



**SHINHAN INVESTMENT CORP.
AND SUBSIDIARIES**

Consolidated Financial Statements

December 31, 2017 and 2016

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

Based on a report originally issued in Korean

The Board of Directors and Shareholder
Shinhan Investment Corp.:

We have audited the accompanying consolidated financial statements of Shinhan Investment Corp. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

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.

KPMG Samjong Accounting Corp.

KPMG Samjong Accounting Corp.
Seoul, Korea
March 12, 2018

This report is effective as of March 12, 2018, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Consolidated Statements of Financial Position
As of December 31, 2017 and 2016

<i>In millions of won</i>	Note	December 31, 2017	December 31, 2016
Assets			
Cash and due from banks	4,24,25,29	₩ 2,294,983	2,994,883
Financial assets at fair value through profit or loss	5,24,25,29	18,038,162	16,522,433
Available-for-sale financial assets	6,24,25,29	1,768,331	1,652,637
Investments in associates	7	366,214	136,090
Loans	8,24,25,29	3,701,889	2,552,035
Property and equipment	9,29	121,904	118,575
Intangible assets	10	55,793	55,815
Investment property	11	193,756	204,561
Deferred tax assets	27	166	98
Current tax assets	27	16,577	-
Other assets	12,24,25	2,086,513	1,317,362
Total assets	₩	28,644,288	25,554,489
Liabilities			
Deposits	13,24,25	₩ 1,742,855	1,652,868
Financial liabilities at fair value through profit or loss	14,24,25	10,129,444	11,378,801
Borrowings	15,24,25	10,656,341	8,342,066
Provisions	16	21,560	21,337
Deferred tax liabilities	27	32,161	9,161
Current tax liabilities	27	29	17,139
Other liabilities	17,24,25	2,809,209	1,056,685
Total liabilities		25,391,599	22,478,057
Equity			
Capital stock	34	1,546,998	1,546,998
Capital surplus	34	248,806	248,806
Capital adjustments	34	167	(180)
Accumulated other comprehensive income	34	88,264	104,273
Retained earnings	34	1,368,252	1,176,345
Non-controlling interests	34	202	190
Total equity		3,252,689	3,076,432
Total liabilities and equity	₩	28,644,288	25,554,489

See accompanying notes to the consolidated financial statements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2017 and 2016

<i>In millions of won</i>	Note	December 31, 2017	December 31, 2016
Operating revenue:			
Commission income	18	₩ 391,250	361,264
Gain on financial instruments at fair value through profit or loss	24	4,310,269	3,309,500
Gain on available-for-sale financial assets	24	9,322	8,887
Interest income	19	547,686	515,902
Gain on valuation and sale of loans	24	558	4,582
Gain on foreign currency transactions	20	256,437	304,547
Others	22,24	43,340	45,259
		<u>5,558,862</u>	<u>4,549,941</u>
Operating expense:			
Commission expense	18	81,862	103,791
Loss on financial instruments at fair value through profit or loss	24	4,355,438	3,493,157
Loss on available-for-sale financial assets	24	16,852	15,697
Interest expense	19	124,590	131,702
Loss on valuation and sale of loans	24	3,855	7,780
Loss on foreign currency transactions	20	264,421	218,029
General and administrative expenses	21	456,605	414,645
Others	22,24	2,441	21,302
		<u>5,306,064</u>	<u>4,406,103</u>
Operating income		252,798	143,838
Non-operating income	23	34,083	23,686
Non-operating expense	23	(11,490)	(22,018)
Profit before income taxes		<u>275,391</u>	<u>145,506</u>
Income tax expense	27	63,472	30,066
Profit for the year		<u>₩ 211,919</u>	<u>115,440</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, 2017 and 2016

<i>In millions of won</i>	<u>Note</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Other comprehensive income (loss) for the year, net of income tax			
Items that are or may be reclassified subsequently to profit or loss:			
Net change in unrealized fair value of available-for-sale financial assets	24	₩ 8,313	3,057
Loss on valuation of investments in associates		(14,776)	(30)
Foreign currency translation adjustments for foreign operations		(6,244)	3,051
Effect of income tax expense		(3,302)	(1,280)
Total other comprehensive income (loss), net of tax	34	(16,009)	4,798
Total comprehensive income for the year		₩ <u>195,910</u>	<u>120,238</u>
Profit for the year attributable to:			
Equity holders of Shinhan Investment Corp.		₩ 211,907	115,438
Non-controlling interest		12	2
		₩ <u>211,919</u>	<u>115,440</u>
Total comprehensive income attributable to:			
Equity holders of Shinhan Investment Corp.		₩ 195,898	120,236
Non-controlling interest		12	2
		₩ <u>195,910</u>	<u>120,238</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, 2017 and 2016

In millions of won

	Common stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Non- controlling interests	Total
Balance at January 1, 2016	₩ 1,296,998	15	341	99,475	1,129,007	-	2,525,836
Profit for the year	-	-	-	-	115,438	2	115,440
Other comprehensive income (loss), net of income tax							
Net change in unrealized fair value of available-for-sale financial assets	-	-	-	2,317	-	-	2,317
Share of the other comprehensive loss of associates	-	-	-	(22)	-	-	(22)
Foreign currency translation differences	-	-	-	2,503	-	-	2,503
Transactions recognized directly in equity							
Dividends	-	-	-	-	(68,100)	-	(68,100)
Change in share-based payment	-	-	(521)	-	-	-	(521)
Issuance of common stock	250,000	248,791	-	-	-	-	498,791
Change in other non-controlling interests	-	-	-	-	-	188	188
Balance at December 31, 2016	₩ 1,546,998	248,806	(180)	104,273	1,176,345	190	3,076,432

In millions of won

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

See accompanying notes to the consolidated financial statements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years ended December 31, 2017 and 2016

In millions of won

	<i>Note</i>	December 31, 2017	December 31, 2016
Cash flows from operating activities			
Profit before income taxes	₩	275,391	145,506
Adjustment for:			
Interest income		(547,686)	(515,902)
Interest expense		124,590	131,702
Dividend income		(39,515)	(42,003)
Net gain on valuation of financial assets at fair value through profit or loss		(282,224)	(195,292)
Net loss on valuation of financial liabilities at fair value through profit or loss		238,820	295,625
Net gain(loss) on sales of available-for-sale financial assets		(4,456)	4,277
Impairment loss on available-for-sale financial assets		11,986	2,533
Provisions for loan loss		3,627	3,197
Net gain on sales of loans		(331)	-
Net gain(loss) on foreign exchanges		(6,581)	10,755
Depreciation		11,278	10,326
Amortization of intangible assets		6,724	4,987
Employee related expenses		2,260	3,329
Non-cash other operating expenses, net		83	18,717
Non-cash non-operating expenses, net		(6,320)	11,220
		<u>(487,745)</u>	<u>(256,529)</u>
Changes in assets and liabilities:			
Due from banks		421,058	(169,276)
Financial assets at fair value through profit or loss		(1,233,507)	(731,773)
Loans		(1,149,604)	(16,705)
Collective fund for default loss		1,160	10,565
Other assets		(778,134)	100,184
Deposits		121,136	443,257
Financial liabilities at fair value through profit or loss		(1,488,176)	(475,727)
Provisions		-	(97)
Other liabilities		1,742,881	(327,320)
		<u>(2,363,186)</u>	<u>(1,166,892)</u>
Income taxes paid		(77,484)	(64,661)
Interests received		532,592	525,579
Interests paid		(110,523)	(207,774)
Dividends received		38,705	40,086
Net cash provided by (used in) operating activities		<u>(2,192,250)</u>	<u>(984,685)</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, 2017 and 2016

In millions of won

	Note	December 31, 2017	December 31, 2016
Cash flows from investing activities			
Proceeds from disposal of available-for-sale financial assets	₩	2,847,806	4,012,327
Acquisition of available-for-sale financial assets		(2,946,589)	(4,035,683)
Proceeds from disposal of investments in associates		64,724	36,754
Acquisition of investments in associates		(317,907)	(112,984)
Proceeds from disposal of property and equipment		79	1,060
Acquisition of property and equipment		(9,523)	(9,440)
Proceeds from disposal of intangible assets		2,029	1,161
Acquisition of intangible assets		(8,807)	(12,291)
Proceeds from disposal of investment property		1,362	4,481
Acquisition of investment property		(5)	(74,532)
Acquisition of business, net of cash acquired		-	(4,280)
Net cash provided by (used in) investing activities		(366,831)	(193,427)
Cash flows from financing activities			
Proceeds from borrowings		3,607,238	1,451,594
Repayment of borrowings		(1,250,571)	(653,078)
Dividends paid		(20,000)	(68,100)
Issuance of common stock		-	498,791
Net cash provided by (used in) financing activities		2,336,667	1,229,207
Effect of exchange rate fluctuations on cash and cash equivalents held		(21,739)	1,561
Increase(decrease) in cash and cash equivalents		(244,153)	52,656
Cash and cash equivalents at the beginning of year		578,964	526,308
Cash and cash equivalents at the end of year	4,37	₩ 334,811	578,964

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, 2017 and 2016

1. Reporting entity

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

(a) Controlling company

The Company was established on April 2, 1973 under the name of HyoSeong Securities Co., Ltd. to engage in proprietary trading, underwriting and brokerage services. The Company changed its name from Good Morning Shinhan Securities Co., Ltd. to Shinhan Investment Corp. on August 24, 2009. The Company is wholly owned by Shinhan Financial Group Co., Ltd. and operates through 92 branches, 22 sales offices, and 2 overseas offices as of December 31, 2017.

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 ₩18,076,717 million as of December 31, 2017 and the related fee income amounted to ₩20,800 million for the year ended December 31, 2017.

(b) Scope of consolidation

(i) Subsidiaries

Ownership of the Company's major consolidated subsidiaries except special purpose entities as of December 31, 2017 are as follows:

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016

1. Reporting entity, Continued

(b) Scope of consolidation, Continued

(ii) Special purpose entities

As of December 31, 2017, consolidated special purpose entities are summarized as follows:

Parent company	SPE	Location	Reference
Shinhan Investment Corp.	Samsung Millennium Stock C503	Rep. of Korea	Collective investment business
"	Santaclause 98 Short-term Bond Fund 1	"	"
"	G1 Santaclause 98 Short-term Bond Fund 1	"	"
"	Samsunglife New Short Fund B301	"	"
"	Samsunglife New Short Fund A423	"	"
"	Samsung Jinpum Short Fund C501	"	"
"	Samsung Jinpum Short Fund C503	"	"
"	Santaclause Long-term Bond Fund 4	"	"
"	Santaclause Long-term Bond Fund 5	"	"
"	Santaclause New Long-term Bond Fund 1	"	"
"	Neo Short-term Bond #22	"	"
"	Hanbaguni E-2	"	"
"	Kyobo Tomorrow SGIC-1	"	"
"	KDB Private SH-1	"	"
"	VALUE PLUS the 35th L.L.C	"	Securitization SPC
"	Mainstream the 1st Co., Ltd	"	"
"	VALUE PLUS the 38th Co., Ltd.	"	"
"	Angelest the 8st Co., Ltd	"	"
"	Mainstream the 2st L.L.C	"	"
"	Mainstream the 4st L.L.C	"	"
"	DMC 1st Co., Ltd	"	"
"	Biel energy 2nd Inc	"	"
"	Angelest the 12th L.L.C	"	"
"	Angelest the 13th L.L.C	"	"
"	Angelest the 14th L.L.C	"	"
"	Angelest the 15th L.L.C	"	"
"	Angelest the 16th L.L.C	"	"
"	Tigerdragon 1st Co., Ltd	"	"
"	JTC 1st CO., Ltd	"	"
"	Fieldsavenue 1st Co., Ltd	"	"
"	Fieldsavenue 3rd Co., Ltd	"	"
"	Finesolution 6th Co., Ltd	"	"
"	Finesolution 8th Co., Ltd	"	"
"	Finesolution 9th Co., Ltd	"	"
"	Globalsolution 1st Co., Ltd	"	"
"	JB Sangam Private Real Estate Investment Trust No.1	"	Real estate investment trust
"	Nomura-Rifa Private Real Estate Investment Trust 4	"	"
"	Shinhan IoT New Technology Fund No.1	"	Private investment fund
"	Shinhan Stassets Healthcare Fund 1	"	"
"	Shinhan-Cognitive Start-up Fund L.P.	"	"

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016

1. Reporting entity, Continued

(b) Scope of consolidation, Continued

Parent company	SPE	Location	Reference
Shinhan Investment Corp.	SICeres Co.,Ltd.	Rep. of Korea	Other financial business
"	Irisnine Co.,Ltd.	"	"
"	Fides May Man Multi-Strategy Fund	"	Trust
"	Brain Professional Private Trust No.9	"	"
"	AION Metis Fund	"	"
"	Multi Asset Offshore Aircraft QI Investment Fund No.1	"	"
"	KTB Global Multi Asset Allocation Fund	"	"
"	KTB Pre-IPO Private Investment Trust[Derivatives]	"	"
"	Lime Neptune L_ Mezzanine Private Equity Investment Trust 1	"	"
"	Lime Thetis Private Equity Investment Trust 3	"	"
"	KB Star Emerging Index Securities Feeder Fund(Equity-Derivatives) C-F	"	"
"	Rhinos Global Mezzanine Multi-Strategy Private Investment Fund No.1	"	"
"	SHBNPP US Senior Loan Special Asset Investment Trust No.1(H)[Loan]	"	"
"	SHBNPP Global Professional Investment Type Private Real Estate Investment Trust No.9	"	"
"	SHBNPP Global Professional Investment Type Private Real Estate Investment Trust No.11	"	"
"	Shinhan investment HI-FI Bond Professional Private1	"	"
"	Hastings Tornado Private Equity Fund series 1	"	"
"	Eugene Aviation special Investment type private investment trust 14	"	"

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016

1. Reporting entity, Continued

(c) Changes in subsidiaries

The list of subsidiaries that were newly acquired or excluded from consolidation during the years ended December 31, 2017 and 2016 are as follows:

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016

1. Reporting entity, Continued

(c) Changes in subsidiaries, Continued

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016

1. Reporting entity, Continued

(c) Changes in subsidiaries, Continued

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016

1. Reporting entity, Continued

(c) Changes in subsidiaries, Continued

December 31, 2016		
Company	Reason	Invest company
Newly acquired subsidiaries		
PT. Shinhan Sekuritas Indonesia	99% equity	Shinhan Investment Corp.
Mainstream the 2st L.L.C	Credit offering	Shinhan Investment Corp.
Mainstream the 4st L.L.C	Credit offering	Shinhan Investment Corp.
VALUE PLUS the 39th L.L.C	Credit offering	Shinhan Investment Corp.
VALUE PLUS the 40th Co., Ltd	Credit offering	Shinhan Investment Corp.
SICeres Co.,Ltd.	Exposure to variable returns	Shinhan Investment Corp.
SS Junior 1th Inc.	Exposure to variable returns	Shinhan Investment Corp.
Irisnine Co.,Ltd.	Exposure to variable returns	Shinhan Investment Corp.
Angelest the 8st Co., Ltd	Credit offering	Shinhan Investment Corp.
Angelest the 11st L.L.C	Credit offering	Shinhan Investment Corp.
Nomura-Rifa Private Real Estate Investment Trust 4	100% equity	SICeres Co.,Ltd., Irisnine Co.,Ltd.
TongYang SpecialSituations Private 1(Bond Balanced)	99.9% equity	Shinhan Investment Corp.
Lime Pluto FI Fund	100% equity	Shinhan Investment Corp.
Multi Asset Offshore Aircraft QI Investment Fund No.1	99.66% equity	Shinhan Investment Corp.
Mirae Asset Technological Growth Focus Equity Feeder Investment Trust	67.43% equity	Shinhan Investment Corp.
Mirae Asset Technological Growth Focus Equity Feeder Investment Trust	67.77% equity	Mirae Asset Technological Growth Focus Equity Feeder Investment Trust
Brain Professional Private Trust No.9	83.33% equity	Shinhan Investment Corp.
AION Metis Fund	98.06% equity	Shinhan Investment Corp.
Fides May Man Multi-Strategy Fund	98.04% equity	Shinhan Investment Corp.
KTB Global Multi Asset Allocation Fund	98.04% equity	Shinhan Investment Corp.
Excluded subsidiaries		
Mirae Asset Technological Growth Focus Equity Feeder Investment Trust	Liquidation	Shinhan Investment Corp.
Mirae Asset Technological Growth Focus Equity Feeder Investment Trust	Liquidation	Mirae Asset Technological Growth Focus Equity Feeder Investment Trust
Shinhan Maritime Private Equity Fund I	Liquidation	Shinhan Investment Corp.
Korea Investment Asia Focus Long-short Security Feeder Investment Trust (Equity-Derivative)	Liquidation	Shinhan Investment Corp.
Korea Investment Asia Focus Long-short Security Master Investment Trust (Equity-Derivative)	Liquidation	Korea Investment Asia Focus Long-short Security Master Investment Trust (Equity-Derivative)
SS TRITON A S.A.	Liquidation	Shinhan Maritime Private Equity Fund I
SS TRITON B S.A.	Liquidation	Shinhan Maritime Private Equity Fund I

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(In millions of won)

1. Reporting entity, Continued

(c) Changes in subsidiaries, Continued

Company	December 31, 2016	
	Reason	Invest company
VALUE PLUS the 21st Co., Ltd.	Expiration of financial supplement commitment transactions	Shinhan Investment Corp.
VALUE PLUS the 22nd Co., Ltd.	Expiration of financial supplement commitment transactions	Shinhan Investment Corp.
VALUE PLUS the 25th Co., Ltd.	Expiration of financial supplement commitment transactions	Shinhan Investment Corp.
VALUE PLUS the 28th Co., Ltd.	Expiration of financial supplement commitment transactions	Shinhan Investment Corp.
VALUE PLUS the 29th Co., Ltd.	Expiration of financial supplement commitment transactions	Shinhan Investment Corp.
VALUE PLUS the 32nd Co., Ltd.	Expiration of financial supplement commitment transactions	Shinhan Investment Corp.
VALUE PLUS the 39nd L.L.C	Expiration of financial supplement commitment transactions	Shinhan Investment Corp.
Angelest the 1st L.L.C	Expiration of financial supplement commitment transactions	Shinhan Investment Corp.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(In millions of won)

1. Reporting entity, Continued

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

(i) Condensed financial positions of the Company and its subsidiaries as of December 31, 2017 and 2016 are as follows:

Entity	December 31, 2017			December 31, 2016		
	Total assets	Total liabilities	Total equity	Total assets	Total liabilities	Total equity
Shinhan Investment Corp.	₩ 27,976,359	24,716,859	3,259,500	25,270,019	22,191,289	3,078,730
Shinhan Investment America Inc.	4,322	139	4,183	2,189	178	2,011
Shinhan Investment Asia Ltd.	33,162	86	33,076	5,265	175	5,090
Shinhan Securities Vietnam Co., LTD	36,885	60	36,825	7,170	156	7,014
PT. Shinhan Sekuritas Indonesia	24,317	6,607	17,710	19,815	350	19,465
Beneficiary certificate	856	597	259	785	1,416	(631)
Specific Money Trust	-	-	-	80,123	-	80,123
VALUE PLUS the 35nd L.L.C	49,258	47,110	2,148	61,628	65,110	(3,482)
Mainstream the 1st Co., Ltd	34,906	34,756	150	34,938	34,739	199
VALUE PLUS the 37nd L.L.C	-	-	-	19,917	19,860	57
VALUE PLUS the 38nd L.L.C	40,269	40,075	194	40,188	40,074	114
VALUE PLUS the 40th Co., Ltd.	-	-	-	23,791	23,758	33
Angelest the 8st Co., Ltd	25,556	25,400	156	25,436	25,405	31
Mainstream the 2st L.L.C	371	371	-	1,616	1,623	(7)
Mainstream the 4st L.L.C	17,214	16,600	614	16,962	16,630	332
DMC 1st Co., Ltd	40,427	40,309	118	-	-	-
Biel energy 2nd Inc	68,684	67,505	1,179	-	-	-
Angelest the 11st L.L.C	-	-	-	8,794	8,792	2
Angelest the 12st L.L.C	10,114	10,240	(126)	-	-	-
Angelest the 13st L.L.C	13,254	13,700	(446)	-	-	-

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(In millions of won)

1. Reporting entity, Continued

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

(i) Condensed financial positions of the Company and its subsidiaries as of December 31, 2017 and 2016 are as follows; Continued

Entity	December 31, 2017			December 31, 2016		
	Total assets	Total liabilities	Total equity	Total assets	Total liabilities	Total equity
Angelest the 14st L.L.C	₩ 14,728	14,700	28	-	-	-
Angelest the 15st L.L.C	25,457	25,659	(202)	-	-	-
Angelest the 16st L.L.C	33,797	34,161	(364)	-	-	-
Tigerdragon 1st Co., Ltd	17,998	17,927	71	-	-	-
JTC 1st CO., Ltd	32,472	33,043	(571)	-	-	-
Fieldsavenue 1st Co., Ltd	6,231	6,156	75	-	-	-
Fieldsavenue 3th Co., Ltd	12,083	12,100	(17)	-	-	-
Finesolution 6th Co., Ltd	13,912	14,250	(338)	-	-	-
Finesolution 8th Co., Ltd	20,575	20,538	37	-	-	-
Finesolution 9th Co., Ltd	15,197	15,202	(5)	-	-	-
Globalsolution 1st Co., Ltd	115,037	115,300	(263)	-	-	-
JB Sangam Private Real Estate Investment Trust No.1	2,203	5	2,198	2,232	5	2,227
Nomura-Rifa Private Real Estate Investment Trust 4	72,658	53,517	19,141	74,276	53,687	20,589
Shinhan IoT New Technology Fund No.1	2,599	-	2,599	-	-	-
Shinhan Stassets Healthcare Fund 1	2,049	-	2,049	-	-	-
Shinhan-Cognitive Start-up Fund L.P.	3,050	6	3,044	-	-	-
SICeres Co.,Ltd.	11,736	12,222	(486)	11,708	11,752	(44)
SS Junior 1th Inc.	-	-	-	130,168	130,504	(336)
Irisnine Co.,Ltd.	11,736	12,222	(486)	11,708	11,752	(44)

(* Consolidated financial statements

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(In millions of won)

1. Reporting entity, Continued

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

(i) Condensed financial positions of the Company and its subsidiaries as of December 31, 2017 and 2016 are as follows:, Continued

Entity	December 31, 2017			December 31, 2016		
	Total assets	Total liabilities	Total equity	Total assets	Total liabilities	Total equity
TongYang Special Situations Private 1(Bond Balanced) ₩	-	-	-	5,085	2	5,083
Lime Pluto FI Fund	-	-	-	5,033	-	5,033
Fides May Man Multi-Strategy Fund	11,846	3	11,843	10,377	125	10,252
Brain Professional Private Trust No.9	7,026	-	7,026	6,122	6	6,116
AION Metis Fund	5,081	-	5,081	5,100	-	5,100
Multi Asset Offshore Aircraft QI Investment Fund No.1	28,710	1	28,709	30,971	1,162	29,809
KTB Global Multi Asset Allocation Fund	5,454	326	5,128	5,105	23	5,082
KTB Pre-IPO Private Investment Trust[Derivatives]	5,108	4	5,104	-	-	-
Lime Neptune L_ Mezzanine Private Equity Investment Trust 1	4,517	-	4,517	-	-	-
Lime Thetis Private Equity Investment Trust 3	15,102	4	15,098	-	-	-
KB Star Emerging Index Securities Feeder Fund(Equity-Derivatives) C-F	3,541	1	3,540	-	-	-
Rhinos Global Mezzanine Multi-Strategy Private Investment Fund No.1	5,165	16	5,149	-	-	-
SHBNPP US Senior Loan Special Asset Investment Trust No.1(H)[Loan]	13,825	3,236	10,589	-	-	-
SHBNPP Global Professional Investment Type Private Real Estate Investment Trust No.9	28,017	10	28,007	-	-	-
SHBNPP Global Professional Investment Type Private Real Estate Investment Trust No.11	110,426	15	110,411	-	-	-
Shinhan investment HI-FI Bond Professional Private1	50,247	27,007	23,240	-	-	-
Hastings Tornado Private Equity Fund series 1	5,101	1	5,100	-	-	-
Eugene Aviation special Investment type private investment trust 14	4,823	-	4,823	-	-	-

(*) Consolidated financial statements

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(In millions of won)

1. Reporting entity, Continued

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

(ii) Condensed comprehensive income statements of the Company and its subsidiaries for the years ended December 31, 2017 and 2016 are as follows:

Entity	December 31, 2017			December 31, 2016		
	Operating revenues	Net Income (loss)	Total comprehensive income	Operating revenues	Net Income (loss)	Total comprehensive income
Shinhan Investment Corp.	₩ 5,521,492	200,509	200,423	4,521,362	123,304	126,918
Shinhan Investment America Inc.	839	(679)	(1,005)	1,088	(463)	(411)
Shinhan Investment Asia Ltd.	3,144	965	(975)	2,176	477	634
Shinhan Securities Vietnam Co., LTD	439	(922)	(2,318)	261	(880)	(781)
PT. Shinhan Sekuritas Indonesia	1,960	627	(1,755)	321	237	717
Beneficiary certificate	24	19	(1,362)	45	20	20
Specific Money Trust	-	-	-	-	(530)	(530)
Mainstream the 1st Co., Ltd	2,075	(50)	(50)	2,098	(52)	(52)
Mainstream the 2st L.L.C	1,252	6	6	1,196	(7)	(7)
Mainstream the 4st L.L.C	931	282	282	608	331	331
VALUE PLUS the 35nd L.L.C	2,109	(64)	5,629	2,344	(14)	(3,535)
VALUE PLUS the 37nd L.L.C .	-	-	-	2,809	(933)	1,378
VALUE PLUS the 38nd L.L.C	1,826	80	80	1,843	61	61
VALUE PLUS the 40th Co., Ltd.	-	-	-	1,003	33	33
SiCeres Co.,Ltd.	1,079	(442)	(442)	295	(44)	(44)
SS Junior 1th Inc.	-	-	-	46	(336)	(336)
Irisnine Co.,Ltd.	1,079	(442)	(442)	295	(44)	(44)
Angelest the 8st Co., Ltd	1,072	125	125	613	31	31
Angelest the 11st L.L.C	-	-	-	7	2	2
Nomura-Rifa Private Real Estate Investment Trust 4	4,428	711	711	837	(1,064)	(1,064)
JB Sangam Private Real Estate Investment Trust No.1	-	(29)	(29)	-	(29)	(29)
TongYang Special Situations Private 1(Bond Balanced)	-	-	-	137	79	79
Lime Pluto FI Fund	-	-	-	33	33	33
Multi Asset Offshore Aircraft QI Investment Fund No.1	6,706	1,291	1,291	1,198	36	36

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(In millions of won)

1. Reporting entity, Continued

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

(ii) Condensed comprehensive income statements of the Company and its subsidiaries for the years ended December 31, 2017 and 2016 are as follows:, Continued

Entity	December 31, 2017			December 31, 2016		
	Operating Revenues	Net Income (loss)	Total comprehensive income	Operating revenues	Net Income (loss)	Total Comprehensive income
AION Metis Fund	₩ 1,109	589	589	1	1	1
Brain Professional Private Trust No.9	1,435	971	971	122	116	116
Fides May Man Multi-Strategy Fund	4,539	1,379	1,379	320	52	52
KTB Global Multi Asset Allocation Fund	499	46	46	5	(18)	(18)
DMC 1st Co., Ltd	2,577	118	118	-	-	-
Biel energy 2nd Inc	4,495	1,179	1,179	-	-	-
Angelest the 12st L.L.C	374	(126)	(126)	-	-	-
Angelest the 13st L.L.C	158	(446)	(446)	-	-	-
Angelest the 14st L.L.C	617	28	28	-	-	-
Angelest the 15st L.L.C	450	(202)	(202)	-	-	-
Angelest the 16st L.L.C	155	(364)	(364)	-	-	-
Tigerdragon 1st Co., Ltd	2,789	71	71	-	-	-
JTC 1st CO., Ltd	732	(571)	(571)	-	-	-
Fieldsavenue 1st Co., Ltd	427	75	75	-	-	-
Fieldsavenue 3th Co., Ltd	57	(17)	(17)	-	-	-
Finesolution 6th Co., Ltd	(134)	(338)	(338)	-	-	-
Finesolution 8th Co., Ltd	330	37	37	-	-	-
Finesolution 9th Co., Ltd	66	(5)	(5)	-	-	-
Globalsolution 1st Co., Ltd	8,491	(263)	(263)	-	-	-
Shinhan IoT New Technology Fund No.1	98	49	49	-	-	-
Shinhan Stassets Healthcare Fund 1	-	(31)	(31)	-	-	-
Shinhan-Cognitive Start-up Fund L.P.	-	(6)	(6)	-	-	-

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(In millions of won)

1. Reporting entity, Continued

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

(ii) Condensed comprehensive income statements of the Company and its subsidiaries for the years ended December 31, 2017 and 2016 are as follows:, Continued

Entity	December 31, 2017			December 31, 2016		
	Operating Revenues	Net Income (loss)	Total comprehensive income	Operating revenues	Net Income (loss)	Total comprehensive income
KTB Pre-IPO Private Investment Trust[Derivatives]	168	4	4	-	-	-
Lime Neptune L_ Mezzanine Private Equity Investment Trust 1	914	737	737	-	-	-
Lime Thetis Private Equity Investment Trust 3	102	98	98	-	-	-
KB Star Emerging Index Securities Feeder Fund(Equity-Derivatives) C-F	455	365	365	-	-	-
Rhinos Global Mezzanine Multi-Strategy Private Investment Fund No.1	617	58	58	-	-	-
SHBNPP US Senior Loan Special Asset Investment Trust No.1(H)[Loan]	814	73	73	-	-	-
SHBNPP Global Professional Investment Type Private Real Estate Investment Trust No.9	1,130	(46)	(46)	-	-	-
SHBNPP Global Professional Investment Type Private Real Estate Investment Trust No.11	3,638	611	611	-	-	-
Shinhaninvestment HI-FI Bond Professional Private1	254	240	240	-	-	-
Hastings Tornado Private Equity Fund series 1	1	-	-	-	-	-
Eugene Aviation special Investment type private investment trust 14	2	(34)	(34)	-	-	-

(*) Consolidated financial statements

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016

2. Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

Subsidiaries	Functional Currency
Shinhan Investment America Inc.	USD
Shinhan Investment Asia Ltd.	HKD
Shinhan Securities Vietnam Co., LTD	VND
PT. Shinhan Sekuritas Indonesia	IDR

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016

2. Basis of preparation, Continued

(d) Use of estimates and judgements

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

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

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

(i) Income taxes

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

(ii) Fair value of financial instruments

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

(iii) Allowances for loan loss

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

(iv) Provisions

The Group recognizes a provision considering risks and uncertainty under the given circumstance of the event. At the end of each reporting period, the remaining provision balance is reviewed and assessed to determine if the amount needs to be updated.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016

2. Basis of preparation, Continued

(d) Use of estimates and judgements, Continued

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

When there is a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost, there is objective evidence that the available-for-sale equity investment is impaired. Accordingly, the Group considers the decline in the fair value of more than 30% below cost as "significant decline" and a decline for six consecutive months as a "prolonged decline".

(e) Approval of the consolidated financial statements

These consolidated financial statements were approved by the Board of Directors on February 6, 2018 and will be submitted for approval to the shareholder's meeting to be held on March 20, 2018.

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, 2017.

(a) Basis of consolidation

(i) Subsidiaries

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

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

(ii) Structured entity

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016

2. Significant accounting policies, Continued

(a) Basis of consolidation, Continued

(iii) Transactions eliminated on consolidations

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

(iv) Non-controlling interests

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

(v) Changes in the parent company's ownership interest in a subsidiary.

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016

3. Significant accounting policies, Continued

(b) Associates and jointly controlled entities (collectively "associates")

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

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

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

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

(c) Business combinations

(i) Business combinations

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

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

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

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

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016

3. Significant accounting policies, Continued

(c) Business combinations, Continued

(i) Business combinations, Continued

incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer. However, any portion of the acquirer's share-based payment awards exchanged for awards held by the acquiree's employees that are included in consideration transferred in the business combination shall be measured in accordance with the method described above rather than at fair value. Acquisition-related costs are costs the acquirer incurs to effect a business combination. Those costs include finder's fees; advisory, legal, accounting, valuation and other professional or consulting fees; general administrative costs, including the costs of maintaining an internal acquisitions department; and costs of registering and issuing debt and equity securities. Acquisition-related costs, other than those associated with the issue of debt or equity securities, are expensed in the periods in which the costs are incurred and the services are received. The costs to issue debt or equity securities are recognized in accordance with K-IFRS No.1032 Financial Instruments: Presentation and K-IFRS No.1039 Financial Instruments: Recognition and Measurement.

(ii) Goodwill

The Group measures goodwill at the acquisition date as:

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

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

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

(d) Foreign currency

(i) Foreign currency transactions

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

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016

3. Significant accounting policies, Continued

(d) Foreign currency, Continued

(ii) Foreign operations

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

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

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

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

(iii) Net investment in a foreign operation

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

(e) Cash and cash equivalents

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016

3. Significant accounting policies, Continued

(f) Non-derivative financial assets

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

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

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

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

(ii) Held-to-maturity investments

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

(iii) Loans and receivables

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

(iv) Available-for-sale financial assets

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

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016

3. Significant accounting policies, Continued

(f) Non-derivative financial assets, Continued

(v) De-recognition of financial assets

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

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

(vi) Offsetting between financial assets and financial liabilities

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

(g) Derivative financial instruments

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

(i) Separable embedded derivatives

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

(ii) Other non-trading derivatives

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

The Group does not hold any derivatives designated as hedging derivatives as of December 31, 2017 and 2016.

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

(h) Impairment of financial assets

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

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

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

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

(i) Loans

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

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

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

(h) Impairment of financial assets, Continued

(i) Loans, Continued

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

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

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

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

(ii) Available-for-sale financial assets

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

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

(i) Property and equipment

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

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

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

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

Descriptions	Useful lives
Buildings	40~60 years
Vehicles	5 years
Furniture and fixtures	4 years
Other property and equipment	15 years

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

(j) Intangible assets

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

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

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

(j) Intangible assets, Continued

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

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

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

(k) Investment property

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

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

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

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3. Significant accounting policies, Continued

(l) Impairment of non-financial assets

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

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

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

(m) Non-derivative financial liabilities

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

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

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

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

(n) Equity capital

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

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.

(o) Employee benefits

(i) Short-term employee benefits

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

(ii) Other long-term employee benefits

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

(iii) Retirement benefits: defined contribution plans

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

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

(o) Employee benefits, Continued

(iv) Termination benefits

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

(p) Share-based payment transactions

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

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

(q) Provisions

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

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

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

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

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3. Significant accounting policies, Continued

(r) Financial income and financial expense

(i) Interest

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

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

(ii) Fees and commission

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

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

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

(iii) Dividends

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

(s) Income taxes

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

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

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

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

(s) Income taxes, Continued

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

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

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

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

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

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

(t) Leases

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

(i) Finance leases

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

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3. Significant accounting policies, Continued

(t) Leases, Continued

(i) Finance leases, Continued

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

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

(ii) Operating leases

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

(u) Operating segments

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

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

(v) Changes in accounting policies

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2017.

(i) Amendments to K-IFRS No. 1007, 'Cash flow statement'

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments are effective for annual periods beginning on or after January 1, 2017. The amendments are not expected to have a significant impact on the Group's financial statements.

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

(v) Changes in accounting policies, Continued

- (ii) Amendments to K-IFRS No. 1012, 'Income taxes'

The amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments are effective for annual periods beginning on or after 1 January 2017. The amendments are not expected to have a significant impact on the Group's consolidated financial statements.

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

The Group applied amendments to K-IFRS 1112, 'Disclosure of Interests in Other Entities', which are effective for annual periods beginning on or after January 1, 2017. The amendments to K-IFRS 1112 require disclosure of interests in other entities should also be applied to interests that are classified as held for sale or distribution. The amendments does not have a significant impact on the Group's consolidated financial statements.

(w) New standards and interpretations not yet adopted

The following new standards, interpretations and amendments to existing standards have been published and are mandatory for the Group for annual periods beginning after January 1, 2017, and the Group has not early adopted them.

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

K-IFRS No. 1109, Financial instruments which was published on September 25, 2015, is effective for periods beginning on or after January 1, 2018, with early adoption permitted. K-IFRS 1109 will replace the current K-IFRS No. 1039, Financial instruments: recognition and measurement. The Group plans to adopt K-IFRS 1109 for the year beginning on January1, 2018.

In principle, changes in accounting policies resulting from the adoption of K-IFRS 1109 will be applied retrospectively. However, there are exemption allowing the Group not to restate comparative information with respect to classification, measurement and impairment of financial instruments. For hedge accounting, the new standard will be applied prospectively except for certain cases such as accounting for the time value of options.

Main characteristics of K-IFRS 1109 are followings: classification and measurement of financial instruments based on characteristics of contractual cash flows and business model for financial instrument management, impairment model based on expected credit losses, changes in qualification requirement of hedged items, enlargement of hedging instruments and changes in hedge effectiveness tests

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3. Significant accounting policies, Continued

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

For the application of K-IFRS No.1109, the Group implemented changes in its accounting processes and internal controls related to financial instruments. The Group assessed the potential financial impact of the initial adoption of K-IFRS 1109 based on the circumstances and available information as of December 31, 2017 as follows:

1) Classification and measurement of financial assets

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

Business model objectives	Contractual cash flow characteristics	
	Principal and interest	Others
Collection of the contractual cash flows	Measured at amortised cost(*1)("AC")	
Collection of the contractual cash flows and to sale of assets	Measured at fair value through other comprehensive income(*1)("FVOCI")	Fair value through profit or loss(*2)
Sale of assets and others	Measured at fair value through profit or loss("FVPL")	

(*1) The Group may irrevocably designate a financial asset as measured at fair value through profit or loss to eliminate or significantly reduce accounting mismatch.

(*2) The Group may make an irrevocable election for equity instruments that are not held for trading as measured at fair value through other comprehensive income.

As there are additional requirements for a financial asset to be classified as measured at amortized costs or at fair value through other comprehensive income under K-IFRS No. 1109 compared to the existing K-IFRS No. 1039, the adoption of K-IFRS No. 1109 would potentially increase the proportion of financial assets that are measured at fair value through profit or loss, increasing volatility in the Group's profit or loss.

The expected impacts on the classification and measurement of financial assets as of December 31, 2017 based on the information from the revised accounting system are as follows:

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3. Significant accounting policies, Continued

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

	Classification by			Amount by	
	K-IFRS 1039	K-IFRS 1109		K-IFRS 1039	K-IFRS 1109
Due from banks	Loans and receivables	AC	₩	2,294,897	2,294,897
Loans	Loans and receivables	FVPL		67,691	67,824
		AC		3,649,077	3,649,077
Other financial assets	Loans and receivables	AC		2,004,750	2,004,750
Trading assets (debt securities)	Fair value through profit or loss	FVPL		11,247,397	11,247,397
Trading assets (equity securities)	Fair value through profit or loss	FVPL		2,941,861	2,941,861
Designated at fair value through profit or loss (debt securities)	Fair value through profit or loss	FVPL		2,000,343	2,000,343
Designated at fair value through profit or loss (equity securities)	Fair value through profit or loss	FVPL		952,180	952,180
Designated at fair value through profit or loss (hybrid financial assets)	Fair value through profit or loss	FVPL		233,892	233,892
Available-for-sale (debt securities)	Available-for-sale	FVPL		114,013	118,720
		FVOCI		1,249,731	1,249,731
Available-for-sale (equity securities)	Available-for-sale	FVPL		258,584	258,584
		FVOCI		146,004	146,004
			₩	27,160,420	27,165,260

Based on management's evaluation to date, upon adoption of K-IFRS No. 1109 as of January 1, 2018, financial assets amounting to ₩67,824 million among the loans and receivables and held-to-maturity securities, ₩377,304 million among the available-for-sale securities are expected to be classified as assets measured at fair value through profit or loss. The portion of assets measured at fair value through profit or loss increases to 66% under K-IFRS No. 1109 as of January 1, 2018 from 64% under K-IFRS No. 1039 as of December 31, 2017; and the volatility of profit or loss is expected to increase due to the changes in the fair value of financial assets.

2) Classification and measurement of financial liabilities

In accordance with the new standard K-IFRS No. 1109, the amount of change in the fair value of the financial liability designated as measured at fair value through profit or loss that is attributable to changes in the credit risk of that liability will be presented in other comprehensive income, not profit or loss. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss. However, when the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch, the related change in the fair value can be presented in profit or loss.

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3. Significant accounting policies, Continued

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

As some portion of the changes in fair value of the financial liability that is designated at fair value through profit or loss, which was recognized as profit or loss under K-IFRS No. 1039, will be presented as other comprehensive income, the profit or loss related to fair value of financial liability may decrease.

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

3) Impairment: Financial assets and contract assets

Under the current standard K-IFRS No. 1039, impairment is recognized based on incurred loss model only when there is an objective evidence of impairment. However, under the new standard K-IFRS No. 1109, impairment is recognized based on expected credit loss impairment model for the debt instruments, lease receivable, contract assets, loan commitments, and financial guarantee contracts measured at amortised cost or financial assets that are measured at fair value through other comprehensive income.

Unlike the current standard K-IFRS No. 1039 which is based on incurred loss model, credit losses may be recognized earlier under K-IFRS No. 1109. As shown below, this standard requires to measure the amount for loss allowance in 3 stages based on the 12-month expected credit losses or lifetime expected credit losses depending on the degree of increase in credit risk of the financial assets since initial recognition.

Stages		Loss allowance
Stage 1	Credit risk has not increased significantly since initial recognition(*1)	12-month expected credit losses: the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.
Stage 2	Credit risk has increased significantly since initial recognition	Lifetime expected credit losses: the expected credit losses that result from all possible default events over the expected life of a financial instrument.
Stage 3	Credit-impaired	

(*1) The Group may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the credit risk is low at the reporting date.

According to K-IFRS No.1109, the Group will only recognize the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance for financial assets impaired at its initial recognition.

Under K-IFRS No.1109, the Group will apply the simplified approach for which the Group will consider a debt security to have low credit risk when its credit risk rating is equivalent to the definition of 'investment-grade'.

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3. Significant accounting policies, Continued

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

Based on management's evaluation to date using the information from the revised accounting system as of December 31, 2017, the expected impacts on the allowance for loan losses are as follows:

	Classification Under		Amount Under	
	K-IFRS 1039	K-IFRS 1109	K-IFRS 1039	K-IFRS 1109
Allowance for loan losses				
Loans and receivables				
Loans	AC	₩	14,866	21,682
	FVPL		14	-
Other financial assets	AC		7,623	7,623
Available-for-sale assets				
Debt securities	FVOCI		-	207
		₩	<u>22,503</u>	<u>29,512</u>
Contingent liabilities				
Financial guarantee contract	Financial guarantee contract	₩	946	1,012
Allowances for unused loan commitments and other credit risk	Allowances for unused loan commitments and other credit risk		-	1,236
		₩	<u>946</u>	<u>2,248</u>

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

K-IFRS No.1115, published on November 6, 2015, is a new accounting standard about revenue recognition, is effective for annual reporting periods beginning on or after January 1, 2018, with earlier application permitted.

It replaces existing revenue recognition standards, including K-IFRS No.1018, 'Revenue', K-IFRS No.1011, 'Construction Contracts', K-IFRS No.2031, 'Revenue-Barter Transactions Involving Advertising Services', K-IFRS No.2113, 'Customer Loyalty Programmes', K-IFRS No.2115, 'Agreements for the Construction of Real Estate' and K-IFRS No.2118, 'Transfers of Assets from Customers'.

The Group adopts K-IFRS No.1115 from January 1, 2018 using the cumulative effect method and the effect of initially applying this standard is recognised at the date of initial application (i.e. January 1, 2018). As a result, the Group will not apply the requirements of K-IFRS No.1115 to the comparative period presented.

The existing standards suggest revenue recognition guidance by type of transactions such as sale of goods, rendering of services, interest revenue, royalty revenue, dividends revenue and construction contracts.

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3. Significant accounting policies, Continued

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

However, according to K-IFRS No.1115, all types of contracts recognize revenue through five-step revenue recognition model (① 'Identifying the contract' → ② 'Identifying performance obligations' → ③ 'Determining the transaction price' → ④ 'Allocating the transaction price to performance obligations' → ⑤ 'Recognizing the revenue by satisfying performance obligations').

Since the second half of 2017, the Group has formed a separate Task Force Team to prepare for the adoption of K-IFRS No. 1115.

As a result of the analysis based on K-IFRS No. 1115 with assistance from the accounting firm, the Group has found the part of sales of trust goods include additional performance obligation to provide maintenance services after the sales.

In case of identifying performance obligations and recognizing revenue when the Group satisfy the performance obligation, the Group should recognize revenue for the part of maintenance obligation over time.

As a result of the analysis of financial impact based on the current situation and available information as of December 31, 2017, the Group does not expect the application of K-IFRS No.1115 will have a material impact on the consolidated financial statements.

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

The amendments clarify that a cash-settled share-based payment is measured using the same approach as for equity-settled share-based payments. The amendments introduce an exception stating that, for classification purposes, a share-based payment transaction with employees is accounted for as equity-settled. The amendments are effective for annual periods beginning on or after 1 January 2018. The amendments are not expected to have a significant impact on the Group's consolidated financial statements.

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

K-IFRS No. 1116, 'Leases' which was published on May 25, 2017, is effective for periods beginning on or after January 1, 2019, with early adoption permitted. K-IFRS No. 1116 will replace the current K-IFRS No. 1017, 'Leases', K-IFRS Interpretations No. 2104, 'Determining whether an Arrangement Contains a Lease'. Companies applying the K-IFRS 1115 'Revenue from Contracts with Customers' can adopt K-IFRS No.1116 early.

The Group classifies whether the contract itself is a lease or the contract involves a lease at the point of lease commencement date and distinguishes whether the contract itself is a lease or the contract involves a lease based on K-IFRS No. 1116. However, the Group may choose as its accounting policy not to reassess all the contracts before the date of initial application, as a practical expedient.

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3. Significant accounting policies, Continued

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

K-IFRS No. 1116 'Lease' presents that a lessee may elect not to separate non-lease components from lease components, and instead, account for each lease component and any associated non-lease components as a single lease component, as a practical expedient. The lessee is required to recognize the right-of-use assets and lease liabilities representing the right to occupy the underlying assets and the duty to make lease payments, respectively. However, as the cases of short-term lease and the low value assets the exemption is applicable. The accounting for lessor has not significantly changed from the current K-IFRS No. 1017. The Group is in the process of evaluating whether there will be a significant impact on the Group's consolidated financial statements due to the adoption of K-IFRS No. 1116.

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

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

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

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

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

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

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3. Significant accounting policies, Continued

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

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

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

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4. Cash and due from banks

(a) Details of cash and due from banks as of December 31, 2017 and 2016 are summarized as follows:

		<u>December 31, 2017</u>	<u>December 31, 2016</u>
Cash and cash equivalents	Cash on hand	₩ 86	100
	Current deposits	6,176	74,311
	Demand deposits	34,296	75,699
	Time deposits	393	3,831
	Others	28,451	80,000
	Foreign currency deposits	265,409	345,023
		<u>334,811</u>	<u>578,964</u>
Due from banks in won	Time deposits	-	1,074,000
	Reserve for claims of customers' deposits	154,600	251,500
	Guarantee deposits for stock borrowing for KSFC	500	9
	Restricted time deposits	1,407,183	723,366
	Gold deposits	2,200	2,100
	Deposits for checking accounts	66	64
	Others	1,166	3,105
		<u>1,565,715</u>	<u>2,054,144</u>
Due from banks in foreign currency	Reserve for claims of customers' deposits	133,718	174,451
	Others	260,739	187,324
		<u>394,457</u>	<u>361,775</u>
	<u>₩ 2,294,983</u>	<u>2,994,883</u>	

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4. Cash and due from banks, Continued

(b) Restricted due from banks as of December 31, 2017 and 2016 are as follows:

	Placed at	December 31, 2017	December 31, 2016	Restriction
Time deposits	Busan Bank	₩ 182	366	Collateral for the sales of beneficiary certificates
	Shinhan Bank, etc.	77,000	67,000	Collateral for a bank overdraft facility
	Busan Bank, etc.	1,194,000	500,000	Collateral for lending/borrowing securities
	Shinhan Bank	5,000	5,000	Collateral for the small amount of payment
	Woori Bank, etc.	126,000	151,000	Collateral for the issue of ELS (Equity Linked Securities)
	Kookmin Bank	5,000	-	Collateral for derivatives-combined bonds
Reserve for claims on customers' deposits	Korean Securities Finance Corporation	288,318	425,951	(*1)
Reserve for claims on customers' deposits (trust)	Korean Securities Finance Corporation	948,705	862,837	(*1),(*2)
Gold deposits	Korean Securities Finance Corporation	2,200	2,100	Deposits for gold transactions
Guarantee deposits for stock borrowing for KSFC	Korean Securities Finance Corporation	500	9	Guarantee deposits for stock borrowing for KSFC
Other deposits in won	Shinhan Bank, etc.	66	64	Deposit for checking accounts
	KEB Hana Bank, etc.	1,166	3,105	Deposit for trading derivatives
Other deposits in foreign currency	MAREX Financial Limited, etc.	89,601	57,854	Collateral for trading foreign futures
	Korea Exchange	45,980	18,149	Collateral for trading foreign futures
	Hong Kong Exchange and Clearing Limited	121,678	111,279	Collateral for trading securities
	Citi Bank	-	42	Collateral for settling foreign bonds
	Others	3,480	-	Collateral for FX
		₩ 2,908,876	2,204,756	

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4. Cash and due from banks, Continued

(b) Restricted due from banks as of December 31, 2017 and 2016 are as follows:, Continued

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

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

5. Financial assets at fair value through profit or loss

(a) Details of financial assets at fair value through profit or loss as of December 31, 2017 and 2016 are summarized as follows:

		<u>December 31, 2017</u>	<u>December 31, 2016</u>
Trading financial assets	₩	14,189,258	13,076,194
Financial assets designated at fair value through profit		3,186,414	3,094,892
Derivative assets		662,490	351,347
	₩	<u>18,038,162</u>	<u>16,522,433</u>

(b) Details of trading financial assets as of December 31, 2017 and 2016 are summarized as follows:

		<u>December 31, 2017</u>	<u>December 31, 2016</u>
Trading financial assets in won			
Government bonds	₩	1,360,889	2,618,558
Local bonds		61,999	63,349
Financial bonds		5,003,302	4,582,101
Corporate bonds		3,242,803	2,684,166
Corporate commercial papers		863,745	1,245,874
Stocks		783,736	643,386
Collective investment securities		852,925	540,796
Othes		19,657	-
		<u>12,189,056</u>	<u>12,378,230</u>
Trading financial assets in foreign currency			
Bonds		695,002	623,822
Stocks		8,935	7,955
Collective investment securities		1,296,265	66,187
		<u>2,000,202</u>	<u>697,964</u>
	₩	<u>14,189,258</u>	<u>13,076,194</u>

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

(c) Details of financial assets designed at fair value through profit as of December 31, 2017 and 2016 are summarized as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Hybrid instruments		
Derivatives-combined securities	₩ 206,185	312,815
Management and performance evaluation on a fair value basis		
Reserve for claims of customers' deposit (trust)	948,705	862,837
Bonds	2,013,051	1,885,373
Corporate commercial papers	14,999	29,998
Stocks	409	2,517
Collective investment securities	3,065	1,352
	<u>2,980,229</u>	<u>2,782,077</u>
	₩ <u>3,186,414</u>	<u>3,094,892</u>

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

(d) Details of derivative assets as of December 31, 2017 and 2016 are summarized as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Derivatives in won		
Over the counter:		
Interest rate	₩ 48,025	42,176
Equity	151,642	41,373
Credit	63,359	13,365
Commodity	14,832	1,101
	<u>277,858</u>	<u>98,015</u>
Exchange traded:		
Equity	<u>10,376</u>	<u>9,996</u>
	<u>288,234</u>	<u>108,011</u>
Derivatives in foreign currency		
Over the counter:		
Interest rate	14,692	13,314
Currency	337,461	222,314
Equity	495	342
Commodity	159	46
	<u>352,807</u>	<u>236,016</u>
Exchange traded:		
Interest rate	1,771	1,439
Currency	416	-
Equity	13,225	3,771
Commodity	6,037	2,110
	<u>21,449</u>	<u>7,320</u>
	<u>374,256</u>	<u>243,336</u>
	<u>₩ 662,490</u>	<u>351,347</u>

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6. Available-for-sale financial assets

Details of available-for-sale financial assets as of December 31, 2017 and 2016 are summarized as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Debt securities		
Government bonds	₩ 70,151	283,014
Financial bonds	622,844	486,177
Corporate bonds	621,243	439,331
Bonds with warrants	23,000	7,036
Corporate commercial paper	772	576
Debt securities issued in foreign currency	25,734	30,795
	<u>1,363,744</u>	<u>1,246,929</u>
Equity securities		
Stocks(*)	167,575	165,923
Investments in partnerships	73,314	78,632
Collective investment securities	119,576	90,650
Securities in foreign currency	43,442	68,663
	<u>403,907</u>	<u>403,868</u>
Collective fund for default loss	680	1,840
	<u>₩ 1,768,331</u>	<u>1,652,637</u>

(*) Equity securities with no quoted market prices in active markets and for which the fair value cannot be measured reliably are recorded at cost amounting to ₩5,553million and ₩6,055 million as of December 31, 2017 and 2016, respectively.

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7. Investments in associates

(a) Details of investments in associates as of December 31, 2017 and 2016 are as follows:

	Location	Ownership	December 31, 2017		December 31, 2016	
			Acquisition cost	Book value	Book value	
The Asia Pacific Capital Fund II L.P	Cayman islands	21.85%	₩	31,194	6,340	10,046
KoFC Shinhan Frontier Champ 2010-4 PEF(*1)	Rep. of Korea	8.50%		5,129	4,248	3,882
Korea investment gong-pyeong office real estate investment trust 2nd	Rep. of Korea	35.71%		233	331	332
Shinhan Praxis K-Growth Global Private Equity Fund (*1)	Rep. of Korea	14.15%		14,863	14,214	10,149
Credian Healthcare Private Equity Fund II	Rep. of Korea	20.74%		2,525	2,321	2,487
Kiwoom Milestone Professional Private Real Estate Trust 19	Rep. of Korea	49.99%		11,000	10,408	10,761
FG EURO GREEN PRIVATE REAL ESTATE TRUST No.3	Rep. of Korea	21.28%		20,000	20,459	21,237
Brain Professional Private Trust No.4	Rep. of Korea	27.50%		5,203	5,848	5,316
Brain KS Qualified Privately Placed Fund No.6	Rep. of Korea	30.00%		3,000	2,883	2,938
Hanhwa US Equity Strategy Private Real Estate Fund No.1	Rep. of Korea	44.84%		24,747	25,480	25,764
GB Private Fund for Professional Investor #3 (*2)	Rep. of Korea	66.67%		20,000	20,131	20,011
M360 CRE Income Fund (*2)(*3)	Rep. of Korea	57.87%		155,896	153,904	23,167
Shinhan Display New Technology Fund No.1 (*1)	USA	9.62%		1,000	942	-
Shinhan Global Healthcare Fund 1 (*1)	Rep. of Korea	3.13%		2,440	2,416	-
Brain Asset Management PN Private Investment Trust Fund 13	Rep. of Korea	41.10%		1,500	1,550	-
Orion Mezzanine Private Investment Trust 4	Rep. of Korea	41.67%		1,500	1,443	-
JB Power TL Investment Type Private Placement Special Asset Fund 7	Rep. of Korea	33.33%		18,703	18,691	-
IBK AONE convertible 1	Rep. of Korea	47.25%		5,000	5,122	-
Rico synergy collabo Multi-Mezzanine 3 (*2)	Rep. of Korea	50.00%		5,001	5,026	-

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7. Investments in associates, Continued

(a) Details of investments in associates as of December 31, 2017 and 2016 are as follows:, Continued

	Location	December 31, 2017			December 31, 2016
		Ownership	Acquisition cost	Book value	Book value
KB NA Hickory Private Special Asset Fund	Rep. of Korea	37.50%	33,906	34,092	-
Shinhan Fintech New Technology Fund No.1 (*1)	Rep. of Korea	9.80%	1,000	1,005	-
GB Private Fund for Professional Investor #6 (*2)	Rep. of Korea	94.51%	8,600	8,600	-
Koramco Europe Core Private Placement Real Estate Fund No.2-2	Rep. of Korea	48.49%	21,408	20,760	-
			₩ 393,848	366,214	136,090

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

(*2) The Group does not have control of the investee but significant influence over the investee.

(*3) The latest financial statements were used for the equity method since the financial statements as of December 31, 2017 were not available. Significant trades and events occurred within the period were properly reflected.

(b) Changes in investments in associates for the years ended December 31, 2017 and 2016 are as follows:

	₩	December 31, 2017				
		Beginning balance	Acquisition (Disposal)	Equity method income(loss)	Other comprehensive income (loss)	Ending balance
The Asia Pacific Capital Fund II L.P		10,046	396	(783)	(3,319)	6,340
KoFC Shinhan Frontier Champ 2010-4 PEF		3,882	-	184	182	4,248
Korea investment gong-pyeong office real estate investment trust 2nd		331	(1)	1	-	331
Shinhan Praxis K-Growth Global Private Equity Fund		10,150	4,811	(1,193)	446	14,214
Credian Healthcare Private Equity Fund II		2,487	-	4	(170)	2,321
Kiwoom Milestone Professional Private Real Estate Trust 19		10,761	(222)	(131)	-	10,408
FG EURO GREEN PRIVATE REAL ESTATE TRUST No.3		21,237	(841)	640	(577)	20,459
Brain Professional Private Trust No.4		5,316	-	529	3	5,848
Brain KS Qualified Privately Placed Fund No.6		2,938	-	(33)	(22)	2,883
Hanhwa US Equity Strategy Private Real Estate Fund No.1		25,764	(1,859)	1,591	(16)	25,480

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(In millions of won)

7. Investments in associates, Continued

(b) Changes in investments in associates for the years ended December 31, 2017 and 2016 are as follows:
Continued

	December 31, 2017				
	Beginning balance	Acquisition (Disposal)	Equity method income(loss)	Other comprehensive income (loss)	Ending balance
GB Private Fund for Professional Investor #3	₩ 20,011	(820)	940	-	20,131
M360 CRE Income Fund	23,167	132,768	9,269	(11,300)	153,904
SHBNPP Nine Tree Real Estate Investment Trust	-	(34)	34	-	-
JB Power TL Investment Type Private Placement Special Asset Fund 6	-	(381)	381	-	-
Shinhan Display New Technology Fund No.1	-	1,000	(58)	-	942
Shinhan Global Healthcare Fund 1	-	2,440	(24)	-	2,416
Brain Asset Management PN Private Investment Trust Fund 13	-	1,500	50	-	1,550
Orion Mezzanine Private Investment Trust 4	-	1,500	(57)	-	1,443
JB Power TL Investment Type Private Placement Special Asset Fund 7	-	18,268	423	-	18,691
Bros Investment O Hedge fund 1	-	(79)	79	-	-
IBK AONE convertible 1	-	5,000	122	-	5,122
Rico synergy collabo Multi-Mezzanine 3	-	5,001	25	-	5,026
KB NA Hickory Private Speical Asset Fund	-	33,362	730	-	34,092
Shinhan Fintech New Technology Fund No.1	-	1,000	5	-	1,005
GB Private Fund for Professional Investor #6	-	8,600	-	-	8,600
Koramco Europe Core Private Placement Real Estate Fund No.2-2	-	21,408	(648)	-	20,760
	₩ 136,090	232,817	12,080	(14,773)	366,214

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(In millions of won)

7. Investments in associates, Continued

(b) Changes in investments in associates for the years ended December 31, 2017 and 2016 are as follows:
Continued

		December 31, 2016					Ending balance
		Beginning balance	Acquisition (Disposal)	Equity method income (loss)	Other comprehensive income (loss)	Impairment loss	
The Asia Pacific Capital Fund II L.P	₩	29,254	(3,845)	(6,503)	(2,491)	(6,369)	10,046
KoFC Shinhan Frontier Champ 2010-4 PEF		4,588	(1,529)	507	316	-	3,882
BNH-CJ Bio Healthcare Fund		9,096	(12,892)	3,796	-	-	-
Korea investment gong-pyeong office real estate investment trust 2nd		20,008	(20,451)	775	-	-	332
Shinhan Praxis K-Growth Global Private Equity Fund		6,460	3,467	(153)	375	-	10,149
Credian Healthcare Private Equity Fund II		-	2,525	(38)	-	-	2,487
Kiwoom Milestone Professional Private Real Estate Trust 19		-	10,944	(183)	-	-	10,761
FG EURO GREEN PRIVATE REAL ESTATE TRUST No.3		-	19,144	461	1,632	-	21,237
Brain Professional Private Trust No.4		-	5,000	316	-	-	5,316
Brain KS Qualified Privately Placed Fund No.6		-	3,000	(8)	(54)	-	2,938
Hanhwa US Equity Strategy Private Real Estate Fund No.1		-	25,000	747	17	-	25,764
GB Private Fund for Professional Investor #3		-	20,000	11	-	-	20,011
M360 CRE Income Fund		-	22,992	-	175	-	23,167
	₩	<u>69,406</u>	<u>73,355</u>	<u>(272)</u>	<u>(30)</u>	<u>(6,369)</u>	<u>136,090</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(In millions of won)

7. Investments in associates, Continued

(c) Condensed financial information of major associate as of and for the years ended December 31, 2017 and 2016 are as follows:

	December 31, 2017				December 31, 2016			
	Assets	Liabilities	Operating revenue	Net income (loss)	Assets	Liabilities	Operating revenue	Net income (loss)
The Asia Pacific Capital Fund II L.P	₩ 29,103	88	-	(3,582)	46,043	65	-	(29,768)
KoFC Shinhan Frontier Champ 2010-4 PEF	50,007	3	2,223	2,177	45,694	4	7,325	5,964
Korea investment gong-pyeong office real estate investment trust 2nd	927	-	3	2	928	1	2,170	2,170
Shinhan Praxis K-Growth Global Private Equity Fund	100,805	353	7,273	(8,428)	72,075	350	513	(1,084)
Credian Healthcare Private Equity Fund II	11,236	47	211	19	12,040	47	190	(180)
Kiwoom Milestone Professional Private Real Estate Trust 19	57,405	36,589	2,742	(262)	57,692	36,169	924	(367)
FG EURO GREEN PRIVATE REAL ESTATE TRUST No.3	97,203	1,066	5,851	3,012	99,794	3	10,321	2,210
Brain Professional Private Trust No.4	21,369	105	2,942	1,925	19,384	46	2,158	1,148
Brain KS Qualified Privately Placed Fund No.6	9,639	28	3	(110)	9,794	1	1	(26)
Hanhwa US Equity Strategy Private Real Estate Fund No.1	56,898	78	11,562	3,549	59,781	2,327	5,199	1,667
GB Private Fund for Professional Investor #3	30,197	-	1,439	1,409	30,018	-	18	17
M360 CRE Income Fund	265,945	-	7	14,179	60,261	6,167	-	-

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(In millions of won)

7. Investments in associates, Continued

(c) Condensed financial information of major associate as of and for the years ended December 31, 2017 and 2016 are as follows:, Continued

	December 31, 2017				December 31, 2016			
	Assets	Liabilities	Operating revenue	Net income (loss)	Assets	Liabilities	Operating revenue	Net income (loss)
Shinhan Display New Technology Fund No.1	₩ 9,800	-	2	(600)	-	-	-	-
Shinhan Global Healthcare Fund 1	77,166	-	3	(757)	-	-	-	-
Brain Asset Management PN Private Investment Trust Fund 13	3,775	4	146	120	-	-	-	-
Orion Mezzanine Private Investment Trust 4	3,464	1	1	(137)	-	-	-	-
JB Power TL Investment Type Private Placement Special Asset Fund 7	56,125	53	7,115	1,267	-	-	-	-
IBK AONE convertible 1	10,840	-	279	258	-	-	-	-
Rico synergy collabo Multi-Mezzanine 3	10,054	3	371	50	-	-	-	-
KB NA Hickory Private Special Asset Fund	90,978	67	11,092	1,945	-	-	-	-
Shinhan Fintech New Technology Fund No.1	10,250	-	106	50	-	-	-	-
GB Private Fund for Professional Investor #6	9,101	1	1	-	-	-	-	-
Koramco Europe Core Private Placement Real Estate Fund No.2-2	44,886	2,074	2,503	(1,337)	-	-	-	-
	<u>₩ 1,057,173</u>	<u>40,560</u>	<u>55,875</u>	<u>14,749</u>	<u>513,504</u>	<u>45,180</u>	<u>28,819</u>	<u>(18,249)</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(In millions of won)

8. Loans

(a) Details of loans as of December 31, 2017 and 2016 are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Broker's loans	₩ 2,080,249	1,566,452
Loans for company facilities	1,580,865	984,118
Loans for housing	11,598	11,726
Call loan	65	4,075
Advances for customers	1,989	2,065
Bonds purchased under repurchase agreements	51,900	200
Other loans	577	596
	<u>3,727,243</u>	<u>2,569,232</u>
Allowance for credit loss	(14,879)	(11,252)
Present value discount	(1,220)	(1,223)
Deferred loan origination costs	(9,255)	(4,722)
	<u>₩ 3,701,889</u>	<u>2,552,035</u>

(b) Changes in the allowance for credit loss for the years ended December 31, 2017 and 2016 are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Beginning balance	₩ 11,252	8,180
Provision for allowance	3,627	3,197
Write-offs	-	(125)
Ending balance	<u>₩ 14,879</u>	<u>11,252</u>

(c) Changes in deferred loan-originating fees for the years ended December 31, 2017 and 2016 are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Beginning balance	₩ 4,722	1,540
Loan-originating fees incurred	15,110	7,829
Amortization	(10,577)	(4,647)
Ending balance	<u>₩ 9,255</u>	<u>4,722</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(In millions of won)

9. Property and equipment

(a) Details of property and equipment as of December 31, 2017 and 2016 are as follows:

		December 31, 2017		
		Acquisition cost	Accumulated depreciation	Book value
Land	₩	59,636	-	59,636
Buildings		60,185	(18,593)	41,592
Others		109,422	(88,746)	20,676
	₩	<u>229,243</u>	<u>(107,339)</u>	<u>121,904</u>
		December 31, 2016		
		Acquisition cost	Accumulated depreciation	Book value
Land	₩	56,649	-	56,649
Buildings		56,694	(15,547)	41,147
Others		103,142	(82,363)	20,779
	₩	<u>216,485</u>	<u>(97,910)</u>	<u>118,575</u>

(b) Changes in property and equipment for the years ended December 31, 2017 and 2016 are as follows:

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

(*) Acquisition includes ₩ 279 million of provision for restoration liabilities about assets newly acquired.

		December 31, 2016			
		Land	Buildings	Others	Total
Beginning balance	₩	56,345	43,285	19,267	118,897
Acquisition(*)		-	-	9,599	9,599
Business combination		-	-	19	19
Disposal		(320)	(429)	(34)	(783)
Depreciation		-	(2,254)	(8,072)	(10,326)
Transferred from investment property		621	469	-	1,090
Amount transferred from membership		3	76	-	79
	₩	<u>56,649</u>	<u>41,147</u>	<u>20,779</u>	<u>118,575</u>

(*) Acquisition includes ₩ 159 million of provision for restoration liabilities about assets newly acquired.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(In millions of won)

10. Intangible assets

Changes in intangible assets for the years ended December 31, 2017 and 2016 are as follows:

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

	December 31, 2016						Total
	Finite useful lives		Infinite useful lives			Goodwill	
	Software	Others	Membership	Settlement system right of use			
Beginning balance	₩	9,965	103	14,729	19,696	1,218	45,711
Acquisition		10,595	-	1,695	-	-	12,290
Business combination		7	-	-	-	4,428	4,435
Disposals		-	-	(1,847)	-	-	(1,847)
Amortization		(4,968)	(19)	-	-	-	(4,987)
Transfers (*)		-	-	7	-	-	7
Impairment loss		-	-	206	-	-	206
Ending balance	₩	<u>15,599</u>	<u>84</u>	<u>14,790</u>	<u>19,696</u>	<u>5,646</u>	<u>55,815</u>

(*)Membership increased by transfers from prepaid expenses amounting to ₩86 million, decreased by transfers to property and equipment amounting to ₩ 79 million.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(In millions of won)

11. Investment property

(a) Details of investment property as of December 31, 2017 and 2016 are as follows:

		December 31, 2017		
		Acquisition cost	Accumulated depreciation	Book value
Land	₩	80,577	-	80,577
Buildings		138,547	(25,368)	113,179
	₩	<u>219,124</u>	<u>(25,368)</u>	<u>193,756</u>
		December 31, 2016		
		Acquisition cost	Accumulated depreciation	Book value
Land	₩	84,091	-	84,091
Buildings		142,288	(21,818)	120,470
	₩	<u>226,379</u>	<u>(21,818)</u>	<u>204,561</u>

(b) Changes in investment property for the years ended December 31, 2017 and 2016 are as follows:

		December 31, 2017		
		Land	Buildings	Total
Beginning balance	₩	84,091	120,470	204,561
Acquisition		2	3	5
Disposal		(529)	(768)	(1,297)
Depreciation		-	(4,510)	(4,510)
Transferred to property and equipment		(2,987)	(2,015)	(5,002)
Effect of exchange rate fluctuations		-	(1)	(1)
Ending balance	₩	<u>80,577</u>	<u>113,179</u>	<u>193,756</u>
		December 31, 2016		
		Land	Buildings	Total
Beginning balance	₩	73,825	64,010	137,835
Business combination		12,275	62,257	74,532
Disposal		(1,388)	(1,862)	(3,250)
Depreciation		-	(3,466)	(3,466)
Transferred from property and equipment		(621)	(469)	(1,090)
Ending balance	₩	<u>84,091</u>	<u>120,470</u>	<u>204,561</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(In millions of won)

11. Investment property, Continued

(c) Details of income and expense related to investment property for the years ended December 31, 2017 and 2016 are as follows:

		<u>December 31, 2017</u>	<u>December 31, 2016</u>
Rental income	₩	17,287	13,443
Direct operating expenses for investment property that generated rental income		4,510	3,466

(d) The fair value of investment property as of December 31, 2017 and 2016 are as follows:

		<u>December 31, 2017</u>	<u>December 31, 2016</u>
Fair value	₩	218,370	227,383

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, 2017 and 2016 are as follows:

		<u>December 31, 2017</u>	<u>December 31, 2016</u>
Leasehold rights	₩	22,028	26,333
Receivables		1,786,452	1,016,518
Accrued income		95,653	89,444
Prepaid expenses		8,724	7,975
Deposits for guarantees		49,335	46,145
Advance payments		78,231	90,482
Prepaid income tax		1,085	660
Receivables from inter-bank fund transfer		54,059	47,042
Others		3,863	6,039
		<u>2,099,430</u>	<u>1,330,638</u>
Allowance for credit loss		(7,623)	(7,484)
Present value discount		(5,294)	(5,792)
	₩	<u>2,086,513</u>	<u>1,317,362</u>

(b) Changes in allowance for credit loss for other assets for the years ended December 31, 2017 and 2016 are as follows:

		<u>December 31, 2017</u>	<u>December 31, 2016</u>
Beginning balance	₩	7,484	5,425
Provisions for allowance		139	2,305
Recoveries		-	(246)
Ending balance	₩	<u>7,623</u>	<u>7,484</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(In millions of won)

13. Deposits

Details of deposits as of December 31, 2017 and 2016 are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Customers' deposits		
Customers' deposits for brokerage	₩ 1,016,746	917,533
Customers' deposits for exchange-traded derivatives trading	456,650	430,241
Customers' deposits for savings	7,764	5,331
Customers' deposits for other securities	89	93
Customers' deposits for foreign securities	<u>239,262</u>	<u>292,262</u>
	<u>1,720,511</u>	<u>1,645,460</u>
Guarantee deposits		
Deposits for margin loans	₩ 22,344	7,408
	<u>₩ 1,742,855</u>	<u>1,652,868</u>

14. Financial liabilities at fair value through profit or loss

(a) Details of financial liabilities at fair value through profit or loss as of December 31, 2017 and 2016 are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Trading financial liabilities	₩ 1,413,904	1,490,765
Financial liabilities designated at fair value through profit or loss	8,297,609	9,229,349
Derivative liabilities	<u>417,931</u>	<u>658,687</u>
	<u>₩ 10,129,444</u>	<u>11,378,801</u>

(b) Details of trading liabilities as of December 31, 2017 and 2016 are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Securities sold		
Stocks	₩ 495,019	581,625
Bonds	871,884	815,383
Others	47,001	93,757
	<u>₩ 1,413,904</u>	<u>1,490,765</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(In millions of won)

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

(c) Details of financial liabilities designated at fair value through profit or loss as of December 31, 2017 and 2016 are as follows:

		<u>December 31, 2017</u>	<u>December 31, 2016</u>
Hybrid instruments			
Equity linked securities sold	₩	5,785,907	6,986,856
Others derivatives-combined securities sold		2,474,729	2,232,359
		<u>8,260,636</u>	<u>9,219,215</u>
Management and performance evaluation on a fair value basis			
State or local bonds		36,973	10,134
	₩	<u>8,297,609</u>	<u>9,229,349</u>

(d) Details of derivative liabilities as of December 31, 2017 and 2016 are as follows:

		<u>December 31, 2017</u>	<u>December 31, 2016</u>
Derivatives in won			
Over the counter:			
Interest rate	₩	55,057	103,431
Equity		18,561	252,496
Credit		10,617	6,095
Commodity		22,598	36,520
		<u>106,833</u>	<u>398,542</u>
Exchange traded:			
Equity		5,352	8,582
		<u>112,185</u>	<u>407,124</u>
Derivatives in foreign currency			
Over the counter:			
Interest rate		3,621	3,260
Currency		286,165	242,050
Equity		556	493
Commodity		72	211
		<u>290,414</u>	<u>246,014</u>
Exchange traded:			
Interest rate		544	213
Currency		553	4
Equity		13,920	3,690
Commodity		315	1,642
		<u>15,332</u>	<u>5,549</u>
		<u>305,746</u>	<u>251,563</u>
	₩	<u>417,931</u>	<u>658,687</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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15. Borrowings

(a) Details of borrowings as of December 31, 2017 and 2016 are as follows:

		December 31, 2017	December 31, 2016
Borrowings	₩	9,459,019	8,112,247
Debt securities issued		1,197,322	229,819
	₩	<u>10,656,341</u>	<u>8,342,066</u>

(b) Details of borrowings as of December 31, 2017 and 2016 are as follows:

	December 31, 2017		December 31, 2016	
	Interest rate (%)	Amount	Interest rate (%)	Amount
Call money (won)	1.53~2.00	₩ 295,000	1.28~1.44	₩ 322,000
Notes payable	1.70~3.26	564,461	1.70~3.26	232,800
Bank overdrafts	-	-	-	70,000
Borrowing from bank	2.43	50,000	-	-
	2.52	50,000	-	-
Bonds sold under repurchase agreements (won)	1.00~3.00	7,957,427	1.00~3.00	7,017,250
Bonds sold under repurchase agreements (foreign currency)	0.30~1.00	409,843	0.30~1.00	271,098
Borrowings from KSFC	1.35~2.02	18,673	1.35~2.02	145,531
Borrowings in foreign currency	2.13~2.36	14,976	-	-
	3.2~5.00	67,733	3.20~5.00	53,568
Others	1.86	30,000	-	-
	-	906	-	-
		₩ <u>9,459,019</u>		₩ <u>8,112,247</u>

(c) Details of debt securities issued as of December 31, 2017 and 2016 are as follows:

	December 31, 2017		December 31, 2016	
	Interest rate (%)	Amount	Interest rate (%)	Amount
Asset Backed Short-Term Bond	1.8~2.15	₩ 807,892	1.42	₩ 30,000
	2.29	200,000	2.30	200,000
Corporate bond	2.79	190,000	-	-
Discount on corporate bond	-	(570)	-	(181)
		<u>1,197,322</u>		<u>229,819</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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(In millions of won)

16. Provisions

Changes in provisions for the years ended December 31, 2017 and 2016 are as follows:

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

		December 31, 2016			
		Provisions for restoration liabilities(*)	Allowance for litigation	Others	Total
Beginning balance	₩	3,802	97	964	4,863
Increases		159	-	-	159
Provisions		106	16,798	-	16,904
Reversal		(133)	-	(359)	(492)
Used		-	(97)	-	(97)
Ending balance	₩	<u>3,934</u>	<u>16,798</u>	<u>605</u>	<u>21,337</u>

(*) 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.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(In millions of won)

17. Other liabilities

Details of other liabilities as of December 31, 2017 and 2016 are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Accounts payable	₩ 1,723,092	777,504
Accrued expenses	109,983	78,831
Unearned income	12,032	8,213
Deposits for rent	41,066	28,015
Domestic exchanges payable	53,748	45,867
Account for agency business	72	118
Advances from customers	60	175
Withholding income taxes	17,011	15,386
Others	853,874	103,193
	<u>2,810,938</u>	<u>1,057,302</u>
Present value discount	(1,729)	(617)
	₩ <u>2,809,209</u>	<u>1,056,685</u>

18. Net commission income

Net commission income for the years ended December 31, 2017 and 2016 are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Commission income		
Brokerage commissions	₩ 246,765	238,676
Brokerage commissions on indirect investment securities	32,388	19,550
Underwriting commissions	36,451	30,072
Consulting commissions	10,192	18,372
Commissions on entrusted investments	10,543	11,664
Trust fees and commissions received	20,800	16,776
Others	34,111	26,154
	<u>391,250</u>	<u>361,264</u>
Commission expense		
Trading commissions	24,620	25,177
Commission on securities borrowed	22,791	29,250
Commission on Shinhan Group brand	4,374	4,051
Partnership commission	5,614	6,310
Others	24,463	39,003
	<u>81,862</u>	<u>103,791</u>
Net commission income	₩ <u>309,388</u>	<u>257,473</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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(In millions of won)

19. Net interest income

Net interest income for the years ended December 31, 2017 and 2016 are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Interest income		
Interest on deposits	₩ 34,611	36,172
Interest on financial assets designated at fair value through profit or loss	57,861	43,398
Interest on trading financial assets	264,958	261,428
Interest on available-for-sale financial assets	29,610	35,320
Interest on loans	154,285	124,079
Others	6,361	15,505
	<u>547,686</u>	<u>515,902</u>
Interest expense		
Interest on customers' deposits	7,505	7,737
Interest on borrowings	11,625	21,367
Interest on bonds sold under repurchase agreements	87,346	86,218
Interest on call money	5,356	3,446
Interest on debentures	10,752	11,387
Others	2,006	1,547
	<u>124,590</u>	<u>131,702</u>
Net interest income	₩ <u>423,096</u>	<u>384,200</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the years ended December 31, 2017 and 2016

(In millions of won)

20. Net gain (loss) on foreign transactions

Net gain (loss) on foreign transactions for the years ended December 31, 2017 and 2016 are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Gain on foreign transactions		
Gain on foreign currency transactions	₩ 179,455	282,978
Gain on foreign exchange	76,982	21,569
	<u>256,437</u>	<u>304,547</u>
Loss on foreign transactions		
Loss on foreign currency transactions	194,020	185,705
Loss on foreign exchange	70,401	32,324
	<u>264,421</u>	<u>218,029</u>
Net gain (loss) on foreign transactions	₩ <u>(7,984)</u>	<u>86,518</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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21. General and administrative expenses

General and administrative expenses for the years ended December 31, 2017 and 2016 are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Personnel expenses		
Salary and other benefits for employees	₩ 294,084	258,235
Early retirement	3,108	597
Severance pay	16,461	17,664
	<u>313,653</u>	<u>276,496</u>
Depreciation	11,278	10,326
Amortization of intangible assets	6,724	4,987
Others		
Rental expense	18,922	19,151
Entertainment expense	5,375	5,948
Advertising expense	7,108	7,652
Computer system operation expense	14,714	12,822
Research and study expense	7,182	6,718
Communication expense	8,464	8,410
Maintenance and repairs expense	4,002	3,920
Tax and dues	29,849	32,665
Others	29,334	25,550
	<u>124,950</u>	<u>122,836</u>
	<u>₩ 456,605</u>	<u>414,645</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(In millions of won)

22. Other operating revenues and expenses

Other operating revenues and expenses for the years ended December 31, 2017 and 2016 are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Other operating revenues		
Dividends income	₩ 39,515	42,003
Reversal of provisions for loss for other assets	306	-
Reversal of provisions for restoration liabilities	498	133
Reversal of provisions for other obligation	-	359
Others	3,021	2,764
	<u>₩ 43,340</u>	<u>45,259</u>
Other operating expenses		
Provision for loss for other assets	₩ 445	2,305
Deposit insurance premium	1,344	1,561
Provisions for legal obligation	-	16,798
Provisions for restoration liabilities	101	106
Provisions for other obligation	341	-
Others	210	532
	<u>₩ 2,441</u>	<u>21,302</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(In millions of won)

23. Non-operating incomes and expenses

Non-operating incomes and expenses for the years ended December 31, 2017 and 2016 are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Non-operating incomes		
Gain on equity method valuation	₩ 15,007	6,614
Gain on disposals of investments in associates	97	-
Rental income	17,287	13,443
Gain on disposals of property and equipment	36	309
Gain on disposals of investment property	65	1,230
Recovery of impairment losses on intangible asset	-	299
Others	1,591	1,791
	<u>₩ 34,083</u>	<u>23,686</u>
Non-operating expenses		
Loss on equity method valuation	₩ 2,927	6,886
Impairment loss on investments in associates	-	6,369
Loss on disposals of investments in associates	1,223	2,875
Depreciation of investment property	4,510	3,466
Donations	1,995	783
Loss on disposals of property and equipment	153	32
Loss on disposals of intangible assets	7	46
Others	675	1,561
	<u>₩ 11,490</u>	<u>22,018</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

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24. Financial instrument classification by category

(a) Detail of financial instruments' book value as of December 31, 2017 and 2016 are as follows:

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the years ended December 31, 2017 and 2016

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24. Financial instrument classification by category, Continued

(a) Detail of financial instruments' book value as of December 31, 2017 and 2016 are as follows:, Continued

		December 31, 2016							
		Trading assets	Financial asset designated at FVTPL	Available-for-sale financial assets	Loans and receivables	Trading liabilities	Financial liabilities designated at FVTPL	Financial liabilities measured at amortized cost	Total
Assets:									
Cash and due from banks	₩	-	-	-	2,994,883	-	-	-	2,994,883
Financial assets at FVTPL		13,427,541	3,094,892	-	-	-	-	-	16,522,433
Available-for-sale financial assets		-	-	1,652,637	-	-	-	-	1,652,637
Loans		-	-	-	2,552,035	-	-	-	2,552,035
Other financial assets		-	-	-	1,216,488	-	-	-	1,216,488
	₩	<u>13,427,541</u>	<u>3,094,892</u>	<u>1,652,637</u>	<u>6,763,406</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,938,476</u>
Liabilities:									
Deposits	₩	-	-	-	-	-	-	1,652,868	1,652,868
Financial liabilities at FVTPL		-	-	-	-	2,149,452	9,229,349	-	11,378,801
Borrowings		-	-	-	-	-	-	8,342,066	8,342,066
Other financial liabilities		-	-	-	-	-	-	929,719	929,719
	₩	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,149,452</u>	<u>9,229,349</u>	<u>10,924,653</u>	<u>22,303,454</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(In millions of won)

24. Financial instrument classification by category, Continued

(b) Gains or losses of financial instruments for the years ended December 31, 2017 and 2016 are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Trading assets		
Gain on valuation	₩ 226,159	207,987
Gain on sale	448,975	378,194
Loss on valuation	(116,526)	(68,591)
Loss on sale	(425,029)	(351,060)
	<u>₩ 133,579</u>	<u>166,530</u>
Derivatives		
Gain on valuation	₩ 681,776	467,941
Gain on sale	2,434,044	1,769,454
Loss on valuation	(456,089)	(423,811)
Loss on sale	(1,689,559)	(1,528,259)
	<u>₩ 970,172</u>	<u>285,325</u>
Financial assets designated at fair value through profit or loss		
Gain on valuation	₩ 37,294	41,004
Gain on sale	24,927	23,653
Loss on valuation	(90,390)	(29,238)
Loss on sale	(16,551)	(4,428)
	<u>₩ (44,720)</u>	<u>30,991</u>
Available-for-sale financial instruments		
Gain on sale	₩ 9,322	8,887
Loss on sale	(4,866)	(13,164)
Impairment loss	(11,986)	(2,533)
Gain on valuation	(1,678)	2,317
	<u>₩ (9,208)</u>	<u>(4,493)</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(In millions of won)

24. Financial instrument classification by category, Continued

(b) Gains or losses of financial instruments for the years ended December 31, 2017 and 2016 are as follows:
Continued

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Loans and receivables		
Reversal of provisions	558	4,582
Provisions for loan loss	(3,855)	(7,780)
Reversal of provisions for other assets	306	-
Provision for loss for other assets	(445)	(2,305)
	₩ <u>(3,436)</u>	<u>(5,503)</u>
Trading financial liabilities		
Gain on valuation	₩ 15,798	41,152
Gain on redemption	250,392	213,827
Loss on valuation	(153,933)	(162,414)
Loss on redemption	(270,416)	(208,114)
	₩ <u>(158,159)</u>	<u>(115,549)</u>
Financial liability designated at fair value through profit or loss		
Gain on valuation	₩ 171,467	143,822
Gain on redemption	19,436	22,466
Loss on valuation	(272,152)	(318,185)
Loss on redemption	(864,793)	(399,057)
	₩ <u>(946,042)</u>	<u>(550,954)</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
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For the years ended December 31, 2017 and 2016

25. Financial risk management

(a) General information of risk management

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

(i) Risk management principles

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

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

(ii) Risk management framework

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

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016

25. Financial risk management, Continued

(a) General information of risk management, Continued

(ii) Risk management framework, Continued

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

(b) Credit risk

(i) Maximum exposure to credit risk

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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25. Financial risk management, Continued

(b) Credit risk, Continued

(i) Maximum exposure to credit risk, Continued

Details of the Group's maximum exposure to credit risk without taking account of any collateral held or other credit enhancements as of December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
Due from banks and loans(*1)		
Banks	₩ 1,760,542	2,307,030
Retail	815,262	681,588
Mortgage lending	10,382	10,509
Other	804,880	671,079
Government	536	603
Corporate	3,420,446	2,557,597
Large company	991,977	1,054,783
Small business	2,399,125	1,473,018
Others	29,344	29,796
Trading financial assets		
Debt securities	11,247,397	11,817,870
Financial assets designated at fair value through profit or loss(*2)		
Debt securities	2,234,235	2,228,186
Available-for-sale financial assets(*3)		
Debt securities	1,363,744	1,246,929
Derivative assets	662,490	351,347
Other financial assets	1,997,128	1,216,488
	<u>23,501,780</u>	<u>22,407,638</u>
ABCP purchase agreement	225,928	160,500
Other acquisition agreement	122,411	-
	<u>348,339</u>	<u>160,500</u>
	<u>₩ 23,850,119</u>	<u>22,568,138</u>

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

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

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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(In millions of won)

25. Financial risk management, Continued

(b) Credit risk, Continued

(ii) Due from banks and loans

Details of due from banks and loans as of December 31, 2017 and 2016 are as follows:

		December 31, 2017					
		Banks	Customers			Sub total	Total
			Retail	Government	Corporate		
Neither past due nor impaired	₩	1,760,542	815,222	536	3,432,791	4,248,549	6,009,091
Past due but not impaired		-	94	-	-	94	94
Impaired		-	111	-	2,369	2,480	2,480
		<u>1,760,542</u>	<u>815,427</u>	<u>536</u>	<u>3,435,160</u>	<u>4,251,123</u>	<u>6,011,665</u>
Less : allowance		-	(165)	-	(14,714)	(14,879)	(14,879)
	₩	<u>1,760,542</u>	<u>815,262</u>	<u>536</u>	<u>3,420,446</u>	<u>4,236,244</u>	<u>5,996,786</u>

		December 31, 2016					
		Banks	Customers			Sub total	Total
			Retail	Government	Corporate		
Neither past due nor impaired	₩	2,307,030	681,297	603	2,566,290	3,248,190	5,555,220
Past due but not impaired		-	295	-	-	295	295
Impaired		-	186	-	2,369	2,555	2,555
		<u>2,307,030</u>	<u>681,778</u>	<u>603</u>	<u>2,568,659</u>	<u>3,251,040</u>	<u>5,558,070</u>
Less : allowance		-	(190)	-	(11,062)	(11,252)	(11,252)
	₩	<u>2,307,030</u>	<u>681,588</u>	<u>603</u>	<u>2,557,597</u>	<u>3,239,788</u>	<u>5,546,818</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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(In millions of won)

25. Financial risk management, Continued

(b) Credit risk, Continued

(ii) Due from banks and loans, Continued

Details of due from banks and loans, net of allowance, that are neither past due nor impaired as of December 31, 2017 and 2016 are as follows:

		December 31, 2017					
		Banks	Customers			Sub total	Total
			Retail	Government	Corporate		
Grade 1	₩	1,760,542	815,222	536	1,835,736	2,651,494	4,412,036
Grade 2		-	-	-	1,597,055	1,597,055	1,597,055
Allowance		-	(54)	-	(12,345)	(12,399)	(12,399)
	₩	<u>1,760,542</u>	<u>815,168</u>	<u>536</u>	<u>3,420,446</u>	<u>4,236,150</u>	<u>5,996,692</u>
Fair value of collateral	₩	-	815,142	-	2,834,063	3,649,205	3,649,205

		December 31, 2016					
		Banks	Customers			Sub total	Total
			Retail	Government	Corporate		
Grade 1	₩	2,307,030	681,297	603	998,093	1,679,993	3,987,023
Grade 2		-	-	-	1,568,197	1,568,197	1,568,197
Allowance		-	(4)	-	(8,693)	(8,697)	(8,697)
	₩	<u>2,307,030</u>	<u>681,293</u>	<u>603</u>	<u>2,557,597</u>	<u>3,239,493</u>	<u>5,546,523</u>
Fair value of collateral	₩	-	681,189	-	1,866,372	2,547,561	2,547,561

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

Details of due from banks and loans that were past due but not impaired as of December 31, 2017 and 2016 are as follows:

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

		December 31, 2016					
		Banks	Customers			Sub total	Total
			Retail	Government	Corporate		
Within 30 days	₩	-	295	-	-	295	295
More than 30 days		-	-	-	-	-	-
	₩	<u>-</u>	<u>295</u>	<u>-</u>	<u>-</u>	<u>295</u>	<u>295</u>
Allowance		-	-	-	-	-	-
Net of allowance		-	295	-	-	295	295
Fair value of collateral	₩	-	295	-	-	295	295

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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25. Financial risk management, Continued

(b) Credit risk, Continued

(ii) Due from banks and loans, Continued

Details of impaired due from banks and loans as of December 31, 2017 and 2016 are as follows:

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

		December 31, 2016				
		Banks	Customers			Total
			Retail	Government	Corporate	Sub total
Impaired amounts	₩	-	186	-	2,369	2,555
Allowance		-	(186)	-	(2,369)	(2,555)
	₩	-	-	-	-	-
Fair value of collateral	₩	-	-	-	-	-

(iii) Credit rating

Details of credit rating of trading financial assets, financial assets designated at fair value through profit or loss and available-for-sale financial assets as of December 31, 2017 and 2016 are as follows:

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the years ended December 31, 2017 and 2016

(In millions of won)

25. Financial risk management, Continued

(b) Credit risk, Continued

(iii) Credit rating, Continued

December 31, 2016				
	Trading financial assets	Financial assets designated at fair value through profit or loss	Available-for-sale financial assets	Total
AAA	₩ 6,285,937	535,684	583,900	7,405,521
AA- to AA+	3,097,777	402,946	159,213	3,659,936
A- to A+	1,663,740	1,097,395	314,254	3,075,389
Lower than A-	749,609	192,161	143,110	1,084,880
Unrated	20,807	-	46,452	67,259
	<u>₩ 11,817,870</u>	<u>2,228,186</u>	<u>1,246,929</u>	<u>15,292,985</u>
Neither past due nor impaired	₩ 11,817,870	2,228,186	1,246,929	15,292,985
Impaired	-	-	-	-
	<u>₩ 11,817,870</u>	<u>2,228,186</u>	<u>1,246,929</u>	<u>15,292,985</u>

(iv) Concentration by location

Details of concentration by location of due from banks and loans as of December 31, 2017 and 2016 are as follows:

December 31, 2017					
	Banks	Retail	Government	Corporate	Total
Korea	₩ 1,662,888	815,262	536	3,033,626	5,512,312
USA	10,448	-	-	30,596	41,044
UK	2,996	-	-	140,211	143,207
Other	84,210	-	-	216,013	300,223
	<u>₩ 1,760,542</u>	<u>815,262</u>	<u>536</u>	<u>3,420,446</u>	<u>5,996,786</u>

December 31, 2016					
	Banks	Retail	Government	Corporate	Total
Korea	₩ 2,213,643	681,588	603	2,351,574	5,247,408
USA	738	-	-	9,214	9,952
UK	2,984	-	-	98,151	101,135
Other	89,665	-	-	98,658	188,323
	<u>₩ 2,307,030</u>	<u>681,588</u>	<u>603</u>	<u>2,557,597</u>	<u>5,546,818</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(In millions of won)

25. Financial risk management, Continued

(b) Credit risk, Continued

(v) Concentration by industry sector

Details of concentration by industry sector of due from banks and loans as of December 31, 2017 and 2016 are as follows:

		December 31, 2017				
		Banks	Retail	Government	Corporate	Total
Finance and insurance	₩	1,760,542	-	536	1,267,935	3,029,013
Manufacturing		-	-	-	74,187	74,187
Retail and wholesale		-	-	-	64,427	64,427
Real estate and service		-	-	-	585,137	585,137
Construction		-	-	-	36,740	36,740
Other		-	-	-	1,392,020	1,392,020
Retail customers		-	815,262	-	-	815,262
	₩	<u>1,760,542</u>	<u>815,262</u>	<u>536</u>	<u>3,420,446</u>	<u>5,996,786</u>

		December 31, 2016				
		Banks	Retail	Government	Corporate	Total
Finance and insurance	₩	2,307,030	-	338	938,347	3,245,715
Manufacturing		-	-	-	84,214	84,214
Retail and wholesale		-	-	-	102,865	102,865
Real estate and service		-	-	-	227,898	227,898
Construction		-	-	-	59,918	59,918
Other		-	-	265	1,144,355	1,144,620
Retail customers		-	681,588	-	-	681,588
	₩	<u>2,307,030</u>	<u>681,588</u>	<u>603</u>	<u>2,557,597</u>	<u>5,546,818</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016

25. Financial risk management, Continued

(c) Market risk

(i) Trading position Value at Risk (VaR)

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

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

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

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

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

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

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

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the years ended December 31, 2017 and 2016

(In millions of won)

25. Financial risk management, Continued

(c) Market risk, Continued

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

An analysis of trading positions VaR as of and for the years ended December 31, 2017 and 2016 are as follows:

		December 31, 2017			December 31, 2017
		Average	Maximum	Minimum	
Interest rate	₩	9,939	18,090	7,329	11,232
Equities		12,015	22,496	7,068	10,830
Foreign exchange		7,140	12,604	2,760	5,506
Option volatility		3,404	4,536	2,710	3,216
Portfolio diversification		-	-	-	(9,583)
	₩	<u>22,221</u>	<u>34,564</u>	<u>12,980</u>	<u>21,201</u>
		December 31, 2016			December 31, 2016
		Average	Maximum	Minimum	
Interest rate	₩	9,040	18,149	5,380	15,491
Equities		13,339	24,276	6,413	7,403
Foreign exchange		6,849	19,976	1,017	7,001
Option volatility		6,564	18,680	1,477	7,799
Portfolio diversification		-	-	-	(14,569)
	₩	<u>24,393</u>	<u>34,546</u>	<u>16,679</u>	<u>23,125</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(In millions of won)

25. Financial risk management, Continued

(c) Market risk, Continued

(ii) Non-trading position VaR

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

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

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

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

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

Interest rate VaR and EaR of non-trading positions as of December 31, 2017 and 2016 are as follows:

		December 31, 2017	December 31, 2016
Interest rate VaR	₩	44,505	27,822
Interest rate EaR		108,866	104,423

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For the years ended December 31, 2017 and 2016

(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, 2017 and 2016 are as follows:

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(In millions of won)

25. Financial risk management, Continued

(c) Market risk, Continued

(iii) Foreign exchange risk, Continued

		December 31, 2016				
		USD	JPY	EUR	Other	Total
Assets						
Cash and due from banks	₩	509,181	38,544	65,981	93,092	706,798
Trading financial assets		1,161,920	1,072	49,227	104,963	1,317,182
Available-for-sale financial assets		99,458	-	-	-	99,458
Other financial assets		57,486	-	-	1,140	58,626
		<u>1,828,045</u>	<u>39,616</u>	<u>115,208</u>	<u>199,195</u>	<u>2,182,064</u>
Liabilities						
Deposits		367,418	9,965	12,272	30,057	419,712
Trading financial liabilities		670,225	2,631	-	-	672,856
Borrowings		271,098	-	-	-	271,098
Other financial liabilities		34,096	-	-	222	34,318
		<u>1,342,837</u>	<u>12,596</u>	<u>12,272</u>	<u>30,279</u>	<u>1,397,984</u>
Net assets		485,208	27,020	102,936	168,916	784,080
Off-balance sheet derivative exposure		(470,645)	(26,530)	(69,026)	(37,166)	(603,367)
Net position	₩	<u>14,563</u>	<u>490</u>	<u>33,910</u>	<u>131,750</u>	<u>180,713</u>

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

(d) Liquidity risk

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

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

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

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

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(In millions of won)

25. Financial risk management, Continued

(d) Liquidity risk, Continued

(i) Contractual maturities for financial instruments

Contractual maturities for financial instruments including cash flows of principal and interest and off balance as of December 31, 2017 and 2016 are as follows:

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the years ended December 31, 2017 and 2016

(In millions of won)

25. Financial risk management, Continued

(d) Liquidity risk, Continued

(i) Contractual maturities for financial instruments, Continued

		December 31, 2016						
		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	₩	1,775,964	155,101	65,673	1,004,791	15,482	105	3,017,116
Trading financial assets		12,876,844	30,052	42,351	70,706	36,226	20,015	13,076,194
Financial asset designated at FVTPL		2,441,122	1,029	21,342	-	506,503	125,079	3,095,075
Derivative assets		351,347	-	-	-	-	-	351,347
Available-for-sale financial assets		2,949	1,246,930	-	-	3,056	401,990	1,654,925
Loans		220,099	328,581	1,040,802	203,856	675,441	135,988	2,604,767
Other financial assets		1,153,789	7,295	6,304	29,905	26,698	5,772	1,229,763
		<u>18,822,114</u>	<u>1,768,988</u>	<u>1,176,472</u>	<u>1,309,258</u>	<u>1,263,406</u>	<u>688,949</u>	<u>25,029,187</u>
Liabilities:								
Deposits		1,653,299	-	-	-	-	-	1,653,299
Trading financial liabilities		1,490,765	-	-	-	-	-	1,490,765
Financial liabilities designated at FVTPL		431,533	452,306	473,304	1,380,011	5,407,776	1,084,419	9,229,349
Derivative liabilities		658,687	-	-	-	-	-	658,687
Borrowings		7,800,180	127,895	71,442	105,190	16,213	-	8,120,920
Debt securities issued		31,158	-	1,133	2,304	201,158	-	235,753
Other financial liabilities		911,345	8,116	5,720	13,332	8,235	711	947,459
		<u>12,976,967</u>	<u>588,317</u>	<u>551,599</u>	<u>1,500,837</u>	<u>5,633,382</u>	<u>1,085,130</u>	<u>22,336,232</u>
Net position	₩	<u>5,845,147</u>	<u>1,180,671</u>	<u>624,873</u>	<u>(191,579)</u>	<u>(4,369,976)</u>	<u>(396,181)</u>	<u>2,692,955</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the years ended December 31, 2017 and 2016

(In millions of won)

25. Financial risk management, Continued

(d) Liquidity risk, Continued

(ii) Contractual maturities for off balance sheet items

Contractual maturities for off balance sheet items as of December 31, 2017 and 2016 are as follows:

		December 31, 2017						
		Less than 1 month	1~3 months	3~6 months	6 months ~ 1 year	1~5 years	More than 5 years	Total
ABCP purchase agreement	₩	225,928	-	-	-	-	-	225,928
Loan commitment s and other credit liabilities		953,981	-	-	-	-	-	953,981
		December 31, 2016						
		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	₩	160,500	-	-	-	-	-	160,500
Loan commitment s and other credit liabilities		118,200	-	-	-	-	-	118,200

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(In millions of won)

25. Financial risk management, Continued

(e) Capital risk management

(i) Capital management

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

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

(ii) Regulatory Capital Status

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

- NCR between 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, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
1. Net capital	₩ 1,961,713	1,775,461
Net assets	3,249,500	3,074,965
Adjustment(-)	1,297,884	1,307,529
Adjustment(+)	10,097	8,025
2. Total risk	1,000,949	512,747
Market risk	757,763	353,030
Credit risk	152,821	92,975
Operating risk	90,365	66,742
3. Surplus capital : (1 - 2)	960,764	1,262,714
4. Legal capital	194,300	192,300
5. Obligated capital for maintenance	₩ 136,010	134,610
6. Net capital ratio : (3 / 5) X 100(%)	706.39	938.05

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

(f) Measurement of fair value

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

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

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

(i) Financial instruments measured at amortized cost

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

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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(In millions of won)

25. Financial risk management, Continued

(f) Measurement of fair value, Continued

(i) Financial instruments measured at amortized cost, Continued

The financial instruments measured at amortized cost as of December 31, 2017 and 2016 are as follows:

	December 31, 2017				
	Book value				
	Balance	Unamortized balance	Allowance	Total	Fair value
Assets					
Cash and due from banks:					
Cash and cash equivalents	₩ 334,811	-	-	334,811	334,811
Due from banks	1,960,172	-	-	1,960,172	1,960,172
	<u>2,294,983</u>	<u>-</u>	<u>-</u>	<u>2,294,983</u>	<u>2,294,983</u>
Loans:					
Retail	1,701,144	(1,222)	(165)	1,699,757	1,699,757
Corporate	2,026,099	(9,253)	(14,714)	2,002,132	2,002,132
	<u>3,727,243</u>	<u>(10,475)</u>	<u>(14,879)</u>	<u>3,701,889</u>	<u>3,701,889</u>
Other financial assets	2,010,047	(5,294)	(7,624)	1,997,129	1,994,656
	<u>₩ 8,032,273</u>	<u>(15,769)</u>	<u>(22,503)</u>	<u>7,994,001</u>	<u>7,991,528</u>
Liabilities					
Deposits	₩ 1,742,855	-	-	1,742,855	1,742,855
Borrowings:					
Call money	295,000	-	-	295,000	295,000
Bonds sold under repurchase agreements	8,367,270	-	-	8,367,270	8,367,270
Borrowings	796,749	-	-	796,749	796,749
Debt securities issued	1,197,892	(570)	-	1,197,322	1,200,863
	<u>10,656,911</u>	<u>(570)</u>	<u>-</u>	<u>10,656,341</u>	<u>10,659,882</u>
Other financial liabilities	1,927,960	(1,729)	-	1,926,231	1,925,928
	<u>₩ 14,327,226</u>	<u>(2,299)</u>	<u>-</u>	<u>14,325,427</u>	<u>14,328,665</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the years ended December 31, 2017 and 2016

(In millions of won)

25. Financial risk management, Continued

(f) Measurement of fair value, Continued

(i) Financial instruments measured at amortized cost, Continued

		December 31, 2016				
		Book value				
		Balance	Unamortized balance	Allowance	Total	Fair value
Assets						
Cash and due from banks:						
Cash and cash equivalents	₩	578,964	-	-	578,964	578,964
Due from banks		2,415,919	-	-	2,415,919	2,415,919
		<u>2,994,883</u>	<u>-</u>	<u>-</u>	<u>2,994,883</u>	<u>2,994,883</u>
Loans:						
Retail		1,399,106	(1,223)	(190)	1,397,693	1,397,693
Corporate		1,170,126	(4,722)	(11,062)	1,154,342	1,154,342
		<u>2,569,232</u>	<u>(5,945)</u>	<u>(11,252)</u>	<u>2,552,035</u>	<u>2,552,035</u>
Other financial assets		1,229,764	(5,792)	(7,484)	1,216,488	1,217,339
	₩	<u>6,793,879</u>	<u>(11,737)</u>	<u>(18,736)</u>	<u>6,763,406</u>	<u>6,764,257</u>
Liabilities						
Deposits	₩	1,652,868	-	-	1,652,868	1,652,868
Borrowings:						
Call money		322,000	-	-	322,000	322,000
Bonds sold under repurchase agreements		7,288,348	-	-	7,288,348	7,288,348
Borrowings		501,899	-	-	501,899	501,899
Debt securities issued		230,000	(181)	-	229,819	231,788
		<u>8,342,247</u>	<u>(181)</u>	<u>-</u>	<u>8,342,066</u>	<u>8,344,035</u>
Other financial liabilities		930,335	(617)	-	929,718	929,809
	₩	<u>10,925,450</u>	<u>(798)</u>	<u>-</u>	<u>10,924,652</u>	<u>10,926,712</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

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, 2017 and 2016 are as follows:

		December 31, 2017			
		Level 1	Level 2	Level 3	Total
Assets					
Cash and due from banks	₩	2,294,983	-	-	2,294,983
Loans		65	-	2,002,067	2,002,132
Other financial assets		79,889	-	1,914,767	1,994,656
	₩	<u>2,374,937</u>	<u>-</u>	<u>5,616,591</u>	<u>7,991,528</u>
Liabilities					
Deposits	₩	1,742,855	-	-	1,742,855
Borrowings		5,579,146	-	5,080,736	10,659,882
Other financial liabilities		79,907	-	1,846,021	1,925,928
	₩	<u>7,401,908</u>	<u>-</u>	<u>6,926,757</u>	<u>14,328,665</u>

		December 31, 2016			
		Level 1	Level 2	Level 3	Total
Assets					
Cash and due from banks	₩	2,994,883	-	-	2,994,883
Loans		4,075	-	2,547,960	2,552,035
Other financial assets		27,160	-	1,190,179	1,217,339
	₩	<u>3,026,118</u>	<u>-</u>	<u>3,738,139</u>	<u>6,764,257</u>
Liabilities					
Deposits	₩	1,652,868	-	-	1,652,868
Borrowings		5,894,774	-	2,449,261	8,344,035
Other financial liabilities		27,157	-	902,652	929,809
	₩	<u>7,574,799</u>	<u>-</u>	<u>3,351,913</u>	<u>10,926,712</u>

(ii) Financial instruments measured at fair value

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

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(In millions of won)

25. Financial risk management, Continued

(f) Measurement of fair value, Continued

(ii) Financial instruments measured at fair value, Continued

Details of financial instruments measured at the fair value by the level in the fair value hierarchy into which the fair value measurement is categorized as of December 31, 2017 and 2016 are as follows:

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the years ended December 31, 2017 and 2016

(In millions of won)

25. Financial risk management, Continued

(f) Measurement of fair value, Continued

(ii) Financial instruments measured at fair value, Continued

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets				
Trading financial assets:				
Debt securities	₩ 6,002,528	5,815,342	-	11,817,870
Equity securities	1,180,490	77,834	-	1,258,324
	<u>7,183,018</u>	<u>5,893,176</u>	<u>-</u>	<u>13,076,194</u>
Derivative assets:				
Trading purpose	17,316	273,176	60,855	351,347
Financial assets designated at fair value through profit or loss				
Reserve for claims of customers' deposit (trust)	-	862,837	-	862,837
Debt securities	393,749	1,521,622	-	1,915,371
Equity securities	3,869	-	-	3,869
Derivatives-combined securities	-	19,986	292,829	312,815
	<u>397,618</u>	<u>2,404,445</u>	<u>292,829</u>	<u>3,094,892</u>
Available-for-sale financial assets:				
Debt securities	453,980	792,949	-	1,246,929
Equity securities	3,717	123,190	276,961	403,868
Collective fund for default loss	-	1,840	-	1,840
	<u>457,697</u>	<u>917,979</u>	<u>276,961</u>	<u>1,652,637</u>
	<u>₩ 8,055,649</u>	<u>9,488,776</u>	<u>630,645</u>	<u>18,175,070</u>
Liabilities				
Trading financial liabilities:				
Securities sold	₩ 1,490,765	-	-	1,490,765
Derivative liabilities:				
Trading purpose	14,130	303,019	341,538	658,687
Financial liabilities designated at fair value through profit or loss:				
Derivatives-combined securities sold	-	1,644,904	7,574,311	9,219,215
Securities sold	10,134	-	-	10,134
	<u>10,134</u>	<u>1,644,904</u>	<u>7,574,311</u>	<u>9,229,349</u>
	<u>₩ 1,515,029</u>	<u>1,947,923</u>	<u>7,915,849</u>	<u>11,378,801</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(In millions of won)

25. Financial risk management, Continued

(f) Measurement of fair value, Continued

(ii) Financial instruments measured at fair value, Continued

Changes in level 3 of the fair value hierarchy for the years ended December 31, 2017 and 2016 are as follows:

	December 31, 2017					
	Trading financial assets	Financial assets designated at fair value through profit or loss	Available-for-sale financial assets	Financial liabilities designated at fair value through profit or loss	Derivative	Total
Beginning balance	₩ -	292,829	276,961	(7,574,311)	(280,683)	(7,285,204)
Total income						
Profit or loss(*1)	42,247	39,832	(4,797)	(913,764)	805,526	(30,956)
Other comprehensive income	-	-	10,006	-	-	10,006
Purchases and issuances	493,484	120,570	20,042	(8,710,655)	4,540	(8,072,019)
Sales and settlements	(14,169)	(267,099)	(25,287)	9,924,976	(360,184)	9,258,237
Transferred to level 3(*2)	101,557	-	27,657	-	-	129,214
Ending balance	₩ 623,119	186,132	304,582	(7,273,754)	169,199	(5,990,722)

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(In millions of won)

25. Financial risk management, Continued

(f) Measurement of fair value, Continued

(ii) Financial instruments measured at fair value, Continued

		December 31, 2016				
		Financial assets designated at fair value through profit or loss	Available-for- sale financial assets	Financial liabilities designated at fair value through profit or loss	Derivative	Total
Beginning balance	₩	326,618	215,061	(6,443,629)	(663,646)	(6,565,596)
Total income						
Profit or loss(*1)		6,102	(439)	(508,926)	329,109	(174,154)
Other comprehensive income		-	(18,542)	-	-	(18,542)
Purchases and issuances		140,556	85,159	(5,402,714)	1,543	(5,175,456)
Sales and settlements		(180,447)	(24,660)	4,780,958	52,311	4,628,162
Transferred to level 3(*2)		-	20,382	-	-	20,382
Ending balance	₩	292,829	276,961	(7,574,311)	(280,683)	(7,285,204)

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(In millions of won)

25. Financial risk management, Continued

(f) Measurement of fair value, Continued

(ii) Financial instruments measured at fair value, Continued

(*1) Recognized profit or loss of the changes in carrying value of financial instruments classified as Level 3 for the years ended December 31, 2017 and 2016, are included in the accounts of the statements of comprehensive income, of which the amounts and the related accounts are as follows:

	December 31, 2017		December 31, 2016	
	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 trading financial instruments	₩ 847,773	125,791	329,109	34,368
Gain(loss) on financial instruments designated at fair value through profit or loss	(873,932)	(80,620)	(502,824)	(169,682)
Gain(loss) on available-for-sale financial assets	487	-	1,950	-
Impairment on financial assets	(5,284)	(5,284)	(2,389)	(2,389)
	₩ <u>(30,956)</u>	<u>39,887</u>	<u>(174,154)</u>	<u>(137,703)</u>

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
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For the years ended December 31, 2017 and 2016
(In millions of won)

25. Financial risk management, Continued

(f) Measurement of fair value, Continued

(ii) Financial instruments measured at fair value, Continued

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

Day 1 profit or loss for the years ended December 31, 2017 and 2016 are as follows:

		December 31, 2017	December 31, 2016
Beginning balance	₩	(89,696)	(102,014)
New transactions		(108,831)	(70,949)
Amounts recognized in profit or loss during the period		66,063	83,267
Ending balance	₩	<u>(132,464)</u>	<u>(89,696)</u>

Information about valuation technique and inputs used at December 31, 2017 and 2016 in the fair value measurement of financial instruments classified as level 2 are as follows:

Type of financial instrument	Valuation technique	December 31, 2017	December 31, 2016	Inputs
Assets				
Trading assets	DCF(*)	₩ 8,809,069	5,893,176	Discount rate Price of underlying assets
Derivative assets	DCF(*)	392,209	273,176	Discount rate Price of underlying assets
Financial assets designated at fair value through profit or loss	DCF(*)	2,427,549	2,404,445	Discount rate Price of underlying assets
Available-for-sale financial assets	DCF(*)	1,133,379	917,979	Discount rate
		₩ <u>12,762,206</u>	<u>9,488,776</u>	
Liabilities				
Derivative liabilities	DCF(*)	₩ 327,991	303,019	Discount rate Price of underlying assets
Financial liabilities designated at fair value through profit or loss	DCF(*)	986,882	1,644,904	Discount rate Price of underlying assets
		₩ <u>1,314,873</u>	<u>1,947,923</u>	

(*) DCF: Discounted cash flow

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(In millions of won)

25. Financial risk management, Continued

(f) Measurement of fair value, Continued

(ii) Financial instruments measured at fair value, Continued

Information about valuation technique and significant unobservable inputs used at December 31, 2017 and 2016 in the fair value measurement of financial instruments classified as level 3 are as follows:

Type of financial instrument	Valuation technique	December 31, 2017	December 31, 2016	Significant unobservable inputs	Range
Assets					
Trading assets	DCF	₩ 623,119	-	The volatility of the underlying asset correlations	
Derivative assets	Option model(*)	238,456	60,855	The volatility of the underlying asset correlations	Discount rate : 9.51% ~ 18.62% Growth rate : 0% ~ 3%
Financial assets designated at fair value through profit or loss	Option model(*)	186,132	292,829	The volatility of the underlying asset correlations	The volatility of the underlying asset : 0.0000 ~ 0.62187 Correlations : (-)0.00487~0.92911
Available-for-sale financial assets	DCF	304,582	276,961	Discount rate, growth rate	
		₩ <u>1,352,289</u>	<u>630,645</u>		
Liabilities					
Derivative liabilities	Option model(*)	₩ 69,257	341,538	The volatility of the underlying asset correlations	
Financial liabilities designated at fair value through profit or loss	Option model(*)	7,273,754	7,574,311	The volatility of the underlying asset correlations	The volatility of the underlying asset : 0.0000 ~ 0.95688 Correlations : (-)0.21139~1.0000
		₩ <u>7,343,011</u>	<u>7,915,849</u>		

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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25. Financial risk management, Continued

(f) Measurement of fair value, Continued

(ii) Financial instruments measured at fair value, Continued

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

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

	December 31, 2017		December 31, 2016	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets at fair value through profit or loss(*1)				
Trading assets	₩ 2,792	(2,742)	-	-
Financial assets designated at FVTPL	1,843	(1,941)	2,737	(3,260)
Derivative assets	26,438	(25,894)	35,104	(13,883)
Available-for-sale financial assets(*2)	10,287	(7,181)	25,981	(12,446)
	₩ <u>41,360</u>	<u>(37,758)</u>	<u>63,822</u>	<u>(29,589)</u>
Financial liabilities at fair value through profit or loss(*1)				
Financial liabilities designated at FVTPL	₩ 72,063	(56,753)	80,056	(108,954)
Derivative liabilities	18,893	(19,998)	72,310	(40,235)
	₩ <u>90,956</u>	<u>(76,751)</u>	<u>152,366</u>	<u>(149,189)</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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(In millions of won)

25. Financial risk management, Continued

(g) Offsetting financial assets and financial liabilities

Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2017 and 2016 are as follows:

	December 31, 2017					
	Gross amounts of recognized financial assets/ liabilities	Gross amounts of recognized financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Assets						
Derivatives, etc.	₩ 464,862	-	464,862	(118,371)	(47,008)	299,483
Bonds purchased under repurchase agreements	8,832,427	-	8,832,427	(8,420,075)	-	412,352
Securities loaned	34,870	-	34,870	(34,870)	-	-
Domestic exchange settlement debit	79,889	-	79,889	(79,882)	-	7
Other financial instruments	1,674,390	(1,535,614)	138,776	-	-	138,776
	₩ <u>11,086,438</u>	<u>(1,535,614)</u>	<u>9,550,824</u>	<u>(8,653,198)</u>	<u>(47,008)</u>	<u>850,618</u>
Liabilities						
Derivatives, etc.	₩ 9,512,060	-	9,512,060	(804,666)	-	8,707,394
Bonds purchased under repurchase agreements	8,368,175	-	8,368,175	(8,368,175)	-	-
Securities borrowed	1,450,877	-	1,450,877	(1,450,877)	-	-
Domestic exchange settlement pending	79,907	-	79,907	(79,882)	-	25
Other financial instruments	1,535,614	(1,535,614)	-	-	-	-
	₩ <u>20,946,633</u>	<u>(1,535,614)</u>	<u>19,411,019</u>	<u>(10,703,600)</u>	<u>-</u>	<u>8,707,419</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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(In millions of won)

25. Financial risk management, Continued

(g) Offsetting financial assets and financial liabilities, Continued

	December 31, 2016					
	Gross amounts of recognized financial assets/ liabilities	Gross amounts of recognized financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Assets						
Derivatives, etc.	₩ 338,958	-	338,958	(138,930)	(9,012)	191,016
Bonds purchased under repurchase agreements	7,667,617	-	7,667,617	(7,288,548)	-	379,069
Securities loaned	38,747	-	38,747	(38,747)	-	-
Domestic exchange settlement debit	27,160	-	27,160	(27,156)	-	4
Other financial instruments	708,771	(616,774)	91,997	-	-	91,997
	₩ <u>8,781,253</u>	<u>(616,774)</u>	<u>8,164,479</u>	<u>(7,493,381)</u>	<u>(9,012)</u>	<u>662,086</u>
Liabilities						
Derivatives, etc.	₩ 1,602,068	-	1,602,068	(147,943)	-	1,454,125
Bonds purchased under repurchase agreements	7,288,348	-	7,288,348	(7,288,348)	-	-
Securities borrowed	1,490,765	-	1,490,765	(1,490,765)	-	-
Domestic exchange settlement pending	27,157	-	27,157	(27,156)	-	1
Other financial instruments	711,619	(616,774)	94,845	-	-	94,845
	₩ <u>11,119,957</u>	<u>(616,774)</u>	<u>10,503,183</u>	<u>(8,954,212)</u>	<u>-</u>	<u>1,548,971</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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(In millions of won)

26. Operating Segments

(a) Segment information

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

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

(*)Name of the segment has changed from 'Retail group' to 'Sales promotion/WM group'.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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(In millions of won)

26. Operating Segments, Continued

(b) Operating income and net income for each operating segment for the years ended December 31, 2017 and 2016 are as follows:

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

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

		December 31, 2016					
		Sales promotion/					Total
		WM	Wholesale	IB	S&T	Other	
Net operating income							
Net fees and commission income (loss)	₩	236,895	47,389	75,720	-58,771	-43,760	257,473
Net gain (loss) on financial instruments, net interest income, and others		73,032	8,387	-8,871	165,974	64,156	302,678
General and administrative expenses		256,538	36,353	42,663	61,116	17,975	414,645
Gain Before Extraordinary Gains/Losses and Income Taxes		53,389	19,423	24,186	46,087	2,421	145,506
Income tax expense (benefit)		12,920	4,700	5,853	11,153	(4,561)	30,065
Profit (loss) for the year(*)	₩	40,469	14,723	18,333	34,934	6,982	115,441

(*) Other includes ₩2 million of profit from non-controlling interest.

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26. Operating Segments, Continued

(c) The main assets for each operating segment as of December 31, 2017 and 2016 are as follows:

		December 31, 2017					
		Sales promotion/ WM	Wholesale	IB	S&T	Other	Total
Cash and due from banks	₩	6,738	892	-	1,468,595	818,758	2,294,983
Financial assets at fair value through profit or loss		2,908	812,011	291,334	15,524,288	1,407,621	18,038,162
Available-for-sale financial assets		1,928	-	198,226	1,447,319	120,858	1,768,331
Investments in associates		-	-	99,021	267,193	-	366,214
Loans		2,080,187	-	1,113,692	485,215	22,795	3,701,889
Total	₩	<u>2,091,761</u>	<u>812,903</u>	<u>1,702,273</u>	<u>19,192,610</u>	<u>2,370,032</u>	<u>26,169,579</u>

		December 31, 2016					
		Sales promotion/ WM	Wholesale	IB	S&T	Other	Total
Cash and due from banks	₩	7,691	3,579	-	1,961,540	1,022,073	2,994,883
Financial assets at fair value through profit or loss		5,473	630,026	176,917	12,313,928	3,396,089	16,522,433
Available-for-sale financial assets		1,213	-	186,438	1,278,961	186,025	1,652,637
Investments in associates		-	-	16,850	119,240	-	136,090
Loans		1,566,449	-	552,844	-	432,742	2,552,035
Total	₩	<u>1,580,826</u>	<u>633,605</u>	<u>933,049</u>	<u>15,673,669</u>	<u>5,036,929</u>	<u>23,858,078</u>

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27. Income tax expense

- (a) The components of income tax expense of the Group for the years ended December 31, 2017 and 2016 are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Current income tax expense	₩ 43,888	69,105
Additional payment (refund) of income tax	79	(109)
Changes in deferred tax arising from temporary differences	22,932	(37,816)
Deferred income tax adjustment charged or credited directly to equity	(3,427)	(1,114)
Income tax expense	₩ <u>63,472</u>	<u>30,066</u>

- (b) The income tax expense calculated by applying statutory tax rates to the Group's taxable income differs from the actual tax expense in the consolidated statements of comprehensive income for the years ended December 31, 2017 and 2016 for the following reasons:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Income before income taxes	₩ 275,391	145,506
Tax rates	<u>24.20%</u>	<u>24.20%</u>
Income taxes at statutory tax rates	66,645	35,213
Adjustments :		
Non-taxable income	(1,838)	(697)
Non-deductible expense	968	1,185
Consolidated tax return adjustment	(2,364)	(5,365)
Income tax payments (refunds) related to prior year	549	(251)
Effect of change in tax rate	(1,346)	-
Others	858	(19)
Income tax expense	₩ <u>63,472</u>	<u>30,066</u>
Effective tax rate (%)	<u>23.05%</u>	<u>20.66%</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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27. Income tax expense, Continued

(c) Changes in deferred tax assets (liabilities) for the years ended December 31, 2017 and 2016 are as follows:

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the years ended December 31, 2017 and 2016

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27. Income tax expense, Continued

(c) Changes in deferred tax assets (liabilities) for the years ended December 31, 2017 and 2016 are as follows:, Continued

		December 31, 2016			
		Beginning balance	Net income	Accumulated other comprehensive income (capital adjustments)	Ending balance
Stocks at fair value through profit or loss	₩	(3,720)	(31,611)	-	(35,331)
Bonds at fair value through profit or loss		(20,559)	7,404	-	(13,155)
Derivatives-combined securities		11,270	(11,816)	-	(546)
Derivatives-combined securities sold		(217,296)	106,676	-	(110,620)
Exchange traded derivatives		224	(2,358)	-	(2,134)
Over the counter derivatives		198,386	(79,265)	-	119,121
Other financial assets at fair value through profit or loss		1	(1)	-	-
Other financial liabilities at fair value through profit or loss		(4,748)	34,968	-	30,220
Available-for-sale financial assets		(24,382)	(1,132)	(740)	(26,254)
Investments in associates		9,587	(3,908)	(540)	5,139
Allowance for credit loss		194	-	-	194
Property and equipment and investment property		(32,572)	288	-	(32,284)
Intangible assets		(4,684)	(78)	-	(4,762)
Accrued income		(17,468)	3,135	-	(14,333)
Account payable and accrued expenses		10,233	(925)	166	9,474
Provisions		945	4,072	-	5,017
Day 1 profit or loss		46,188	6,094	-	52,282
Amortization of up-front fee		3,612	930	-	4,542
Net gain (loss) on foreign exchange translations		3,305	(415)	-	2,890
Others		(5,395)	6,872	-	1,477
	₩	<u>(46,879)</u>	<u>38,930</u>	<u>(1,114)</u>	<u>(9,063)</u>

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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, 2017 and 2016 are as follows:

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

	December 31, 2016				
	Current period	Deferred tax liability	Prior period	Deferred tax liability	Change in deferred tax
Gain on valuation of available-for-sale financial assets	₩ 131,767	(31,887)	128,710	(31,147)	(740)
Foreign currency translation differences	1,109	614	(1,942)	1,162	(548)
Share of the other comprehensive loss of associates	3,522	(852)	3,552	(860)	8
Stock option (Capital adjustments)	(237)	57	450	(109)	166
	₩ <u>136,161</u>	<u>(32,068)</u>	<u>130,770</u>	<u>(30,954)</u>	<u>(1,114)</u>

(e) The deductible temporary differences which were not recognized as deferred tax assets (liabilities) as of December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
Investments in subsidiaries	₩ (9,516)	(2,204)

(f) The current tax assets (liabilities) and deferred tax assets (liabilities) presented on a gross basis prior to any offsetting as of December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
Deferred tax assets	₩ 72,982	151,467
Deferred tax liabilities	(104,977)	(160,530)
Current tax assets	16,577	5,312
Current tax liabilities	(29)	(22,451)

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28. Derivatives

(a) Details of the notional amounts of derivatives as of December 31, 2017 and 2016 are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Interest rates		
Over the counter:		
Interest rate options	₩ 310,000	264,000
Interest rate swaps	5,210,256	5,516,947
	<u>5,520,256</u>	<u>5,780,947</u>
Exchange traded:		
Interest rate futures	1,050,159	1,752,070
Interest rate swaps	23,467,300	22,158,800
	<u>24,517,459</u>	<u>23,910,870</u>
Foreign exchange		
Over the counter:		
Currency forwards	15,956,365	11,921,520
Currency swaps	954,109	80,425
Currency options	65,355	4,834
	<u>16,975,829</u>	<u>12,006,779</u>
Exchange traded:		
Currency futures	1,131,773	665,355
Equity		
Over the counter:		
Equity swap	4,223,097	12,180,668
Equity options	381,139	402,798
	<u>4,604,236</u>	<u>12,583,466</u>
Exchange traded:		
Equity futures	521,043	490,482
Equity options	3,210,234	2,213,274
	<u>3,731,277</u>	<u>2,703,756</u>
Credit		
Over the counter:		
Credit swap	1,281,156	571,295
TRS Swap	1,162,453	673,208
	<u>2,443,609</u>	<u>1,244,503</u>
Commodity		
Over the counter:		
Commodity forwards	6,235	15,012
Commodity swaps	796,452	683,925
Commodity options	4,880	11,337
	<u>807,567</u>	<u>710,274</u>
Exchange traded:		
Commodity futures	122,395	114,927
	<u>₩ 59,854,401</u>	<u>59,720,877</u>

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28. Derivatives, Continued

(b) Details of the gain (loss) on valuation of derivatives for the years ended December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
Interest rates		
Over the counter:		
Interest rate swaps	₩ (10,054)	(81,832)
Interest rate options	413	2,265
	<u>(9,641)</u>	<u>(79,567)</u>
Exchange traded:		
Interest rate futures	<u>1,226</u>	<u>1,226</u>
Foreign exchange		
Over the counter:		
Currency forwards	48,281	(21,360)
Currency swaps	2,537	1,283
Currency options	(174)	82
	<u>50,644</u>	<u>(19,995)</u>
Exchange traded:		
Currency futures	<u>(137)</u>	<u>(4)</u>
Equity		
Over the counter:		
Equity swap	73,489	111,633
Equity options	23,499	12,338
	<u>96,988</u>	<u>123,971</u>
Exchange traded:		
Equity futures	(733)	626
Equity options	<u>22,256</u>	<u>3,420</u>
	<u>21,523</u>	<u>4,046</u>
Credit		
Over the counter:		
Credit swap	4,765	4,133
TRS Swap	41,828	6,628
	<u>46,593</u>	<u>10,761</u>
Commodity		
Over the counter:		
Commodity forwards	131	(165)
Commodity swaps	12,647	3,434
Commodity options	(10)	(45)
	<u>12,768</u>	<u>3,224</u>
Exchange traded:		
Commodity futures	<u>5,723</u>	<u>468</u>
	<u>₩ 225,687</u>	<u>44,130</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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29. Pledged Assets

Assets pledged as collateral as of December 31, 2017 and 2016 are as follows:

		December 31, 2017							
		Pledged for							
	₩	ELS/DLS sold	Borrowing	Derivative	Securities borrowed	RP	Lease	Other	Total
Due from banks	₩	126,000	77,000	-	1,194,000	-	-	100,183	1,497,183
Trading financial assets		348,040	-	927,328	3,704,393	7,564,750	-	3,042	12,547,553
Financial assets designated at fair value through profit or loss		141,120	-	-	437,049	122,370	-	-	700,539
Available-for-sale financial assets		-	-	39,725	158,019	1,092,501	-	-	1,290,245
Property		-	52,000	-	-	-	96,953	-	148,953
	₩	<u>615,160</u>	<u>129,000</u>	<u>967,053</u>	<u>5,493,461</u>	<u>8,779,621</u>	<u>96,953</u>	<u>103,225</u>	<u>16,184,473</u>
		December 31, 2016							
		Pledged for							
	₩	ELS/DLS sold	Borrowing	Derivative	Securities borrowed	RP	Lease	Other	Total
Due from banks	₩	151,000	67,000	-	500,000	-	-	95,366	813,366
Trading financial assets		163,799	-	1,080,412	2,727,599	6,783,451	-	6,024	10,761,285
Financial assets designated at fair value through profit or loss		228,374	-	-	349,630	2,833	-	-	580,837
Available-for-sale financial assets		-	-	-	94,461	881,133	-	-	975,594
Loans		-	-	-	-	200	-	-	200
Property		-	52,000	-	-	-	96,953	-	148,953
	₩	<u>543,173</u>	<u>119,000</u>	<u>1,080,412</u>	<u>3,671,690</u>	<u>7,667,617</u>	<u>96,953</u>	<u>101,390</u>	<u>13,280,235</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, 2017 and 2016 are ₩8,779,621 million and ₩7,667,617 million, respectively.

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30. Share-based payments

(a) Details of performance shares granted as of December 31, 2017 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	Up to year 2013: Increase rate of stock price (33.4%) and achievement of target ROE (66.6%) From 2014: Increase rate of stock price (20.0%) and achievement of target ROE (80.0%)
Number of shares estimated at December 31, 2017	186,244

(b) Number of shares granted and fair value at grant date as of December 31, 2017 are as follows

Grant date	Number of shares granted	Fair value(*1)	Number of shares estimated(*2)
January 1, 2013	29,000 ₩	40,050	-
January 14, 2013	3,100	39,250	-
June 7, 2013	3,100	38,950	-
June 27, 2013	7,300	37,050	210
January 1, 2014	27,400	47,300	27,305
February 6, 2014	10,500	43,800	9,463
August 27, 2014	3,300	51,900	1,147
January 1, 2015	45,400	44,500	45,286
March 30, 2015	3,200	41,200	2,091
January 1, 2016	57,400	39,000	44,940
March 26, 2016	3,800	41,100	2,690
October 27, 2016	1,900	43,850	314
January 1, 2017	54,800	45,300	42,345
March 17, 2017	10,600	49,750	7,747
July 6, 2017	6,000	49,200	2,706
	<u>266,800</u>		<u>186,244</u>

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

(*2) The Group adjusted the increase rate of stock price (33.4% until 2013 and 20.0% from 2014) and achievement target ROE (66.6% until 2013 and 80.0% from 2014) to determine the number of shares estimated, based on initial number of shares granted, after the termination of service period.

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30. Share-based payments, Continued

(c) Stock compensations costs (benefits) calculated as of and for the years ended December 31, 2017 are as follows:

	December 31, 2017	
<i>(In number of shares)</i>	Performance shares	
Compensation costs recorded for the period	₩	2,199
Accrued expenses (benefits) related to compensation cost		7,841

(d) Book value of liabilities and intrinsic value of liabilities regarding share-based payment as of December 31, 2017 are as follows:

	December 31, 2017	
<i>(In Won, except number of shares)</i>	Accrued expenses	Intrinsic value
Performance shares	₩ 7,841	7,841

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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(In millions of won)

31. Commitments and contingencies

(a) As of December 31, 2017, the Group has faced with pending lawsuits are as follows:

December 31, 2017			
Lawsuits	Plaintiff	Details	Amount
Compensation for loss	KB Securities	Violation of operating instruction of special money trust	₩ 2,376
Payment Guarantee	KEB Hana Bank	A claim for guarantee deposit of receivable-backed ABL of KT ENS	12,866
Compensation for loss	An individual	A violation of fiduciary obligation and voluntary sales	2,750
Compensation for loss	An individual	A violation of the obligation of explanation of ELS and voluntary sales or churning of stocks	179
Compensation for loss	An individual	A claim for compensation due to the violation of the suggestion of DLS.	29
Compensation for loss	An individual	A claim for compensation due to voluntary sales.	97
Notice for stock transfer	An individual	A claim of collateral stock transfer due to unpaid settlement cost	2,614
Compensation for loss	An individual	A claim for compensation due to the violation of the obligation of explanation of ELS and voluntary sales or churning of stocks	117
Compensation for loss	An individual	A claim for compensation due to discretionary transaction and discretionary trading.	500
Compensation for loss	An individual	A claim for compensation on MTS data processing information error	1
Affirmation of the non-existence of debt	An individual	Affirmation of the non-existence of debt caused by settlement cost	50
			₩ <u>21,579</u>

The Group recognized provisions of ₩16,798 million regarding the case the Group lost at the second trial, including ₩3,932 million of interest. 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.

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31. Commitments and contingencies, Continued

(b) Commercial paper purchase commitments

Company	Underlying asset	Amount	Date of agreements	Date of maturity
Credit offering				
HSC First L.L.C	Beneficiary certificate ₩	45,000	April 27, 2015	June 27, 2020
Angelest the 5st L.L.C	Preferred stock	6,700	September 25, 2015	October 10, 2019
Angelest the 6st L.L.C	Preferred stock	6,700	September 25, 2015	October 10, 2019
Angelest the 7st L.L.C	Preferred stock	6,600	September 25, 2015	October 10, 2019
VALUE PLUS the 50st Co., Ltd.	STJ Holdings stock and Put option agreement with Simmtech Co., Ltd based on STJ Holdings stock	9,300	July 20, 2016	January 22, 2018
GCAW the 1st L.L.C	Loans of GCAW Co., Ltd.	15,200	December 29, 2017	December 29, 2019
SK Shipping Co., Ltd	Private placed bond	21,428	September 20, 2017	September 20, 2019
		110,928		
Liquidity offering				
Multiplex Series the 3rd L.L.C	CJ CGV Leasehold Deposits	30,000	August 28, 2016	August 28, 2018
Lotte ,Teheran	Beneficiary certificate and TRS contracts	55,000	December 8, 2017	December 8, 2022
		85,000		
Commitments on purchase of beneficial certificates				
Global food partners 5th Co., Ltd.	Hyundai CJ Private Equity Fund 1st	30,000	October 31, 2017	October 31, 2019
		₩ 225,928		

(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. Any adjustments which may be caused by the possibility of the change are not booked, because the amount of the obligations cannot be measured reliably.

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31. Commitments and contingencies, Continued

(d) Onerous contract

As of December 31, 2017, the Group entered into a guarantee contract with Franklin Templeton Investment Trust Management Co., Ltd. to provide for contingent losses that may result from beneficiary certificates, including guaranteed bonds issued by financially distressed companies, such as the Daewoo Group. The Group's time deposit of ₩183 million was pledged as collateral to Franklin Templeton Investment Trust Management Co., Ltd. for the potential losses.

(e) Other underwriting commitment

	Company		Amount
Equity securities	Hyundai Heavy Industries Co., Ltd and others	₩	276,570
Debt securities	H-LINE shiping Co., Ltd and others		677,411
		₩	<u>953,981</u>

(f) Financial institution commitment

	Financial Institution		Amount
Daylight overdrafts commitment	Shinhan Bank Co., Ltd. and others	₩	213,000
	TRLILAND METALS		USD 5,000,000
	Euroclear Bank		USD 5,000,000
	Korea securities depository		USD 15,000,000
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 35,000,000
Institutional operating fund loans	Korean Securities Finance Corporation(self)		500,000
	Korean Securities Finance Corporation(trust)		within the range of trusts
Notes discounted	Korean Securities Finance Corporation(self)		150,000
	Korea Securities Finance Corporation(Subscription deposits)		within the range of subscription deposits
KSFC trading	Korea Securities Finance Corporation		500,000
Agreement on intraday fund transaction	Korea Securities Finance Corporation		200,000
Collateral financing loan	Korea Securities Finance Corporation		500,000

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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32. The transaction as a transfer of financial instruments

(a) Transfers that do not qualify for derecognition

(i) Bonds sold under repurchase agreements as of December 31, 2017 and 2016 are as follows:

		<u>December 31, 2017</u>	<u>December 31, 2016</u>
Transferred assets			
Financial assets designated at fair value through profit or loss	₩	7,688,026	6,786,284
Available-for-sale financial assets		1,092,501	881,133
Loans		-	200
	₩	<u>8,780,527</u>	<u>7,667,617</u>
Associated liabilities			
Bonds sold under repurchase agreements	₩	<u>8,368,175</u>	<u>7,288,348</u>

(ii) Securities loaned as of December 31, 2017 and 2016 are as follows:

		<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>Rental Company Korean Securities Finance Corporation</u>
Commercial bonds	₩	34,870	38,747	

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

There are no financial assets that meet the conditions of the derecognition and in which the Group has continuing involvement as of December 31, 2017 and 2016.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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33. Securities withheld and securities borrowed

Details of the securities withheld and securities borrowed on behalf of the clients as of December 31, 2017 and 2016 are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Securities withheld		
Broker's securities	₩ 61,269,040	56,719,798
Beneficiary's securities	55,439,325	49,774,941
Depositor's securities	53,388	53,329
Others	687	581
	<u>116,762,440</u>	<u>106,548,649</u>
Securities borrowed	6,017,429	2,929,458
	₩ <u>122,779,869</u>	<u>109,478,107</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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34. Equity

(a) Details of equity as of December 31, 2017 and 2016 are summarized as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Stockholder's equity		
Ordinary shares	₩ 1,527,882	1,527,882
Preference shares	19,116	19,116
	<u>1,546,998</u>	<u>1,546,998</u>
Capital surplus		
Additional Paid-in Capital	248,791	248,791
Gain from reduction of capital	15	15
	<u>248,806</u>	<u>248,806</u>
Capital adjustments		
Stock options	167	(180)
Accumulated other comprehensive income		
Valuation of available-for-sale financial assets	101,557	99,879
Change of investments in a associate	(8,159)	2,671
Accumulated foreign exchange differences	(5,134)	1,723
	<u>88,264</u>	<u>104,273</u>
Retained earnings		
Legal reserve	22,310	20,310
Voluntary reserve(*)	163,533	161,025
Unappropriated earnings	1,182,409	995,010
	<u>1,368,252</u>	<u>1,176,345</u>
Non-controlling interest		
Capital of non-controlling interest	167	168
Surplus profit brought forward from the previous term of non-controlling interest	23	20
Profit, attributable to non-controlling interests	12	2
	<u>202</u>	<u>190</u>
	<u>₩ 3,252,689</u>	<u>3,076,432</u>

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the years ended December 31, 2017 and 2016

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34. Equity, Continued

(b) Stockholder's equity as of December 31, 2017 and 2016 are summarized as follows:

	December 31, 2017		December 31, 2016	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
Number of shares authorized	450,000,000	150,000,000	450,000,000	150,000,000
Par value per share (in won)	₩ 5,000	5,000	5,000	5,000
Number of issued shares outstanding	305,576,350	3,823,314	305,576,350	3,823,314
Stockholder's equity	₩ 1,527,882	19,116	1,527,882	19,116

(c) Change in accumulated other comprehensive income for the years ended December 31, 2017 and 2016 are as follows:

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

	December 31, 2016			
	Valuation of available-for-sale financial assets	Change of investments in a associate	Accumulated foreign exchange differences	Total
Opening balance	₩ 97,562	2,693	(780)	99,475
Change in fair value of available-for-sale financial assets	1,019	-	-	1,019
Change in impairment	1,222	-	-	1,222
Change in disposal	(441)	-	-	(441)
Effect of change in equity of investee	-	(30)	-	(30)
Effect of exchange rate difference	1,257	-	3,051	4,308
Deferred tax effect	(740)	8	(548)	(1,280)
Ending balance	₩ 99,879	2,671	1,723	104,273

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, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
Unappropriated retained earnings		
Balance at beginning of the year	₩ 977,104	876,260
Net income for the year	200,509	123,304
Revaluation surplus	(61)	(1,306)
	<u>1,177,552</u>	<u>998,258</u>
Appropriation of retained earnings		
Legal reserve	14,500	2,000
Regulatory reserve for loan loss	5,718	(846)
Dividends	145,000	20,000
Cash dividends on ordinary shares		
Current year (In won) : ₩ 468 (9.36%)	143,019	19,564
Prior year (In won) : ₩ 64 (1.28%)		
Cash dividends on preference shares		
Current year (In won) : ₩ 518 (10.36%)	1,981	436
Prior year (In won) : ₩ 114 (2.28%)		
	<u>165,218</u>	<u>21,154</u>
Unappropriated retained earnings carried over to subsequent period	₩ <u>1,012,334</u>	<u>977,104</u>

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, 2017 and 2016 are as follows:

	December 31, 2017		December 31, 2016	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
Number of issued shares outstanding	305,576,350	3,823,314	305,576,350	3,823,314
Par value per share (in won) ₩	5,000	5,000	5,000	5,000
Dividends per share (in won)	468	518	64	114
Dividends ₩	143,019	1,981	19,564	436
Dividend rate per share	9.36%	10.36%	1.28%	2.28%

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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36. Leases

(a) Future minimum lease under operating investment property lease of the Group as lessor as of December 31, 2017 and 2016 are as follows:

		Minimum lease payment	
		December 31, 2017	December 31, 2016
Not later than 1 year	₩	7,212	7,395
1 ~ 5 years		8,616	5,198
	₩	15,828	12,593

(b) Future minimum lease payments under non-cancellable operating lease of the Group as lessee as of December 31, 2017 and 2016 are as follows:

		Minimum lease payment	
		December 31, 2017	December 31, 2016
Not later than 1 year	₩	6,636	6,610
1 ~ 5 years		5,576	3,503
	₩	12,212	10,113

37. Cash flows

(a) Details of significant non-cash activities for the years ended December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
Property and equipment transferred from investment property	₩ 5,604	1,090
Available-for-sale financial assets transferred from Investments in associates	19,172	-
Valuation gain on available-for-sale financial assets	8,313	3,057
Tax effect on valuation gain on available-for-sale financial assets	(6,635)	(740)
Change of investments in associates	(14,776)	(30)
Tax effect on change of investments in associates	3,947	8
Foreign currency translation differences	(6,244)	3,051
Tax effect on foreign currency translation differences	(614)	(548)

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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37. Cash flows, Continued

(b) Changes in liabilities arising from financing activities for the year ended December 31, 2017 are as follows:

		Borrowings	Debentures	Total
Balance at January 1, 2017	₩	8,112,247	229,819	8,342,066
Changes from cash flows		1,393,390	963,277	2,356,667
Amortization of discount on borrowings and debentures		104,327	10,752	115,079
Changes in foreign currency exchange rate		(42,606)	-	(42,606)
Others		(108,339)	(6,526)	(114,865)
Balance at December 31, 2017	₩	<u>9,459,019</u>	<u>1,197,322</u>	<u>10,656,341</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
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38. Related party transactions

(a) Significant account balances with related companies as of December 31, 2017 and 2016 are as follows:

Related party	Accounts	December 31, 2017	December 31, 2016
Assets:			
Shinhan Financial Group Co.Ltd	Other assets(*1) ₩	16,577	-
Shinhan Bank	Bank deposits	272,064	252,707
	Derivatives assets	38,394	3,597
	Accrued income	246	143
	Other assets(*1)	38,764	34,280
Jeju Bank	Bank deposits	225,347	215,302
	Accrued income	1,789	1,311
Shinhan Capital	Other assets(*1)	-	5
Green energy Private equity Special Assets	Accrued income	1	1
Shinhan Praxis K-Growth Global Private Equity Fund	Accrued income	174	175
SHBNPP YOUNGNAM LNG Combined Cycle Private Special Asset Investment Trust [infra business]	Accrued income	3	3
SHBNPP Corporate Professional Investment Type Private Security Investment Trust No.45[Bond]	Accrued income	-	9
SHBNPP MyongPhoom Fund Selection Security Trust[Equity Balanced-FoFs]	Accrued income	-	1
SHBNPP Global Professional Investment Type Private Real Estate Investment Trust No.4	Accrued income	21	3
SHBNPP Global Professional Investment Type Private Real Estate Investment Trust No.5	Accrued income	8	8
New Renewable Energy Professional Private Special Asset2 [Loan]	Accrued income	1	-
Shinhan Global Healthcare Fund 1	Prepaid income	409	-
Shinhan Display New Technology Fund No.1	Prepaid income	50	-
Shinhan Fintech New Technology Fund No.1	Prepaid income	123	-
SHBNPP Global Multi asset Security Trust[Equity Balanced-FoFs]	Accrued income	1	-
SHBNPP Global Professional Investment Type Private Real Estate Investment Trust No.10	Accrued income	1	-
SHBNPP US Nevada Solar Private Speical Asset Fund	Accrued income	1	-
SHBNPP Corporate Professional Investment Type Private Security Investment Trust No.1[Bond Balanced]	Accrued income	2	-
SHBNPP Corporate Professional Investment Type Private Security Investment Trust No.5	Accrued income	1	-
		₩ 593,977	507,545

(*1) Include deposits for guarantees and others.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

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38. Related party transactions, Continued

(a) Significant account balances with related companies as of December 31, 2017 and 2016 are as follows;
Continued

Related party	Accounts	December 31, 2017	December 31, 2016
Liabilities:			
Shinhan Financial Group Co., Ltd.	Other liabilities(*3)	₩ 7,841	24,115
Shinhan Bank	Derivatives liabilities	3,884	53,462
	Accrued expenses	22	12
	Other liabilities(*3)	21,678	19,536
	Borrowings(*2)	14,976	-
	Other liabilities(*3)	2,365	3,558
Shinhan Card Co., Ltd.	Other liabilities(*3)	4,370	10,505
Shinhan Capital	Accrued expenses	-	17
	Derivatives liabilities	35	251
	Other liabilities(*3)	1,906	30,550
	Borrowings(*2)	6,237	4,030
Shinhan Life Insurance Co., Ltd.	Accrued expenses	405	468
	Other liabilities(*3)	-	2,350
	Borrowings(*2)	-	1,799
	Accrued expenses	2	2
Shinhan Aitas Co., Ltd.	Other liabilities(*3)	11,988	-
	Other liabilities(*2)	1,134	1,128
	Derivatives liabilities	-	1,989
Shinhan BNP Paribas Asset Management Co., Ltd.	Other liabilities(*3)	1,000	5,200
	Other liabilities(*3)	199	138
Shinhan Saving Bank		<u>₩ 78,042</u>	<u>159,110</u>
Shinhan Alternative Investment Management Inc. (*4)			

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

(*3) Include deposits for rent and others.

(*4) Name of company has changed from 'Shinhan Private Equity Inc.' to 'Shinhan Alternative Investment Management Inc.'

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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38. Related party transactions, Continued

(b) Significant transactions with related parties for the years ended December 31, 2017 and 2016 are as follows:

Related party	Accounts	December 31, 2017	December 31, 2016
Revenue:			
Shinhan Financial Group Co., Ltd.	Commission	₩ 395	260
	Rent	1	-
Shinhan Bank	Interest	2,667	2,199
	Rent	444	627
	Derivatives	95,451	11,818
	Commission	582	670
Shinhan Card Co., Ltd.	Rent	9	13
	Commission	426	385
Shinhan Life Insurance Co., Ltd.	Rent	22	13
	Commission	68	22
Shinhan Capital	Commission	75	10
	Rent	12	-
	Derivatives	6,569	-
Jeju Bank	Interest	3,731	2,153
Shinhan Aitas Co., Ltd.	Rent	206	-
Shinhan BNP Paribas Asset Management Co., Ltd.	Rent	1,957	1,372
	Commission	-	111
Kofc Shinhan Frontier	Commission	-	264
Green energy Private equity Special Assets	Commission	7	7
Corporate Governance PE 2th [Equity balanced] ,Ltd.	Commission	-	-
Shinhan BNPP Nice High dividend Feeder Fund [Equity]	Commission	-	5
Shinhan Alternative Investment Management Inc.	Rent	196	168
SHBNPP Relative Value Security Investment Trust No.1[Bond]	Commission	-	1
Shinhan Praxis K-Growth Global Private Equity Fund	Commission	689	691
SHBNPP YOUNGNAM LNG Combined Cycle Private Special Asset Investment Trust [infra business]	Commission	12	8
New Renewable Energy Professional Private Special Asset2 [Loan]	Commission	2	1
SHBNPP Corporate Professional Investment Type Private Security Investment Trust No.45[Bond]	Commission	-	48
SHBNPP MyongPhoom Fund Selection Security Trust[Equity Balanced-FoFs]	Commission	-	3
SHBNPP Global Professional Investment Type Private Real Estate Investment Trust No.4	Commission	47	7
SHBNPP Global Professional Investment Type Private Real Estate Investment Trust No.5	Commission	50	21
	Dividends	600	-
SHBNPP Global Professional Investment Type Private Real Estate Investment Trust No.6	Commission	13	2
SHBNPP US Senior Loan Special Asset Investment Trust No.1(H)[Loan]	Commission	-	1
The Asia Pacific Capital Fund II L.P.	Commission	85	175
Korea investment gong-pyeong office real estate investment trust 2nd	Commission	-	55

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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38. Related party transactions, Continued

(b) Significant transactions with related parties for the years ended December 31, 2017 and 2016 are as follows:, Continued

Related party	Accounts	December 31, 2017	December 31, 2016
SG ARGES Private Equity Fund No.1	Dividends	₩ 80	-
SG No.9 Corporate Recovery Private Equity Fund	Dividends	96	-
Eum Private Equity Fund No.3	Dividends	172	-
Plutus-SG Private Equity Fund	Dividends	44	-
Shinhan Global Healthcare Fund 1	Commission	282	-
Shinhan Display New Technology Fund No.1	Commission	106	-
Shinhan Fintech New Technology Fund No.1	Commission	30	-
SHBNPP Konkuk University Dormitory Private Speical Asset Fund 1	Commission	1	-
SHBNPP Global Multi asset Security Trust[Equity Balanced-FoFs]	Commission	3	-
SHBNPP US Nevada Solar Private Speical Asset Fund	Commission	3	-
SHBNPP Corporate Professional Investment Type Private Security Investment Trust No.1[Bond Balanced]	Commission	7	-
		<u>₩ 115,140</u>	<u>21,110</u>
Expense:			
Shinhan Financial Group Co., Ltd.	Interest	₩ -	5,412
	Commission	4,472	3,809
Shinhan Bank	Interest	598	697
	Rent	5,059	4,641
	Derivatives	6,884	57,786
	Commission	6,027	5,372
Shinhan Card Co., Ltd.	Interest	9	13
	Commission	338	330
Shinhan Life Insurance	Interest	14	4
	Commission	108	127
Jeju Bank	Commission	18	17
Shinhan Data System	Interest	53	68
	Commission	6,150	5,695
Shinhan Alternative Investment Management Inc.	Interest	3	3
Shinhan Aitas Co., Ltd.	Interest	207	24
	Commission	8	10
Shinhan BNP Paribas Asset Management Co., Ltd.	Interest	15	16
Shinhan Capital	Commission	8	23
	Derivatives	1,828	746
	Interest	12	-
Shinhan Saving Bank	Commission	10	4
	Derivatives	12	15
		<u>₩ 31,833</u>	<u>84,812</u>

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38. Related party transactions, Continued

(c) Key management personnel compensation for the years ended December 31, 2017 and 2016 are as follows:

		December 31, 2017	December 31, 2016
Salaries and wages	₩	7,591	6,665
Share-based payments		2,067	3,189
Severance benefits		271	278
	₩	<u>9,929</u>	<u>10,132</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, 2017 are as follows:

Related party	Assets pledged as collateral	December 31, 2017	Description
Shinhan Bank	Time deposits	₩ 37,000	Collateral for a bank
	Time deposits	5,000	Collateral for the small amount of payment
	Reserve for claims of customers' deposits (trust)	90,000	Collateral for the small amount of payment
	Other deposits denominated in won	11	Deposit for checking accounts
Shinhan BNP Paribas Asset Management Co., Ltd.	Land and buildings	91,974	Collateral for rental
	Land and buildings	1,354	Collateral for rental
Shinhan Alternative Investment Management Inc.	Land and buildings	166	Collateral for rental
Shinhan Life Insurance	Land and buildings	273	Collateral for rental
		<u>₩ 225,778</u>	

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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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, 2017 and 2016 are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Regulatory reserve for loan loss		
Accumulated	₩ 6,982	4,534
To be scheduled	5,829	2,448
	<u>₩ 12,811</u>	<u>6,982</u>

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Income for the year	₩ 211,907	115,438
Provision for regulatory reserve for loan loss	(5,829)	(2,448)
	<u>₩ 206,078</u>	<u>112,990</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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40. Interests in unconsolidated structured entities

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

The natures, purposes and activities of the unconsolidated structured entities which the Group had interest in as of December 31, 2017 and 2016, and how these structured entities are financed are summarized as follows:

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

Details of unconsolidated structured entities as of December 31, 2017 and 2016 are as follows:

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

		December 31, 2016			
		Asset-backed securitization	Project financing	Investment fund	Total
Total Assets	₩	2,889,220	7,156,129	3,347,602	13,392,951

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41. Interests in unconsolidated structured entities, Continued

(b) Total assets of the unconsolidated structured entities, carrying value of assets and liabilities and maximum exposure to loss related to the Group's interests in unconsolidated structured entities as of December 31, 2017 and 2016 are as follows:

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

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41. Interests in unconsolidated structured entities, Continued

(b) Total assets of the unconsolidated structured entities, carrying value of assets and liabilities and maximum exposure to loss related to the Group's interests in unconsolidated structured entities as of December 31, 2017 and 2016 are as follows:, Continued

	December 31, 2016			
	Asset- backed securitization	Project financing	Investment fund	Total
Total assets of the unconsolidated structured entities				
Loans	₩ 127,151	275,152	29,572	431,875
Trading assets	31,351	300	1,671	33,322
Available-for-sale financial assets	53,479	5,213	260,310	319,002
Other assets	790	688	170	1,648
	₩ <u>212,771</u>	<u>281,353</u>	<u>291,723</u>	<u>785,847</u>
Total liabilities of the unconsolidated structured entities				
Other liabilities	₩ <u>1,006</u>	<u>264</u>	<u>-</u>	<u>1,270</u>
Maximum exposure to loss				
Investments	₩ 212,771	281,353	291,723	785,847
Purchase commitments	60,000	-	-	60,000
Guarantee	83,000	17,500	-	100,500
Others	61,400	-	-	61,400
	₩ <u>417,171</u>	<u>298,853</u>	<u>291,723</u>	<u>1,007,747</u>