



**SHINHAN INVESTMENT CORP.  
AND SUBSIDIARIES**

Consolidated Financial Statements

**December 31, 2019 and 2018**

(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, 2019 and 2018, 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.

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, 2019 and 2018, 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.

### Emphasis of Matters

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

#### **(1) Restatement of prior year financial statements**

As described in note 41 to the consolidated financial statements, the Group restated the consolidated statements of financial position as of January 1, 2018 and December 31, 2018, and the consolidated statement of comprehensive income for the year ending December 31, 2018, presented for comparative purposes.

#### **(2) Contingent liabilities - LIME Asset Management**

As described in note 31 to the consolidated financial statements, the Financial Supervisory Service announced in February 2020 that the Group was suspected of being involved in misconduct and fraudulent activities while the Group made the TRS transactions with the Lime Asset Management. In addition, some of the private equity funds sold by the Group and managed by Lime Asset management are being inspected for whether any miss-selling has been involved by the supervisory authority. The Group did not recognize the provision regarding liability for future compensation due to such suspected misconduct and the miss-selling.

## **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 20, 2020

This report is effective as of March 20, 2020, 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 December 31, 2019 and 2018

<i>(In millions of won)</i>	<i>Note</i>	<b>December 31, 2019</b>	<b>December 31, 2018 (Restated)</b>	<b>January 1, 2018 (Restated)</b>
<b>Assets</b>				
Cash and due from banks measured at amortized cost	4,24,25,29	₩ 2,620,662	2,561,029	2,294,983
Financial assets measured at FVTPL	5,24,25,29	24,225,162	18,582,113	18,334,756
Financial assets measured at FVOCI	6,24,25,29	2,690,332	1,215,754	1,395,734
Investments in associates	7	431,991	236,858	366,214
Loans measured at amortized cost	8,24,25	4,583,089	4,186,572	3,627,396
Property and equipment	9,29	139,299	122,860	121,904
Intangible assets	10	56,319	55,671	55,793
Investment property	11	216,790	296,885	193,756
Deferred tax assets	27	228	232	166
Tax receivables, current	27	12	-	16,577
Other assets	12,24,25	2,411,603	1,729,242	2,086,513
<b>Total assets</b>		<b>₩ 37,375,487</b>	<b>28,987,216</b>	<b>28,493,792</b>
<b>Liabilities</b>				
Deposits	13,24,25	₩ 1,789,976	1,722,895	1,742,855
Financial liabilities measured at FVTPL	14,24,25	10,849,353	9,863,842	9,985,618
Borrowings	15,24,25	16,771,598	11,484,675	10,656,341
Provisions	16	14,260	30,777	22,862
Deferred tax liabilities	27	29,841	24,236	29,875
Current tax liabilities	27	4,523	12,179	29
Other liabilities	17,24,25	3,679,380	2,476,043	2,809,552
<b>Total liabilities</b>		<b>₩ 33,138,931</b>	<b>25,614,647</b>	<b>25,247,132</b>
<b>Equity</b>				
Capital stock	34	₩ 1,786,998	1,546,998	1,546,998
Capital surplus	34	667,635	248,806	248,806
Capital adjustments	34	425	1,230	167
Accumulated other comprehensive income	34	99,433	94,234	76,444
Retained earnings	34, 39	1,681,158	1,480,308	1,374,043
Non-controlling interests	34	907	993	202
<b>Total equity</b>		<b>₩ 4,236,556</b>	<b>3,372,569</b>	<b>3,246,660</b>
<b>Total liabilities and equity</b>		<b>₩ 37,375,487</b>	<b>28,987,216</b>	<b>28,493,792</b>

See accompanying notes to the consolidated financial statements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Consolidated Statements of Comprehensive Income**  
For the years ended December 31, 2019 and 2018

<i>(In millions of won)</i>	<i>Note</i>	<b>December 31, 2019</b>	<b>December 31, 2018 (Restated)</b>
<b>Operating revenue:</b>			
Commission income	18	₩ 484,632	508,831
Gain on financial instruments measured at FVTPL	24	4,440,800	3,817,779
Gain on financial instruments measured at FVOCI	24	8,988	2,982
Interest income	19	658,160	554,236
Reversal of provision for credit loss	24	7,335	1,901
Gain on foreign currency transactions	20	495,774	342,206
Others	22,24	44,237	51,632
		<u>6,139,926</u>	<u>5,279,567</u>
<b>Operating expense:</b>			
Commission expense	18	123,176	113,462
Loss on financial instruments measured at FVTPL	24	4,482,131	3,800,629
Loss on financial instruments measured at FVOCI	24	2,544	3,542
Interest expense	19	250,908	166,508
Transfer of provision for credit loss	24	5,738	10,512
Loss on foreign currency transactions	20	507,896	347,869
General and administrative expenses	21	521,572	500,332
Others	22,24	6,503	1,870
		<u>5,900,468</u>	<u>4,944,724</u>
<b>Operating income</b>			
Non-operating income	23	89,734	45,558
Non-operating expense	23	(40,117)	(33,695)
<b>Profit before income taxes</b>		<u>289,075</u>	<u>346,706</u>
Income tax expense	27	68,311	95,438
<b>Profit for the year</b>		<u>₩ 220,764</u>	<u>251,268</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, 2019 and 2018

<i>(In millions of won)</i>	<u>Note</u>	<u>December 31, 2019</u>	<u>December 31, 2018 (Restated)</u>
<b>Other comprehensive income (loss) for the year, net of income tax</b>			
<b>Items that are or may be reclassified subsequently to profit or loss:</b>			
Financial instruments measured at FVOCI	₩	(1,134)	4,312
Loss on valuation of investments in associates		-	13,389
Foreign currency translation adjustments for foreign operations		3,263	976
Effect of income tax expense		<u>942</u>	<u>(4,858)</u>
<b>Items that cannot subsequently be reclassified to P/L</b>			
Gain on financial instruments measured at FVOCI	₩	14,556	3,102
Adjustment to financial liabilities measured at FVTPL		(11,621)	2,376
Net tax effect		<u>(807)</u>	<u>(1,507)</u>
<b>Total other comprehensive income (loss), net of tax</b>		<u>5,199</u>	<u>17,790</u>
<b>Total comprehensive income for the year</b>	₩	<u>225,963</u>	<u>269,058</u>
<b>Profit for the year attributable to:</b>			
Equity holders of Shinhan Investment Corp.	₩	220,850	251,265
Non-controlling interest		<u>(86)</u>	<u>3</u>
	₩	<u>220,764</u>	<u>251,268</u>
<b>Total comprehensive income attributable to:</b>			
Equity holders of Shinhan Investment Corp.	₩	226,049	269,055
Non-controlling interest		<u>(86)</u>	<u>3</u>
	₩	<u>225,963</u>	<u>269,058</u>

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, 2019 and 2018

<i>(In millions of won)</i>		Common stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Non-controlling interests	Total
<b>Balance at January 1, 2018</b>	₩	1,546,998	248,806	167	76,444	1,374,043	202	3,246,660
<b>Profit for the year</b>		-	-	-	-	251,265	3	251,268
<b>Other comprehensive income (loss), net of income tax</b>								
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
<b>Transactions recognized directly in equity</b>								
Dividends		-	-	-	-	(145,000)	-	(145,000)
Change in share-based payment		-	-	1,063	-	-	-	1,063
Changes in non-controlling shares		-	-	-	-	-	788	788
<b>Balance at December 31, 2018</b>	₩	<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 Changes in Equity (Continued)**

For the year ended December 31, 2019 and 2018

<i>(In millions of won)</i>		Common stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Non-controlling interests	Total
<b>Balance at January 1, 2019</b>	₩	1,546,998	248,806	1,230	94,234	1,480,308	993	3,372,569
<b>Profit for the year</b>		-	-	-	-	220,850	(86)	220,764
<b>Other comprehensive income (loss), net of income tax</b>								
Net change in unrealized fair value of financial instruments measured at FVOCI		-	-	-	9,747	-	-	9,747
Foreign currency translation differences		-	-	-	3,877	-	-	3,877
Adjustment to financial liabilities measured at FVTPL		-	-	-	(8,425)	-	-	(8,425)
<b>Transactions recognized directly in equity</b>								
Dividends		-	-	-	-	(20,000)	-	(20,000)
Change in share-based payment		-	-	(805)	-	-	-	(805)
Capital increase with issuance of preferred stock		240,000	418,829	-	-	-	-	658,829
<b>Balance at December 31, 2019</b>	₩	<u>1,786,998</u>	<u>667,635</u>	<u>425</u>	<u>99,433</u>	<u>1,681,158</u>	<u>907</u>	<u>4,236,556</u>

See accompanying notes to the consolidated financial statements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Consolidated Statements of Cash Flows**  
For the year ended December 31, 2019 and 2018

<i>(In millions of won)</i>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<b>Cash flows from operating activities</b>		
Profit before income taxes	₩ 289,075	346,706
Adjustment for:		
Interest income	(658,160)	(554,236)
Interest expense	250,908	166,508
Dividend income	(29,771)	(47,047)
Net gain on valuation of financial instruments measured at FVTPL	(80,624)	(145,620)
Net gain on disposal of financial instruments measured at FVTPL	(57,243)	(22,375)
Net gain on disposal of financial instruments measured at FVOCI	(6,715)	(55)
Impairment loss on financial instruments measured at FVOCI	272	615
Provisions for loan loss	(1,597)	8,611
Net gain(loss) on foreign exchanges	2,763	10,563
Depreciation	21,993	11,225
Amortization of intangible assets	7,564	7,159
Employee related expenses	2,998	2,880
Non-cash other operating expenses, net	(1,710)	(25)
Non-cash non-operating expenses, net	(27,636)	3,775
	<u>(576,958)</u>	<u>(558,022)</u>
Changes in assets and liabilities:		
Deposits measured at amortized cost	401,724	(331,291)
Financial instruments measured at FVTPL	(2,988,725)	106,420
Loan measured at amortized cost	(373,259)	(487,458)
Collective fund for default loss	-	680
Other assets	(665,229)	350,906
Deposits liabilities	46,917	(25,284)
Other liabilities	1,186,883	(343,296)
	<u>(2,391,689)</u>	<u>(729,323)</u>
Income taxes paid	(69,929)	(76,789)
Interests received	603,500	543,224
Interests paid	(244,377)	(131,166)
Dividends received	26,948	21,851
<b>Net cash used in operating activities</b>	<u>₩ (2,363,430)</u>	<u>(583,519)</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, 2019 and 2018**

<i>(In millions of won)</i>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b>Cash flows from investing activities</b>		
Disposal of financial instruments measured at FVTPL	₩ 1,600,093	881,374
Acquisition of financial instruments measured at FVTPL	(3,157,576)	(1,197,015)
Disposal of financial instruments measured at FVOCI	3,338,130	2,707,764
Acquisition of financial instruments measured at FVOCI	(4,784,413)	(2,519,899)
Proceeds from disposal of investments in associates	79,403	149,440
Acquisition of investments in associates	(255,789)	(49,611)
Proceeds from disposal of property and equipment	35	973
Acquisition of property and equipment	(12,488)	(7,235)
Proceeds from disposal of intangible assets	3,304	-
Acquisition of intangible assets	(9,682)	(4,779)
Proceeds from disposal of investment property	86,118	159
Acquisition of investment property	(2)	(114,201)
Acquisition of business, net of cash acquired	-	(4,498)
<b>Net cash used in investing activities</b>	<u>(3,112,867)</u>	<u>(157,528)</u>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	6,735,053	2,866,333
Repayment of borrowings	(1,450,898)	(2,051,255)
Rental payment	(6,895)	-
Dividends paid	(20,000)	(145,000)
Issuance of preference stocks	658,829	-
<b>Net cash provided by financing activities</b>	<u>5,916,089</u>	<u>670,078</u>
<b>Effect of exchange rate fluctuations on cash and cash equivalents held</b>	<u>9,400</u>	<u>(4,024)</u>
<b>Increase(decrease) in cash and cash equivalents</b>	<u>449,192</u>	<u>(74,993)</u>
<b>Cash and cash equivalents at the beginning of year</b>	<u>259,818</u>	<u>334,811</u>
<b>Cash and cash equivalents at the end of year</b>	<u>₩ 709,010</u>	<u>259,818</u>

*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, 2019 and 2018

**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 94 branches, 31 sales offices, and 2 overseas offices as of December 31, 2019.

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 ₩36,214,245 million as of December 31, 2019 and the related fee income amounted to ₩31,121 million for the year ended December 31, 2019.

**(b) Scope of consolidation**

*(i) Subsidiaries*

Ownership of the Company’s major consolidated subsidiaries except special purpose entities as of December 31, 2019 are as follows:

<b>Investor</b>	<b>Investee</b>	<b>Country</b>	<b>Closing date</b>	<b>Ownership (%)</b>
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 Management Indonesia	Indonesia	December 31	75.0

*(ii) Consolidated structured entities*

Consolidated structured entities are as follows:

<b>Category</b>	<b>Consolidated structured entities</b>	<b>Description</b>
Asset-Backed Securitization	VALUE PLUS the 35th L.L.C and 112 others	An entity for asset backed securitization is consolidated when the Group has the ability to dispose assets or change the conditions of the assets, is exposed to variable returns and has the ability to affect the variable returns providing credit enhancement and purchases of subordinated securities
Investment Fund	JB Sangam Private Real Estate Investment Trust No.1 and 48 others	An investment fund is consolidated, when the Group manages or invests assets of the investment funds on behalf of other investors, or has the ability to dismiss the manager of the investment funds, and is exposed to, or has rights to, the variable returns.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the years ended December 31, 2019 and 2018

**1. Reporting entity (continued)**

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

*(iii) Changes in consolidated subsidiaries*

① Consolidated subsidiaries included in the consolidated financial statements as of December 31, 2019 are as follows:

Category	Subsidiaries	Reason for conclusion
Asset-Backed Securitization	Global Edition 1st L.L.C and 74 others	Exposure to power and variable returns (K-IFRS No.1110 Paragraph 7)
Investment Fund	Shinhan Digital Healthcare Fund 1 and 34 others	

② Subsidiaries excluded from the consolidated financial statements for the year ended December 31, 2019.

Category	Subsidiaries	Reason for exclusion
Asset-Backed Securitization	VALUE PLUS the 35th L.L.C and 13 others	Transaction ended during the current period
Investment Fund	Shinhan Consumer Fund 1 and 13 others	Disposed during the current period

*(iv) Summary of financial statements*

① As of December 31, 2019 and 2018, the summary of the statements of financial position of the Company and its consolidated subsidiaries is as follows:

<i>(In millions of won)</i>	2019			2018 (Restated)		
	Asset	Liability	Equity	Asset	Liability	Equity
Shinhan Investment Corp. (separate)	₩ 33,820,626	29,608,513	4,212,113	27,098,428	23,734,330	3,364,098
Shinhan Investment America Inc.	4,579	161	4,418	3,872	135	3,737
Shinhan Investment Asia Ltd.	43,252	658	42,594	41,106	3,252	37,854
SHINHAN SECURITIES VIETNAM CO., LTD	44,552	353	44,199	45,919	5,982	39,937
PT Shinhan Sekuritas Indonesia (*1)	32,306	6,470	25,836	27,663	5,041	22,622
	₩ <u>33,945,315</u>	<u>29,616,155</u>	<u>4,329,160</u>	<u>27,216,988</u>	<u>23,748,740</u>	<u>3,468,248</u>

(\*1) PT Shinhan Asset Management Indonesia is a consolidated financial information of an intermediate controlling company.

(\*2) Exceptions include subsidiaries that do not carry out substantial business activities such as beneficiary certificates, SPC, partnerships and private equity investment.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the years ended December 31, 2019 and 2018

**1. Reporting entity (continued)**

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

(iv) Summary of financial statements (continued)

② Summarized statement of comprehensive income for the Company and its consolidated subsidiaries for the years ended December 31, 2019 and 2018 is as follows:

(In millions of won)

	2019			2018 (Restated)		
	Operating income	Net income	Total comprehensive income	Operating income	Net income	Total comprehensive income
Shinhan Investment Corp. (separate)	₩ 6,008,637	208,727	209,991	5,193,492	245,703	252,800
Shinhan Investment America Inc.	2,091	552	681	746	(619)	(446)
Shinhan Investment Asia Ltd.	7,170	3,123	4,740	6,530	3,346	4,778
SHINHAN SECURITIES VIETNAM CO., LTD	6,169	2,781	4,262	4,253	2,313	3,113
PT Shinhan Sekuritas Indonesia (*1)	6,025	982	3,310	3,331	825	(568)
	₩ <u>6,030,092</u>	<u>216,165</u>	<u>222,984</u>	<u>5,208,352</u>	<u>251,568</u>	<u>259,677</u>

(\*1) PT Shinhan Asset Management Indonesia is a consolidated financial information of an intermediate controlling company.

(\*2) Exceptions include subsidiaries that do not carry out substantial business activities such as beneficiary certificates, SPC, partnerships and private equity investment.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the years ended December 31, 2019 and 2018

**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:

- financial instruments at fair value through profit or loss are measured at fair value
- other comprehensive income at fair values 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:

<u>Subsidiaries</u>	<u>Functional Currency</u>
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

**(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:

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**2. Basis of preparation (continued)**

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

*(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.

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

The consolidated financial statements were authorized for issue by the Board of Directors on March 9, 2020, which will be submitted for approval to the stockholder's meeting to be held on March 25, 2020.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
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**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, 2019.

**(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.

*(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.

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**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.

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**3. Significant accounting policies (continued)**

**(c) Business combinations (continued)**

*(i) Business combinations (continued)*

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 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.

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**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.

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

*(i) Recognition and initial measurement*

Financial assets are measured at fair value at the time of initial recognition, and in the case of non-current financial assets at fair value through profit or loss, the transaction cost directly related to the acquisition of the financial asset is added or decreased to the fair value.

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**3. Significant accounting policies (continued)**

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

*(ii) Classification and subsequent measurement*

At the time of initial recognition, financial assets are classified to be measured at amortized cost, FVTPL and FVTOCI. Financial assets are not reclassified after initial recognition unless the Group changes the business model that manages the financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period after the business model is changed.

Financial assets are measured at amortized cost when both of the following conditions are met and they are not designated as fair value through profit or loss:

- It is held under the business model whose purpose is to hold cash flows under contract
- Depending on the terms and conditions of the financial assets, cash flows consisting only of interest payments on principal and principal balances occur on certain days

If a debt instrument satisfies two conditions and is not designated as a fair value through profit or loss, it is measured in other comprehensive income and fair value.

- Retains financial assets under a business model that achieves its purpose through both contractual cash flow receipts and financial asset sales
- Depending on the terms and conditions of the financial assets, cash flows consisting only of principal and interest payments occur on certain days

Any financial assets that are not measured at amortized cost or FVTOCI are measured at fair value through profit or loss. These financial assets include all derivative financial assets. At the time of initial recognition, if the Group designates financial assets measured at amortized cost or FVTOCI as FVTPL, the financial asset can be designated as a FVTPL when accounting mismatches are eliminated or significantly reduced. However, once specified, it cannot be cancelled.

*(iii) 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.

*(iv) 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.

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**3. Significant accounting policies (continued)**

**(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 (i.e. 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.

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.

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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:

<b>Descriptions</b>	<b>Useful lives</b>
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.

<b>Descriptions</b>	<b>Useful lives</b>
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.

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**3. Significant accounting policies (continued)**

**(i) Intangible assets (continued)**

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

**(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.

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**3. Significant accounting policies (continued)**

**(l) Non-derivative financial liabilities (continued)**

*(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).

**(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.

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**3. Significant accounting policies (continued)**

**(n) Employee benefits (continued)**

*(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.

*(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.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
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**3. Significant accounting policies (continued)**

**(p) Provisions (continued)**

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.

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

*(i) Interest income and expense*

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*

The recognition of revenue for financial service fees depends on the purposes for which the fees are assessed and the basis of accounting for any associated financial instrument.

① Fees that are an integral part of the effective interest rate of a financial instrument

Such fees are generally treated as an adjustment to the effective interest rate. Such fees may include compensation for activities such as evaluating the borrower's financial condition, evaluating and recording guarantees, collateral and other security arrangements, preparing and processing documents, closing the transaction and the origination fees received on issuing financial liabilities. However, when the financial instrument is measured at fair value with the change in fair value recognized in profit or loss, the fees are recognized as revenue when the instrument is initially recognized.

② Fees earned as services are provided

Fees and commission income, including investment management fees, sales commission, and account servicing fees, are recognized as the related services are provided.

③ Fees that are earned on the execution of a significant act

The fees that are earned on the execution of a significant act including commission on the allotment of shares or other securities to a client, placement fee for arranging a loan between a borrower and an investor and sales commission, are recognized as revenue when the significant act has been completed.

*(iii) Dividends*

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

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**3. Significant accounting policies (continued)**

**(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.

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.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
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**3. Significant accounting policies (continued)**

**(s) Leases - policy applicable from January 1, 2019**

The Group recognized accumulated effect from initial application of K-IFRS No.1116 in retained earnings on January 1, 2019 (initial application date). Accordingly, comparative financial information presented has been applied K-IFRS No.1017 and the related Interpretation as previously reported and has not been restated and the Group assessed the application does not have effect on the retained earnings at January 1, 2019.

*i) Accounting treatment as the lessee*

The Group leases various tangible assets, such as real estate and vehicles and the terms of the lease are negotiated individually and include a variety of terms and conditions. There are no other restrictions imposed by the lease contracts, but the lease assets cannot be provided as collaterals for the borrowings.

At the commencement of the lease, the Group recognizes the right-of-use assets and the lease liabilities. The payment of each lease is allocated to the repayment of the liability and financial cost. The Group recognizes in profit or loss the amount calculated to produce a constant periodic rate of interest on the lease liability balance for each period as financial cost. Right-of-use assets are depreciated using a straight-line method from the inception of the lease over the lease term of the right-of-use assets.

Lease liabilities are measured at present value of the lease payments not paid as of the beginning of the lease, and the lease payments included in the measurement of the lease liabilities consist of as following payments:

- Fixed payments (including in-substance fixed payments, less any lease incentives receivable)
- Variable lease payments depending on the index or rate
- Amount expected to be paid by the lessee under the residual value guarantee
- Exercise price of a purchase option if it is reasonably certain that the lessee will exercise the option
- Amount to be paid to terminate a lease if the lease term reflects the lessee's exercising an option to terminate the lease

If the intrinsic interest rate is easily determined, the lease payments be discounted by the rate, and if the rate is not readily determined, the lessee's incremental borrowing rate is used.

The cost of right-of use assets comprise:

- Amount of the initial measurement of the lease liability
- Lease payments made at or before the commencement date (lease incentives received are deducted)
- Lease initial direct costs incurred by the lessee
- Estimates of the costs incurred by the lessee in dismantling and removing the underlying asset, restoring site on which is located or restoring the underlying asset to the condition required by the terms and conditions of the lease

Lease payments related to short-term leases or low-value leases are recognized as current expenses over the lease term using the straight-line method. A short-term lease is a lease has a lease term of 12 months or less and the low-value lease is a lease of which the underlying asset value is not more than ₩6 million.

Extension and termination options are included in a number of real estate lease contracts of the Group. In determining the lease term, management considers all relevant facts and circumstances that give rise to an economic incentive not to exercise the extension option or the termination option. The period over which the extension option is eligible (or the period over which it could be terminated) is included in the lease term only if it is reasonably certain that the lessee exercises the extension option (or not exercised). The Group reassesses whether the Group is reasonably certain to exercise (or not exercise) the extension option when a significant event occurs or changes in circumstances that have affected the lessee's ability to determine the lease term before.

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**3. Significant accounting policies (continued)**

**(s) Leases - policy applicable from January 1, 2019 (continued)**

*ii) Accounting treatment as the lessor*

The Group leases out various tangible assets, including vehicles under operating and finance lease contracts, and the terms of the lease are negotiated individually and include a variety of terms and conditions. The risk management method for all rights held by the Group in the underlying assets includes repurchase agreements, residual value guarantees, etc.

① Finance lease

In the case of assets held under a finance lease, the Group records it as a receivable at an amount equal to the net investment in the lease, and the difference from the carrying amount of the leasing asset as of the lease execution date is recognized as profit or loss from disposal of the lease asset. In addition, interest income is recognized by applying the effective interest method for the amount of the Group's net investment in finance leases. Lease-related direct costs are included in the initial recognition of financial lease receivables and are accounted for in a way that reduces the revenue for the lease term.

② Operating lease

In the case of assets held under an operating lease, the lease payments are recognized as income on straight-line basis, and the lease initial direct costs incurred during negotiation and contract phase of the operating lease are recognized as separate assets, initial direct cost. In addition, depreciation of operating lease assets is treated the same as depreciation of other similar assets owned by the Group.

**(t) Leased assets - policy applicable before January 1, 2019**

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.

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.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
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**3. Significant accounting policies (continued)**

**(t) Leased assets - policy applicable before January 1, 2019 (continued)**

*ii) Operating leases*

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the period of the lease.

*iii) Lessor*

Under a finance lease, the lessor recognizes a finance lease receivable. Over the lease term the lessor accrues interest income on the net investment. The receipts under the lease are allocated between reducing the net investment and recognizing finance income, so as to produce a constant rate of return on the net investment.

Under an operating lease, the lessor recognizes the lease payments as income over the lease term and the leased asset in its statement of financial position.

**(u) Operating segments**

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

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

**(v) 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.

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**3. Significant accounting policies (continued)**

**(v) Financial guarantee contract (continued)**

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'

**(w) Changes in accounting policies**

K-IFRS No.1116 '*Lease*' endorsed on May 22, 2017, supersedes the current version of K-IFRS No.1017 '*Lease*', K-IFRS No. 2104 '*Determining whether an Arrangement contains a Lease*', K-IFRS No. 2015 '*Operating Leases—Incentives*', and K-IFRS No. 2027 '*Evaluating the Substance of Transactions Involving the Legal Form of a Lease*'.

In accordance with K-IFRS No. 1116, the Group determines whether the contract itself is a lease or whether the contract includes a lease at the time of the contract's agreement, and whether the contract includes a lease or a lease according to this standard even on the first application date. The lessee and the lessor must account for each lease in the lease or in a contract including the lease separately from non-lease elements (hereinafter referred to as 'non-lease elements').

The lessee recognizes the right-of-use assets, the lessee's assets, and the lease liabilities, which indicate the obligation to pay the lease payments. However, in the case of short-term leases and small-scaled leases, the exceptions to this standard may be selected. In addition, the Group applied the following practical convenience method when applying K-IFRS No.1116 to leases previously classified as operating leases in accordance with K-IFRS No.1017.

- For leases with a lease term of less than 12 months, the exemption provisions that do not recognize the assets and lease liabilities are applied
- Direct costs of lease establishment are excluded from the measurement of licensed assets at the initial application date
- If the contract includes the option to extend or terminate the lease, a post-judgment is used to determine the lease term

In addition, the lessee does not separate the non-lease element from the lease element in a practical convenience method, and selects and applies the method of accounting for each lease element and related non-lease elements as one lease element by type of underlying asset.

On the other hand, the lessor accounting has not changed significantly from K-IFRS No. 1017.

The Group did not have a cumulative effect due to the initial application of K-IFRS No.1116, and the previous year financial information presented in comparative information was applied to IFRS 1017 are not restated.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
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**3. Significant accounting policies (continued)**

**(w) Changes in accounting policies (continued)**

Under the application of K-IFRS No. 1116, the Group recognized lease liabilities in relation to leases that were previously classified as 'operating leases' in accordance with the principles of K-IFRS No.1017. These liabilities were measured at the present value of the remaining lease payments discounted at the incremental borrowing rate of the lessee's January 1, 2019. The incremental borrowing rate of the lessee applied to the lease liabilities on January 1, 2019 is 2.17%. The difference between the lease liabilities recognized on the first application date and the discounted operating lease agreement at the end of the year at the Group's incremental borrowing interest rate is as follows:

(In millions of won)

Classification	₩	Amounts
Operating lease agreements disclosed at December 31, 2018	₩	12,388
Amount discounted using the Group's incremental borrowing rate		11,862
Less: (Value Added Tax)		1,126
Lease liabilities recognized at January 1, 2019	₩	10,736

(\*1) The effects of K-IFRS No. 1116 on profit or loss are described in notes 17 and 36.

Right-of-use assets are measured at the same amount as the lease liabilities and by adjusting the amount of advance or unpaid lease payments in relation to the lease recognized in the statement of financial position as of December 31, 2018. As a result, property and equipment increased by ₩16,580 million at the beginning of the current year, and prepaid expenses decreased by ₩4,946 million.

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

The following issued/amended standards have been published but have not yet been effective during the fiscal year beginning January 1, 2019. Hence, the Group did not apply the following issued/amended standards in preparing financial statements:

*i) K-IFRS No. 1001 'Presentation of Financial Statements' and K-IFRS No. 1008 'Accounting Policies, Changes in Accounting Estimates and Errors' amended*

The definition of materiality has been clarified, and the feature of information users is taken into account when determining the information to be disclosed and the effects of immaterial information as well as omission or misstatement of material information when determining materiality. This amendment is effective for annual periods beginning on or after January 1, 2020. The Group expects that the amendment will not have a material impact on its financial statements.

*ii) K-IFRS No. 1103 'Business Combination'*

The amended definition of business requires that the inputs that have the ability to create outputs and substantial process to be included in the assessment of acquired businesses and the collection of assembled assets, excluding economic benefits from cost reduction. In addition, if the fair value of most of the total assets acquired is concentrated in a single identifiable asset or a set of assets, an optional concentration test has been added that determines that the acquired activities and sets of assets are not a business but assets or a set of assets. This amendment is effective for annual periods beginning on or after January 1, 2020. The Group expects that the amendment will not have a material impact on its financial statements.

*iii) Interpretation not applied by the Group*

The IFRS Interpretations Committee announced on December 16, 2019 that all economic disadvantages associated with the end of the lease are taken into account when determining the enforceable period for the term 'lease term and useful life of the lease improvement term'. The Group is analysing the effect of changes in accounting policies on the enforceable period of the decision on the financial statements and will reflect the effects on the financial statements after the analysis is completed.

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, 2019 and 2018 are summarized as follows:

		<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash and cash equivalents	Cash on hand	₩ 1,566	410
	Current deposits	8,497	8,677
	Demand deposits	101,736	77,153
	Foreign currency deposits	429,179	173,127
	Others	168,032	451
		<u>709,010</u>	<u>259,818</u>
Due from banks measured at amortized cost in won	Time deposits	425,100	233,000
	Limited time deposits	959,000	1,370,000
	Subscription deposits	1,025	-
	Reserve for claims of customers' deposits	78,500	129,800
	Guarantee deposits for stock borrowing for KSFC	4,161	1,757
	Guarantee deposits for KSFC trading	16,000	60,000
	Gold deposits	6,700	4,900
	Payment deposits	1,000	-
	Deposits for checking accounts	66	66
	Others	5,158	19,935
		<u>1,496,710</u>	<u>1,819,458</u>
Due from banks measured at amortized cost in foreign currency	Reserve for claims of customers' deposits	108,961	93,878
	Others	305,981	387,875
		<u>414,942</u>	<u>481,753</u>
		<u>₩ 2,620,662</u>	<u>2,561,029</u>

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**4. Cash and due from banks (continued)**

(b) Restricted due from banks as of December 31, 2019 and 2018 are as follows:

	Placed at	December 31, 2019	December 31, 2018	Restriction
Time deposits	Shinhan Bank, etc.	₩ 107,000	57,000	Collateral for a bank overdraft facility
	Busan Bank, etc.	812,000	1,220,000	Collateral for lending/borrowing securities
	Shinhan Bank	5,000	5,000	Collateral for the small amount of payment
	Woori Bank, etc.	-	28,000	Collateral for the issue of ELS (Equity Linked Securities)
	Kookmin Bank	35,000	60,000	Collateral for derivatives-combined bonds
Reserve for claims on customers' deposits	Korean Securities Finance Corporation	187,461	223,678	(*1)
Reserve for claims on customers' deposits (trust)	Korean Securities Finance Corporation	1,103,050	1,040,180	(*1)
Gold deposits	Korean Securities Finance Corporation	6,700	4,900	Deposits for gold transactions
Guarantee deposits for stock borrowing for KSFC	Korean Securities Finance Corporation	4,161	1,757	Guarantee deposits for stock borrowing for KSFC
Guarantee deposits for stock KSFC trading	Korean Securities Finance Corporation	16,000	60,000	Guarantee deposits for stock KSFC trading
Subscription deposits	MiCo Bio, etc.	1,025	-	Subscription deposits
Other deposits in won	Shinhan Bank, etc.	66	66	Deposit for checking accounts
	KEB Hana Bank, etc.	2,504	18,936	Deposit for trading derivatives
Other deposits in foreign currency	MAREX Financial Limited, etc.	140,810	226,058	Collateral for trading foreign futures
	Korea Exchange	6,904	34,680	Collateral for trading foreign futures
	Hong Kong Exchange and Clearing Limited	158,267	127,128	Collateral for trading securities
	Others	-	9	Collateral for FX
		₩ 2,585,948	3,107,392	

(\*1) Pursuant to the Article 74 of the Act on Capital Markets and Financial Investment Business and Article 4-39 of the Regulations for 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.

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**

(a) Details of financial assets measured at FVTPL as of December 31, 2019 and 2018 are summarized as follows:

		<u>December 31, 2019</u>	<u>December 31, 2018 (Restated)</u>
Securities measured at FVTPL	₩	21,227,156	16,742,047
Deposits and loan receivables measured at FVTPL		2,320,353	1,523,820
Derivative assets		677,653	316,246
	₩	<u>24,225,162</u>	<u>18,582,113</u>

(b) Details of securities measured at FVTPL as of December 31, 2019 and 2018 are summarized as follows:

		<u>December 31, 2019</u>	<u>December 31, 2018 (Restated)</u>
Securities measured at FVTPL in won			
Government bonds	₩	1,048,657	1,320,448
Local bonds		68,875	67,258
Financial bonds		7,146,660	5,097,423
Corporate bonds		4,416,166	4,227,783
Corporate commercial papers		1,622,638	1,160,947
Stocks		708,646	358,694
Collective investment securities		3,552,180	2,563,953
Financial instruments with put option		559,029	338,560
Derivatives-linked securities		129,819	169,884
Hybrid bonds		392,351	245,933
Others		41,047	31,425
		<u>19,686,068</u>	<u>15,582,308</u>
Securities measured at FVTPL in foreign currency			
Bonds		1,368,079	1,113,979
Stocks		85,724	3,899
Financial instruments with put option		87,285	41,861
		<u>1,541,088</u>	<u>1,159,739</u>
	₩	<u>21,227,156</u>	<u>16,742,047</u>

(c) Details of Loans and receivables measured at FVTPL as of December 31, 2019 and 2018 are summarized as follows:

		<u>December 31, 2019</u>	<u>December 31, 2018</u>
Korean Won			
Loan receivables	₩	251,662	156,992
Individual investor deposit (trust)		1,103,050	1,040,180
		<u>1,354,712</u>	<u>1,197,172</u>
Foreign Currency			
Loan receivables		965,641	326,648
	₩	<u>2,320,353</u>	<u>1,523,820</u>

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**5. Financial assets at fair value through profit or loss and financial assets measured at FVTPL (continued)**

(d) Details of derivative assets as of December 31, 2019 and 2018 are summarized as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Derivatives in won		
Over the counter:		
Interest rate	₩ 38,178	49,581
Equity	143,967	47,943
Credit	282,993	43,257
Commodity	9,407	687
	<u>474,545</u>	<u>141,468</u>
Exchange traded:		
Equity	<u>2,696</u>	<u>11,844</u>
	<u>477,241</u>	<u>153,312</u>
Derivatives in foreign currency		
Over the counter:		
Interest rate	11,056	22,161
Currency	155,554	85,871
Equity	765	4,289
Commodity	-	57
Credit	22	125
	<u>167,397</u>	<u>112,503</u>
Exchange traded:		
Interest rate	697	412
Currency	-	11
Equity	29,977	41,782
Commodity	2,341	8,226
	<u>33,015</u>	<u>50,431</u>
	<u>200,412</u>	<u>162,934</u>
	<u>₩ 677,653</u>	<u>316,246</u>

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**6. Financial assets measured at FVOCI**

(a) Details of financial assets measured at FVOCI as of December 31, 2019 and 2018 are summarized as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Debt securities		
Government bonds	₩ 248,259	30,099
Financial bonds	1,451,310	691,126
Corporate bonds	827,102	345,423
	<u>2,526,671</u>	<u>1,066,648</u>
Equity securities		
Stocks(*1)	163,661	149,106
	₩ <u>2,690,332</u>	<u>1,215,754</u>

(\*1) 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 ₩ 3,610 million and ₩ 2,954 million as of December 31, 2019 and 2018, respectively.

(b) Changes in carrying amount of financial liabilities measured at FVOCI as of December 31, 2019 and 2018 are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
	Debt securities (expected credit loss for 12 months)	
Beginning	₩ 1,066,648	1,249,731
Acquisition	4,784,413	2,519,899
Valuation and effective interest amortization	7,024	5,354
Disposal	(3,331,414)	(2,708,336)
Ending	₩ <u>2,526,671</u>	<u>1,066,648</u>

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
	Debt securities (expected credit loss for 12 months)	
Beginning loss provision	₩ 822	207
Transfer loss provision	272	615
Ending loss provision	₩ <u>1,094</u>	<u>822</u>

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**7. Investments in associates**

(a) Details of investments in associates as of December 31, 2019 and 2018 are as follows:

	Location	Ownership	December 31, 2019		December 31, 2018
			Acquisition cost	Book value	Book value
The Asia Pacific Capital Fund II L.P	Cayman islands	21.85%	₩ -	-	347
KoFC Shinhan Frontier Champ 2010-4 PEF(*1)	Rep. of Korea	8.50%	3,301	518	512
Korea investment gong-pyeong office real estate investment trust 2nd	Rep. of Korea	35.71%	233	954	331
Shinhan Praxis K-Growth Global Private Equity Fund (*1)	Rep. of Korea	14.15%	7,404	7,727	12,395
Credian Healthcare Private Equity Fund II	Rep. of Korea	20.74%	1,161	1,447	2,771
Kiwoom Milestone Professional Private Real Estate Trust 19	Rep. of Korea	50.00%	10,814	10,408	10,419
FG EURO GREEN PRIVATE REAL ESTATE TRUST No.3	Rep. of Korea	21.28%	20,000	20,884	20,544
Brain Professional Private Trust No.4	Rep. of Korea	-	-	-	5,244
Brain KS Qualified Privately Placed Fund No.6	Rep. of Korea	-	-	-	3,026
Hanhwa US Equity Strategy Private Real Estate Fund No.1	Rep. of Korea	44.84%	24,616	25,965	26,232
GB Private Fund for Professional Investor #3	Rep. of Korea	-	-	-	20,078
Shinhan Display New Technology Fund No.1 (*1)	USA	9.62%	1,000	6	811
Shinhan Global Healthcare Fund 1 (*1)	Rep. of Korea	3.13%	2,440	2,276	2,330
Brain Asset Management PN Private Investment Trust Fund 13	Rep. of Korea	41.10%	211	490	1,674
Orion Mezzanine Private Investment Trust 4	Rep. of Korea	-	-	-	658
JB Power TL Investment Type Private Placement Special Asset Fund 7	Rep. of Korea	33.33%	16,543	16,800	17,484
IBK AONE convertible 1	Rep. of Korea	47.25%	5,001	6,077	5,906
Rico synergy collabo Multi-Mezzanine 3 (*2)	Rep. of Korea	50.03%	2,505	3,217	5,290

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**7. Investments in associates (continued)**

(a) Details of investments in associates as of December 31, 2019 and 2018 are as follows (continued):

	Location	Ownership	December 31, 2019		December 31, 2018
			Acquisition cost	Book value	Book value
KB NA Hickory Private Special Asset Fund	Rep. of Korea	37.50%	₩ 36,461	35,930	34,360
Shinhan Fintech New Technology Fund No.1	Rep. of Korea	-	-	-	1,164
GB Private Fund for Professional Investor #6	Rep. of Korea	-	-	-	8,588
Koramco Europe Core Private Placement Real Estate Fund No.2-2	Rep. of Korea	25.84%	11,408	11,483	10,928
GX SHINHAN INTERVEST 1 <sup>st</sup> Private Equity Fund (*1)	Rep. of Korea	14.48%	20,000	19,006	18,241
BRAIN SK Privately Placed Fund 21	Rep. of Korea	25.00%	1,000	890	917
Nomura-Rifa Private Real Estate Investment Trust 19	Rep. of Korea	31.20%	2,402	2,218	2,337
Shinhan-Cognitive Contents Fund I L.P.	Rep. of Korea	-	-	-	496
Genesis North America Power Company No.1 PEF	Rep. of Korea	39.94%	18,604	18,275	20,825
SHBNPP Venture Professional Investment Type Private Investment Trust No.1	Rep. of Korea	30.00%	17,648	17,327	2,950
HANA Alternative Eeastate Professional Private122 (*2)	Rep. of Korea	75.19%	28,487	26,204	-
NH-amundi global infra private fund 16	Rep. of Korea	50.00%	49,530	48,158	-
Tiger Alternative Real Estate Professional Private5	Rep. of Korea	48.71%	20,077	19,820	-
IGIS Private Real Estate Investment Trust 286 (2 class)	Rep. of Korea	41.56%	10,100	9,768	-
Friend 23 New Technology Business Investment Fund	Rep. of Korea	33.33%	700	714	-
Milestone Private Real Estate Fund 3	Rep. of Korea	32.06%	17,458	17,187	-
IMM Global Private Equity Fund	Rep. of Korea	31.85%	28,945	28,925	-
2019 PCC New Technology Fund	Rep. of Korea	31.75%	1,000	909	-
Rifa Professional Private Real Estate31(2)	Rep. of Korea	31.31%	9,018	8,914	-

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
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**7. Investments in associates (continued)**

(a) Details of investments in associates as of December 31, 2019 and 2018 are as follows (continued):

	Location	Ownership	December 31, 2019		December 31, 2018
			Acquisition cost	Book value	Book value
DAVALUE-GILTEDGE GLOBAL BIO FUND NO.1	Rep. of Korea	29.41%	₩ 1,000	994	-
Sprott Global Renewable Private Equity Fund I	Rep. of Korea	26.65%	2,000	1,948	-
AIP Transportation Specialized Privately Placed Fund Trust #1	Rep. of Korea	25.99%	24,152	22,973	-
Lime Neptune Professional Private 6	Rep. of Korea	25.00%	2,500	2,531	-
Sprott Global Renewable Private Equity Fund II	Rep. of Korea	23.07%	20,384	19,015	-
One Shinhan Future's Fund 1(*1)	Rep. of Korea	13.89%	1,000	983	-
One Shinhan Global Fund 1(*1)	Rep. of Korea	9.98%	2,260	2,219	-
Shinhan Healthcare Fund 3(*1)	Rep. of Korea	9.62%	1,000	899	-
Shinhan Global Healthcare Fund 2(*1)	Rep. of Korea	9.42%	980	1,395	-
SHINHAN-CORE TREND GLOBAL FUND 1(*1)	Rep. of Korea	6.96%	990	1,042	-
VISION US Muni US Local Debt Opportunist Professional Private1	Rep. of Korea	25.24%	9,500	9,869	-
Susung Mezzanine project P1 Private Investment Trust	Rep. of Korea	20.48%	2,000	2,561	-
BRAIN DO PROFESSIONALE PRIVATE No. 27	Rep. of Korea	29.13%	3,000	3,065	-
			₩ 438,833	431,991	236,858

(\*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.

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, 2019 and 2018 are as follows:

	<b>December 31, 2019</b>				
	Beginning balance	Acquisition (Disposal)	Equity method income(loss)	Other comprehensive income (loss)	Ending balance
The Asia Pacific Capital Fund II L.P ₩	347	(236)	(111)	-	-
KoFC Shinhan Frontier Champ 2010-4 PEF	512	-	6	-	518
Korea investment gong-pyeong office real estate investment trust 2nd	331	(9,593)	10,216	-	954
Shinhan Praxis K-Growth Global Private Equity Fund	12,395	(6,559)	1,891	-	7,727
Credian Healthcare Private Equity Fund II	2,771	(1,538)	214	-	1,447
Kiwoom Milestone Professional Private Real Estate Trust 19	10,419	(241)	230	-	10,408
FG EURO GREEN PRIVATE REAL ESTATE TRUST No.3	20,544	(1,248)	1,588	-	20,884
Brain Professional Private Trust No.4	5,244	(5,175)	(69)	-	-
Brain KS Qualified Privately Placed Fund No.6	3,026	(3,026)	-	-	-
Hanhwa US Equity Strategy Private Real Estate Fund No.1	26,232	(1,866)	1,599	-	25,965
GB Private Fund for Professional Investor #3	20,078	(20,733)	655	-	-
Shinhan Display New Technology Fund No.1	811	-	(805)	-	6
Shinhan Global Healthcare Fund 1	2,330	-	(54)	-	2,276
Brain Asset Management PN Private Investment Trust Fund 13	1,674	(1,454)	270	-	490
Orion Mezzanine Private Investment Trust 4	658	(675)	17	-	-
JB Power TL Investment Type Private Placement Special Asset Fund 7	17,484	(1,513)	829	-	16,800
IBK AONE convertible 1	5,906	-	171	-	6,077
Rico synergy collabo Multi- Mezzanine 3	5,290	(2,501)	428	-	3,217
KB NA Hickory Private Special Asset Fund	34,360	445	1,125	-	35,930
Shinhan Fintech New Technology Fund No.1	1,164	(1,299)	135	-	-

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**7. Investments in associates (continued)**

(b) Changes in investments in associates for the years ended December 31, 2019 and 2018 are as follows (continued):

		<b>December 31, 2019</b>				
		Beginning balance	Acquisition (Disposal)	Equity method income(loss)	Other comprehensive income (loss)	Ending balance
GB Private Fund for Professional Investor #6	₩	8,588	(8,588)	-	-	-
Koramco Europe Core Private Placement Real Estate Fund No.2-2		10,928	(856)	1,411	-	11,483
GX SHINHAN INTERVEST 1 <sup>st</sup> Private Equity Fund		18,241	-	765	-	19,006
BRAIN SK Privately Placed Fund 21		917	-	(27)	-	890
Nomura-Rifa Private Real Estate Investment Trust 19		2,337	(177)	58	-	2,218
Shinhan-Cognitive Contents Fund I L.P.		496	(496)	-	-	-
Genesis North America Power Company No.1 PEF		20,825	(4,035)	1,485	-	18,275
SHBNPP Venture Professional Investment Type Private Investment Trust No.1		2,950	14,651	(274)	-	17,327
HANA Alternative Eastate Professional Private122		-	28,487	(2,283)	-	26,204
NH-amundi global infra private fund 16		-	49,530	(1,372)	-	48,158
Tiger Alternative Real Estate Professional Private5		-	19,876	(56)	-	19,820
IGIS Private Real Estate Investment Trust 286 (2 class)		-	10,100	(332)	-	9,768
Friend 23 New Technology Business Investment Fund		-	700	14	-	714
Milestone Private Real Estate Fund 3		-	17,017	170	-	17,187
IMM Global Private Equity Fund		-	28,945	(20)	-	28,925
2019 PCC New Technology Fund		-	1,000	(91)	-	909
Rifa Professional Private Real Estate31		-	9,018	(104)	-	8,914

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**7. Investments in associates (continued)**

(b) Changes in investments in associates for the years ended December 31, 2019 and 2018 are as follows (continued):

	<b>December 31, 2019</b>				
	Beginning balance	Acquisition (Disposal)	Equity method income(loss)	Other comprehensive income (loss)	Ending balance
DAVALUE-GILTEDGE GLOBAL BIO FUND NO.1	₩ -	1,000	(6)	-	994
Sprott Global Renewable Private Equity Fund I	-	2,000	(52)	-	1,948
AIP Transportation Specialized Privately Placed Fund Trust #1	-	22,650	323	-	22,973
Lime Neptune Professional Private 6	-	2,500	31	-	2,531
Sprott Global Renewable Private Equity Fund II	-	20,130	(1,115)	-	19,015
One Shinhan Future's Fund 1	-	1,000	(17)	-	983
One Shinhan Global Fund 1	-	2,260	(41)	-	2,219
Shinhan Healthcare Fund 3	-	1,000	(101)	-	899
Shinhan Global Healthcare Fund 2	-	980	415	-	1,395
SHINHAN-CORE TREND GLOBAL FUND 1	-	990	52	-	1,042
VISION US Muni US Local Debt Opportunist Professional Private1	-	9,500	369	-	9,869
Susung Mezzanine project P1 Private Investment Trust	-	2,000	561	-	2,561
BRAIN DO PROFESSIONALE PRIVATE No. 27	-	3,000	65	-	3,065
	₩ 236,858	176,970	18,163	-	431,991

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, 2019 and 2018 are as follows (continued):

		<b>December 31, 2018</b>				
		Beginning balance	Acquisition (Disposal)	Equity method income(loss)	Other comprehensive income (loss)	Ending balance
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

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7. **Investments in associates (continued)**

(b) Changes in investments in associates for the years ended December 31, 2019 and 2018 are as follows (continued):

	<b>December 31, 2018</b>				
	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>

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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, 2019 and 2018 are as follows:

	December 31, 2019				December 31, 2018			
	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)
KoFC Shinhan Frontier Champ 2010-4 PEF	8,630	2,537	115	70	8,714	2,692	317	(5,746)
Korea investment gong-pyeong office real estate investment trust 2nd	2,671	-	28,604	28,603	927	-	4	3
Shinhan Praxis K-Growth Global Private Equity Fund	54,786	185	27,588	13,361	87,897	307	31,059	26,381
Credian Healthcare Private Equity Fund II	7,001	24	1,542	1,031	13,408	47	2,364	2,171
Kiwoom Milestone Professional Private Real Estate Trust 19	59,559	38,744	3,100	470	57,678	36,839	3,383	422
FG EURO GREEN PRIVATE REAL ESTATE TRUST No.3	98,221	86	18,362	7,462	96,624	86	18,700	6,287
Brain Professional Private Trust No.4	-	-	-	-	19,113	46	4,306	2,435
Brain KS Qualified Privately Placed Fund No.6	-	-	-	-	10,089	-	812	477
Hanhwa US Equity Strategy Private Real Estate Fund No.1	59,652	1,750	14,838	3,742	58,575	77	10,098	6,139
GB Private Fund for Professional Investor #3	-	-	-	-	30,117	-	1,260	1,149
Shinhan Display New Technology Fund No.1	217	156	3	(8,370)	8,588	156	3	(1,368)
Shinhan Global Healthcare Fund 1	73,388	701	2,931	(1,722)	74,409	-	4	(2,757)
Brain Asset Management PN Private Investment Trust Fund 13	1,193	1	471	-	4,078	5	459	303

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, 2019 and 2018 are as follows (continued):

	December 31, 2019				December 31, 2018			
	Assets	Liabilities	Operating revenue	Net income (loss)	Assets	Liabilities	Operating revenue	Net income (loss)
Orion Mezzanine Private Investment Trust 4	₩ -	-	-	-	1,580	1	1,008	417
JB Power TL Investment Type Private Placement Special Asset Fund 7	50,468	66	15,476	2,487	52,627	174	9,878	2,607
IBK AONE convertible 1	12,861	-	1,515	410	12,807	307	2,042	1,660
Rico synergy collabo Multi-Mezzanine 3	6,433	2	1,296	856	10,736	161	686	529
KB NA Hickory Private Special Asset Fund	96,289	476	16,132	2,489	91,694	67	9,601	4,877
Shinhan Fintech New Technology Fund No.1	-	-	-	-	11,872	-	1,784	1,622
GB Private Fund for Professional Investor #6	-	-	-	-	9,088	1	1	(13)
Koramco Europe Core Private Placement Real Estate Fund No.2-2	46,742	2,304	9,328	5,462	44,491	2,202	6,470	878
GX SHINHAN INTERVEST 1 <sup>st</sup> Private Equity Fund	131,237	-	1,955	5,283	125,954	-	6	(12,146)
BRAIN SK Privately Placed Fund 21	3,572	10	103	(106)	3,676	8	4	(332)
Nomura-Rifa Private Real Estate Investment Trust No.19	20,211	13,103	820	(14)	20,581	13,090	711	63
Shinhan-Cognitive Start-up Fund L.P.	-	-	-	-	3,107	-	1	(25)
Genesis North America Power Company No.1 PEF	46,041	281	4,323	3,756	52,393	223	1	(1,922)
SHBNPP Venture Professional Investment Type Private Investment Trust No.1	57,849	93	534	(915)	9,988	83	14	(159)
HANA Alternative Eastate Professional Private122	34,897	45	1,561	(3,035)	-	-	-	-

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, 2019 and 2018 are as follows (continued):

	December 31, 2019				December 31, 2018			
	Assets	Liabilities	Operating revenue	Net income (loss)	Assets	Liabilities	Operating revenue	Net income (loss)
NH-amundi global infra private fund 16	₩ 100,513	4,197	4,128	(2,744)	-	-	-	-
Tiger Alternative Real Estate Professional Private5	40,792	103	1,628	(116)	-	-	-	-
IGIS Private Real Estate Investment Trust 286 (2 class)	75,372	51,870	2,838	(798)	-	-	-	-
Friend 23 New Technology Business Investment Fund	2,142	-	48	42	-	-	-	-
Milestone Private Real Estate Fund 3	53,610	3	904	532	-	-	-	-
IMM Global Private Equity Fund 2019 PCC New Technology Fund	90,870	63	-	(63)	-	-	-	-
Rifa Professional Private Real Estate31(2)	99,976	71,507	2,383	(331)	-	-	-	-
DAVALUE- GILTEDGE GLOBAL BIO FUND NO.1	3,379	1	2	(22)	-	-	-	-
Sprott Global Renewable Private Equity Fund I	7,314	3	-	(194)	-	-	-	-
AIP Transportation Specialized Privately Placed Fund Trust #1	94,437	6,042	12,473	1,242	-	-	-	-
Lime Neptune Professional Private 6	10,166	41	460	125	-	-	-	-

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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, 2019 and 2018 are as follows (continued):

	December 31, 2019				December 31, 2018			
	Assets	Liabilities	Operating revenue	Net income (loss)	Assets	Liabilities	Operating revenue	Net income (loss)
Sprott Global Renewable Private Equity Fund II	₩ 82,721	3	1,416	(4,833)	-	-	-	-
One Shinhan Future's Fund 1	7,082	1	8	(119)	-	-	-	-
One Shinhan Global Fund 1	22,244	-	92	(406)	-	-	-	-
Shinhan Healthcare Fund 3	9,345	-	1	(1,055)	-	-	-	-
Shinhan Global Healthcare Fund 2	14,801	-	4,571	4,401	-	-	-	-
SHINHAN-CORE TREND GLOBAL FUND 1	14,971	1	1,002	746	-	-	-	-
VISION US Muni US Local Debt Opportunist Professional Private1	39,175	80	1,308	1,088	-	-	-	-
Susung Mezzanine project P1 Private Investment Trust	10,023	351	2,850	(91)	-	-	-	-
BRAIN DO PROFESSIONALE PRIVATE No. 27	10,305	10	287	(5)	-	-	-	-

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, 2019 and 2018 are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Broker's loans	₩ 1,729,065	1,776,674
Loans for company facilities	2,648,956	2,233,339
Loans for housing	10,885	11,390
Call loans	108	-
Advances for customers	1,952	1,971
Bonds purchased under repurchase agreements	225,584	206,000
Other loans	577	1,058
	<u>4,617,127</u>	<u>4,230,432</u>
Present value discount	(1,165)	(1,222)
Deferred loan origination costs	(9,052)	(13,132)
Balance before deducting provision on credit loss	<u>4,606,910</u>	<u>4,216,078</u>
Allowance for credit loss	(23,821)	(29,506)
Balance after deducting provision on credit loss	₩ <u>4,583,089</u>	<u>4,186,572</u>

(b) Changes in provision credit loss for loans measured at amortized cost for the year ended December 31, 2019 and 2018 are as follows:

	<u>December 31, 2019</u>			
	<u>12 months Expected credit loss</u>	<u>Total period Expected credit loss</u>	<u>Financial asset with impaired credit</u>	<u>Total</u>
Beginning balance	₩ 18,918	8,125	2,463	29,506
Substitution of 12 months of expected credit loss	(736)	736	-	-
Substitution of total period of expected credit loss	-	(50)	50	-
Reversal	(4,104)	(1,568)	(16)	(5,688)
Disposal	(6)	-	-	(6)
Others	9	-	-	9
Ending balance	₩ <u>14,081</u>	<u>7,243</u>	<u>2,497</u>	<u>23,821</u>
	<u>December 31, 2018</u>			
	<u>12 months Expected credit loss</u>	<u>Total period Expected credit loss</u>	<u>Financial asset with impaired credit</u>	<u>Total</u>
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	-	-
Provision (reversal)	8,495	(320)	(17)	8,158
Disposal	(334)	-	-	(334)
Ending balance	₩ <u>18,918</u>	<u>8,125</u>	<u>2,463</u>	<u>29,506</u>

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**8. Loans and loans measured at amortized cost (continued)**

(c) Changes in carrying amount of loan receivables measured at amortized cost for the year ended December 31, 2019 and 2018 are as follows:

	<b>December 31, 2019</b>			
	<b>12 months Expected credit loss</b>	<b>Total period Expected credit loss</b>	<b>Financial asset with impaired credit</b>	<b>Total</b>
Beginning balance	₩ 4,157,001	56,613	2,464	4,216,078
Substitution of 12 months of expected credit loss	(89,527)	89,527	-	-
Substitution of total period of expected credit loss	-	(50)	50	-
Execution and recovery	424,023	(30,175)	(16)	393,832
Disposal	(3,000)	-	-	(3,000)
Ending balance	₩ 4,488,497	115,915	2,498	4,606,910

  

	<b>December 31, 2018</b>			
	<b>12 months Expected credit loss</b>	<b>Total period Expected credit loss</b>	<b>Financial asset with impaired credit</b>	<b>Total</b>
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	586,446	59,822	(17)	646,251
Disposal	(79,250)	-	-	(79,250)
Ending balance	₩ 4,157,001	56,613	2,464	4,216,078

(d) Changes in deferred loan-originating fees for the years ended December 31, 2019 and 2018 are as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Beginning balance	₩ 13,132	9,189
Loan-originating fees incurred	12,479	16,744
Amortization	(16,559)	(12,801)
Ending balance	₩ 9,052	13,132

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**9. Property and equipment**

(a) Details of property and equipment as of December 31, 2019 and 2018 are as follows:

		<b>December 31, 2019</b>		
		<b>Acquisition cost</b>	<b>Accumulated depreciation</b>	<b>Book value</b>
Land	₩	63,877	-	63,877
Buildings		65,256	(24,982)	40,274
Right-of-use assets		21,358	(6,667)	14,691
Others		118,061	(97,604)	20,457
	₩	<u>268,552</u>	<u>(129,253)</u>	<u>139,299</u>
		<b>December 31, 2018</b>		
		<b>Acquisition cost</b>	<b>Accumulated depreciation</b>	<b>Book value</b>
Land	₩	62,764	-	62,764
Buildings		63,160	(22,061)	41,099
Others		115,705	(96,708)	18,997
	₩	<u>241,629</u>	<u>(118,769)</u>	<u>122,860</u>

(b) Changes in property and equipment for the years ended December 31, 2019 and 2018 are as follows:

		<b>December 31, 2019</b>				
		<b>Land</b>	<b>Buildings</b>	<b>Right-of-use assets</b>	<b>Others</b>	<b>Total</b>
Beginning balance(*1)	₩	62,764	41,099	16,580	18,099	138,542
Acquisition(*2)		-	1,727	10,958	10,760	23,445
Disposal		-	-	(1,705)	(71)	(1,776)
Depreciation		-	(2,520)	(11,142)	(8,331)	(21,993)
Transferred from investment property		1,113	(32)	-	-	1,081
	₩	<u>63,877</u>	<u>40,274</u>	<u>14,691</u>	<u>20,457</u>	<u>139,299</u>

(\*1) The conversion effect from the application of K-IFRS No. 1116 is reflected.

(\*2) Acquisition respectively includes ₩ 123 million of provision for restoration liabilities about assets newly acquired for the years ended December 31, 2019.

		<b>December 31, 2018</b>			
		<b>Land</b>	<b>Buildings</b>	<b>Others</b>	<b>Total</b>
Beginning balance	₩	59,636	41,594	20,674	121,904
Acquisition(*1)		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>

(\*1) Acquisition respectively includes ₩ 286 million of provision for restoration liabilities about assets newly acquired for the years ended December 31, 2018.

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**10. Intangible assets**

(a) Changes in intangible assets for the years ended December 31, 2019 and 2018 are as follows:

	December 31, 2019					
	Finite useful lives		Infinite useful lives			Total
	Software	Others	Membership	Settlement system right of use	Goodwill	
Beginning balance	₩ 14,819	76	13,176	19,696	7,904	55,671
Acquisition	6,528	1	3,153	-	-	9,682
Business combination	(1,447)	-	(22)	-	-	(1,469)
Amortization	(7,538)	(27)	-	-	-	(7,565)
Ending balance	₩ 12,362	50	16,307	19,696	7,904	56,319

	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

(b) Changes in goodwill for the years ended December 31, 2019 and 2018 are as follows:

		December 31, 2019	December 31, 2018
Shinhan Securities Vietnam Co., LTD	₩	1,219	1,219
PT Shinhan Sekuritas Indonesia		4,427	4,427
PT Shinhan Asset Management Indonesia		2,258	2,258
Total	₩	7,904	7,904

(c) The aggregate amount of cash-generating unit group with goodwill for the years ended December 31, 2019 are as follows:

		December 31, 2019
Total recoverable amount	₩	77,362
Total book value		73,111
Remaining balance	₩	4,251

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**11. Investment property**

(a) Details of investment property as of December 31, 2019 and 2018 are as follows:

		<b>December 31, 2019</b>		
		Acquisition cost	Accumulated depreciation	Book value
Land	₩	100,113	-	100,113
Buildings		147,684	(31,007)	116,677
	₩	<u>247,797</u>	<u>(31,007)</u>	<u>216,790</u>
		<b>December 31, 2018</b>		
		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>

(b) Changes in investment property for the years ended December 31, 2019 and 2018 are as follows:

		<b>December 31, 2019</b>		
		Land	Buildings	Total
Beginning balance	₩	114,367	182,518	296,885
Acquisition		-	2	2
Disposal		(13,141)	(60,336)	(73,477)
Depreciation		-	(5,539)	(5,539)
Transferred to property and equipment		(1,113)	32	(1,081)
Ending balance	₩	<u>100,113</u>	<u>116,677</u>	<u>216,790</u>
		<b>December 31, 2018</b>		
		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>

(c) Details of income and expense related to investment property for the years ended December 31, 2019 and 2018 are as follows:

		<b>December 31, 2019</b>	<b>December 31, 2018</b>
Rental income	₩	21,250	15,956
Direct operating expenses for investment property that generated rental income		<u>5,539</u>	<u>5,502</u>

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**11. Investment property (continued)**

(d) The fair value of investment property as of December 31, 2019 and 2018 are as follows:

		<u>December 31, 2019</u>	<u>December 31, 2018</u>
Fair value	₩	290,154	380,954

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.

**12. Other assets**

(a) Details of other assets as of December 31, 2019 and 2018 are as follows:

		<u>December 31, 2019</u>	<u>December 31, 2018</u>
Leasehold rights	₩	19,302	22,768
Receivables		2,080,541	1,462,209
Accrued income		131,650	98,446
Prepaid expenses		22,463	10,454
Deposits for guarantees		52,771	45,520
Advance payments		29,139	47,145
Prepaid income tax		5,115	2,028
Receivables from inter-bank fund transfer		58,305	51,202
Others		33,244	4,813
		<u>2,432,530</u>	<u>1,744,585</u>
Allowance for credit loss		(14,326)	(9,977)
Present value discount		(6,601)	(5,366)
	₩	<u>2,411,603</u>	<u>1,729,242</u>

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

		<u>December 31, 2019</u>			
		<u>12 months</u>	<u>Total period</u>	<u>Financial asset</u>	
		<u>Expected credit</u>	<u>Expected</u>	<u>with impaired</u>	<u>Total</u>
		<u>loss</u>	<u>credit loss</u>	<u>credit</u>	
Beginning	₩	100	148	9,729	9,977
Substitute to financial assets with impaired credit		-	(2,047)	2,047	-
Reversal		(95)	2,366	2,073	4,344
Others		-	5	-	5
Ending balance	₩	<u>5</u>	<u>472</u>	<u>13,849</u>	<u>14,326</u>

  

		<u>December 31, 2018</u>			
		<u>12 months</u>	<u>Total period</u>	<u>Financial asset</u>	
		<u>Expected credit</u>	<u>Expected</u>	<u>with impaired</u>	<u>Total</u>
		<u>loss</u>	<u>credit loss</u>	<u>credit</u>	
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>

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**13. Deposits**

Details of deposits as of December 31, 2019 and 2018 are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Customers' deposits		
Customers' deposits for brokerage	₩ 961,416	966,142
Customers' deposits for exchange-traded derivatives trading	520,884	520,102
Customers' deposit subscriptions	13	13
Customers' deposits for savings	6,567	5,461
Customers' deposits for other securities	76	76
Customers' deposits for foreign securities	267,823	192,853
	<u>1,756,779</u>	<u>1,684,647</u>
Guarantee deposits		
Deposits for credit extension	27,686	28,845
Deposits for margin loans	5,511	9,403
	<u>33,197</u>	<u>38,248</u>
	₩ <u>1,789,976</u>	<u>1,722,895</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, 2019 and 2018 are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u> (Restated)
Securities sold	₩ 1,095,293	762,869
Financial liabilities designated at fair value through profit or loss	9,409,456	8,535,800
Derivative liabilities	344,604	565,173
	₩ <u>10,849,353</u>	<u>9,863,842</u>

(b) Details of securities sold as of December 31, 2019 and 2018 are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u> (Restated)
Stocks	₩ 289,666	335,260
Bonds	764,882	395,492
Others	40,745	32,117
	₩ <u>1,095,293</u>	<u>762,869</u>

(c) Details of financial liabilities designated at fair value through profit or loss as of December 31, 2019 and 2018 are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Hybrid instruments		
Equity linked securities sold	₩ 6,880,811	6,439,292
Other derivatives-linked securities sold	2,528,645	2,096,508
	₩ <u>9,409,456</u>	<u>8,535,800</u>

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**14. Financial liabilities at fair value through profit or loss and financial liabilities measured at FVTPL (continued)**

(d) Details of derivative liabilities as of December 31, 2019 and 2018 are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Derivatives in won		
Over the counter:		
Interest rate	₩ 47,288	44,427
Equity	38,590	206,110
Credit	38,457	30,290
Commodity	<u>27,745</u>	<u>58,746</u>
	<u>152,080</u>	<u>339,573</u>
Exchange traded:		
Equity	<u>3,633</u>	<u>17,081</u>
	<u>155,713</u>	<u>356,654</u>
Derivatives in foreign currency		
Over the counter:		
Interest rate	12,881	6,795
Currency	128,116	102,203
Equity	4,729	1,232
Credit	-	82
Commodity	<u>142</u>	<u>82</u>
	<u>145,868</u>	<u>110,394</u>
Exchange traded:		
Interest rate	595	1,569
Equity	32,328	92,540
Commodity	<u>10,100</u>	<u>4,016</u>
	<u>43,023</u>	<u>98,125</u>
	<u>188,891</u>	<u>208,519</u>
	₩ <u>344,604</u>	<u>565,173</u>

**15. Borrowings**

(a) Details of borrowings as of December 31, 2019 and 2018 are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Borrowings	₩ 13,348,644	9,748,483
Debt securities issued	<u>3,422,954</u>	<u>1,736,192</u>
	₩ <u>16,771,598</u>	<u>11,484,675</u>

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**15. Borrowings (continued)**

(b) Details of borrowings as of December 31, 2019 and 2018 are as follows:

	December 31, 2019		December 31, 2018	
	Interest rate (%)	Amount	Interest rate (%)	Amount
Call money (won)	1.28~1.42	₩ 174,000	1.78~2.21	₩ 465,000
Bond sold under repurchase agreements (won)	0.05~1.25	8,077,381	0.50~2.05	6,705,372
Bond sold under repurchase agreements (foreign currency)	1.45~2.35	533,766	1.50~2.30	371,840
Borrowing from bank	2.55	50,000	-	-
Borrowings from KSFC (Short term)	1.45~1.72	102,180	2.01~2.51	346,446
Borrowings from KSFC (Long term)	1.82	170,000	2.27	100,000
Borrowings in foreign currency (Credit limit)	-	-	3.11	19,588
Borrowings in foreign currency (Short term)	3.04	4,596	3.44	4,439
	-	-	6.70	5,736
Others (won)	1.65~2.07	1,725,000	2.27	300,000
	-	2,264,662	-	1,410,360
Others (foreign currency)	2.79	104,202	-	-
	0.00~6.00	142,857	-	19,702
		₩ 13,348,644		₩ 9,748,483

(c) Details of debt securities issued as of December 31, 2019 and 2018 are as follows:

	Interest rate (%)	December 31, 2019	December 31, 2018
Asset Backed Short-Term Bond	1.42~1.94	₩ 2,391,800	805,900
Corporate bond (Foreign)	2.68~3.83	144,318	42,263
	4.17	250,000	250,000
Long-term subordinated bond	3.89	250,000	250,000
	2.79	190,000	190,000
	2.77	200,000	200,000
Discount on corporate bond	-	(376)	(791)
Discount on foreign corporate bond	-	(2,479)	(749)
Discount on subordinated bond	-	(309)	(431)
		₩ 3,422,954	1,736,192

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**16. Provisions**

(b) Changes in provisions for the years ended December 31, 2019 and 2018 are as follows:

		<b>December 31, 2019</b>				
		<b>Provisions for restoration liabilities(*1)</b>	<b>Allowance for litigation</b>	<b>Financial guarantee contract liabilities</b>	<b>Provision for unused limits</b>	<b>Total</b>
Beginning balance	₩	3,784	17,004	9,642	347	30,777
Increases		123	-	413	-	536
Decreases		-	(16,798)	-	-	(16,798)
Provisions		-	-	-	574	574
Reversal		(3)	-	(826)	-	(829)
Ending balance	₩	<u>3,904</u>	<u>206</u>	<u>9,229</u>	<u>921</u>	<u>14,260</u>

  

		<b>December 31, 2018</b>				
		<b>Provisions for restoration liabilities(*1)</b>	<b>Allowance for litigation</b>	<b>Financial guarantee contract liabilities</b>	<b>Provision for unused limits</b>	<b>Total</b>
Beginning balance	₩	3,816	16,798	1,012	1,236	22,862
Increases		286	-	9,642	-	9,928
Provisions		-	206	-	-	206
Reversal		(318)	-	(1,012)	(889)	(2,219)
Ending balance	₩	<u>3,784</u>	<u>17,004</u>	<u>9,642</u>	<u>347</u>	<u>30,777</u>

(\*1) 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, 2019 and 2018 are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Lease liabilities (*1)	₩ 8,099	-
Accounts payable	2,115,348	1,359,127
Accrued expenses	154,557	138,389
Unearned income	50,332	23,965
Deposits for rent	43,081	44,067
Domestic exchanges payable	51,169	46,001
Account for agency business	127	131
Advances from customers	12,149	1,137
Withholding income taxes	29,012	19,493
Others	1,216,966	845,517
	<u>3,680,840</u>	<u>2,477,827</u>
Present value discount	(1,460)	(1,784)
	<u>₩ 3,679,380</u>	<u>2,476,043</u>

(\*1) As of December 31, 2019, the Group treats lease liabilities as other liabilities, and there is no expense equivalent to variable lease payments not included in the measurement of lease liabilities during the current term, cash outflows from leases are ₩ 6,895 million, and interest expenses on lease liabilities are ₩ 307 million.

**18. Net commission income**

Net commission income for the years ended December 31, 2019 and 2018 are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Commission income		
Brokerage commissions	₩ 213,149	283,142
Brokerage commissions on indirect investment		
Securities collective investment securities	49,814	46,038
Underwriting commissions	48,121	48,959
Consulting commissions	37,284	17,620
Commissions on entrusted investments	15,697	13,465
Trust fees and commissions received from trust account	31,121	35,371
Others	89,446	64,236
	<u>484,632</u>	<u>508,831</u>
Commission expense		
Trading commissions	32,233	34,107
Commission on securities borrowed	33,926	30,108
Commission on Shinhan Group brand	5,071	5,108
Partnership commission	7,366	8,118
Others	44,580	36,021
	<u>123,176</u>	<u>113,462</u>
Net commission income	<u>₩ 361,456</u>	<u>395,369</u>

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**19. Net interest income**

Net interest income for the years ended December 31, 2019 and 2018 are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Interest income		
Interest on deposits	₩ 44,207	39,468
Interest on securities measured at FVTPL	316,713	288,435
Interest on loans measured at FVTPL	37,287	10,060
Interest on financial asset measured at FVOCI	28,450	24,767
Interest on loans measured at amortized cost	222,832	184,704
Others	8,671	6,802
	<u>658,160</u>	<u>554,236</u>
Interest expense		
Interest on customers' deposits	8,659	8,575
Interest on borrowings	57,181	27,648
Interest on bonds sold under repurchase agreements	114,311	88,933
Interest on call money	4,654	5,461
Interest on debentures	59,790	32,165
Others	6,313	3,726
	<u>250,908</u>	<u>166,508</u>
Net interest income	₩ <u>407,252</u>	<u>387,728</u>

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

Net gain (loss) on foreign transactions for the years ended December 31, 2019 and 2018 are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Gain on foreign transactions		
Gain on foreign currency transactions	₩ 430,862	311,168
Gain on foreign exchange	64,912	31,038
	<u>495,774</u>	<u>342,206</u>
Loss on foreign transactions		
Loss on foreign currency transactions	440,221	306,267
Loss on foreign exchange	67,675	41,602
	<u>507,896</u>	<u>347,869</u>
Net gain (loss) on foreign transactions	₩ <u>(12,122)</u>	<u>(5,663)</u>

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**21. General and administrative expenses**

General and administrative expenses for the years ended December 31, 2019 and 2018 are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Personnel expenses		
Salary and other benefits for employees	₩ 345,631	326,729
Early retirement	6,328	8,350
Severance pay	19,801	18,959
	<u>371,760</u>	<u>354,038</u>
Depreciation	21,993	11,225
Amortization of intangible assets	7,564	7,159
Others		
Entertainment expense	6,028	5,618
Advertising expense	12,231	9,782
Computer system operation expense	19,075	16,365
Research and study expense	9,062	7,896
Communication expense	8,816	8,782
Maintenance and repairs expense	5,737	4,605
Tax and dues	21,016	31,356
Others	38,290	43,506
	<u>120,255</u>	<u>127,910</u>
	₩ <u>521,572</u>	<u>500,332</u>

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**22. Other operating revenues and expenses**

Other operating revenues and expenses for the years ended December 31, 2019 and 2018 are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Other operating revenues		
Dividends income	₩ 29,771	47,048
Reversal of provisions for restoration liabilities	3	318
Others	14,463	4,266
	<u>₩ 44,237</u>	<u>51,632</u>
Other operating expenses		
Deposit insurance premium	₩ 2,192	1,456
Provisions for other obligation	-	206
Others	4,311	208
	<u>₩ 6,503</u>	<u>1,870</u>

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

Non-operating incomes and expenses for the years ended December 31, 2019 and 2018 are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Non-operating incomes		
Gain on equity method valuation	₩ 33,098	20,596
Gain on disposals of investments in associates	14,427	4,064
Rental income	21,250	15,956
Gain on disposals of property and equipment	5	332
Gain on disposals of intangible assets	1,837	-
Gain on disposals of investment property	12,640	-
Others	6,477	4,610
	<u>₩ 89,734</u>	<u>45,558</u>
Non-operating expenses		
Loss on equity method valuation	₩ 14,935	10,443
Loss on disposals of investments in associates	13,844	13,693
Depreciation of investment property	5,539	5,502
Donations	4,217	1,773
Loss on disposals of property and equipment	45	132
Loss on disposals of intangible assets	2	-
Others	1,535	2,152
	<u>₩ 40,117</u>	<u>33,695</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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**24. Financial instrument classification by category**

(a) Detail of financial instruments' book value as of December 31, 2019 and 2018 are as follows:

	<b>December 31, 2019</b>						
	<b>Financial assets measured at FVTPL</b>	<b>Financial assets measured at FVOCI</b>	<b>Financial asset measured at amortized cost</b>	<b>Financial liabilities measured at FVTPL</b>	<b>Financial liabilities designated at FVTPL</b>	<b>Financial liabilities measured at amortized cost</b>	<b>Total</b>
<b>Assets:</b>							
Cash and due from banks measured at amortized cost	₩ -	-	2,620,662	-	-	-	2,620,662
Financial assets measured at FVTPL	23,007,859	-	-	-	-	-	23,007,859
Financial assets measured at FVOCI	-	2,690,332	-	-	-	-	2,690,332
Loans measured at FVTPL	1,217,303	-	-	-	-	-	1,217,303
Loans measured at amortized cost	-	-	4,583,089	-	-	-	4,583,089
Other financial assets	-	-	2,353,607	-	-	-	2,353,607
	₩ 24,225,162	2,690,332	9,557,358	-	-	-	36,472,852
<b>Liabilities:</b>							
Deposits	₩ -	-	-	-	-	1,789,976	1,789,976
Financial liabilities measured at FVTPL	-	-	-	1,439,897	9,409,456	-	10,849,353
Borrowings	-	-	-	-	-	16,771,598	16,771,598
Other financial liabilities	-	-	-	-	-	3,581,121	3,581,121
	₩ -	-	-	1,439,897	9,409,456	22,142,695	32,992,048

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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**For the years ended December 31, 2019 and 2018**

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**24. Financial instrument classification by category (continued)**

(a) Detail of financial instruments' book value as of December 31, 2019 and 2018 are as follows:

	<b>December 31, 2018 (Restated)</b>						
	<b>Financial assets measured at FVTPL</b>	<b>Financial assets measured at FVOCI</b>	<b>Financial asset measured at amortized cost</b>	<b>Financial liabilities measured at FVTPL</b>	<b>Financial liabilities designated at FVTPL</b>	<b>Financial liabilities measured at amortized cost</b>	<b>Total</b>
<b>Assets:</b>							
Cash and due from banks measured at amortized cost	₩ -	-	2,561,029	-	-	-	2,561,029
Financial assets measured at FVTPL	18,098,473	-	-	-	-	-	18,098,473
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
	₩ 18,582,113	1,215,754	8,415,793	-	-	-	28,213,660
<b>Liabilities:</b>							
Deposits	₩ -	-	-	-	-	1,722,895	1,722,895
Financial liabilities measured at FVTPL	-	-	-	1,328,042	8,535,800	-	9,863,842
Borrowings	-	-	-	-	-	11,484,675	11,484,675
Other financial Liabilities (*1)	-	-	-	-	-	1,585,932	1,585,932
	₩ -	-	-	1,328,042	8,535,800	14,793,502	24,657,344

(\*1) The previous year does not include cash guarantees of ₩ 840,767 million received for derivative transactions.

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**24. Financial instrument classification by category (continued)**

(b) Gains or losses of financial instruments for the years ended December 31, 2019 and 2018 are as follows:

		<u>December 31, 2019</u>	<u>December 31, 2018</u> (Restated)
Financial assets measured at FVTPL			
Gain on valuation	₩	255,628	253,579
Gain on sale		515,151	410,538
Other gains		80,624	57,513
Loss on valuation		(400,216)	(121,067)
Loss on sale		(328,363)	(536,177)
	₩	<u>122,824</u>	<u>64,386</u>
Derivatives			
Gain on valuation	₩	626,018	303,428
Gain on sale		2,556,467	1,930,170
Loss on valuation		(350,023)	(698,086)
Loss on sale		(2,097,865)	(1,724,026)
	₩	<u>734,597</u>	<u>(188,514)</u>
Financial assets measured at FVOCI			
Gain on sale	₩	8,744	2,982
Gain on reversal		244	-
Loss on sale		(2,028)	(2,928)
Loss on reversal		(516)	(615)
Gain on valuation		13,422	7,414
	₩	<u>19,866</u>	<u>6,853</u>
Financial assets measured at amortized cost			
Credit loss reversal	₩	6,341	-
Gain on transfer of credit loss provision		(653)	(8,158)
Gain on transfer of credit loss provision on other assets		(4,344)	(2,354)
	₩	<u>1,344</u>	<u>(10,512)</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
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For the years ended December 31, 2019 and 2018  
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**24. Financial instrument classification by category (continued)**

(b) Gains or losses of financial instruments for the years ended December 31, 2019 and 2018 are as follows (continued):

		<b>December 31, 2019</b>	<b>December 31, 2018</b> <b>(Restated)</b>
Financial liabilities measured at FVTPL			
Gain on valuation	₩	17,494	33,529
Gain on redemption		146,757	325,471
Loss on valuation		(34,406)	(8,390)
Loss on redemption		(182,550)	(187,387)
	₩	<u>(52,705)</u>	<u>163,223</u>
Financial liabilities designated at FVTPL			
Gain on valuation	₩	217,102	478,594
Gain on redemption		25,559	24,956
Loss on valuation		(250,974)	(95,968)
Loss on redemption		(837,734)	(429,529)
	₩	<u>(846,047)</u>	<u>(21,947)</u>
Financial liabilities measured at FVTOCI			
Gain on adjustment of credit risk		(11,621)	2,376
	₩	<u>(857,668)</u>	<u>(19,571)</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.

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.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

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**25. Financial risk management (continued)**

(b) Credit risk

(i) *Maximum exposure to credit risk*

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

Details of the Group's maximum exposure to credit risk without taking account of any collateral held or other credit enhancements as of December 31, 2019 and 2018 are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Deposits and loans measured at amortized cost (*1)		
Bank	₩ 2,115,063	2,238,919
Retail	846,766	836,934
Government	584	1,254
Corporate	4,239,773	3,670,085
Loans measured at FVTPL		
Corporate	1,217,303	483,640
Securities measured at FVTPL		
Debt securities	21,535,837	17,419,633
Financial assets measured at FVOCI		
Debt securities	2,526,670	1,066,648
Derivative assets	677,653	316,246
Other financial assets	2,353,607	1,668,192
	<u>35,513,256</u>	<u>27,701,551</u>
ABCP purchase agreement	361,227	324,776
Other acquisition agreement	242,820	89,598
	<u>604,047</u>	<u>414,374</u>
	<u>₩ 36,117,303</u>	<u>28,115,925</u>

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
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**25. Financial risk management (continued)**

(b) Credit risk

(ii) Details of financial assets at credit risk of impairment as of December 31, 2019 and 2018 are as follows:

	December 31, 2019									
	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	₩ 2,115,063	-	-	-	-	2,115,063	-	2,115,063	-	
Retail	846,756	-	-	14	128	846,898	(132)	846,766	700,923	
Government Corporations	584	-	-	-	-	584	-	584	-	
	2,660,499	1,484,692	69,608	46,293	2,369	4,263,462	(23,689)	4,239,773	2,927,796	
	5,622,902	1,484,692	69,608	46,307	2,497	7,226,006	(23,821)	7,202,186	3,628,719	
Securities at FVOCI										
Debt securities	2,116,466	410,204	-	-	-	2,526,670	-	2,526,670	-	
Other financial assets	2,177,693	-	168,202	8,189	13,849	2,367,933	(14,326)	2,353,607	-	
Ending balance	₩ 9,917,061	1,894,896	237,810	54,496	16,346	12,120,610	(38,147)	12,082,463	3,628,719	

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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, 2019 and 2018 are as follows:

	December 31, 2018									
	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	
Government Corporations	1,254	-	-	-	-	1,254	-	1,254	-	
	1,928,954	1,653,026	-	115,094	2,369	3,699,443	(29,359)	3,670,084	3,064,144	
	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	

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2018 and 2017

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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, 2019 and 2018 are as follows:

		December 31, 2019			
		Credit risk exposure	Provision	Credit risk exposure	Provision
		12 months credit loss			
Grade 1	₩	226,413	-	-	-
Grade 2		134,814	-	242,820	-
Total	₩	361,227	-	242,820	-

  

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

(iv) Concentration by location

Details of concentration by location of due from banks and loans as of December 31, 2019 and 2018 are as follows:

		December 31, 2019				
		Korea	U.S.A	U.K.	Other	Total
Deposits and loans measured at amortized cost						
Banks	₩	1,906,435	66,035	34,509	108,084	2,115,063
Governments		846,766	-	-	-	846,766
Government		584	-	-	-	584
Corporations (all)		3,963,560	7,481	144,875	123,857	4,239,773
Loans measured at FVTPL						
Corporations		1,217,303	-	-	-	1,217,303
Securities at FVTPL						
Debt securities		21,014,764	304,884	831	215,358	21,535,837
Securities at FVOCI		2,509,333	11,489	-	5,848	2,526,670
	₩	31,458,745	389,889	180,215	453,147	32,481,996

  

		December 31, 2018				
		Korea	U.S.A	U.K.	Other	Total
Deposits and loans measured at amortized cost						
Banks	₩	1,993,907	3,929	199,963	41,120	2,238,919
Governments		836,934	-	-	-	836,934
Government		1,254	-	-	-	1,254
Corporations (all)		3,462,575	14,866	86,405	106,239	3,670,085
Loans measured at FVTPL						
Corporations		483,640	-	-	-	483,640
Securities at FVTPL						
Debt securities		17,208,003	72,233	5,603	133,794	17,419,633
Securities at FVOCI		1,066,648	-	-	-	1,066,648
	₩	25,052,960	91,028	291,971	281,153	25,717,112

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

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**25. Financial risk management (continued)**

(b) Credit risk (continued)

(v) Concentration by industry sector

Credit risk exposures for deposits, loan receivables and debt securities are classified and disclosed by the counterparty's industry. In the financial investment business, much of the industry-specific exposure is concentrated in the financial industry. In addition, the management of credit risk for specific sectors is managed by setting exposure limits by counterparties and the same.

Details of concentration by industry sector of due from banks and loans as of December 31, 2019 and 2018 are as follows:

	December 31, 2019							Total
	Finance and insurance	Manu- facturing	Retail and wholesale	Real estate and service	Construction	Others	Retail customers	
Deposits and loans measured at amortized cost								
Banks	₩ 2,115,063	-	-	-	-	-	-	2,115,063
Retail	-	-	-	-	-	-	846,766	846,766
Government Corporations (all)	584	-	-	-	-	-	-	584
Corporations (all)	2,225,321	440,796	73,437	367,025	37,089	1,096,105	-	4,239,773
Loans measured at FVTPL								
Corporations	1,159,413	-	-	-	-	57,890	-	1,217,303
Securities at FVTPL								
Debt securities	14,321,491	996,194	251,194	115,954	66,359	5,784,645	-	21,535,837
Securities at FVOCI	1,906,509	111,120	60,387	-	-	448,654	-	2,526,670
	₩ 21,728,381	1,548,110	385,018	482,979	103,448	7,387,294	846,766	32,481,996

	December 31, 2018							Total
	Finance and insurance	Manu- facturing	Retail and wholesale	Real estate and service	Construction	Others	Retail customers	
Deposits and loans measured at amortized cost								
Banks	₩ 2,238,919	-	-	-	-	-	-	2,238,919
Retail	-	-	-	-	-	-	836,934	836,934
Government Corporations (all)	579	-	-	-	-	675	-	1,254
Corporations (all)	2,009,194	59,750	126,987	324,114	27,829	1,122,211	-	3,670,085
Loans measured at FVTPL								
Corporations	483,640	-	-	-	-	-	-	483,640
Securities at FVTPL								
Debt securities	11,327,449	787,788	150,852	126,700	66,706	4,960,138	-	17,419,633
Securities at FVOCI	881,600	49,983	29,951	-	-	105,114	-	1,066,648
	₩ 16,941,381	897,521	307,790	450,814	94,535	6,188,138	836,934	25,717,112

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2018 and 2017

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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.

An analysis of trading positions VaR as of and for the years ended December 31, 2019 and 2018 are as follows:

		<b>December 31, 2019</b>			<b>December 31, 2019</b>
		<u>Average</u>	<u>Maximum</u>	<u>Minimum</u>	
Interest rate	₩	13,725	20,857	5,671	11,946
Equities		31,330	74,421	15,449	25,691
Foreign exchange		4,107	37,970	368	4,369
Option volatility		9,889	31,711	2,504	9,876
Portfolio diversification					(15,150)
	₩	<u>38,261</u>	<u>85,597</u>	<u>5,779</u>	<u>36,732</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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**25. Financial risk management (continued)**

(c) Market risk (continued)

(i) Trading position Value at Risk (VaR) (continued)

		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>

(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, 2019 and 2018 are as follows:

		December 31, 2019	December 31, 2018
Interest rate VaR	₩	59,430	31,274
Interest rate EaR		124,619	112,093

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

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(In millions of won)

**25. Financial risk management (continued)**

(c) Market risk (continued)

(iii) Foreign exchange risk

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

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

Exposures to foreign exchange risk of foreign currency denominated assets and liabilities as of December 31, 2019 and 2018 are as follows:

	December 31, 2019				
	USD	JPY	EUR	Other	Total
<b>Assets</b>					
Cash and due from banks measured at amortized cost	₩ 606,333	42,034	61,418	139,016	848,801
Financial assets measured at FVTPL	3,321,883	17,199	130,051	68,069	3,537,202
Financial assets measured at FVTOCI	50,286	-	-	-	50,286
Loans measured at amortized cost	133,459	-	-	-	133,459
Other financial assets	425,200	-	-	17,318	442,518
	<u>4,537,161</u>	<u>59,233</u>	<u>191,469</u>	<u>224,403</u>	<u>5,012,266</u>
<b>Liabilities</b>					
Deposits	367,201	8,648	26,633	26,311	428,793
Financial liabilities measured at FVTPL	1,608,939	5,892	8,368	16,265	1,639,464
Borrowings	929,738	-	-	-	929,738
Other financial liabilities	560,079	-	-	10,996	571,075
	<u>3,465,957</u>	<u>14,540</u>	<u>35,001</u>	<u>53,572</u>	<u>3,569,070</u>
Net assets	1,071,204	44,693	156,468	170,831	1,443,196
Off-balance sheet derivative exposure	(3,171,984)	(142,764)	(204,070)	(111,697)	(3,630,515)
Net position	₩ <u>(2,100,780)</u>	<u>(98,071)</u>	<u>(47,602)</u>	<u>59,134</u>	<u>(2,187,319)</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, 2018				
	USD	JPY	EUR	Other	Total
<b>Assets</b>					
Cash and due from banks measured at amortized cost	₩ 380,768	23,230	60,720	192,063	656,781
Trading financial assets measured at FVTPL	2,749,476	998	44,116	33,469	2,828,059
Loans measured at amortized cost	62,679	-	-	-	62,679
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>
<b>Liabilities</b>					
Deposits	286,961	4,824	34,196	27,250	353,231
Financial liabilities measured at FVTPL	1,179,208	-	-	-	1,179,208
Borrowings	405,930	-	-	5,736	411,666
Other financial liabilities (*1)	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 derivative exposure	(989,691)	(99,241)	(81,452)	(83,547)	(1,253,931)
Net position	₩ <u>305,029</u>	<u>(79,837)</u>	<u>(10,812)</u>	<u>109,035</u>	<u>323,415</u>

(\*1) The previous year does not include USD 30,000,000 in cash collateral received for derivative transactions.

The above table summarizes the Group's exposure to foreign currency translation risk as of December 31, 2019 and 2018. Among the items included in the table, the off-balance sheet account is the carrying amount of the financial instruments of the group classified as foreign currency, and the off-balance sheet account is the contracted amount.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2019 and 2018**

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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.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
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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, 2019 and 2018 are as follows:

	December 31, 2019						
	Less than 1 month	1~3 months	3~6 months	6 months ~ 1 year	1~5 years	More than 5 years	Total
Assets:							
Cash and due from bank measured at amortized cost	₩ 1,200,475	70,550	153,245	1,208,128	2,245	3,720	2,638,363
Loans measured at FVTPL	269	121,542	789	84,375	556,898	484,870	1,248,743
Securities measured at FVTPL	20,054,881	238,456	376,128	699,302	851,818	110,053	22,330,638
Derivative assets	677,653	-	-	-	-	-	677,653
Securities measured at FVOCI	2,536,953	-	-	-	-	163,661	2,700,614
Loans measured at amortized cost	389,071	801,665	1,330,635	531,303	1,511,706	203,736	4,768,116
Other financial assets	2,267,452	4,837	15,509	24,296	59,704	2,735	2,374,533
	<u>27,126,754</u>	<u>1,237,050</u>	<u>1,876,306</u>	<u>2,547,404</u>	<u>2,982,371</u>	<u>968,775</u>	<u>36,738,660</u>
Liabilities:							
Deposits	1,790,558	-	-	-	-	-	1,790,558
Financial liabilities measured at FVTPL	1,099,320	-	-	-	-	-	1,099,320
Financial liabilities designated at FVTPL	487,744	110,965	678,041	1,651,198	5,414,943	1,066,565	9,409,456
Derivative liabilities	344,604	-	-	-	-	-	344,604
Borrowings	10,939,530	798,552	929,311	280,535	129,153	285,001	13,362,082
Debt securities issued	2,538,550	2,608	5,041	205,506	776,835	-	3,528,540
Other financial liabilities	3,531,211	12,660	3,173	18,077	17,436	24	3,582,581
	<u>20,731,517</u>	<u>924,785</u>	<u>1,615,566</u>	<u>2,155,316</u>	<u>6,338,367</u>	<u>1,351,590</u>	<u>33,117,141</u>
Net position	₩ 6,395,237	312,265	260,740	392,088	(3,355,996)	(382,815)	3,621,519

The above period has been segmented based on management's judgment. The amounts presented include cash flows of principal and interest, and are classified as the earliest due date when the Group's obligation to pay is based on undiscounted cash flows of financial assets and liabilities. Disposable securities at FVTPL and FVTOCI are classified as the shortest or disposable earliest maturity date and the other securities at FVTOCI are classified according to maturity. (Refer to note 36 for details of the remaining period of the lease liability)

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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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, 2019 and 2018 are as follows:

	December 31, 2018 (Restated)						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	16,423,089	35,278	29,278	350,523	794,330	150,261	17,782,759
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>21,326,615</u>	<u>867,872</u>	<u>1,481,289</u>	<u>2,169,065</u>	<u>2,054,774</u>	<u>564,686</u>	<u>28,464,301</u>
Liabilities:							
Deposits	1,723,420	-	-	-	-	-	1,723,420
Financial liabilities measured at FVTPL	765,512	-	-	-	-	-	765,512
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>15,106,926</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>24,804,978</u>
Net position	₩ <u>6,219,689</u>	<u>450,098</u>	<u>1,250,713</u>	<u>980,586</u>	<u>(4,018,077)</u>	<u>(1,223,686)</u>	<u>3,659,323</u>

(\*1) The previous year does not include cash guarantees of ₩ 840,767 million received for derivative transactions.

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.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

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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, 2019 and 2018 are as follows:

		December 31, 2019						
		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	₩	361,227	-	-	-	-	-	361,227
Loan commitments and other credit liabilities		1,098,774	-	-	-	-	-	1,098,774
	₩	1,460,001	-	-	-	-	-	1,460,001
		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
	₩	1,512,979	-	-	-	-	-	1,512,979

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2019 and 2018

(In millions of won)

**25. Financial risk management (continued)**

*(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, 2019 and 2018 are as follows:

		<b>December 31, 2019</b>	<b>December 31, 2018</b>
1. Net capital	₩	3,950,288	2,950,177
Net assets (*1)		4,240,002	3,356,816
Adjustment(-)		760,479	969,340
Adjustment(+)		470,765	562,701
2. Total risk		2,307,750	1,866,257
Market risk		1,328,621	1,183,120
Credit risk		869,606	588,821
Operating risk		109,524	94,316
3. Surplus capital : (1 - 2)		1,642,538	1,083,920
4. Legal capital		192,750	194,300
5. Obligated capital for maintenance	₩	134,925	136,010
6. Net capital ratio : (3 / 5) X 100(%)(*2)		1,217.37	796.94

(\*1) The net asset value is based on the consolidated financial statement.

(\*2) Net capital ratio based on consolidated financial statements

*(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.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2019 and 2018**

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**25. Financial risk management (continued)**

(f) Measurement of fair value (continued)

(i) *Financial instruments measured at amortized cost*

① The method of measuring the fair value of financial instruments measured at amortized cost is as follows:

<u>Type</u>	<u>Measurement methods of fair value</u>
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

**Notes to the Consolidated Financial Statements**

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**25. Financial risk management (continued)**

(f) Measurement of fair value (continued)

(i) Financial instruments measured at amortized cost (continued)

② The financial instruments measured at amortized cost as of December 31, 2019 and 2018 are as follows:

		December 31, 2019				
		Book value				
		Balance	Unamortized balance	Allowance	Total	Fair value
<b>Assets</b>						
Cash and due from banks						
measured at amortized cost:						
	Cash and cash equivalents	₩ 709,010	-	-	709,010	709,010
	Due from banks	1,911,652	-	-	1,911,652	1,911,652
		<u>2,620,662</u>	<u>-</u>	<u>-</u>	<u>2,620,662</u>	<u>2,620,662</u>
Loans measured at amortized cost:						
	Retail	1,426,465	(1,165)	(132)	1,425,168	1,425,168
	Corporate	3,190,662	(9,052)	(23,689)	3,157,921	3,157,921
		<u>4,617,127</u>	<u>(10,217)</u>	<u>(23,821)</u>	<u>4,583,089</u>	<u>4,583,089</u>
	Other financial assets	2,374,534	(6,601)	(14,326)	2,353,607	2,352,696
		<u>₩ 9,612,323</u>	<u>(16,818)</u>	<u>(38,147)</u>	<u>9,557,358</u>	<u>9,556,447</u>
<b>Liabilities</b>						
	Deposits	₩ 1,789,976	-	-	1,789,976	1,789,976
Borrowings:						
	Call money	174,000	-	-	174,000	174,000
	Bonds sold under repurchase agreements	8,611,147	-	-	8,611,147	8,611,147
	Borrowings	4,563,497	-	-	4,563,497	4,563,497
	Debt securities issued	3,426,118	(3,164)	-	3,422,954	3,477,710
		<u>16,774,762</u>	<u>(3,164)</u>	<u>-</u>	<u>16,771,598</u>	<u>16,826,354</u>
	Other financial liabilities	3,582,581	(1,460)	-	3,581,121	3,581,344
		<u>₩ 22,147,319</u>	<u>(4,624)</u>	<u>-</u>	<u>22,142,695</u>	<u>22,197,674</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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**25. Financial risk management (continued)**

(f) Measurement of fair value (continued)

(i) Financial instruments measured at amortized cost (continued)

② The financial instruments measured at amortized cost as of December 31, 2019 and 2018 are as follows (continued):

		December 31, 2018				
		Book value				
		Balance	Unamortized balance	Allowance	Total	Fair value
<b>Assets</b>						
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>
<b>Liabilities</b>						
	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)	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>14,841,824</u>

(\*1) The previous year does not include cash guarantees of ₩840,767 million received for derivative transactions.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the years ended December 31, 2019 and 2018

(In millions of won)

**25. Financial risk management (continued)**

(f) Measurement of fair value (continued)

(i) Financial instruments measured at amortized cost (continued)

③ 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, 2019 and 2018 are as follows:

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash and due from banks measured at amortized cost:				
Cash and cash equivalents	₩ 709,010	-	-	709,010
Deposits measured at amortized cost	1,911,652	-	-	1,911,652
Loans measured at amortized cost:				
Retail	-	-	1,425,168	1,425,168
Corporate	108	-	3,157,813	3,157,921
Other financial assets	526,799	-	1,825,897	2,352,696
₩	<u>3,147,569</u>	<u>-</u>	<u>6,408,878</u>	<u>9,556,447</u>
<b>Liabilities</b>				
Deposits	₩ 1,789,976	-	-	1,789,976
Call money	174,000	-	-	174,000
Bonds sold under repurchase agreements	6,647,661	-	1,963,486	8,611,147
Borrowings	-	-	4,563,497	4,563,497
Debt (Won)	-	-	3,333,393	3,333,393
Debt (Foreign)	-	-	144,317	144,317
Other financial liabilities	526,685	-	3,054,659	3,581,344
₩	<u>9,138,322</u>	<u>-</u>	<u>13,059,352</u>	<u>22,197,674</u>
<b>December 31, 2018</b>				
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash and due from banks measured at amortized cost:				
Cash and cash equivalents	₩ 259,818	-	-	259,818
Deposits measured at amortized cost	2,301,211	-	-	2,301,211
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>
<b>Liabilities</b>				
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 (*1)	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>

(\*1) The previous year does not include the ₩840,767 million in cash collateral received for derivative transactions.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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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

① 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, 2019 and 2018 are as follows:

	<b>December 31, 2019</b>			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets measured at FVTPL:				
Debt securities	₩ 3,152,246	10,435,581	460,610	14,048,437
Equity securities	626,582	-	167,787	794,369
Deposits	-	1,103,050	-	1,103,050
Loans	-	-	1,217,303	1,217,303
Others	917,945	3,163,762	2,302,643	6,384,350
Derivative assets:				
Trading purpose	35,711	185,080	456,862	677,653
Financial assets measured at FVOCI				
Debt securities	637,251	1,889,420	-	2,526,671
Equity securities	-	-	163,661	163,661
Total financial assets:	₩ <u>5,369,735</u>	<u>16,776,893</u>	<u>4,768,866</u>	<u>26,915,494</u>
<b>Liabilities</b>				
Trading financial liabilities at FVTPL:				
Securities sold	₩ 1,095,294	-	-	1,095,294
Derivative liabilities:				
Trading purpose	46,656	182,968	114,980	344,604
Financial liabilities designated at fair value through profit or loss:				
Derivatives-combined securities sold	-	897,967	8,511,488	9,409,455
Total financial liabilities:	₩ <u>1,141,950</u>	<u>1,080,935</u>	<u>8,626,468</u>	<u>10,849,353</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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**25. Financial risk management (continued)**

(f) Measurement of fair value (continued)

(ii) Financial instruments measured at fair value

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, 2019 and 2018 are as follows:

	<b>December 31, 2018 (Restated)</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Financial assets measured at FVTPL:				
Debt securities	₩ 2,749,115	8,803,708	274,067	11,826,890
Equity securities	273,158	-	89,436	362,594
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:	₩ <u>3,792,691</u>	<u>14,515,602</u>	<u>1,489,575</u>	<u>19,797,868</u>
<b>Liabilities</b>				
Trading financial liabilities at FVTPL:				
Securities sold	₩ 762,869	-	-	762,869
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:	₩ <u>878,075</u>	<u>1,868,835</u>	<u>7,116,933</u>	<u>9,863,843</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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**25. Financial risk management (continued)**

(f) Measurement of fair value (continued)

(ii) Financial instruments measured at fair value

② Changes in level 3 of the fair value hierarchy for the years ended December 31, 2019 and 2018 are as follows:

		December 31, 2019					
		Loans measured at FVTPL	Securities measured at FVTPL	Financial assets designated at FVOCI	Financial liabilities designated at FVTPL	Derivative instrum ents	Total
Beginning balance	₩	-	1,228,000	149,105	(6,833,737)	(170,726)	(5,627,358)
Total income		-	(18,674)	14,556	(840,248)	482,643	(361,723)
Profit or loss(*1)		-	(18,674)	-	(826,594)	482,643	(362,625)
Other comprehensive income		-	-	14,556	(13,654)	-	902
Purchases and issuances		1,217,303	2,281,503	-	(8,821,680)	534	(5,322,340)
Sales and settlements		-	(709,055)	-	7,984,176	29,431	7,304,552
Transferred from level 3		-	149,267	-	-	-	149,267
Ending balance	₩	1,217,303	2,931,041	163,661	(8,511,489)	341,882	(3,857,602)

		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 income		-	3,102	235	-	3,337	
Purchases and issuances		849,380	-	(7,127,670)	616	(6,277,674)	
Sales and settlements		(649,653)	-	7,557,362	(152,152)	6,755,557	
Transferred from level 3		(985)	-	-	-	(985)	
Ending balance	₩	1,228,000	149,106	(6,833,737)	(170,726)	(5,627,357)	

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**25. Financial risk management (continued)**

(f) Measurement of fair value (continued)

(ii) Financial instruments measured at fair value (continued)

② Changes in level 3 of the fair value hierarchy for the years ended December 31, 2019 and 2018 are as follows (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, 2019 and 2018, are included in the accounts of the statements of comprehensive income, of which the amounts and the related accounts are as follows:

	December 31, 2019		December 31, 2018	
	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	₩ 463,968	(19,846)	(142,172)	(330,282)
Gain(loss) on financial liabilities designated at FVTPL	(826,594)	(66,113)	10,090	392,096
	₩ (362,626)	(85,959)	(132,082)	61,814

③ Deferred profit and loss

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, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Beginning balance	₩ (121,603)	(132,464)
New transactions	(174,400)	(89,123)
Amounts recognized in profit or loss during the period	128,899	99,984
Ending balance	₩ (167,104)	(121,603)

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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**25. Financial risk management (continued)**

(f) Measurement of fair value (continued)

(iii) Valuation techniques and unobservable inputs in the market

① Information about valuation technique and inputs used at December 31, 2019 and 2018 in the fair value measurement of financial instruments classified as level 2 are as follows:

Type of financial instrument	Valuation technique	December 31, 2019	Inputs
<b>Assets</b>			
Financial assets measured at FVTPL	DCF(*) ₩	14,702,393	Discount rate Price of underlying assets
Derivative assets	DCF(*)	185,080	Discount rate Price of underlying assets
Securities measured at FVOCI	DCF(*)	1,889,420	Discount rate
	₩	16,776,893	
<b>Liabilities</b>			
Derivative liabilities	DCF(*) ₩	182,968	Discount rate Price of underlying assets
Financial liabilities designated at fair value through profit or loss	DCF(*)	897,967	Discount rate Price of underlying assets
	₩	1,080,935	
Type of financial instrument	Valuation technique	December 31, 2018	Inputs
<b>Assets</b>			
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
	₩	14,515,602	
<b>Liabilities</b>			
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
	₩	1,868,835	

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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**25. Financial risk management (continued)**

(f) Measurement of fair value (continued)

(iii) Valuation techniques and unobservable inputs in the market

② Information about valuation technique and significant unobservable inputs used at December 31, 2019 and 2018 in the fair value measurement of financial instruments classified as level 3 are as follows:

Type of financial instrument	Valuation technique	December 31, 2019	Significant unobservable inputs	Range
<b>Assets</b>				
Trading assets measured at FVTPL	DCF	₩ 4,148,343	The volatility of the underlying asset	Discount rate : 9.4%~12.6% Growth rate : 0% ~ 2%
Derivative assets	Option model(*1)	456,862	The volatility of the underlying asset, correlations	The volatility of the underlying asset : 0.0000~0.55768
Securities measured at FVOCI	DCF	163,661	Discount rate, Growth rate	Correlations : -0.42286~0.92720
		₩ <u>4,768,866</u>		
<b>Liabilities</b>				
Derivative liabilities	Option model(*1)	₩ 114,980	The volatility of the underlying asset, correlations	The volatility of the underlying asset : 0.0000~1.40191
Financial liabilities designated at FVTPL	Option model(*1)	8,511,488	The volatility of the underlying asset, correlations	Correlations : -0.46358~0.92720
		₩ <u>8,626,468</u>		

(\*1) 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.

Type of financial instrument	Valuation technique	December 31, 2018	Significant unobservable inputs	Range
<b>Assets</b>				
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(*1)	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>		
<b>Liabilities</b>				
Derivative liabilities	Option model(*1)	₩ 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(*1)	283,196	The volatility of the underlying asset, correlations	Correlations : -0.42286~0.92851
		₩ <u>7,116,933</u>		

(\*1) 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.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2019 and 2018

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**25. Financial risk management (continued)**

(f) Measurement of fair value (continued)

(iv) Sensitivity to changes in input variables that are not observable

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:

	<b>December 31, 2019</b>	
	<b>Favorable changes</b>	<b>Unfavorable changes</b>
Financial assets at fair value through profit or loss(*1)		
Financial assets measured at FVTPL	₩ 10,656	(9,924)
Derivative assets	24,194	(20,980)
Securities measured at FVOCI(*2)	15,859	(10,387)
	<u>₩ 50,709</u>	<u>(41,291)</u>
Financial liabilities at fair value through profit or loss(*1)		
Financial liabilities designated at FVTPL	₩ 55,224	(53,294)
Derivative liabilities	9,695	(11,917)
	<u>₩ 64,919</u>	<u>(65,211)</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%).

	<b>December 31, 2018</b>	
	<b>Favorable changes</b>	<b>Unfavorable changes</b>
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>(41,001)</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>

(\*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%).

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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**25. Financial risk management (continued)**

(h) Offsetting financial assets and financial liabilities

Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2019 and 2018 are as follows:

	<b>December 31, 2019</b>					
	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	
<b>Assets</b>						
Derivatives, etc.	₩ 500,521	-	500,521	(149,540)	(251,675)	99,306
Bonds purchased under repurchase agreements	9,476,157	-	9,476,157	(8,846,731)	-	629,426
Securities loaned	30,242	-	30,242	(30,242)	-	-
Domestic exchange settlement debit	526,799	-	526,799	(526,653)	-	146
Other financial instruments	<u>1,320,704</u>	<u>(1,319,365)</u>	<u>1,339</u>	<u>-</u>	<u>-</u>	<u>1,339</u>
	<u>₩ 11,854,423</u>	<u>(1,319,365)</u>	<u>10,535,058</u>	<u>(9,553,166)</u>	<u>(251,675)</u>	<u>730,217</u>
<b>Liabilities</b>						
Derivatives, etc.	₩ 10,832,115	-	10,832,115	(565,709)	(1,000)	10,265,406
Bonds purchased under repurchase agreements	8,621,147	-	8,621,147	(8,621,147)	-	-
Securities borrowed	1,095,294	-	1,095,294	(1,095,294)	-	-
Domestic exchange settlement pending	526,685	-	526,685	(526,653)	-	32
Other financial instruments	<u>1,375,977</u>	<u>(1,319,365)</u>	<u>56,612</u>	<u>-</u>	<u>-</u>	<u>56,612</u>
	<u>₩ 22,451,218</u>	<u>(1,319,365)</u>	<u>21,131,853</u>	<u>(10,808,803)</u>	<u>(1,000)</u>	<u>10,322,050</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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**25. Financial risk management (continued)**

(h) Offsetting financial assets and financial liabilities

Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2019 and 2018 are as follows:

	December 31, 2018 (Restated)					
	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	
<b>Assets</b>						
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
	₩ 9,157,508	(1,268,779)	7,888,729	(7,483,408)	(19,243)	386,078
<b>Liabilities</b>						
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	725,896	-	725,896	(725,896)	-	-
Domestic exchange settlement pending	74,638	-	74,638	(74,553)	-	85
Other financial instruments	1,276,841	(1,268,779)	8,062	-	-	8,062
	₩ 19,126,806	(1,268,779)	17,858,027	(8,900,247)	-	8,957,780

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
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**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)

(b) Operating income and net income for each operating segment for the years ended December 31, 2019 and 2018 are as follows:

	December 31, 2019					
	Sales promotion / WM	Wholesale	GIB	GMS	Other	Total
Net operating income						
Net fees and commission income (loss)	₩ 237,808	62,662	202,218	(2,556)	(138,676)	361,456
Net gain on financial instruments, net interest income, and others	80,011	9,325	44,644	144,629	170,582	449,191
General and administrative expenses	283,124	41,339	95,879	85,379	15,851	521,572
Gain Before Extraordinary Gains/Losses and Income Taxes	34,695	30,648	150,983	56,694	16,055	289,075
Income tax expense (benefit)	9,541	8,428	41,520	15,591	(6,769)	68,311
Profit for the year(*1)	₩ 25,154	22,220	109,463	41,102	22,824	220,764

(\*1) Other includes ₩86 million of profit from non-controlling interest

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**26. Operating Segments**

(b) Operating income and net income for each operating segment for the years ended December 31, 2019 and 2018 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

(\*1) Other includes ₩3 million of profit from non-controlling interest

(c) The main assets for each operating segment as of December 31, 2019 and 2018 are as follows:

	December 31, 2019					
	Sales promotion/ WM	Wholesale	GIB	GMS	Other	Total
Cash and due from banks measured at amortized cost	₩ 1,043	1,459	-	1,493,784	1,124,376	2,620,662
Financial assets measured at FVTPL	246	1,005,014	1,093,355	17,989,347	4,137,200	24,225,162
Financial assets measured at FVOCI	-	-	-	2,502,847	187,485	2,690,332
Investments in associates	-	-	190,942	241,049	-	431,991
Loans	1,680,973	-	2,013,359	647,652	241,105	4,583,089
Total	₩ 1,682,262	1,006,473	3,297,656	22,874,679	5,690,166	34,551,236

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
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**26. Operating Segments (continued)**

(c) The main assets for each operating segment as of December 31, 2019 and 2018 are as follows:

	December 31, 2018 (Restated)					
	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	618,697	625,725	15,353,909	1,983,399	18,582,113
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	₩ 1,743,340	628,818	2,616,726	18,821,383	2,972,058	26,782,325

**27. Income tax expense**

(a) The components of income tax expense of the Group for the years ended December 31, 2019 and 2018 are as follows:

		December 31, 2019	December 31, 2018
Current income tax expense	₩	62,262	106,098
Changes in deferred tax arising from temporary differences		5,609	(3,897)
Deferred income tax adjustment charged or credited directly to equity		440	(6,763)
Income tax expense	₩	68,311	95,438

(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, 2019 and 2018 for the following reasons:

		December 31, 2019	December 31, 2018
Income before income taxes	₩	289,075	346,706
Tax rates		27.50%	27.50%
Income taxes at statutory tax rates		79,496	95,344
Adjustments :			
Non-taxable income		(523)	(301)
Non-deductible expense		1,349	1,162
Consolidated tax return adjustment		3,672	1,130
Income tax payments (refunds) related to prior year		(6,128)	(1,868)
Effect of change in tax rate		(9,173)	1,392
Others		(382)	(1,421)
Income tax expense	₩	68,311	95,438
Effective tax rate		23.63%	27.53%

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**27. Income tax expense (continued)**

(c) Changes in deferred tax assets (liabilities) for the years ended December 31, 2019 and 2018 are as follows:

	<b>December 31, 2019</b>			
	<b>Beginning balance</b>	<b>Net income</b>	<b>Accumulated other comprehensive income (capital adjustments)</b>	<b>Ending balance</b>
Stocks measured at FVTPL	₩ (14,327)	(68,576)	-	(82,903)
Bonds measured at FVTPL	(2,781)	(5,539)	-	(8,320)
Derivatives-linked securities	2,359	(3,775)	-	(1,416)
Derivatives-linked securities sold	(143,863)	117,454	-	(26,409)
Exchange traded derivatives	(3,854)	12,714	-	8,860
Over the counter derivatives	138,409	(134,781)	-	3,628
Other financial assets measured at FVTPL	1	(1)	-	-
Other financial liabilities measured at FVTPL	(8,523)	(1,527)	-	(10,050)
Financial assets measured at FVOCI	(30,152)	972	(3,675)	(32,855)
Investments in associates	4,007	62,197	614	66,818
Allowance for credit loss	245	-	-	245
Property and equipment and investment property	(35,572)	162	-	(35,410)
Intangible assets	(5,418)	280	-	(5,138)
Accrued income	(14,078)	(2,111)	-	(16,189)
Accounts payable and accrued expenses	14,357	3,101	305	17,763
Provisions	9,466	1,295	-	10,761
Day 1 profit or loss	54,802	16,559	-	71,361
Amortization of up-front fee	3,599	(1,065)	-	2,534
Net gain (loss) on foreign exchange translations	3,553	(3,244)	-	309
Credit risk of financial liabilities	559	-	3,196	3,131
Others	3,831	(164)	-	3,667
	<b>₩ (24,004)</b>	<b>(6,049)</b>	<b>440</b>	<b>(29,613)</b>

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**27. Income tax expense (continued)**

(c) Changes in deferred tax assets (liabilities) for the years ended December 31, 2019 and 2018 are as follows:

	<b>December 31, 2018 (Restated)</b>			
	<b>Beginning balance (*1)</b>	<b>Net income</b>	<b>Accumulated other comprehensive income (capital adjustments)</b>	<b>Ending balance</b>
Stocks measured at FVTPL	₩ (3,489)	(10,838)	-	(14,327)
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	5,971	(14,494)	-	(8,523)
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)
Accounts 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
	<b>₩ (27,931)</b>	<b>10,660</b>	<b>(6,763)</b>	<b>(24,004)</b>

(\*1) Changes in deferred income tax assets (liabilities) resulting from application of K-IFRS No. 1109 and No. 1115 have been reflected.

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**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, 2019 and 2018 are as follows:

	December 31, 2019				
	Current period	Deferred tax liability	Prior Period	Deferred tax liability	Change in deferred tax
Gain on financial asset measured at FVOCI	₩ 148,829	(40,928)	135,465	(37,253)	(3,675)
Credit risk on financial liabilities	(11,386)	3,131	235	(65)	3,196
Foreign currency translation differences	2	(1)	2	(1)	-
Share of the other comprehensive loss of associates	(896)	624	(4,158)	10	614
Stock option (Capital adjustments)	587	(161)	1,696	(466)	305
	<u>₩ 137,136</u>	<u>(37,335)</u>	<u>133,240</u>	<u>(37,775)</u>	<u>440</u>

	December 31, 2018				
	Current period	Deferred tax liability	Prior Period(*1)	Deferred tax liability(*1)	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>

(\*1) The amount has been adjusted according to K-IFRS No. 1109.

(e) The deductible temporary differences which were not recognized as deferred tax assets (liabilities) as of December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Investments in subsidiaries	₩ 10,247	(651)

(f) The current tax assets (liabilities) and deferred tax assets (liabilities) presented on a gross basis prior to any offsetting as of December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018 (Restated)
Deferred tax assets	₩ 109,409	147,451
Deferred tax liabilities	(139,709)	(171,456)
Current tax assets	-	-
Current tax liabilities	4,523	12,179

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**28. Derivatives**

(a) Details of the notional amounts of derivatives as of December 31, 2019 and 2018 are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Interest rates		
Over the counter:		
Interest rate swaps	₩ 5,449,493	3,798,837
Interest rate options	206,000	294,000
	<u>5,655,493</u>	<u>4,092,837</u>
Exchange traded:		
Interest rate futures	2,163,388	1,444,920
Interest rate swaps	24,538,200	21,679,300
	<u>26,701,588</u>	<u>23,124,220</u>
Foreign exchange		
Over the counter:		
Currency forwards	19,380,504	13,673,372
Currency swaps	2,774,670	1,048,460
Currency options	23,735	2,939
	<u>22,178,909</u>	<u>14,724,771</u>
Exchange traded:		
Currency futures	1,010,404	403,172
	<u>1,010,404</u>	<u>403,172</u>
Equity		
Over the counter:		
Equity swap	4,255,831	5,134,004
Equity options	111,403	167,509
	<u>4,367,234</u>	<u>5,301,513</u>
Exchange traded:		
Equity futures	861,293	600,896
Equity options	3,980,363	2,656,494
	<u>4,841,656</u>	<u>3,257,390</u>
Credit		
Over the counter:		
Credit swap	3,332,835	2,177,368
TRS Swap	2,071,422	1,663,292
	<u>5,404,257</u>	<u>3,840,660</u>
Commodity		
Over the counter:		
Commodity forwards	-	3,991
Commodity swaps	583,080	728,882
Commodity options	-	4,780
	<u>583,080</u>	<u>737,653</u>
Exchange traded:		
Commodity futures	344,329	245,751
	<u>₩ 71,086,949</u>	<u>55,727,967</u>

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**28. Derivatives (continued)**

(b) Details of the gain (loss) on valuation of derivatives for the years ended December 31, 2019 and 2018 are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Interest rates		
Over the counter:		
Interest rate swaps	₩ (55,520)	16,158
Interest rate options	(2,237)	(1,459)
	<u>(57,757)</u>	<u>14,699</u>
Exchange traded:		
Interest rate futures	102	(1,157)
Foreign exchange		
Over the counter:		
Currency forwards	23,507	(13,721)
Currency swaps	2,215	(2,312)
Currency options	179	13
	<u>25,901</u>	<u>(16,020)</u>
Exchange traded:		
Currency futures	-	11
Equity		
Over the counter:		
Equity swap	46,770	(271,457)
Equity options	582	2,738
	<u>47,352</u>	<u>(268,719)</u>
Exchange traded:		
Equity futures	(2,099)	15,159
Equity options	58,368	(44,036)
	<u>56,269</u>	<u>(28,877)</u>
Credit		
Over the counter:		
Credit swap	1,480	4,478
TRS Swap	212,275	(21,992)
	<u>213,755</u>	<u>(17,514)</u>
Commodity		
Over the counter:		
Commodity forwards	-	(25)
Commodity swaps	(1,897)	(81,298)
Commodity options	29	33
	<u>(1,868)</u>	<u>(81,290)</u>
Exchange traded:		
Commodity futures	(7,759)	4,209
	<u>₩ 275,995</u>	<u>(394,658)</u>

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**29. Pledged Assets**

Assets pledged as collateral as of December 31, 2019 and 2018 are as follows:

		December 31, 2019						
		Pledged for						
	ELS/DLS sold	Borrowing	Derivative	Securities borrowed	RP	Lease	Other	Total
Due from banks at amortized cost	₩ 35,000	107,000	1,000	812,000	-	-	115,161	1,070,161
Financial assets measured at FVTPL	2,451,114	-	1,297,998	3,343,675	7,922,253	-	1,017	15,016,057
Financial assets measured at FVOCI	-	-	101,979	481,926	1,318,320	-	-	1,902,225
Property	-	16,800	-	-	-	96,787	-	113,587
	₩ <u>2,486,114</u>	<u>123,800</u>	<u>1,400,977</u>	<u>4,637,601</u>	<u>9,240,573</u>	<u>96,787</u>	<u>116,178</u>	<u>18,102,030</u>

  

		December 31, 2018 (Restated)						
		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	2,685,957	6,703,935	-	37,188	11,379,896
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>4,102,841</u>	<u>7,342,239</u>	<u>96,939</u>	<u>127,188</u>	<u>13,837,076</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, 2019 and 2018 are ₩9,240,573 million ₩7,342,239 million, respectively.

**30. Share-based payments**

(a) Details of performance shares granted as of December 31, 2019 are as follows:

	Descriptions
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, 2019	219,325 shares

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**30. Share-based payments (continued)**

(b) Number of shares granted and fair value at grant date as of December 31, 2019 are as follows

Grant date	Number of shares granted	Fair value(*1)	Number of shares estimated(*2)
January 1, 2015	43,800	44,500	-
March 30, 2015	3,200	41,200	-
January 1, 2016	55,500	39,000	39,486
March 26, 2016	3,800	41,100	2,233
October 27, 2016	1,900	43,850	296
January 1, 2017	53,100	45,300	38,542
March 17, 2017	10,600	49,750	7,419
July 6, 2017	6,000	49,200	2,773
January 1, 2018	52,400	49,400	43,838
January 23, 2018	9,000	53,000	7,700
January 24, 2018	5,100	52,700	4,426
January 1, 2019	75,190	39,400	58,123
January 21, 2019	7,242	40,600	6,246
March 26, 2019	11,976	42,750	8,243
	338,808	-	219,325

(\*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.

(c) Stock compensations costs (benefits) calculated as of and for the years ended December 31, 2019 are as follows:

	<b>December 31, 2019</b>
<i>(In number of shares)</i>	Performance shares
Compensation costs recorded for the period	₩ 2,803
Accrued expenses (benefits) related to compensation cost	9,437

(d) Book value of liabilities and intrinsic value of liabilities regarding share-based payment as of December 31, 2019 are as follows:

	<b>December 31, 2019</b>	
<i>(In Won, except number of shares)</i>	Accrued expenses	Intrinsic value
Performance shares	₩ 9,437	9,437

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**31. Commitments and contingencies**

(a) As of December 31, 2019, the Group has faced with pending lawsuits are as follows:

December 31, 2019			
Lawsuits	Plaintiff	Details	Amount
Compensation for loss	An individual	Violation of operating instruction of special money trust	₩ 1,246
Compensation for loss	An individual	User responsibilities related to taxation due to insufficient consultation	2,612
Claim amount for reimbursement/indemnity	KB INSURANCE CO.,LTD.	Claiming compensation for a hacking accident	3
			₩ <u>3,861</u>

The Group recognized provisions of ₩206 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.

(b) Supplementing funds and purchase commitments

(i) in Won,

Company	Underlying asset	Amount	Date of agreements	Date of maturity
Credit offering				
Angelest the 5, 6, 7st L.L.C	Preferred stock and TRS contracts	₩ 15,000	October 9, 2019	October 10, 2022
Mainstream the 8th L.L.C	Loans	25,000	July 4, 2018	July 4, 2023
Shinhan Creative Financing 3rd Co.,Ltd	Private placed bond	11,000	November 22, 2018	November 22, 2020
Smart financing 2nd Co.,Ltd	Loans	6,300	October 8, 2019	October 8, 2020
		<u>57,300</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	28,000	March 13, 2019	January 1, 2023
		<u>113,000</u>		
Commitments on purchase of beneficial certificates				
Smart financing 7th Co.,Ltd	Loans	15,000	May 31, 2019	May 31, 2021
Smart financing 8th Co.,Ltd	Loans	5,100	June 27, 2019	June 28, 2021
Smart financing 11th Co.,Ltd	Loans	15,000	September 27, 2019	September 27, 2021
		<u>35,100</u>		
		₩ <u>205,400</u>		

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**31. Commitments and contingencies (continued)**

(b) Supplementing funds and purchase commitments

(ii) in foreign currency,

Company	Underlying asset	Currency	Amount	Date of agreements	Date of maturity
Credit offering (Financial Supplementary Agreement)					
Shinhan Indonesia Green forest Co., Ltd	Private placed bond	USD	13,400	September 14, 2018	September 14, 2021
SK Shipping Co., Ltd	Private placed bond	USD	21,500	March 21, 2019	January 29, 2020
PT Global Mediacom	Private placed bond	USD	27,300	October 25, 2019	November 3, 2020
			<u>62,200</u>		
Credit offering (Payment Guarantee Agreement)					
PT Global Mediacom		USD	40,000	October 26, 2018	October 26, 2020
Transimex corporation		VND	150,000	December 9, 2019	December 13, 2022
			<u>190,000</u>		
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	300,000	November 08, 2018	November 08, 2021
			<u>600,000</u>		
			<u>852,200</u>		

(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.

(d) Other underwriting commitment

	Company	Amount
Equity securities	IMM Rose Gold Fund 4	₩ 127,599
Debt securities	POSPower Co.,Ltd and others	971,175
		<u>₩ 1,098,774</u>

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**31. Commitments and contingencies (continued)**

(e) Financial institution commitment

	Financial Institution	Amount
Daylight overdrafts commitment	Shinhan Bank Co., Ltd and others	₩ 216,000
	TRLILAND METALS	USD 5,000,000
	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 80,000,000
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

(f) Contingent liabilities related to the Lime case

As a Prime Brokerage Service provider, the Group have entered into the contracts for the fund agreement managed by the Lime Asset Management (hereafter referred to as the “Lime Fund”) and the total return swap agreement (derivatives that exchange risk with income from underlying assets (such as stocks, bonds, funds, etc. ); hereafter referred to as the “TRS agreement”). The Lime Fund invested about \$200 million in IIG Global Trade Finance Fund, IIG Trade Finance Fund, IIG Trade Finance Fund - FX Delta Hedged Fund (hereafter referred to as the “IIG Fund”) under the TRS Agreement with the group from May 2017 to September 2017.

In accordance with the Lime Fund's managing directions in 2019, the Group contributed the IIG Fund to LAM Enhanced Finance II L.P. in kind and acquired the LAM II Fund's beneficiary certificates. The recoverable value of LAM II Fund's beneficiary certificates is affected by the recoverable value of the IIG Fund contributed in kind. In addition, the IIG Fund received the cancellation of registration and the automatic stay of assets from the U.S Securities and Exchange Commission in November 2019.

The Korean Financial Supervisory Service (FSS) announced in February 2020 that the Group was suspected of being involved in misconduct and fraudulent activities during the TRG transactions with the Lime Asset Management and that its related prosecution investigations are also underway. However, it is expected that whether the Group will assume additional legal responsibility as a Prime Brokerage Service provider will be determined on the basis of further examination by the Financial Supervisory Service, prosecution investigation, and future litigation and thus, the legal obligation to be assumed by the Group in relation to the involvement in misconduct and fraudulent activities has not been determined and also, the amount of loss resulting from such involvement cannot be reliably estimated.

The regulatory authorities are examining some of the asset managements, including Lime Asset Management, which operates the private equity trust that the Group sold to customers as a fund dealer and depending on the inspection result, the procedure for dispute settlement and damage remedy for incomplete sales may be proceeded.

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**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, 2019 and 2018 are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<b>Transferred assets</b>		
Financial assets designated at fair value through profit or loss	₩ 7,932,253	6,714,440
Financial assets measured at FVOCI	1,318,320	638,304
	<u>₩ 9,250,573</u>	<u>7,352,744</u>
<b>Associated liabilities</b>		
Bonds sold under repurchase agreements	8,611,147	7,077,717
Others	10,000	10,000
	<u>₩ 8,621,147</u>	<u>7,087,717</u>

(ii) Securities loaned as of December 31, 2019 and 2018 are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	
Commercial bonds	₩ 30,242	6,029	Rental Company Mirae Asset Daewoo Co.,Ltd and etc.

(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, 2019 and 2018.

**33. Securities withheld and securities borrowed**

Details of the securities withheld and securities borrowed on behalf of the clients as of December 31, 2019 and 2018 are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<b>Securities withheld</b>		
Broker's securities	₩ 58,721,029	54,874,440
Beneficiary's securities	83,521,699	67,279,677
Depositor's securities	92,850	59,033
Others	621	532
	<u>142,336,199</u>	<u>122,213,682</u>
<b>Securities borrowed</b>		
	6,495,084	5,157,417
	<u>₩ 148,831,283</u>	<u>127,371,099</u>

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**34. Equity**

(a) Details of equity as of December 31, 2019 and 2018 are summarized as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Stockholder's equity		
Ordinary shares	₩ 1,527,882	1,527,882
Preference shares	259,116	19,116
	<u>1,786,998</u>	<u>1,546,998</u>
Capital surplus		
Additional Paid-in Capital	667,620	248,791
Gain from reduction of capital	15	15
	<u>667,635</u>	<u>248,806</u>
Capital adjustments		
Stock options	425	1,230
Accumulated other comprehensive income		
Gain on financial instruments measured at FVOCI	107,959	98,212
Adjustment of credit risk for financial liabilities designated at FVTPL	(8,255)	170
Change of investments in a associate	1	1
Accumulated foreign exchange differences	(272)	(4,149)
	<u>99,433</u>	<u>94,234</u>
Retained earnings		
Legal reserve	38,810	36,810
Voluntary reserve(*1)	189,302	169,362
Unappropriated earnings	1,453,046	1,274,136
	<u>1,681,158</u>	<u>1,480,308</u>
Non-controlling interest		
Capital of non-controlling interest	961	961
Surplus profit brought forward from the previous term of non-controlling interest	32	29
Profit, attributable to non-controlling interests	(86)	3
	<u>907</u>	<u>993</u>
	<u>₩ 4,236,556</u>	<u>3,372,569</u>

(\*1) It consists of revaluation reserve and regulatory reserve for loan loss.

(b) Stockholder's equity as of December 31, 2019 and 2018 are summarized as follows:

	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	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 (*1)	305,576,350	51,823,314	305,576,350	3,823,314
Stockholder's equity	₩ 1,527,882	259,116	1,527,882	19,116

(\*1) During the current year, 48 million shares of second preferred stock were issued.

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**34. Equity (continued)**

(c) Change in accumulated other comprehensive income for the years ended December 31, 2019 and 2018 are as follows:

December 31, 2019					
	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	₩ 98,212	1	(4,149)	170	94,234
Increase from fair value valuation	16,101	-	-	(11,621)	4,480
Increase from disposal	(2,679)	-	-	-	(2,679)
Effect of exchange rate difference	-	-	3,263	-	3,263
Deferred tax effect	(3,675)	-	614	3,196	135
Ending balance	₩ 107,959	1	(272)	(8,255)	99,433

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  
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**34. Equity (continued)**

(d) Statements of appropriation of retained earnings

Statements of appropriation of retained earnings for the years ended December 31, 2019 and 2018 are as follows:

	<b>December 31, 2019</b>		<b>December 31, 2018</b>	
		March 25, 2020	March 26, 2019	
Date of appropriation				
Unappropriated retained earnings				
Balance at beginning of the year	₩	1,218,370		1,012,334
Net income for the year		208,727		245,703
Revaluation surplus		932		-
Net effect of change in accounting policy (*1)		-		4,020
		1,428,029		1,262,057
Appropriation of retained earnings				
Legal reserve		739		2,000
Regulatory reserve for loan loss		5,013		21,687
Dividends		7,391		20,000
Cash dividends on ordinary shares				
Current year (In won) : ₩ - (0.00%)				
Prior year (In won) : ₩ 64 (1.28%)		-		19,564
Cash dividends on preference shares				
Current year (In won) : ₩ 50 (1.00%)				
Prior year (In won) : ₩ 114 (2.28%)		191		436
Cash dividends on 2 <sup>nd</sup> preference shares				
Current year (In won) : ₩ 150 (3.00%)				
Prior year (In won) : ₩ - (0.00%)		7,200		-
		13,143		43,687
Unappropriated retained earnings carried over to subsequent period	₩	1,414,886		1,218,370

(\*1) 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.

**35. Dividends**

Dividends declared for the years ended December 31, 2019 and 2018 are as follows:

	<b>December 31, 2019</b>			<b>December 31, 2018</b>	
	Ordinary shares	1 <sup>st</sup>	2 <sup>nd</sup>	Ordinary shares	Preference shares
		Preference shares	Preference shares		
Number of issued shares outstanding	305,576,350	3,823,314	48,000,000	305,576,350	3,823,314
Par value per share (in won)	₩ 5,000	5,000	5,000	5,000	5,000
Dividends per share (in won)	-	50	150	64	114
Dividends	₩ -	191	7,200	19,564	436
Dividend rate per share	-	1.00%	3.00%	1.28%	2.28%

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

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**36. Leases**

(a) The plan to recover operating lease payments as of December 31, 2019 is as follows.

	<u>December 31, 2019</u>	
Not later than 1 year	₩	8,273
1 ~ 2 years		5,615
2 ~ 3 years		3,261
3 ~ 4 years		2,061
4 ~ 5 years		31
	₩	<u>19,241</u>

(b) As of December 31, 2019, the lessee's right-of-use by type of underlying assets are as follows.

	<u>December 31, 2019</u>		
	<u>Acquisition costs</u>	<u>Accumulated depreciation</u>	<u>Carrying amount</u>
Real estate	₩ 19,501	(6,165)	13,336
Vehicle	1,857	(502)	1,355
	₩ <u>21,358</u>	<u>(6,667)</u>	<u>14,691</u>

(\*) The prepaid amount includes ₩ 6,380 million and ₩ 3,108 million of provisions for recovery.

(c) The details of the change in the right-of-use-lease for the year ended December 31, 2019 are as follows:

	<u>December 31, 2019</u>		
	<u>Real estate</u>	<u>Vehicle</u>	<u>Total</u>
Beginning balance	₩ 15,425	1,155	16,580
Acquisitions	9,781	1,177	10,958
Disposals	(1,307)	(398)	(1,705)
Depreciation	(10,564)	(578)	(11,142)
Ending balance	₩ <u>13,335</u>	<u>1,356</u>	<u>14,691</u>

(d) The details of the maturity of the lease liability as the end of December 31, 2019 are as follows:

	<u>December 31, 2019</u>						
	<u>1 month or less</u>	<u>1 month ~ 3 months or less</u>	<u>3 months ~ 6 months or less</u>	<u>6 months ~ 1 year or less</u>	<u>1 year ~ 5 years or less</u>	<u>More than 5 years</u>	<u>Total</u>
Real estate	₩ 414	791	1,083	1,224	3,071	104	6,687
Vehicle	52	104	156	304	797	-	1,412
	₩ <u>466</u>	<u>895</u>	<u>1,239</u>	<u>1,528</u>	<u>3,868</u>	<u>104</u>	<u>8,099</u>

The amounts shown above are based on undiscounted cash flows and are classified as the earliest maturity date when the Company's obligation to pay occurs.

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**37. Cash flows**

(a) Details of significant non-cash activities for the years ended December 31, 2019 and 2018 are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Property and equipment transferred from investment property	₩ 1,081	5,412
Valuation gain on financial assets measured at FVOCI	13,422	7,414
Tax effect on valuation gain on financial assets measured at FVTPL	(3,675)	(2,039)
Valuation gain on financial liabilities measured at FVTPL with adjustment of credit risk	(11,621)	2,376
Tax effect on valuation gain on financial liabilities measured at FVTPL with adjustment of credit risk	3,196	(653)
Change of investments in associates	-	13,389
Tax effect on change of investments in associates	-	(3,682)
Foreign currency translation differences	3,262	976
Tax effect on foreign currency translation differences	614	10

(b) Changes in liabilities arising from financing activities for the year ended December 31, 2019 and 2018 are as follows:

	<u>Borrowings</u>	<u>Debentures</u>	<u>Lease liabilities</u>	<u>Total</u>
Balance at January 1, 2019	₩ 9,748,483	1,736,192	10,736	11,495,411
Changes from cash flows	3,599,339	1,684,816	(6,895)	5,277,260
Amortization of discount on borrowings and debentures	-	668	307	975
Changes in foreign currency exchange rate	1,688	1,277	-	2,965
Others	(865)	-	3,650	2,785
Balance at December 31, 2019	₩ 13,348,645	3,422,953	7,798	16,779,396
	<u>Borrowings</u>	<u>Debentures</u>		
Balance at January 1, 2018	₩ 9,459,019	1,197,322	10,656,341	
Changes from cash flows	276,875	538,203	815,078	
Amortization of discount on borrowings and debentures	-	421	421	
Changes in foreign currency exchange rate	12,589	246	12,835	
Balance at December 31, 2018	₩ 9,748,483	1,736,192	11,484,675	

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
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**38. Related party transactions**

(a) Significant account balances with related companies as of December 31, 2019 and 2018 are as follows:

Related party	Accounts	December 31, 2019	December 31, 2018
Assets:			
Shinhan Financial Group Co., Ltd	Other payables(*3) ₩	13,613	19,403
	Other bonds (*1)	12	-
	Unpaid expenses	344	-
	Borrowings (*2)	104,202	-
Shinhan Bank	Other bonds (*1)	56,880	40,003
	Other payables (*3)	29,513	26,321
	Cash and deposits	576,763	202,561
	Receivables	358	406
	Unpaid expenses	16	11
	Borrowing liabilities (*2)	5,000	27,734
	Derivative liabilities	12,445	13,088
	Derivative assets	7,385	1,989
Shinhan Card Co., Ltd.	Other payables (*3)	2,802	2,495
Shinhan Life Insurance Co., Ltd.	Other payables (*3)	2,163	2,587
Shinhan Capital Co., Ltd.	Other payables (*3)	38,323	53,400
	Other bonds (*1)	131	-
	Borrowings	15,000	-
Shinhan BNP Paribas Asset Management Co., Ltd.	Other payables (*3)	1,250	1,134
Shinhan Alternative Investment Management Inc.	Other payables (*3)	391	391
Shinhan DS	Unpaid expenses	661	452
	Borrowings (*2)	7,300	3,380
	Other payables (*3)	12,003	12,027
Shinhan AITAS Co., Ltd.	Other payables (*3)	207	-
Shinhan AI Co., Ltd.	Unpaid expenses	567	-
	Cash and deposits	190,828	240,637
	Accrued income	1,021	1,684
Shinhan Praxis K-Growth Global Private Equity Fund	Accrued income	91	151
Shinhan Global Healthcare Fund 1	Accrued income	-	360
Shinhan Fintech New Technology Fund No.1	Accrued income	-	123
GX Shinhan interest 1 <sup>st</sup> Private Equity Fund	Accrued income	248	278
SHINHAN-CORE TREND GLOBAL FUND 1	Accrued income	9	-
Shinhan-Cognitive Contents Fund I L.P.	Accrued income	-	12
Shinhan Healthcare Fund 2	Accrued income	37	-
Shinhan Healthcare Fund 3	Accrued income	68	-
One Shinhan Future's Fund 1	Accrued income	34	-
Nomura investment property trust No.19	Loans	11,973	11,966
	Accrued income	42	45
Green energy Private equity Special Assets	Accrued income	1	1
New Renewable Energy Professional Private Special Asset2	Accrued income	1	1
	Accrued income	1	1
SHBNPP Venture Professional Investment Type Private Investment Trust No.1	Accrued income ₩	1	-

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
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**38. Related party transactions (continued)**

(a) Significant account balances with related companies as of December 31, 2019 and 2018 are as follows (continued):

Related party	Accounts	December 31, 2019	December 31, 2018
Shinhan Investment HIFI Bond 3M Professional Private21	Accrued income	₩ 10	-
SHBNPP Global Professional Investment Type Private Real Estate Investment Trust No.4	Accrued income	4	3
SHBNPP Global Professional Investment Type Private Real Estate Investment Trust No.5	Accrued income	9	8
SHBNPP US Nevada Solar Private Special Asset Fund	Accrued income	1	1
ShinhanBNPP Future energy Special Asset Professional Private1[Infra]	Accrued income	-	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.6[Bond Balanced]	Accrued income	-	1
SHBNPP YOUNGNAM LNG Combined Cycle Private Special Asset Investment Trust [infra business]	Accrued income	3	3
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
		₩ 1,091,712	662,670

(\*1) Other receivables consist of deposits, etc.

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

(\*3) Other liabilities consist of income deposits.

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**38. Related party transactions (continued)**

(b) Significant transactions with related parties for the years ended December 31, 2019 and 2018 are as follows:

Related party	Accounts	December 31, 2019	December 31, 2018
Revenue:			
Shinhan Financial Group Co., Ltd.	Commission	₩ 150	165
Shinhan Bank	Interest	3,543	2,955
	Commission	113	110
	Rent	745	442
	Derivatives	49,911	23,612
Shinhan Card Co., Ltd.	Commission	553	420
	Rent	5	5
Shinhan Life Insurance Co., Ltd.	Commission	4	10
	Rent	43	43
Shinhan Capital	Commission	47	45
	Rent	50	30
	Derivatives	632	431
Shinhan BNP Paribas Asset Management Co., Ltd.	Commission	-	8
	Rent	1,221	2,529
Shinhan Savings Bank	Commission	1	2
Shinhan Alternative Investment Management Inc.	Rent	391	400
Shinhan AITAS Co., Ltd.	Commission	-	5
	Rent	220	236
Shinhan AI Co., Ltd.	Rent	231	-
	Others	1,837	-
Jeju Bank	Interest	4,711	4,871
	Commission	-	20
Shinhan Praxis K-Growth Global Private Equity Fund	Commission	448	685
GX Shinhan Intervest 1st Private Equity Fund	Commission	545	412
Shinhan-Cognitive Contents Fund I L.P.	Commission	-	11
Shinhan Global Healthcare Fund 1	Commission	360	785
Shinhan Display New Technology Fund No.1	Commission	-	50
Shinhan Fintech New Technology Fund No.1	Commission	-	153
Shinhan Fintech New Technology Fund No.2	Commission	119	-
SHINHAN-CORE TREND GLOBAL FUND 1	Commission	45	-
One Shinhan Global Fund 1	Commission	38	-
Shinhan Fintech New Technology Fund No.3	Commission	88	-
Nomura investment property trust No.19	Interest	519	312
	Others	7	-
SG ARGES Private Equity Fund No.1	Dividend	93	125
SG No.9 Corporate Recovery Private Equity Fund	Dividend	-	291
Eum Private Equity Fund No.3	Dividend	136	140
Plutus-SG Private Equity Fund	Dividend	44	44
Green energy Private equity Special Assets	Commission	4	5
New Renewable Energy Professional Private Special Asset2 [Loan]	Commission	2	3
SHBNPP US Senior Loan Special Asset Investment Trust No.1(H)[Loan]	Commission	-	11

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**38. Related party transactions (continued)**

(b) Significant transactions with related parties for the years ended December 31, 2019 and 2018 are as follows (continued):

Related party	Accounts	December 31, 2019	December 31, 2018
Revenue:			
SHBNPP Konkuk University Dormitory Private Speical Asset Fund 1	Commission	₩ -	1
SHBNPP Global Professional Investment Type Private Real Estate Investment Trust No.4	Commission	13	-
SHBNPP Global Professional Investment Type Private Real Estate Investment Trust No.5	Commission	52	51
	Dividend	411	503
SHBNPP Global Professional Investment Type Private Real Estate Investment Trust No.6	Commission	13	-
SHBNPP Global Professional Investment Type Private Real Estate Investment Trust No.9	Dividend	-	521
SHBNPP US Nevada Solar Private Speical Asset Fund	Commission	5	-
ShinhanBNPP Future energy SpecialAsset Professional Private1[Infra]	Commission	2	2
	Dividend	460	291
	Others	1	-
SHBNPP Corporate Professional Investment Type Private Security Investment Trust No.3[Bond Balanced]	Commission	10	-
SHBNPP Corporate Professional Investment Type Private Security Investment Trust No.6	Commission	-	5
SHBNPP YOUNGNAM LNG Combined Cycle Private Special Asset Investment Trust [infra business]	Commission	12	12
Kiwoom Milestone US Real Estate Trust 16-A	Commission	-	139
	Dividend	-	478
SHBNPP Good Morning BTL Professional Investment Type Private Mixed Asset Investment Trust No.1	Commission	-	1
Koramco Europe Core Private Investment Fund 2-2	Dividend	-	235
Hermes Private Investment Equity Fund	Dividend	-	465
SHBNPP Peace of Mind TDF 2025 Security Investment Trust [Equity Balanced-FoF]	Dividend	-	2
SHBNPP Peace of Mind TDF 2030 Security Investment Trust [Equity Balanced-FoF]	Dividend	-	29
SHBNPP Peace of Mind TDF 2035 Security Investment Trust [Equity Balanced-FoF]	Dividend	-	31
SHBNPP Peace of Mind TDF 2040 Security Investment Trust [Equity Balanced-FoF]	Dividend	-	30
SHBNPP Peace of Mind TDF 2045 Security Investment Trust [Equity Balanced-FoF]	Dividend	-	29
Shinhan AIM Social Enterprise Professional Private1	Dividend	-	189
	Commission	2	-
Shinhan investment HI-FI Bond Professional Private 2	Commission	-	79
SHBNPP Global Professional Investment Type Private Real Estate Investment Trust No.9	Commission	3	-
SHBNPP Venture Professional Investment Type Private Investment Trust No.1	Commission	3	-

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**38. Related party transactions (continued)**

(b) Significant transactions with related parties for the years ended December 31, 2019 and 2018 are as follows (continued):

Related party	Accounts	December 31, 2019	December 31, 2018
Revenue:			
SHBNPP Real Estate Loan Professional Private Real Estate1	Commission	₩ 3	-
SHBNPP Spain Waste Mgt. Pro. Private Special Asset1(H)[Loan]	Commission	2	-
Shinhan Investment HIFI Bond 3M Professional Private22	Commission	10	-
SHBNPP Venture Professional Investment Type Private Investment Trust No.2	Commission	1	-
E&Healthcare Investment Fund No.1	Dividend	482	-
SHBNPP Best Hedge Mixed Asset Investment Trust[FOFs investing](C-s)	Dividend	12	-
		₩ 68,353	42,459

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**38. Related party transactions (continued)**

(b) Significant transactions with related parties for the years ended December 31, 2019 and 2018 are as follows:

Related party	Accounts	December 31, 2019	December 31, 2018
Expense:			
Shinhan Financial Group Co., Ltd.	Commission	₩ 5,071	4,816
	Rent	344	-
Shinhan Bank	Interest	1,419	1,103
	Commission	6,054	7,526
	Rent	5,514	5,659
	Others	5	-
Shinhan Card Co., Ltd.	Derivatives	53,958	54,201
	Interest	5	5
Shinhan Life Insurance Co., Ltd.	Commission	312	323
	Interest	34	35
Shinhan Capital	Commission	62	340
	Interest	54	30
	Commission	21	7
Shinhan BNP Paribas Asset Management Co., Ltd.	Derivatives	40	3,276
	Interest	18	20
Shinhan Savings Bank	Commission	-	13
Shinhan Alternative Investment Management Inc.	Interest	-	6
Shinhan DS	Interest	91	76
	Commission	10,564	7,727
Shinhan AITAS Co., Ltd.	Interest	220	235
	Commission	-	42
Shinhan Credit Information Co., Ltd.	Commission	1	-
Shinhan AI Co., Ltd.	Commission	567	-
	Interest	3	-
Jeju Bank	Commission	14	15
Asia Trust Co., Ltd.	Commission	3	-
Nomura-Rifa Private Real Estate Investment Trust No.19	Others	-	34
SHBNPP Venture Professional Investment Type Private Investment Trust No.1	Others	8	-
		₩ <u>84,382</u>	<u>85,489</u>

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**38. Related party transactions (continued)**

(c) Key management personnel compensation for the years ended December 31, 2019 and 2018 are as follows:

		<b>December 31, 2019</b>	<b>December 31, 2018</b>
Salaries and wages	₩	9,774	8,055
Share-based payments		2,803	2,576
Severance benefits		441	291
	₩	<u>13,018</u>	<u>10,922</u>

(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, 2019 are as follows:

<b>Related party</b>	<b>Assets pledged as collateral</b>	<b>December 31, 2019</b>	<b>Description</b>
Shinhan Bank	Time deposits	₩ 37,000	Collateral for a bank overdraft facility
	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
Shinhan BNP Paribas Asset Management Co., Ltd.	Land and buildings	1,354	Collateral for rental
Shinhan Alternative Investment Management Inc.	Land and buildings	166	Collateral for rental
		273	Collateral for rental
		<u>₩ 225,778</u>	

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**38. Related party transactions (continued)**

(e) Details of commitments of purchase of related parties

The purchase commitments provided by Shinhan Vietnam Bank, an affiliate, as of December 31, 2019 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	Vitnam Electrical Equipment JSC Issued private bonds	VND	200,000

(f) Fund lending transaction of related parties for the years ended December 31, 2019 and 2018 are as follows:

Classification	Name	December 31, 2019				
		Beginning	Lending	Recover	Other(*1)	Ending
Related party	Nomura-Rifa Private					
	Real Estate Investment Trust No.19	₩ 11,966	-	-	7	11,973

(\*1) Effect of change in provision on credit loss amount is included.

Classification	Name	December 31, 2018				
		Beginning	Lending	Recover	Other(*1)	Ending
Related party	Nomura-Rifa Private					
	Real Estate Investment Trust No.19	₩ -	12,000	-	(34)	11,966

(\*1) Effect of change in provision on credit loss amount is included.

(g) Fund borrowing transaction of related parties for the years ended December 31, 2019 and 2018 are as follows:

Classification	Name	December 31, 2019				
		Beginning	Borrowing	Repayment	Other(*1)	Ending
Parent company	Shinhan Financial Group Co., Ltd.	₩ -	104,805	-	(603)	104,202
	Shinhan Bank	27,734	27,098	(50,012)	180	5,000
Common control	Shinhan Capital Co., Ltd.	-	15,000	-	-	15,000
	Shinhan DS	3,380	181,746	(177,826)	-	7,300
		₩ 31,114	328,649	(227,838)	(423)	131,502

(\*1) Includes gains and losses on foreign currency translation.

Classification	Name	December 31, 2018				
		Beginning	Borrowing	Repayment	Other(*1)	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

(\*1) Includes gains and losses on foreign currency translation.

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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, 2019 and 2018 are as follows:

		<u>December 31, 2019</u>	<u>December 31, 2018</u>
Regulatory reserve for loan loss accumulated	₩	33,683	12,811
To be scheduled		12,313	20,872
	₩	<u>45,996</u>	<u>33,683</u>

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

		<u>December 31, 2019</u>	<u>December 31, 2018</u>
Income for the year	₩	220,850	251,265
Provision for regulatory reserve for loan loss		(12,313)	(20,872)
	₩	<u>208,537</u>	<u>230,393</u>

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**40. Interests in unconsolidated structured entities**

(a) Details of unconsolidated structured entities as of December 31, 2019 and 2018 are as follows:

		<b>December 31, 2019</b>			
		<b>Asset-backed securitization</b>	<b>Project financing</b>	<b>Investment fund</b>	<b>Total</b>
Total Assets	₩	417,839	13,568,074	10,900,225	24,886,138

  

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

(b) The nature of the risks associated with unconsolidated structured entities

(i) 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, 2019 and 2018 are as follows:

		<b>December 31, 2019</b>			
		<b>Asset-backed securitization</b>	<b>Project financing</b>	<b>Investment fund</b>	<b>Total</b>
Total assets of the unconsolidated structured entities					
Loans measured at FVTPL	₩	7,116	69,727	-	76,843
Loans measured at amortized cost		49,921	943,520	-	993,441
Securities measured at FVTPL		200	14,488	1,629,469	1,644,157
Other assets		3,244	13,850	263	17,357
	₩	<u>60,481</u>	<u>1,041,585</u>	<u>1,629,732</u>	<u>2,731,798</u>
Total liabilities of the unconsolidated structured entities					
Other liabilities	₩	<u>682</u>	<u>7,183</u>	<u>-</u>	<u>7,865</u>

  

		<b>December 31, 2018</b>			
		<b>Asset-backed securitization</b>	<b>Project financing</b>	<b>Investment fund</b>	<b>Total</b>
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>

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**40. Interests in unconsolidated structured entities (continued)**

(b) The nature of the risks associated with unconsolidated structured entities

(ii) As of December 31, 2019 and 2018, the Group's maximum risk exposure to unconsolidated structured entities is as follows:

		<b>December 31, 2019</b>			
		<b>Asset-backed securitization</b>	<b>Project financing</b>	<b>Investment fund</b>	<b>Total</b>
Holding assets	₩	60,482	1,041,584	1,629,732	2,731,798
Purchase agreement		113,000	-	-	113,000
Payment guarantees		139,522	-	-	139,522
Others		-	118,344	-	118,344
	₩	<u>313,004</u>	<u>1,159,928</u>	<u>1,629,732</u>	<u>3,102,664</u>

  

		<b>December 31, 2018</b>			
		<b>Asset-backed securitization</b>	<b>Project financing</b>	<b>Investment fund</b>	<b>Total</b>
Holding assets	₩	77,506	874,103	801,056	1,752,665
Purchase agreement		149,600	-	-	149,600
Payment guarantees		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>

**41. Restatement of the financial statements**

(a) Correction of errors

The Group provided borrowed securities as collaterals and accounted for those as securities measured at FVTPL and securities sold. As a result related assets, liabilities, gains and losses were overstated. The Group has restated the comparative financial statements by correcting the errors.

The related assets, liabilities and profits and losses of the previous period decreased due to error correction, and total assets and total liabilities, operating income and operating expenses decreased. However, the correction did not have impact on the total amount of capital, operating profit, and net income..

(b) The effect of the error correction on the consolidated financial statements for the previous period is as follows:

(i) Consolidated statements of financial position as of December 31, 2016

		<b>Before correction (*1)</b>	<b>Corrections</b>	<b>Restatements</b>
<b>Assets:</b>				
Financial assets at FVTPL	₩	16,522,433	(111,202)	16,411,231
Total of assets	₩	<u>25,554,489</u>	<u>(111,202)</u>	<u>25,443,287</u>
<b>Liabilities:</b>				
Financial liabilities at FVTPL	₩	11,378,801	(111,202)	11,267,599
Total of liabilities	₩	<u>22,478,057</u>	<u>(111,202)</u>	<u>22,366,855</u>
Total of liabilities and equity	₩	<u>25,554,489</u>	<u>(111,202)</u>	<u>25,443,287</u>

(\*1) Consolidated statements of financial position prepared in accordance with the accounting policies described in the consolidated financial statements attached to the 18th audit report issued on February 16, 2017.

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**41. Restatement of the financial statements (continued)**

(b) The effect of the error correction on the consolidated financial statements for the previous period is as follows.

(ii) Consolidated statements of financial position as of December 31, 2017

		<u>Before correction (*1)</u>	<u>Corrections</u>	<u>Restatements</u>
Assets:				
Financial assets at FVTPL	₩	18,038,162	(143,826)	17,894,336
Total of assets	₩	<u>28,644,288</u>	<u>(143,826)</u>	<u>28,500,462</u>
Liabilities:				
Financial liabilities at FVTPL	₩	10,129,444	(143,826)	9,985,618
Total of liabilities	₩	<u>25,391,599</u>	<u>(143,826)</u>	<u>25,247,773</u>
Total of liabilities and equity	₩	<u>28,644,288</u>	<u>(143,826)</u>	<u>28,500,462</u>

(\*1) Consolidated statements of financial position prepared in accordance with the accounting policies described in the consolidated financial statements attached to the 19th audit report issued on March 12, 2018.

(iii) Consolidated statements of financial position as of January 1, 2018

		<u>Before correction</u>	<u>Corrections</u>	<u>Restatements</u>
Assets:				
Financial assets at FVTPL	₩	18,478,582	(143,826)	18,334,756
Total of assets	₩	<u>28,637,618</u>	<u>(143,826)</u>	<u>28,493,792</u>
Liabilities:				
Financial liabilities at FVTPL	₩	10,129,444	(143,826)	9,985,618
Total of liabilities	₩	<u>25,390,958</u>	<u>(143,826)</u>	<u>25,247,132</u>
Total of liabilities and equity	₩	<u>28,637,618</u>	<u>(143,826)</u>	<u>28,493,792</u>

(iv) Consolidated statements of financial position as of December 31, 2018

		<u>Before correction</u>	<u>Corrections</u>	<u>Restatements</u>
Assets:				
Financial assets at FVTPL	₩	18,735,324	(153,211)	18,582,113
Total of assets	₩	<u>29,140,427</u>	<u>(153,211)</u>	<u>28,987,216</u>
Liabilities:				
Financial liabilities at FVTPL	₩	10,017,053	(153,211)	9,863,842
Total of liabilities	₩	<u>25,767,858</u>	<u>(153,211)</u>	<u>25,614,647</u>
Total of liabilities and equity	₩	<u>29,140,427</u>	<u>(153,211)</u>	<u>28,987,216</u>

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**41. Restatement of the financial statements (continued)**

(c) The effect of the error correction on the consolidated statement of comprehensive income for the previous period is as follows.

*(i) Consolidated statements of comprehensive income as of December 31, 2016*

		Before correction (*1)	Corrections	Restatements
Operating revenue:	₩	4,549,941	(111,202)	4,438,739
Gain related to financial instruments at FVTPL		3,309,500	(111,202)	3,198,298
Operating expense:		4,406,103	(111,202)	4,294,901
Loss related to financial instruments at FVTPL		3,493,157	(111,202)	3,381,955

(\*1) Consolidated statement of comprehensive income prepared in accordance with the accounting policies described in the consolidated financial statements attached to the 18th audit report issued on February 16, 2017.

*(ii) Consolidated statements of comprehensive income as of December 31, 2017*

		Before correction (*1)	Corrections	Restatements
Operating revenue:	₩	5,558,862	(234,806)	5,324,056
Gain related to financial instruments at FVTPL		4,310,269	(234,806)	4,075,463
Operating expense:		5,306,064	(234,806)	5,071,258
Loss related to financial instruments at FVTPL		4,355,438	(234,806)	4,120,632

(\*1) Consolidated statement of comprehensive income in accordance with the accounting policies described in the consolidated financial statements attached to the 19th audit report issued on March 12, 2018

*(iii) Consolidated statements of comprehensive income as of December 31, 2018*

		Before correction (*1)	Corrections	Restatements
Operating revenue:	₩	5,553,118	(273,551)	5,279,567
Gain related to financial instruments at FVTPL		4,091,330	(273,551)	3,817,779
Operating expense:		5,218,275	(273,551)	4,944,724
Loss related to financial instruments at FVTPL		4,074,180	(273,551)	3,800,629

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**41. Restatement of the financial statements (continued)**

(d) The effect of the error correction on the consolidated cash flows for the previous period is as follows:

(i) *Consolidated statements of cash flows as of December 31, 2016*

		<b>Before correction (*1)</b>	<b>Corrections</b>	<b>Restatements</b>
<b>Cash flows from operating activities</b>	₩	(984,685)	-	(984,685)
Items without cash inflows (outflows):		169,674	-	169,674
Gain on valuation of financial assets at FVTPL		(195,292)	111,202	(84,090)
Gain on valuation of financial liabilities at FVTPL		295,625	(111,202)	184,423

(\*1) Consolidated statement of cash flow prepared in accordance with accounting policies described in consolidated financial statements attached to the 18th audit report issued on February 16, 2017

(ii) *Consolidated statements of cash flows as of December 31, 2017*

		<b>Before correction (*1)</b>	<b>Corrections</b>	<b>Restatements</b>
<b>Cash flows from operating activities</b>	₩	(2,192,250)	-	(2,192,250)
Items without cash inflows (outflows):		(25,134)	-	(25,134)
Gain on valuation of financial assets at FVTPL		(282,224)	133,693	(148,531)
Gain on valuation of financial liabilities at FVTPL		238,820	(133,693)	105,127
Changes in assets and liabilities:		(2,363,186)	-	(2,363,186)
Financial assets at FVTPL		(1,233,507)	(101,069)	(1,334,576)
Financial liabilities at FVTPL		(1,488,176)	101,069	(1,387,107)

(\*1) Consolidated statement of cash flow prepared in accordance with accounting policies described in consolidated financial statements attached to the 19th audit report issued on March 12, 2018.

(iii) *Consolidated statements of cash flows as of December 31, 2018 – No effect*