(262)
FG EURO GREEN PRIVATE REAL ESTATE TRUST No.3	96,624	86	18,700	6,287	97,203	1,066	5,851	3,012
Brain Professional Private Trust No.4	19,113	46	4,306	2,435	21,369	105	2,942	1,925
Brain KS Qualified Privately Placed Fund No.6	10,089	-	812	477	9,639	28	3	(110)
Hanhwa US Equity Strategy Private Real Estate Fund No.1	58,575	77	10,098	6,139	56,898	78	11,562	3,549
GB Private Fund for Professional Investor #3	30,117	-	1,260	1,149	30,197	-	1,439	1,409
M360 CRE Income Fund	-	-	-	-	265,945	-	7	14,179
Nomura-Rifa Private Real Estate Investment Trust No.19	20,581	13,090	711	63	-	-	-	-
Shinhan-Cognitive Start-up Fund L.P.	3,107	-	1	(25)	-	-	-	-

7. Investments in associates, Continued

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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(c) Condensed financial information of major associate as of and for the years ended December 31, 2018 and 2017 are as follows:, Continued

	December 31, 2018				December 31, 2017			
	Assets	Liabilities	Operating revenue	Net income (loss)	Assets	Liabilities	Operating revenue	Net income (loss)
Shinhan Display New Technology Fund No.1	₩ 8,588	156	3	(1,368)	9,800	-	2	(600)
Shinhan Global Healthcare Fund 1 Brain Asset	74,409	-	4	(2,757)	77,166	-	3	(757)
Management PN Private Investment Trust Fund 13	4,078	5	459	303	3,775	4	146	120
Orion Mezzanine Private Investment Trust 4	1,580	1	1,008	417	3,464	1	1	(137)
JB Power TL Investment Type Private Placement Special Asset Fund 7	52,627	174	9,878	2,607	56,125	53	7,115	1,267
IBK AONE convertible 1	12,807	307	2,042	1,660	10,840	-	279	258
Rico synergy collabo Multi-Mezzanine 3	10,736	161	686	529	10,054	3	371	50
KB NA Hickory Private Special Asset Fund	91,694	67	9,601	4,877	90,978	67	11,092	1,945
Shinhan Fintech New Technology Fund No.1	11,872	-	1,784	1,622	10,250	-	106	50
GB Private Fund for Professional Investor #6	9,088	1	1	(13)	9,101	1	1	-
Koramco Europe Core Private Placement Real Estate Fund No.2-2	44,491	2,202	6,470	878	44,886	2,074	2,503	(1,337)
GX SHINHAN INTERVEST 1 st Private Equity Fund	125,954	-	6	(12,146)	-	-	-	-
BRAIN SK Privately Placed Fund 21	3,676	8	4	(332)	-	-	-	-
Genesis North America Power Company No.1 PEF	52,393	223	1	(1,922)	-	-	-	-
SHBNPP Venture Professional Investment Type Private Investment Trust No.1	9,988	83	14	(159)	-	-	-	-
	<u>₩ 922,485</u>	<u>56,658</u>	<u>104,977</u>	<u>8,124</u>	<u>1,057,173</u>	<u>40,560</u>	<u>55,875</u>	<u>14,749</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
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8. Loans and loans measured at amortized cost

(a) Details of loans measured at amortized cost as of December 31, 2018 are as follows:

	<u>December 31, 2018</u>
Broker's loans	₩ 1,776,674
Loans for company facilities	2,233,339
Loans for housing	11,390
Advances for customers	1,971
Bonds purchased under repurchase agreements	206,000
Other loans	<u>1,058</u>
	<u>4,230,432</u>
Present value discount	(1,222)
Deferred loan origination costs	<u>(13,132)</u>
Balance before deducting provision on credit loss	<u>4,216,078</u>
Allowance for credit loss	(29,506)
Balance after deducting provision on credit loss	<u>₩ 4,186,572</u>

(b) Details of loans as of December 31, 2017 are as follows:

	<u>December 31, 2017</u>
Broker's loans	₩ 2,080,249
Loans for company facilities	1,580,865
Loans for housing	11,598
Call loan	65
Advances for customers	1,989
Bonds purchased under repurchase agreements	51,900
Other loans	<u>577</u>
	<u>3,727,243</u>
Allowance for credit loss	(14,879)
Present value discount	(1,220)
Deferred loan origination costs	<u>(9,255)</u>
	<u>₩ 3,701,889</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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8. Loans and loans measured at amortized cost, Continued

(c) Changes in provision credit loss for loans measured at amortized cost for the year ended December 31, 2018 are as follows:

		12 months Expected credit loss	Total period Expected credit loss	Financial asset with impaired credit	Total
Beginning balance(*)	₩	13,114	6,088	2,480	21,682
Substitution of 12 months of expected credit loss		-	-	-	-
Substitution of total period of expected credit loss		(2,357)	2,357	-	-
Reversal		8,495	(320)	(17)	8,158
Disposal		(334)	-	-	(334)
Ending balance	₩	18,918	8,125	2,463	29,506

(*) It has been adjusted accordingly under the K-IFRS No.1109

(d) Changes in the allowance for credit loss for the years ended December 31, 2017 are as follows:

		December 31, 2017	
Beginning balance	₩		11,252
Provision for allowance			3,627
Ending balance	₩		14,879

(e) Changes in carrying amount of loan receivables measured at amortized cost for the year ended December 31, 2018 are as follows:

		12 months Expected credit loss	Total period Expected credit loss	Financial asset with impaired credit	Total
Beginning balance(*)	₩	3,608,112	38,484	2,481	3,649,077
Substitution of 12 months of expected credit loss		69,030	(69,030)	-	-
Substitution of total period of expected credit loss		(27,337)	27,337	-	-
Execution and recovery		573,898	59,246	(19)	633,125
Amortization of loan origination fee		12,548	576	2	13,126
Disposal		(79,250)	-	-	(79,250)
Ending balance	₩	4,157,001	56,613	2,464	4,216,078

(*) It has been adjusted accordingly under the K-IFRS No.1109

(f) Changes in deferred loan-originating fees for the years ended December 31, 2018 and 2017 are as follows:

		December 31, 2018	December 31, 2017
Beginning balance (*)	₩	9,189	4,722
Loan-originating fees incurred		16,744	15,110
Amortization		(12,801)	(10,577)
Ending balance	₩	13,132	9,255

(*) As a result of the adoption of K-IFRS No. 1109, gain on the deferred loan related classified as financial instruments measured at FVTPL was reduced by ₩ 66 million.

9. Property and equipment

(a) Details of property and equipment as of December 31, 2018 and 2017 are as follows:

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		December 31, 2018		
		Acquisition cost	Accumulated depreciation	Book value
Land	₩	62,765	-	62,765
Buildings		63,159	(22,062)	41,097
Others		115,705	(96,707)	18,998
	₩	<u>241,629</u>	<u>(118,769)</u>	<u>122,860</u>

		December 31, 2017		
		Acquisition cost	Accumulated depreciation	Book value
Land	₩	59,636	-	59,636
Buildings		60,185	(18,593)	41,592
Others		109,422	(88,746)	20,676
	₩	<u>229,243</u>	<u>(107,339)</u>	<u>121,904</u>

(b) Changes in property and equipment for the years ended December 31, 2018 and 2017 are as follows:

		December 31, 2018			
		Land	Buildings	Others	Total
Beginning balance	₩	59,636	41,594	20,674	121,904
Acquisition(*)		33	245	7,243	7,521
Business combination		-	-	20	20
Disposal		(155)	(462)	(155)	(772)
Depreciation		-	(2,440)	(8,785)	(11,225)
Transferred from investment property		3,250	2,162	-	5,412
	₩	<u>62,764</u>	<u>41,099</u>	<u>18,997</u>	<u>122,860</u>

		December 31, 2017			
		Land	Buildings	Others	Total
Beginning balance	₩	56,649	41,147	20,779	118,575
Acquisition(*)		-	734	9,068	9,802
Disposal		-	-	(197)	(197)
Depreciation		-	(2,302)	(8,976)	(11,278)
Transferred from investment property		2,987	2,015	-	5,002
	₩	<u>59,636</u>	<u>41,594</u>	<u>20,674</u>	<u>121,904</u>

(*) Acquisition respectively includes ₩ 286 million and ₩ 279 million of provision for restoration liabilities about assets newly acquired for the years ended December 31, 2018 and 2017.

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10. Intangible assets

(a) Changes in intangible assets for the years ended December 31, 2018 and 2017 are as follows:

	December 31, 2018					
	Finite useful lives		Infinite useful lives			Total
	Software	Others	Membership	Settlement system right of use	Goodwill	
Beginning balance	₩ 17,242	70	13,139	19,696	5,646	55,793
Acquisition	4,712	30	37	-	-	4,779
Business combination	-	-	-	-	2,258	2,258
Amortization	(7,135)	(24)	-	-	-	(7,159)
Ending balance	₩ 14,819	76	13,176	19,696	7,904	55,671

	December 31, 2017					
	Finite useful lives		Infinite useful lives			Total
	Software	Others	Membership	Settlement system right of use	Goodwill	
Beginning balance	₩ 15,599	84	14,790	19,696	5,646	55,815
Acquisition	8,413	8	386	-	-	8,807
Disposals	-	-	(2,037)	-	-	(2,037)
Amortization	(6,705)	(19)	-	-	-	(6,724)
Effect of exchange rate fluctuations	(65)	(3)	-	-	-	(68)
Ending balance	₩ 17,242	70	13,139	19,696	5,646	55,793

(b) Changes in goodwill for the years ended December 31, 2018 and 2017 are as follows:

		December 31, 2018	December 31, 2017
Shinhan Securities Vietnam Co., LTD	₩	1,219	1,219
PT Shinhan Sekuritas Indonesia		4,427	4,427
PT Shinhan Asset Management Indonesia		2,258	-
Total	₩	7,904	5,646

(c) The aggregate amount of cash-generating unit group with goodwill for the years ended December 31, 2017 are as follows:

		December 31, 2017
Total recoverable amount	₩	77,437
Total book value		70,463
Remaining balance	₩	6,974

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11. Investment property

(a) Details of investment property as of December 31, 2018 and 2017 are as follows:

		December 31, 2018		
		Acquisition cost	Accumulated depreciation	Book value
Land	₩	114,367	-	114,367
Buildings		212,490	(29,972)	182,518
	₩	<u>326,857</u>	<u>(29,972)</u>	<u>296,885</u>
		December 31, 2017		
		Acquisition cost	Accumulated depreciation	Book value
Land	₩	80,577	-	80,577
Buildings		138,547	(25,368)	113,179
	₩	<u>219,124</u>	<u>(25,368)</u>	<u>193,756</u>

(b) Changes in investment property for the years ended December 31, 2018 and 2017 are as follows:

		December 31, 2018		
		Land	Buildings	Total
Beginning balance	₩	80,577	113,179	193,756
Acquisition		37,040	77,161	114,201
Disposal		-	(159)	(159)
Depreciation		-	(5,501)	(5,501)
Transferred to property and equipment		(3,250)	(2,162)	(5,412)
Ending balance	₩	<u>114,367</u>	<u>182,518</u>	<u>296,885</u>
		December 31, 2017		
		Land	Buildings	Total
Beginning balance	₩	84,091	120,470	204,561
Acquisition		2	3	5
Disposal		(529)	(768)	(1,297)
Depreciation		-	(4,510)	(4,510)
Transferred to property and equipment		(2,987)	(2,015)	(5,002)
Effect of exchange rate fluctuations		-	(1)	(1)
Ending balance	₩	<u>80,577</u>	<u>113,179</u>	<u>193,756</u>

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11. Investment property, Continued

(c) Details of income and expense related to investment property for the years ended December 31, 2018 and 2017 are as follows:

	₩	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Rental income		15,956	17,287
Direct operating expenses for investment property that generated rental income		5,502	4,510

(d) The fair value of investment property as of December 31, 2018 and 2017 are as follows:

	₩	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Fair value		380,954	218,370

The transaction with an independent third party and unobservable significant variables within the market are considered in evaluating the fair value of investment property. Therefore, the fair value is classified as level 3.

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12. Other assets

(a) Details of other assets as of December 31, 2018 and 2017 are as follows:

		<u>December 31, 2018</u>	<u>December 31, 2017</u>
Leasehold rights	₩	22,768	22,028
Receivables		1,462,209	1,786,452
Accrued income		98,446	95,653
Prepaid expenses		10,454	8,724
Deposits for guarantees		45,520	49,335
Advance payments		47,145	78,231
Prepaid income tax		2,028	1,085
Receivables from inter-bank fund transfer		51,202	54,059
Others		4,813	3,863
		<u>1,744,585</u>	<u>2,099,430</u>
Allowance for credit loss		(9,977)	(7,623)
Present value discount		(5,366)	(5,294)
	₩	<u>1,729,242</u>	<u>2,086,513</u>

(b) Changes in allowance for credit loss for other assets for the years ended December 31, 2018 are as follows:

		12 months Expected credit loss	Total period Expected credit loss	Financial asset with impaired credit	Total
Beginning (*)	₩	30	242	7,351	7,623
Substitute to financial assets with impaired credit		-	(2,104)	2,104	-
Reversal		70	2,010	274	2,354
Ending balance	₩	<u>100</u>	<u>148</u>	<u>9,729</u>	<u>9,977</u>

(*) It has been adjusted accordingly under the K-IFRS No.1109

(c) Changes in allowance for credit loss for other assets for the years ended December 31, 2017 are as follows:

		<u>December 31, 2017</u>
Beginning balance	₩	7,484
Provisions for allowance		139
Ending balance	₩	<u>7,623</u>

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13. Deposits

Details of deposits as of December 31, 2018 and 2017 are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Customers' deposits		
Customers' deposits for brokerage	₩ 966,142	1,016,746
Customers' deposits for exchange-traded derivatives trading	520,102	456,650
Customers' deposit subscriptions	13	-
Customers' deposits for savings	5,461	7,764
Customers' deposits for other securities	76	89
Customers' deposits for foreign securities	192,853	239,262
	<u>1,684,647</u>	<u>1,720,511</u>
Guarantee deposits		
Deposits for margin loans	38,248	22,344
	₩ <u>1,722,895</u>	<u>1,742,855</u>

14. Financial liabilities at fair value through profit or loss and financial liabilities measured at FVTPL

(a) Details of financial liabilities measured at FVTPL as of December 31, 2018 are as follows:

	<u>December 31, 2018</u>
Securities sold	₩ 916,080
Financial liabilities designated at fair value through profit or loss	8,535,800
Derivative liabilities	565,173
	₩ <u>10,017,053</u>

(b) Details of securities sold as of December 31, 2018 are as follows:

	<u>December 31, 2018</u>
Stocks	₩ 488,471
Bonds	395,492
Others	32,117
	₩ <u>916,080</u>

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14. Financial liabilities at fair value through profit or loss and financial liabilities measured at FVTPL, Continued

(c) Details of financial liabilities designated at fair value through profit or loss as of December 31, 2018 are as follows:

		<u>December 31, 2018</u>
Hybrid instruments		
Equity linked securities sold	₩	6,439,292
Other derivatives-linked securities sold		<u>2,096,508</u>
	₩	<u><u>8,535,800</u></u>

(d) Details of derivative liabilities as of December 31, 2018 and 2017 are as follows:

		<u>December 31, 2018</u>	<u>December 31, 2017</u>
Derivatives in won			
Over the counter:			
Interest rate	₩	44,427	55,057
Equity		206,208	18,561
Credit		14,916	10,617
Commodity		<u>74,022</u>	<u>22,598</u>
		<u>339,573</u>	<u>106,833</u>
Exchange traded:			
Equity		<u>17,081</u>	<u>5,352</u>
		<u>356,654</u>	<u>112,185</u>
Derivatives in foreign currency			
Over the counter:			
Interest rate		6,795	3,621
Currency		102,203	286,165
Equity		1,232	556
Commodity		<u>164</u>	<u>72</u>
		<u>110,394</u>	<u>290,414</u>
Exchange traded:			
Interest rate		1,569	544
Currency		-	553
Equity		92,540	13,920
Commodity		<u>4,016</u>	<u>315</u>
		<u>98,125</u>	<u>15,332</u>
		<u>208,519</u>	<u>305,746</u>
	₩	<u><u>565,173</u></u>	<u><u>417,931</u></u>

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14. Financial liabilities at fair value through profit or loss and financial liabilities measured at FVTPL, Continued

(e) Details of financial liabilities at fair value through profit or loss as of December 31, 2017 are as follows:

		December 31, 2017
Trading financial liabilities	₩	1,413,904
Financial liabilities designated at fair value through profit or loss		8,297,609
Derivative liabilities		417,931
	₩	<u>10,129,444</u>

(f) Details of trading financial liabilities as of December 31, 2017 are as follows:

		December 31, 2017
Stocks	₩	495,019
Bonds		871,884
Others		47,001
	₩	<u>1,413,904</u>

(g) Details of financial liabilities designated at fair value through profit or loss as of December 31 2017 are as follows:

		December 31, 2017
Hybrid instruments		
Equity linked securities sold	₩	5,785,907
Other derivatives-linked securities sold		2,474,729
		<u>8,260,636</u>
Management and evaluation on a fair value basis		
State or local bonds sold		36,973
	₩	<u>8,297,609</u>

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15. Borrowings

(a) Details of borrowings as of December 31, 2018 and 2017 are as follows:

		December 31, 2018	December 31, 2017
Borrowings	₩	9,748,483	9,459,019
Debt securities issued		1,736,192	1,197,322
	₩	<u>11,484,675</u>	<u>10,656,341</u>

(b) Details of borrowings as of December 31, 2018 and 2017 are as follows:

	December 31, 2018		December 31, 2017	
	Interest rate (%)	Amount	Interest rate (%)	Amount
Call money (won)	1.78~2.21	₩ 465,000	1.53~2.00	₩ 295,000
Notes payable	1.70~3.26	1,339,912	1.70~3.26	564,461
Bond sold under repurchase agreements (won)	0.50~2.05	6,705,372	1.00~3.00	7,957,427
Bond sold under repurchase agreements (foreign currency)	1.50~2.30	371,840	0.30~1.00	409,843
Borrowing from bank	-	-	2.43	50,000
	-	-	2.52	50,000
Borrowings from KSFC (Short term)	2.01~2.51	346,446	1.35~2.02	18,673
Borrowings from KSFC (Long term)	2.27	100,000	-	-
Borrowings in foreign currency (Credit limit)	3.11	19,588	2.13~2.36	14,976
Borrowings in foreign currency (Short term)	3.44	4,439	-	-
	6.70	5,736	-	-
	2.27	300,000	1.86	30,000
Others	3.25	10,062	3.2~5.00	67,733
	-	80,088	-	906
		<u>₩ 9,748,483</u>		<u>₩ 9,459,019</u>

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15. Borrowings, Continued

(c) Details of debt securities issued as of December 31, 2018 and 2017 are as follows:

	Interest rate (%)		December 31, 2018	December 31, 2017
Asset Backed Short-Term Bond	1.99~2.24	₩	805,900	807,892
Corporate bond (Foreign)	-		42,263	-
Long-term subordinated bond	4.17		250,000	-
	3.89		250,000	-
	2.29		-	200,000
Corporate bond	2.79		190,000	190,000
	2.77		200,000	-
Discount on corporate bond	-		(791)	(570)
Discount on foreign corporate bond	-		(749)	-
Discount on subordinated bond	-		(431)	-
		₩	<u>1,736,192</u>	<u>1,197,322</u>

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16. Provisions

(a) The details of the unused limit and the financial guarantee contract liability are as follows for the year ended as of December 31, 2018.

	Financial guarantee contract			Provision on unused credit limit			Total
	12 month expected credit loss	Life time expected credit loss	Impaired financial asset	12 month expected credit loss	Life time expected credit loss	Impaired financial asset	
Beginning balance (*1)	₩ 1,012	-	-	1,236	-	-	2,248
Transfer (Reversal)	(1,012)	-	-	(889)	-	-	(1,901)
Other (*2)	9,642	-	-	-	-	-	9,642
Ending balance	9,642	-	-	347	-	-	9,989

(*1) Based on the adoption of K-IFRS No. 1109, ₩ 66 million and ₩ 1,236 million were included as the amount of expected credit losses of financial guarantee contract and allowance for undrawn liabilities.

(*2) This is the effect of changes in the value of financial guarantee contracts at initial fair value and the change in the discount rate.

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16. Provisions, Continued

(b) Changes in provisions for the years ended December 31, 2018 and 2017 are as follows:

		December 31, 2018		
		Provisions for restoration liabilities(*)	Allowance for litigation	Total
Beginning balance	₩	3,816	16,798	20,614
Increases		286	-	286
Provisions		-	206	206
Reversal		(318)	-	(318)
Ending balance	₩	3,784	17,004	20,788

		December 31, 2017			
		Provisions for restoration liabilities(*)	Allowance for litigation	Others	Total
Beginning balance	₩	3,934	16,798	605	21,337
Increases		279	-	-	279
Provisions		101	-	341	442
Reversal		(498)	-	-	(498)
Ending balance	₩	3,816	16,798	946	21,560

(*) Provisions for restoration 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.

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17. Other liabilities

Details of other liabilities as of December 31, 2018 and 2017 are as follows:

		<u>December 31, 2018</u>	<u>December 31, 2017</u>
Accounts payable	₩	1,359,127	1,723,092
Accrued expenses		138,389	109,983
Unearned income		23,965	12,032
Deposits for rent		44,067	41,066
Domestic exchanges payable		46,001	53,748
Account for agency business		131	72
Advances from customers		1,137	60
Withholding income taxes		19,493	17,011
Others		845,515	853,874
		<u>2,477,825</u>	<u>2,810,938</u>
Present value discount		(1,784)	(1,729)
	₩	<u>2,476,041</u>	<u>2,809,209</u>

18. Net commission income

Net commission income for the years ended December 31, 2018 and 2017 are as follows:

		<u>December 31, 2018</u>	<u>December 31, 2017</u>
Commission income			
Brokerage commissions	₩	283,142	246,765
Brokerage commissions on indirect investment securities		46,038	32,388
Underwriting commissions		48,959	36,451
Consulting commissions		17,620	10,192
Commissions on entrusted investments		13,465	10,543
Trust fees and commissions received		35,371	20,800
Others		64,236	34,111
		<u>508,831</u>	<u>391,250</u>
Commission expense			
Trading commissions		34,107	24,620
Commission on securities borrowed		30,108	22,791
Commission on Shinhan Group brand		5,108	4,374
Partnership commission		8,118	5,614
Others		36,022	24,463
		<u>113,463</u>	<u>81,862</u>
Net commission income	₩	<u>395,368</u>	<u>309,388</u>

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19. Net interest income

Net interest income for the years ended December 31, 2018 and 2017 are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Interest income		
Interest on deposits	₩ 39,468	34,611
Interest on financial assets designated at fair value through profit or loss	-	57,861
Interest on trading financial assets	-	264,958
Interest on securities measured at FVTPL	288,435	-
Interest on loans measured at FVTPL	10,060	-
Interest on available-for-sale financial assets	-	29,610
Interest on financial asset measured at FVOCI	24,767	-
Interest on loans	-	154,285
Interest on loans measured at amortized cost	184,704	-
Others	6,802	6,361
	<u>554,236</u>	<u>547,686</u>
Interest expense		
Interest on customers' deposits	8,575	7,505
Interest on borrowings	27,648	11,625
Interest on bonds sold under repurchase agreements	88,933	87,346
Interest on call money	5,461	5,356
Interest on debentures	32,165	10,752
Others	3,726	2,006
	<u>166,508</u>	<u>124,590</u>
Net interest income	₩ <u>387,728</u>	<u>423,096</u>

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20. Net gain (loss) on foreign transactions

Net gain (loss) on foreign transactions for the years ended December 31, 2018 and 2017 are as follows:

		<u>December 31, 2018</u>	<u>December 31, 2017</u>
Gain on foreign transactions			
Gain on foreign currency transactions	₩	311,168	179,455
Gain on foreign exchange		31,038	76,982
		<u>342,206</u>	<u>256,437</u>
Loss on foreign transactions			
Loss on foreign currency transactions		306,267	194,020
Loss on foreign exchange		41,602	70,401
		<u>347,869</u>	<u>264,421</u>
Net gain (loss) on foreign transactions	₩	<u>(5,663)</u>	<u>(7,984)</u>

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21. General and administrative expenses

General and administrative expenses for the years ended December 31, 2018 and 2017 are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Personnel expenses		
Salary and other benefits for employees	₩ 326,729	294,084
Early retirement	8,350	3,108
Severance pay	18,959	16,461
	<u>354,038</u>	<u>313,653</u>
Depreciation	11,225	11,278
Amortization of intangible assets	7,159	6,724
Others		
Rental expense	18,005	18,922
Entertainment expense	5,618	5,375
Advertising expense	9,782	7,108
Computer system operation expense	16,365	14,714
Research and study expense	7,896	7,182
Communication expense	8,782	8,464
Maintenance and repairs expense	4,605	4,002
Tax and dues	31,356	29,849
Others	25,501	29,334
	<u>127,910</u>	<u>124,950</u>
	<u>₩ 500,332</u>	<u>456,605</u>

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22. Other operating revenues and expenses

Other operating revenues and expenses for the years ended December 31, 2018 and 2017 are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Other operating revenues		
Dividends income	₩ 47,048	39,515
Reversal of provisions for loss for other assets	-	306
Reversal of provisions for restoration liabilities	318	498
Others	4,265	3,021
	<u>₩ 51,631</u>	<u>43,340</u>
Other operating expenses		
Provision for loss for other assets	₩ -	445
Deposit insurance premium	1,456	1,344
Provisions for restoration liabilities	-	101
Provisions for other obligation	206	341
Others	207	210
	<u>₩ 1,869</u>	<u>2,441</u>

23. Non-operating incomes and expenses

Non-operating incomes and expenses for the years ended December 31, 2018 and 2017 are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Non-operating incomes		
Gain on equity method valuation	₩ 20,596	15,007
Gain on disposals of investments in associates	4,064	97
Rental income	15,956	17,287
Gain on disposals of property and equipment	332	36
Gain on disposals of investment property	-	65
Others	4,610	1,591
	<u>₩ 45,558</u>	<u>34,083</u>
Non-operating expenses		
Loss on equity method valuation	₩ 10,443	2,927
Loss on disposals of investments in associates	13,693	1,223
Depreciation of investment property	5,502	4,510
Donations	1,773	1,995
Loss on disposals of property and equipment	132	153
Loss on disposals of intangible assets	-	7
Others	2,152	675
	<u>₩ 33,695</u>	<u>11,490</u>

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24. Financial instrument classification by category

(a) Detail of financial instruments' book value as of December 31, 2018 and 2017 are as follows:

	December 31, 2018						Total
	Financial assets measured at FVTPL	Financial assets measured at FVOCI	Financial asset measured at amortized cost	Financial liabilities measured at FVTPL	Financial liabilities designated at FVTPL	Financial liabilities measured at amortized cost	
Assets:							
Cash and due from banks measured at amortized cost	₩ -	-	2,561,029	-	-	-	2,561,029
Financial assets measured at FVTPL	18,251,684	-	-	-	-	-	18,251,684
Financial assets measured at FVOCI	-	1,215,754	-	-	-	-	1,215,754
Loans measured at FVTPL	483,640	-	-	-	-	-	483,640
Loans measured at amortized cost	-	-	4,186,572	-	-	-	4,186,572
Other financial assets	-	-	1,668,192	-	-	-	1,668,192
	<u>₩ 18,735,324</u>	<u>1,215,754</u>	<u>8,415,793</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,366,871</u>
Liabilities:							
Deposits	₩ -	-	-	-	-	1,722,895	1,722,895
Financial liabilities measured at FVTPL	-	-	-	1,481,253	8,535,800	-	10,017,053
Borrowings	-	-	-	-	-	11,484,675	11,484,675
Other financial liabilities	-	-	-	-	-	1,585,932	1,585,932
	<u>₩ -</u>	<u>-</u>	<u>-</u>	<u>1,481,253</u>	<u>8,535,800</u>	<u>14,793,502</u>	<u>24,810,555</u>

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24. Financial instrument classification by category, Continued

(a) Detail of financial instruments' book value as of December 31, 2018 and 2017 are as follows:, Continued

		December 31, 2017							
		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	₩	-	-	-	2,294,983	-	-	-	2,294,983
Financial assets at FVTPL		14,851,748	3,186,414	-	-	-	-	-	18,038,162
Available-for-sale financial assets		-	-	1,768,331	-	-	-	-	1,768,331
Loans		-	-	-	3,701,889	-	-	-	3,701,889
Other financial assets		-	-	-	1,997,128	-	-	-	1,997,128
	₩	<u>14,851,748</u>	<u>3,186,414</u>	<u>1,768,331</u>	<u>7,994,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,800,493</u>
Liabilities:									
Deposits	₩	-	-	-	-	-	-	1,742,855	1,742,855
Financial liabilities at FVTPL		-	-	-	-	1,831,835	8,297,609	-	10,129,444
Borrowings		-	-	-	-	-	-	10,656,341	10,656,341
Other financial liabilities		-	-	-	-	-	-	1,926,231	1,926,231
	₩	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,831,835</u>	<u>8,297,609</u>	<u>14,325,427</u>	<u>24,454,871</u>

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24. Financial instrument classification by category, Continued

(b) Gains or losses of financial instruments for the years ended December 31, 2018 and 2017 are as follows:

	<u>December 31, 2018</u>
Financial assets measured at FVTPL	
Gain on valuation	₩ 395,047
Gain on sale	410,538
Other gains	57,513
Loss on valuation	(122,150)
Loss on sale	(667,177)
	₩ <u>73,771</u>
Derivatives	
Gain on valuation	₩ 303,428
Gain on sale	1,930,170
Loss on valuation	(698,086)
Loss on sale	(1,724,026)
	₩ <u>(188,514)</u>
Financial assets measured at FVOCI	
Gain on sale	₩ 2,980
Gain on reversal	2
Loss on sale	(2,533)
Loss on reversal	(395)
Loss on impairment	(615)
Gain on valuation	7,414
	₩ <u>6,853</u>
Financial assets measured at amortized cost	
Gain on transfer of credit loss provision	₩ 8,158
Gain on transfer of credit loss provision on other assets	2,354
	₩ <u>10,512</u>

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24. Financial instrument classification by category, Continued

(b) Gains or losses of financial instruments for the years ended December 31, 2018 and 2017 are as follows:, Continued

	<u>December 31, 2018</u>	
Financial liabilities measured at FVTPL		
Gain on valuation	₩	34,612
Gain on redemption		456,471
Loss on valuation		(149,858)
Loss on redemption		(187,387)
	₩	<u>153,838</u>
Financial liabilities designated at FVTPL		
Gain on valuation	₩	478,594
Gain on redemption		24,956
Loss on valuation		(95,968)
Loss on redemption		(429,529)
Gain on adjustment of credit risk		2,376
	₩	<u>(19,571)</u>

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24. Financial instrument classification by category, Continued

(b) Gains or losses of financial instruments for the years ended December 31, 2018 and 2017 are as follows:, Continued

	<u>December 31, 2017</u>
Trading assets	
Gain on valuation	₩ 226,159
Gain on sale	448,975
Loss on valuation	(116,526)
Loss on sale	(425,029)
	<u>₩ 133,579</u>
Derivatives	
Gain on valuation	₩ 681,776
Gain on sale	2,434,044
Loss on valuation	(456,089)
Loss on sale	(1,689,559)
	<u>₩ 970,172</u>
Financial assets designated at fair value through profit or loss	
Gain on valuation	₩ 37,294
Gain on sale	24,927
Loss on valuation	(90,390)
Loss on sale	(16,551)
	<u>₩ (44,720)</u>
Available-for-sale financial instruments	
Gain on sale	₩ 9,322
Loss on sale	(4,866)
Impairment loss	(11,986)
Gain on valuation	(1,678)
	<u>₩ (9,208)</u>

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24. Financial instrument classification by category, Continued

(b) Gains or losses of financial instruments for the years ended December 31, 2018 and 2017 are as follows:, Continued

	<u>December 31, 2017</u>
Loans and receivables	
Reversal of provisions	₩ 558
Provisions for loan loss	(3,855)
Reversal of provisions for other assets	306
Provision for loss for other assets	(445)
	₩ <u>(3,436)</u>
Trading financial liabilities	
Gain on valuation	₩ 15,798
Gain on redemption	250,392
Loss on valuation	(153,933)
Loss on redemption	(270,416)
	₩ <u>(158,159)</u>
Financial liability designated at fair value through profit or loss	
Gain on valuation	₩ 171,467
Gain on redemption	19,436
Loss on valuation	(272,152)
Loss on redemption	(864,793)
	₩ <u>(946,042)</u>

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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, operational 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
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25. Financial risk management, Continued

(a) General information of risk management, Continued

(ii) Risk management framework, 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.

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25. Financial risk management, Continued

(b) Credit risk, Continued

(i) Maximum exposure to credit risk, Continued

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, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Due from banks and loans(*1)	₩ -	5,996,786
Banks	-	1,760,542
Retail	-	815,262
Mortgage lending	-	10,382
Other	-	804,880
Government	-	536
Corporate	-	3,420,446
Large company	-	991,977
Small business	-	2,399,125
Others	-	29,344
Deposits and loans measured at amortized cost (*1)	6,747,192	-
Bank	2,238,919	-
Retail	836,934	-
Mortgage lending	10,173	-
Other	826,761	-
Government	1,254	-
Corporate	3,670,085	-
Large company	742,886	-
Small business	2,891,289	-
Others	35,910	-
Loans measured at FVTPL	483,640	-
Corporate	483,640	-
Small business	135,616	-
Others	348,024	-
Trading financial assets		
Debt securities	-	11,247,397
Financial assets designated at fair value through profit or loss(*2)		
Debt securities	-	2,234,235
Securities measured at FVTPL		
Debt securities	17,419,633	-
Available-for-sale financial assets(*3)		
Debt securities	-	1,363,744
Financial assets measured at FVOCI		
Debt securities	1,066,648	-
Derivative assets	316,246	662,490
Other financial assets	1,668,192	1,997,128
	<u>27,701,551</u>	<u>23,501,780</u>
ABCP purchase agreement	324,776	225,928
Other acquisition agreement	89,598	122,411
	<u>414,374</u>	<u>348,339</u>
₩	<u>28,115,925</u>	<u>23,850,119</u>

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25. Financial risk management, Continued

(b) Credit risk, Continued

(i) Maximum exposure to credit risk, Continued

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

(*2) Reserve for claims of customers' deposits (trust) is excluded and Derivatives-combined securities are included from financial assets designated at fair value through profit or loss. According to Financial Investment Business Regulation No. 4, some proportion of reserve for claims of customers' deposits should be operated in trust which is reserved in the Korea Securities Finance Corporation (financial business, rated AAA).

(*3) Collective fund for default loss is excluded from available-for-sale financial assets. Collective fund for default loss is mandatorily due to the members of Korea Exchange in accordance with Korea Exchange's Regulations.

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25. Financial risk management, Continued

(b) Credit risk, Continued

(ii) Details of financial assets at credit risk of impairment as of December 31, 2018 are as follows:

	12-month expected loss		Life time expected loss			Total	Allowances	Net	Mitigation of credit risk due to collateral
	Grade 1	Grade 2	Grade 1	Grade 2	Impaired				
Due from banks and loans at amortized cost:									
Banks	₩ 2,179,527	59,392	-	-	-	2,238,919	-	2,238,919	-
Retail	836,447	-	540	-	95	837,082	148	836,934	836,445
Mortgage lending	10,175	-	-	-	-	10,175	3	10,172	10,173
Others	826,272	-	540	-	95	826,907	145	826,762	826,272
Government	1,254	-	-	-	-	1,254	-	1,254	-
Corporations	1,928,954	1,653,026	-	115,094	2,369	3,699,443	29,359	3,670,084	3,064,144
Large company	448,632	264,658	-	36,205	1,869	751,364	8,479	742,885	217,644
Mid-size company	164,311	910,718	-	9,859	500	1,085,388	11,619	1,073,769	1,073,482
Small business	1,316,011	441,740	-	69,030	-	1,826,781	9,261	1,817,520	1,737,108
Others	-	35,910	-	-	-	35,910	-	35,910	35,910
Sub-total	4,946,182	1,712,418	540	115,094	2,464	6,776,698	29,507	6,747,191	3,900,589
Securities at FVOCI									
Debt securities	1,066,648	-	-	-	-	1,066,648	-	1,066,648	-
Other financial assets	1,678,168	-	-	-	-	1,678,168	9,977	1,668,191	-
Ending balance	₩ 7,690,998	1,712,418	540	115,094	2,464	9,521,514	39,484	9,482,030	3,900,589

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25. Financial risk management, Continued

(b) Credit risk, Continued

(iii) Details of impairment credit losses, purchase and loan commitments as of December 31, 2018 are as follows:

		December 31, 2018			
		Credit risk exposure	Provision	Credit risk exposure	Provision
		12 months credit loss	12 months credit loss	12 months credit loss	12 months credit loss
Grade 1	₩	185,344	-	-	-
Grade 2		139,432	-	89,598	-
Total	₩	324,776	-	89,598	-

(iv) Due from banks and loans

Details of impairment of due from banks and loans as of December 31, 2017 are as follows:

		December 31, 2017								
		Customers								
		Banks	Real estate mortgage	Others	Government	Corporate	Mid-size Company	Small Business	Others	Total
Neither past due nor impaired	₩	1,760,542	10,386	804,836	536	997,854	1,507,631	897,921	29,385	6,009,091
Past due but not impaired		-	-	94	-	-	-	-	-	94
Impaired		-	-	111	-	-	2,369	-	-	2,480
		1,760,542	10,386	805,041	536	997,854	1,510,000	897,921	29,385	6,011,665
Less : allowance		-	(4)	(161)	-	(5,877)	(2,944)	(5,852)	(41)	(14,879)
	₩	1,760,542	10,382	804,880	536	991,977	1,507,056	892,069	29,344	5,996,786

Financial assets with credit risk that are neither overdue nor impaired are categorized by credit quality as good or bad. In the case of corporate loans, it is divided into good (BBB + and above) and average (below BBB) based on the internal rating of the holding company. In the case of individual loans, both mortgage loans for secured securities and loans for employees are classified. The Group periodically benchmarks the ratings of domestic and overseas rating agencies.

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25. Financial risk management, Continued

(b) Credit risk, Continued

(iv) Due from banks and loans, Continued

Details of due from banks and loans, net of allowance, that are neither past due nor impaired as of December 31, 2017 are as follows:

		December 31, 2017								
		Banks	Customers				Small Business	Others	Total	
			Real estate mortgage	Others	Government	Corporate				Mid-size Company
Grade 1	₩	1,760,542	10,386	804,836	536	569,897	381,020	858,834	25,985	4,412,036
Grade 2		-	-	-	-	427,957	1,126,611	39,087	3,400	1,597,055
		<u>1,760,542</u>	<u>10,386</u>	<u>804,836</u>	<u>536</u>	<u>997,854</u>	<u>1,507,631</u>	<u>897,921</u>	<u>29,385</u>	<u>6,009,091</u>
Allowance		-	(4)	(50)	-	(5,877)	(575)	(5,852)	(41)	(12,399)
Less : allowance		<u>1,760,542</u>	<u>10,382</u>	<u>804,786</u>	<u>536</u>	<u>991,977</u>	<u>1,507,056</u>	<u>892,069</u>	<u>29,344</u>	<u>5,996,692</u>
Fair value of collateral	₩	-	10,382	804,760	-	417,928	1,497,221	892,069	26,845	3,649,205

The total credit risk exposure for overdue deposits and loan receivables is presented separately by the overdue period. Unless other information indicates conflicting information, deposits and loans that are overdue for less than 90 days are not considered to be impaired.

Details of due from banks and loans that were past due but not impaired as of December 31, 2017 are as follows:

		December 31, 2017					
		Banks	Customers			Sub total	Total
			Retail	Government	Corporate		
Within 30 days	₩	-	94	-	-	94	94
More than 30 days		-	-	-	-	-	-
	₩	<u>-</u>	<u>94</u>	<u>-</u>	<u>-</u>	<u>94</u>	<u>94</u>
Allowance		-	-	-	-	-	-
Net of allowance		<u>-</u>	<u>94</u>	<u>-</u>	<u>-</u>	<u>94</u>	<u>94</u>
Fair value of collateral	₩	-	94	-	-	94	94

The portion of the total credit risk exposure for deposits and loans is presented against the fair value of the collateral. The Group defines impairment as a result of delinquencies to household and corporate loans and the extent of default.

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25. Financial risk management, Continued

(b) Credit risk, Continued

(iv) Due from banks and loans, Continued

Details of impaired due from banks and loans as of December 31, 2017 are as follows:

	December 31, 2017						
	Banks	Customers				Sub total	Total
		Retail	Government	Corporate			
Impaired amounts	₩ -	111	-	2,369	2,480	2,480	
Allowance	-	(111)	-	(2,369)	(2,480)	(2,480)	
	₩ -	-	-	-	-	-	
Fair value of collateral	₩ -	-	-	-	-	-	

(v) Credit rating

Details of credit rating of debt securities as of December 31, 2017 are as follows:

	December 31, 2017			
	Trading financial assets	Financial assets		Total
		designated at fair value through profit or loss	Available-for-sale financial assets	
AAA	₩ 4,414,524	630,247	370,518	5,415,289
AA- to AA+	3,614,391	589,193	194,518	4,398,102
A- to A+	2,010,421	792,715	525,370	3,328,506
Lower than A-	1,001,982	222,080	254,250	1,478,312
Unrated	206,079	-	19,088	225,167
	₩ 11,247,397	2,234,235	1,363,744	14,845,376
Neither past due nor impaired	₩ 11,247,397	2,234,235	1,363,744	14,845,376
	₩ 11,247,397	2,234,235	1,363,744	14,845,376

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25. Financial risk management, Continued

(b) Credit risk, Continued

(vi) Concentration by location

Details of concentration by location of due from banks and loans as of December 31, 2018 and 2017 are as follows:

		December 31, 2018				Total
		Korea	U.S.A	U.K.	Other	
Deposits and loans measured at amortized cost	₩	6,294,669	18,795	286,368	147,359	6,747,191
Banks		1,993,906	3,929	199,963	41,120	2,238,919
Governments		836,934	-	-	-	836,934
Real estate mortgage		10,173	-	-	-	10,173
Others		826,761	-	-	-	826,761
Government		1,254	-	-	-	1,254
Corporations (all)		3,462,575	14,866	86,405	106,239	3,670,085
Corporations		550,258	14,844	86,405	91,379	742,886
Mid-size Company		1,073,557	22	-	190	1,073,769
Small business		1,802,850	-	-	14,670	1,817,520
Others		35,910	-	-	-	35,910
Loans measured at FVTPL		483,640	-	-	-	483,640
Corporations		483,640	-	-	-	483,640
Mid-size Company		135,616	-	-	-	135,616
Others		348,024	-	-	-	348,024
Securities at FVTPL		17,208,003	72,233	5,603	133,794	17,419,633
Debt securities		17,208,003	72,233	5,603	133,794	17,419,633
Securities at FVOCI		1,066,648	-	-	-	1,066,648
	₩	<u>25,052,960</u>	<u>91,028</u>	<u>291,971</u>	<u>281,153</u>	<u>25,717,112</u>

		December 31, 2017				Total
		Korea	U.S.A	U.K.	Other	
Banks	₩	1,662,888	10,448	2,996	84,210	1,760,542
Retail		815,262	-	-	-	815,262
Real estate mortgage		10,382	-	-	-	10,382
Others		804,880	-	-	-	804,880
Government		536	-	-	-	536
Corporations (all)		3,033,626	30,596	140,211	216,013	3,420,446
Corporations		738,017	26,913	140,211	86,836	991,977
Mid-size Company		1,497,222	3,683	-	6,151	1,507,056
Small business		769,043	-	-	123,026	892,069
Others		29,344	-	-	-	29,344
	₩	<u>5,512,312</u>	<u>41,044</u>	<u>143,207</u>	<u>300,223</u>	<u>5,996,786</u>

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25. Financial risk management, Continued

(b) Credit risk, Continued

(vii) Concentration by industry sector

Details of concentration by industry sector of due from banks and loans as of December 31, 2018 and 2017 are as follows:

		December 31, 2018						
		Finance and insurance	Manu- facturing	Retail and wholesale	Real estate and service	Construction	Others	Retail customers
Deposits and loans measured at amortized cost	₩	4,248,692	59,750	126,987	324,114	27,829	1,122,885	836,934
Banks		2,238,919	-	-	-	-	-	-
Retail		-	-	-	-	-	-	836,934
Real estate mortgage		-	-	-	-	-	-	10,173
Others		-	-	-	-	-	-	826,761
Government		579	-	-	-	-	675	-
Corporations (all)		2,009,194	59,750	126,987	324,114	27,829	1,122,210	-
Corporations		525,235	2,500	20,487	-	25,000	169,663	-
Mid-size Company		170,916	16,763	59,262	71,434	2,829	752,564	-
Small business		1,277,133	40,487	47,238	252,680	-	199,983	-
Others		35,910	-	-	-	-	-	-
Loans measured at FVTPL		483,640	-	-	-	-	-	-
Corporations		483,640	-	-	-	-	-	-
Mid-size Company		135,616	-	-	-	-	-	-
Others		348,024	-	-	-	-	-	-
Securities at FVTPL		11,327,449	787,788	150,852	126,700	66,706	4,960,138	-
Debt securities		11,327,449	787,788	150,852	126,700	66,706	4,960,138	-
Securities at FVOCI		881,600	49,983	29,951	-	-	105,114	-
	₩	16,941,381	897,521	307,790	450,814	94,535	6,188,138	836,934

		December 31, 2017						
		Finance and insurance	Manu- facturing	Retail and wholesale	Real estate and service	Construction	Others	Retail customers
Banks	₩	1,760,542	-	-	-	-	-	-
Retail		-	-	-	-	-	-	815,262
Real estate mortgage		-	-	-	-	-	-	10,382
Others		-	-	-	-	-	-	804,880
Government		536	-	-	-	-	-	-
Corporations (all)		1,267,935	74,187	64,427	585,137	36,740	1,392,020	-
Corporations		576,545	25,948	39,719	121,395	30,000	198,370	-
Mid-size Company		319,545	38,399	9,752	87,223	1,364	1,050,773	-
Small business		342,501	9,840	14,956	376,519	5,376	142,877	-
Others		29,344	-	-	-	-	-	-
	₩	3,029,013	74,187	64,427	585,137	36,740	1,392,020	815,262

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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.

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25. Financial risk management, Continued

(c) Market risk, Continued

(i) Trading position Value at Risk (VaR), Continued

An analysis of trading positions VaR as of and for the years ended December 31, 2018 and 2017 are as follows:

		December 31, 2018			December
		Average	Maximum	Minimum	31, 2018
Interest rate	₩	7,563	14,314	3,656	7,321
Equities		64,107	103,846	6,202	43,748
Foreign exchange		5,992	13,798	154	154
Option volatility		9,200	31,810	2,195	31,810
Portfolio diversification		-	-	-	(1,375)
	₩	<u>74,820</u>	<u>128,261</u>	<u>11,174</u>	<u>81,658</u>
		December 31, 2017			December
		Average	Maximum	Minimum	31, 2017
Interest rate	₩	9,939	18,090	7,329	11,232
Equities		12,015	22,496	7,068	10,830
Foreign exchange		7,140	12,604	2,760	5,506
Option volatility		3,404	4,536	2,710	3,216
Portfolio diversification		-	-	-	(9,583)
	₩	<u>22,221</u>	<u>34,564</u>	<u>12,980</u>	<u>21,201</u>

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25. Financial risk management, Continued

(c) Market risk, Continued

(ii) Non-trading position VaR

Interest rate risk is the risk that changes in market interest rates will affect the Group's earnings and the economic value of the Group's net assets.

Exposure to risks of changes in the Group's earnings and the economic value of the Group's net assets due to the fluctuations of interest rates in non-trading activities will form small portion of the total risks of the Group. The risk management committee will independently measure and monitor the risks every day.

Interest rate VaR (Value at Risk) represents the maximum potential loss of net present value (NPV) over a year due to the fluctuations of market interest rates.

The Group used net present value (NPV) and simulated historical interest rate scenarios in accordance with internal model approach where the Group was able to measure maximum potential loss at 99.9% confidence level. The Group excluded trading activities in calculating VaR, used a rate of return which were calculated from past data from last three years

Interest rate EaR (Earning at Risk) represents the maximum potential amount of changes in net income due to fluctuations of market interest rates over a year. The Group applied the maturity bucket's midpoints and standardised interest rate shock(200bp) recommended by Bank for International Settlements in calculating, including trading activities and off-balance-sheet positions.

Interest rate VaR and EaR of non-trading positions as of December 31, 2018 and 2017 are as follows:

		December 31, 2018	December 31, 2017
Interest rate VaR	₩	31,274	44,505
Interest rate EaR		112,093	108,866

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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, 2018 and 2017 are as follows:

		December 31, 2018				
		USD	JPY	EUR	Other	Total
Assets						
Cash and due from banks	₩	380,768	23,230	60,720	192,063	656,781
measured at amortized cost						
Trading financial assets		2,749,476	998	44,116	33,469	2,828,059
measured at FVTPL						
Loans measured at		62,679	-	-	-	62,679
amortized cost						
Other financial assets		22,991	-	-	8,280	31,271
		<u>3,215,914</u>	<u>24,228</u>	<u>104,836</u>	<u>233,812</u>	<u>3,578,790</u>
Liabilities						
Deposits		286,961	4,824	34,196	27,250	353,231
Financial liabilities		1,179,208	-	-	-	1,179,208
measured at FVTPL						
Borrowings		405,930	-	-	5,736	411,666
Other financial liabilities		49,095	-	-	8,244	57,339
		<u>1,921,194</u>	<u>4,824</u>	<u>34,196</u>	<u>41,230</u>	<u>2,001,444</u>
Net assets		1,294,720	19,404	70,640	192,582	1,577,346
Off-balance sheet		(989,691)	(99,241)	(81,452)	(83,547)	(1,253,931)
derivative exposure						
Net position	₩	<u>305,029</u>	<u>(79,837)</u>	<u>(10,812)</u>	<u>109,035</u>	<u>323,415</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
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25. Financial risk management, Continued

(c) Market risk, Continued

(iii) Foreign exchange risk, Continued

		December 31, 2017				
		USD	JPY	EUR	Other	Total
Assets						
Cash and due from banks	₩	406,999	22,046	56,169	174,652	659,866
Financial assets at fair value through profit or loss		2,454,978	985	175,247	25,725	2,656,935
Available-for-sale financial assets		69,176	-	-	-	69,176
Other financial assets		56,456	-	-	2,990	59,446
		<u>2,987,609</u>	<u>23,031</u>	<u>231,416</u>	<u>203,367</u>	<u>3,445,423</u>
Liabilities						
Deposits		332,926	14,406	2,010	56,971	406,313
Financial liabilities at fair value through profit or loss		989,605	-	-	-	989,605
Borrowings		424,819	-	-	-	424,819
Other financial liabilities		76,762	-	-	2,098	78,860
		<u>1,824,112</u>	<u>14,406</u>	<u>2,010</u>	<u>59,069</u>	<u>1,899,597</u>
Net assets		1,163,497	8,625	229,406	144,298	1,545,826
Off-balance sheet derivative exposure		(673,152)	(3,368)	(153,261)	(26,875)	(856,656)
Net position	₩	<u>490,345</u>	<u>5,257</u>	<u>76,145</u>	<u>117,423</u>	<u>689,170</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
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25. Financial risk management, Continued

(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.

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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, 2018 and 2017 are as follows:

	December 31, 2018						Total
	Less than 1 month	1~3 months	3~6 months	6 months ~1 year	1~5 years	More than 5 years	
Assets:							
Cash and due from bank measured at amortized cost	₩ 886,081	111,969	252,109	1,334,089	1,157	1,962	2,587,367
Loans measured at FVTPL	262,502	1,241	3,396	94,930	82,507	45,508	490,084
Securities measured at FVTPL	16,576,300	35,278	29,278	350,523	794,330	150,261	17,935,970
Derivative assets	316,246	-	-	-	-	-	316,246
Securities measured at FVOCI	1,072,936	-	-	-	149,106	-	1,222,042
Loans measured at amortized cost	785,083	713,854	1,182,921	355,116	1,129,796	215,499	4,382,269
Other financial assets	1,580,678	5,530	13,585	34,407	46,984	2,350	1,683,534
	<u>21,479,826</u>	<u>867,872</u>	<u>1,481,289</u>	<u>2,169,065</u>	<u>2,203,880</u>	<u>415,580</u>	<u>28,617,512</u>
Liabilities:							
Deposits	1,723,420	-	-	-	-	-	1,723,420
Financial liabilities measured at FVTPL	918,723	-	-	-	-	-	918,723
Financial liabilities designated at FVTPL	332,248	303,996	171,927	1,061,443	5,552,824	1,113,362	8,535,800
Derivative liabilities	565,173	-	-	-	-	-	565,173
Borrowings	9,333,337	94,392	46,160	106,766	9,640	170,448	9,760,743
Debt securities issued	853,309	5,320	10,465	10,081	482,900	504,538	1,866,613
Other financial liabilities	1,533,927	14,066	2,024	10,189	27,487	24	1,587,717
	<u>15,260,137</u>	<u>417,774</u>	<u>230,576</u>	<u>1,188,479</u>	<u>6,072,851</u>	<u>1,788,372</u>	<u>24,958,189</u>
Net position	₩ <u>6,219,689</u>	<u>450,098</u>	<u>1,250,713</u>	<u>980,586</u>	<u>(3,868,971)</u>	<u>(1,372,792)</u>	<u>3,659,323</u>

The above period has been segmented based on management's judgment. The amounts presented include principal and interest cash flows and are classified as the earliest due date for the Group's obligation to pay, based on the undiscounted cash flows of the financial assets and liabilities. Securities at FVTPL are classified as either the earliest or the earliest possible expiration date. Securities measured at FVOCI are classified based on their maturity.

25. Financial risk management, Continued

(d) Liquidity risk, Continued

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(i) Contractual maturities for financial instruments, Continued

		December 31, 2017						
		Less than 1			6 months ~ 1	1~5	More than 5	Total
		month	1~3 months	3~6 months	year	years	years	
Assets:								
Cash and due from bank	₩	807,730	70,669	151,019	1,284,548	2	2,368	2,316,336
Trading financial assets		13,043,347	627,936	247,905	54,631	183,577	31,860	14,189,256
Financial asset designated at FVTPL		2,498,273	35,001	91,487	20,097	293,095	248,609	3,186,562
Derivative assets		662,490	-	-	-	-	-	662,490
Available-for-sale financial assets		975,127	352,098	-	-	415,150	28,429	1,770,804
Loans		205,567	710,132	1,605,710	245,893	959,666	168,098	3,895,066
Other financial assets		1,937,356	6,082	11,783	23,151	28,084	3,589	2,010,045
		<u>20,129,890</u>	<u>1,801,918</u>	<u>2,107,904</u>	<u>1,628,320</u>	<u>1,879,574</u>	<u>482,953</u>	<u>28,030,559</u>
Liabilities:								
Deposits		1,743,417	-	-	-	-	-	1,743,417
Trading financial liabilities		1,413,904	-	-	-	-	-	1,413,904
Financial liabilities designated at FVTPL		303,065	324,807	548,868	916,388	5,106,209	1,098,518	8,297,855
Derivative liabilities		417,930	-	-	-	-	-	417,930
Borrowings		9,069,321	129,326	56,528	202,968	8,908	-	9,467,051
Debt securities issued		1,198,310	-	-	-	-	-	1,198,310
Other financial liabilities		1,878,900	12,186	4,976	10,194	21,688	16	1,927,960
		<u>16,024,847</u>	<u>466,319</u>	<u>610,372</u>	<u>1,129,550</u>	<u>5,136,805</u>	<u>1,098,534</u>	<u>24,466,427</u>
Net position	₩	<u>4,105,043</u>	<u>1,335,599</u>	<u>1,497,532</u>	<u>498,770</u>	<u>(3,257,231)</u>	<u>(615,581)</u>	<u>3,564,132</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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25. Financial risk management, Continued

(d) Liquidity risk, Continued

(ii) Contractual maturities for off balance sheet items

The exposure to guarantees and commitments, loan commitments and other acquisition commitments and derivative instruments that are likely to be exposed to liquidity risk are presented. The amount of liquidity risk exposure for off-balance items under the standard has been classified as expiration within one month, which is the earliest period in which payment can be requested. The payment guarantee is the maximum amount that the financial institution is required to pay in the contract if the party claims the full amount of guarantee for the payment guarantee contract, and the purchase agreement is an asset purchase agreement related to asset securitization. Loan commitments and other acquisition commitments are amortization commitments and other equity and debt instruments acquisition commitments. The amount related to derivative instruments is the amount of derivative instruments subject to hedge accounting, and the entity does not have derivatives that apply hedge accounting.

Contractual maturities for off balance sheet items as of December 31, 2018 and 2017 are as follows:

		December 31, 2018						
		Less than 1 month	1~3 months	3~6 months	6 months ~ 1 year	1~5 years	More than 5 years	Total
ABCP purchase agreement	₩	324,776	-	-	-	-	-	324,776
Loan commitments and other credit liabilities		1,188,203	-	-	-	-	-	1,188,203
	₩	<u>1,512,979</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,512,979</u>
		December 31, 2017						
		Less than 1 month	1~3 months	3~6 months	6 months ~ 1 year	1~5 years	More than 5 years	Total
ABCP purchase agreement	₩	225,928	-	-	-	-	-	225,928
Loan commitments and other credit liabilities		953,981	-	-	-	-	-	953,981
	₩	<u>1,179,909</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,179,909</u>

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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 50%~100%: recommending management improvement
- NCR between 0%~50%: demanding management improvement
- NCR less than 0%: ordering management improvement

Details of NCR as of December 31, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
1. Net capital	₩ 2,950,177	1,961,713
Net assets (*)	3,356,816	3,249,500
Adjustment(-)	969,340	1,297,884
Adjustment(+)	562,701	10,097
2. Total risk	1,866,257	1,000,949
Market risk	1,183,120	757,763
Credit risk	588,821	152,821
Operating risk	94,316	90,365
3. Surplus capital : (1 - 2)	1,083,920	960,764
4. Legal capital	194,300	194,300
5. Obligated capital for maintenance	₩ 136,010	136,010
6. Net capital ratio : (3 / 5) X 100(%)	796.94	706.39

(*) The net asset value is based on the consolidated financial statement.

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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 book value is used as a substitute figure for the fair value as it could be regarded appropriate to fair value.
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

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For the years ended December 31, 2018 and 2017

(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, 2018 and 2017 are as follows:

	December 31, 2018				
	Book value				
	Balance	Unamortized balance	Allowance	Total	Fair value
Assets					
Cash and due from banks measured at amortized cost:					
Cash and cash equivalents	₩ 259,818	-	-	259,818	259,818
Due from banks	2,301,211	-	-	2,301,211	2,301,211
	<u>2,561,029</u>	<u>-</u>	<u>-</u>	<u>2,561,029</u>	<u>2,561,029</u>
Loans measured at amortized cost:					
Retail	1,509,724	(1,222)	(147)	1,508,355	1,508,355
Corporate	2,720,708	(13,132)	(29,359)	2,678,217	2,678,217
	<u>4,230,432</u>	<u>(14,354)</u>	<u>(29,506)</u>	<u>4,186,572</u>	<u>4,186,572</u>
Other financial assets	1,683,534	(5,366)	(9,977)	1,668,191	1,666,502
	<u>₩ 8,474,995</u>	<u>(19,720)</u>	<u>(39,483)</u>	<u>8,415,792</u>	<u>8,414,103</u>
Liabilities					
Deposits	₩ 1,722,895	-	-	1,722,895	1,722,895
Borrowings:					
Call money	465,000	-	-	465,000	465,000
Bonds sold under repurchase agreements	7,077,212	-	-	7,077,212	7,077,212
Borrowings	2,206,271	-	-	2,206,271	2,206,271
Debt securities issued	1,738,164	(1,972)	-	1,736,192	1,784,458
	<u>11,486,647</u>	<u>(1,972)</u>	<u>-</u>	<u>11,484,675</u>	<u>11,532,941</u>
Other financial liabilities	1,587,715	(1,784)	-	1,585,931	1,585,988
	<u>₩ 14,797,257</u>	<u>(3,756)</u>	<u>-</u>	<u>14,793,501</u>	<u>14,841,823</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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(In millions of won)

25. Financial risk management, Continued

(f) Measurement of fair value, Continued

(i) Financial instruments measured at amortized cost, Continued

		December 31, 2017				
		Book value				
		Balance	Unamortized balance	Allowance	Total	Fair value
Assets						
Cash and due from banks:						
	Cash and cash equivalents	₩ 334,811	-	-	334,811	334,811
	Due from banks	1,960,172	-	-	1,960,172	1,960,172
		<u>2,294,983</u>	<u>-</u>	<u>-</u>	<u>2,294,983</u>	<u>2,294,983</u>
Loans:						
	Retail	1,701,144	(1,222)	(165)	1,699,757	1,699,757
	Corporate	2,026,099	(9,253)	(14,714)	2,002,132	2,002,132
		<u>3,727,243</u>	<u>(10,475)</u>	<u>(14,879)</u>	<u>3,701,889</u>	<u>3,701,889</u>
	Other financial assets	2,010,047	(5,294)	(7,624)	1,997,129	1,994,656
		<u>₩ 8,032,273</u>	<u>(15,769)</u>	<u>(22,503)</u>	<u>7,994,001</u>	<u>7,991,528</u>
Liabilities						
	Deposits	₩ 1,742,855	-	-	1,742,855	1,742,855
Borrowings:						
	Call money	295,000	-	-	295,000	295,000
	Bonds sold under repurchase agreements	8,367,270	-	-	8,367,270	8,367,270
	Borrowings	796,749	-	-	796,749	796,749
	Debt securities issued	1,197,892	(570)	-	1,197,322	1,200,863
		<u>10,656,911</u>	<u>(570)</u>	<u>-</u>	<u>10,656,341</u>	<u>10,659,882</u>
	Other financial liabilities	1,927,960	(1,729)	-	1,926,231	1,925,928
		<u>₩ 14,327,726</u>	<u>(2,299)</u>	<u>-</u>	<u>14,325,427</u>	<u>14,328,665</u>

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For the years ended December 31, 2018 and 2017

(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, 2018 and 2017 are as follows:

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and due from banks measured at amortized ₩ cost:	259,818	-	-	259,818
Cash and cash equivalents	2,301,211	-	-	2,301,211
Deposits measured at amortized cost	2,561,029	-	-	2,561,029
Loans measured at amortized cost:				
Retail	-	-	1,508,355	1,508,355
Corporate	-	-	2,678,217	2,678,217
Other financial assets	74,625	-	1,591,877	1,666,502
₩	<u>2,635,654</u>	<u>-</u>	<u>5,778,449</u>	<u>8,414,103</u>
Liabilities				
Deposits	₩ 1,722,895	-	-	1,722,895
Call money	465,000	-	-	465,000
Bonds sold under repurchase agreements	5,009,917	-	2,067,294	7,077,211
Borrowings	-	-	2,206,271	2,206,271
Debt (Won)	-	-	1,742,194	1,742,194
Debt (Foreign)	-	-	42,264	42,264
Other financial liabilities	74,638	-	1,511,350	1,585,988
₩	<u>7,272,450</u>	<u>-</u>	<u>7,569,373</u>	<u>14,841,823</u>
	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and due from banks:	₩ 334,811	-	-	334,811
Cash and cash equivalents	1,960,172	-	-	1,960,172
Loans:				
Retail	-	-	1,699,757	1,699,757
Corporate	65	-	2,002,067	2,002,132
Other financial assets	79,889	-	1,914,767	1,994,656
₩	<u>2,374,937</u>	<u>-</u>	<u>5,616,591</u>	<u>7,991,528</u>
Liabilities				
Deposits	₩ 1,742,855	-	-	1,742,855
Call money	295,000	-	-	295,000
Bonds sold under repurchase agreements	5,284,146	-	3,083,124	8,367,270
Borrowings	-	-	796,749	796,749
Debt (Won)	-	-	1,200,863	1,200,863
Other financial liabilities	79,907	-	1,846,021	1,925,928
₩	<u>7,401,908</u>	<u>-</u>	<u>6,926,757</u>	<u>14,328,665</u>

25. Financial risk management, Continued

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(In millions of won)

(f) Measurement of fair value, Continued

(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.

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, 2018 and 2017 are as follows:

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at FVTPL:				
Debt securities	₩ 2,749,115	8,803,708	274,067	11,826,890
Equity securities	426,369	-	89,436	515,805
Deposits	-	1,040,180	-	1,040,180
Loans	-	483,640	-	483,640
Others	568,000	3,120,067	864,497	4,552,564
Derivative assets:				
Trading purpose	62,275	141,501	112,470	316,246
Financial assets measured at FVOCI				
Debt securities	140,143	926,506	-	1,066,649
Equity securities	-	-	149,105	149,105
Total financial assets:	₩ 3,945,902	14,515,602	1,489,575	19,951,079
Liabilities				
Trading financial liabilities at FVTPL:				
Securities sold	₩ 916,080	-	-	916,080
Derivative liabilities:				
Trading purpose	115,206	166,772	283,196	565,174
Financial liabilities designated at fair value through profit or loss:				
Derivatives-combined securities sold	-	1,702,063	6,833,737	8,535,800
Total financial liabilities:	₩ 1,031,286	1,868,835	7,116,933	10,017,054

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the years ended December 31, 2018 and 2017

(In millions of won)

25. Financial risk management, Continued

(f) Measurement of fair value, Continued

(ii) Financial instruments measured at fair value, Continued

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets				
Trading financial assets:				
Debt securities	₩ 3,630,641	7,353,041	263,715	11,247,397
Equity securities	1,126,429	1,456,028	359,404	2,941,861
	<u>4,757,070</u>	<u>8,809,069</u>	<u>623,119</u>	<u>14,189,258</u>
Derivative assets:				
Trading purpose	31,825	392,209	238,456	662,490
Financial assets designated at fair value through profit or loss				
Reserve for claims of customers' deposit (trust)	-	948,705	-	948,705
Debt securities	569,259	1,458,791	-	2,028,050
Equity securities	3,474	-	-	3,474
Derivatives-combined securities	-	20,053	186,132	206,185
	<u>572,733</u>	<u>2,427,549</u>	<u>186,132</u>	<u>3,186,414</u>
Available-for-sale financial assets:				
Debt securities	329,552	1,011,191	23,001	1,363,744
Equity securities	818	121,508	281,581	403,907
Collective fund for default loss	-	680	-	680
	<u>330,370</u>	<u>1,133,379</u>	<u>304,582</u>	<u>1,768,331</u>
	<u>₩ 5,691,998</u>	<u>12,762,206</u>	<u>1,352,289</u>	<u>19,806,493</u>
Liabilities				
Trading financial liabilities:				
Securities sold	₩ 1,413,904	-	-	1,413,904
Derivative liabilities:				
Trading purpose	20,683	327,991	69,257	417,931
Financial liabilities designated at fair value through profit or loss:				
Derivatives-combined securities sold	-	986,882	7,273,754	8,260,636
Securities sold	36,973	-	-	36,973
	<u>36,973</u>	<u>986,882</u>	<u>7,273,754</u>	<u>8,297,609</u>
	<u>₩ 1,471,560</u>	<u>1,314,873</u>	<u>7,343,011</u>	<u>10,129,444</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the years ended December 31, 2018 and 2017

(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 years ended December 31, 2018 and 2017 are as follows:

		December 31, 2018				
		Securities measured at FVTPL	Financial assets designated at FVOCI	Financial liabilities designated at FVTPL	Derivative	Total
Beginning balance	₩	987,748	146,004	(7,273,754)	164,492	(5,975,510)
Total income		41,510	3,102	10,325	(183,682)	(128,745)
Profit or loss(*1)		41,510	-	10,090	(183,682)	(132,082)
Other						
comprehensive		-	3,102	235	-	3,337
income						
Purchases and		849,380	-	(7,127,670)	616	(6,277,674)
issuances						
Sales and		(649,653)	-	7,557,362	(152,152)	6,755,557
settlements						
Transferred from		(985)	-	-	-	(985)
level 3(*2)						
Ending balance	₩	<u>1,228,000</u>	<u>149,106</u>	<u>(6,833,737)</u>	<u>(170,726)</u>	<u>(5,627,357)</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the years ended December 31, 2018 and 2017

(In millions of won)

25. Financial risk management, Continued

(f) Measurement of fair value, Continued

(ii) Financial instruments measured at fair value, Continued

	December 31, 2017					
	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	₩ -	292,829	276,961	(7,574,311)	(280,683)	(7,285,204)
Total income	42,247	39,832	5,209	(913,764)	805,526	(20,950)
Profit or loss(*1)	42,247	39,832	(4,797)	(913,764)	805,526	(30,956)
Other comprehensive income	-	-	10,006	-	-	10,006
Purchases and issuances	493,484	120,570	20,042	(8,710,655)	4,540	(8,072,019)
Sales and settlements	(14,169)	(267,099)	(25,287)	9,924,976	(360,184)	9,258,237
Transferred to level3 (*2)	101,557	-	27,657	-	-	129,214
Ending balance	₩ 623,119	186,132	304,582	(7,273,754)	169,199	(5,990,722)

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the years ended December 31, 2018 and 2017

(In millions of won)

25. Financial risk management, Continued

(f) Measurement of fair value, Continued

(ii) Financial instruments measured at fair value, Continued

(*1) Recognized profit or loss of the changes in carrying value of financial instruments classified as Level 3 for the years ended December 31, 2018 and 2017, are included in the accounts of the statements of comprehensive income, of which the amounts and the related accounts are as follows:

	December 31, 2018		December 31, 2017	
	Amounts recognized in profit or loss	Recognized profit or loss from the financial instruments held as of December 31	Amounts recognized in profit or loss	Recognized profit or loss from the financial instruments held as of December 31
Gain(loss) on financial assets measured at FVTPL	₩ (142,172)	(330,282)	-	-
Gain(loss) on financial liabilities designated at FVTPL	10,090	392,096	-	-
Gain(loss) on financial instruments designated at FVPL	-	-	847,773	125,791
Gain(loss) on derivatives	-	-	(873,932)	(80,620)
Gain(loss) on available-for-sale financial assets	-	-	487	-
Impairment on financial assets	-	-	(5,284)	(5,284)
	₩ <u>(132,082)</u>	<u>61,814</u>	<u>(30,956)</u>	<u>39,887</u>

(*2) Transfer between levels occurred as availability of observable market data changed due to suspension of transaction.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the years ended December 31, 2018 and 2017

(In millions of won)

25. Financial risk management, Continued

(f) Measurement of fair value, Continued

(ii) Financial instruments measured at fair value, Continued

In evaluating fair value of OTC derivatives using unobservable market data, if calculated fair value differs from transaction price, the Group recognizes the transaction price as fair value of financial instruments. Difference between transaction cost and fair value is recognized deferred and amortized for the transaction period. If the evaluating factors become observable in markets, deferred amount is recognized to profit or loss immediately.

Day 1 profit or loss for the years ended December 31, 2018 and 2017 are as follows:

		December 31, 2018	December 31, 2017
Beginning balance	₩	(132,464)	(89,696)
New transactions		(89,123)	(108,831)
Amounts recognized in profit or loss during the period		99,984	66,063
Ending balance	₩	<u>(121,603)</u>	<u>(132,464)</u>

Information about valuation technique and inputs used at December 31, 2018 and 2017 in the fair value measurement of financial instruments classified as level 2 are as follows:

Type of financial instrument	Valuation technique		December 31, 2018	Inputs
Assets				
Financial assets measured at FVTPL	DCF(*)	₩	13,447,595	Discount rate Price of underlying assets
Derivative assets	DCF(*)		141,501	Discount rate Price of underlying assets
Securities measured at FVOCI	DCF(*)		926,506	Discount rate
		₩	<u>14,515,602</u>	
Liabilities				
Derivative liabilities	DCF(*)	₩	1,702,063	Discount rate Price of underlying assets
Financial liabilities designated at fair value through profit or loss	DCF(*)		166,772	Discount rate Price of underlying assets
		₩	<u>1,868,835</u>	

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the years ended December 31, 2018 and 2017

(In millions of won)

25. Financial risk management, Continued

(f) Measurement of fair value, Continued

(ii) Financial instruments measured at fair value, Continued

Information about valuation technique and inputs used at December 31, 2018 and 2017 in the fair value measurement of financial instruments classified as level 2 are as follows, Continued:

Type of financial instrument	Valuation technique		December 31, 2017	Inputs
Assets				
Trading assets	DCF(*)	₩	8,809,069	Discount rate Price of underlying assets
Derivative assets	DCF(*)		392,209	Discount rate Price of underlying assets
Financial assets designated at fair value through profit or loss	DCF(*)		2,427,549	Discount rate Price of underlying assets
Available-for-sale financial assets	DCF(*)		1,133,379	Discount rate
		₩	<u>12,762,206</u>	
Liabilities				
Derivative liabilities	DCF(*)	₩	327,991	Discount rate Price of underlying assets
Financial liabilities designated at fair value through profit or loss	DCF(*)		986,882	Discount rate Price of underlying assets
		₩	<u>1,314,873</u>	

(*) DCF: Discounted cash flow

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For the years ended December 31, 2018 and 2017

(In millions of won)

25. Financial risk management, Continued

(f) Measurement of fair value, Continued

(ii) Financial instruments measured at fair value, Continued

Information about valuation technique and significant unobservable inputs used at December 31, 2018 and 2017 in the fair value measurement of financial instruments classified as level 3 are as follows:

Type of financial instrument	Valuation technique	December 31, 2018	Significant unobservable inputs	Range
Assets				
Trading assets measured at FVTPL	DCF	₩ 1,228,000	The volatility of the underlying asset	Discount rate : 13.16% ~ 19.31% Growth rate : 0% ~ 3%
Derivative assets	Option model(*)	112,470	The volatility of the underlying asset, correlations	The volatility of the underlying asset : 0.0000 ~ 0.40990
Securities measured at FVOCI	DCF	149,105	Discount rate, Growth rate	Correlations : 0.00000~0.90504
		<u>₩ 1,489,575</u>		
Liabilities				
Derivative liabilities	Option model(*)	₩ 6,833,737	The volatility of the underlying asset, correlations	The volatility of the underlying asset : 0.0000 ~ 1.07032
Financial liabilities designated at FVTPL	Option model(*)	283,196	The volatility of the underlying asset, correlations	Correlations : (-)0.42286~0.92851
		<u>₩ 7,116,933</u>		

(*) Option model that the Group uses in derivative valuation includes Black-Scholes model and Hull-White model. Depending on type of derivatives, Monte Carlo simulation method is used.

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(In millions of won)

25. Financial risk management, Continued

(f) Measurement of fair value, Continued

(ii) Financial instruments measured at fair value, Continued

Information about valuation technique and significant unobservable inputs used at December 31, 2018 and 2017 in the fair value measurement of financial instruments classified as level 3 are as follows, Continued:

Type of financial instrument	Valuation technique	December 31, 2017	Significant unobservable inputs	Range
Assets				
Trading assets	DCF	₩ 623,119	The volatility of the underlying asset	
Derivative assets	Option model(*)	238,456	The volatility of the underlying asset, correlations	Discount rate : 9.51% ~ 18.62% Growth rate : 0% ~ 3% The volatility of the underlying asset : 0.0000 ~ 0.62187
Financial assets designated at fair value through profit or loss	Option model(*)	186,132	The volatility of the underlying asset, correlations	Correlations : (-)0.00487~0.92911
Available-for-sale financial assets	DCF	304,582	Discount rate, growth rate	
		₩ <u>1,352,289</u>		
Liabilities				
Derivative liabilities	Option model(*)	₩ 69,257	The volatility of the underlying asset, correlations	The volatility of the underlying asset : 0.0000 ~ 0.95688
Financial liabilities designated at fair value through profit or loss	Option model(*)	7,273,754	The volatility of the underlying asset, correlations	Correlations : (-)0.21139~1.0000
		₩ <u>7,343,011</u>		

(*) Option model that the Group uses in derivative valuation includes Black-Scholes model and Hull-White model. Depending on type of derivatives, Monte Carlo simulation method is used.

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(In millions of won)

25. Financial risk management, Continued

(f) Measurement of fair value, Continued

(ii) Financial instruments measured at 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, 2018	
	Favorable changes	Unfavorable changes
Financial assets at fair value through profit or loss(*1)		
Financial assets measured at FVTPL	₩ 7,367	(8,065)
Derivative assets	27,140	(26,059)
Securities measured at FVOCI(*2)	9,698	(6,877)
	<u>₩ 44,205</u>	<u>(41,000)</u>
Financial liabilities at fair value through profit or loss(*1)		
Financial liabilities designated at FVTPL	₩ 112,212	(131,080)
Derivative liabilities	92,892	(77,066)
	<u>₩ 205,104</u>	<u>(208,146)</u>
	December 31, 2017	
	Favorable changes	Unfavorable changes
Financial assets at fair value through profit or loss(*1)		
Trading assets	₩ 2,792	(2,742)
Financial assets designated at FVTPL	1,843	(1,941)
Derivative assets	26,438	(25,894)
Available-for-sale financial assets(*2)	10,287	(7,181)
	<u>₩ 41,360</u>	<u>(37,758)</u>
Financial liabilities at fair value through profit or loss(*1)		
Financial liabilities designated at FVTPL	₩ 72,063	(56,753)
Derivative liabilities	18,893	(19,998)
	<u>₩ 90,956</u>	<u>(76,751)</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 (-1~1%).

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(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, 2018 and 2017 are as follows:

	December 31, 2018					
	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		Net amount
				Financial instruments	Cash collateral received	
Assets						
Derivatives, etc.	₩ 216,299	-	216,299	(109,109)	(19,243)	87,947
Bonds purchased under repurchase agreements	7,558,744	-	7,558,744	(7,293,717)	-	265,027
Securities loaned	6,029	-	6,029	(6,029)	-	-
Domestic exchange settlement debit	74,625	-	74,625	(74,553)	-	72
Other financial instruments	1,301,811	(1,268,779)	33,032	-	-	33,032
	₩ <u>9,157,508</u>	<u>(1,268,779)</u>	<u>7,888,729</u>	<u>(7,483,408)</u>	<u>(19,243)</u>	<u>386,078</u>
Liabilities						
Derivatives, etc.	₩ 9,961,714	-	9,961,714	(1,012,081)	-	8,949,633
Bonds purchased under repurchase agreements	7,087,717	-	7,087,717	(7,087,717)	-	-
Securities borrowed	916,080	-	916,080	(916,080)	-	-
Domestic exchange settlement pending	74,638	-	74,638	(74,553)	-	85
Other financial instruments	1,276,841	(1,268,779)	8,062	-	-	8,062
	₩ <u>19,316,990</u>	<u>(1,268,779)</u>	<u>18,048,211</u>	<u>(9,090,431)</u>	<u>-</u>	<u>8,957,780</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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25. Financial risk management, Continued

(g) Offsetting financial assets and financial liabilities, Continued

	December 31, 2017					
	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		Net amount
				Financial instruments	Cash collateral received	
Assets						
Derivatives, etc.	₩ 464,862	-	464,862	(118,371)	(47,008)	299,483
Bonds purchased under repurchase agreements	8,832,427	-	8,832,427	(8,420,075)	-	412,352
Securities loaned	34,870	-	34,870	(34,870)	-	-
Domestic exchange settlement debit	79,889	-	79,889	(79,882)	-	7
Other financial instruments	1,674,390	(1,535,614)	138,776	-	-	138,776
	₩ <u>11,086,438</u>	<u>(1,535,614)</u>	<u>9,550,824</u>	<u>(8,653,198)</u>	<u>(47,008)</u>	<u>850,618</u>
Liabilities						
Derivatives, etc.	₩ 9,512,060	-	9,512,060	(804,666)	-	8,707,394
Bonds purchased under repurchase agreements	8,368,175	-	8,368,175	(8,368,175)	-	-
Securities borrowed	1,450,877	-	1,450,877	(1,450,877)	-	-
Domestic exchange settlement pending	79,907	-	79,907	(79,882)	-	25
Other financial instruments	1,535,614	(1,535,614)	-	-	-	-
	₩ <u>20,946,633</u>	<u>(1,535,614)</u>	<u>19,411,019</u>	<u>(10,703,600)</u>	<u>-</u>	<u>8,707,419</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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(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
Sales promotion/WM 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
GIB group	Loan, deposits and its related activities for IB customers
GMS group	Investing to derivative, securities and work involved
Other	Management supporting, risk management and other supporting functions (including adjustments)

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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26. Operating Segments, Continued

(b) Operating income and net income for each operating segment for the years ended December 31, 2018 and 2017 are as follows:

		December 31, 2018					
		Sales promotion/ WM	Wholesale	GIB	GMS	Other	Total
Net operating income							
	Net fees and commission income (loss)	₩ 313,252	66,644	125,783	(16,662)	(93,648)	395,369
	Net gain on financial instruments, net interest income, and others	61,611	4,729	34,798	191,544	158,987	451,669
	General and administrative expenses	284,855	36,415	64,709	76,316	38,037	500,332
	Gain Before Extraordinary Gains/Losses and Income Taxes	90,008	34,958	95,872	98,566	27,302	346,706
	Income tax expense (benefit)	24,752	9,614	26,365	27,106	7,601	95,438
	Profit for the year(*)	₩ 65,256	25,344	69,507	71,460	19,701	251,268

(*) Other includes ₩3 million of profit from non-controlling interest.

		December 31, 2017					
		Sales promotion/ WM	Wholesale	GIB	GMS	Other	Total
Net operating income							
	Net fees and commission income (loss)	₩ 261,349	48,340	90,576	(17,273)	(73,604)	309,388
	Net gain on financial instruments, net interest income, and others	77,432	9,660	12,843	212,552	110,121	422,608
	General and administrative expenses	258,678	34,664	52,155	75,797	35,311	456,605
	Gain Before Extraordinary Gains/Losses and Income Taxes	80,103	23,336	51,264	119,482	1,206	275,391
	Income tax expense (benefit)	19,385	5,647	12,406	28,915	(2,881)	63,472
	Profit for the year(*)	₩ 60,718	17,689	38,858	90,567	4,087	211,919

(*) Other includes ₩12 million of profit from non-controlling interest.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the years ended December 31, 2018 and 2017

(In millions of won)

26. Operating Segments, Continued

(c) The main assets for each operating segment as of December 31, 2018 and 2017 are as follows:

		December 31, 2018					
		Sales promotion/ WM	Wholesale	GIB	GMS	Other	Total
Cash and due from banks measured at amortized cost	₩	2,224	10,121	-	1,795,389	753,295	2,561,029
Financial assets measured at FVTPL		383	771,908	625,725	15,353,909	1,983,399	18,735,324
Financial assets measured at FVOCI		-	-	-	1,066,648	149,106	1,215,754
Investments in associates		-	-	69,799	167,059	-	236,858
Loans		1,740,733	-	1,921,202	438,378	86,258	4,186,571
Total	₩	<u>1,743,340</u>	<u>782,029</u>	<u>2,616,726</u>	<u>18,821,383</u>	<u>2,972,058</u>	<u>26,935,536</u>
		December 31, 2017					
		Sales promotion/ WM	Wholesale	GIB	GMS	Other	Total
Cash and due from banks	₩	6,738	892	-	1,468,595	818,758	2,294,983
Financial assets at fair value through profit or loss		2,908	812,011	291,334	15,524,288	1,407,621	18,038,162
Available-for-sale financial assets		1,928	-	198,226	1,447,319	120,858	1,768,331
Investments in associates		-	-	99,021	267,193	-	366,214
Loans		2,080,187	-	1,113,692	485,215	22,795	3,701,889
Total	₩	<u>2,091,761</u>	<u>812,903</u>	<u>1,702,273</u>	<u>19,192,610</u>	<u>2,370,032</u>	<u>26,169,579</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the years ended December 31, 2018 and 2017

(In millions of won)

27. Income tax expense

- (a) The components of income tax expense of the Group for the years ended December 31, 2018 and 2017 are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Current income tax expense	₩ 107,967	43,888
Additional payment (refund) of income tax	(1,868)	79
Changes in deferred tax arising from temporary differences	(3,899)	22,932
Deferred income tax adjustment charged or credited directly to equity	(6,762)	(3,427)
Income tax expense	₩ <u>95,438</u>	<u>63,472</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 years ended December 31, 2018 and 2017 for the following reasons:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Income before income taxes	₩ 346,706	275,391
Tax rates	27.50%	24.20%
Income taxes at statutory tax rates	95,344	66,645
Adjustments :		
Non-taxable income	(301)	(1,838)
Non-deductible expense	1,162	968
Consolidated tax return adjustment	1,130	(2,364)
Income tax payments (refunds) related to prior year	(1,868)	549
Effect of change in tax rate	1,392	(1,346)
Others	(1,421)	858
Income tax expense	₩ <u>95,438</u>	<u>63,472</u>
Effective tax rate	<u>27.53%</u>	<u>23.05%</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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27. Income tax expense, Continued

(c) Changes in deferred tax assets (liabilities) for the years ended December 31, 2018 and 2017 are as follows:

	December 31, 2018			
	Beginning balance (*)	Net income	Accumulated other comprehensive income (capital adjustments)	Ending balance
Stocks measured at FVTPL	₩ (35,843)	(17,090)	-	(52,933)
Bonds measured at FVTPL	23,703	(26,484)	-	(2,781)
Derivatives-linked securities	(2,026)	4,385	-	2,359
Derivatives-linked securities sold	(59,341)	(84,522)	-	(143,863)
Exchange traded derivatives	282	(4,136)	-	(3,854)
Over the counter derivatives	4,440	133,969	-	138,409
Other financial assets measured at FVTPL	1	-	-	1
Other financial liabilities measured at FVTPL	38,325	(8,242)	-	30,083
Financial assets measured at FVOCI	(26,539)	(1,574)	(2,039)	(30,152)
Investments in associates	4,604	3,075	(3,672)	4,007
Allowance for credit loss	2,158	(1,913)	-	245
Property and equipment and investment property	(36,119)	547	-	(35,572)
Intangible assets	(5,418)	-	-	(5,418)
Accrued income	(16,587)	2,509	-	(14,078)
Account payable and accrued expenses	17,702	(2,947)	(398)	14,357
Provisions	6,116	3,350	-	9,466
Day 1 profit or loss	54,880	(78)	-	54,802
Amortization of up-front fee	2,037	1,562	-	3,599
Net gain (loss) on foreign exchange translations	(4,708)	8,261	-	3,553
Credit risk of financial liabilities	589	-	(654)	(65)
Others	3,843	(12)	-	3,831
	<u>₩ (27,901)</u>	<u>10,660</u>	<u>(6,763)</u>	<u>(24,004)</u>

(*) Changes in deferred income tax assets (liabilities) resulting from application of K-IFRS No. 1109 and No. 1115 have been reflected.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the years ended December 31, 2018 and 2017

(In millions of won)

27. Income tax expense, Continued

(c) Changes in deferred tax assets (liabilities) for the years ended December 31, 2018 and 2017 are as follows:
Continued

	December 31, 2017			
	Beginning balance	Net income	Accumulated other comprehensive income (capital adjustments)	Ending balance
Stocks at fair value through profit or loss	₩ (35,331)	(512)	-	(35,843)
Bonds at fair value through profit or loss	(13,155)	37,582	-	24,427
Derivatives-linked securities	(546)	(1,480)	-	(2,026)
Derivatives-linked securities sold	(110,620)	51,279	-	(59,341)
Exchange traded derivatives	(2,134)	2,416	-	282
Over the counter derivatives	119,121	(114,681)	-	4,440
Other financial assets at fair value through profit or loss	-	1	-	1
Other financial liabilities at fair value through profit or loss	30,220	8,105	-	38,325
Available-for-sale financial assets	(26,254)	3,113	(6,635)	(29,776)
Investments in associates	5,139	(2,517)	3,333	5,955
Allowance for credit loss	194	52	-	246
Property and equipment and investment property	(32,284)	(3,835)	-	(36,119)
Intangible assets	(4,762)	(656)	-	(5,418)
Accrued income	(14,333)	(2,254)	-	(16,587)
Account payable and accrued expenses	9,474	8,352	(125)	17,701
Provisions	5,017	652	-	5,669
Day 1 profit or loss	52,282	2,598	-	54,880
Amortization of up-front fee	4,542	(2,506)	-	2,036
Net gain (loss) on foreign exchange translations	2,890	(7,598)	-	(4,708)
Others	1,477	2,384	-	3,861
	₩ <u>(9,063)</u>	<u>(19,505)</u>	<u>(3,427)</u>	<u>(31,995)</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the years ended December 31, 2018 and 2017

(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 years ended December 31, 2018 and 2017 are as follows:

	December 31, 2018				
	Current period	Deferred tax liability	Prior Period(*)	Deferred tax liability(*)	Change in deferred tax
Gain on financial asset measured at FVOCI	₩ 135,465	(37,253)	128,051	(35,214)	(2,039)
Credit risk on financial liabilities	235	(65)	(2,141)	589	(654)
Foreign currency translation differences	(4,158)	10	(5,134)	-	10
Share of the other comprehensive loss of associates	2	(1)	(13,387)	3,681	(3,682)
Stock option (Capital adjustments)	1,696	(466)	235	(68)	(398)
	<u>₩ 133,240</u>	<u>(37,775)</u>	<u>107,624</u>	<u>(31,012)</u>	<u>(6,763)</u>

(*) The amount has been adjusted according to K-IFRS No. 1109.

	December 31, 2017				
	Current period	Deferred tax liability	Prior period	Deferred tax liability	Change in deferred tax
Gain on valuation of available-for-sale financial assets	₩ 140,080	(38,522)	131,767	(31,887)	(6,635)
Foreign currency translation differences	(5,135)	-	1,109	614	(614)
Share of the other comprehensive loss of associates	(11,254)	3,095	3,522	(852)	3,947
Stock option (Capital adjustments)	235	(68)	(237)	57	(125)
	<u>₩ 123,926</u>	<u>(35,495)</u>	<u>136,161</u>	<u>(32,068)</u>	<u>(3,427)</u>

(e) The deductible temporary differences which were not recognized as deferred tax assets (liabilities) as of December 31, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Investments in subsidiaries	₩ (651)	(9,516)

(f) The current tax assets (liabilities) and deferred tax assets (liabilities) presented on a gross basis prior to any offsetting as of December 31, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Deferred tax assets	₩ 186,057	72,982
Deferred tax liabilities	(210,062)	(104,977)
Current tax assets	-	16,577
Current tax liabilities	12,179	(29)

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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28. Derivatives

(a) Details of the notional amounts of derivatives as of December 31, 2018 and 2017 are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Interest rates		
Over the counter:		
Interest rate options	₩ 294,000	310,000
Interest rate swaps	3,798,837	5,210,256
	<u>4,092,837</u>	<u>5,520,256</u>
Exchange traded:		
Interest rate futures	1,444,920	1,050,159
Interest rate swaps	21,679,300	23,467,300
	<u>23,124,220</u>	<u>24,517,459</u>
Foreign exchange		
Over the counter:		
Currency forwards	13,673,372	15,956,365
Currency swaps	1,048,460	954,109
Currency options	2,939	65,355
	<u>14,724,771</u>	<u>16,975,829</u>
Exchange traded:		
Currency futures	403,172	1,131,773
Equity		
Over the counter:		
Equity swap	5,149,967	4,223,097
Equity options	167,509	381,139
	<u>5,317,476</u>	<u>4,604,236</u>
Exchange traded:		
Equity futures	600,896	521,043
Equity options	2,656,494	3,210,234
	<u>3,257,390</u>	<u>3,731,277</u>
Credit		
Over the counter:		
Credit swap	2,177,368	1,281,156
TRS Swap	916,708	1,162,453
	<u>3,094,076</u>	<u>2,443,609</u>
Commodity		
Over the counter:		
Commodity forwards	3,991	6,235
Commodity swaps	901,181	796,452
Commodity options	4,780	4,880
	<u>909,952</u>	<u>807,567</u>
Exchange traded:		
Commodity futures	245,751	122,395
	<u>₩ 55,169,645</u>	<u>59,854,401</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the years ended December 31, 2018 and 2017

(In millions of won)

28. Derivatives, Continued

(b) Details of the gain (loss) on valuation of derivatives for the years ended December 31, 2018 and 2017 are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Interest rates		
Over the counter:		
Interest rate swaps	₩ 16,158	(10,054)
Interest rate options	(1,459)	413
	<u>14,699</u>	<u>(9,641)</u>
Exchange traded:		
Interest rate futures	(1,157)	1,226
Foreign exchange		
Over the counter:		
Currency forwards	(13,721)	48,281
Currency swaps	(2,312)	2,537
Currency options	13	(174)
	<u>(16,020)</u>	<u>50,644</u>
Exchange traded:		
Currency futures	11	(137)
Equity		
Over the counter:		
Equity swap	(270,929)	73,489
Equity options	2,738	23,499
	<u>(268,191)</u>	<u>96,988</u>
Exchange traded:		
Equity futures	15,159	(733)
Equity options	(44,036)	22,256
	<u>(28,877)</u>	<u>21,523</u>
Credit		
Over the counter:		
Credit swap	4,478	4,765
TRS Swap	(11,915)	41,828
	<u>(7,437)</u>	<u>46,593</u>
Commodity		
Over the counter:		
Commodity forwards	(25)	131
Commodity swaps	(91,903)	12,647
Commodity options	33	(10)
	<u>(91,895)</u>	<u>12,768</u>
Exchange traded:		
Commodity futures	4,209	5,723
	<u>₩ (394,658)</u>	<u>225,687</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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(In millions of won)

29. Pledged Assets

Assets pledged as collateral as of December 31, 2018 and 2017 are as follows:

		December 31, 2018						
		Pledged for						
	ELS/DLS sold	Borrowing	Derivative	Securities borrowed	RP	Lease	Other	Total
Due from banks at amortized cost	₩ 88,000	62,000	-	1,220,000	-	-	90,000	1,460,000
Financial assets measured at FVTPL	756,775	-	1,196,041	2,839,168	6,703,935	-	37,188	11,533,107
Financial assets measured at FVOCI	-	-	13,053	196,884	638,304	-	-	848,241
Property	-	52,000	-	-	-	96,939	-	148,939
	₩ <u>844,775</u>	<u>114,000</u>	<u>1,209,094</u>	<u>4,256,052</u>	<u>7,342,239</u>	<u>96,939</u>	<u>127,188</u>	<u>13,990,287</u>
		December 31, 2017						
		Pledged for						
	ELS/DLS sold	Borrowing	Derivative	Securities borrowed	RP	Lease	Other	Total
Due from banks	₩ 126,000	77,000	-	1,194,000	-	-	100,183	1,497,183
Trading financial assets	348,040	-	927,328	3,704,393	7,564,750	-	3,042	12,547,553
Financial assets designated at fair value through profit or loss	141,120	-	-	437,049	122,370	-	-	700,539
Available-for-sale financial assets	-	-	39,725	158,019	1,092,501	-	-	1,290,245
Property	-	52,000	-	-	-	96,953	-	148,953
	₩ <u>615,160</u>	<u>129,000</u>	<u>967,053</u>	<u>5,493,461</u>	<u>8,779,621</u>	<u>96,953</u>	<u>103,225</u>	<u>16,184,473</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, 2018 and 2017 are ₩7,342,239 million and ₩8,779,621 million, respectively.

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30. Share-based payments

(a) Details of performance shares granted as of December 31, 2018 are as follows:

	Desciptions
Type	Equity-settled share-based payment
Service period	Within 4 years from the beginning of fiscal year inclusive of grant date (within 5 years if classified as for deferred payment)
Performance conditions	Increase rate of stock price (20.0%) and achievement of target ROE (80.0%)
Number of shares estimated at December 31, 2018	200,323 shares

(b) Number of shares granted and fair value at grant date as of December 31, 2018 are as follows

Grant date	Number of shares granted	Fair value(*1)	Number of shares estimated(*2)
January 1, 2014	27,400	₩ 47,300	-
February 2, 2014	10,500	43,800	-
August 27, 2014	3,300	51,900	-
January 1, 2015	43,800	44,500	43,690
March 30, 2015	3,200	41,200	2,108
January 1, 2016	55,500	39,000	43,702
March 26, 2016	3,800	41,100	2,738
October 27, 2016	1,900	43,850	315
January 1, 2017	53,100	45,300	41,077
March 17, 2017	10,600	49,750	7,792
July 6, 2017	6,000	49,200	2,754
January 1, 2018	52,400	49,400	43,977
January 23, 2018	9,000	53,000	7,775
January 24, 2018	5,100	52,700	4,395
	<u>285,600</u>		<u>200,323</u>

(*1) Used closing price of Shinhan Financial Group Co., Ltd. at grant period as fair value per share

(*2) The Group adjusted the increase rate of stock price (20.0%) and achievement target ROE (80.0%) to determine the number of shares estimated, based on initial number of shares granted, after the termination of service period.

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30. Share-based payments, Continued

(c) Stock compensations costs (benefits) calculated as of and for the years ended December 31, 2018 are as follows:

<i>(In number of shares)</i>	December 31, 2018	
	Performance shares	
Compensation costs recorded for the period	₩	2,651
Accrued expenses (benefits) related to compensation cost		7,259

(d) Book value of liabilities and intrinsic value of liabilities regarding share-based payment as of December 31, 2018 are as follows:

<i>(In Won, except number of shares)</i>	December 31, 2018	
	Accrued expenses	Intrinsic value
Performance shares	₩ 7,259	7,259

31. Commitments and contingencies

(a) As of December 31, 2018, the Group has faced with pending lawsuits are as follows:

December 31, 2018			
Lawsuits	Plaintiff	Details	Amount
Compensation for loss	KB Securities	Violation of operating instruction of special money trust	₩ 2,376
Payment Guarantee	KEB Hana Bank	A claim for guarantee deposit of receivable-backed ABL of KT ENS	12,866
Affirmation of the non-existence of debt	An individual	Affirmation of the non-existence of debt caused by settlement cost	50
Compensation for loss	America holdings	Losses due to reverse trading in breach of loan agreement	900
Compensation for loss	An individual	User liability due to improper solicitation	1,590
Compensation for loss	An individual	User responsibilities related to taxation due to insufficient consultation	1,246
Notice for stock transfer	Tomato D&C	Return of new shares acquired pursuant to the order for collection of invalid seizure	132
			₩ <u>19,160</u>

The Group recognized provisions of ₩17,004 million regarding the case the Group lost at the second trial. The Group believes that the rest of the cases will not have a significant impact on the consolidated financial statements, but it is probable that an additional outflow of economic benefits arises according to the outcome of cases.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(In millions of won)

31. Commitments and contingencies, Continued

(b) Supplementing funds and purchase commitments

Company	Underlying asset	Amount	Date of agreements	Date of maturity
Credit offering				
Angelest the 5st L.L.C	Preferred stock	₩ 6,700	September 25, 2015	October 10, 2019
Angelest the 6st L.L.C	Preferred stock	6,700	September 25, 2015	October 10, 2019
Angelest the 7st L.L.C	Preferred stock	6,600	September 25, 2015	October 10, 2019
GCAW the 1st L.L.C	Loans of GCAW Co., Ltd.	15,200	December 29, 2017	December 29, 2019
Mainstream the 8th L.L.C	Loans	25,000	July 04, 2018	July 04, 2023
Shinhan Creative Financing 3rd Co.,Ltd	Private placed bond	11,000	November 22, 2018	November 22, 2020
		<u>71,200</u>		
Liquidity offering				
Multiplex Series the 3rd Co., Ltd	CJ CGV Leasehold Deposits	30,000	August 29, 2018	August 29, 2021
Lotte ,Teheran	Beneficiary certificate and TRS contracts	55,000	December 8, 2017	December 8, 2022
Catchment logistics center 1st Co., Ltd	Loans	21,000	October 16, 2018	October 16, 2019
		<u>106,000</u>		
Commitments on purchase of beneficial certificates				
Global food partners 5th Co., Ltd.	Hyundai CJ Private Equity Fund 1st	24,000	October 31, 2016	October 31, 2019
Shinhan Creative Financing 2rd Co., Ltd	Loans	19,600	December 03, 2018	December 02, 2019
		<u>43,600</u>		
		<u>₩ 220,800</u>		

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(In millions of won)

31. Commitments and contingencies, Continued

(b) Supplementing funds and purchase commitments, Continued

Company	Underlying asset	Currency	Amount	Date of agreements	Date of maturity
Credit offering					
Shinhan Indonesia Green forest Co., Ltd	Private placed bond	USD	15,750	September 14, 2018	September 14, 2021
SK Shipping Co., Ltd	Private placed bond	USD	20,000	September 20, 2017	September 20, 2019
PT Global Mediacom	Private placed bond	USD	40,000	October 26, 2018	October 26, 2020
			75,750		
Commitments on purchase					
Vitetnam Electrical Equipment JSC	Private placed bond	VND	300,000	May 16, 2018	May 16, 2020
An Phat Plastic & Green Environment JSC	Private placed bond	VND	100,000	November 08, 2018	November 08, 2021
			400,000		

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

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. The amount of the obligations is amounted to ₩ 1,421 million as impairment.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(In millions of won and in usd)

31. Commitments and contingencies, Continued

(d) Other underwriting commitment

	Company		Amount
Equity securities	Hyungji Elite Co., Ltd	₩	94,105
Debt securities	H-LINE shipping Co., Ltd and others		1,076,098
Others	IMM Rose Gold Fund 4		18,000
		₩	<u>1,188,203</u>

(e) Financial institution commitment

	Financial Institution		Amount
Daylight overdrafts commitment	Shinhan Bank Co., Ltd and others	₩	216,000
	TRLILAND METALS		USD 10,000,000
	Euroclear Bank		USD 8,000,000
	Korea securities depository		USD 12,000,000
Bank overdrafts commitment	Kyungnam Bank Co., Ltd and others		195,000
Discounting of bills note receivable discount commitment	Shinhan Bank Co., Ltd.		19,000
Commitment on loans	Shinhan Bank Co., Ltd.		USD 70,000,000
Institutional operating fund loans	Korean Securities Finance Corporation(self)		500,000
	Korean Securities Finance Corporation(trust)		within the range of trusts
Notes discounted	Korean Securities Finance Corporation(self)		150,000
	Korea Securities Finance Corporation(Subscription deposits)		within the range of subscription deposits
KSFC trading	Korea Securities Finance Corporation		500,000
Agreement on intraday fund transaction	Korea Securities Finance Corporation		200,000
Collateral financing loan	Korea Securities Finance Corporation		500,000

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(In millions of won)

32. The transaction as a transfer of financial instruments

(a) Transfers that do not qualify for de-recognition

(i) Bonds sold under repurchase agreements as of December 31, 2018 and 2017 are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Transferred assets		
Financial assets recognized at P/L	₩ -	7,688,026
Financial assets designated at fair value through profit or loss	6,714,440	-
Available-for-sale financial assets	-	1,092,501
Financial assets measured at FVOCI	638,304	-
	<u>₩ 7,352,744</u>	<u>8,780,527</u>
Associated liabilities		
Bonds sold under repurchase agreements	<u>₩ 7,087,717</u>	<u>8,368,175</u>

(ii) Securities loaned as of December 31, 2018 and 2017 are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>Rental Company</u>
Commercial bonds	₩ 6,029	34,870	Korean Securities Finance Corporation

(b) Qualified for de-recognition and continuing involvement in financial assets

There are no financial assets that meet the conditions of de-recognition and in which the Group has continuing involvement as of December 31, 2018 and 2017.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(In millions of won)

33. Securities withheld and securities borrowed

Details of the securities withheld and securities borrowed on behalf of the clients as of December 31, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Securities withheld		
Broker's securities	₩ 54,874,440	61,269,040
Beneficiary's securities	67,279,677	55,439,325
Depositor's securities	59,033	53,388
Others	532	687
	<u>122,213,682</u>	<u>116,762,440</u>
Securities borrowed	5,157,417	6,017,429
	<u>₩ 127,371,099</u>	<u>122,779,869</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(In millions of won)

34. Equity

(a) Details of equity as of December 31, 2018 and 2017 are summarized as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Stockholder's equity		
Ordinary shares	₩ 1,527,882	1,527,882
Preference shares	19,116	19,116
	<u>1,546,998</u>	<u>1,546,998</u>
Capital surplus		
Additional Paid-in Capital	248,791	248,791
Gain from reduction of capital	15	15
	<u>248,806</u>	<u>248,806</u>
Capital adjustments		
Stock options	1,230	167
Accumulated other comprehensive income		
Valuation of available-for-sale financial assets	-	101,557
Gain on financial instruments measured at FVOCI	98,212	-
Adjustment of credit risk for financial liabilities designated at FVTPL	170	-
Change of investments in a associate	1	(8,159)
Accumulated foreign exchange differences	(4,149)	(5,134)
	<u>94,234</u>	<u>88,264</u>
Retained earnings		
Legal reserve	36,810	22,310
Voluntary reserve(*)	169,362	163,533
Unappropriated earnings	1,274,136	1,182,409
	<u>1,480,308</u>	<u>1,368,252</u>
Non-controlling interest		
Capital of non-controlling interest	961	167
Surplus profit brought forward from the previous term of non-controlling interest	29	23
Profit, attributable to non-controlling interests	3	12
	<u>993</u>	<u>202</u>
	<u>₩ 3,372,569</u>	<u>3,252,689</u>

(*) It consists of revaluation reserve and regulatory reserve for loan loss.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(In millions of won)

34. Equity, Continued

(b) Stockholder's equity as of December 31, 2018 and 2017 are summarized as follows:

	December 31, 2018		December 31, 2017	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
Number of shares authorized	450,000,000	150,000,000	450,000,000	150,000,000
Par value per share (in won)	₩ 5,000	5,000	5,000	5,000
Number of issued shares outstanding	305,576,350	3,823,314	305,576,350	3,823,314
Stockholder's equity	₩ 1,527,882	19,116	1,527,882	19,116

(c) Change in accumulated other comprehensive income for the years ended December 31, 2018 and 2017 are as follows:

	December 31, 2018				
	Valuation of financial assets measured at FVOCI	Change of investments in a associate	Accumulated foreign exchange differences	Adjustment of credit risk for financial liabilities measured at FVTPL	Total
Opening balance	₩ 101,557	(8,159)	(5,134)	-	88,264
Change due to implementation of K-IFRS No.1109	(12,029)	(2,134)	-	(2,141)	(16,304)
Increase from fair value valuation	7,233	-	-	2,376	9,609
Increase from disposal	181	13,389	-	-	13,570
Effect of exchange rate difference	-	-	975	-	975
Deferred tax effect	1,270	(3,095)	10	(65)	(1,880)
Adjustment of effect with implementation of K-IFRS No.1109	3,309	587	-	589	4,485
Effect during the year	(2,039)	(3,682)	10	(654)	(6,365)
Ending balance	₩ 98,212	1	(4,149)	170	94,234

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(In millions of won)

34. Equity, Continued

(c) Change in accumulated other comprehensive income for the years ended December 31, 2018 and 2017 are as follows, Continued:

	December 31, 2017			
	Valuation of available- for-sale financial assets	Change of investments in a associate	Accumulated foreign exchange differences	Total
Opening balance	₩ 99,879	2,670	1,724	104,273
Change in fair value of available-for-sale financial assets	32,729	-	-	32,729
Change in impairment	(11,679)	-	-	(11,679)
Change in disposal	(6,535)	-	-	(6,535)
Effect of change in equity of investee	-	(14,776)	-	(14,776)
Effect of exchange rate difference	(6,202)	-	(6,244)	(12,446)
Deferred tax effect	(6,635)	3,947	(614)	(3,302)
Ending balance	₩ 101,557	(8,159)	(5,134)	88,264

(d) Statements of appropriation of retained earnings

Statements of appropriation of retained earnings for the years ended December 31, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Unappropriated retained earnings		
Balance at beginning of the year	₩ 1,012,334	977,104
Net income for the year	245,703	200,509
Revaluation surplus	-	(61)
Net effect of change in accounting policy (*)	4,020	-
	<u>1,262,057</u>	<u>1,177,552</u>
Appropriation of retained earnings		
Legal reserve	2,000	14,500
Regulatory reserve for loan loss	21,687	5,718
Dividends	20,000	145,000
Cash dividends on ordinary shares		
Current year (In won) : ₩ 64 (1.28%)	19,564	143,019
Prior year (In won) : ₩ 468 (9.36%)		
Cash dividends on preference shares		
Current year (In won) : ₩ 114 (2.28%)	436	1,981
Prior year (In won) : ₩ 518 (10.36%)		
	<u>43,687</u>	<u>165,218</u>
Unappropriated retained earnings carried over to subsequent period	₩ 1,218,370	1,012,334

(*) The beginning retained earnings are adjusted under K-IFRS No.1109 and No.1115.

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(In millions of won)

35. Dividends

Dividends declared for the years ended December 31, 2018 and 2017 are as follows:

	December 31, 2018		December 31, 2017	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
Number of issued shares outstanding	305,576,350	3,823,314	305,576,350	3,823,314
Par value per share (in won) ₩	5,000	5,000	5,000	5,000
Dividends per share (in won)	64	114	468	518
Dividends ₩	19,564	436	143,019	1,981
Dividend rate per share	1.28%	2.28%	9.36%	10.36%

These statements of dividends declared were based on the separate financial statements of the Company.

36. Leases

(a) Future minimum lease under operating investment property lease of the Group as lessor as of December 31, 2018 and 2017 are as follows:

		Minimum lease payment	
		December 31, 2018	December 31, 2017
Not later than 1 year	₩	8,823	7,212
1 ~ 5 years		14,311	8,616
	₩	23,134	15,828

(b) Future minimum lease payments under non-cancellable operating lease of the Group as lessee as of December 31, 2018 and 2017 are as follows:

		Minimum lease payment	
		December 31, 2018	December 31, 2017
Not later than 1 year	₩	5,976	6,636
1 ~ 5 years		6,124	5,576
Over 5 years		288	-
	₩	12,388	12,212

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(In millions of won)

37. Cash flows

(a) Details of significant non-cash activities for the years ended December 31, 2018 and 2017 are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Property and equipment transferred from investment property	₩ 5,412	5,604
Available-for-sale financial assets transferred from Investments in associates	44,446	19,172
Valuation gain on available-for-sale financial assets	-	8,313
Tax effect on valuation gain on available-for-sale financial assets	-	(6,635)
Valuation gain on financial assets measured at FVOCI	7,414	-
Tax effect on valuation gain on financial assets measured at FVTPL	(2,039)	-
Valuation gain on financial liabilities measured at FVTPL with adjustment of credit risk	2,376	-
Tax effect on valuation gain on financial liabilities measured at FVTPL with adjustment of credit risk	(653)	-
Change of investments in associates	13,389	(14,776)
Tax effect on change of investments in associates	(3,682)	3,947
Foreign currency translation differences	976	(6,244)
Tax effect on foreign currency translation differences	10	(614)

(b) Changes in liabilities arising from financing activities for the year ended December 31, 2018 are as follows:

	<u>Borrowings</u>	<u>Debentures</u>	<u>Total</u>
Balance at January 1, 2018	₩ 9,459,019	1,197,322	10,656,341
Changes from cash flows	276,043	539,034	815,077
Amortization of discount on borrowings and debentures	-	421	421
Changes in foreign currency exchange rate	13,421	(585)	12,836
Balance at December 31, 2018	₩ <u>9,748,483</u>	<u>1,736,192</u>	<u>11,484,675</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(In millions of won)

38. Related party transactions

(a) Significant account balances with related companies as of December 31, 2018 and 2017 are as follows:

Related party	Accounts	December 31, 2018	December 31, 2017
Assets:			
Shinhan Financial Group Co., Ltd	Other assets(*1)	₩ -	16,577
Shinhan Bank	Bank deposits	202,561	272,064
	Derivatives assets	1,989	38,394
	Accrued income	406	246
	Other assets(*1)	40,003	38,764
Jeju Bank	Bank deposits	240,637	225,347
	Accrued income	1,684	1,789
Green energy Private equity Special Assets	Accrued income	1	1
Shinhan Praxis K-Growth Global Private Equity Fund	Accrued income	151	174
SHBNPP YOUNGNAM LNG Combined Cycle Private Special Asset Investment Trust [infra business]	Accrued income	3	3
Nomura-Rifa Private Real Estate Investment Trust No.19	Accrued income	45	-
	Loan	11,966	-
SHBNPP Global Professional Investment Type Private Real Estate Investment Trust No.4	Accrued income	3	21
SHBNPP Global Professional Investment Type Private Real Estate Investment Trust No.5	Accrued income	8	8
New Renewable Energy Professional Private Special Asset2 [Loan]	Accrued income	1	1
SHBNPP Global Multi asset Security Trust[Equity Balanced-FoFs]	Accrued income	-	1
SHBNPP Global Professional Investment Type Private Real Estate Investment Trust No.10	Accrued income	-	1
SHBNPP US Nevada Solar Private Speical Asset Fund	Accrued income	1	1
SHBNPP Corporate Professional Investment Type Private Security Investment Trust No.3[Bond Balanced]	Accrued income	2	2
SHBNPP Corporate Professional Investment Type Private Security Investment Trust No.5	Accrued income	-	1
SHBNPP Venture Professional Investment Type Private Investment Trust No.1	Accrued income	1	-
SHBNPP US Senior Loan Special Asset Investment Trust No.1(H)[Loan]	Accrued income	1	-
Shinhan investment HI-FI Bond Professional Private 2	Accrued income	10	-
SHBNPP Global Professional Investment Type Private Real Estate Investment Trust No.6	Accrued income	1	-
		₩ 499,474	593,395

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(In millions of won)

38. Relate party transactions, Continued

(a) Significant account balances with related companies as of December 31, 2018 and 2017 are as follows:, Continued

Related party	Accounts	December 31, 2018	December 31, 2017
Liabilities:			
Shinhan Financial Group Co., Ltd.	Other liabilities(*3)	₩ 19,403	7,841
Shinhan Bank	Derivatives liabilities	13,088	3,884
	Accrued expenses	11	22
	Other liabilities(*3)	26,321	21,678
	Borrowings(*2)	27,734	14,976
	Other liabilities(*3)	2,495	2,365
Shinhan Card Co., Ltd.	Other liabilities(*3)	53,400	4,370
Shinhan Capital	Derivatives liabilities	-	35
	Other liabilities(*3)	2,587	1,906
	Borrowings(*2)	3,380	6,237
Shinhan Life Insurance Co., Ltd.	Accrued expenses	452	405
	Other liabilities(*3)	-	2
Shinhan DS (*4)	Other liabilities(*3)	12,027	11,988
	Accrued expenses	-	-
	Borrowings(*2)	-	-
Shinhan Aitas Co., Ltd.	Other liabilities(*3)	1,134	1,134
Shinhan BNP Paribas Asset Management Co., Ltd.	Other liabilities(*3)	-	1,000
Shinhan Saving Bank	Other liabilities(*3)	391	199
Shinhan Alternative Investment Management Inc.	Prepaid income	360	409
Shinhan Global Healthcare Fund 1	Prepaid income	-	50
Shinhan Display New Technology Fund No.1	Prepaid income	123	123
Shinhan Fintech New Technology Fund No.1	Prepaid income	278	-
GX SHINHAN INTERVEST 1st Private Equity Fund	Prepaid income	12	-
Shinhan-Cognitive Contents Fund I L.P.	Prepaid income	12	-
		₩ 163,196	78,624

(*1) Include deposits for guarantees and others.

(*2) Include bonds sold under repurchase agreements and others.

(*3) Include deposits for rent and others.

(*4) Name of company has changed from 'Shinhan Data Systems Inc.' to 'Shinhan DS Inc.'

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(In millions of won)

38. Related party transactions, Continued

(b) Significant transactions with related parties for the years ended December 31, 2018 and 2017 are as follows:

Related party	Accounts	December 31, 2018	December 31, 2017
Revenue:			
Shinhan Financial Group Co., Ltd.	Commission	₩ 165	395
	Rent	-	1
Shinhan Bank	Interest	2,955	2,667
	Rent	442	444
	Derivatives	23,612	95,451
	Commission	110	582
Shinhan Card Co., Ltd.	Rent	5	9
	Commission	420	426
Shinhan Life Insurance Co., Ltd.	Rent	43	22
	Commission	10	68
Shinhan Capital	Commission	45	75
	Rent	30	12
	Derivatives	431	6,569
Jeju Bank	Interest	4,871	3,731
	Rent	20	-
Shinhan Aitas Co., Ltd.	Rent	236	206
	Commission	5	-
Shinhan BNP Paribas Asset Management Co., Ltd.	Rent	2,529	1,957
	Commission	8	-
Shinhan Savings Bank	Commission	2	-
	Derivatives	-	-
Shinhan Alternative Investment Management Inc.	Interest	-	-
	Rent	400	196
Green energy Private equity Special Assets	Commission	5	7
Shinhan Praxis K-Growth Global Private Equity Fund	Commission	685	689
SHBNPP YOUNGNAM LNG Combined Cycle Private Special Asset Investment Trust [infra business]	Commission	12	12
New Renewable Energy Professional Private Special Asset2 [Loan]	Commission	3	2
SHBNPP Global Professional Investment Type Private Real Estate Investment Trust No.4	Commission	-	47
SHBNPP Global Professional Investment Type Private Real Estate Investment Trust No.5	Commission	51	50
	Dividends	503	600
SHBNPP Global Professional Investment Type Private Real Estate Investment Trust No.6	Commission	-	13
SHBNPP US Senior Loan Special Asset Investment Trust No.1(H)[Loan]	Commission	11	-
The Asia Pacific Capital Fund II L.P.	Commission	-	85
SHBNPP Global Professional Investment Type Private Real Estate Investment Trust No.9	Dividends	521	-
SHBNPP Venture Professional Investment Type Private Investment Trust No.1	Commission	2	-
	Dividends	291	-
SHBNPP Corporate Professional Investment Type Private Security Investment Trust No.6	Commission	5	-

38. Related party transactions, Continued

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(In millions of won)

(b) Significant transactions with related parties for the years ended December 31, 2018 and 2017 are as follows:
Continued

Related party	Accounts	December 31, 2018	December 31, 2017
Revenue:			
Shinhan-Cognitive Contents Fund I L.P.	Commission	₩ 11	-
SHBNPP Good Morning BTL Professional Investment Type Private Mixed Asset Investment Trust No.1	Commission	1	-
Koramco Europe Core Private Investment Fund 2	Dividends	235	-
Nomura-Rifa Private Real Estate Investment Trust No.19	Interest	312	-
Hermes Private Equity Fund	Dividends	465	-
SHBNPP Peace of Mind TDF 2025 Security Investment Trust [Equity Balanced-FoF]	Dividends	2	-
SHBNPP Peace of Mind TDF 2030 Security Investment Trust [Equity Balanced-FoF]	Dividends	29	-
SHBNPP Peace of Mind TDF 2035 Security Investment Trust [Equity Balanced-FoF]	Dividends	31	-
SHBNPP Peace of Mind TDF 2040 Security Investment Trust [Equity Balanced-FoF]	Dividends	30	-
SHBNPP Peace of Mind TDF 2045 Security Investment Trust [Equity Balanced-FoF]	Dividends	29	-
Shinhan AIM Social Enterprise Professional Private1	Dividends	189	-
Shinhan investment HI-FI Bond Professional Private 2	Commission	79	-
Plutus-SG Private Equity Fund	Dividends	44	44
Kiwoom Milestone US Real Estate Trust 16-A	Commission	139	-
	Dividend	478	-
GX SHINHAN INTERVEST 1st Private Equity Fund	Commission	412	-
SG ARGES Private Equity Fund No.1	Dividends	125	80
SG No.9 Corporate Recovery Private Equity Fund	Dividends	291	96
Eum Private Equity Fund No.3	Dividends	140	172
Shinhan Global Healthcare Fund 1	Commission	785	282
Shinhan Display New Technology Fund No.1	Commission	50	106
Shinhan Fintech New Technology Fund No.1	Commission	153	30
SHBNPP Konkuk University Dormitory Private Speical Asset Fund 1	Commission	1	1
SHBNPP Global Multi asset Security Trust[Equity Balanced-FoFs]	Commission	-	3
SHBNPP US Nevada Solar Private Speical Asset Fund	Commission	-	3
SHBNPP Corporate Professional Investment Type Private Security Investment Trust No.1[Bond Balanced]	Commission	-	7
		₩ 42,459	115,140

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the years ended December 31, 2018 and 2017

(In millions of won)

38. Related party transactions, Continued

(b) Significant transactions with related parties for the years ended December 31, 2018 and 2017 are as follows:
Continued

Related party	Accounts	December 31, 2018	December 31, 2017
Expense:			
Shinhan Financial Group Co., Ltd.	Interest	₩ -	-
	Commission	4,816	4,472
Shinhan Bank	Interest	1,103	598
	Commission	7,526	5,059
	Rent	5,659	6,884
	Derivatives	54,201	6,027
Shinhan Card Co., Ltd.	Interest	5	9
	Commission	323	338
Shinhan Life Insurance	Interest	35	14
	Commission	340	108
Jeju Bank	Commission	15	18
Shinhan DS Inc. (*)	Interest	76	53
	Commission	7,727	6,150
Shinhan Alternative Investment Management Inc.	Interest	6	3
Shinhan Aitas Co., Ltd.	Interest	235	207
	Commission	42	8
Shinhan BNP Paribas Asset Management Co., Ltd.	Interest	20	15
Shinhan Capital	Commission	7	8
	Derivatives	3,276	1,828
	Interest	30	12
	Commission	13	10
Shinhan Saving Bank	Derivatives	-	12
	Other	34	-
Nomura-Rifa Private Real Estate Investment Trust No.19		34	-
		₩ 85,489	31,833

(*) Name of company has changed from 'Shinhan Data Systems Inc.' to 'Shinhan DS Inc.'

(c) Key management personnel compensation for the years ended December 31, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Salaries and wages	₩ 8,055	7,591
Share-based payments	2,576	2,067
Severance benefits	291	271
	₩ 10,922	9,929

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38. Related party transactions, Continued

(d) Details of collaterals to the related parties

Details of collaterals provided to Shinhan Bank Co., Ltd, Shinhan BNP Paribas AMC, Shinhan Alternative Investment Management Inc., Shinhan Life Insurance as of December 31, 2018 are as follows:

Related party	Assets pledged as collateral	December 31, 2018	Description
Shinhan Bank	Time deposits	₩ 37,000	Collateral for a bank
	Time deposits	5,000	Collateral for the small amount of payment
	Reserve for claims of customers' deposits (trust)	90,000	Collateral for the small amount of payment
	Other deposits denominated in won	11	Deposit for checking accounts
Shinhan Life Insurance	Land and buildings	91,974	Collateral for rental
	Land and buildings	1,354	Collateral for rental
Shinhan BNP Paribas Asset Management Co., Ltd.	Land and buildings	166	Collateral for rental
Shinhan Alternative Investment Management Inc.	Land and buildings	273	Collateral for rental
		₩ 225,778	

(e) Details of commitments of purchase of related parties

The purchase commitments provided by Shinhan Vietnam Bank, an affiliate, as of December 31, 2018 are as follows. The Company has not purchased any assets under the terms of the agreement.

Related party	Asset (commitments of purchase)	Currency	Amount
Shinhan Vietnam Bank	Vitetnam Electrical Equipment JSC Issued private bonds	VND	200,000

(f) Fund lending transaction of related parties for the years ended December 31, 2018 and 2017 are as follows:

Classification	Name	Beginning	Lending	Recover	Other(*)	Ending
Related party	Nomura-Rifa Private Real Estate Investment Trust No.19	₩ -	12,000	-	(34)	11,966

(*) Effect of change in provision on credit loss amount is included.

There are no transactions for the year ended December 31, 2017.

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38. Related party transactions, Continued

(g) Fund borrowing transaction of related parties for the years ended December 31, 2018 and 2017 are as follows:

Classification	Name	December 31, 2018				
		Beginning	Borrowing	Repayment	Other(*)	Ending
Common control	Shinhan Bank	₩ 14,976	14,493	(2,362)	627	27,734
	Shinhan DS	6,237	124,377	(127,234)	-	3,380
		₩ 21,213	138,870	(129,596)	627	31,114

Classification	Name	December 31, 2017				
		Beginning	Borrowing	Repayment	Other(*)	Ending
Common control	Shinhan Bank	₩ -	15,769	-	(793)	14,976
	Shinhan DS	4,030	107,661	(105,454)	-	6,237
	Shinhan AITAS	1,799	5,406	(7,205)	-	-
	₩ 5,829	128,836	(112,659)	(793)	21,213	

(*) Gain on foreign currency exchange is included

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39. 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 less than that required 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, 2018 and 2017 are as follows:

		<u>December 31, 2018</u>	<u>December 31, 2017</u>
Regulatory reserve for loan loss accumulated	₩	12,811	6,982
To be scheduled		20,872	5,829
	₩	<u>33,683</u>	<u>12,811</u>

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

		<u>December 31, 2018</u>	<u>December 31, 2017</u>
Income for the year	₩	251,265	211,907
Provision for regulatory reserve for loan loss		(20,872)	(5,829)
	₩	<u>230,393</u>	<u>206,078</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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40. 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, 2018 and 2017, and how these structured entities are financed are 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.

Details of unconsolidated structured entities as of December 31, 2018 and 2017 are as follows:

	December 31, 2018			
	Asset-backed securitization	Project financing	Investment fund	Total
Total Assets	₩ 1,102,959	15,304,680	6,709,502	23,117,141

	December 31, 2017			
	Asset-backed securitization	Project financing	Investment fund	Total
Total Assets	₩ 1,033,546	12,040,771	5,230,515	18,304,832

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For the years ended December 31, 2018 and 2017

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40. Interests in unconsolidated structured entities, Continued

(b) Total assets of the unconsolidated structured entities, carrying value of assets and liabilities and maximum exposure to loss related to the Group's interests in unconsolidated structured entities as of December 31, 2018 and 2017 are as follows:

	December 31, 2018			
	Asset-backed securitization	Project financing	Investment fund	Total
Total assets of the unconsolidated structured entities				
Loans measured at FVTPL	₩ 292	129,060	-	129,352
Loans measured at amortized cost	58,006	721,817	-	779,823
Securities measured at FVTPL	13,756	16,070	800,596	830,422
Other assets	5,452	7,157	460	13,069
	₩ <u>77,506</u>	<u>874,104</u>	<u>801,056</u>	<u>1,752,666</u>
Total liabilities of the unconsolidated structured entities				
Other liabilities	₩ <u>5,368</u>	<u>4,128</u>	<u>-</u>	<u>9,496</u>
Maximum exposure to loss				
Investments	₩ 77,506	874,103	801,056	1,752,665
Purchase commitments	149,600	-	-	149,600
Guarantee	88,810	-	-	88,810
Others	-	49,464	-	49,464
	₩ <u>315,916</u>	<u>923,567</u>	<u>801,056</u>	<u>2,040,539</u>

40. Interests in unconsolidated structured entities, Continued

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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- (b) Total assets of the unconsolidated structured entities, carrying value of assets and liabilities and maximum exposure to loss related to the Group's interests in unconsolidated structured entities as of December 31, 2018 and 2017 are as follows:, Continued

	December 31, 2017			
	Asset-backed securitization	Project financing	Investment fund	Total
Total assets of the unconsolidated structured entities				
Loans	₩ 100,442	623,836	29,978	754,256
Trading assets	33,209	958	387,694	421,861
Available-for-sale financial assets	2,918	5,421	207,460	215,799
Other assets	706	2,576	150	3,432
	₩ <u>137,275</u>	<u>632,791</u>	<u>625,282</u>	<u>1,395,348</u>
Total liabilities of the unconsolidated structured entities				
Other liabilities	₩ <u>557</u>	<u>1,050</u>	<u>9</u>	<u>1,616</u>
Maximum exposure to loss				
Investments	₩ 137,275	632,791	625,282	1,395,348
Purchase commitments	60,000	55,000	-	115,000
Guarantee	74,300	15,200	-	89,500
Others	4,200	45,634	-	49,834
	₩ <u>275,775</u>	<u>748,625</u>	<u>625,282</u>	<u>1,649,682</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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41. Acquisition of subsidiary

(a) General information

On September 12, 2018, the Group acquires 75% of the shares of PT ARCHIPELAGO ASSET MANAGEMENT in Indonesia and acquired control, and changed its name to PT Shinhan Asset Management Indonesia. The Group acquired a subsidiary in Indonesia to pursue new market penetration through its asset management business.

(b) Identifiable net assets

The assets and liabilities of PT Shinhan Asset Management Indonesia recognized at the acquisition date are as follows.

	Classification	Amounts
Asset	Cash and cash equivalent assets	₩ 18
	Financial assets measured at FVTPL	3,012
	PP&E	20
	Deferred tax assets	20
	Other assets	17
	Total	₩ 3,087
Liabilities	Income tax payable	₩ 7
	Other liabilities	75
	Total	82
Identifiable net assets at fair value	₩ 3,005	

(c) Goodwill

Goodwill recognized as a result of business combination is as follows.

Classification	Amounts
Previous transfer price	₩ 4,476
Identifiable net assets at fair value	(3,005)
Non-controlling interest	787
Goodwill	₩ 2,258

(d) In connection with the business combination, the Group incurred a charge of ₩ 192 million, including legal fees and diligence fees, which were recognized as commissions in the consolidated statement of comprehensive income.