



**SHINHAN INVESTMENT CORP.
AND SUBSIDIARIES**

Consolidated Financial Statements

December 31, 2014 and 2013

(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 at December 31, 2014 and 2013, the consolidated statements of comprehensive income, changes in equity and cash flows for the year and nine months 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, 2014 and 2013 and its consolidated financial performance and its consolidated cash flows for the year and nine months then ended in accordance with Korean International Financial Reporting Standards.

Other Matter

Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements which states that the Group changed its period end from March 31, to December 31. Thus, comparative prior fiscal year is for 9 months from April 1, 2013 to December 31, 2013.

The accompanying consolidated statement of financial position of the Group as of December 31, 2013, and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine months then ended, were audited by us in accordance with the previous Korean auditing standards.

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

KPMG Samjong Accounting Corp.

KPMG Samjong Accounting Corp.
Seoul, Korea
March 10, 2015

This report is effective as of March 10, 2015, 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, 2014 and 2013

<i>In millions of won</i>	Note	December 31, 2014	December 31, 2013
Assets			
Cash and due from banks	4,24,25,29	₩ 2,700,828	1,957,785
Financial assets at fair value through profit or loss	5,24,25,29	17,747,214	12,715,774
Available-for-sale financial assets	6,24,25,29	2,221,272	1,658,455
Investments in associates	7	65,302	39,405
Loans	8,24,25,29	1,475,691	1,375,047
Property and equipment	9,29	125,606	118,467
Intangible assets	10	43,980	41,398
Investment property	11	181,396	191,254
Current tax assets		33,601	16,353
Other assets	12,24,25	1,333,402	983,787
Total assets		₩ <u>25,928,292</u>	<u>19,097,725</u>
Liabilities			
Deposits	13,24,25	₩ 1,100,425	789,779
Financial liabilities at fair value through profit or loss	14,24,25	11,644,639	7,219,053
Borrowings	15,24,25	9,552,830	7,820,954
Provisions	16	3,767	3,520
Deferred tax liabilities	27	41,822	23,852
Other liabilities	17,24,25	1,254,718	1,004,860
Total liabilities		<u>23,598,201</u>	<u>16,862,018</u>
Equity			
Capital stock	33	1,296,998	1,296,998
Capital surplus	33	15	15
Capital adjustments	33	(62)	(56)
Accumulated other comprehensive income	33	89,587	103,432
Retained earnings	33	943,553	835,318
Total equity		<u>2,330,091</u>	<u>2,235,707</u>
Total liabilities and equity		₩ <u>25,928,292</u>	<u>19,097,725</u>

See accompanying notes to the consolidated financial statements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the year ended December 31, 2014 and the nine months ended December 31, 2013

In millions of won

	<i>Note</i>	December 31, 2014	December 31, 2013
Operating revenue:			
Commission income	18	₩ 270,538	199,614
Gain on financial instruments at fair value through profit or loss	24	2,331,091	1,430,716
Gain on available-for-sale financial assets	24	4,443	19,354
Interest income	19	611,643	377,742
Gain on valuation and sale of loans	24	436	15,076
Gain on foreign transactions	20	60,848	36,143
Others	22	16,110	4,740
		<u>3,295,109</u>	<u>2,083,385</u>
Operating expense:			
Commission expense	18	67,639	36,506
Loss on financial instruments at fair value through profit or loss	24	2,401,800	1,505,826
Loss on available-for-sale financial assets	24	6,203	7,385
Interest expense	19	226,080	174,459
Loss on valuation and sale of loans	24	2,677	147
Loss on foreign transactions	20	54,413	29,384
General and administrative expenses	21	398,596	277,940
Others	22	4,804	7,311
		<u>3,162,212</u>	<u>2,038,958</u>
Operating income		<u>132,897</u>	<u>44,427</u>
Non-operating income	23	31,049	14,153
Non-operating expense	23	(6,676)	(21,095)
Profit before income taxes		<u>157,270</u>	<u>37,485</u>
Income tax expense	27	39,035	9,203
Profit for the year		<u>118,235</u>	<u>28,282</u>
Other comprehensive income (loss) for the period, 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		1,204	(10,469)
Loss on valuation of investments in associates		1,466	(1,368)
Foreign currency translation adjustments for foreign operations		(16,515)	11,364
Total other comprehensive loss, net of tax		<u>(13,845)</u>	<u>(473)</u>
Total comprehensive income for the period		<u>₩ 104,390</u>	<u>27,809</u>

See accompanying notes to the consolidated financial statements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the year ended December 31, 2014 and the nine months ended December 31, 2013

In millions of won

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

		Common stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total
Balance at January 1, 2014	₩	1,296,998	15	(56)	103,432	835,318	2,235,707
Profit for the period		-	-	-	-	118,235	118,235
Other comprehensive income (loss), net of income tax							
Net change in unrealized fair value of available-for-sale financial assets		-	-	-	1,204	-	1,204
Share of the other comprehensive loss of associates		-	-	-	1,466	-	1,466
Foreign currency translation differences		-	-	-	(16,515)	-	(16,515)
Transactions recognized directly in equity							
Dividends		-	-	-	-	(10,000)	(10,000)
Change in share-based payment		-	-	(6)	-	-	(6)
Balance at December 31, 2014	₩	<u>1,296,998</u>	<u>15</u>	<u>(62)</u>	<u>89,587</u>	<u>943,553</u>	<u>2,330,091</u>

See accompanying notes to the consolidated financial statements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the year ended December 31, 2014 and the nine months ended December 31, 2013

<i>In millions of won</i>	December 31, 2014	December 31, 2013
Cash flows from operating activities		
Profit before income taxes	₩ 157,269	37,485
Adjustment for:		
Interest income	(611,643)	(377,742)
Interest expense	226,080	174,459
Dividend income	(11,606)	(4,249)
Net gain on valuation of financial assets at fair value through profit or loss	(41,187)	10,060
Net gain on valuation of financial liabilities at fair value through profit or loss	140,442	(18,316)
Net gain on sales of available-for-sale financial assets	(123)	(16,472)
Impairment loss on available-for-sale financial assets	1,883	4,503
Provisions for (reversal of) loan loss	2,241	(6,385)
Net gain on sales of loans	-	(8,544)
Net gain on foreign exchanges	(5,022)	(4,584)
Depreciation	9,921	7,704
Amortization of intangible assets	5,417	6,957
Stock-based compensation expense(benefit)	1,232	936
Non-cash other operating expenses, net	419	8,114
Non-cash non-operating expenses, net	(6,190)	18,905
	<u>(288,136)</u>	<u>(204,654)</u>
Changes in assets and liabilities:		
Due from banks	(758,541)	(27,678)
Financial assets at fair value through profit or loss	(4,990,254)	(1,030,676)
Loans	(102,918)	208,663
Collective fund for default loss	(23,400)	3,230
Other assets	(349,704)	278,535
Deposits	309,929	(165,999)
Financial liabilities at fair value through profit or loss	4,285,144	1,871,377
Provisions	105	(8,637)
Other liabilities	364,584	(155,353)
	<u>(1,265,055)</u>	<u>973,462</u>
Income taxes paid	(46,387)	(14,819)
Interests received	488,497	397,628
Interests paid	(233,327)	(167,869)
Dividends received	11,545	5,171
Net cash provided by (used in) operating activities	<u>₩ (1,175,594)</u>	<u>1,026,404</u>

See accompanying notes to the consolidated financial statements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Consolidated Statements of Cash Flows, Continued

For the year ended December 31, 2014 and the nine months ended December 31, 2013

<i>In millions of won</i>	December 31, 2014	December 31, 2013
Cash flows from investing activities		
Proceed from disposal of available-for-sale financial assets	₩ 3,873,485	3,142,948
Acquisition of available-for-sale financial assets	(4,417,419)	(3,466,459)
Proceed from disposal of investments in associates	6,042	-
Acquisition of investments in associates	(25,427)	(25,295)
Proceed from disposal of property and equipment	58	2
Acquisition of property and equipment	(10,743)	(5,190)
Proceed from disposal of intangible assets	1,509	1,015
Acquisition of intangible assets	(9,644)	(5,876)
Acquisition of investment property	-	(44,520)
Net cash used in investing activities	<u>(582,139)</u>	<u>(403,375)</u>
Cash flows from financing activities		
Proceeds from borrowings	4,350,846	591,205
Repayment of borrowings	(2,613,777)	(1,006,627)
Dividends paid	(10,000)	(10,000)
Net cash provided by (used in) financing activities	<u>1,727,069</u>	<u>(425,422)</u>
Effect of exchange rate fluctuations on cash and cash equivalents held	<u>13,658</u>	<u>(4,654)</u>
Net increase (decrease) in cash and cash equivalents	<u>(17,006)</u>	<u>192,953</u>
Cash and cash equivalents at beginning of period	<u>710,506</u>	<u>517,553</u>
Cash and cash equivalents at end of period	<u>₩ 693,500</u>	<u>710,506</u>

See accompanying notes to the consolidated financial statements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

1. Reporting entity

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

(a) Controlling company

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 93 branches and 2 sales offices as of December 31, 2014.

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 ₩ 13,111,521 million as of December 31, 2014 and the related fee income amounted to ₩ 10,758 million for the year ended December 31, 2014.

The Company changed its period end from March 31 to December 31. Thus, the Group presented consolidated statements of comprehensive income, changes in equity, and cash flows for the 12 months and 9 months ended December 31, 2014 and December 31, 2013, respectively.

(b) Scope of consolidation

(i) Subsidiaries

Ownership of the Company's major consolidated subsidiaries except special purpose entities as of December 31, 2014 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	March 31	100.0

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

1. Reporting entity, Continued

(b) Scope of consolidation, Continued

(ii) Special purpose entities

As of December 31, 2014, consolidated special purpose entities are summarized as follows:

Parent company	SPE	Location	Reference
Shinhan Investment Corp.	Shinhan Maritime Private Equity Fund I	Rep. of Korea	PEF
Shinhan Maritime Private Equity Fund I	SS TRITON A S.A.	Panama	Ship lending SPC
"	SS TRITON B S.A.	"	"
Shinhan Investment Corp.	VALUE PLUS the 16th Co., Ltd.	Rep. of Korea	Securitization SPC
"	VALUE PLUS the 17th Co., Ltd.	"	"
"	SHIC PLUS the 1st Co., Ltd.	"	"
"	MARS the 1st L.L.C.	"	Real estate investment SPC
"	KDB Retail Investment Trust the 1st	"	Real estate investment trust
"	VALUE PLUS the 21th Co., Ltd.	"	Securitization SPC
"	VALUE PLUS the 22th Co., Ltd.	"	"
"	VALUE PLUS the 23th Co., Ltd.	"	"
"	Samsung Millennium Stock C503	"	Collective investment business
"	Santaclause 98 Short-term Bond Fund 1	"	"
"	G1 Santaclause 98 Short-term Bond Fund 1	"	"
"	Samsunglife New Short Fund B301	"	"
"	Samsunglife New Short Fund A423	"	"
"	Samsung Jinpum Short Fund C501	"	"
"	Samsung Jinpum Short Fund C503	"	"
"	Santaclause Long-term Bond Fund 4	"	"
"	Santaclause Long-term Bond Fund 5	"	"
"	Santaclause New Long-term Bond Fund 1	"	"
"	Neo Short-term Bond #22	"	"
"	Hanbaguni E-2	"	"
"	Kyobo Tomorrow SGIC-1	"	"
"	KDB Private SH-1	"	"
"	Specific Money Trust	"	Trust
"	Kyoboaxa Power High dividend index Feeder Security Trust (Equity)	"	"
"	Kyoboaxa Power High dividend index Master Security Trust (Equity)	"	"
"	Eugene Smart Robust Securities Investments Trust the 2th (Equity balanced-Derivative)	"	"
"	VALUE PLUS the 25th Co., Ltd.	"	Securitization SPC
"	VALUE PLUS the 28th Co., Ltd.	"	"
"	SystemTrading PEF the 22th (Equity balanced-Derivative)	"	Trust

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

1. Reporting entity, Continued

(c) Changes in subsidiaries

The list of subsidiaries that were newly acquired or excluded from consolidation for the periods ended December 31, 2014 and 2013 were as follows:

December 31, 2014		
Company	Reason	Invest company
Newly acquired subsidiaries		
SystemTrading PEF the 22th (Equity balanced-Derivative)	100% equity	Shinhan Investment Corp.
Eugene Smart Robust Securities Investments Trust the 2th (Equity balanced-Derivative)	100% equity	Shinhan Investment Corp.
VALUE PLUS the 25th Co., Ltd.	Credit offering	Shinhan Investment Corp.
VALUE PLUS the 28th Co., Ltd.	Credit offering	Shinhan Investment Corp.
Kyoboaxa Power High dividend index Feeder Security Trust (Equity)	81.85% equity	Shinhan Investment Corp.
Kyoboaxa Power High dividend index Master Security Trust (Equity)	82.48% equity	Kyoboaxa Power High dividend index Feeder Security Trust (Equity)
Excluded subsidiaries		
KAMCO Value Recreation 11th Securitization Specialty Co., Ltd.	Liquidating	Shinhan Investment Corp.
Busan Education Love BTL Co., Ltd.	Expiration of purchase commitments transaction	Shinhan Investment Corp.
VALUE PLUS the 8th Co., Ltd.	Expiration of purchase commitments transaction	Shinhan Investment Corp.
Korea investment gong-pyeong office real estate investment trust 2nd	Decrease of ownership	Shinhan Investment Corp.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

1. Reporting entity, Continued**(c) Changes in subsidiaries, Continued**

December 31, 2013		
Company	Reason	Invest company
Newly acquired subsidiaries		
VALUE PLUS the 16th Co., Ltd.	Commercial Paper purchase commitments	Shinhan Investment Corp.
VALUE PLUS the 17th Co., Ltd.	Commercial Paper purchase commitments	Shinhan Investment Corp.
VALUE PLUS the 21th Co., Ltd.	Commercial Paper purchase commitments	Shinhan Investment Corp.
VALUE PLUS the 22th Co., Ltd.	Commercial Paper purchase commitments	Shinhan Investment Corp.
VALUE PLUS the 23th Co., Ltd.	Commercial Paper purchase commitments	Shinhan Investment Corp.
SHIC PLUS the 1st Co., Ltd.	Commercial Paper purchase commitments	Shinhan Investment Corp.
MARS the 1st L.L.C.	Asset management	Shinhan Investment Corp.
KDB Retail Investment Trust the 1st	100% equity	MARS the 1st L.L.C.
Korea investment gong-pyeong office real estate investment trust 2nd	64% equity	Shinhan Investment Corp.
Excluded subsidiaries		
Goodmorning Long-term Gold 3-1 Bond Fund	Liquidating	Shinhan Investment Corp.
Goodmorning Long-term Gold 3-2 Bond Fund	Liquidating	Shinhan Investment Corp.
Pine Avenue L.L.C.	Liquidating	Shinhan Investment Corp.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

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, 2014 and 2013 were as follows:

Entity	December 31, 2014			December 31, 2013		
	Total assets	Total liabilities	Total equity	Total assets	Total liabilities	Total equity
Shinhan Investment Corp.	₩ 25,409,271	23,077,442	2,331,829	18,658,288	16,429,387	2,228,901
Shinhan Investment America Inc.	2,809	207	2,602	2,821	107	2,714
Shinhan Investment Asia Ltd.	2,440	103	2,337	2,048	100	1,948
Shinhan Maritime PEF I (*)	215,148	133,947	81,201	244,246	156,588	87,658
KAMCO Value Recreation 11th Securitization Specialty Co., Ltd.	-	-	-	22,317	34,378	(12,061)
VALUE PLUS the 8th Co., Ltd.	-	-	-	13	9	4
Busan Education Love BTL Co., Ltd.	-	-	-	43,611	43,580	31
Korea investment gong-pyeong office real estate investment trust 2nd	-	-	-	55,984	21	55,963
VALUE PLUS the 16th Co., Ltd.	29,954	29,959	(5)	28,612	28,805	(193)
VALUE PLUS the 17th Co., Ltd.	29,454	29,809	(355)	28,398	28,670	(272)
SHIC PLUS the 1st Co., Ltd.	20,632	20,400	232	20,644	20,500	144
MARS the 1st LLC(*)	44,225	46,286	(2,061)	44,645	46,191	(1,546)
VALUE PLUS the 21th Co., Ltd.	19,895	19,706	189	43,116	43,514	(398)
VALUE PLUS the 22th Co., Ltd.	21,216	20,722	494	20,308	20,388	(80)
VALUE PLUS the 23th Co., Ltd.	10,196	10,128	68	30,327	30,321	6
Beneficiary certificate	2,333	3,026	(693)	3,210	3,952	(742)
Specific Money Trust	250,379	-	250,379	200,833	-	200,833

(*) Consolidated financial statements

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

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, 2014 and 2013 were as follows:, Continued

(In millions of won)

Entity	December 31, 2014			December 31, 2013		
	Total assets	Total liabilities	Total equity	Total assets	Total liabilities	Total equity
Kyoboaxa Power High dividend index Feeder Security Trust W (Equity)(*)	1,302	(12)	1,314	-	-	-
SystemTrading PEF the 22th (Equity balanced-Derivative)	2,932	7	2,925	-	-	-
Eugene Smart Robust Securities Investments Trust the 2th (Equity balanced-Derivative)	3,049	21	3,028	-	-	-
VALUE PLUS the 25th Co., Ltd.	50,177	50,072	105	-	-	-
VALUE PLUS the 28th Co., Ltd.	100,085	100,024	61	-	-	-

(*) Consolidated financial statements

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

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 periods ended December 31, 2014 and 2013 were as follows:

Entity	December 31, 2014			December 31, 2013		
	Operating revenues	Net income (loss)	Total comprehensive income	Operating revenues	Net income (loss)	Total comprehensive income
Shinhan Investment Corp.	₩ 3,281,688	112,479	112,934	2,050,881	29,329	18,830
Shinhan Investment America Inc.	1,380	(216)	(216)	904	(206)	(206)
Shinhan Investment Asia Ltd.	1,758	295	295	1,466	330	330
Shinhan Maritime PEF I (*)	10,208	2,540	2,540	17,525	12,833	12,833
KAMCO Value Recreation 11th Securitization Specialty Co., Ltd.	-	-	-	524	(5,535)	(5,535)
VALUE PLUS the 8th Co., Ltd.	-	-	-	553	3	3
Busan Education Love BTL Co., Ltd.	-	-	-	1,722	269	269
Korea investment gong-pyeong office real estate investment trust 2nd	-	-	-	11	(37)	(37)
VALUE PLUS the 16th Co., Ltd.	2,015	2	2	916	(194)	(194)
VALUE PLUS the 17th Co., Ltd.	1,920	(83)	(83)	902	(273)	(273)
SHIC PLUS the 1st Co., Ltd.	942	88	88	471	143	143
MARS the 1st LLC(*)	2,514	(515)	(515)	1,189	(965)	(965)
VALUE PLUS the 21th Co., Ltd.	2,018	588	588	187	(399)	(399)
VALUE PLUS the 22th Co., Ltd.	962	(210)	(210)	67	(81)	(81)
VALUE PLUS the 23th Co., Ltd.	921	63	63	26	5	5
Beneficiary certificate	72	49	49	57	22	22
Specific Money Trust	(454)	(454)	(454)	196	196	196

(*) Consolidated financial statements

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

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 periods ended December 31, 2014 and 2013 were as follows:, Continued

<i>(In millions of won)</i>	Entity	December 31, 2014			December 31, 2013		
		Operating revenues	Net income (loss)	Total comprehensive income	Operating revenues	Net income (loss)	Total comprehensive income
	Kyoboaxa Power High dividend index Feeder Security Trust W (Equity) (*)	214	15	15	-	-	-
	SystemTrading PEF the 22th (Equity balanced-Derivative)	483	(75)	(75)	-	-	-
	Eugene Smart Robust Securities Investments Trust the 2th (Equity balanced-Derivative)	522	28	28	-	-	-
	VALUE PLUS the 25th Co., Ltd.	379	105	105	-	-	-
	VALUE PLUS the 28th Co., Ltd.	79	61	61	-	-	-

(*) Consolidated financial statements

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

2. Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

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 decision of the final income taxes. The Group has recognized current and deferred tax that reflect tax consequences that would follow from the manner in which the entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. However, actual income taxes in the future may not be identical to the recognized deferred tax assets and liabilities, and this difference can affect current and deferred tax at the period when the final tax effect is conformed.

(ii) Fair value of financial instruments

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

(iii) Allowances for 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 inevitable risks and an uncertainty under the given circumstance of the event. At the end of each reporting period, the remaining provision balance is reviewed and assessed to determine if the current best estimate is being recognized.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

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

(e) Approval of the consolidated financial statements

These consolidated financial statements have been approved by the Board of Directors on February 3, 2015, which will be submitted for approval to the shareholder's meeting to be held on March 30, 2015.

3. Significant accounting policies

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

(a) Changes in accounting policies

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

The Group has applied the amendments to K-IFRS No. 1032 *Financial Instruments: Presentation* since January 1, 2014. This standard states that a financial asset and a financial liability is offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. As a consequence, there has been no significant impact on the consolidated financial statements of the Group.

- (ii) K-IFRS No. 2121 Levies

The Group has adopted K-IFRS No. 2121 Levies since January 1, 2014. K-IFRS 2121 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The liability to pay a levy is recognized progressively if the obligating event occurs over a period of time. If an obligation to pay a levy is triggered when a minimum activity threshold is reached, the liability that arises from that obligation is recognized when that minimum activity threshold is reached. An entity recognizes an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy. As a consequence, there has been no significant impact on the consolidated financial statements of the Group.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

3. Significant accounting policies, Continued

(b) Basis of consolidation

(i) Subsidiaries

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

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

(ii) Structured entity

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

(iii) Transactions eliminated on consolidations

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

(iv) Non-controlling interests

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

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

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

3. Significant accounting policies, Continued

(c) 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.

(d) Foreign currency

(i) Foreign currency transactions

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

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

3. Significant accounting policies, Continued

(d) Foreign currency, Continued

(ii) Foreign operations

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

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

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

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

(iii) Net investment in a foreign operation

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

(e) Cash and cash equivalents

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

3. Significant accounting policies, Continued

(f) Non-derivative financial assets

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

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

(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 year ended December 31, 2014 and the nine months ended December 31, 2013

3. Significant accounting policies, Continued

(f) Non-derivative financial assets, Continued

(iv) Available-for-sale financial assets, Continued

The Group has designated some of its debt securities as available-for-sale financial assets. As of December 31, 2014 and 2013, the amounts designated as available-for-sale financial assets were ₩976 million and ₩5,691 million, respectively.

(v) Derecognition of financial assets

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

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

(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, 2014 and 2013.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

3. Significant accounting policies, Continued

(h) Impairment of financial assets

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

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

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

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

(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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

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
Notes to the Consolidated Financial Statements
For the year ended December 31, 2014 and the nine months ended December 31, 2013

3. Significant accounting policies, Continued

(i) Property and equipment

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

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

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

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

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

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

(j) Intangible assets

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

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

3. Significant accounting policies, Continued

(j) Intangible assets, Continued

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

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

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

3. Significant accounting policies, Continued

(l) Impairment of non-financial assets

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

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

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

(m) Non-derivative financial liabilities

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

(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

For the year ended December 31, 2014 and the nine months ended December 31, 2013

3. Significant accounting policies, Continued

(n) Equity capital

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

3. Significant accounting policies, Continued

(o) Employee benefits, Continued

(iv) Termination benefits

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

(p) Share-based payment transactions

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

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

(q) Provisions

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

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

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

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

3. Significant accounting policies, Continued

(r) Financial income and financial expense

(i) Interest

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

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

(ii) Fees and commission

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

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

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

(iii) Dividends

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

(s) Income taxes

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

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

Shinhan Financial Group Co., Ltd., the parent company, files its national income tax return with the Korean tax authorities under the consolidated corporate tax system, which allows it to make national income tax payments based on the consolidated profits or losses of the Shinhan Financial Group Co., Ltd. and its wholly owned domestic subsidiaries including the 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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

3. Significant accounting policies, Continued

(s) Income taxes, Continued

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

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

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

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

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

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

(t) Leases

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

(i) Finance leases

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

3. Significant accounting policies, Continued

(t) Leases, Continued

(i) Finance leases, Continued

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

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

(ii) Operating leases

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

(u) Operating segments

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

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

3. Significant accounting policies, Continued

(v) 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, 2014, and the Group has not early adopted them.

(i) Amendments to K-IFRS No. 1019 Employee Benefits ' – Employee contributions

The amendments clarify that if employees or third parties make contributions meeting certain criteria, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered. The amendments require an entity to consider contributions linked to service when accounting for service cost and defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service on the calculation method of its plans or straight-line basis. These amendments are effective for annual periods beginning on or after July 1, 2014. These amendments are not expected to have significant impact on the consolidated financial statements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

(In millions of won)

4. Cash and due from banks

(a) Details of cash and due from banks as of December 31, 2014 and 2013 were summarized as follows:

		<u>December 31, 2014</u>	<u>December 31, 2013</u>
Cash and cash equivalents	Cash on hand	₩ 101	99
	Current deposits	73,465	2,420
	Demand deposits	17,093	35,935
	Time deposits	180,635	570,000
	Others	32,100	60,000
	Foreign currency deposits	390,106	42,052
		<u>693,500</u>	<u>710,506</u>
Due from banks in won	Time deposits	1,160,000	954,696
	Reserve for claims of customers' deposits	220,100	46,200
	Subscription deposits	-	300
	Guarantee deposits for stock borrowing for KSFC	220	625
	Guarantee deposits for KSFC trading	2,300	2,450
	Others	463,543	122,982
		<u>1,846,163</u>	<u>1,127,253</u>
Due from banks in foreign currency	Reserve for claims of customers' deposits	124,364	108,361
	Others	36,801	11,665
		<u>161,165</u>	<u>120,026</u>
	<u>₩ 2,700,828</u>	<u>1,957,785</u>	

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the year ended December 31, 2014 and the nine months ended December 31, 2013

(In millions of won)

4. Cash and due from banks, Continued

(b) Restricted due from banks as of December 31, 2014 and 2013 were as follows:

	Placed at	December 31, 2014	December 31, 2013	Restriction
Time deposits	Busan Bank	₩ 732	915	collateral for the sales of beneficiary certificates
	Shinhan Bank	17,000	67,000	collateral for a bank overdraft facility
	Busan Bank and others	290,000	-	collateral for lending/borrowing securities
	Shinhan Bank	5,000	5,000	collateral for the small amount of payment
	Hana Bank and others	150,000	50,000	collateral for the issue of ELS (Equity Linked Securities)
Reserve for claims on customers' deposits	Korean Securities Finance Corporation	344,464	154,561	(*1)
Reserve for claims on customers' deposits (trust)	Korean Securities Finance Corporation	630,537	1,209,975	(*1),(*2)
Subscription Deposits	Woori Investment and Securities	-	300	deposits for public subscription
Gold deposits	Korean Securities Finance Corporation	500	-	deposits for gold transaction
Guarantee deposits for stock borrowing for KSFC	Korean Securities Finance Corporation	220	625	guarantee deposits for stock borrowing for KSFC
Guarantee deposits for KSFC trading	Korean Securities Finance Corporation	2,300	2,450	guarantee deposits for KSFC trading
Other deposits in won	Shinhan Bank and others	67	67	deposit for checking accounts
Other deposits in foreign currency	MAREX Financial Limited and others	29,225	11,393	collateral for trading the foreign futures
	Korea Exchange	1,298	245	collateral for trading the domestic futures
	Hong Kong Exchange and Clearing Limited	6,278	27	collateral for trading securities
		₩ 1,477,621	1,502,558	

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

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

(In millions of won)

5. Financial assets at fair value through profit or loss

(a) Details of financial assets at fair value through profit or loss as of December 31, 2014 and 2013 were summarized as follows:

		<u>December 31, 2014</u>	<u>December 31, 2013</u>
Trading financial assets	₩	14,924,677	9,399,511
Financial assets designated at fair value through profit or loss		2,594,691	3,088,936
Derivative assets		227,846	227,327
	₩	<u>17,747,214</u>	<u>12,715,774</u>

(b) Details of trading financial assets as of December 31, 2014 and 2013 were summarized as follows:

		<u>December 31, 2014</u>	<u>December 31, 2013</u>
Trading financial assets in won			
Government bonds	₩	1,556,671	534,086
Local bonds		47,670	43,714
Financial bonds		6,679,456	4,326,752
Corporate bonds		4,440,231	3,314,150
Commercial papers		897,207	249,962
Stocks		756,292	340,651
Collective investment securities		159,604	111,367
Others		-	226,300
		<u>14,537,131</u>	<u>9,146,982</u>
Trading financial assets in foreign currency			
Bonds		386,873	199,159
Stocks		673	32,372
Others		-	20,998
		<u>387,546</u>	<u>252,529</u>
	₩	<u>14,924,677</u>	<u>9,399,511</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements**For the year ended December 31, 2014 and the nine months ended December 31, 2013**

(In millions of won)

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

(c) Details of financial assets designed at fair value through profit or loss as of December 31, 2014 and 2013 were summarized as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Hybrid instruments		
Derivatives-combined securities	₩ 526,857	703,609
Management and performance evaluation on a fair value basis		
Reserve for claims of customers' deposit (trust)	630,537	1,209,975
Bonds	1,419,343	1,059,461
Stocks	17,954	115,891
	<u>2,067,834</u>	<u>2,385,327</u>
	₩ <u>2,594,691</u>	<u>3,088,936</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

(In millions of won)

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

(d) Details of derivative assets as of December 31, 2014 and 2013 were summarized as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Derivatives in won		
Over the counter:		
Interest rate	₩ 105,167	53,191
Equity	91,506	140,493
Credit	1,641	1,480
Others	7,654	6,239
	<u>205,968</u>	<u>201,403</u>
Exchange traded:		
Equity options	1,557	1,331
	<u>207,525</u>	<u>202,734</u>
Derivatives in foreign currency		
Over the counter:		
Currency	12,054	18,930
Equity	263	-
Interest rate	183	-
Others	4,958	3,223
	<u>17,458</u>	<u>22,153</u>
Exchange traded:		
Interest futures	213	214
Equity futures	983	79
Currency futures	156	-
Commodity futures	1,511	2,147
	<u>2,863</u>	<u>2,440</u>
	<u>20,321</u>	<u>24,593</u>
	₩ <u>227,846</u>	<u>227,327</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

(In millions of won)

6. Available-for-sale financial assets

Details of available-for-sale financial assets as of December 31, 2014 and 2013 were summarized as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Debt securities		
Government bonds	₩ -	2,008
Financial bonds	669,457	487,005
Corporate bonds	1,210,385	871,241
Bonds with warrants	59,879	62,072
Corporate commercial paper	2,108	41,036
	<u>1,941,829</u>	<u>1,463,362</u>
Equity securities		
Stocks(*)	148,818	147,114
Investments in partnerships(*)	42,658	29,592
Collective investment securities	45,575	4,277
Securities in foreign currency(*)	32,185	5,894
	<u>269,236</u>	<u>186,877</u>
Collective fund for default loss	10,207	8,216
	<u>₩ 2,221,272</u>	<u>1,658,455</u>

(*) Equity securities with no quoted market prices in active markets and for which the fair value cannot be measured reliably are recorded at cost amounting ₩1,286 million and ₩1,262 million as of December 31, 2014 and 2013, respectively.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
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For the year ended December 31, 2014 and the nine months ended December 31, 2013

(In millions of won)

7. Investments in associates

(a) Details of investments in associates as of December 31, 2014 and 2013 were as follows:

	Location	Business	Ownership(%)	December 31, 2014		December 31, 2013
				Acquisition cost	Book value	Book value
The Asia Pacific Capital Fund II L.P	Cayman islands	Collective investment business	21.90%	₩ 19,981	30,488	19,900
KoFC Shinhan Frontier Champ 2010-4 PEF(*)	Rep. of Korea	Collective investment business	8.50%	4,554	4,727	4,695
Innopolis-CJ Bio Healthcare Fund	Rep. of Korea	Collective investment business	25.00%	4,000	5,073	3,969
Truston Falcon Asia US Feeder Fund	Cayman islands	Collective investment business	-	-	-	10,841
Korea investment gong-pyeong office real estate investment trust 2nd	Rep. of Korea	Real estate investment trust	35.70%	20,000	20,000	-
Arkone Asia Access Offshore Feeder Fund Limited	Hong Kong	Private Equity Fund	23.60%	5,141	5,014	-
				₩ 53,676	65,302	39,405

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

(b) Changes in investments in associates for the periods ended December 31, 2014 and 2013 were as follows:

		December 31, 2014				
		Beginning balance	Acquisition (Disposal)	Equity method income (loss)	Other comprehensive income (loss)	Ending balance
The Asia Pacific Capital Fund II L.P	₩	19,900	81	8,833	1,674	30,488
KoFC Shinhan Frontier Champ 2010-4 PEF		4,695	28	213	(209)	4,727
Innopolis-CJ Bio Healthcare Fund		3,969	-	1,104	-	5,073
Truston Falcon Asia US Feeder Fund		10,841	(11,222)	279	102	-
Korea investment gong-pyeong office real estate investment trust 2nd		-	18,993	1,007	-	20,000
Arkone Asia Access Offshore Feeder Fund Limited		-	5,141	(493)	366	5,014
	₩	39,405	13,021	10,943	1,933	65,302

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

(In millions of won)

7. Investments in associate, Continued

(b) Changes in investments in associates for the periods ended December 31, 2014 and 2013 were as follows:, Continued

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

(c) Condensed financial information of major associate as of December 31, 2014 and 2013 and for the periods ended December 31, 2014 and 2013 were as follows:

	December 31, 2014				December 31, 2013			
	Assets	Liabilities	Operating revenue	Net income (loss)	Assets	Liabilities	Operating revenue	Net income (loss)
The Asia Pacific Capital Fund II L.P	₩ 139,732	197	13,756	40,426	91,163	86	-	(79,103)
KoFC Shinhan Frontier Champ 2010-4 PEF	60,233	171	2,940	2,504	55,474	218	2,644	3,272
Innopolis-CJ Bio Healthcare Fund	-	-	-	-	35,209	880	3,977	2,887
Truston Falcon Asia US Feeder Fund	20,294	2	4,646	4,414	15,879	2	15	(123)
Korea investment gong-pyeong office real estate investment trust 2nd	56,022	22	2,885	2,821	-	-	-	-
Arkone Asia Access Offshore Feeder Fund Limited	67,403	46,195	(1,349)	(2,087)	-	-	-	-
	₩ <u>343,684</u>	<u>46,587</u>	<u>22,878</u>	<u>48,078</u>	<u>197,725</u>	<u>1,186</u>	<u>6,636</u>	<u>(73,067)</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

(In millions of won)

8. Loans

(a) Details of loans as of December 31, 2014 and 2013 were as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Broker's loans	₩ 956,959	751,089
Loans purchased	221,320	251,031
Loans for housing	14,232	13,846
Call loan	731	412
Advances for customers	11,632	12,850
Bonds purchased under repurchase agreements	58,600	121,350
Private placement bonds	-	5,013
Other loans	235,320	262,303
	<u>1,498,794</u>	<u>1,417,894</u>
Allowance for credit loss	(19,390)	(40,760)
Present value discount	(1,663)	(1,664)
Deferred loan origination costs	(2,050)	(423)
	<u>₩ 1,475,691</u>	<u>1,375,047</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements**For the year ended December 31, 2014 and the nine months ended December 31, 2013**

(In millions of won)

8. Loans, Continued

(b) Changes in the allowance for credit loss for the periods ended December 31, 2014 and 2013 were as follows:

		December 31, 2014		
		Loans	Other assets	Total
Beginning balance	₩	40,760	6,441	47,201
Provision for allowance		2,241	174	2,415
Write-offs		(23,564)	(1)	(23,565)
Sale of loans		(47)	-	(47)
Ending balance	₩	<u>19,390</u>	<u>6,614</u>	<u>26,004</u>
		December 31, 2013		
		Loans	Other assets	Total
Beginning balance	₩	104,488	11,819	116,307
(Reversal of) Provision for allowance		(6,385)	6,055	(330)
Write-offs		(160)	(861)	(1,021)
Sale of loans		(57,183)	(10,572)	(67,755)
Ending balance	₩	<u>40,760</u>	<u>6,441</u>	<u>47,201</u>

(c) Changes in deferred loan originated fees for the periods ended December 31, 2014 and 2013 were as follows:

		December 31, 2014	December 31, 2013
Beginning balance	₩	423	838
Newly loan-originated fees		3,225	358
Amortization		(1,598)	(773)
Ending balance	₩	<u>2,050</u>	<u>423</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

(In millions of won)

9. Property and equipment

(a) Details of property and equipment as of December 31, 2014 and 2013 were as follows:

		December 31, 2014		
		Acquisition cost	Accumulated depreciation	Book value
Land	₩	58,429	-	58,429
Buildings		58,292	(11,515)	46,777
Others		96,003	(75,603)	20,400
	₩	<u>212,724</u>	<u>(87,118)</u>	<u>125,606</u>
		December 31, 2013		
		Acquisition cost	Accumulated depreciation	Book value
Land	₩	54,505	-	54,505
Buildings		55,569	(8,721)	46,848
Others		94,796	(77,682)	17,114
	₩	<u>204,870</u>	<u>(86,403)</u>	<u>118,467</u>

(b) Changes in property and equipment for the periods ended December 31, 2014 and 2013 were as follows:

		December 31, 2014			
		Land	Buildings	Others	Total
Beginning balance	₩	54,505	46,848	17,114	118,467
Acquisition (*)		-	-	11,324	11,324
Disposal		-	-	(300)	(300)
Depreciation		-	(2,190)	(7,731)	(9,921)
Transferred from investment property		3,924	2,119	-	6,043
Transferred to Intangible assets		-	-	(7)	(7)
	₩	<u>58,429</u>	<u>46,777</u>	<u>20,400</u>	<u>125,606</u>

(*) Acquisition includes ₩ 581 millions of provision for restoration liabilities about assets newly acquired.

		December 31, 2013			
		Land	Buildings	Others	Total
Beginning balance	₩	55,468	49,115	18,115	122,698
Acquisition(*)		5	159	5,163	5,327
Disposal		-	-	(85)	(85)
Depreciation		-	(1,625)	(6,079)	(7,704)
Transferred to investment property		(968)	(801)	-	(1,769)
	₩	<u>54,505</u>	<u>46,848</u>	<u>17,114</u>	<u>118,467</u>

(*) Acquisition includes ₩ 137 millions of provision for restoration liabilities about assets newly acquired.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements**For the year ended December 31, 2014 and the nine months ended December 31, 2013**

(In millions of won)

10. Intangible assets

Changes in intangible assets for the periods ended December 31, 2014 and 2013 were as follows:

	December 31, 2014					Total
	Finite useful lives		Infinite useful lives			
	Software	Others	Membership	Settlement system right of use		
Beginning balance	₩	10,129	152	11,421	19,696	41,398
Acquisition		4,235	-	5,409	-	9,644
Disposals		-	(7)	(1,425)	-	(1,432)
Depreciation		(5,283)	(134)	-	-	(5,417)
Impairment (*)		-	-	(220)	-	(220)
Transferred from property and equipment		-	7	-	-	7
Ending balance	₩	<u>9,081</u>	<u>18</u>	<u>15,185</u>	<u>19,696</u>	<u>43,980</u>

(*) In recognizing impairment loss, net fair value of membership was presumed to be recoverable.

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

(*) In recognizing impairment loss, net fair value of membership was presumed to be recoverable.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

(In millions of won)

11. Investment property

(a) Details of investment property as of December 31, 2014 and 2013 were as follows:

		December 31, 2014		
		Acquisition cost	Accumulated depreciation	Book value
Land	₩	104,024	-	104,024
Buildings		93,826	(16,454)	77,372
	₩	<u>197,850</u>	<u>(16,454)</u>	<u>181,396</u>
		December 31, 2013		
		Acquisition cost	Accumulated depreciation	Book value
Land	₩	107,948	-	107,948
Buildings		96,549	(13,243)	83,306
	₩	<u>204,497</u>	<u>(13,243)</u>	<u>191,254</u>

(b) Changes in investment property for the periods ended December 31, 2014 and 2013 were as follows:

		December 31, 2014		
		Land	Buildings	Total
Beginning balance	₩	107,948	83,306	191,254
Depreciation		-	(3,815)	(3,815)
Transferred to property and equipment		(3,924)	(2,119)	(6,043)
Ending balance	₩	<u>104,024</u>	<u>77,372</u>	<u>181,396</u>
		December 31, 2013		
		Land	Buildings	Total
Beginning balance	₩	74,836	72,849	147,685
Acquisition		32,144	12,376	44,520
Depreciation		-	(2,720)	(2,720)
Transferred from property and equipment		968	801	1,769
Ending balance	₩	<u>107,948</u>	<u>83,306</u>	<u>191,254</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

(In millions of won)

11. Investment property, Continued

(c) Details of gain (loss) on investment property for the periods ended December 31, 2014 and 2013 were as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Rental income	₩ 17,728	12,539
Direct operating expenses for investment property that generated rental income	(3,814)	(2,721)

(d) The fair value of investment property as of December 31, 2014 and 2013 were as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Fair value	₩ 196,899	202,612

12. Other assets

Details of other assets as of December 31, 2014 and 2013 were as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Leasehold rights	₩ 29,674	39,948
Receivables	1,046,131	738,911
Accrued income	128,687	83,504
Prepaid expenses	9,568	10,091
Deposits for guarantees	40,835	37,623
Advance payments	58,861	53,884
Prepaid income tax	114	183
Receivables from inter-bank fund transfer	31,070	32,450
Others	3,376	2,445
	<u>1,348,316</u>	<u>999,039</u>
Allowance for credit loss (Note 8)	(6,614)	(6,441)
Present value discount	(8,300)	(8,811)
	₩ <u>1,333,402</u>	<u>983,787</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

(In millions of won)

13. Deposits

Details of deposits as of December 31, 2014 and 2013 were as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Customers' deposits		
Customers' deposits for brokerage	₩ 647,185	465,878
Customers' deposits for exchange-traded derivatives trading	261,481	180,726
Customers' deposits for savings	4,115	3,742
Customers' deposits for other securities	76	73
Customers' deposits for foreign securities	178,853	130,288
	<u>1,091,710</u>	<u>780,707</u>
Guarantee deposits		
Deposits for margin loans	8,715	9,072
	₩ <u>1,100,425</u>	<u>789,779</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, 2014 and 2013 were as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Trading financial liabilities	₩ 2,252,912	857,367
Financial liabilities designated at fair value through profit or loss	8,989,888	5,909,130
Derivative liabilities	401,839	452,556
	₩ <u>11,644,639</u>	<u>7,219,053</u>

(b) Details of trading liabilities as of December 31, 2014 and 2013 were as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Securities sold		
Stocks	₩ 585,628	283,296
State and local bonds	1,453,931	424,445
Others	213,353	149,626
	₩ <u>2,252,912</u>	<u>857,367</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

(In millions of won)

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

(c) Details of financial liabilities designated at fair value through profit or loss as of December 31, 2014 and 2013 were as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Hybrid instruments		
Equity linked securities sold	₩ 6,671,327	4,545,850
Others derivatives-combined securities sold	2,318,144	1,362,608
	<u>8,989,471</u>	<u>5,908,458</u>
Management and performance evaluation on a fair value basis		
Securities sold	417	672
	<u>₩ 8,989,888</u>	<u>5,909,130</u>

(d) Details of derivative liabilities as of December 31, 2014 and 2013 were as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Derivatives in won		
Over the counter:		
Interest rate	₩ 95,649	91,961
Equity	119,386	274,006
Credit	15,485	5,324
Other	130,802	69,451
	<u>361,322</u>	<u>440,742</u>
Exchange traded:		
Equity options	104	928
	<u>361,426</u>	<u>441,670</u>
Derivatives in foreign currency		
Over the counter:		
Currency	32,743	5,602
Equity	368	-
Commodity futures	893	-
Other	1,500	2,090
	<u>35,504</u>	<u>7,692</u>
Exchange traded:		
Commodity futures	4,909	3,194
	<u>40,413</u>	<u>10,886</u>
	<u>₩ 401,839</u>	<u>452,556</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

(In millions of won)

15. Borrowings

(a) Details of borrowings as of December 31, 2014 and 2013 were as follows:

		December 31, 2014	December 31, 2013
Debt securities issued	₩	420,000	17,432
Borrowings		9,132,830	7,803,522
	₩	<u>9,552,830</u>	<u>7,820,954</u>

(b) Details of borrowings as of December 31, 2014 and 2013 were as follows:

	December 31, 2014		December 31, 2013	
	Interest rate (%)	Amount	Interest rate (%)	Amount
Call money	2.53~2.62	₩ 866,300	2.45~2.65	₩ 1,034,900
Notes payable	2.11	30,000	-	-
Bank overdrafts	-	70,000	-	-
Bonds sold under repurchase agreements (won)	1.00~3.00	7,180,977	1.00~3.00	5,950,581
Bonds sold under repurchase agreements (foreign currency)	0.30~1.00	158,673	0.30~1.00	108,794
Borrowings from KSFC	2.14~2.24	122,662	2.62~2.67	125,675
Borrowings from affiliated company	4.11	100,000	4.11	100,000
	3.84	100,000	3.84	100,000
Borrowings in foreign currency	Libor 3 month+3.90	144,166	Libor 3 month+3.90	147,303
Others	-	360,052	-	236,269
		₩ <u>9,132,830</u>		₩ <u>7,803,522</u>

(c) Details of debt securities issued as of December 31, 2014 and 2013 were as follows:

	Interest rate (%)		December 31, 2014	December 31, 2013
Dongbu Asset Management Co., Ltd.	2.14	₩	60,000	-
Dongbu Securities Co., Ltd.	2.18		100,000	-
KTB Investment & Securities Co., Ltd.	2.18		240,000	-
KTB Investment & Securities Co., Ltd.	2.15		10,000	-
Samsung Investment Trust Management Co., Ltd	2.14		10,000	-
		₩	<u>420,000</u>	<u>-</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements**For the year ended December 31, 2014 and the nine months ended December 31, 2013**

(In millions of won)

16. Provisions

Changes in provisions for the periods ended December 31, 2014 and 2013 were as follows:

		December 31, 2014			
		Provisions for restoration liabilities(*)	Allowance for litigation	Others	Total
Beginning balance	₩	3,520	-	-	3,520
Provisions		581	-	-	581
Increases		125	105	166	396
Reversal		(679)	-	(51)	(730)
Ending balance	₩	<u>3,547</u>	<u>105</u>	<u>115</u>	<u>3,767</u>

		December 31, 2013		
		Provisions for restoration liabilities(*)	Allowance for litigation	Total
Beginning balance	₩	3,502	5,687	9,189
Provisions		137	-	137
Reversal		(215)	-	(215)
Provision used		-	(5,687)	(5,687)
Others		96	-	96
Ending balance	₩	<u>3,520</u>	<u>-</u>	<u>3,520</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 year ended December 31, 2014 and the nine months ended December 31, 2013

(In millions of won)

17. Other liabilities

Details of other liabilities as of December 31, 2014 and 2013 were as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Accounts payable	₩ 945,111	725,553
Accrued expenses	86,257	67,204
Unearned income	12,013	6,795
Deposits for rent	43,067	31,762
Domestic exchanges payable	41,624	32,263
Account for agency business	495	429
Advances from customers	-	26
Withholding income taxes	14,813	12,656
Others	113,017	130,578
	<u>1,256,397</u>	<u>1,007,266</u>
Present value discount	(1,679)	(2,406)
	<u>₩ 1,254,718</u>	<u>1,004,860</u>

18. Net commission income

Net commission income for the periods ended December 31, 2014 and 2013 were as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Commission income		
Brokerage commissions	₩ 206,007	154,295
Brokerage commissions on	12,362	8,672
Underwriting commissions	17,064	11,711
Consulting commissions	3,927	4,907
Commissions on entrusted investments	7,410	4,537
Trust fees and commissions received	10,758	6,422
Others	13,010	9,070
	<u>270,538</u>	<u>199,614</u>
Commission expense		
Trading commissions	(19,301)	(13,528)
Commission on securities borrowed	(19,173)	(6,164)
Commission on Shinhan Group brand	(5,515)	(6,722)
Partnership commission	(4,655)	(3,385)
Others	(18,995)	(6,707)
	<u>(67,639)</u>	<u>(36,506)</u>
Net commission income	<u>₩ 202,899</u>	<u>163,108</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements**For the year ended December 31, 2014 and the nine months ended December 31, 2013**

(In millions of won)

19. Net interest income

Net interest income for the periods ended December 31, 2014 and 2013 were as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Interest income		
Interest on deposits	₩ 52,432	29,983
Interest on financial assets designated at fair value through profit or loss	36,071	32,605
Interest on trading financial assets	372,152	208,690
Interest on available-for-sale financial assets	55,356	24,869
Interest on loans	73,552	50,678
Others	22,080	30,917
	<u>611,643</u>	<u>377,742</u>
Interest expense		
Interest on customers' deposits	(10,715)	(7,990)
Interest on borrowings	(18,601)	(21,057)
Interest on bonds sold under repurchase agreements	(176,757)	(118,700)
Interest on call money	(8,301)	(9,284)
Interest on debentures	(10,097)	(7,986)
Others	(1,609)	(9,442)
	<u>(226,080)</u>	<u>(174,459)</u>
Net interest income	₩ <u>385,563</u>	<u>203,283</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements**For the year ended December 31, 2014 and the nine months ended December 31, 2013**

(In millions of won)

20. Net gain (loss) on foreign transactions

Net gain (loss) on foreign transactions for the periods ended December 31, 2014 and 2013 were as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Gain on foreign transactions		
Gain on foreign currency transactions	₩ 43,194	24,515
Gain on foreign exchange	17,654	11,628
	<u>60,848</u>	<u>36,143</u>
Loss on foreign transactions		
Loss on foreign currency transactions	(41,781)	(22,341)
Loss on foreign exchange	(12,632)	(7,043)
	<u>(54,413)</u>	<u>(29,384)</u>
Net gain on foreign transactions	₩ <u>6,435</u>	<u>6,759</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

(In millions of won)

21. General and administrative expenses

General and administrative expenses for the periods ended December 31, 2014 and 2013 were as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Personnel expenses		
Salary and other benefits for employees	₩ 245,740	159,126
Early retirement	3,010	13,578
Severance pay	14,770	11,118
	<u>263,520</u>	<u>183,822</u>
Depreciation	9,921	7,704
Amortization of intangible assets	5,417	6,957
Others		
Rental expense	18,641	13,908
Entertainment expense	6,125	4,614
Advertising expense	7,407	6,585
Computer system operation expense	11,956	8,758
Research and study expense	5,470	4,265
Communication expense	8,083	6,278
Maintenance and repairs expense	3,884	2,950
Tax and dues	36,602	15,781
Others	21,570	16,318
	<u>119,738</u>	<u>79,457</u>
	₩ <u>398,596</u>	<u>277,940</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

(In millions of won)

22. Other operating revenues and expenses

Other operating revenues and expenses for the periods ended December 31, 2014 and 2013 were as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Other operating revenues		
Dividends income	₩ 11,606	4,249
Reversal of provisions for loss for other assets	1,287	-
Reversal of provisions for restoration liabilities	679	215
Reversal of provisions for other obligation	51	-
Others	2,487	276
	<u>₩ 16,110</u>	<u>4,740</u>
Other operating expenses		
Provision for loss for other assets	₩ 1,461	6,055
Deposit insurance premium	664	323
Contribution to provisions for legal	105	-
Provisions for restoration liabilities	125	-
Provisions for other obligation	166	-
Others	2,283	933
	<u>₩ 4,804</u>	<u>7,311</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

(In millions of won)

23. Non-operating incomes and expenses

Non-operating incomes and expenses for the periods ended December 31, 2014 and 2013 were as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Non-operating incomes		
Gain on equity method valuation	₩ 11,436	1,134
Rental income	17,728	12,539
Gain on disposals of property and equipment	38	1
Gains on disposals of intangible assets	-	280
Others	1,847	199
	<u>₩ 31,049</u>	<u>14,153</u>
Non-operating expenses		
Loss on equity method valuation	₩ 493	17,315
Impairment loss on investments in associates	775	-
Depreciation on investment property	3,815	2,720
Donations	460	680
Loss on disposals of property and equipment	287	85
Loss on disposals of intangible assets	68	37
Impairment losses on intangible assets	220	164
Others	558	94
	<u>₩ 6,676</u>	<u>21,095</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

(In millions of won)

24. Financial instrument classification by category

(a) Detail of financial instruments' book value as of December 31, 2014 and 2013 were as follows:

		December 31, 2014							
		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	₩	-	-	-	2,700,828	-	-	-	2,700,828
Financial assets at FVTPL		15,152,522	2,594,692	-	-	-	-	-	17,747,214
Available-for-sale financial assets		-	-	2,221,272	-	-	-	-	2,221,272
Loans		-	-	-	1,475,691	-	-	-	1,475,691
Other financial assets		-	-	-	1,263,394	-	-	-	1,263,394
	₩	<u>15,152,522</u>	<u>2,594,692</u>	<u>2,221,272</u>	<u>5,439,913</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,408,399</u>
Liabilities:									
Deposits	₩	-	-	-	-	-	-	1,100,425	1,100,425
Financial liabilities at FVTPL		-	-	-	-	2,654,751	8,989,888	-	11,644,639
Borrowings		-	-	-	-	-	-	9,552,830	9,552,830
Other financial liabilities		-	-	-	-	-	-	1,114,876	1,114,876
	₩	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,654,751</u>	<u>8,989,888</u>	<u>11,768,131</u>	<u>23,412,770</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the year ended December 31, 2014 and the nine months ended December 31, 2013

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24. Financial instrument classification by category, Continued

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

(In millions of won)

24. Financial instrument classification by category, Continued

(b) Gains or losses of financial instruments for the periods ended December 31, 2014 and 2013 were as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Trading assets		
Gain on valuation	₩ 120,475	24,466
Gain on sale	341,378	149,401
Loss on valuation	(42,454)	(32,382)
Loss on sale	(284,567)	(179,451)
	<u>₩ 134,832</u>	<u>(37,966)</u>
Derivatives		
Gain on valuation	₩ 429,193	261,009
Gain on transactions	736,913	583,195
Loss on valuation	(521,915)	(277,670)
Loss on transactions	(528,038)	(495,884)
	<u>₩ 116,153</u>	<u>70,650</u>
Financial assets designated at fair value through profit or loss		
Gain on valuation	₩ 76,437	52,019
Gain on sale	30,187	27,813
Loss on valuation	(20,690)	(37,502)
Loss on sale	(14,734)	(17,401)
	<u>₩ 71,200</u>	<u>24,929</u>
Available for sale financial instruments		
Gain on sale	₩ 4,443	19,354
Loss on sale	(4,320)	(2,882)
Impairment loss	(1,883)	(4,503)
Gain (Loss) on valuation	1,204	(10,469)
	<u>₩ (556)</u>	<u>1,500</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements**For the year ended December 31, 2014 and the nine months ended December 31, 2013**

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24. Financial instrument classification by category, Continued

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Loans and receivables		
Gain on sales of loans	₩ -	8,691
Reversal of provisions	436	6,385
Provisions for loan loss	(2,677)	-
Loss on sale of loans	-	(147)
Provision for loss for other assets	(174)	(6,055)
	<u>₩ (2,415)</u>	<u>8,874</u>
Trading financial liabilities		
Gain on valuation	₩ 51,481	9,437
Gain on redemption	202,436	85,855
Loss on valuation	(20,386)	(8,684)
Loss on redemption	(187,059)	(70,811)
	<u>₩ 46,472</u>	<u>15,797</u>
Financial liability designated at fair value through profit or loss		
Gain on valuation	₩ 285,742	219,209
Gain on redemption	56,849	18,312
Loss on valuation	(457,278)	(201,646)
Loss on redemption	(324,679)	(184,395)
	<u>₩ (439,366)</u>	<u>(148,520)</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
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For the year ended December 31, 2014 and the nine months ended December 31, 2013

(In millions of won)

25. Financial risk management

(a) General information of risk management

The principal risks to which the Group is exposed are credit risk, market risk, interest risk, 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 year ended December 31, 2014 and the nine months ended December 31, 2013

(In millions of won)

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 groupwide 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

For the year ended December 31, 2014 and the nine months ended December 31, 2013

(In millions of won)

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, 2014 and 2013 were as follows:

		December 31, 2014	December 31, 2013
Due from banks and loans(*)	₩	4,176,418	3,332,733
Banks		2,355,551	1,918,951
Retail		562,108	706,261
Mortgage lending		12,566	12,165
Other		549,542	694,096
Government		800	487
Corporate		1,257,959	707,034
Large company		674,002	508,312
Small business		583,957	198,722
Trading financial assets			
Debt securities		14,008,108	8,667,823
Financial assets designated at fair value through profit or loss			
Debt securities		1,946,200	1,763,070
Available-for-sale financial assets			
Debt securities		1,941,829	1,463,362
Derivative assets		227,846	227,327
Other financial assets		1,263,393	918,908
		<u>23,563,794</u>	<u>16,373,223</u>
ABCP purchase agreement		157,000	183,800
	₩	<u>23,720,794</u>	<u>16,557,023</u>

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements**For the year ended December 31, 2014 and the nine months ended December 31, 2013**

(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, 2014 and 2013 were as follows:

		December 31, 2014					
		Banks	Customers			Sub total	Total
			Retail	Government	Corporate		
Neither past due nor impaired	₩	2,355,551	561,893	800	1,260,801	1,823,494	4,179,045
Past due but not impaired		-	218	-	-	218	218
Impaired		-	265	-	16,280	16,545	16,545
		2,355,551	562,376	800	1,277,081	1,840,257	4,195,808
Less : allowance		-	(268)	-	(19,122)	(19,390)	(19,390)
	₩	2,355,551	562,108	800	1,257,959	1,820,867	4,176,418
		December 31, 2013					
		Banks	Customers			Sub total	Total
			Retail	Government	Corporate		
Neither past due nor impaired	₩	1,918,951	705,893	487	704,878	1,411,258	3,330,209
Past due but not impaired		-	371	-	116	487	487
Impaired		-	1,415	-	41,382	42,797	42,797
		1,918,951	707,679	487	746,376	1,454,542	3,373,493
Less : allowance		-	(1,418)	-	(39,342)	(40,760)	(40,760)
	₩	1,918,951	706,261	487	707,034	1,413,782	3,332,733

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

(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, 2014 and 2013 were as follows:

		December 31, 2014					
		Banks	Customers			Sub total	Total
			Retail	Government	Corporate		
Grade 1	₩	2,355,551	561,893	800	741,824	1,304,517	3,660,068
Grade 2		-	-	-	518,977	518,977	518,977
Allowance		-	(3)	-	(2,842)	(2,845)	(2,845)
	₩	<u>2,355,551</u>	<u>561,890</u>	<u>800</u>	<u>1,257,959</u>	<u>1,820,649</u>	<u>4,176,200</u>
Fair value of collateral	₩	58,600	561,637	-	854,856	1,416,493	1,475,093

		December 31, 2013					
		Banks	Customers			Sub total	Total
			Retail	Government	Corporate		
Grade 1	₩	1,918,951	705,893	487	549,044	1,255,424	3,174,375
Grade 2		-	-	-	155,834	155,834	155,834
Allowance		-	(3)	-	(877)	(880)	(880)
	₩	<u>1,918,951</u>	<u>705,890</u>	<u>487</u>	<u>704,001</u>	<u>1,410,378</u>	<u>3,329,329</u>
Fair value of collateral	₩	121,350	701,719	-	542,657	1,241,376	1,362,726

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, 2014 and 2013 were as follows:

		December 31, 2014					
		Banks	Customers			Sub total	Total
			Retail	Government	Corporate		
Within 30 days	₩	-	218	-	-	218	218
30~60 days		-	-	-	-	-	-
60~90 days		-	-	-	-	-	-
More than 90 days		-	-	-	-	-	-
	₩	<u>-</u>	<u>218</u>	<u>-</u>	<u>-</u>	<u>218</u>	<u>218</u>
Fair value of collateral	₩	-	218	-	-	218	218

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the year ended December 31, 2014 and the nine months ended December 31, 2013

(In millions of won)

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, 2014 and 2013 were as follows:

		December 31, 2014					
		Banks	Customers			Sub total	Total
			Retail	Government	Corporate		
Impaired amounts	₩	-	265	-	16,280	16,545	16,545
Allowance	₩	-	(265)	-	(16,280)	(16,545)	(16,545)
Fair value of collateral	₩	-	-	-	-	-	-

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

(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, 2014 and 2013 were as follows:

		December 31, 2014			
		Trading financial assets	Financial assets designated at fair value through profit or loss	Available-for-sale financial assets	Total
AAA	₩	5,507,521	59,945	21,167	5,588,633
AA- to AA+		4,976,568	262,439	387,173	5,626,180
A- to A+		3,214,355	1,433,469	1,208,307	5,856,131
Lower than A-		306,053	190,347	297,188	793,588
Unrated		3,611	-	27,994	31,605
	₩	14,008,108	1,946,200	1,941,829	17,896,137
Neither past due nor impaired	₩	14,008,108	1,946,200	1,936,295	17,890,603
Impaired		-	-	5,534	5,534
	₩	14,008,108	1,946,200	1,941,829	17,896,137

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

(In millions of won)

25. Financial risk management, Continued

(b) Credit risk, Continued

(iii) Credit rating, Continued

		December 31, 2013			
		Trading financial assets	Financial assets designated at fair value through profit or loss	Available-for-sale financial assets	Total
AAA	₩	2,575,511	181,843	52,028	2,809,382
AA- to AA+		4,222,635	253,736	659,137	5,135,508
A- to A+		1,748,441	866,705	534,504	3,149,650
Lower than A-		121,236	460,786	204,488	786,510
Unrated		-	-	13,204	13,204
	₩	<u>8,667,823</u>	<u>1,763,070</u>	<u>1,463,361</u>	<u>11,894,254</u>
Neither past due nor impaired	₩	8,667,823	1,763,070	1,457,828	11,888,721
Impaired		-	-	5,533	5,533
	₩	<u>8,667,823</u>	<u>1,763,070</u>	<u>1,463,361</u>	<u>11,894,254</u>

(iv) Concentration by location

Details of concentration by location of due from banks and loans as of December 31, 2014 and 2013 were as follows:

		December 31, 2014				
		Banks	Retail	Government	Corporate	Total
Korea	₩	2,258,999	562,108	800	993,465	3,815,372
USA		2,572	-	-	8,143	10,715
UK		-	-	-	1,586	1,586
Other		93,980	-	-	254,765	348,745
	₩	<u>2,355,551</u>	<u>562,108</u>	<u>800</u>	<u>1,257,959</u>	<u>4,176,418</u>

		December 31, 2013				
		Banks	Retail	Government	Corporate	Total
Korea	₩	1,893,461	706,261	487	461,517	3,061,726
USA		2,651	-	-	1,501	4,152
UK		4	-	-	505	509
Other		22,835	-	-	243,511	266,346
	₩	<u>1,918,951</u>	<u>706,261</u>	<u>487</u>	<u>707,034</u>	<u>3,332,733</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements**For the year ended December 31, 2014 and the nine months ended December 31, 2013**

(In millions of won)

25. Financial risk management, Continued

(b) Credit risk, Continued

(v) Concentration by industry sector

Details of concentration by industry sector of due from banks and loans as of December 31, 2014 and 2013 were as follows:

	December 31, 2014				
	Banks	Retail	Government	Corporate	Total
Finance and insurance	₩ 2,355,551	-	267	405,700	2,761,518
Manufacturing	-	-	-	12,449	12,449
Retail and wholesale	-	-	-	46,220	46,220
Real estate and service	-	-	-	98,428	98,428
Construction	-	-	-	65,481	65,481
Other	-	-	533	629,681	630,214
Retail customers	-	562,108	-	-	562,108
	₩ 2,355,551	562,108	800	1,257,959	4,176,418

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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25. Financial risk management, Continued

(c) Market risk

(i) Trading position Value at Risk (VaR)

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

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

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

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

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

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

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

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the year ended December 31, 2014 and the nine months ended December 31, 2013

(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 periods ended December 31, 2014 and 2013 were as follows:

		December 31, 2014			At December 31, 2014
		Average	Maximum	Minimum	
Interest rate	₩	8,999	30,064	3,514	6,069
Equities		7,531	14,677	3,389	14,438
Foreign exchange		3,688	17,353	646	5,227
Option volatility		1,917	7,042	224	711
Portfolio diversification		(7,730)	(38,169)	(1,399)	(8,967)
	₩	<u>14,405</u>	<u>30,967</u>	<u>6,374</u>	<u>17,478</u>
		December 31, 2013			At December 31, 2013
		Average	Maximum	Minimum	
Interest rate	₩	12,583	33,534	2,930	6,404
Equities		8,287	17,163	3,418	3,471
Foreign exchange		2,160	7,524	116	1,194
Option volatility		2,516	6,621	154	867
Portfolio diversification		(8,349)	(22,491)	(1,371)	(6,216)
	₩	<u>17,197</u>	<u>42,351</u>	<u>5,247</u>	<u>5,720</u>

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(In millions of won)

25. Financial risk management, Continued

(c) Market risk, Continued

(ii) Non-trading position VaR

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

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

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

Interest rate VaR and EaR of non-trading positions as of December 31, 2014 and 2013 were as follows:

	December 31, 2014	December 31, 2013
Interest rate VaR	₩ 20,887	11,725
Interest rate EaR	119,812	126,321

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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25. Financial risk management, Continued

(c) Market risk, Continued

(iii) Foreign exchange risk

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

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

Exposures to foreign exchange risk of foreign currency denominated assets and liabilities as of December 31, 2014 and 2013 were as follows:

		December 31, 2014				
		USD	JPY	EUR	Other	Total
Assets						
Cash and due from banks	₩	162,765	1,031	55,944	331,531	551,271
Loans		210,257	-	-	-	210,257
Trading financial assets		419,420	125	-	115,588	535,133
Available-for-sale financial assets		32,185	-	-	-	32,185
Other financial assets		83,094	-	-	70	83,164
		<u>907,721</u>	<u>1,156</u>	<u>55,944</u>	<u>447,189</u>	<u>1,412,010</u>
Liabilities						
Deposits		134,945	658	39,643	11,126	186,372
Trading financial liabilities		189,402	-	-	-	189,402
Borrowings		302,838	-	-	-	302,838
Other financial liabilities		70,874	-	-	103	70,977
		<u>698,059</u>	<u>658</u>	<u>39,643</u>	<u>11,229</u>	<u>749,589</u>
Net assets		209,662	498	16,301	435,960	662,421
Off-balance sheet derivative exposure		(216,303)	(741)	(18,209)	(442,358)	(677,611)
Net position	₩	<u>(6,641)</u>	<u>(243)</u>	<u>(1,908)</u>	<u>(6,398)</u>	<u>(15,190)</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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(In millions of won)

25. Financial risk management, Continued

(c) Market risk, Continued

(iii) Foreign exchange risk, Continued

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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(In millions of won)

25. Financial risk management, Continued

(d) Liquidity risk

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

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

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

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

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the year ended December 31, 2014 and the nine months ended December 31, 2013

(In millions of won)

25. Financial risk management, Continued

(d) Liquidity risk, Continued

(i) Contractual maturities for financial instruments

Contractual maturities for financial instruments including cash flows of principal and interest and off balance as of December 31, 2014 and 2013 were as follows:

	December 31, 2014						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	₩ 1,022,867	303,915	498,180	896,501	-	67	2,721,530
Trading financial assets	14,924,677	-	-	-	-	-	14,924,677
Financial asset designated at FVTPL	2,160,836	32,715	106,930	26,051	267,394	919	2,594,845
Derivative assets	227,846	-	-	-	-	-	227,846
Available-for-sale financial assets	1,500	1,944,539	-	-	2,559	277,492	2,226,090
Loans	33,622	254,799	554,919	292,823	386,101	30,475	1,552,739
Other financial assets	1,076,455	13,976	11,747	22,634	34,916	118,580	1,278,308
	<u>19,447,803</u>	<u>2,549,944</u>	<u>1,171,776</u>	<u>1,238,009</u>	<u>690,970</u>	<u>427,533</u>	<u>25,526,035</u>
Liabilities:							
Deposits	1,101,300	-	-	-	-	-	1,101,300
Trading financial liabilities	2,252,913	-	-	-	-	-	2,252,913
Financial liabilities designated at FVTPL	149,764	220,932	287,058	820,256	6,666,221	845,656	8,989,887
Derivative liabilities	401,839	-	-	-	-	-	401,839
Borrowings	8,729,541	3,814	5,689	11,443	279,280	142,606	9,172,373
Debt securities issued	420,056	-	-	-	-	-	420,056
Other financial liabilities	1,064,572	8,260	-	-	-	43,779	1,116,611
	<u>14,119,985</u>	<u>233,006</u>	<u>292,747</u>	<u>831,699</u>	<u>6,945,501</u>	<u>1,032,041</u>	<u>23,454,979</u>
Net position	₩ <u>5,327,818</u>	<u>2,316,938</u>	<u>879,029</u>	<u>406,310</u>	<u>(6,254,531)</u>	<u>(604,508)</u>	<u>2,071,056</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the year ended December 31, 2014 and the nine months ended December 31, 2013

(In millions of won)

25. Financial risk management, Continued

(d) Liquidity risk, Continued

(i) Contractual maturities for financial instruments, Continued

		December 31, 2013						
		Less than 1 month	1~3 months	3~6 months	6 months~ 1 year	1~5 years	More than 5 years	Total
Assets:								
Cash and due from bank	₩	755,395	388,536	555,031	212,904	-	60,094	1,971,960
Trading financial assets		9,399,511	-	-	-	-	-	9,399,511
Financial asset designated at FVTPL		2,387,535	146,011	99,491	88,401	367,666	-	3,089,104
Derivative assets		227,288	39	-	-	-	-	227,327
Available-for-sale financial assets		4,552	1,371,338	38,160	-	56,381	191,297	1,661,728
Loans		76,997	363,354	516,524	31,518	386,500	125,443	1,500,336
Other financial assets		869,834	11,863	7,422	10,051	32,672	2,318	934,160
		<u>13,721,112</u>	<u>2,281,141</u>	<u>1,216,628</u>	<u>342,874</u>	<u>843,219</u>	<u>379,152</u>	<u>18,784,126</u>
Liabilities:								
Deposits		790,475	-	-	-	-	-	790,475
Trading financial liabilities		857,367	-	-	-	-	-	857,367
Financial liabilities designated at FVTPL		56,174	206,479	442,352	677,631	4,205,094	321,400	5,909,130
Derivative liabilities		452,556	-	-	-	-	-	452,556
Borrowings		7,313,218	68,066	6,709	13,593	288,614	181,970	7,872,170
Debt securities issued		151	288	17,877	-	-	-	18,316
Other financial liabilities		813,468	12,369	8,937	2,139	19,564	732	857,209
		<u>10,283,409</u>	<u>287,202</u>	<u>475,875</u>	<u>693,363</u>	<u>4,513,272</u>	<u>504,102</u>	<u>16,757,223</u>
Net position	₩	<u>3,437,703</u>	<u>1,993,939</u>	<u>740,753</u>	<u>(350,489)</u>	<u>(3,670,053)</u>	<u>(124,950)</u>	<u>2,026,903</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the year ended December 31, 2014 and the nine months ended December 31, 2013

(In millions of won)

25. Financial risk management, Continued

(d) Liquidity risk, Continued

(ii) Contractual maturities for off balance sheet items

Contractual maturities for off balance sheet items as of December 31, 2014 and 2013 were as follows:

		December 31, 2014						
		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	₩	157,000	-	-	-	-	-	157,000

		December 31, 2013						
		Less than 1 month	1~3 months	3~6 months	6 months ~ 1 year	1~5 years	More than 5 years	Total
ABCP purchase agreement	₩	183,800	-	-	-	-	-	183,800

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014 and the nine months ended December 31, 2013

(In millions of won)

25. Financial risk management, Continued

(e) Capital risk management

(i) Capital management

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

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

(ii) Regulatory Capital Status

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

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

The Group manages NCR according to its separate financial statements and details of NCR as of December 31, 2014 and 2013 were as follows:

		December 31, 2014	December 31, 2013
1. Net capital	₩	1,592,090	1,505,391
Net assets		2,331,829	2,228,901
Adjustment(-)		740,885	723,939
Adjustment(+)		1,146	429
2. Total risk		344,792	303,123
Market risk		263,390	234,334
Credit risk		60,355	51,125
Operating risk		21,047	17,664
3. Net capital ratio		461.75%	496.63%
: (1/2) X 100 (%)			
4. Surplus capital : (1 - 2)	₩	1,247,298	1,202,268

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
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For the year ended December 31, 2014 and the nine months ended December 31, 2013

(In millions of won)

25. Financial risk management, Continued

(f) Measurement of fair value

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

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

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

(i) Financial instruments measured at amortized cost

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

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the year ended December 31, 2014 and the nine months ended December 31, 2013

(In millions of won)

25. Financial risk management, Continued

(f) Measurement of fair value, Continued

(i) Financial instruments measured at amortized cost, Continued

The financial instruments measured at amortized cost as of December 31, 2014 and 2013 were as follows:

	December 31, 2014				Fair value
	Book value				
	Balance	Unamortized balance	Allowance	Total	
Assets					
Cash and due from banks:					
Cash and cash equivalents	₩ 693,500	-	-	693,500	693,500
Due from banks	2,007,328	-	-	2,007,328	2,007,328
	<u>2,700,828</u>	<u>-</u>	<u>-</u>	<u>2,700,828</u>	<u>2,700,828</u>
Loans:					
Retail	931,820	(1,663)	(268)	929,889	929,888
Corporate	566,974	(2,050)	(19,122)	545,802	545,803
	<u>1,498,794</u>	<u>(3,713)</u>	<u>(19,390)</u>	<u>1,475,691</u>	<u>1,475,691</u>
Other financial assets					
	1,278,308	(8,300)	(6,614)	1,263,394	1,263,595
	<u>₩ 5,477,930</u>	<u>(12,013)</u>	<u>(26,004)</u>	<u>5,439,913</u>	<u>5,440,114</u>
Liabilities					
Deposits					
	₩ 1,100,425	-	-	1,100,425	1,100,425
Borrowings:					
Call money	866,300	-	-	866,300	866,300
Bonds sold under repurchase agreements	7,339,650	-	-	7,339,650	7,339,650
Borrowings	926,880	-	-	926,880	934,820
Debt securities issued	420,000	-	-	420,000	420,000
	<u>9,552,830</u>	<u>-</u>	<u>-</u>	<u>9,552,830</u>	<u>9,560,770</u>
Other financial liabilities					
	1,116,554	(1,679)	-	1,114,875	1,118,633
	<u>₩ 11,769,809</u>	<u>(1,679)</u>	<u>-</u>	<u>11,768,130</u>	<u>11,779,828</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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(In millions of won)

25. Financial risk management, Continued

(f) Measurement of fair value, Continued

(i) Financial instruments measured at amortized cost, Continued

	December 31, 2013				Fair value
	Book value			Total	
	Balance	Unamortized balance	Allowance		
Assets					
Cash and due from banks:					
Cash and cash equivalents	₩ 710,506	-	-	710,506	710,506
Due from banks	1,247,279	-	-	1,247,279	1,247,279
	<u>1,957,785</u>	<u>-</u>	<u>-</u>	<u>1,957,785</u>	<u>1,957,785</u>
Loans:					
Retail	744,049	(1,664)	(1,419)	740,966	740,966
Corporate	673,845	(423)	(39,341)	634,081	634,081
	<u>1,417,894</u>	<u>(2,087)</u>	<u>(40,760)</u>	<u>1,375,047</u>	<u>1,375,047</u>
Other financial assets	934,160	(8,811)	(6,441)	918,908	927,071
	₩ <u>4,309,839</u>	<u>(10,898)</u>	<u>(47,201)</u>	<u>4,251,740</u>	<u>4,259,903</u>
Liabilities					
Deposits	₩ 789,779	-	-	789,779	789,779
Borrowings:					
Call money	1,034,900	-	-	1,034,900	1,034,900
Bonds sold under repurchase agreements	6,059,375	-	-	6,059,375	6,059,375
Borrowings	709,247	-	-	709,247	714,417
Debt securities issued	17,432	-	-	17,432	20,662
	<u>7,820,954</u>	<u>-</u>	<u>-</u>	<u>7,820,954</u>	<u>7,829,354</u>
Other financial liabilities	857,210	(2,406)	-	854,804	854,901
	₩ <u>9,467,943</u>	<u>(2,406)</u>	<u>-</u>	<u>9,465,537</u>	<u>9,474,034</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the year ended December 31, 2014 and the nine months ended December 31, 2013

(In millions of won)

25. Financial risk management, Continued

(f) Measurement of fair value, Continued

(i) Financial instruments measured at amortized cost, Continued

Details of financial instruments measured at amortized cost by the level in the fair value hierarchy into which the fair value measurement is categorized as of December 31, 2014 and 2013 were as follows:

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and due from banks	₩ 2,700,828	-	-	2,700,828
Loans	731	-	1,474,960	1,475,691
Other financial assets	3,561	-	1,260,034	1,263,595
	₩ 2,705,120	-	2,734,994	5,440,114
Liabilities				
Deposits	₩ 1,100,425	-	-	1,100,425
Borrowings	7,542,900	-	2,017,870	9,560,770
Other financial liabilities	3,574	-	1,115,059	1,118,633
	₩ 8,646,899	-	3,132,929	11,779,828
	December 31, 2013			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and due from banks	₩ 1,957,785	-	-	1,957,785
Loans	411	-	1,374,636	1,375,047
Other financial assets	4,145	-	922,926	927,071
	₩ 1,962,341	-	2,297,562	4,259,903
Liabilities				
Deposits	₩ 789,779	-	-	789,779
Borrowings	6,544,275	-	1,285,079	7,829,354
Other financial liabilities	4,185	-	850,716	854,901
	₩ 7,338,239	-	2,135,795	9,474,034

(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.

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For the year ended December 31, 2014 and the nine months ended December 31, 2013

(In millions of won)

25. Financial risk management, Continued

(f) Measurement of fair value, Continued

(ii) Financial instruments measured at fair value, Continued

Details of financial instruments measured at the fair value by the level in the fair value hierarchy into which the fair value measurement is categorized as of December 31, 2014 and 2013 were as follows:

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Assets				
Trading financial assets:				
Debt securities	₩ 5,094,693	8,913,415	-	14,008,108
Equity securities	886,173	30,396	-	916,569
	<u>5,980,866</u>	<u>8,943,811</u>	<u>-</u>	<u>14,924,677</u>
Derivative assets:				
Trading purpose	4,575	106,442	116,829	227,846
Financial assets designated at fair value through profit or loss				
Reserve for claims of customers' deposit (trust)	-	630,537	-	630,537
Debt securities	59,945	1,283,037	76,361	1,419,343
Equity securities	17,954	-	-	17,954
Derivatives-combined securities	-	186,436	340,421	526,857
	<u>77,899</u>	<u>2,100,010</u>	<u>416,782</u>	<u>2,594,691</u>
Available-for-sale financial assets:				
Debt securities	21,167	1,920,661	-	1,941,828
Equity securities	4,060	77,224	187,953	269,237
Collective fund for default loss	-	10,207	-	10,207
	<u>25,227</u>	<u>2,008,092</u>	<u>187,953</u>	<u>2,221,272</u>
	<u>₩ 6,088,567</u>	<u>13,158,355</u>	<u>721,564</u>	<u>19,968,486</u>
Liabilities				
Trading financial liabilities:				
Securities sold	₩ 2,252,912	-	-	2,252,912
Derivative liabilities:				
Trading purpose	5,314	171,950	224,575	401,839
Financial liabilities designated at fair value through profit or loss:				
Derivatives-combined securities sold	-	2,004,122	6,985,349	8,989,471
Securities sold	417	-	-	417
	<u>417</u>	<u>2,004,122</u>	<u>6,985,349</u>	<u>8,989,888</u>
	<u>₩ 2,258,643</u>	<u>2,176,072</u>	<u>7,209,924</u>	<u>11,644,639</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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For the year ended December 31, 2014 and the nine months ended December 31, 2013

(In millions of won)

25. Financial risk management, Continued

(f) Measurement of fair value, Continued

(ii) Financial instruments measured at fair value, Continued

	December 31, 2013			
	Level 1	Level 2	Level 3	Total
Assets				
Trading financial assets:				
Debt securities	₩ 2,457,251	6,210,572	-	8,667,823
Equity securities	473,817	256,374	1,497	731,688
	<u>2,931,068</u>	<u>6,466,946</u>	<u>1,497</u>	<u>9,399,511</u>
Derivative assets:				
Trading purpose	6,995	74,086	146,246	227,327
Financial assets designated at fair value through profit or loss				
Reserve for claims of customers' deposit (trust)	-	1,209,975	-	1,209,975
Debt securities	171,880	887,581	-	1,059,461
Equity securities	46,573	-	69,318	115,891
Derivatives-combined securities	-	150,050	553,559	703,609
	<u>218,453</u>	<u>2,247,606</u>	<u>622,877</u>	<u>3,088,936</u>
Available-for-sale financial assets:				
Debt securities	52,027	1,411,335	-	1,463,362
Equity securities	1,281	9,667	175,929	186,877
Collective fund for default loss	-	8,216	-	8,216
	<u>53,308</u>	<u>1,429,218</u>	<u>175,929</u>	<u>1,658,455</u>
	<u>₩ 3,209,824</u>	<u>10,217,856</u>	<u>946,549</u>	<u>14,374,229</u>
Liabilities				
Trading financial liabilities:				
Securities sold	₩ 857,367	-	-	857,367
Derivative liabilities:				
Trading purpose	6,213	105,476	340,867	452,556
Financial liabilities designated at fair value through profit or loss:				
Derivatives-combined securities sold	-	1,379,367	4,529,091	5,908,458
Securities sold	672	-	-	672
	<u>672</u>	<u>1,379,367</u>	<u>4,529,091</u>	<u>5,909,130</u>
	<u>₩ 864,252</u>	<u>1,484,843</u>	<u>4,869,958</u>	<u>7,219,053</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
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(In millions of won)

25. Financial risk management, Continued

(f) Measurement of fair value, Continued

(ii) Financial instruments measured at fair value, Continued

Changes in level 3 of the fair value hierarchy for the periods ended December 31, 2014 and 2013 were as follows:

		December 31, 2014					
		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	₩	1,497	622,877	175,929	(4,529,091)	(194,621)	(3,923,409)
Total income							
Profit or loss (*1)		7,940	4,327	503	(356,039)	176,010	(167,259)
Other comprehensive income		-	-	(3,324)	-	-	(3,324)
Purchases and issuances		-	322,824	17,984	(9,055,111)	9,158	(8,705,145)
Sales and settlements		(9,437)	(533,246)	(3,139)	6,954,892	(98,293)	6,310,777
Ending balance	₩	-	416,782	187,953	(6,985,349)	(107,746)	(6,488,360)
		December 31, 2013					
		Trading financial assets	Financial assets designated at fair value through profit or loss	Available-for- sale financial assets	Financial liabilities designated at fair value through profit or loss	Derivative	Total
Beginning balance	₩	-	540,586	159,438	(4,675,541)	43,187	(3,932,330)
Total income							
Profit or loss (*1)		-	17,983	(3,647)	(177,478)	54,267	(108,875)
Other comprehensive income		-	-	(9,076)	-	-	(9,076)
Purchases and issuances		-	491,869	32,351	(4,405,537)	15,808	(3,865,509)
Sales and settlements		-	(427,561)	(3,137)	4,729,465	(307,883)	3,990,884
Transferred to Level 3 (*2)		1,497	-	-	-	-	1,497
Ending balance	₩	1,497	622,877	175,929	(4,529,091)	(194,621)	(3,923,409)

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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(In millions of won)

25. Financial risk management, Continued

(f) Measurement of fair value, Continued

(ii) Financial instruments measured at fair value, 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, 2014 and 2013, are included in the accounts of the statements of comprehensive income, of which the amounts and the related accounts are as follows:

	December 31, 2014		December 31, 2013	
	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	₩ 7,940	-	-	-
Gain(loss) on financial instruments designated at fair value through profit or loss	(248,616)	(103,096)	(93,275)	(66,220)
Gain(loss) on derivatives	190,958	(14,948)	23,378	30,889
Gain(loss) on available-for-sale financial assets	503	-	273	(3,920)
	₩ <u>(49,215)</u>	<u>(118,044)</u>	<u>(69,624)</u>	<u>(39,251)</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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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 periods ended December 31, 2014 and 2013 were as follows:

		December 31, 2014	December 31, 2013
Beginning balance	₩	(29,447)	(13,651)
New transactions		(94,305)	(24,954)
Amounts recognized in profit or loss during the period		37,576	9,158
Ending balance	₩	<u>(86,176)</u>	<u>(29,447)</u>

Information about valuation technique and inputs used at December 31, 2014 and 2013 in the fair value measurement of financial instruments classified as level 2 was as follows:

Type of financial instrument	Valuation technique	December 31, 2014	December 31, 2013	Inputs
Assets				
Trading assets	DCF(*)	₩ 8,943,811	6,466,946	Discount rate
Financial assets designated at fair value through profit or loss	DCF(*)	2,100,010	2,247,606	Discount rate Price of underlying assets
Derivative assets	DCF(*)	106,442	74,086	Discount rate Price of underlying assets
Available-for-sale financial assets	DCF(*)	2,008,092	1,429,218	Discount rate
		₩ <u>13,158,355</u>	<u>10,217,856</u>	
Liabilities				
Financial liabilities designated at fair value through profit or loss	DCF(*)	₩ 2,004,122	1,379,367	Discount rate Price of underlying assets
Derivative liabilities	DCF(*)	171,950	105,477	Discount rate Price of underlying assets
		₩ <u>2,176,072</u>	<u>1,484,844</u>	

(*) DCF : Discounted cash flow

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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, 2014 and 2013 in the fair value measurement of financial instruments classified as level 3 was as follows:

Type of financial instrument	Valuation technique	December 31, 2014	December 31, 2013	significant unobservable inputs	Range
Assets					
Trading assets	Option model(*)	₩ -	1,497	Discount rate Growth rate	
Financial assets designated at fair value through profit or loss	Option model(*)	416,782	622,877	The volatility of the underlying asset Correlations	Discount rate : 3.84% ~ 12.94% Growth rate : 0% ~ 1% The volatility of the underlying asset : 0.0039 ~ 0.4657 Correlations : (-)0.1439~0.8732
Derivative assets	Option model(*)	116,829	146,246	The volatility of the underlying asset Correlations	
Available-for-sale financial assets	DCF	187,953	175,929	Discount rate Growth rate	
		₩ <u>721,564</u>	<u>946,549</u>		
Liabilities					
Financial liabilities designated at fair value through profit or loss	Option model(*)	₩ 6,985,349	4,529,091	The volatility of the underlying asset Correlations	The volatility of the underlying asset : 0.0039 ~ 0.4654 Correlations : (-)0.1514~0.7239
Derivative liabilities	Option model(*)	224,575	340,867	The volatility of the underlying asset Correlations	
		₩ <u>7,209,924</u>	<u>4,869,958</u>		

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

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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, 2014	
	Favorable changes	Unfavorable changes
Financial assets at fair value through profit or loss (*1)		
Financial assets designated at FVTPL	₩ 2,691	(2,761)
Derivative assets	16,960	(18,786)
Available-for-sale financial assets(*2)	20,469	(16,988)
	₩ <u>40,120</u>	<u>(38,535)</u>
Financial liabilities at fair value through profit or loss (*1)		
Financial liabilities designated at FVTPL	₩ 82,342	(81,187)
Derivative liabilities	67,687	(70,199)
	₩ <u>150,029</u>	<u>(151,386)</u>

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

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

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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, 2014 and 2013 were as follows:

	December 31, 2014					
	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	₩ 201,336	-	201,336	(135,340)	(3,348)	62,648
Other financial instruments	7,829,830	-	7,829,830	(7,398,250)	-	431,580
Bonds purchased under repurchase agreements	1,831	-	1,831	(1,831)	-	-
Securities loaned	3,561	-	3,561	(3,561)	-	-
Domestic exchange settlement debit	1,172,992	(841,659)	331,333	(212,491)	-	118,842
	₩ 9,209,550	(841,659)	8,367,891	(7,751,473)	(3,348)	613,070
Liabilities						
Derivatives	₩ 613,641	-	613,641	(347,832)	-	265,809
Other financial instruments	7,339,649	-	7,339,649	(7,339,649)	-	-
Bonds purchased under repurchase agreements	2,253,329	-	2,253,329	(2,253,329)	-	-
Securities borrowed	3,573	-	3,573	(3,561)	-	12
Domestic exchange settlement pending	953,115	(841,659)	111,456	(3,348)	-	108,108
	₩ 11,163,307	(841,659)	10,321,648	(9,947,719)	-	373,929

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25. Financial risk management, Continued

(g) Offsetting financial assets and financial liabilities, Continued

	December 31, 2013					
	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	₩ 225,061	-	225,061	(135,761)	(74)	89,226
Other financial instruments	6,588,567	-	6,588,567	(6,180,725)	-	407,842
Bonds purchased under repurchase agreements	3,368	-	3,368	(3,368)	-	-
Securities loaned	4,145	-	4,145	(4,145)	-	-
Domestic exchange settlement debit	764,448	(616,568)	147,880	(33,572)	-	114,308
	₩ <u>7,585,589</u>	<u>(616,568)</u>	<u>6,969,021</u>	<u>(6,357,571)</u>	<u>(74)</u>	<u>611,376</u>
Liabilities						
Derivatives	₩ 448,772	-	448,772	(169,332)	-	279,440
Other financial instruments	6,059,375	-	6,059,375	(6,059,375)	-	-
Bonds purchased under repurchase agreements	858,039	-	858,039	(858,039)	-	-
Securities borrowed	4,185	-	4,185	(4,145)	-	40
Domestic exchange settlement pending	810,017	(616,568)	193,449	(74)	-	193,375
	₩ <u>8,180,388</u>	<u>(616,568)</u>	<u>7,563,820</u>	<u>(7,090,965)</u>	<u>-</u>	<u>472,855</u>

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26. Operating Segments

(a) Segment information

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

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

(b) The following table provides information of operating income and net income for each operating segment for the periods ended December 31, 2014 and 2013.

	December 31, 2014					
	Retail	Wholesale	IB	Trading	Other	Total
External revenue (expenses)						
Net fees and commission Income (loss)	₩ 191,050	45,214	33,030	(37,836)	(28,559)	202,899
Net gain (loss) on financial instruments (*)	(1)	3,047	1,909	55,153	(132,577)	(72,469)
Net interest income	50,467	1,131	6,183	173,208	154,574	385,563
General and administrative expenses	(230,628)	(33,568)	(24,462)	(50,889)	(59,049)	(398,596)
Other, net	3,399	(489)	7,247	(39,171)	68,887	39,873
Inter-segment profit (loss)	98,956	52,818	(2,447)	(321,315)	171,988	-
Income tax expense (benefit)	3,718	3,990	6,221	24,253	853	39,035
Profit (loss) for the year	₩ 109,525	64,163	15,239	(245,103)	174,411	118,235

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

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26. Operating Segments, Continued

(b) The following table provides information of operating income and net income for each operating segment for the periods ended December 31, 2014 and 2013., Continued

	December 31, 2013					
	Retail	Wholesale	IB	Trading	Other	Total
External revenue (expenses)						
Net fees and commission Income (loss)	₩ 134,841	30,044	21,857	(11,800)	(11,834)	163,108
Net gain (loss) on financial instruments (*)	-	2,527	1,006	20,361	(87,035)	(63,141)
Net interest income	(32,910)	(32,554)	9,911	273,149	(14,313)	203,283
General and administrative expenses	(173,494)	(25,371)	(17,392)	(30,809)	(30,874)	(277,940)
Other, net	1,669	545	7,241	(47,758)	50,478	12,175
Inter-segment profit (loss)	68,967	36,257	(2,501)	(216,629)	113,906	-
Income tax expense (benefit)	(228)	2,811	4,940	(3,311)	4,991	9,203
Profit (loss) for the year	₩ (699)	8,637	15,182	(10,175)	15,337	28,282

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

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26. Operating Segments, Continued

(c) The following table provides information of the main assets for each operating segment as of December 31, 2014 and 2013.

		December 31, 2014					
		Retail	Wholesale	IB	Trading	Other	Total
Cash and due from banks	₩	6,323	-	-	34,859	2,659,646	2,700,828
Financial assets at fair value through profit or loss		11,899	102,235	81,562	16,099,037	1,452,481	17,747,214
Available-for-sale financial assets		-	-	811,118	1,115,355	294,799	2,221,272
Investments in associates		(1,645)	-	52,444	27,611	(13,108)	65,302
Loans		957,796	-	221,236	52,002	244,657	1,475,691
Total	₩	<u>974,373</u>	<u>102,235</u>	<u>1,166,360</u>	<u>17,328,864</u>	<u>4,638,475</u>	<u>24,210,307</u>

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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27. Income tax expense

- (a) The components of income tax expense of the Group for the periods ended December 31, 2014 and 2013 were as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Current income tax expense	₩ 30,066	19,081
Additional payment (refund) of income tax	(14,361)	44
Changes in deferred tax arising from temporary differences	17,970	(10,071)
Deferred income tax adjustment charged or credited directly to equity	5,360	149
Income tax expense	₩ <u>39,035</u>	<u>9,203</u>

- (b) The income tax expense calculated by applying statutory tax rates to the Group's taxable income differs from the actual tax expense in the consolidated statements of comprehensive income for the periods ended December 31, 2014 and 2013 for the following reasons:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Income before income taxes	₩ 157,270	37,485
Tax rates	<u>24.20%</u>	<u>24.20%</u>
Income taxes at statutory tax rates	37,597	9,071
Adjustments :		
Non-taxable income	(187)	(109)
Non-deductible expense	1,412	1,107
Consolidated tax return	(1,889)	(801)
Income tax refunds	2,091	44
Others	11	(109)
Income tax expense	₩ <u>39,035</u>	<u>9,203</u>
Effective tax rate (%)	<u>24.82%</u>	<u>24.55%</u>

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(In millions of won)

27. Income tax expense, Continued

(c) Changes in deferred tax assets (liabilities) for the periods ended December 31, 2014 and 2013 were as follows:

		December 31, 2014			
		Beginning balance	Net income	Accumulated other comprehensive income (capital adjustments)	Ending balance
Stocks at fair value through profit or loss	₩	(2,691)	(5,157)	-	(7,848)
Bonds at fair value through profit or loss		13,572	(33,972)	-	(20,400)
Derivatives-combined securities		328	2,830	-	3,158
Derivatives-combined securities sold		(29,207)	(22,196)	-	(51,403)
Exchange traded derivatives		497	2,161	-	2,658
Over the counter derivatives		28,740	37,841	-	66,581
Other financial assets at fair value through profit or loss		(476)	591	-	115
Other financial liabilities at fair value through profit or loss		(175)	(7,356)	-	(7,531)
Available-for-sale financial assets		(14,393)	312	(384)	(14,465)
Investments in associates		6,698	(378)	5,742	12,062
Allowance for credit loss		(2,274)	520	-	(1,754)
Property and equipment and investment property		(33,479)	650	-	(32,829)
Intangible assets		(3,854)	(768)	-	(4,622)
Accrued income		(13,793)	(6,127)	-	(19,920)
Account payable and accrued expenses		4,168	1,192	2	5,362
Provisions		1,030	(146)	-	884
Borrowings		2,117	(2,117)	-	-
Day 1 profit or loss		22,675	9,743	-	32,418
Amortization of up-front fee		1,930	250	-	2,180
Net gain(loss) on foreign exchange translations		(1,307)	92	-	(1,215)
Others		(3,958)	(1,295)	-	(5,253)
	₩	<u>(23,852)</u>	<u>(23,330)</u>	<u>5,360</u>	<u>(41,822)</u>

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27. Income tax expense, Continued

(c) Changes in deferred tax assets (liabilities) for the periods ended December 31, 2014 and 2013 were as follows:, Continued

	December 31, 2013			
	Beginning balance	Net income	Accumulated other comprehensive income (capital adjustments)	Ending balance
Stocks at fair value through profit or loss	₩ (1,248)	(1,443)	-	(2,691)
Bonds at fair value through profit or loss	(11,879)	25,451	-	13,572
Derivatives-combined securities	348	(20)	-	328
Derivatives-combined securities sold	11,558	(40,765)	-	(29,207)
Exchange traded derivatives	1,167	(670)	-	497
Over the counter derivatives	(3,578)	32,318	-	28,740
Other financial assets at fair value through profit or loss	(652)	176	-	(476)
Other financial liabilities at fair value through profit or loss	469	(644)	-	(175)
Available-for-sale financial assets	174	(17,909)	3,342	(14,393)
Investments in associates	3,153	6,815	(3,270)	6,698
Allowance for credit loss	(2,274)	-	-	(2,274)
Property and equipment and investment property	(33,989)	510	-	(33,479)
Intangible assets	(3,174)	(680)	-	(3,854)
Accrued income	(13,344)	(449)	-	(13,793)
Account payable and accrued expenses	3,786	305	77	4,168
Provisions	8,281	(7,251)	-	1,030
Borrowings	2,117	-	-	2,117
Day 1 profit or loss	3,974	18,701	-	22,675
Amortization of up-front fee	1,604	326	-	1,930
Net gain(loss) on foreign exchange translations	(321)	(986)	-	(1,307)
Others	(95)	(3,863)	-	(3,958)
	₩ <u>(33,923)</u>	<u>9,922</u>	<u>149</u>	<u>(23,852)</u>

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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 periods ended December 31, 2014 and 2013 were as follows:

	December 31, 2014				
	Current period	Deferred tax liability	Prior period	Deferred tax liability	Change in deferred tax
Gain on valuation of available-for-sale financial assets	₩ 126,246	(30,551)	124,658	(30,167)	(384)
Foreign currency translation differences	(7,843)	2,443	14,881	(3,767)	6,210
Share of the other comprehensive loss of associates	(933)	226	(2,867)	694	(468)
Stock option (Capital adjustments)	(82)	19	(74)	17	2
	₩ <u>117,388</u>	<u>(27,863)</u>	<u>136,598</u>	<u>(33,223)</u>	<u>5,360</u>
	December 31, 2013				
	Current period	Deferred tax liability	Prior period	Deferred tax liability	Change in deferred tax
Gain on valuation of available-for-sale financial assets	₩ 124,658	(30,168)	138,469	(33,510)	3,342
Foreign currency translation differences	14,881	(3,766)	(189)	(60)	(3,706)
Share of the other comprehensive loss of associates	(2,867)	694	(1,062)	257	437
Stock option (Capital adjustments)	(74)	17	243	(59)	76
	₩ <u>136,598</u>	<u>(33,223)</u>	<u>137,461</u>	<u>(33,372)</u>	<u>149</u>

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27. Income tax expense, Continued

(e) The deductible temporary differences which were not recognized as deferred tax assets as of December 31, 2014 and 2013 were as follows:

		<u>December 31, 2014</u>	<u>December 31, 2013</u>
Investments in subsidiaries	₩	5,371	3,443

(f) The current tax assets (liabilities) and deferred tax assets (liabilities) presented on a gross basis prior to any offsetting as of December 31, 2014 and 2013 were as follows:

		<u>December 31, 2014</u>	<u>December 31, 2013</u>
Deferred tax assets	₩	86,071	215,688
Deferred tax liabilities		(127,893)	(239,540)

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28. Derivatives

(a) Details of the notional amounts of derivatives as of December 31, 2014 and 2013 were as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Interest rates		
Over the counter:		
Interest rate swaps	₩ 32,240,643	20,828,698
Interest rate options	-	15,000
	<u>32,240,643</u>	<u>20,843,698</u>
Exchange traded:		
Interest rate futures	<u>1,236,960</u>	<u>758,633</u>
Foreign exchange		
Over the counter:		
Currency forwards	1,351,517	490,777
Currency swaps	184,377	94,120
Currency options	37,611	193,787
	<u>1,573,505</u>	<u>778,684</u>
Exchange traded:		
Currency futures	<u>285,631</u>	<u>1,343</u>
Equity		
Over the counter:		
Equity swap	4,122,153	3,040,561
Equity options	1,683,675	1,316,544
	<u>5,805,828</u>	<u>4,357,105</u>
Exchange traded:		
Equity futures	211,666	189,408
Equity options	205,018	1,031,691
	<u>416,684</u>	<u>1,221,099</u>
Credit		
Over the counter:		
Credit swap	174,757	127,039
TRS Swap	210,576	102,703
	<u>385,333</u>	<u>229,742</u>
Commodity		
Over the counter:		
Commodity forwards	159,155	185,349
Commodity swaps	843,680	598,699
Commodity options	40,502	61,590
	<u>1,043,337</u>	<u>845,638</u>
Exchange traded:		
Commodity futures	159,155	185,346
	<u>₩ 43,147,076</u>	<u>29,221,288</u>

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28. Derivatives, Continued

(b) Details of the gain(loss) on valuation of derivatives for the periods ended December 31, 2014 and 2013 were as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Interest rates		
Over the counter:		
Interest rate swaps	₩ 11,010	(30,998)
Interest rate options	-	(214)
	<u>11,010</u>	<u>(31,212)</u>
Exchange traded:		
Interest rate futures	(853)	(205)
Interest rate swaps	(7,180)	-
	<u>(8,033)</u>	<u>(205)</u>
Foreign exchange		
Over the counter:		
Currency forwards	(23,270)	6,147
Currency swaps	(2,823)	(249)
Currency options	132	4,378
	<u>(25,961)</u>	<u>10,276</u>
Exchange traded:		
Currency futures	(975)	8
Equity		
Over the counter:		
Equity swap	62,877	72,943
Equity options	(6,439)	(204)
	<u>56,438</u>	<u>72,739</u>
Exchange traded:		
Equity futures	1,383	(1,190)
Equity options	477	380
	<u>1,860</u>	<u>(810)</u>
Credit		
Over the counter:		
Credit swap	586	1,378
TRS Swap	(11,802)	(2,919)
	<u>(11,216)</u>	<u>(1,541)</u>
Commodity		
Over the counter:		
Commodity forwards	3,458	1,132
Commodity swaps	(115,709)	(66,424)
Commodity options	(196)	423
	<u>(112,447)</u>	<u>(64,869)</u>
Exchange traded:		
Commodity futures	(3,398)	(1,047)
	<u>₩ (92,722)</u>	<u>(16,661)</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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29. Pledged Assets

Assets pledged as collateral as of December 31, 2014 and 2013 were as follows:

		December 31, 2014							
		Pledged for							
	₩	ELS/DLS sold	Borrowing	Derivative	Securities borrowed	RP	Lease	Other	Total
Due from banks	₩	150,000	17,000	-	290,000	-	-	5,732	462,732
Trading financial assets		131,631	-	543,832	2,745,665	6,899,684	-	-	10,320,812
Financial assets designated at fair value through profit or loss		207,390	-	-	399,474	29,535	-	-	636,399
Available-for-sale financial assets		-	-	24,067	502,841	842,011	-	-	1,368,919
Loans		-	-	-	-	58,600	-	-	58,600
Property		-	-	-	-	-	100,530	-	100,530
	₩	<u>489,021</u>	<u>17,000</u>	<u>567,899</u>	<u>3,937,980</u>	<u>7,829,830</u>	<u>100,530</u>	<u>5,732</u>	<u>12,947,992</u>
		December 31, 2013							
		Pledged for							
	₩	ELS/DLS sold	Borrowing	Derivative	Securities borrowed	RP	Lease	Other	Total
Due from banks	₩	50,000	67,000	-	-	-	-	5,915	122,915
Trading financial assets		10,487	-	60,368	793,764	5,837,068	-	-	6,701,687
Financial assets designated at fair value through profit or loss		115,833	-	-	302,162	67,207	-	-	485,202
Available-for-sale financial assets		-	-	79,263	619,660	441,592	-	-	1,140,515
Loans		-	-	-	-	121,350	-	-	121,350
Property		-	-	-	-	-	99,948	-	99,948
	₩	<u>176,320</u>	<u>67,000</u>	<u>139,631</u>	<u>1,715,586</u>	<u>6,467,217</u>	<u>99,948</u>	<u>5,915</u>	<u>8,671,617</u>

The carrying amounts of asset pledged that the pledges have the right to repledge regardless of the Group's default as of December 31, 2014 and 2013 were ₩7,829,830 million and ₩6,467,217 million, respectively.

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30. Share-based payments

(a) Share-based payments granted.

Details of stock options granted as of December 31, 2014 were as follows:

	7th grant
Type	Cash-settled share-based payment
Grant date	2008.3.19
Exercise price(in won)	₩ 49,053
Number of shares granted	79,544
Vesting period	Within four years after three years from grant date
Changes in number of shares granted:	
Outstanding at January 1, 2014	56,979
Exercised and etc.	12,810
Outstanding at December 31, 2014	44,169
Exercisable at December 31, 2014	44,169
Assumptions used to determine the fair value of options:	
Risk-free interest rate	2.05%
Expected exercise period	Feb. 8, 2015
Expected stock price volatility	16.90%
Expected dividend yield	1.58%
Weighted average fair value per share (in won)	₩ 39

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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30. Share-based payments, Continued

(b) Details of performance shares granted as of December 31, 2014 were as follows:

	Grant in 2010
Type	Equity-settled share-based payment
Service period	2010~2012
Performance conditions	Increase rate of stock price(33.4%) and achievement of target ROE(66.6%)
Number of shares estimated at December 31, 2014	67,809

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

(c) Stock compensations costs (benefits) calculated as of and for the periods ended December 31, 2014 were as follows:

	December 31, 2014		
	Stock options	Performance shares	Total
Compensation costs recorded for the period	₩ 298	934	1,232
Accrued expenses (benefits) related to compensation cost	2	3,054	3,056

(d) Book value of liabilities and intrinsic value of liabilities regarding share-based payment as of December 31, 2014 were as follows:

	December 31, 2014	
	Accrued expenses	Intrinsic value
Stock options	₩ 2	-
Performance shares	3,054	3,054
Total	₩ 3,056	3,054

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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(In millions of won)

31. Commitments and contingencies

(a) As of December 31, 2014, the Group has faced with pending lawsuits were as follows:

December 31, 2014			
Lawsuits	Plaintiff	Details	Amount
Compensation for loss	Gowell Securitization Specialty Co., Ltd.	A claim for compensation on NPL consultation	₩ 2,936
Return of unjust enrichment	TreeStar Co., Ltd.	A claim for return of unjust enrichment	750
Compensation for loss	An individual	A claim for compensation on incomplete sales of CP	1,292
Compensation for loss	An individual	A claim for compensation on system problem	21
A claim for debenture	An individual	A claim for debenture according to assignment order	3,601
Compensation for loss	Hyundai Securities Co.,Ltd	A claim for compensation on violation of operating instruction of special money trust	4,756
Compensation for loss	An individual	A claim for compensation on negligence of duty of faithful care and identification	107
Payment guarantee	Hana Bank	A claim for guarantee deposit of receivable-backed ABL of KT ENS	12,866
Compensation for loss	Kotex Trading	A claim for compensation on incomplete sales of corporate bond of Woongjin Holdings	20
Compensation for loss	An individual	A claim for compensation on insufficient security management and accident correspondence	4
Compensation for loss	An individual	A claim for compensation on joint tort or vicarious liability of master about illegal sales entrusted and guarantee of gain on investment	401
			₩ <u>26,754</u>

The Group recognized provisions of ₩105 million regarding the case the Group lost at the first trial. The Group believes that the rest of the cases will not have a significant impact on the consolidated financial statements, but it is probable that an additional outflow of economic benefits arises according to the outcome of cases.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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31. Commitments and contingencies, Continued

(b) Commercial paper purchase commitments

The Group has made a contract guaranteeing purchase of unsold note among commercial paper of ₩157,000 million of VALUE PLUS the 7th Co., Ltd. which was not bought or paid at the date of issue under the condition that the underlying assets maintain certain credit rating. As of December 31, 2014, the Group has no residual note to purchase in accordance with this purchase commitments.

Company	Underlying asset	Amount	Date of agreements	Date of maturity
VALUE PLUS the 7th Co., Ltd.	Account receivables	₩ 30,000	March 29, 2012	March 29, 2015
Songdo Saok Third Co., Ltd.	Loans	50,000	April 23, 2013	June 30, 2016
BERJAYA 3rd Ltd.,Co.	Jeju Gotjawal Village Development PE Loans	40,000	September 26, 2013	March 26, 2017
LG Life Sciences, LTD.	CP of LG Life Sciences, LTD.	20,000	May 20, 2014	November 20, 2015
S-Russel 3td Co.,Ltd.	Tech Pack Solutions Acquisition financing Loans	17,000	October 21, 2014	October 21, 2019
		₩ 157,000		

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

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

(d) Onerous contract

As of December 31, 2014, 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 ₩732 million was pledged as collateral to Franklin Templeton Investment Trust Management Co., Ltd. for the potential losses.

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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, 2014 and 2013 were as follows:

		<u>December 31, 2014</u>	<u>December 31, 2013</u>
Transferred assets			
Financial assets designated at fair value through profit or loss	₩	6,929,219	5,904,275
Available-for-sale financial assets		842,011	441,592
Loans		58,600	121,350
	₩	<u>7,829,830</u>	<u>6,467,217</u>
Associated liabilities			
Bonds sold under repurchase agreements	₩	<u>7,339,649</u>	<u>6,059,375</u>

(ii) Securities loaned as of December 31, 2014 and 2013 were as follows:

		<u>December 31, 2014</u>	<u>December 31, 2013</u>	
Commercial bonds	₩	1,831	3,368	<u>Rental Company Mirae Asset Securities</u>

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

There are no financial assets that meet the conditions of the derecognition and in which the Group has continuing involvement as of December 31, 2014 and 2013.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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33. Equity

(a) Details of equity as of December 31, 2014 and 2013 were summarized as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Stockholder's equity		
Ordinary shares	₩ 1,277,882	1,277,882
Preference shares	19,116	19,116
	<u>1,296,998</u>	<u>1,296,998</u>
Capital surplus		
Gain from reduction of capital	15	15
Capital adjustments		
Stock options	(62)	(56)
Accumulated other comprehensive income		
Valuation of available-for-sale financial assets	95,694	94,490
Change of investments in a associate	(707)	(2,173)
Accumulated foreign exchange differences	(5,400)	11,115
	<u>89,587</u>	<u>103,432</u>
Retained earnings		
Legal reserve	10,500	9,500
Voluntary reserve (*)	160,061	155,390
Unappropriated earnings	772,992	670,428
	<u>943,553</u>	<u>835,318</u>
	<u>₩ 2,330,091</u>	<u>2,235,707</u>

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

(b) Stockholder's equity as of December 31, 2014 and 2013 were summarized as follows:

	<u>December 31, 2014</u>		<u>December 31, 2013</u>	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
Number of shares authorized	450,000,000	150,000,000	450,000,000	150,000,000
Par value per share (in won)	₩ 5,000	5,000	5,000	5,000
Number of issued shares outstanding	255,576,350	3,823,314	255,576,350	3,823,314
Stockholder's equity	₩ 1,277,882	19,116	1,277,882	19,116

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements**For the year ended December 31, 2014 and the nine months ended December 31, 2013**

(In millions of won)

33. Equity, Continued

(c) Change in accumulated other comprehensive income for the periods ended December 31, 2014 and 2013 were as follows:

		December 31, 2014			
		Valuation of available-for-sale financial assets	Change of investments in a associate	Accumulated foreign exchange differences	Total
Opening balance	₩	94,490	(2,173)	11,115	103,432
Change in fair value of available-for-sale financial assets		2,125	-	-	2,125
Change in impairment		9	-	-	9
Change in disposal		(546)	830	-	284
Effect of change in equity of investee		-	1,104	-	1,104
Effect of exchange rate difference		-	-	(22,725)	(22,725)
Deferred tax effect		(384)	(468)	6,210	5,358
Ending balance	₩	<u>95,694</u>	<u>(707)</u>	<u>(5,400)</u>	<u>89,587</u>
		December 31, 2013			
		Valuation of available-for-sale financial assets	Change of investments in a associate	Accumulated foreign exchange differences	Total
Opening balance	₩	104,960	(805)	(250)	103,905
Change in fair value of available-for-sale financial assets		(12,341)	-	-	(12,341)
Change in impairment		97	-	-	97
Change in disposal		(1,567)	-	-	(1,567)
Effect of change in equity of investee		-	(1,805)	-	(1,805)
Effect of exchange rate difference		-	-	15,071	15,071
Deferred tax effect		3,341	437	(3,706)	72
Ending balance	₩	<u>94,490</u>	<u>(2,173)</u>	<u>11,115</u>	<u>103,432</u>

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33. Equity, Continued

(d) Statements of appropriation of retained earnings.

Statements of appropriation of retained earnings for the periods ended December 31, 2014 and 2013 were as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Unappropriated retained earnings		
Balance at beginning of the period	₩ 658,119	644,461
Net income for the period	112,479	29,329
	<u>770,598</u>	<u>673,790</u>
Transfer from voluntary reserves		
Voluntary reserve	-	-
Appropriation of retained earnings		
Legal reserve	3,000	1,000
Regulatory reserve for loan loss	12,170	4,671
Dividends	30,000	10,000
Cash dividends on ordinary shares		
Current period : ₩ 115 (2.3%)	29,369	9,664
Prior period : ₩ 38 (0.8%)		
Cash dividends on preference shares		
Current period : ₩ 165 (3.3%)	631	336
Prior period : ₩ 88 (1.8%)		
	<u>45,170</u>	<u>15,671</u>
Unappropriated retained earnings carried over to subsequent period	₩ <u>725,428</u>	<u>658,119</u>

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

34. Dividends

Dividends declared for the periods ended December 31, 2014 and 2013 were as follows:

	<u>December 31, 2014</u>		<u>December 31, 2013</u>	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
Number of issued shares outstanding	255,576,350	3,823,314	255,576,350	3,823,314
Par value per share (in won) ₩	5,000	5,000	5,000	5,000
Dividends per share (in won)	115	165	38	88
Dividends	29,369	631	9,664	336
Dividend rate per share	<u>2.30%</u>	<u>3.30%</u>	<u>0.80%</u>	<u>1.80%</u>

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35. Leases

(a) Operating leases

	December 31, 2014	
	<u>Minimum lease payment</u>	
Not later than 1 year	₩	6,790
1 ~ 5 years		2,389
Later than 5 years		-
	₩	<u>9,179</u>

(b) Future minimum lease payments under non-cancellable operating lease of the Group as lessee as of December 31, 2014 were as follows:

	December 31, 2014	
	<u>Minimum lease payment</u>	
Not later than 1 year	₩	4,379
1 ~ 5 years		3,259
Later than 5 years		-
	₩	<u>7,638</u>

36. Cash flows

Details of significant non-cash activities for the periods ended December 31, 2014 and 2013 were as follows:

	December 31, 2014	December 31, 2013
Investment property transferred from property and equipment	₩ 6,043	1,769
Valuation gain on available-for-sale financial assets	1,588	(13,811)
Tax effect on valuation gain on available-for-sale financial assets	(384)	3,342
Change of investments in associates	1,934	(1,805)
Tax effect on change of investments in associates	(468)	437
Foreign currency translation differences	(17,280)	15,071
Tax effect on foreign currency translation differences	<u>765</u>	<u>(3,707)</u>

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37. Related party transactions

(a) Significant account balances with related companies as of December 31, 2014 and 2013 were as follows:

Related party	Accounts	December 31, 2014	December 31, 2013
Assets:			
Shinhan Financial Group Co.Ltd	Other assets(*1)	₩ 33,601	16,353
Shinhan Bank	Bank deposits	193,038	56,429
	Derivatives assets	4,432	3,609
	Accured income	89	58
	Other assets(*1)	29,359	34,484
Jeju Bank	Bank deposits	35,084	10,073
	Accured income	352	119
KoFC Shinhan Frontier	Accured income	93	104
Corporate Governance PE 2th [Equity balanced] ,Ltd.	Accured income	3	-
Shinhan BNPP Nice High dividend Feeder Fund [Equity]	Accured income	1	-
		₩ 296,052	121,229

(*1) Include deposits for guarantees and others.

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37. Related party transactions, Continued

(a) Significant account balances with related companies as of December 31, 2014 and 2013 were as follows:, Continued

Related party	Accounts	December 31, 2014	December 31, 2013
Liabilities:			
Shinhan Financial Group Co., Ltd.	Borrowings(*3)	₩ 200,000	200,000
	Accured expenses	746	746
	Other liabilities(*2)	3,056	2,612
Shinhan Bank	Borrowings(*3)	9,655	9,801
	Accured expenses	39	73
	Derivatives liabilities	5,880	2,001
	Other liabilities(*2)	17,722	18,705
	Other liabilities(*2)	2,748	2,451
Shinhan Card Co., Ltd.	Other liabilities(*2)	53	1,253
Shinhan Capital	Other liabilities(*2)	250	13,558
Shinhan Life Insurance Co., Ltd.	Borrowings(*3)	6,650	6,965
Shinhan Data System	Accured expenses	436	449
	Borrowings(*3)	1,754	1,719
Shinhan Aitas Co., Ltd	Other liabilities(*2)	2	2
	Other liabilities(*2)	1,128	1,119
Shinhan BNP Paribas Asset Management Co., Ltd.	Other liabilities(*2)	1,226	632
Shinhan Saving Bank	Other liabilities(*2)	40	-
Shinhan Credit Information Co., Ltd.	Other liabilities(*2)	251,385	262,086
		₩	

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

(*3) Include deposits for rent and others.

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37. Related party transactions, Continued

(b) Significant transactions with related parties for the periods ended December 31, 2014 and 2013 were as follows:

Related party	Accounts	December 31, 2014	December 31, 2013
Revenue:			
Shinhan Financial Group Co., Ltd.	Commission	₩ 225	783
Shinhan Bank	Interest	1,531	1,670
	Rent	589	546
	Derivatives	8,618	6,757
	Commission	18	62
Shinhan Card Co., Ltd.	Rent	25	74
	Commission	158	80
Shinhan Life Insurance Co., Ltd.	Rent	14	11
	Commission	150	175
Shinhan Capital	Commission	72	12
Jeju Bank	Interest	369	445
Shinhan Aitas Co., Ltd.	Commission	-	3
Shinhan BNP Paribas Asset Management Co., Ltd.	Rent	1,383	1,370
	Commission	-	8
Shinhan Saving Bank	Commission	10	-
SHBNPP Private Real Estate 13	Commission	-	3
Kofc Shinhan Frontier	Commission	190	(62)
SHBNPP Growth Security Feeder Investment Trust 1	Commission	-	4
Green energy Private equity Special Assets	Commission	2	-
Corporate Governance PE 2th [Equity balanced] ,Ltd.	Commission	6	-
Shinhan BNPP Nice High dividend Feeder Fund [Equity]	Commission	1	-
		₩ 13,361	11,941

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37. Related party transactions, Continued

(b) Significant transactions with related parties for the periods ended December 31, 2014 and 2013 were as follows:, Continued

Related party	Accounts	December 31, 2014	December 31, 2013
Expense:			
Shinhan Financial Group Co., Ltd.	Interest	₩ 7,950	5,971
	Commission	5,101	6,235
Shinhan Bank	Interest	1,082	912
	Rent	1,106	912
	Borrowings	-	10
	Derivatives	10,332	4,937
	Commission	3,563	2,015
Shinhan Card Co., Ltd.	Interest	25	26
	Rent	-	48
	Commission	280	152
Shinhan Life Insurance	Interest	6	5
	Rent	8	8
	Commission	181	213
Jeju Bank	Commission	12	11
Shinhan Credit Information Co., Ltd.	Commission	66	2
Shinhan Data System	Interest	120	188
	Commission	4,057	2,907
Shinhan Private Equity Inc.	Commission	-	10
Shinhan Aitas Co., Ltd.	Interest	36	44
	Commission	8	8
Shinhan BNP Paribas	Interest	30	22
	Rent	1,334	-
Shinhan Saving Bank	Commission	-	18
		₩ 35,297	24,654

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37. Related party transactions, Continued

(c) Key management personnel compensation for the periods ended December 31, 2014 and 2013 were as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Salaries and wages	₩ 7,539	4,642
Share-based payments	667	1,733
	<u>₩ 8,206</u>	<u>6,375</u>

38. Regulatory reserve for loan loss

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

(a) Regulatory reserve for loan losses as of December 31, 2014 and 2013 were as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Regulatory reserve for loan loss	₩ 5,506	-
Accumulated		
To be scheduled	8,544	5,506
	<u>₩ 14,050</u>	<u>5,506</u>

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

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Income for the period	₩ 118,235	28,282
Provision for regulatory reserve for loan loss	(8,544)	(5,506)
	<u>₩ 109,691</u>	<u>22,776</u>

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39. Interests in unconsolidated structured entities

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

The natures, purposes and activities of the unconsolidated structured entities which the Group had interest in as of December 31, 2014 and 2013, and how these structured entities are financed were summarized as follows:

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

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39. 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, 2014 and 2013 were as follows:

	December 31, 2014		
	Project financing	Investment fund	Total
Total assets of the unconsolidated structured entities	₩ 197,651	1,204,938	1,402,589
Carrying value			
Assets			
Loans	₩ -	80,033	80,033
Available-for-sale financial assets	9,109	82,089	91,198
Other assets	-	10	10
	₩ <u>9,109</u>	<u>162,132</u>	<u>171,241</u>
Liabilities			
Other liabilities	-	658	658
Maximum exposure to loss			
Investments	₩ 9,109	162,132	171,241
Purchase commitments	137,000	-	137,000
	₩ <u>146,109</u>	<u>162,132</u>	<u>308,241</u>
	December 31, 2013		
	Project financing	Investment fund	Total
Total assets of the unconsolidated structured entities	₩ 646,233	707,391	1,353,624
Carrying value			
Assets			
Loans	₩ 26,631	9,958	36,589
Available-for-sale financial assets	-	34,158	34,158
	₩ <u>26,631</u>	<u>44,116</u>	<u>70,747</u>
Maximum exposure to loss			
Investments	₩ 26,631	44,116	70,747
Purchase commitments	183,800	-	183,800
	₩ <u>210,431</u>	<u>44,116</u>	<u>254,547</u>