



**SHINHAN INVESTMENT CORP.
AND SUBSIDIARIES**

Consolidated Financial Statements

March 31, 2012 and 2011

(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 Stockholder
Shinhan Investment Corp.:

We have audited the accompanying consolidated statements of financial position of Shinhan Investment Corp. and its subsidiaries (the "Group") as of March 31, 2012, 2011 and April 1, 2010, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended March 31, 2012 and 2011. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of March 31, 2012, 2011 and April 1, 2010 and its financial performance and its cash flows for the years ended March 31, 2012 and 2011, in accordance with Korean International Financial Reporting Standards.

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

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

KPMG Samjong Accounting Corp.

KPMG Samjong Accounting Corp.
Seoul, Korea
June 14, 2012

This report is effective as of June 14, 2012, 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 March 31, 2012, 2011 and April 1, 2010

<i>In millions of won</i>	<u>Note</u>	<u>March 31, 2012</u>	<u>March 31, 2011</u>	<u>April 1, 2010</u>
Assets				
Cash and due from banks	4,24,29	₩ 2,164,978	1,958,617	866,842
Financial assets at fair value through profit or loss	5,24,28,29	7,592,575	6,708,148	5,770,691
Available-for-sale financial assets	6,24,29	1,576,950	595,661	235,583
Investments in associates	7	32,362	22,562	17,037
Loans	8,24	1,087,371	912,128	859,032
Property and equipment	9,29	134,097	141,680	144,140
Intangible assets	10	49,000	56,506	63,022
Investment properties	11	190,714	191,163	198,033
Deferred income tax assets	27	358	495	60
Current income tax assets		5,837	-	-
Other assets	12,24,36	1,349,925	1,762,715	1,727,261
Total assets		₩ <u>14,184,167</u>	<u>12,349,675</u>	<u>9,881,701</u>
Liabilities				
Deposits	13,24	₩ 932,194	1,217,553	983,975
Financial liabilities at fair value through profit or loss	14,24,36	4,403,739	2,925,316	1,506,930
Borrowings	15,24,36	5,538,072	4,513,791	3,668,622
Provisions	16,31	25,028	25,076	24,943
Deferred income tax liabilities	27	44,333	34,623	16,282
Current income tax liabilities		13,431	10,338	23,921
Other liabilities	17,24,30,36	1,073,578	1,565,543	1,710,355
Total liabilities		<u>12,030,375</u>	<u>10,292,240</u>	<u>7,935,028</u>
Equity				
Capital stock	32	1,296,998	1,296,998	1,296,998
Capital surplus	32	15	15	15
Capital adjustments	32	98	(2)	-
Accumulated other comprehensive income	32	106,917	90,418	75,855
Retained earnings	32	749,764	670,006	573,805
Total equity		<u>2,153,792</u>	<u>2,057,435</u>	<u>1,946,673</u>
Total liabilities and equity		₩ <u>14,184,167</u>	<u>12,349,675</u>	<u>9,881,701</u>

See accompanying notes to the consolidated financial statements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the years ended March 31, 2012 and 2011

In millions of won

	<u>Note</u>	<u>2012</u>	<u>2011</u>
Operating revenue:			
Commission income	18,36	₩ 367,411	376,646
Gain on financial instruments at fair value through profit or loss	24,36	833,874	1,119,028
Gain on available-for-sale financial assets	24	5,514	2,060
Interest income	19,36	395,782	295,090
Gain on valuation of loans	24	105	9,484
Gain on foreign transactions	20	15,923	32,136
Others	22	6,902	20,897
		<u>1,625,511</u>	<u>1,855,341</u>
Operating expense:			
Commission expense	18,36	55,249	54,892
Loss on financial instruments at fair value through profit or loss	24,36	910,948	1,126,532
Loss on available-for-sale financial assets	24	18,850	11,032
Interest expense	19,36	153,641	130,403
Loss on valuation of loans	24	2,648	5,332
Loss on foreign transactions	20	15,035	33,937
General and administrative expenses	21,30,36	347,494	351,969
Others	22	2,907	503
		<u>1,506,772</u>	<u>1,714,600</u>
Operating income		118,739	140,741
Non-operating income	23,36	24,776	20,965
Non-operating expense	23	(10,075)	(7,230)
Income before income taxes		<u>133,440</u>	<u>154,476</u>
Income tax expense	27	33,682	43,275
Net income for the year		<u>99,758</u>	<u>111,201</u>
Other comprehensive income for the year, net of income tax	32	16,499	14,563
Total comprehensive income for the year		<u>₩ 116,257</u>	<u>125,764</u>

See accompanying notes to the consolidated financial statements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the years ended March 31, 2012 and 2011

In millions of won

	<u>Common stock</u>	<u>Capital surplus</u>	<u>Capital adjustments</u>	<u>Accumulated other comprehensive income</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at April 1, 2010	₩ 1,296,998	15	-	75,855	573,805	1,946,673
Net income for the year	-	-	-	-	111,201	111,201
Other comprehensive income, net of income tax						
Net change in fair value of available-for-sale financial assets	-	-	-	15,579	-	15,579
Share of the other comprehensive loss of associates	-	-	-	(1,131)	-	(1,131)
Foreign currency translation differences	-	-	-	115	-	115
Transactions recorded directly in equity						
Dividends	-	-	-	-	(15,000)	(15,000)
Change in share-based payments	-	-	(2)	-	-	(2)
Balance at March 31, 2011	₩ <u>1,296,998</u>	<u>15</u>	<u>(2)</u>	<u>90,418</u>	<u>670,006</u>	<u>2,057,435</u>

	<u>Common stock</u>	<u>Capital surplus</u>	<u>Capital adjustments</u>	<u>Accumulated other comprehensive income</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at April 1, 2011	₩ 1,296,998	15	(2)	90,418	670,006	2,057,435
Net income for the year	-	-	-	-	99,758	99,758
Other comprehensive income, net of income tax						
Net change in fair value of available-for-sale financial assets	-	-	-	16,916	-	16,916
Share of the other comprehensive loss of associates	-	-	-	(1,300)	-	(1,300)
Foreign currency translation differences	-	-	-	883	-	883
Transactions recorded directly in equity						
Dividends	-	-	-	-	(20,000)	(20,000)
Change in share-based payments	-	-	100	-	-	100
Balance at March 31, 2012	₩ <u>1,296,998</u>	<u>15</u>	<u>98</u>	<u>106,917</u>	<u>749,764</u>	<u>2,153,792</u>

See accompanying notes to the consolidated financial statements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years ended March 31, 2012 and 2011

In millions of won

	2012	2011
Cash flows from operating activities		
Income before income taxes	₩ 133,440	154,476
Adjustment for:		
Interest income	(395,782)	(295,090)
Interest expense	153,641	130,403
Dividend income	(6,078)	(6,707)
Net loss (gain) on valuation of financial assets at fair value through profit or loss	1,328	(93,521)
Net loss on valuation of financial liabilities at fair value through profit or loss	169,919	55,432
Net gain on sales of available-for-sale financial assets	(2,722)	(2,010)
Impairment loss on available-for-sale financial assets	16,058	10,982
Provision for loan loss	2,648	5,332
Gain on sales of loans	(105)	(9,484)
Loss (gain) on foreign exchanges translation	334	(683)
Depreciation	12,534	12,908
Amortization of intangible assets	12,800	11,692
Stock-based compensation expense (benefit)	(2,503)	2,717
Reversal of provision	(578)	(247)
Provision for (reversal of) loss for other assets	1,881	(13,104)
Loss on disposition of property and equipment	47	82
Net loss (gain) on equity method valuation	(7,805)	905
Impairment loss on investments in associate	2,269	-
Depreciation of investment properties	3,790	3,806
Impairment loss on intangible assets	1,196	-
	<u>(37,128)</u>	<u>(186,587)</u>
Changes in assets and liabilities:		
Due from banks	41,347	(1,016,573)
Financial assets at fair value through profit or loss	(885,755)	(843,936)
Loans	(177,101)	(48,618)
Collective fund for default loss	429,131	(821)
Other assets	(626)	(186)
Deposits	(285,941)	236,987
Financial liabilities at fair value through profit or loss	1,308,504	1,362,954
Provision	531	379
Other liabilities	(493,182)	(148,106)
	<u>(63,092)</u>	<u>(457,920)</u>
Income taxes paid	(28,239)	(42,902)
Interests received	370,142	268,314
Interests paid	(149,732)	(129,602)
Dividends received	7,173	10,602
Net cash provided by (used in) operating activities	<u>₩ 232,564</u>	<u>(383,619)</u>

See accompanying notes to the consolidated financial statements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Consolidated Statements of Cash Flows, Continued
For the years ended March 31, 2012 and 2011

In millions of won

	<u>2012</u>	<u>2011</u>
Cash flows from investing activities		
Disposal of available-for-sale financial assets	₩ 160,283	30,199
Acquisition of available-for-sale financial assets	(1,128,603)	(378,463)
Acquisition of investments in associates	(5,947)	(7,882)
Disposal of property and equipment	2	46
Acquisition of property and equipment	(8,342)	(7,511)
Disposal of intangible assets	-	1,613
Acquisition of intangible assets	(6,490)	(6,790)
Net cash used in investing activities	<u>(989,097)</u>	<u>(368,788)</u>
Cash flows from financing activities		
Proceeds from borrowings	1,126,356	1,025,913
Repayment of borrowings	(102,727)	(180,772)
Dividends paid	(20,000)	(15,000)
Net cash provided by financing activities	<u>1,003,629</u>	<u>830,141</u>
Effect of exchange rate fluctuations on cash and cash equivalents held	<u>354</u>	<u>(1,555)</u>
Net increase in cash and cash equivalents	<u>247,450</u>	<u>76,179</u>
Cash and cash equivalents at beginning of year	<u>133,498</u>	<u>57,319</u>
Cash and cash equivalents at end of year	<u>₩ 380,948</u>	<u>133,498</u>

See accompanying notes to the consolidated financial statements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended March 31, 2012 and 2011

(In millions of won)

1. Reporting entity

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

(a) Controlling company

Shinhan Investment Corp. was established on April 2, 1973 under the name of HyoSeong Securities Co., Ltd. to engage in proprietary trading, underwriting and brokerage services. The Company changed its name from Good Morning Shinhan Securities Co., Ltd. to Shinhan Investment Corp. on August 24, 2009. The Company is wholly owned by Shinhan Financial Group Co., Ltd. and operates through 89 branches, 7 private bankings and 9 sales offices as of March 31, 2012.

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 ₩9,073,132 as of March 31, 2012 and the related fee income amounted to ₩6,287 for the year ended March 31, 2012.

(b) Scope of consolidation

(i) Subsidiaries

Ownership of Shinhan Investment Corp. and its major consolidated subsidiaries except special purpose entities as of March 31, 2012, 2011 and April 1, 2010 are as follows:

Investee	Country	Reporting date	Ownership (%)		
			March 31, 2012	March 31, 2011	April 1, 2010
Shinhan Investment America Inc.	USA	March 31	100.0	100.0	100.0
Shinhan Investment Europe Ltd.	UK	December 31	100.0	100.0	100.0
Shinhan Investment Asia Ltd.	Hong Kong	March 31	100.0	100.0	100.0

(ii) Special purpose entities

As of March 31, 2012, 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
"	Samsung Millennium Stock C503	"	Beneficiary certificates unsold
"	Santaclaus 98 Short-term Bond Fund 1	"	"
"	G1 Santaclaus 98 Short-term Bond Fund 1	"	"
"	Samsung Life New Short Fund B301	"	"
"	Samsung Life New Short Fund A423	"	"
"	Samsung Jinpum Short Fund C501	"	"
"	Samsung Jinpum Short Fund C503	"	"
"	Santaclaus Long-term Bond Fund 4	"	"
"	Santaclaus Long-term Bond Fund 5	"	"
"	Santaclaus New Long-term Bond Fund 1	"	"

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended March 31, 2012 and 2011

1. Reporting entity, Continued

(b) Scope of consolidation, Continued

(ii) Special purpose entities, Continued

Parent company	SPE	Location	Reference
Shinhan Investment Corp.	Goodmorning Long-term Gold 3-1 Bond Fund	Rep. of Korea	Beneficiary certificates unsold
"	Goodmorning Long-term Gold 3-2 Bond Fund	"	"
"	Neo Short-term Bond #22	"	"
"	Hanbaguni E-2	"	"
"	Kyobo Tomorrow SGIC-1	"	"
"	KAMCO Value Recreation 11 th Securitization Specialty Co., LTD	"	Securitization SPC
Shinhan Maritime Private Equity Fund I	SSTRITON A S.A.	Panama	Ship lending SPC
"	SSTRITON B S.A.	"	Ship lending SPC

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*.

These are the Group's first consolidated financial statements prepared in accordance with K-IFRS and K-IFRS No. 1101 *First-time Adoption of Korean International Financial Reporting Standards ("K-IFRS No. 1101")* has been applied. The Group's date of transition to K-IFRS is April 1, 2010, and the effect of the transition from Korean Generally Accepted Accounting Principles ("K-GAAP") to K-IFRS on the Group's reported financial position and financial performance is explained in note 39.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the consolidated statements 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
- share-based payment arrangements are measured at fair value

(c) Functional and presentation currency

These consolidated financial statements are presented in Korean won, which is the Company's functional currency and the currency of the primary economic environment in which the Group operates.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended March 31, 2012 and 2011

2. Basis of preparation, Continued

(d) Use of estimates and judgements, Continued

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 in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have a significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 3(g): Impairment of financial assets
- Note 3(h): Fair value of financial assets
- Note 3(s): Income taxes
- Note 11: Investment property

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 8: Loans and allowance
- Note 16: Provisions
- Note 30: Share-based payments
- Note 31: Commitments and contingencies

(e) Effective date for the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors on 7 May 2012.

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 and in preparing the opening K-IFRS statement of financial position at April 1, 2010 for the purpose of the transition to K-IFRS, unless otherwise indicated.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended March 31, 2012 and 2011

3. Significant accounting policies, Continued

(a) Basis of consolidation

(i) Subsidiaries

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

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

(ii) Special purpose entities

The Group has established a number of special purpose entities (SPEs) for trading and investment purposes. The Group does not have any direct or indirect shareholdings in these entities. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE.

(iii) Intra-group transactions

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

(b) Associates and jointly controlled entities

An associate is an entity in which the Group has significant influence, but not control, over the entity's 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 an associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the Group's share of the profit or loss and changes in equity of the associate after the date of acquisition. 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 recognized as expense if intra-group losses indicate an impairment that requires recognition in the consolidated financial statements.

If an associate uses accounting policies different from those of the Group for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in applying the equity method.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended March 31, 2012 and 2011

3. Significant accounting policies, Continued

(b) Associates and jointly controlled entities, Continued

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 for further losses.

(c) Foreign currency transactions

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. 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.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation or in a qualifying cash flow hedge, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(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.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation is treated as assets and liabilities of the foreign operation. Thus they are expressed in the functional currency of the foreign operation and translated at the closing rate.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended March 31, 2012 and 2011

3. Significant accounting policies, Continued

(c) Foreign currency transactions, Continued

(ii) Foreign operations, Continued

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.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and are used by the Group in management of its short-term commitments. Generally equity investments are excluded from cash and cash equivalents. However, redeemable preference shares, for which the period from the acquisition to redemption is short, are classified as cash and cash equivalents.

(e) 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, except for a financial asset at fair value through profit or loss, transaction costs that are directly attributable to the asset's acquisition or issuance.

Financial assets at fair value through profit or loss

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

Held-to-maturity investments

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended March 31, 2012 and 2011

3. Significant accounting policies, Continued

(e) Non-derivative financial assets, Continued

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, held-to-maturity investments or loans and receivables. Subsequent to initial recognition, they are measured at fair value, with changes in fair value, net of any tax effect, recorded in other comprehensive income in equity. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost. When a financial asset is derecognized or impairment losses are recognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Dividends on an available-for-sale equity instrument are recognized in profit or loss when the Group's right to receive payment is established.

The group has designated some of its debt securities as available-for-sale financial assets. As of March 31, 2012, 2011 and April 1, 2010, the amounts designated as available-for-sale financial assets were ₩26,266 million, ₩10,121 million and ₩35,250 million, respectively.

Derecognition of financial assets

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

Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(f) Derivative financial instruments

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

Separable embedded derivatives

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended March 31, 2012 and 2011

3. Significant accounting policies, Continued

(f) Derivative financial instruments, Continued

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 March 31, 2012, 2011 and April 1, 2010.

(g) 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.

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

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

Loans and receivables

The Group first assesses whether objective evidence of impairment exists individually for loans and receivables 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 and receivables 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).

If the interest rate of a loan or receivable is a floating rate, the discount rate used to evaluate impairment loss is the current effective interest rate defined in the loan 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 the probability of realization of such collateral.

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended March 31, 2012 and 2011

3. Significant accounting policies, Continued

(g) Impairment of financial assets, Continued

Future cash flows of financial assets subject to a 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 those 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. Methodologies and assumptions used to estimate future cash flows are evaluated on a regular basis in order to reduce any discrepancy between estimated and actual impairment losses.

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

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.

(h) Fair value of financial assets

The fair values of financial instruments not actively traded in markets 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.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES
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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. In addition, in the preparation of the opening K-IFRS consolidated statement of financial position on the date of transition to K-IFRS, the Group measures land and buildings at fair value at the date of transition, which is deemed cost, in accordance with K-IFRS No. 1101.

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 in the asset 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.

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

(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.

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 activities involve a plan or design for the production of new or substantially improved products and processes. 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.

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

(l) Impairment of non-financial assets

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

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

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

(m) Non-derivative financial liabilities

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

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

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

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

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

(n) Equity capital

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

A preference share that do not provides 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 at a general meeting by stockholder. A preference share that provides for mandatory redemption by the issuer for a fixed or determinable amount at a fixed or determinable future date, or gives the holder the right to require the issuer to redeem the instrument at or after a particular date for a fixed or determinable amount, is a financial liability. Dividends paid relate to the preference share are classified as interest expense.

(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) Defined contribution plans

When an employee has rendered service to the Group during a period, the Group recognizes the contribution payable to a defined contribution plan in exchange for that service as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the Group recognizes that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

(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.

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

(p) Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period that the employees unconditionally become entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as personnel expense in profit or loss.

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

(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.

A provision is used only for expenditures for which the provision was originally recognized.

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

(r) Financial income and 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 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.

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

(s) Income taxes

Income tax expense comprises current and deferred tax. Current and deferred tax are 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 year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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.

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

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

(t) Segment reporting

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 reportable segments which consist of retail, wholesale, investment bank (IB), sales trading (S&T), wealth management (WM) and others, as described in note 26.

(u) New standards and interpretations not yet adopted

The following new standards, interpretations and amendments to existing standards have been published and are mandatory for the Group for annual periods beginning after April 1, 2011, and the Group has not early adopted them.

i) Amendments to K-IFRS No. 1107 *Financial Instruments: Disclosures*

The amendments require disclosing the nature of the transferred assets, their carrying amount, and the description of risks and rewards for each class of transferred financial assets that are not derecognized in their entirety. If the Group derecognizes transferred financial assets but still has their specific risks and rewards, the amendments require additional disclosures on their effect of risks. The amendments will be applied prospectively for the Group's annual periods beginning on or after July 1, 2011. Management believes the impacts of the amendments on the Group's consolidated financial statements will not be significant.

ii) Amendments to K-IFRS No. 1019 *Employee Benefits*

The standard requires recognition of actuarial gains and losses immediately in other comprehensive income and to calculate expected return on plan assets based on the rate used to discount the defined benefit obligation. The standard will be applied retrospectively for the Group's annual periods beginning on or after January 1, 2013. Management believes the impacts of the amendments on the Group's consolidated financial statements will be significant.

iii) K-IFRS No. 1113 *Fair Value Measurement*

The standard defines fair value and a single framework for fair value, and requires disclosures about fair value measurements. The standard will be applied prospectively for the Group's annual periods beginning on or after January 1, 2013. Management believes the impacts of the amendments on the Group's consolidated financial statements will not be significant.

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(In millions of won)

4. Cash and due from banks

(a) Details of cash and due from banks as of March 31, 2012, 2011 and April 1, 2010 were summarized as follows:

		<u>March 31, 2012</u>	<u>March 31, 2011</u>	<u>April 1, 2010</u>
Cash and cash equivalents	Cash on hand	₩ 103	112	78
	Current deposits	2,386	1,493	2,024
	Demand deposits	10,761	16,628	11,565
	Time deposits	314,950	27,479	-
	Others	25,500	54,800	13,400
	Foreign currency deposits	27,248	32,986	30,252
			<u>380,948</u>	<u>133,498</u>
Due from banks in won	Time deposits	1,626,286	1,699,782	575,517
	Reserve for claims of customers' deposits	1,400	2,200	3,300
	Subscription deposits	102	-	-
	Securities borrowed	10,403	13,240	-
	Guarantee deposits for stock borrowing for KSFC	1,872	4,478	7,265
	Guarantee deposits for KSFC trading	4,500	-	-
	Others	23,343	23,558	193,664
			<u>1,667,906</u>	<u>1,743,258</u>
Due from banks in foreign currency	Reserve for claims of customers' deposits	107,136	77,527	25,388
	Others	8,988	4,334	4,389
		<u>116,124</u>	<u>81,861</u>	<u>29,777</u>
	₩	<u>2,164,978</u>	<u>1,958,617</u>	<u>866,842</u>

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4. Cash and due from banks, Continued

(b) Restricted due from banks as of March 31, 2012, 2011 and April 1, 2010 were as follows:

	Placed at		March 31, 2012	March 31, 2011	April 1, 2010	Restriction
Time deposits	Kookmin Bank	₩	1,279	1,486	1,662	collateral for the sales of beneficiary certificates
	Shinhan Bank		17,000	17,000	17,000	collateral for a bank overdraft facility
	Shinhan Bank		5,000	5,000	5,000	collateral for the small amount of payment
	Shinhan Bank and others		-	18,400	71,000	collateral for the issue of ELS (Equity Linked Securities)
Reserve for claims on customers' deposits	Korean Securities Finance Corporation		108,536	79,727	28,688	(*)
Reserve for claims on customers' deposits (trust)	Korean Securities Finance Corporation		1,118,828	889,539	984,159	(*)(**)
Subscription deposits	Woori Investment & Securities Co.,Ltd		102	-	-	stocks for public subscription
Securities borrowed	Korea Securities Depository		10,403	-	-	securities borrowed
Guarantee deposits for stock borrowings for KSFC	Korean Securities Finance Corporation		4,500	-	-	guarantee deposits for stock borrowings for KSFC
Guarantee deposit for KSFC trading	Korean Securities Finance Corporation		1,872	4,478	7,265	guarantee deposits for KSFC trading
Other deposits in won	Korea Stock Exchange		-	-	98,573	National futures KRX deposits
Other deposits in won	Shinhan Bank and others		64	64	61	deposit for checking accounts
Other deposits in foreign currency	MAREX Financial Limited and others		8,959	3,088	2,340	collateral for trading the foreign futures
	Hong Kong Exchange and Clearing Limited		29	28	29	collateral for trading securities

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4. Cash and due from banks, Continued

Placed at	March 31, 2012	March 31, 2011	April 1, 2010	Restriction
Korea Exchange	-	1,107	1,936	collateral for trading the domestic futures
Terra Nova	-	111	113	collateral for trading securities
₩	<u>1,276,572</u>	<u>1,020,028</u>	<u>1,217,826</u>	

(*) 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.

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

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5. Financial assets at fair value through profit or loss

(a) Details of financial assets at fair value through profit or loss as of March 31, 2012, 2011 and April 1, 2010 were summarized as follows:

		<u>March 31, 2012</u>	<u>March 31, 2011</u>	<u>April 1, 2010</u>
Trading financial assets	₩	5,495,352	4,762,875	4,119,762
Financial assets designated at fair value through profit or loss		2,000,893	1,820,422	1,569,898
Derivative assets		96,330	124,851	81,031
	₩	<u>7,592,575</u>	<u>6,708,148</u>	<u>5,770,691</u>

(b) Details of trading financial assets as of March 31, 2012, 2011 and April 1, 2010 were summarized as follows:

		<u>March 31, 2012</u>	<u>March 31, 2011</u>	<u>April 1, 2010</u>
Trading financial assets in won				
State bonds	₩	555,360	658,447	882,486
Local bonds		41,374	34,207	31,062
Financial bonds		2,819,714	2,351,197	2,139,356
Corporate bonds		1,672,961	1,517,314	905,981
Stocks		33,895	123,324	89,567
Collective investment securities		22,736	60,603	32,046
Others		270,663	-	-
		<u>5,416,703</u>	<u>4,745,092</u>	<u>4,080,498</u>
Trading financial assets in foreign currency				
Bonds		78,649	-	28,784
Stocks		-	-	10,480
Others		-	17,783	-
		<u>78,649</u>	<u>17,783</u>	<u>39,264</u>
	₩	<u>5,495,352</u>	<u>4,762,875</u>	<u>4,119,762</u>

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

(c) Details of financial assets designed at fair value through profit or loss as of March 31, 2012, 2011 and April 1, 2010 were summarized as follows:

	<u>March 31, 2012</u>	<u>March 31, 2011</u>	<u>April 1, 2010</u>
Hybrid instruments			
Derivatives-combined securities	₩ 341,619	328,329	291,454
Management and performance evaluation on a fair value basis			
Reserve for claims of customers' deposit (trust)	1,118,828	889,539	984,159
Bonds	507,490	531,688	212,865
Stocks	32,956	70,866	81,420
	<u>1,659,274</u>	<u>1,492,093</u>	<u>1,278,444</u>
	₩ <u>2,000,893</u>	<u>1,820,422</u>	<u>1,569,898</u>

(d) Details of derivative assets as of March 31, 2012, 2011 and April 1, 2010 were summarized as follows:

	<u>March 31, 2012</u>	<u>March 31, 2011</u>	<u>April 1, 2010</u>
Derivatives in won			
Over the counter:			
Interest rate	₩ 19,804	22,310	39,867
Equity	58,459	65,295	25,862
Credit	-	164	1,968
Others	2,538	1,113	1,214
	<u>80,801</u>	<u>88,882</u>	<u>68,911</u>
Exchange traded:			
Equity options	<u>7,165</u>	<u>27,474</u>	<u>1,112</u>
Derivatives in foreign currency			
Over the counter:			
Currency	7,769	8,321	11,008
Others	274	81	-
	<u>8,043</u>	<u>8,402</u>	<u>11,008</u>
Exchange traded:			
Currency futures	-	15	-
Commodity futures	321	78	-
	₩ <u>96,330</u>	<u>124,851</u>	<u>81,031</u>

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6. Available-for-sale financial assets

Details of available-for-sale financial assets as of March 31, 2012, 2011 and April 1, 2010 were summarized as follows:

	<u>March 31, 2012</u>	<u>March 31, 2011</u>	<u>April 1, 2010</u>
Debt securities			
Government bonds	₩ 21,482	-	-
Financial bonds	482,841	129,317	-
Corporate bonds	856,593	258,582	37,389
Bonds with warrants	2,238	2,106	12,948
Corporate commercial paper	24,028	8,015	8,566
	<u>1,387,182</u>	<u>398,020</u>	<u>58,903</u>
Equity securities			
Stocks(*)	162,364	156,163	134,382
Investments in partnerships	10,762	11,723	13,263
Beneficiary certificates(*)	6,085	19,390	18,728
Securities in foreign currency(*)	2,083	2,516	2,653
	<u>181,294</u>	<u>189,792</u>	<u>169,026</u>
Collective fund for default loss	8,474	7,849	7,654
	<u>₩ 1,576,950</u>	<u>595,661</u>	<u>235,583</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 of ₩5,269, ₩4,769, ₩5,909 as of March 31, 2012, 2011 and April 1, 2010, respectively.

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7. Investments in associates

(a) Details of investments in associates as of March 31, 2012, 2011 and April 1, 2010 were as follows:

	Ownership(%)	March 31, 2012		March 31, 2011	April 1, 2010
		Acquisition cost	Book value	Book value	Book value
The Asia Pacific Capital Fund II L.P	21.90%	₩ 25,125	32,147	22,314	16,691
KoFC Shinhan Frontier Champ 2010-4 PEF(*)	8.50%	-	-	-	-
Special Short Term 8	49.80%	59	59	59	-
Special Middle Term 2	46.10%	156	156	189	346
		₩ 25,340	32,362	22,562	17,037

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

(b) Changes in investments in associates for the years ended March 31, 2012 and 2011 were as follows:

	2012					
	Beginning balance	Acquisition (disposal)	Equity method income	Impairment loss	Changes in accumulated other comprehensive income	Ending balance
The Asia Pacific Capital Fund II L.P(*)	₩ 22,314	3,711	7,805	-	(1,683)	32,147
KoFC Shinhan Frontier Champ 2010-4 PEF	-	2,269	-	(2,269)	-	-
Special Short Term 8	59	-	-	-	-	59
Special Middle Term 2	189	(33)	-	-	-	156
	₩ 22,562	5,947	7,805	(2,269)	(1,683)	32,362

(*) The Group accounted for its investment by using the equity method of accounting based on financial statements of December 31, 2011.

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7. Investments in associates, Continued

	2011				
	Beginning balance	Acquisition (disposal)	Equity method loss	Changes in accumulated other comprehensive income	Ending balance
The Asia Pacific Capital Fund II L.P(*)	₩ 16,691	7,979	(905)	(1,451)	22,314
Special Short Term 8	-	59	-	-	59
Special Middle Term 2	345	(156)	-	-	189
	₩ <u>7,036</u>	<u>7,882</u>	<u>(905)</u>	<u>(1,451)</u>	<u>22,562</u>

(*) The Group accounted for its investment by using the equity method of accounting based on financial statements of December 31, 2010.

(c) Condensed financial statements of associates as of March 31, 2012, 2011 and April 1, 2010 and for the years ended March 31, 2012 and 2011 were as follows:

Investees	March 31, 2012		March 31, 2011		April 1, 2010	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
The Asia Pacific Capital Fund II L.P	₩ 154,761	7,969	89,304	61	61,333	355
KoFC Shinhan Frontier Champ 2010-4 PEF	2,500	887	-	-	-	-
Special Short Term 8	-	-	114	1	126	1
Special Middle Term 2	491	1	422	1	469	1
	₩ <u>157,752</u>	<u>8,857</u>	<u>89,840</u>	<u>63</u>	<u>61,928</u>	<u>357</u>

Investees	2012		2011	
	Operating revenue	Net income (loss)	Operating revenue	Net income (loss)
The Asia Pacific Capital Fund II L.P	₩ 35,119	35,627	-	(4,134)
KoFC Shinhan Frontier Champ 2010-4 PEF	-	(25,039)	-	-
Special Short Term 8	-	-	2	1
Special Middle Term 2	1	(2)	6	3
	₩ <u>35,120</u>	<u>10,586</u>	<u>8</u>	<u>(4,130)</u>

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8. Loans

(a) Details of loans as of March 31, 2012, 2011 and April 1, 2010 were as follows:

	March 31, 2012	March 31, 2011	April 1, 2010
Broker's loans	₩ 758,149	809,723	591,853
Loans purchased	128,147	155,674	245,867
Loans for housing	15,091	14,978	14,274
Call loan	10,323	285	80,114
Advances for customers	11,853	11,921	11,586
Bonds bought under repurchase agreements	249,800	-	-
Private placement bonds	5,405	5,259	5,371
Other loans	15,659	18,090	51,533
	<u>1,194,427</u>	<u>1,015,930</u>	<u>1,000,598</u>
Allowance for credit loss	(104,520)	(101,869)	(139,483)
Present value discount	(1,842)	(1,933)	(1,836)
Deferred loan origination costs	(694)	-	(247)
	<u>₩ 1,087,371</u>	<u>912,128</u>	<u>859,032</u>

(b) Changes in the allowance for credit loss for the years ended March 31, 2012 and 2011 were as follows:

	2012		
	Loans	Other assets	Total
Beginning balance	₩ 101,869	14,009	115,878
Provision for allowance	2,648	1,881	4,529
Recoveries	3	-	3
Ending balance	<u>₩ 104,520</u>	<u>15,890</u>	<u>120,410</u>
	2011		
	Loans	Other assets	Total
Beginning balance	₩ 139,483	31,170	170,125
Provision for (reversal of) allowance	5,332	(13,104)	(7,772)
Disposal	(42,946)	(4,057)	(46,475)
Ending balance	<u>₩ 101,869</u>	<u>14,009</u>	<u>115,878</u>

(c) Changes in deferred loan origination fees for the years ended March 31, 2012, 2011 were as follows:

	2012	2011
Beginning balance	₩ -	247
Loan originations	1,000	-
Amortization	(306)	(247)
Ending balance	<u>₩ 694</u>	<u>-</u>

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9. Property and equipment

(a) Details of property and equipment as of March 31, 2012, 2011 and April 1, 2010 were as follows:

		March 31, 2012		
		Acquisition cost	Accumulated depreciation	Book value
Land	₩	64,180	-	64,180
Buildings		54,585	(4,794)	49,791
Others		116,833	(96,707)	20,126
	₩	<u>235,598</u>	<u>(101,501)</u>	<u>134,097</u>
		March 31, 2011		
		Acquisition cost	Accumulated depreciation	Book value
Land	₩	65,585	-	65,585
Buildings		56,937	(3,025)	53,912
Others		110,127	(87,944)	22,183
	₩	<u>232,649</u>	<u>(90,969)</u>	<u>141,680</u>
		April 1, 2010		
		Acquisition cost	Accumulated depreciation	Book value
Land	₩	62,676	-	62,676
Buildings		56,554	(689)	55,865
Others		104,332	(78,733)	25,599
	₩	<u>223,562</u>	<u>(79,422)</u>	<u>144,140</u>

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9. Property and equipment, Continued

(b) Changes in property and equipment for the years ended March 31, 2012 and 2011 were as follows:

	2012			
	Land	Buildings	Others	Total
Beginning balance	₩ 65,585	53,912	22,183	141,680
Acquisition	-	-	8,342	8,342
Disposals	-	-	(50)	(50)
Depreciation	-	(2,185)	(10,349)	(12,534)
Amounts transferred to investment property	(1,405)	(1,936)	-	(3,341)
Ending balance	₩ 64,180	49,791	20,126	134,097

	2011			
	Land	Buildings	Others	Total
Beginning balance	₩ 62,676	55,865	25,599	144,140
Acquisition	-	60	7,451	7,511
Disposals	-	-	(127)	(127)
Depreciation	-	(2,168)	(10,740)	(12,908)
Amounts transferred from investment property	2,909	155	-	3,064
Ending balance	₩ 65,585	53,912	22,183	141,680

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10. Intangible assets

Changes in intangible assets for the years ended March 31, 2012 and 2011 were as follows:

		2012				
		Finite useful lives		Infinite useful lives		
		Software	Others	Membership	Settlement system right of use	Total
Beginning balance	₩	28,800	360	7,650	19,696	56,506
Acquisition		5,680	-	810	-	6,490
Depreciation		(12,709)	(91)	-	-	(12,800)
Impairment		-	-	(1,196)	-	(1,196)
Ending balance	₩	21,771	269	7,264	19,696	49,000

		2011				
		Finite useful lives		Infinite useful lives		
		Software	Others	Membership	Settlement system right of use	Total
Beginning balance	₩	33,616	2,028	7,682	19,696	63,022
Acquisition		6,789	-	-	-	6,789
Disposal		-	(1,581)	(32)	-	(1,613)
Depreciation		(11,605)	(87)	-	-	(11,692)
Ending balance	₩	28,800	360	7,650	19,696	56,506

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11. Investment property

(a) Details of investment property as of March 31, 2012, 2011 and April 1, 2010 were as follows:

		March 31, 2012		
		Acquisition cost	Accumulated depreciation	Book value
Land	₩	100,618	-	100,618
Buildings		98,887	(8,791)	90,096
	₩	<u>199,505</u>	<u>(8,791)</u>	<u>190,714</u>
		March 31, 2011		
		Acquisition cost	Accumulated depreciation	Book value
Land	₩	99,213	-	99,213
Buildings		96,535	(4,585)	91,950
	₩	<u>195,748</u>	<u>(4,585)</u>	<u>191,163</u>
		April 1, 2010		
		Acquisition cost	Accumulated depreciation	Book value
Land	₩	102,122	-	102,122
Buildings		96,858	(947)	95,911
	₩	<u>198,980</u>	<u>(947)</u>	<u>198,033</u>

(b) Changes in investment property for the years ended March 31, 2012 and 2011 were as follows:

		2012		
		Land	Buildings	Total
Beginning balance	₩	99,213	91,950	191,163
Depreciation		-	(3,790)	(3,790)
Amounts transferred from property and equipment		1,405	1,936	3,341
Ending balance	₩	<u>100,618</u>	<u>90,096</u>	<u>190,714</u>
		2011		
		Land	Buildings	Total
Beginning balance	₩	102,122	95,911	198,033
Depreciation		-	(3,806)	(3,806)
Amounts transferred to property and equipment		(2,909)	(155)	(3,064)
Ending balance	₩	<u>99,213</u>	<u>91,950</u>	<u>191,163</u>

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11. Investment property, Continued

(c) Details of gain (loss) on investment property for the years ended March 31, 2012 and 2011 were as follows:

		2012	2011
Rental income	₩	16,980	17,889
Direct operating expenses for investment property that generated rental income		3,790	3,806

(d) The fair value of investment property as of March 31, 2012, 2011 and April 1, 2010 were as follows:

		March 31, 2012	March 31, 2011	April 1, 2010
Fair value	₩	201,720	195,132	198,980

12. Other assets

Details of other assets as of March March 31, 2012, 2011 and April 1, 2010 were as follows:

		March 31, 2012	March 31, 2011	April 1, 2010
Leasehold rights	₩	39,378	42,497	9,375
Receivables		985,597	1,475,171	1,596,081
Accrued income		94,771	74,482	52,827
Prepaid expenses		9,777	20,221	10,311
Deposits for guarantees		32,911	31,949	61,862
Advance payments		146,591	102,080	13,308
Receivables from inter-bank fund transfer		59,017	32,650	9,766
Others		4,564	5,022	10,594
		<u>1,372,606</u>	<u>1,784,072</u>	<u>1,764,124</u>
Allowance for credit loss		(15,890)	(14,009)	(31,170)
Present value discount		(6,791)	(7,348)	(5,693)
	₩	<u>1,349,925</u>	<u>1,762,715</u>	<u>1,727,261</u>

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13. Deposits

Details of deposits as of March 31, 2012, 2011 and April 1, 2010 were as follows:

	<u>March 31, 20112</u>	<u>March 31, 2011</u>	<u>April 1, 2010</u>
Customers' deposits			
Customers' deposits for brokerage	₩ 485,771	511,677	471,832
Customers' deposits for exchange-traded derivatives trading	309,647	584,614	451,690
Customers' deposits for savings	2,846	3,251	4,253
Customers' deposits for other securities	68	68	68
Customers' deposits for foreign securities	121,431	96,316	40,366
	<u>919,763</u>	<u>1,195,926</u>	<u>968,209</u>
Guarantee deposits			
Deposits for margin loans	12,431	21,627	15,766
	₩ <u>932,194</u>	<u>1,217,553</u>	<u>983,975</u>

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14. Financial liabilities at fair value through profit or loss

- (a) Details of financial liabilities at fair value through profit or loss as of March 31, 2012, 2011 and April 1, 2010 were as follows:

	<u>March 31, 2012</u>	<u>March 31, 2011</u>	<u>April 1, 2010</u>
Trading financial liabilities	₩ 288,301	454,534	203,361
Financial liabilities designated at fair value through profit or loss	3,915,993	2,395,052	1,215,628
Derivative liabilities	199,445	75,730	87,941
	<u>₩ 4,403,739</u>	<u>2,925,316</u>	<u>1,506,930</u>

- (b) Details of trading liabilities as of March 31, 2012, 2011 and April 1, 2010 were as follows:

	<u>March 31, 2012</u>	<u>March 31, 2011</u>	<u>April 1, 2010</u>
Securities sold			
Stocks	₩ 26,202	9,202	9,509
State and local bonds	258,154	445,332	193,852
Others	3,945	-	-
	<u>₩ 288,301</u>	<u>454,534</u>	<u>203,361</u>

- (c) Details of financial liabilities designated at fair value through profit or loss as of March 31, 2012, 2011 and April 1, 2010 were as follows:

	<u>March 31, 2012</u>	<u>March 31, 2011</u>	<u>April 1, 2010</u>
Hybrid instruments			
Equity linked securities sold	₩ 3,493,472	1,963,676	846,035
Others derivatives-combined securities sold	422,521	431,376	369,593
	<u>₩ 3,915,993</u>	<u>2,395,052</u>	<u>1,215,628</u>

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

(d) Details of derivative liabilities as of March 31, 2012, 2011 and April 1, 2010 were as follows:

	<u>March 31, 2012</u>	<u>March 31, 2011</u>	<u>April 1, 2010</u>
Derivatives in won			
Over the counter:			
Interest rate	₩ 19,637	22,187	44,266
Equity	165,186	11,787	18,994
Credit	995	39	-
Other	416	2,150	5,657
	<u>186,234</u>	<u>36,163</u>	<u>68,917</u>
Exchange traded:			
Equity options	7,658	33,123	5,139
	<u>193,892</u>	<u>69,286</u>	<u>74,056</u>
Derivatives in foreign currency			
Over the counter:			
Currency	4,967	6,274	13,885
Other	586	154	-
	<u>5,553</u>	<u>6,428</u>	<u>13,885</u>
Exchange traded:			
Commodity futures	-	16	-
	<u>5,553</u>	<u>6,444</u>	<u>13,885</u>
	₩ <u>199,445</u>	<u>75,730</u>	<u>87,941</u>

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15. Borrowings

(a) Details of borrowings as of March 31, 2012, 2011 and April 1, 2010 were as follows:

		<u>March 31, 2012</u>	<u>March 31, 2011</u>	<u>April 1, 2010</u>
Debt securities issued	₩	67,425	67,405	49,954
Borrowings		<u>5,470,647</u>	<u>4,446,386</u>	<u>3,618,668</u>
	₩	<u>5,538,072</u>	<u>4,513,791</u>	<u>3,668,622</u>

(b) Details of debt securities issued as of March 31, 2012, 2011 and April 1, 2010 were as follows:

	<u>Maturity</u>	<u>Interest rate (%)</u>		<u>March 31, 2012</u>	<u>March 31, 2011</u>	<u>April 1, 2010</u>
Good Morning Shinhan 17th	2012.7.23	5.69	₩	50,000	50,000	50,000
Other				17,432	17,432	-
Discount on debt securities				(7)	(27)	(46)
			₩	<u>67,425</u>	<u>67,405</u>	<u>49,954</u>

(c) Details of borrowings as of March 31, 2012, 2011 and April 1, 2010 were as follows:

	<u>March 31, 2012</u>		<u>March 31, 2011</u>		<u>April 1, 2010</u>	
	<u>Interest rate (%)</u>	<u>Amount</u>	<u>Interest rate (%)</u>	<u>Amount</u>	<u>Interest rate (%)</u>	<u>Amount</u>
Call money	3.32~3.35	₩ 647,100	2.98~3.16	₩ 744,600	2.00~2.10	₩ 359,900
Bonds sold under repurchase agreements	1.00~4.50	4,377,316	1.00~8.84	3,433,290	1.00~8.84	2,880,964
Bonds sold under repurchase agreements in foreign currency		12,305	-	-	-	-
Borrowings from KSFC	1.75~6.78	217,701	4.56	100,427	3.88~5.53	206,232
Borrowings in foreign currency	Libor 3 month +3.90	49,306	-	-	-	-
Subordinated borrowings	-	-	5.64	100,000	5.64	170,000
Borrowings from relatives	4.11	100,000	-	-	-	-
Others	-	66,919	-	68,069	-	1,572
		₩ <u>5,470,647</u>		₩ <u>4,446,386</u>		₩ <u>3,618,668</u>

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16. Provisions

Changes in provision for the years ended March 31, 2012 and 2011 were as follows:

		2012			
		Asset retirement obligation	Allowance for litigation	Other allowances	Total
Beginning					
balance	₩	3,132	21,942	2	25,076
Provision		822	-	-	822
Reversal		(578)	-	-	(578)
Provision used		(403)	-	-	(403)
Other		111	-	-	111
Ending balance	₩	3,084	21,942	2	25,028
		2011			
		Asset retirement obligation	Allowance for litigation	Other allowances	Total
Beginning					
balance	₩	2,996	21,942	5	24,943
Provision		958	-	-	958
Reversal		(247)	-	-	(247)
Provision used		(672)	-	-	(672)
Other		97	-	(3)	94
Ending balance	₩	3,132	21,942	2	25,076

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

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17. Other liabilities

Details of other liabilities as of March 31, 2012, 2011 and April 1, 2010 were as follows:

	<u>March 31, 2012</u>	<u>March 31, 2011</u>	<u>April 1, 2010</u>
Accounts payable	₩ 923,455	1,405,999	1,562,290
Accrued expenses	50,722	48,753	45,098
Unearned income	2,462	987	2,004
Deposits for rent	39,431	27,894	27,984
Domestic exchanges payable	41,663	48,560	51,205
Account for agency business	304	239	117
Advances receipts	-	13,157	1,328
Withholding income taxes	15,474	18,674	13,603
Others	2,436	2,181	7,888
	<u>1,075,947</u>	<u>1,566,444</u>	<u>1,711,517</u>
Present value discount	(2,369)	(901)	(1,162)
	<u>₩ 1,073,578</u>	<u>1,565,543</u>	<u>1,710,355</u>

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18. Net commission income

Net commission income for the years ended March 31, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Commission income		
Brokerage commissions	₩ 309,856	314,989
Brokerage commissions on collective investment securities	12,036	13,343
Underwriting commissions	22,093	28,379
Consulting commissions	6,461	4,557
Commissions on entrusted investments	4,737	3,641
Trust fees and commissions received from trust account	6,287	6,425
Others	5,941	5,312
	<u>367,411</u>	<u>376,646</u>
Commission expense		
Trading commissions	(21,338)	(25,497)
Commission on securities borrowed	(2,650)	(2,138)
Commission on Shinhan Group brand	(7,434)	(4,771)
Partnership commission	(7,287)	(6,663)
Others	(16,540)	(15,823)
	<u>(55,249)</u>	<u>(54,892)</u>
Net commission income	₩ <u>312,162</u>	<u>321,754</u>

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19. Net interest income

Net interest incomes for the years ended March 31, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Interest income		
Interest on deposits	₩ 74,006	29,444
Interest on financial assets designated at fair value through profit or loss	18,992	14,283
Interest on trading financial assets	180,321	174,437
Interest on available-for-sale financial assets	44,104	2,268
Interest on loans	69,971	62,729
Others	8,388	11,929
	<u>395,782</u>	<u>295,090</u>
Interest expense		
Interest on customers' deposits	(8,146)	(13,185)
Interest on borrowings	(4,151)	(13,842)
Interest on bonds sold under repurchase agreements	(115,298)	(81,533)
Interest on call money	(19,752)	(15,472)
Interest on debentures	(4,118)	(3,804)
Others	(2,176)	(2,567)
	<u>(153,641)</u>	<u>(130,403)</u>
Net interest income	₩ <u>242,141</u>	<u>164,687</u>

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20. Net gain (loss) on foreign transactions

Net gain on foreign transactions for the years ended March 31, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Gain on foreign transactions		
Gain on foreign currency transactions	₩ 12,619	28,408
Gain on foreign exchange translations	3,304	3,728
	<u>15,923</u>	<u>32,136</u>
Loss on foreign transactions		
Loss on foreign currency transactions	(11,397)	(30,892)
Loss on foreign exchange translations	(3,638)	(3,045)
	<u>(15,035)</u>	<u>(33,937)</u>
Net gain (loss) on foreign transactions	₩ <u>888</u>	<u>(1,801)</u>

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21. General and administrative expenses

General and administrative expenses for the years ended March 31, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Personnel expenses		
Salary	₩ 163,153	170,154
Other benefits for employees	44,204	41,853
Early retirement	6,385	84
Severance pay	14,342	15,476
	<u>228,084</u>	<u>227,567</u>
Depreciation	12,534	12,908
Amortization of intangible assets	12,800	11,692
Other general and administrative expense		
Rental expense	15,905	15,477
Entertainment expense	5,664	5,421
Advertising expense	13,093	17,556
Computer system operation expense	9,828	8,473
Research and study expense	5,320	5,237
Communication expense	8,580	8,589
Maintenance and repairs expense	4,266	4,396
Tax and dues	18,851	20,633
Others	12,569	14,020
	<u>94,076</u>	<u>99,802</u>
	<u>₩ 347,494</u>	<u>351,969</u>

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22. Other operating revenues and expenses

Other operating revenues and expenses for the years ended March 31, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Others operating revenues		
Dividends income	₩ 6,078	6,707
Reversal of allowance for other assets	-	13,104
Reversal of assets retirement obligation	578	247
Others	246	839
	<u>₩ 6,902</u>	<u>20,897</u>
Others operating expenses		
Provision for loss for other assets	₩ 1,881	-
Others	1,026	503
	<u>₩ 2,907</u>	<u>503</u>

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23. Non-operating incomes and expenses

Non-operating incomes and expenses for the years ended March 31, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Non-operating incomes		
Gain on equity method valuation	₩ 7,805	-
Rental income	16,980	17,889
Gain on disposition of property and equipment	-	1
Others	(9)	3,075
	<u>₩ 24,776</u>	<u>20,965</u>
Non-operating expenses		
Loss on equity method valuation	₩ -	905
Impaired loss on investments in associates	2,269	-
Depreciation on Investment property	3,790	3,806
Donations	2,913	1,219
Loss on disposition of property and equipment	47	83
Impaired loss on intangible assets	1,196	-
Others	(140)	1,217
	<u>₩ 10,075</u>	<u>7,230</u>

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24. Financial instrument classification by category

(a) Detail of financial instruments' book value as of March 31, 2012, 2011 and April 1, 2010 were as follows:

		March 31, 2012							
		Trading financial assets	Financial asset designated at fair value through profit or loss	Available- for-sale financial assets	Loans and receivables	Trading finance liabilities	Financial liabilities designated at fair value through profit or loss	Financial liabilities measured at amortized cost	Total
Assets:									
Cash and due from banks	₩	-	-	-	2,164,978	-	-	-	2,164,978
Financial assets at fair value through profit or loss		5,591,682	2,000,893	-	-	-	-	-	7,592,575
Available-for-sale financial assets		-	-	1,576,950	-	-	-	-	1,576,950
Loans		-	-	-	1,087,371	-	-	-	1,087,371
Other financial assets		-	-	-	1,191,050	-	-	-	1,191,050
	₩	<u>5,591,682</u>	<u>2,000,893</u>	<u>1,576,950</u>	<u>4,443,399</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,612,924</u>
Liabilities:									
Deposits	₩	-	-	-	-	-	-	932,194	932,194
Financial liabilities at fair value through profit or loss		-	-	-	-	487,746	3,915,993	-	4,403,739
Borrowings		-	-	-	-	-	-	5,538,072	5,538,072
Other financial liabilities		-	-	-	-	-	-	1,053,205	1,053,205
	₩	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>487,746</u>	<u>3,915,993</u>	<u>7,523,471</u>	<u>11,927,210</u>

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24. Financial instrument classification by category, Continued

		March 31, 2011							
		Trading financial assets	Financial asset designated at fair value through profit or loss	Available- for-sale financial assets	Loans and receivables	Trading finance liabilities	Financial liabilities designated at fair value through profit or loss	Financial liabilities measured at amortized cost	Total
Assets:									
Cash and due from banks	₩	-	-	-	1,958,617	-	-	-	1,958,617
Financial assets at fair value through profit or loss		4,887,726	1,820,422	-	-	-	-	-	6,708,148
Available-for-sale financial assets		-	-	595,661	-	-	-	-	595,661
Loans		-	-	-	912,128	-	-	-	912,128
Other financial assets		-	-	-	1,638,645	-	-	-	1,638,645
	₩	<u>4,887,726</u>	<u>1,820,422</u>	<u>595,661</u>	<u>4,509,390</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,813,199</u>
Liabilities:									
Deposits	₩	-	-	-	-	-	-	1,217,553	1,217,553
Financial liabilities at fair value through profit or loss		-	-	-	-	530,264	2,395,052	-	2,925,316
Borrowings		-	-	-	-	-	-	4,513,791	4,513,791
Other financial liabilities		-	-	-	-	-	-	1,540,455	1,540,455
	₩	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>530,264</u>	<u>2,395,052</u>	<u>7,271,799</u>	<u>10,197,115</u>

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24. Financial instrument classification by category, Continued

		April 1, 2010							
		Trading financial assets	Financial asset designated at fair value through profit or loss	Available- for-sale financial assets	Loans and receivables	Trading finance liabilities	Financial liabilities designated at fair value through profit or loss	Financial liabilities measured at amortized cost	Total
Assets:									
Cash and due from banks	₩	-	-	-	866,842	-	-	-	866,842
Financial assets at fair value through profit or loss		4,200,793	1,569,898	-	-	-	-	-	5,770,691
Available-for-sale financial assets		-	-	255,583	-	-	-	-	255,583
Loans		-	-	-	859,032	-	-	-	859,032
Other financial assets		-	-	-	1,700,081	-	-	-	1,700,081
	₩	<u>4,200,793</u>	<u>1,569,898</u>	<u>255,583</u>	<u>3,425,955</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,452,229</u>
Liabilities:									
Deposits	₩	-	-	-	-	-	-	983,975	983,975
Financial liabilities at fair value through profit or loss		-	-	-	-	291,302	1,215,628	-	1,506,930
Borrowings		-	-	-	-	-	-	3,668,622	3,668,622
Other financial liabilities		-	-	-	-	-	-	1,685,532	1,685,532
	₩	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>291,302</u>	<u>1,215,628</u>	<u>6,338,129</u>	<u>7,845,059</u>

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24. Financial instrument classification by category, Continued

(b) Gains or losses of financial instruments for the years ended March 31, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Trading financial assets		
Gain on sales	₩ 72,976	98,385
Gain on valuation	11,539	18,300
Loss on sales	(101,723)	(82,098)
Loss on valuation	(4,493)	(13,293)
	<u>(21,701)</u>	<u>21,294</u>
Derivatives		
Gain on derivatives transactions	438,539	733,893
Gain on valuation of derivatives	94,083	109,978
Loss on derivatives transactions	(431,112)	(701,729)
Loss on valuation of derivatives	(139,325)	(66,299)
	<u>(37,815)</u>	<u>75,843</u>
Financial assets designated at fair value through profit or loss		
Gain on sales	31,482	56,841
Gain on valuation	47,811	50,440
Loss on sales	(26,820)	(24,339)
Loss on valuation	(10,926)	(5,605)
	<u>41,547</u>	<u>77,337</u>
Available for sale financial instruments		
Gain on sales	5,514	2,060
Loss on sales	(2,792)	(50)
Impaired loss	(16,058)	(10,982)
Gain on valuation	24,881	18,628
	<u>11,545</u>	<u>9,656</u>

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24. Financial instrument classification by category, Continued

	2012	2011
Loans and receivables		
Provision for loan loss	(2,648)	(5,332)
Gain on sales of loans	105	9,484
Reversal of allowance for other assets	-	13,104
Provision for loss for other assets	(1,881)	-
	<u>(4,424)</u>	<u>17,256</u>
Trading financial liabilities		
Gain on redemption	21,989	12,892
Gain on valuation	1,113	1,085
Loss on redemption	(26,375)	(28,276)
Loss on valuation	(3,029)	(1,220)
	<u>(6,302)</u>	<u>(15,519)</u>
Financial liability designated at fair value through profit or loss		
Gain on redemption	13,461	17,780
Gain on valuation	100,881	19,434
Loss on redemption	(99,420)	(128,942)
Loss on valuation	(67,725)	(74,731)
	<u>(52,803)</u>	<u>(166,459)</u>
	<u>₩</u>	

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25. Financial risk management

(a) General information of risk management

The principal risks to which the Group is exposed are credit risk, market risk, interest risk 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.

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25. Financial risk management, Continued

(a) General information of risk management, Continued

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

(b) Credit risk

(i) Maximum exposure to credit risk

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

Details of the Group's maximum exposure to credit risk without taking account of any collateral held or other credit enhancements as of March 31, 2012, 2011 and April 1, 2010 were as follows:

		March 31, 2012	March 31, 2011	April 1, 2010
Due from banks and loans(*)	₩	3,252,246	2,870,633	1,725,796
Banks		2,294,473	1,870,258	907,846
Retail		707,641	726,366	550,781
Mortgage lending		13,230	13,024	12,418
Other		694,411	713,342	538,363
Government		545	347	160
Corporate		249,587	273,662	267,009
Large company		145,735	118,091	91,572
Small business		103,852	155,571	175,437
Trading financial assets		5,168,058	4,561,165	3,987,669
Debt securities		5,168,058	4,561,165	3,987,669
Financial assets designated at fair value through profit or loss		849,109	860,017	504,319
Debt securities		849,109	860,017	504,319
Available-for-sale financial assets		1,387,182	398,020	58,903
Debt securities		1,387,182	398,020	58,903

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25. Financial risk management, Continued

(b) Credit risk, Continued

Derivative assets		96,330	124,851	81,031
Other financial assets		1,191,050	1,638,645	1,700,081
		<u>11,943,975</u>	<u>10,453,331</u>	<u>8,057,799</u>
ABCP purchase agreement		132,860	70,000	70,000
	₩	<u>12,076,835</u>	<u>10,523,331</u>	<u>8,127,799</u>

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

(ii) Due from banks and loans

Details of due from banks and loans as of March 31, 2012, 2011 and April 1, 2010 were as follows:

		March 31, 2012					
		Banks	Customers			Sub total	Total
			Retail	Government	Corporate		
Neither past due nor impaired	₩	2,294,473	707,259	545	204,486	912,290	3,206,763
Past due but not impaired		-	385	-	144	529	529
Impaired		-	1,690	-	147,784	149,474	149,474
		<u>2,294,473</u>	<u>709,334</u>	<u>545</u>	<u>352,414</u>	<u>1,062,293</u>	<u>3,356,766</u>
Less : allowance		-	(1,693)	-	(102,827)	(104,520)	(104,520)
	₩	<u>2,294,473</u>	<u>707,641</u>	<u>545</u>	<u>249,587</u>	<u>957,773</u>	<u>3,252,246</u>

		March 31, 2011					
		Banks	Customers			Sub total	Total
			Retail	Government	Corporate		
Neither past due nor impaired	₩	1,870,258	726,075	347	242,000	968,422	2,838,680
Past due but not impaired		-	287	-	11,002	11,289	11,289
Impaired		-	1,626	-	120,907	122,533	122,533
		<u>1,870,258</u>	<u>727,988</u>	<u>347</u>	<u>373,909</u>	<u>1,102,244</u>	<u>2,972,502</u>
Less : allowance		-	(1,622)	-	(100,247)	(101,869)	(101,869)
	₩	<u>1,870,258</u>	<u>726,366</u>	<u>347</u>	<u>273,662</u>	<u>1,000,375</u>	<u>2,870,633</u>

		April 1, 2010					
		Banks	Customers			Sub total	Total
			Retail	Government	Corporate		
Neither past due nor impaired	₩	907,846	550,258	160	231,584	782,002	1,689,848
Past due but not impaired		-	371	-	-	371	371
Impaired		-	1,772	-	173,288	175,060	175,060
		<u>907,846</u>	<u>552,401</u>	<u>160</u>	<u>404,872</u>	<u>957,433</u>	<u>1,865,279</u>
Less : allowance		-	(1,620)	-	(137,863)	(139,483)	(139,483)
	₩	<u>907,846</u>	<u>550,781</u>	<u>160</u>	<u>267,009</u>	<u>817,950</u>	<u>1,725,796</u>

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25. Financial risk management, Continued

(b) Credit risk, Continued

Details of due from banks and loans, net of allowance, that are neither past due nor impaired as of March 31, 2012, 2011 and April 1, 2010 were as follows:

	March 31, 2012						Total
	Banks	Customers			Sub total		
		Retail	Government	Corporate			
Grade 1	₩ 2,294,455	-	545	128,255	128,800	2,423,255	
Grade 2	18	707,259	-	76,231	783,490	783,508	
Allowance	-	(3)	-	-	(3)	(3)	
	₩ <u>2,294,473</u>	<u>707,256</u>	<u>545</u>	<u>204,486</u>	<u>912,287</u>	<u>3,206,760</u>	
Fair value of collateral	₩ 249,800	705,294	-	62,054	767,348	1,017,148	

	March 31, 2011						Total
	Banks	Customers			Sub total		
		Retail	Government	Corporate			
Grade 1	₩ 1,870,119	-	347	106,984	107,331	1,977,450	
Grade 2	139	726,075	-	135,016	861,091	861,230	
Allowance	-	(3)	-	-	(3)	(3)	
	₩ <u>1,870,258</u>	<u>726,072</u>	<u>347</u>	<u>242,000</u>	<u>968,419</u>	<u>2,838,677</u>	
Fair value of collateral	₩ -	725,793	-	136,543	862,336	862,336	

	April 1, 2010						Total
	Banks	Customers			Sub total		
		Retail	Government	Corporate			
Grade 1	₩ 907,733	-	160	37,872	38,032	945,765	
Grade 2	113	550,258	-	193,712	743,970	744,083	
Allowance	-	-	-	-	-	-	
	₩ <u>907,846</u>	<u>550,258</u>	<u>160</u>	<u>231,584</u>	<u>782,002</u>	<u>1,689,848</u>	
Fair value of collateral	₩ -	550,874	-	143,718	694,592	694,592	

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

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25. Financial risk management, Continued

(b) Credit risk, Continued

Details of due from banks and loans that were past due but not impaired as of March 31, 2012, 2011 and April 1, 2010 were as follows:

March 31, 2012						
	Banks	Customers			Sub total	Total
		Retail	Government	Corporate		
Within 30 days	₩	-	385	-	144	529
30~60 days		-	-	-	-	-
60~90 days		-	-	-	-	-
More than 90 days		-	-	-	-	-
	₩	-	385	-	144	529
Fair value of collateral	₩	-	385	-	144	529

March 31, 2011						
	Banks	Customers			Sub total	Total
		Retail	Government	Corporate		
Within 30 days	₩	-	287	-	102	389
30~60 days		-	-	-	10,900	10,900
60~90 days		-	-	-	-	-
More than 90 days		-	-	-	-	-
	₩	-	287	-	11,002	11,289
Fair value of collateral	₩	-	287	-	11,002	11,289

April 1, 2010						
	Banks	Customers			Sub total	Total
		Retail	Government	Corporate		
Within 30 days	₩	-	371	-	-	371
30~60 days		-	-	-	-	-
60~90 days		-	-	-	-	-
More than 90 days		-	-	-	-	-
Allowance		-	(2)	-	-	(2)
	₩	-	369	-	-	369
Fair value of collateral	₩	-	369	-	-	369

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25. Financial risk management, Continued

(b) Credit risk, Continued

Details of impaired due from banks and loans as of March 31, 2012, 2011 and April 1, 2010 were as follows:

		March 31, 2012				
		Banks	Customers			Total
			Retail	Government	Corporate	Sub total
Impaired amounts	₩	-	1,690	-	147,784	149,474
Allowance		-	(1,690)	-	(102,827)	(104,517)
	₩	-	-	-	44,957	44,957
Fair value of collateral	₩	-	-	-	44,957	44,957

		March 31, 2011				
		Banks	Customers			Total
			Retail	Government	Corporate	Sub total
Impaired amounts	₩	-	1,626	-	120,907	122,533
Allowance		-	(1,619)	-	(100,247)	(101,866)
	₩	-	7	-	20,660	20,667
Fair value of collateral	₩	-	7	-	20,660	20,667

		April 1, 2010				
		Banks	Customers			Total
			Retail	Government	Corporate	Sub total
Impaired amounts	₩	-	1,772	-	173,288	175,060
Allowance		-	(1,618)	-	(137,863)	(139,481)
	₩	-	154	-	35,425	35,579
Fair value of collateral	₩	-	-	-	35,425	35,425

(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 March 31, 2012, 2011 and April 1, 2010 were as follows:

		March 31, 2012			
		Trading financial assets	Financial assets designated at fair value through profit or loss	Available-for-sale financial assets	Total
AAA	₩	1,950,005	187,960	231,556	2,369,521
AA- to AA+		2,375,078	146,953	247,069	2,769,100
A- to A+		552,171	319,094	583,041	1,454,306
Lower than A-		290,804	195,102	294,737	780,643
Unrated		-	-	30,779	30,779
	₩	5,168,058	849,109	1,387,182	7,404,349
Neither past due nor impaired	₩	5,168,058	849,109	1,363,529	7,380,696
Impaired		-	-	23,653	23,653
	₩	5,168,058	849,109	1,387,182	7,404,349

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25. Financial risk management, Continued

(b) Credit risk, Continued

		March 31, 2011			
		Trading assets	Financial assets designated at fair value through profit or loss	Available-for-sale financial assets	Total
AAA	₩	1,722,422	267,761	20,004	2,010,187
AA- to AA+		2,264,786	184,647	284,094	2,733,527
A- to A+		437,879	238,950	40,109	716,938
Lower than A-		136,078	168,659	22,897	327,634
Unrated		-	-	30,916	30,916
	₩	<u>4,561,165</u>	<u>860,017</u>	<u>398,020</u>	<u>5,819,202</u>
Neither past due nor impaired	₩	4,561,165	860,017	374,367	5,795,549
Impaired		-	-	23,653	23,653
	₩	<u>4,561,165</u>	<u>860,017</u>	<u>398,020</u>	<u>5,819,202</u>
		April 1, 2010			
		Trading assets	Financial assets designated at fair value through profit or loss	Available-for-sale financial assets	Total
AAA	₩	1,708,907	65,854	-	1,774,761
AA- to AA+		2,007,438	102,772	-	2,110,210
A- to A+		170,471	257,789	-	428,260
Lower than A-		100,853	77,904	2,573	181,330
Unrated		-	-	56,330	56,330
	₩	<u>3,987,669</u>	<u>504,319</u>	<u>58,903</u>	<u>4,550,891</u>
Neither past due nor impaired	₩	3,987,669	504,319	35,250	4,527,238
Impaired		-	-	23,653	23,653
	₩	<u>3,987,669</u>	<u>504,319</u>	<u>58,903</u>	<u>4,550,891</u>

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25. Financial risk management, Continued

(b) Credit risk, Continued

(iv) Concentration by location

Details of concentration by location of due from banks and loans as of March 31, 2012, 2011 and April 1, 2010 were as follows:

		March 31, 2012				
		Banks	Retail	Government	Corporate	Total
Korea	₩	2,278,639	707,641	545	234,582	3,221,407
USA		3,401	-	-	12,658	16,059
UK		3,879	-	-	778	4,657
Other		8,553	-	-	1,570	10,123
	₩	<u>2,294,472</u>	<u>707,641</u>	<u>545</u>	<u>249,588</u>	<u>3,252,246</u>
		March 31, 2011				
		Banks	Retail	Government	Corporate	Total
Korea	₩	1,848,390	726,366	347	256,367	2,831,470
USA		4,283	-	-	14,903	19,186
UK		4,846	-	-	-	4,846
Vietnam		150	-	-	-	150
Other		12,589	-	-	2,392	14,981
	₩	<u>1,870,258</u>	<u>726,366</u>	<u>347</u>	<u>273,662</u>	<u>2,870,633</u>
		April 1, 2010				
		Banks	Retail	Government	Corporate	Total
Korea	₩	892,301	550,781	160	234,805	1,678,047
USA		4,692	-	-	13,995	18,687
UK		5,990	-	-	-	5,990
Vietnam		351	-	-	-	351
Other		4,512	-	-	18,209	22,721
	₩	<u>907,846</u>	<u>550,781</u>	<u>160</u>	<u>267,009</u>	<u>1,725,796</u>

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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 March 31, 2012, 2011 and April 1, 2010 were as follows:

		March 31, 2012				
		Banks	Retail	Government	Corporate	Total
Finance and insurance	₩	2,294,472	-	545	132,557	2,427,574
Manufacturing		-	-	-	7,832	7,832
Retail and wholesale		-	-	-	3,388	3,388
Real estate and service		-	-	-	44,226	44,226
Construction		-	-	-	12,442	12,442
Other		-	-	-	49,143	49,143
Retail customers		-	707,641	-	-	707,641
	₩	<u>2,294,472</u>	<u>707,641</u>	<u>545</u>	<u>249,588</u>	<u>3,252,246</u>

		March 31, 2011				
		Banks	Retail	Government	Corporate	Total
Finance and insurance	₩	1,870,258	-	347	90,162	1,960,767
Manufacturing		-	-	-	23,498	23,498
Retail and wholesale		-	-	-	6,777	6,777
Real estate and service		-	-	-	75,541	75,541
Construction		-	-	-	14,004	14,004
Other		-	-	-	63,680	63,680
Retail customers		-	726,366	-	-	726,366
	₩	<u>1,870,258</u>	<u>726,366</u>	<u>347</u>	<u>273,662</u>	<u>2,870,633</u>

		April 1, 2010				
		Banks	Retail	Government	Corporate	Total
Finance and insurance	₩	907,845	-	160	40,368	948,373
Manufacturing		-	-	-	2,063	2,063
Retail and wholesale		-	-	-	23,820	23,820
Real estate and service		-	-	-	76,522	76,522
Construction		-	-	-	46,768	46,768
Other		-	-	-	77,469	77,469
Retail customers		-	550,781	-	-	550,781
	₩	<u>907,845</u>	<u>550,781</u>	<u>160</u>	<u>267,010</u>	<u>1,725,796</u>

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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 primarily uses the one-day 99.9% confidence level-based VaR for managing market risk. However, since its VaR computation is based on historical simulation, the Group also 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 for internal management purposes.

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

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25. Financial risk management, Continued

(c) Market risk, Continued

An analysis of trading positions VaR as of and for the years ended March 31, 2012, 2011 were as follows:

		2012			At March
		Average	Maximum	Minimum	31, 2012
Interest rate	₩	11,703	19,249	5,500	7,132
Equities		4,402	15,042	882	1,334
Foreign exchange		1,392	5,563	23	2,206
Option volatility		2,443	9,757	129	1,702
Portfolio diversification		(7,643)	(22,920)	(1,599)	(6,488)
	₩	12,297	26,691	4,935	5,886

		2011			At March
		Average	Maximum	Minimum	31, 2011
Interest rate	₩	6,762	17,648	2,714	5,796
Equities		5,613	11,226	2,426	5,529
Foreign exchange		1,901	9,256	114	902
Option volatility		884	3,466	4	1,162
Portfolio diversification		(5,547)	(11,512)	(2,179)	(7,068)
	₩	9,613	30,084	3,079	6,321

(*)In 2012 the Group changed the confidence level from 99% to 99.9% and the method from parametric normal distribution to historical simulation in 2012.

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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 March 31, 2012, 2011 and April 1, 2010 were as follows:

		March 31, 2012	March 31, 2011	April 1, 2010
Interest rate VaR	₩	38,326	22,823	5,465
Interest rate EaR		77,144	13,579	13,732

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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 March 31, 2012, 2011 and April 1, 2010 were as follows:

	March 31, 2012				
	USD	JPY	EUR	Other	Total
Assets					
Cash and due from banks ₩	130,140	2,130	728	10,374	143,372
Loans	5,405	-	-	-	5,405
Trading financial assets	78,649	-	-	-	78,649
Available-for-sale financial assets	1,040	-	-	1,043	2,083
Other financial assets	77,715	-	78	556	78,349
	<u>292,949</u>	<u>2,130</u>	<u>806</u>	<u>11,973</u>	<u>307,858</u>
Liabilities					
Deposits	121,798	2,082	723	3,822	128,425
Borrowings	61,611	-	-	-	61,611
Other financial liabilities	24,038	-	78	566	24,682
	<u>207,447</u>	<u>2,082</u>	<u>801</u>	<u>4,388</u>	<u>214,718</u>
Net assets	85,502	48	5	7,585	93,140
Off-balance sheet derivative exposure	(172,471)	-	-	-	(172,471)
Net position ₩	<u>(86,969)</u>	<u>48</u>	<u>5</u>	<u>7,585</u>	<u>(79,331)</u>

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25. Financial risk management, Continued

(c) Market risk, Continued

		March 31, 2011				
		USD	JPY	EUR	Other	Total
Assets						
Cash and due from banks	₩	103,204	84	247	11,312	114,847
Loans		5,259	-	-	-	5,259
Trading financial assets		12,806	-	-	4,977	17,783
Available-for-sale financial assets		1,040	-	-	1,476	2,516
Other financial assets		11,853	-	-	138	11,991
		<u>134,162</u>	<u>84</u>	<u>247</u>	<u>17,903</u>	<u>152,396</u>
Liabilities						
Deposits		95,998	67	245	2,676	98,986
Other financial liabilities		7,286	-	-	195	7,481
		<u>103,284</u>	<u>67</u>	<u>245</u>	<u>2,871</u>	<u>106,467</u>
Net assets		30,878	17	2	15,032	45,929
Off-balance derivative exposure		(174,901)	-	-	1	(174,900)
Net position	₩	<u>(144,023)</u>	<u>17</u>	<u>2</u>	<u>15,033</u>	<u>(128,971)</u>
		April 1, 2010				
		USD	JPY	EUR	Other	Total
Assets						
Cash and due from banks	₩	45,804	93	148	13,984	60,029
Loans		5,371	9,740	-	-	15,111
Trading financial assets		28,784	4,017	-	6,463	39,264
Available-for-sale financial assets		1,036	-	-	1,617	2,653
Other financial assets		89,079	-	-	377	89,456
		<u>170,074</u>	<u>13,850</u>	<u>148</u>	<u>22,441</u>	<u>206,513</u>
Liabilities						
Deposits		38,322	91	148	3,459	42,020
Other financial liabilities		109,823	-	-	227	110,050
		<u>148,145</u>	<u>91</u>	<u>148</u>	<u>3,686</u>	<u>152,070</u>
Net assets		21,929	13,759	-	18,755	54,443
Off-balance derivative exposure		40,073	(9,740)	-	-	30,333
Net position	₩	<u>62,002</u>	<u>4,019</u>	<u>-</u>	<u>18,755</u>	<u>84,776</u>

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25. Financial risk management, Continued

(d) Liquidity risk

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

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

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

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

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

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25. Financial risk management, Continued

(d) Liquidity risk, Continued

(i) Contractual maturities for financial instruments

Contractual maturities for financial instruments including cash flows of principal and interest and off balance as of March 31, 2012, 2011 and April 1, 2010 were as follows:

	March 31, 2012						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	₩ 293,656	519,815	318,508	1,061,391	9,904	93	2,203,367
Trading financial assets	5,495,352	-	-	-	-	-	5,495,352
Financial asset designated at fair value through profit or loss	1,690,105	4,881	5,018	16,737	287,891	-	2,004,632
Derivative assets	96,330	-	-	-	-	-	96,330
Available-for-sale financial assets	7,034	1,356,403	-	-	7,488	210,816	1,581,741
Loans	312,426	271,495	442,025	9,417	5,555	174,027	1,214,945
Other financial assets	1,090,335	8,479	18,771	40,598	28,090	27,458	1,213,731
	<u>8,985,238</u>	<u>2,161,073</u>	<u>784,322</u>	<u>1,128,143</u>	<u>338,928</u>	<u>412,394</u>	<u>13,810,098</u>
Liabilities:							
Deposits	932,885	-	-	-	-	-	932,885
Trading financial liabilities	288,301	-	-	-	-	-	288,301
Financial liabilities designated at fair value through profit or loss	170,211	179,739	94,411	441,792	2,999,583	30,257	3,915,993
Derivative liabilities	199,445	-	-	-	-	-	199,445
Borrowings	5,267,773	1,625	101,106	2,524	133,350	66,919	5,573,297
Other financial liabilities	978,659	19,052	6,572	30,688	19,892	711	1,055,574
	<u>7,837,274</u>	<u>200,416</u>	<u>202,089</u>	<u>475,004</u>	<u>3,152,825</u>	<u>97,887</u>	<u>11,965,495</u>
Net position	₩ <u>1,147,964</u>	<u>1,960,657</u>	<u>582,233</u>	<u>653,139</u>	<u>(2,813,897)</u>	<u>314,507</u>	<u>1,844,603</u>

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25. Financial risk management, Continued

(d) Liquidity risk, Continued

		March 31, 2011						
		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	₩	551,956	367,874	171,531	865,312	29,002	211	1,985,886
Trading financial assets		4,762,875	-	-	-	-	-	4,762,875
Financial asset designated at fair value through profit or loss		1,502,447	17,405	18,357	118,621	166,316	-	1,823,146
Derivative assets		124,851	-	-	-	-	-	124,851
Available-for-sale financial assets		4,564	364,246	8,015	-	10,477	210,250	597,552
Loans		82,126	331,705	566,811	5,190	2,877	50,617	1,039,326
Other financial assets		1,561,006	9,052	8,297	21,415	34,803	25,430	1,660,003
		<u>8,589,825</u>	<u>1,090,282</u>	<u>773,011</u>	<u>1,010,538</u>	<u>243,475</u>	<u>286,508</u>	<u>11,993,639</u>
Liabilities:								
Deposits		1,218,544	-	-	-	-	-	1,218,544
Trading financial liabilities		454,534	-	-	-	-	-	454,534
Financial liabilities designated at fair value through profit or loss		17,489	83,439	52,906	646,761	1,564,213	30,244	2,395,052
Derivative liabilities		75,730	-	-	-	-	-	75,730
Borrowings		4,287,333	1,578	2,379	100,744	69,405	71,072	4,532,511
Other financial liabilities		1,488,256	18,006	5,054	9,730	19,598	711	1,541,355
		<u>7,541,886</u>	<u>103,023</u>	<u>60,339</u>	<u>757,235</u>	<u>1,653,216</u>	<u>102,027</u>	<u>10,217,726</u>
Net position	₩	<u>1,047,939</u>	<u>987,259</u>	<u>712,672</u>	<u>253,303</u>	<u>(1,409,741)</u>	<u>184,481</u>	<u>1,775,913</u>

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25. Financial risk management, Continued

(d) Liquidity risk, Continued

		April 1, 2010						
		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	₩	315,291	407,514	92,148	63,835	151	185	879,124
Trading financial assets		4,119,762	-	-	-	-	-	4,119,762
Financial asset designated at fair value through profit or loss		1,259,295	49,266	84,428	62,236	117,300	-	1,572,525
Derivative assets		81,031	-	-	-	-	-	81,031
Available-for-sale financial assets		3,713	371	24,212	1,106	44,889	166,080	240,371
Loans		174,102	254,542	204,120	148,995	3,010	235,354	1,020,123
Other financial assets		1,604,804	9,349	27,947	65,888	20,998	7,958	1,736,944
		<u>7,557,998</u>	<u>721,042</u>	<u>432,855</u>	<u>342,060</u>	<u>186,348</u>	<u>409,577</u>	<u>9,649,880</u>
Liabilities:								
Deposits		983,975	-	-	-	-	-	983,975
Trading financial liabilities		203,361	-	-	-	-	-	203,361
Financial liabilities designated at fair value through profit or loss		26,336	202,929	91,843	303,535	568,654	22,331	1,215,628
Derivative liabilities		87,941	-	-	-	-	-	87,941
Borrowings		3,456,407	1,557	72,443	4,246	158,992	-	3,693,645
Other financial liabilities		1,634,793	15,476	7,146	10,230	4,148	14,901	1,686,694
		<u>6,392,813</u>	<u>219,962</u>	<u>171,432</u>	<u>318,011</u>	<u>731,794</u>	<u>37,232</u>	<u>7,871,244</u>
Net position	₩	<u>1,165,185</u>	<u>501,080</u>	<u>261,423</u>	<u>24,049</u>	<u>(545,446)</u>	<u>372,345</u>	<u>1,778,636</u>

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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 of March 31, 2012, 2011 and April 1, 2010 were as follows;

		March 31, 2012					
		Less than 1 month	1~3 months	3~6 months	6 months ~ 1 year	1~5 years	Total
ABCP purchase agreement	₩	132,860	-	-	-	-	132,860

		March 31, 2011					
		Less than 1 month	1~3 months	3~6 months	6 months ~ 1 year	1~5 years	Total
ABCP purchase agreement	₩	70,000	-	-	-	-	70,000

		April 1, 2010					
		Less than 1 month	1~3 months	3~6 months	6 months ~ 1 year	1~5 years	Total
ABCP purchase agreement	₩	70,000	-	-	-	-	70,000

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25. Financial risk management, Continued

(e) Capital risk management

(i) Capital management

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

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

(ii) Regulatory Capital Status

Financial Supervisory Service imposes limitations on the Groups 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 non-consolidated financial statements and details of NCR as of March 31, 2012 were as follows:

	March 31, 2012
1. Net capital	₩ 1,621,928
Net assets on statement of financial position	2,154,665
Adjustment(-)	532,834
Adjustment(+)	97
2. Total risk	192,545
Market risk	136,550
Credit risk	31,965
Operating risk	24,030
3. Net capital ratio : (1/2) X 100 (%)	842.36%
4. Surplus capital : (1 - 2)	₩ 1,429,383

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25. Financial risk management, Continued

(f) Measurement of fair value

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

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

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

(i) Financial instruments measured at amortized cost

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

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

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25. Financial risk management, Continued

(f) Measurement of fair value, Continued

The financial instruments measured at amortized cost as of March 31, 2012, 2011 and April 1, 2010 were as follows:

	March 31, 2012				
	Book value				
	Balance	Unamortized balance	Allowance	Total	Fair value
Assets					
Cash and due from banks:					
Cash and cash equivalents	₩ 380,948	-	-	380,948	380,948
Due from banks	1,784,030	-	-	1,784,030	1,784,030
	<u>2,164,978</u>	<u>-</u>	<u>-</u>	<u>2,164,978</u>	<u>2,164,978</u>
Loans:					
Retail	742,403	(1,842)	(19)	740,542	740,542
Corporate	452,024	(694)	(104,501)	346,829	346,829
	<u>1,194,427</u>	<u>(2,536)</u>	<u>(104,520)</u>	<u>1,087,371</u>	<u>1,087,371</u>
Other financial assets	1,213,731	(6,791)	(15,890)	1,191,050	1,190,264
	<u>₩ 4,573,136</u>	<u>(9,327)</u>	<u>(120,410)</u>	<u>4,443,399</u>	<u>4,442,613</u>
Liabilities					
Deposits	₩ 932,194	-	-	932,194	932,194
Borrowings:					
Call money	647,100	-	-	647,100	647,100
Bonds sold under repurchase agreements	4,389,620	-	-	4,389,620	4,389,620
Borrowings	433,927	-	-	433,927	429,405
Debt securities issued	67,432	(7)	-	67,425	68,298
	<u>5,538,079</u>	<u>(7)</u>	<u>-</u>	<u>5,538,072</u>	<u>5,534,423</u>
Other financial liabilities	1,055,574	(2,369)	-	1,053,205	1,052,890
	<u>₩ 7,525,847</u>	<u>(2,376)</u>	<u>-</u>	<u>7,523,471</u>	<u>7,519,507</u>

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25. Financial risk management, Continued

(f) Measurement of fair value, Continued

	March 31, 2011				
	Book value				
	Balance	Unamortized balance	Allowance	Total	Fair value
Assets					
Cash and due from banks:					
Cash and cash equivalents	₩ 133,498	-	-	133,498	133,498
Due from banks	1,825,119	-	-	1,825,119	1,825,119
	<u>1,958,617</u>	<u>-</u>	<u>-</u>	<u>1,958,617</u>	<u>1,958,617</u>
Loans:					
Retail	776,882	(1,933)	(20)	774,929	774,929
Corporate	239,048	-	(101,849)	137,199	144,194
	<u>1,015,930</u>	<u>(1,933)</u>	<u>(101,869)</u>	<u>912,128</u>	<u>919,123</u>
Other financial assets	1,660,003	(7,348)	(14,010)	1,638,645	1,637,688
	<u>₩ 4,634,550</u>	<u>(9,281)</u>	<u>(115,879)</u>	<u>4,509,390</u>	<u>4,515,428</u>
Liabilities					
Deposits	₩ 1,217,553	-	-	1,217,553	1,217,553
Borrowings:					
Call money	744,600	-	-	744,600	744,600
Bonds sold under repurchase agreements	3,433,290	-	-	3,433,290	3,433,290
Borrowings	268,496	-	-	268,496	270,801
Debt securities issued	67,432	(27)	-	67,405	69,338
	<u>4,513,818</u>	<u>(27)</u>	<u>-</u>	<u>4,513,791</u>	<u>4,518,029</u>
Other financial liabilities	1,541,356	(901)	-	1,540,455	1,540,749
	<u>₩ 7,272,727</u>	<u>(928)</u>	<u>-</u>	<u>7,271,799</u>	<u>7,276,331</u>

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25. Financial risk management, Continued

(f) Measurement of fair value, Continued

	April 1, 2010				
	Book value				
	Balance	Unamortized balance	Allowance	Total	Fair value
Assets					
Cash and due from banks:					
Cash and cash equivalents	₩ 57,319	-	-	57,319	57,319
Due from banks	809,523	-	-	809,523	809,523
	<u>866,842</u>	<u>-</u>	<u>-</u>	<u>866,842</u>	<u>866,842</u>
Loans:					
Retail	587,164	(1,836)	(20)	585,308	585,308
Corporate	413,434	(247)	(139,463)	273,724	273,724
	<u>1,000,598</u>	<u>(2,083)</u>	<u>(139,483)</u>	<u>859,032</u>	<u>859,032</u>
Other financial assets	1,736,944	(5,693)	(31,170)	1,700,081	1,693,598
	<u>₩ 3,604,384</u>	<u>(7,776)</u>	<u>(170,653)</u>	<u>3,425,955</u>	<u>3,419,472</u>
Liabilities					
Deposits	₩ 983,975	-	-	983,975	983,975
Borrowings:					
Call money	359,900	-	-	359,900	359,900
Bonds sold under repurchase agreements	2,880,964	-	-	2,880,964	2,880,964
Borrowings	377,804	-	-	377,804	380,441
Debt securities issued	50,000	(46)	-	49,954	52,355
	<u>3,668,668</u>	<u>(46)</u>	<u>-</u>	<u>3,668,622</u>	<u>3,673,660</u>
Other financial liabilities	1,686,694	(1,162)	-	1,685,532	1,684,888
	<u>₩ 6,339,337</u>	<u>(1,208)</u>	<u>-</u>	<u>6,338,129</u>	<u>6,342,523</u>

(ii) Financial instruments measured at fair value

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

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

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25. Financial risk management, Continued

(f) Measurement of 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 March 31, 2012, 2011 and April 1, 2010 were as follows:

	March 31, 2012			
	Level 1	Level 2	Level 3	Total
Assets				
Trading financial assets:				
Debt securities	₩ 1,830,781	3,337,277	-	5,168,058
Equity securities	56,571	270,723	-	327,294
	<u>1,887,352</u>	<u>3,608,000</u>	<u>-</u>	<u>5,495,352</u>
Derivative assets:				
Trading purpose	<u>7,486</u>	<u>26,987</u>	<u>61,857</u>	<u>96,330</u>
Financial assets designated at fair value through profit or loss				
Reserve for claims of customers' deposit (trust)	-	1,118,828	-	1,118,828
Debt securities	169,815	337,675	-	507,490
Equity securities	32,956	-	-	32,956
Derivatives-combined securities	-	25,196	316,423	341,619
	<u>202,771</u>	<u>1,481,699</u>	<u>316,423</u>	<u>2,000,893</u>
Available-for-sale financial assets:				
Debt securities	231,557	1,155,625	-	1,387,182
Equity securities	2,504	11,073	167,717	181,294
Collective fund for default loss	-	8,474	-	8,474
	<u>234,061</u>	<u>1,175,172</u>	<u>167,717</u>	<u>1,576,950</u>
	<u>₩ 2,331,670</u>	<u>6,291,858</u>	<u>545,997</u>	<u>9,169,525</u>
Liabilities				
Trading financial liabilities:				
Securities sold	₩ 288,301	-	-	288,301
Derivative liabilities:				
Trading purpose	7,929	24,920	166,596	199,445
Financial liabilities designated at fair value through profit or loss:				
Derivatives-combined securities sold	-	207,885	3,708,108	3,915,993
	<u>₩ 296,230</u>	<u>232,805</u>	<u>3,874,704</u>	<u>4,403,739</u>

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25. Financial risk management, Continued

(f) Measurement of fair value, Continued

	March 31, 2011			
	Level 1	Level 2	Level 3	Total
Assets				
Trading assets:				
Debt securities	₩ 1,641,725	2,919,440	-	4,561,165
Equity securities	183,858	17,852	-	201,710
	<u>1,825,583</u>	<u>2,937,292</u>	<u>-</u>	<u>4,762,875</u>
Derivative assets:				
Trading purpose	<u>27,568</u>	<u>30,712</u>	<u>66,571</u>	<u>124,851</u>
Financial assets designated at fair value through profit or loss:				
Reserve for claims of customers' deposit (trust)	-	889,539	-	889,539
Debt securities	259,540	272,148	-	531,688
Equity securities	70,866	-	-	70,866
Derivatives-combined securities	-	-	328,329	328,329
	<u>330,406</u>	<u>1,161,687</u>	<u>328,329</u>	<u>1,820,422</u>
Available-for-sale financial assets:				
Debt securities	20,004	378,014	-	398,018
Equity securities	11,290	19,390	159,114	189,794
Collective fund for default loss	-	7,849	-	7,849
	<u>31,294</u>	<u>405,253</u>	<u>159,114</u>	<u>595,661</u>
	<u>₩ 2,214,851</u>	<u>4,534,944</u>	<u>554,014</u>	<u>7,303,809</u>
Liabilities				
Trading financial liabilities:				
Securities sold	₩ 454,534	-	-	454,534
Derivative liabilities:				
Trading purpose	33,271	30,633	11,826	75,730
Financial liabilities designated at fair value through profit or loss:				
Derivatives-combined securities sold	-	-	2,395,052	2,395,052
	<u>₩ 487,805</u>	<u>30,633</u>	<u>2,406,878</u>	<u>2,925,316</u>

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25. Financial risk management, Continued

(f) Measurement of fair value, Continued

	April 1, 2010			
	Level 1	Level 2	Level 3	Total
Assets				
Trading assets:				
Debt securities	₩ 847,734	3,139,935	-	3,987,669
Equity securities	100,047	32,046	-	132,093
	<u>947,781</u>	<u>3,171,981</u>	<u>-</u>	<u>4,119,762</u>
Derivative assets:				
Trading purpose	<u>1,112</u>	<u>52,667</u>	<u>27,252</u>	<u>81,031</u>
Financial assets designated at fair value through profit or loss:				
Reserve for claims of customers' deposit (trust)	-	984,159	-	984,159
Debt securities	52,267	160,598	-	212,865
Equity securities	81,420	-	-	81,420
Derivatives-combined securities	-	-	291,454	291,454
	<u>133,687</u>	<u>1,144,757</u>	<u>291,454</u>	<u>1,569,898</u>
Available-for-sale financial assets:				
Debt securities	-	58,903	-	58,903
Equity securities	16,939	18,728	133,359	169,026
Collective fund for default loss	-	7,654	-	7,654
	<u>16,939</u>	<u>85,285</u>	<u>133,359</u>	<u>235,583</u>
	<u>₩ 1,099,519</u>	<u>4,454,690</u>	<u>452,065</u>	<u>6,006,274</u>
Liabilities				
Trading financial liabilities:				
Securities sold	₩ 203,361	-	-	203,361
Derivative liabilities:				
Trading purpose	5,139	58,170	24,632	87,941
Financial liabilities designated at fair value through profit or loss:				
Derivatives-combined securities sold	-	289,874	925,754	1,215,628
	<u>₩ 208,500</u>	<u>348,044</u>	<u>950,386</u>	<u>1,506,930</u>

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25. Financial risk management, Continued

(f) Measurement of fair value, Continued

Changes in level 3 of the fair value hierarchy for the years ended March 31, 2012 and 2011 were as follows:

	2012				
	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	₩ 328,329	159,114	(2,395,052)	54,745	(1,852,864)
Total income					
Profit or loss	1,761	(6,756)	33,157	10,478	38,640
Other comprehensive income	-	19,375	-	-	19,375
Purchases and issuances	146,082	4,465	(1,504,383)	128,532	(1,225,304)
Sales and settlements	(159,749)	(8,481)	158,170	(298,494)	(308,554)
Ending balance	₩ 316,423	167,717	(3,708,108)	(104,739)	(3,328,707)
	2011				
	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	₩ 291,454	133,359	(925,754)	2,620	(498,321)
Total income					
Profit or loss	7,697	(168)	(120,079)	41,477	(71,073)
Other comprehensive income	-	24,653	-	-	24,653
Purchases and issuances	387,023	26,000	(2,059,043)	47,349	(1,598,671)
Sales and settlements	(357,845)	(24,730)	709,824	(36,701)	290,548
Ending balance	₩ 328,329	159,114	(2,395,052)	54,745	(1,852,864)

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25. Financial risk management, Continued

(f) Measurement of fair value, Continued

(iii) Day 1 profit or loss

In case the fair value of financial instruments measured using valuation techniques where one or more significant inputs are not based on observable market data (i.e., over the counter derivatives) and the transaction price are different, the Group recognizes fair value of financial instruments as the transaction price. The differences between fair value of financial instruments and the transaction price are not recognized in profit or loss as incurred, but deferred on a straight-line basis over the maturity of the financial instruments.

Day 1 profit or loss for the years ended March 31, 2012 and 2011 were as follows:

		March 31, 2012	March 31, 2011
Beginning balance	₩	(374)	(9,647)
New transactions		(5,042)	10,429
Amounts recognized in profit or loss for the year		2,318	(1,156)
Ending balance	₩	(3,098)	(374)

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26. Operating Segment

(a) Segment information

The general descriptions by operating segments were 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
S&T group	Investing to derivative, securities and work involved
WM group	Investment instrument, investment advisory, wealth management and work involved
Other	Management supporting, risk management and many other supporting work (including adjustment)

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26. Operating Segment, Continued

(b) The following table provides information of operating income and net income for each operating segment for the years ended March 31, 2012 and 2011.

		2012						Total
		Retail	Wholesale	IB	S&T	WM	Other	
Operating revenue	₩	381,864	4,784	43,873	1,033,435	23,810	137,745	1,625,511
Commission income		310,109	77	31,493	2,405	20,040	3,287	367,411
Gain on valuation or sales of financial instruments at fair value through profit or loss		3,616	4,704	1,515	769,623	116	54,300	833,874
Gain on valuation or sales of available-for-sale financial assets		-	-	671	3,411	23	1,409	5,514
Interest income		67,174	3	9,225	241,278	3,631	74,471	395,782
Gain on valuation or sale of loans		-	-	105	-	-	-	105
Gain on foreign transactions		604	-	331	13,649	-	1,339	15,923
Others		361	-	533	3,069	-	2,939	6,902
Operating expense		204,358	18,744	25,618	1,036,654	15,496	205,902	1,506,772
Commission expense		20,672	1,302	4,486	5,195	366	23,228	55,249
Loss on valuation or sale of financial instruments at fair value through profit or loss		3,557	4,536	2,133	873,101	162	27,459	910,948
Loss on valuation or sale of available-for-sale financial assets		-	-	30	17,678	-	1,142	18,850
Interest expense		8,558	-	(5,191)	115,163	421	34,690	153,641
Loss on valuation or sale of loans		-	-	2,560	-	-	88	2,648
Loss on foreign transactions		1,476	2	48	10,830	-	2,679	15,035
General and administrative expenses		169,990	12,904	15,382	14,644	14,544	120,030	347,494
Others		105	-	6,170	43	3	(3,414)	2,907
Operating income (loss)		177,506	(13,960)	18,255	(3,219)	8,314	(68,157)	118,739
Non-operating income (expenses), net		1,119	(1)	(2,906)	-	50	16,439	14,701
Income (loss) before income taxes		178,625	(13,961)	15,349	(3,219)	8,364	(51,718)	133,440
Adjustment		(80,452)	18,046	(3,697)	(6,784)	17,634	55,253	-
Income tax expense (benefit)		23,758	989	2,820	(2,420)	6,291	2,244	33,682
Net income (loss) for the year	₩	74,415	3,096	8,832	(7,583)	19,707	1,291	99,758

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26. Operating Segment, Continued

		2011						Total
		Retail	Wholesale	IB	S&T	WM	Other	
Operating revenue	₩	374,530	435	61,095	1,294,481	25,915	98,885	1,855,341
Commission income		312,569	301	38,968	29,513	21,339	(26,044)	376,646
Gain on valuation or sales of financial instruments at fair value through profit or loss		305	122	(1,111)	1,055,432	492	63,788	1,119,028
Gain on valuation or sales of available-for-sale financial assets		-	-	476	592	440	552	2,060
Interest income		59,224	12	10,436	190,982	3,626	30,810	295,090
Gain on valuation or sale of loans		-	-	10,276	24	-	(816)	9,484
Gain on foreign transactions		2,432	-	14	14,819	-	14,871	32,136
Others		-	-	2,036	3,119	18	15,724	20,897
Operating expense		204,009	15,677	23,236	1,265,446	14,281	191,951	1,714,600
Commission expense		22,764	3,053	4,043	6,403	556	18,073	54,892
Loss on valuation or sale of financial instruments at fair value through profit or loss		284	141	1,908	1,132,213	2,350	(10,364)	1,126,532
Loss on valuation or sale of available-for-sale financial assets		-	-	2,105	466	2	8,459	11,032
Interest expense		13,786	-	(816)	81,535	521	35,377	130,403
Loss on valuation or sale of loans		-	-	113	56	-	5,163	5,332
Loss on foreign transactions		1,591	-	3	28,126	-	4,217	33,937
General and administrative expenses		165,476	12,483	15,350	16,630	10,849	131,181	351,969
Others		108	-	530	17	3	(155)	503
Operating income (loss)		170,521	(15,242)	37,859	29,035	11,634	(93,066)	140,741
Non-operating income (expenses), net		1,350	(125)	604	935	253	10,718	13,735
Income (loss) before income taxes		171,871	(15,367)	38,463	29,970	11,887	(82,348)	154,476
Adjustment		(71,896)	9,964	105	(10,502)	(4,166)	76,495	-
Income tax expense (benefit)		24,194	(1,308)	9,333	4,711	1,869	4,476	43,275
Net income (loss) for the year	₩	75,781	(4,095)	29,235	14,757	5,852	(10,329)	111,201

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26. Operating Segment, Continued

(c) The following table provides information of the main assets for each operating segment as of March 31, 2012, 2011 and April 1, 2010.

		March 31, 2012						
		Retail	Wholesale	IB	S&T	WM	Other	Total
Cash and due from banks	₩	606	22,610	97,219	6,062,073	59	(4,017,589)	2,164,978
Financial assets at fair value through profit or loss		-	-	636,664	725,770	4,506	6,225,635	7,592,575
Available-for-sale financial assets		-	-	12,967	13,573	(629)	1,551,039	1,576,950
Investments in associates		759,888	-	27,067	37,202	54,833	(846,628)	32,362
Loans		22,075	813	275	154	4,329	1,059,725	1,087,371
Total	₩	<u>782,569</u>	<u>23,423</u>	<u>774,192</u>	<u>6,838,772</u>	<u>63,098</u>	<u>3,972,182</u>	<u>12,454,236</u>
		March 31, 2011						
		Retail	Wholesale	IB	S&T	WM	Other	Total
Cash and due from banks	₩	6,216	-	(88)	142,806	497,210	1,312,473	1,958,617
Financial assets at fair value through profit or loss		116	-	36,427	5,736,779	69	934,757	6,708,148
Available-for-sale financial assets		-	-	82,375	303,920	4,506	204,860	595,661
Investments in associates		-	-	13,088	9,862	2	(390)	22,562
Loans		811,459	-	199,859	(19,553)	24,684	(104,321)	912,128
Total	₩	<u>817,791</u>	<u>-</u>	<u>331,661</u>	<u>6,173,814</u>	<u>526,471</u>	<u>2,347,379</u>	<u>10,197,116</u>
		April 1, 2010						
		Retail	Wholesale	IB	S&T	WM	Other	Total
Cash and due from banks	₩	6,330	-	9	129,877	210	730,416	866,842
Financial assets at fair value through profit or loss		-	876	5,782	4,772,241	6,444	985,348	5,770,691
Available-for-sale financial assets		-	-	20,092	29,210	5,468	180,813	235,583
Investments in associates		-	-	7,395	941	-	8,701	17,037
Loans		593,739	-	276,180	(5,141)	18,079	(23,825)	859,032
Total	₩	<u>600,069</u>	<u>876</u>	<u>309,458</u>	<u>4,927,128</u>	<u>30,201</u>	<u>1,881,453</u>	<u>7,749,185</u>

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27. Income tax

- (a) The components of income tax expense of the Group for the years ended March 31, 2012 and 2011 were as follows:

	2012	2011
Current income tax expense	₩ 32,353	24,537
Additional payment	-	4,896
Changes in deferred tax arising from temporary differences	9,848	17,906
Deferred income tax adjustment charged or credited directly to equity	(8,519)	(4,064)
Income tax expense	₩ <u>33,682</u>	<u>43,275</u>

- (b) The income tax expense calculated by applying statutory tax rates to the Group's taxable income differs from the actual tax expense in the consolidated statements of comprehensive income for the years ended March 31, 2012 and 2011 for the following reasons:

	2012	2011
Income before income taxes	₩ 133,440	154,476
Tax rates	<u>24.20%</u>	<u>24.20%</u>
Income taxes at statutory tax rates	32,292	37,383
Adjustments :		
Non-taxable income	(289)	(468)
Non-deductible expense	1,358	1,159
Others	321	5,201
Income tax expense	₩ <u>33,682</u>	<u>43,275</u>
Effective tax rate (%)	25.24%	28.01%

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27. Income tax, Continued

(c) Changes in deferred tax assets (liabilities) for the years ended March 31, 2012 and 2011 were as follows:

	2012			
	Beginning balance	Net income	Accumulated other comprehensive income (capital adjustments)	Ending balance
Stocks at fair value through profit or loss	₩ 93	(95)	-	(2)
Bonds at fair value through profit or loss	(1,286)	(2,909)	-	(4,195)
Derivatives-combined securities	(1,868)	1,377	-	(491)
Derivatives-combined securities sold	21,075	(23,496)	-	(2,421)
Exchange traded derivatives	(3,676)	3,856	-	180
Over the counter derivatives	(10,219)	22,061	-	11,842
Other financial assets at fair value through profit or loss	(221)	(95)	-	(316)
Other financial liabilities at fair value through profit or loss	(110)	574	-	464
Available-for-sale financial assets	(2,050)	6,461	(8,764)	(4,353)
Investments in associates	745	148	277	1,170
Allowance for credit loss	-	(4,791)	-	(4,791)
Property and equipment and investment properties	(37,364)	(3,279)	-	(40,643)
Intangible assets	(1,064)	(1,136)	-	(2,200)
Accrued income	(10,419)	(1,652)	-	(12,071)
Account payable and accrued expenses	3,623	(617)	(32)	2,974
Provisions	5,517	540	-	6,057
Borrowings	1,925	192	-	2,117
Day 1 profit or loss	82	770	-	852
Amortization of Up-Front fee	255	914	-	1,169
Net gain(loss) on foreign exchange translations	89	(415)	-	(326)
Others	745	264	-	1,009
	₩ <u>(34,128)</u>	<u>(1,328)</u>	<u>(8,519)</u>	<u>(43,975)</u>

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27. Income tax, Continued

		2011			
		Beginning balance	Net income	Accumulated other comprehensive income (capital adjustments)	Ending balance
Stocks at fair value	₩	(1,862)	1,955	-	93
through profit or loss					
Bonds at fair value		(6,477)	5,191	-	(1,286)
through profit or loss					
Derivatives-combined securities		(7,109)	5,241	-	(1,868)
Derivatives-combined securities sold		25,135	(4,060)	-	21,075
Exchange traded derivatives		290	(3,966)	-	(3,676)
Over the counter derivatives		(4,732)	(5,487)	-	(10,219)
Other financial assets at fair value through profit or loss		(23)	(198)	-	(221)
Other financial liabilities at fair value through profit or loss		239	(349)	-	(110)
Available-for-sale financial assets		2,420	(86)	(4,384)	(2,050)
Investments in associates		(207)	633	319	745
Allowance for credit loss		6,388	(6,388)	-	-
Property and equipment and investment properties		(37,783)	419	-	(37,364)
Intangible assets		(603)	(461)	-	(1,064)
Accrued income		(2,034)	(8,385)	-	(10,419)
Account payable and accrued expenses		3,756	(134)	1	3,623
Provisions		5,971	(454)	-	5,517
Borrowings		-	1,925	-	1,925
Day 1 profit or loss		(108)	190	-	82
Amortization of Up-Front fee		-	255	-	255
Net gain(loss) on foreign exchange translations		95	(6)	-	89
Others		422	323	-	745
	₩	<u>(16,222)</u>	<u>(13,842)</u>	<u>(4,064)</u>	<u>(34,128)</u>

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27. Income tax, Continued

(d) The deferred tax assets and liabilities that were directly charged or credited to equity for the years ended March 31, 2012 and 2011 were as follows:

	2012				
	Current year	Deferred tax liability	Prior year	Deferred tax liability	Difference in Deferred tax liability
Gain on valuation of available-for-sale financial assets	₩ 141,572	(34,260)	115,892	(25,496)	(8,764)
Foreign currency translation differences	144	(106)	(845)	-	(106)
Share of the other comprehensive income (loss) of associates	(570)	138	1,112	(245)	383
Share-based payments	129	(31)	(3)	1	(32)
	<u>₩ 141,275</u>	<u>(34,259)</u>	<u>116,156</u>	<u>(25,740)</u>	<u>(8,519)</u>
	2011				
	Current year	Deferred tax liability	Prior year	Deferred tax liability	Difference in Deferred tax liability
Gain on valuation of available-for-sale financial assets	₩ 115,892	(25,496)	95,929	(21,112)	(4,384)
Foreign currency translation differences	(845)	-	(961)	-	-
Share of the other comprehensive income (loss) of associates	1,112	(245)	2,562	(564)	319
Share-based payments	(3)	1	-	-	1
	<u>₩ 116,156</u>	<u>(25,740)</u>	<u>97,530</u>	<u>(21,676)</u>	<u>(4,064)</u>

(e) The deductible temporary differences which were not recognized as deferred tax assets as of March 31, 2012, 2011 and April 1, 2010 were as follows:

	March 31, 2012	March 31, 2011	April 1, 2010
Investments in subsidiaries	₩ 2,205	3,634	2,513

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27. Income tax, Continued

- (f) The taxable temporary differences which were not recognized as deferred tax liabilities as of March 31, 2012, 2011 and April 1, 2010 were as follows:

	<u>March 31, 2012</u>	<u>March 31, 2011</u>	<u>April 1, 2010</u>
Investments in subsidiaries	₩ (687)	(1,411)	(1,603)

- (g) The current tax assets (liabilities) and deferred tax assets (liabilities) presented on a gross basis prior to any offsetting as of March 31, 2012, 2011 and April 1, 2010 were as follows:

	<u>March 31, 2012</u>	<u>March 31, 2011</u>	<u>April 1, 2010</u>
Deferred tax assets	130,448	74,277	99,325
Deferred tax liabilities	(174,423)	(108,405)	(115,547)

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28. Derivatives

(a) Details of the notional amounts of derivatives as of March 31, 2012, 2011 and April 1, 2010 were as follows:

	<u>March 31, 2012</u>	<u>March 31, 2011</u>	<u>April 1, 2010</u>
Interest rates			
Over the counter:			
Interest rate swaps	₩ 8,974,000	15,154,000	13,986,660
Exchange traded:			
Interest rate futures	825,079	729,744	729,853
	<u>9,799,079</u>	<u>15,883,744</u>	<u>14,716,513</u>
Foreign exchange			
Over the counter:			
Currency forwards	355,262	247,300	688,189
Currency swaps	30,000	30,000	69,586
Currency options	34,836	1,500	-
Exchange traded:			
Currency futures	13,242	16,893	124,561
	<u>433,340</u>	<u>295,693</u>	<u>882,336</u>
Equity			
Over the counter:			
Equity swap	2,571,418	1,153,334	435,657
Equity options	830,497	1,011,863	723,406
Exchange traded:			
Equity futures	24,264	129,031	38,126
Equity options	2,697,946	3,265,575	421,035
	<u>6,124,125</u>	<u>5,559,803</u>	<u>1,618,224</u>
Credit			
Over the counter:			
Credit swap	89,186	69,764	118,902
Commodity			
Over the counter:			
Commodity forwards	25,975	3,131	-
Commodity swaps	42,145	5,053	22,523
Commodity options	66,721	41,046	43,186
Exchange traded:			
Commodity futures	26,127	3,131	-
	<u>160,968</u>	<u>52,361</u>	<u>65,709</u>
	<u>₩ 16,606,698</u>	<u>21,861,365</u>	<u>17,401,684</u>

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28. Derivatives, Continued

(b) Details of the gain (loss) on valuation of derivatives for the years ended March 31, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Interest rates		
Over the counter:		
Interest rate swaps	₩ (2,734)	(240)
Exchange traded:		
Interest rate futures	(1,362)	327
	<u>(4,096)</u>	<u>87</u>
Foreign exchange		
Over the counter:		
Currency forwards	(1,256)	1,225
Currency swaps	416	316
Currency options	(713)	32
Exchange traded:		
Currency futures	(3)	194
	<u>(1,556)</u>	<u>1,767</u>
Equity		
Over the counter:		
Equity swap	(43,596)	45,336
Equity options	5,356	2,041
Exchange traded:		
Equity futures	(255)	(3,832)
Equity options	4,696	264
	<u>(33,799)</u>	<u>43,809</u>
Credit		
Over the counter:		
Credit swap	(1,142)	124
Commodity		
Over the counter:		
Commodity forwards	(42)	58
Commodity swaps	(403)	(355)
Commodity options	(4,255)	(1,757)
Exchange traded:		
Commodity futures	51	(54)
	<u>(4,649)</u>	<u>(2,108)</u>
	<u>₩ (45,242)</u>	<u>43,679</u>

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29. Pledged Assets

Assets pledged as collateral as of March 31, 2012, 2011 and April 1, 2010 were as follows:

		March 31, 2012							
		Pledged for							
	ELS/DLS sold	Borrowing	Derivative	Securities borrowed	RP	Lease	Other	Total	
Trading financial assets	₩	-	-	55,134	226,699	3,970,104	-	-	4,251,937
Available-for-sale financial assets		-	-	271,847	281,674	420,476	-	-	973,997
Financial assets designated at fair value through profit or loss		80,324	-	96,891	-	49,787	-	-	227,002
Due from banks		-	17,000	-	-	-	-	6,279	23,279
Property		-	-	-	-	-	100,903	-	100,903
	₩	<u>80,324</u>	<u>17,000</u>	<u>423,872</u>	<u>508,373</u>	<u>4,440,367</u>	<u>100,903</u>	<u>6,279</u>	<u>5,577,118</u>
		March 31, 2011							
		Pledged for							
	ELS/DLS sold	Borrowing	Derivative	Securities borrowed	RP	Lease	Other	Total	
Trading financial assets	₩	80,472	-	330,578	586,747	3,508,728	-	-	4,506,525
Available-for-sale financial assets		-	-	-	-	364,246	-	-	364,246
Due from banks		18,400	17,000	-	-	-	-	6,486	41,886
Property		-	-	-	-	-	129,405	-	129,405
	₩	<u>98,872</u>	<u>17,000</u>	<u>330,578</u>	<u>586,747</u>	<u>3,872,974</u>	<u>129,405</u>	<u>6,486</u>	<u>5,042,062</u>
		April 1, 2010							
		Pledged for							
	ELS/DLS sold	Borrowing	Derivative	Securities borrowed	RP	Lease	Other	Total	
Trading financial assets	₩	-	-	42,639	475,657	3,510,377	-	-	4,028,673
Financial assets designated at fair value through profit or loss		71,626	-	20,708	13,547	-	-	-	105,881
Due from banks		71,000	17,000	-	-	-	-	6,662	94,662
Property		-	-	-	-	-	100,380	-	100,380
	₩	<u>142,626</u>	<u>17,000</u>	<u>63,347</u>	<u>489,204</u>	<u>3,510,377</u>	<u>100,380</u>	<u>6,662</u>	<u>4,329,596</u>

The carrying amounts of asset pledged that the pledges have the right to repledge regardless of the Group's default as of March 31, 2012, 2011 and April 1, 2010 were ₩4,658,505, ₩3,872,974 and ₩2,911,096, respectively.

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30. Share-based payments

(a) Share-based payments granted by the Company

In accordance with a special resolution by the shareholder, the Company granted stock purchase options to certain employees and directors. Details of share-based payments granted as of March 31, 2012 were as follows:

Stock option series	Grant date	Number of stock options exercisable	Exercise period	Exercise price (In Won)	Service period
7th	May 25, 2002	450,000	May 25, 2004 - May 24, 2012	₩ 6,370	Two years from grant date

When an employee or director with stock purchase options retires or deceases prior to exercising the options, the stock options are forfeited by a resolution of the board of directors. The Company initially allowed the employees to choose between equity or cash settlement; however, in accordance with a special resolution by the board of directors on July 1, 2005, the payment method has been restricted to cash settlement.

The fair value of options is estimated as the difference between the market-equivalent price and exercise price. The market-equivalent price is determined by applying a stock exchange ratio of 0.1633 shares of Shinhan Financial Group Co., Ltd. for 1 share of the Company, and considering relative management performance indices.

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30. Share-based payments, Continued

(b) Share-based payments granted by Shinhan Financial Group Co., Ltd.

(i) Shinhan Financial Group Co., Ltd. granted stock purchase options to certain employees and directors. Details of stock options granted as of March 31, 2012 were as follows:

	4th grant	5th grant	6th grant	7th grant
Grant date	March 30, 2005	March 21, 2006	March 20, 2007	March 19, 2008
Exercise price(in won)	₩28,006	₩38,829	₩54,560	₩49,053
Number of shares granted	288,927	260,119	166,298	79,544
Vesting period	Within four years after three years from grant date	Within four years after three years from grant date	Within four years after three years from grant date	Within four years after three years from grant date
Changes in number of shares granted:				
Outstanding at April 1, 2011	51,373	185,113	117,569	56,979
Exercised and etc.	(51,373)	(5,600)	-	-
Outstanding at March 31, 2012	-	179,513	117,569	56,979
Exercisable at March 31, 2012	-	179,513	117,569	56,979
Assumptions used to determine the fair value of options:				
Risk-free interest rate	-	3.41%	3.41%	3.43%
Expected exercise period	-	6 months	1 year	1 year and 6 months
Expected stock price volatility	-	31.99%	32.90%	30.18%
Expected dividend yield	-	1.82%	1.82%	1.61%
Weighted average fair value per share(in won)	-	₩6,773	₩2,482	₩4,739

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30. Share-based payments, Continued

(b) Share-based payments granted by Shinhan Financial Group Co., Ltd., Continued

(ii) Details of performance shares granted as of March 31, 2012 were as follows :

	Grant in 2010
Terms:	
Type	Equity-settled share-based payment
Service period	2010~2012
Performance conditions	Increase rate of stock price and Achievement of target ROE
Number of shares estimated at March 31, 2012	46,606

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.

(iii) Stock compensations costs (benefits) calculated as of and for the year ended March 31, 2012 were as follows:

	2012		
	Stock options	Performance Shares	Total
Compensation costs recorded for the period ₩	(1,114)	(1,389)	(2,503)
Accrued expenses (benefits) related to compensation cost	1,777	2,039	3,816

(iv) Book value of liabilities and intrinsic value of liabilities regarding share-based payment as of March 31, 2012 were as follows:

	March 31, 2012	
	Accrued expenses	Intrinsic value
Stock Options ₩	1,777	874
Performance Shares	2,039	2,039
Total ₩	3,816	2,913

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31. Commitments and contingencies

- (a) As of March 31, 2012, the Company has four pending lawsuits as a defendant (total claim amount : ~~₩39,900~~) of which a legal provision of ~~₩21,942~~ is included in the allowance for others in the consolidated statement of financial position.
- (b) As of March 31, 2012, the Company 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 Company's time deposit of ~~₩1,279~~ was pledged as collateral to Franklin Templeton Investment Trust Management Co., Ltd. for the potential losses.
- (c) As of March 31, 2012, the Group has signed asset-backed commercial paper (ABCP) purchase agreements in the amount of ~~₩152,000~~. As of March 31, 2012, ~~₩19,140~~ of the ABCP has been repurchased by the Group and recognized as available-for-sale financial assets. In addition, the Group entered into credit default swap contracts with BNP Paribas and others in the total nominal amount of ~~₩89,186~~ (including CDS: ~~₩79,186~~), and recorded ~~₩995~~ as derivative liabilities.
- (d) As a general partner of Shinhan Maritime Private Equity Fund I, the Group entered into a guarantee to the extent of the minimum value of investment of the Group and 3% of the sum of each limited partners' contribution. Also, as a general partner of Kofc Shinhan frontier champ 2010 Fund IV, the Group entered into a guarantee to the extent of 3% of investment on PEF.

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32. Equity

(a) Details of equity as of March 31, 2012, 2011 and April 1, 2010 are summarized as follows:

	March 31, 2012	March 31, 2011	April 1, 2010
Stockholder's equity			
Common Stock	₩ 1,277,882	1,277,882	1,277,882
Preferred Stock	19,116	19,116	19,116
	<u>1,296,998</u>	<u>1,296,998</u>	<u>1,296,998</u>
Capital surplus			
Gain from reduction of capital	15	15	15
Capital adjustments			
Stock options	98	(2)	-
Accumulated other comprehensive income			
Valuation of available-for-sale financial assets	107,312	90,396	74,817
Change of investments in a associate	(432)	867	1,999
Accumulated foreign exchange differences	37	(845)	(961)
	<u>106,917</u>	<u>90,418</u>	<u>75,855</u>
Retained earnings			
Legal reserve	6,500	4,500	3,000
Retained earnings before appropriation	743,264	665,506	570,741
Voluntary reserve	-	-	64
	<u>749,764</u>	<u>670,006</u>	<u>573,805</u>
	<u>₩ 2,153,792</u>	<u>2,057,435</u>	<u>1,946,673</u>

(b) Stockholder's equity as of March 31, 2012, 2011 and April 1, 2010 are summarized as follows:

	Common Stock	Preferred Stock
Authorized capital	450,000,000	150,000,000
Par value per stock(in thousand of won)	5	5
Capital stock	255,576,350	3,823,314
Stockholder's equity(in thousand of won)	1,277,881,750	19,116,570

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32. Equity, Continued

- (c) Change in accumulated other comprehensive income for the years ended March 31, 2012 and 2011 were as follows:

	2012			
	Valuation of available-for-sale financial assets	Change of investments in a associate	Accumulated foreign exchange differences	Total
Opening balance	₩ 90,396	867	(845)	90,418
Change in fair value of available-for-sale financial assets	20,850	-	-	20,850
Change in impairment	5,432	-	-	5,432
Change in disposal	(602)	-	-	(602)
The effect of change in equity of investee	-	(1,682)	-	(1,682)
The effect of exchange rate difference	-	-	988	988
Deferred tax effect	(8,764)	383	(106)	(8,487)
Ending balance	₩ <u>107,312</u>	<u>(432)</u>	<u>37</u>	<u>106,917</u>
	2011			
	Valuation of available-for-sale financial assets	Change of investments in a associate	Accumulated foreign exchange differences	Total
Opening balance	₩ 74,817	1,999	(961)	75,855
Change in fair value of available-for-sale financial assets	20,293	-	-	20,293
Change in disposal	(330)	-	-	(330)
The effect of change in equity of investee	-	(1,451)	-	(1,451)
The effect of exchange rate difference	-	-	116	116
Deferred tax effect	(4,384)	319	-	(4,065)
Ending balance	₩ <u>90,396</u>	<u>867</u>	<u>(845)</u>	<u>90,418</u>

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32. Equity, Continued

- (d) Statements of appropriation of retained earnings.
Statements of appropriation of retained earnings for the years ended March 31, 2012 and 2011 were as follows:

	2012	2011
Unappropriated retained earnings		
Balance at beginning of the year	₩ 647,204	552,087
Net income for the year	97,656	117,117
	<u>744,860</u>	<u>669,204</u>
Appropriation of retained earnings		
Legal reserve	2,000	2,000
Asset revaluation surplus	171,113	-
Dividends	20,000	20,000
Cash dividends on common stock (₩19,517)	19,517	19,517
Cash dividends on preferred stock (₩483)	483	483
	<u>20,000</u>	<u>20,000</u>
	<u>193,113</u>	<u>22,000</u>
Unappropriated retained earnings carried over to subsequent year	₩ <u>551,747</u>	<u>647,204</u>

(*1) These statements of appropriation of retained earnings were based on the separate financial statements of the Company.

(*2) The statements of appropriation of retained earnings for the year ended March 31, 2011 reflected adjustment due to adoption of K-IFRS were different from the amount recorded under previous K-GAAP.

33. Dividends

- (a) Dividends of common stock for the years ended March 31, 2012 and 2011 were as follows:

	2012		2011	
	Common stock	Preferred stock	Common stock	Preferred stock
Number of issued shares outstanding	255,576,350	3,823,314	255,576,350	3,823,314
Par value per share (in won) ₩	5,000	5,000	5,000	5,000
Dividends per share (in won)	76	126	76	126
Dividends	19,517	483	19,517	483
Dividend rate per share	1.5%	2.5%	1.5%	2.5%

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34. Leases

(a) Minimum operating lease receivables are due as follows:

		<u>within 1year</u>	<u>1~5years</u>	<u>over 5years</u>	<u>Total</u>
Minimum lease receivables	₩	4,490	801	-	5,291

(b) Minimum operating lease payments are due as follows:

		<u>within 1year</u>	<u>1~5years</u>	<u>over 5years</u>	<u>Total</u>
Minimum lease payments	₩	4,783	6,890	15	11,688

35. Cash flows

(a) Details of significant non-cash activities for the years ended March 31, 2012 and 2011 were as follows:

		<u>2012</u>	<u>2011</u>
Investment properties transferred from property and equipment	₩	3,341	(3,064)
Valuation gain on available-for-sale financial assets		25,680	19,963
Tax effect on valuation of gain on available-for-sale financial assets		(8,764)	(4,384)
Change of investments in associate		(1,682)	(1,450)
Tax effect on change of investments in associate		383	319
Foreign currency translation differences		989	116
Tax effect on foreign currency translation differences		(106)	-

(b) Cash and cash equivalents in the accompanying consolidated statements of cash flows is equivalent to Cash and cash equivalents in note 4.

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36. Related party transactions

(a) As of March 31, 2012, the related parties of the Group were summarized as follows:

Name of company	Control relationship
Shinhan Financial Group Co., Ltd.	Parent company

(b) Significant account balances with the related companies as of March 31, 2012, 2011 and April 1, 2010 were as follows:

Related party	Accounts	March 31, 2012	March 31, 2011	April 1, 2010
Assets:				
Shinhan Financial Group Co., Ltd.	Other assets(*1)	₩ 15	-	-
Shinhan Bank	Deposits	325,332	258,345	166,301
	Accrued revenues	5,335	2,939	1,337
	Derivatives assets	181	-	-
	Other assets(*1)	25,407	33,876	20,107
Shinhan Card Co., Ltd.	Accrued revenues	39	-	169
	Other assets(*1)	1,874	21,465	43,773
Jeju Bank	Deposits	89,834	63,017	48,693
	Accrued revenues	1,477	545	754
Shinhan Capital	Derivatives assets	-	-	212
	Other assets(*1)	36	-	-
Shinhan Life Insurance Co., Ltd.	Deposits	-	-	327
Kofc Shinhan Frontier	Other assets(*1)	216	-	-
		<u>₩ 449,746</u>	<u>380,187</u>	<u>281,673</u>

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36. Related party transactions, Continued

Related party	Accounts		March 31, 2012	March 31, 2011	April 1, 2010
Liabilities:					
Shinhan Financial Group Co., Ltd.	Borrowings	₩	100,000	100,000	170,000
	Accured expenses		700	950	5,757
	Other liabilities(*2)		16,086	-	-
Shinhan Bank	Borrowings		3,171	1,769	-
	Accured expenses		16	4	-
	Derivatives liabilities		10	354	-
	Other liabilities(*2)		38,573	12,183	11,243
Shinhan Card Co., Ltd.	Borrowings		104,950	-	78
	Accured expenses		38	-	852
	Other liabilities(*2)		5,330	3,974	4,264
Shinhan BNP Paribas Asset Management Co., Ltd.	Other liabilities(*2)		1,053	1,053	962
Shinhan Private Equity Inc.	Accured expenses		-	-	12
	Other liabilities(*2)		3,078	-	2,289
Shinhan Life Insurance Co., Ltd.	Other liabilities(*2)		1,250	-	3,409
Shinhan Data System	Accured expenses		588	-	261
Shinhan Aitas Co., Ltd	Borrowings		-	-	3,248
	Accured expenses		-	-	4
SHC Management	Borrowings		38	-	-
			₩ 274,881	120,287	202,379

(*1) Includes deposits for guarantees and others.

(*2) Includes deposits for rent and others.

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36. Related party transactions, Continued

(c) Significant transactions with the related parties for the years ended March 31, 2012 and 2011 were as follows:

Related party	Accounts	2012	2011
Revenue:			
Shinhan Financial Group Co., Ltd.	Commission	₩ 2,504	1,570
Shinhan Bank	Interest	11,604	4,310
	Rent	341	414
	Debt securities	91	-
	Derivatives	223	3
	Commission	60	1,778
	Shinhan Card Co., Ltd.	Interest	922
Shinhan Life Insurance Co., Ltd.	Rent	570	751
	Debt securities	7	-
	Commission	114	360
	Interest	-	14
Shinhan Capital	Rent	5	18
	Commission	2	2
	Interest	1	-
Jeju Bank	Commission	20	64
	Interest	3,108	2,575
Shinhan Credit Information Co., Ltd.	Rent	5	-
Shinhan Aitas Co.,Ltd	Interest	-	10
Shinhan BNP Paribas Asset Management Co., Ltd.	Rent	1,283	1,751
	Commission	5	-
	Commission	1,501	-
Kofc Shinhan Frontier	Commission	1,501	-
Shinhan Savings Bank	Commission	1	-
		₩ 22,367	14,340

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36. Related party transactions, Continued

Related party	Accounts	2012	2011
Expense:			
Shinhan Financial Group Co., Ltd.	Interest	₩ 5,455	7,103
	Commission	6,758	2,767
Shinhan Bank	Interest	680	62
	Rent	839	836
	Derivatives	37	-
	Commission	7,325	7,190
	Interest	499	99
Shinhan Card Co., Ltd.	Debt securities	119	-
	Commission	5	12
	Interest	17	-
Shinhan Life Insurance	Rent	-	24
	Commission	159	18
	Interest	56	-
Shinhan Capital	Interest	-	1
Jeju Bank	Commission	28	33
	Commission	9	23
Shinhan Credit Information Co., Ltd.	Interest	31	2
Shinhan Data System	Commission	4,406	2,247
Shinhan Private Equity Inc.	Interest	-	101
	Commission	1	-
Shinhan Aitas Co.,Ltd	Interest	-	106
	Commission	-	4
Shinhan BNP Paribas Asset Management Co., Ltd.	Interest	30	-
SHC Management	Interest	56	-
		₩ 26,510	20,628

(d) Key management personnel compensation for the years ended March 31, 2012 and 2011 were as follows:

	2012	2011
Salaries and wages	₩ 5,133	4,916
Share-based payments	(2,503)	2,717
	₩ 2,630	7,633

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37. 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.

There is no amount to be recognized in the regulatory reserve for loan loss as of March 31, 2012, 2011 and April 1, 2010.

38. Investment in subsidiaries

(a) Condensed financial information for the Company's subsidiaries.

i) Condensed financial positions for the Shinhan Investment corp., the controlling company, and its subsidiaries as of March 31, 2012, 2011 and April 1, 2010 were as follows:

	March 31, 2012			March 31, 2011			April 1, 2010		
	Total assets	Total liabilities	Total equity	Total assets	Total liabilities	Total equity	Total assets	Total liabilities	Total equity
Shinhan Investment corp.	₩ 14,064,881	11,910,216	2,154,665	12,282,994	10,223,013	2,059,981	9,610,436	7,669,632	1,940,804
Shinhan Investment America Inc.	4,115	80	4,035	4,870	111	4,759	5,055	104	4,951
Shinhan Investment Europe Ltd.	4,231	42	4,189	5,187	28	5,159	6,430	137	6,293
Shinhan Investment Asia Ltd.	2,729	176	2,554	3,725	256	3,469	4,742	152	4,590
Shinhan Maritime Private Equity Fund I(*)	124,353	55,199	69,154	76,386	1,240	75,146	-	-	-
KAMCO Value Recreation 11 th Securitization Specialty Co., LTD	25,663	30,279	(4,616)	25,666	28,119	(2,453)	-	-	-
Good Invest 2 nd corp.	-	-	-	225	225	-	801	30	771
Beneficiary certificates	5,361	5,542	(181)	5,591	6,018	(427)	6,707	7,444	(737)
	<u>₩ 14,231,333</u>	<u>12,001,534</u>	<u>2,229,800</u>	<u>12,404,644</u>	<u>10,259,010</u>	<u>2,145,634</u>	<u>9,634,171</u>	<u>7,677,499</u>	<u>1,956,672</u>

(*) The condensed financial information were based on consolidated financial statements.

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38. Investment in subsidiaries, Continued

ii) Condensed comprehensive income statements for Shinhan Investment corp., the controlling company, and its subsidiaries for the years ended March 31, 2012 and 2011 were as follows:

	2012			2011		
	Operating income	Net income	Total comprehensive income	Operating income	Net income	Total comprehensive income
Shinhan Investment corp.	₩ 1,627,672	97,656	114,584	1,855,482	117,117	134,179
Shinhan Investment America Inc.	1,063	(835)	(835)	1,189	(92)	(92)
Shinhan Investment Europe Ltd.	124	(1,049)	(1,049)	125	(1,415)	(1,415)
Shinhan Investment Asia Ltd.	547	(995)	(995)	123	(1,055)	(1,055)
Shinhan Maritime Private Equity Fund I(*)	759	(5,347)	(5,347)	901	(1,912)	(1,912)
KAMCO Value Recreation 11 th Securitization Specialty Co., LTD	-	(2,162)	(2,162)	-	(2,463)	(2,463)
Good Invest 2 nd corp.	-	-	-	149	(771)	(771)
Beneficiary certificates	232	199	187	590	413	1,617
	₩ 1,630,397	87,467	104,383	1,858,559	109,822	128,088

(*) The condensed financial information were based on consolidated financial statements.

(b) Changes in the Company's subsidiaries

i) Changes of the Company's subsidiaries for the year ended March 31, 2012 were as follows:

	Investees	Cause	Investor
Exclusion from consolidation	Good Invest 2 nd corp.	Liquidation	Shinhan Investment corp.

ii) Changes of the Group's subsidiaries for the year ended March 31, 2011 were as follows:

	Investees	Cause	Investor
Inclusion in consolidation	Shinhan Maritime Private Equity Fund I.	Establishment	Shinhan Investment corp.
	KAMCO Value Recreation 11th Securitization Specialty Co., LTD	Establishment	Shinhan Investment corp.
Exclusion from consolidation	Special Short Term 8	Decrease of shares	Shinhan Investment corp.

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39. Implementation of K-IFRS

As stated in note 2(a), these are the Group's first consolidated financial statements prepared in accordance with K-IFRSs.

The accounting policies set out in note 3 have been applied in preparing the consolidated financial statements for the year ended March 31, 2012, the comparative information presented in these financial statements for the year ended March 31, 2011 and in the preparation of an opening K-IFRS statement of financial position at April 1, 2010 (the Group's date of transition).

In preparing its opening K-IFRS statement of financial position, the Group has adjusted amounts reported previously in financial statements prepared in accordance with previous K-GAAP. An explanation of how the transition from previous K-GAAP to K-IFRSs has affected the Group's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

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39. Implementation of K-IFRS, Continued

(a) Significant differences in accounting policies

i) First-time adoption of K-IFRSs

Area	K-IFRS
Business combinations	K-IFRS No. 1103 <i>Business Combinations</i> will not be applied retroactively to business combinations occurring prior to the date of transition.
Deemed cost	The Group elected to measure land and buildings at fair value at the date of transition of Shinhan Financial Group (January 1, 2010).
Cumulative translation differences	The cumulative translation difference of foreign operations as of the date of transition will be regarded as nil.
Derecognition of financial assets and financial liabilities	The derecognition requirements in K-IFRS No. 1039 <i>Financial Instruments: Recognition and Measurement</i> were applied prospectively for transactions that occurred on or before the date of transition.
Financial asset designated as available for sale or financial instrument designated as a financial asset or financial liability at fair value through profit or loss	Although K-IFRS No. 1039 <i>Financial Instruments: Recognition and Measurement</i> permits a financial asset to be designated on initial recognition as available for sale or a financial instrument (provided it meets certain criteria) to be designated as a financial asset or financial liability at fair value through profit or loss, those designations are permitted at the date of transition. The Group elected to use these exemptions.
Share-based payment transactions	K-IFRS No. 1102 <i>Share-based Payment</i> was applied retrospectively to equity instruments that were granted on or before the date of transition.
Decommissioning liabilities included in the cost of property and equipment	The amount that would have been included in the cost of the related asset when the liability first arose is estimated by discounting the liability to that date using its best estimate of the historical risk-adjusted discount rate(s) that would have applied for that liability over the intervening period.

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39. Implementation of K-IFRS, Continued

(a) Significant differences in accounting policies, Continued

ii) Significant differences between K-IFRS and previous K-GAAP

Area	K-IFRS	Previous K-GAAP
Consolidation scope	If the Group has dominant influence or control over the subsidiary including special purpose vehicle (SPV), the subsidiary is included in the Group's consolidation scope regardless of the subsidiary size.	Based on the Act on External Audit of Stock Companies, a stock company whose total value of assets is less than ₩ 10 billion as of the end of the immediate preceding fiscal year, shall not be considered a subsidiary. Consolidation of SPV is not stipulated in K-GAAP.
Allowance for loan losses	Allowance for loan losses that has been incurred but not yet identified are estimated at a specific asset and collective level using the historical experience.	Allowance for loan losses is estimated at a greater of the amount resulting from the expected loss method reasonably estimated using the historical experience and the amount estimated based on the asset classification guidelines of the Financial Services Commission in accordance with the Regulations for the Supervision of Banks.
Day 1 profit or loss	In case the fair value of financial instruments measured using valuation techniques where one or more significant inputs are not based on observable, the differences between fair value of financial instruments and the transaction price are not recognized in profit or loss as incurred, but deferred over the maturity of the financial instruments.	The differences between fair value of financial instruments and the transaction price are recognized in profit or loss as incurred.
Revenue recognition	All fees associated with origination of loans are deferred and recognized over the expected life of the loan using the effective interest method as an adjustment to the loan balance and interest income.	Fees directly associated with origination of loans are deferred and recognized over the maturity of the loan using the effective interest method as an adjustment to the loan balance and interest income.

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39. Implementation of K-IFRS, Continued

(a) Significant differences in accounting policies, Continued

ii) Significant differences between K-IFRS and previous K-GAAP, Continued

Area	K-IFRS	Previous K-GAAP
Presentation of liabilities and equity	The issuer of a financial instrument shall classify the instrument, or its component parts, on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument.	Classified under Commercial Law
Derecognition of financial instruments	Depends on the extent to which it retains the risks and rewards of ownership of the financial asset, the transferred asset is continued to be recognized, is derecognized or continued to be recognized to the extent of its continuing involvement in the financial asset.	Depends on whether or not the Group retains control over the financial assets, the transferred asset is continued to be recognized or derecognized.
Securities company: brokerage	Recognition accounts receivable and accounts payable for settlement, respectively.	Offsetting accounts receivable and accounts payable for settlement.

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39. Implementation of K-IFRS, Continued

(b) Summary of the effects of the adoption of K-IFRS on the Group's financial position and the results of its operation

i) The effects on the Group's financial position due to the adoption of K-IFRS as of the date of transition to K-IFRS, April 1, 2010 were as follows:

	Total asset	Total liability	Total equity
Previous K-GAAP	₩ 8,384,644	6,564,860	1,819,784
Adjustments:			
Changes in the consolidated entities	2,393	1,665	728
Allowance for loan losses	5,238	-	5,238
Day 1 profit and loss	9,085	8,594	491
Reclassification of financial instruments	(8,118)	3	(8,121)
Deemed cost for land and buildings	170,320	-	170,320
Receivable/payable for brokerage not settled	1,331,586	1,331,586	-
Others	3,675	11,692	(8,017)
Tax effect on adjustments	(17,122)	16,628	(33,750)
Total adjustments	1,497,057	1,370,168	126,889
K-IFRS	₩ <u>9,881,701</u>	<u>7,935,028</u>	<u>1,946,673</u>

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39. Implementation of K-IFRS, Continued

(b) Summary of the effects of the adoption of K-IFRS on the Group's financial position and the results of its operation, Continued

ii) The effects on the Group's financial position and results of its operations due to the adoption of K-IFRS as of and for the year ended March 31, 2011 are as follows:

		Total asset	Total liability	Total equity	Net income	Total comprehensive income
Previous K-GAAP	₩	10,845,998	8,847,388	1,998,610	107,832	122,271
Adjustments:						
Changes in the consolidated entities		153	68,924	(68,771)	1,337	1,525
Allowance for loan losses		15,729	-	15,729	10,491	10,491
Day 1 P/L		3,678	4,051	(373)	(864)	(864)
Reclassification of financial instruments		(19,166)	9	(19,175)	(7,929)	(7,993)
Deemed cost for land and buildings		168,350	-	168,350	(2,007)	(2,007)
Derecognition of financial instruments		15,818	17,432	(1,614)	(1,614)	(1,614)
Receivable/payable for brokerage not settled		1,310,533	1,310,533	-	-	-
Others		8,582	11,707	(3,125)	3,255	3,255
Tax effect on adjustments		-	32,196	(32,196)	700	700
Total adjustments		1,503,677	1,444,852	58,825	3,369	3,493
K-IFRS	₩	<u>12,349,675</u>	<u>10,292,240</u>	<u>2,057,435</u>	<u>111,201</u>	<u>125,764</u>

iii) There are no major differences between statements of cash flows under K-GAAP and K-IFRS.

(c) Changes in the Company's subsidiaries

Good Invest 2nd Corp. And some beneficiary certificates were added to the Company's subsidiaries due to the adoption of K-IFRS at April 1, 2010.