



Shinhan Investment Corp.

Non-Consolidated Financial Statements

March 31, 2011 and 2010

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

Based on a report originally issued in Korean

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

We have audited the accompanying non-consolidated statements of financial position of Shinhan Investment Corp. (the "Company") as of March 31, 2011 and 2010 and the related non-consolidated statements of income, appropriation of retained earnings, changes in equity and cash flows for the years then ended. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 our audits provide a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2011 and 2010 and the results of its operations, the appropriation of its retained earnings, the changes in its equity and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

The following matter may be helpful to the readers in their understanding of the non-consolidated financial statements:

As discussed in note 2(a) to the non-consolidated financial statements, accounting principles and auditing standards and their application in practice vary among countries. The accompanying non-consolidated financial statements are not intended to present the financial position, results of operations, changes in equity and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such non-consolidated financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying non-consolidated financial statements are for use by those knowledgeable about Korean accounting principles and auditing standards and their application in practice.

KPMG Samjong Accounting Corp.
Seoul, Korea
June 16, 2011

This report is effective as of June 16, 2011 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 non-consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Shinhan Investment Corp.
Non-Consolidated Statements of Financial Position
As of March 31, 2011 and 2010

<i>(In millions of won)</i>	<u>Note</u>	<u>2011</u>	<u>2010</u>
Assets			
Cash and cash equivalents	3,7	₩ 608,469	35,694
Deposits	4,7,9	2,226,917	1,798,980
Securities	5,9,17	6,317,856	4,930,626
Derivative assets	7,21	120,392	75,375
Loans, net	6,17	905,445	894,773
Property and equipment, net	8,9	162,639	170,156
Other assets	6,7,10,17	434,186	478,684
Total assets	₩	<u>10,775,904</u>	<u>8,384,288</u>
Liabilities and Stockholder's equity			
Liabilities:			
Customers' deposits	17	₩ 1,195,926	968,208
Guarantee deposits	11	21,627	15,767
Call money	12	744,600	359,900
Borrowings	7,12	100,427	206,232
Securities sold under reverse resale agreements		3,433,290	2,880,964
Securities sold		454,534	203,360
Derivatives-combined securities sold	13	2,430,109	1,214,867
Derivative liabilities	7,21	36,677	80,133
Debenture	14	49,973	49,954
Subordinated borrowings	7,15	100,000	170,000
Retirement and severance benefits	16	205	443
Allowance for others	20	21,942	21,942
Other liabilities	7,18	257,762	392,734
Total liabilities		<u>8,847,072</u>	<u>6,564,504</u>
Stockholder's equity:			
Capital stock of ₩5,000 par value	22	1,296,998	1,296,998
Authorized:			
Common stock - 450,000,000 shares			
Preferred stock - 150,000,000 shares			
Issued and outstanding:			
Common stock - 255,576,350 shares			
Preferred stock - 3,823,314 shares			
Capital surplus	23	15	15
Accumulated other comprehensive income	24	94,743	80,304
Retained earnings	25	537,076	442,467
Total stockholder's equity		<u>1,928,832</u>	<u>1,819,784</u>
Total liabilities and stockholder's equity	₩	<u>10,775,904</u>	<u>8,384,288</u>

See accompanying notes to the non-consolidated financial statements.

Shinhan Investment Corp.
Non-Consolidated Statements of Income
For the years ended March 31, 2011 and 2010

<i>(In millions of won)</i>	<u>Note</u>	<u>2011</u>	<u>2010</u>
Operating revenue:			
Commission income	7	₩ 406,279	444,514
Gain on sale of trading securities		145,120	141,292
Unrealized gain on trading securities		21,201	39,743
Gain on sale of securities available for sale		1,030	3,122
Unrealized gain on trading securities sold		1,085	57
Gain related to derivatives-combined securities owned		213,307	54,368
Gain related to derivatives-combined securities sold		296,466	135,201
Gain on derivatives transactions	7,21	391,031	449,040
Interest income	7	286,487	273,686
Reversal of allowance for loan losses		15,185	-
Gain on foreign currency transactions		31,141	45,341
Others		67,325	38,516
		<u>1,875,657</u>	<u>1,624,880</u>
Operating expense:			
Commission expense	7	49,735	54,781
Loss on sale of trading securities		129,807	87,033
Unrealized loss on trading securities		17,204	5,187
Loss on sale of securities available for sale		6	20,436
Impairment loss on available-for-sale securities		754	926
Unrealized loss on trading securities sold		1,220	1,045
Loss related to derivatives-combined securities owned		45,633	2,902
Loss related to derivatives-combined securities sold		574,868	361,323
Loss on derivatives transactions	7,21	377,849	363,013
Interest expense	7	129,781	124,040
Credit loss expenses		21,022	57,429
Loss on foreign currency transactions		33,118	36,511
General and administrative expenses	7,26	352,857	352,143
Others		37	47,340
		<u>1,733,891</u>	<u>1,514,109</u>
Operating income		<u>141,766</u>	<u>110,771</u>

See accompanying notes to the non-consolidated financial statements.

Shinhan Investment Corp.
Non-Consolidated Statements of Income, Continued
For the years ended March 31, 2011 and 2010

<i>(In millions of won)</i>	<u>Note</u>	<u>2011</u>	<u>2010</u>
Non-operating income (expense):			
Gain (loss) on disposal of property and equipment, net	₩	(16)	2,228
Loss on equity method accounted investees	5	(3,604)	(3,714)
Rental income	7	16,497	15,562
Donations		(1,219)	(2,946)
Other, net		441	1,635
Total non-operating income		<u>12,099</u>	<u>12,765</u>
Income before income taxes		153,865	123,536
Income taxes	27	<u>44,256</u>	<u>31,942</u>
Net income	₩	<u>109,609</u>	<u>91,594</u>

See accompanying notes to the non-consolidated financial statements.

Shinhan Investment Corp.
Non-Consolidated Statements of Appropriation of Retained Earnings
For the years ended March 31, 2011 and 2010

Date of Appropriation for 2011: June 27, 2011

Date of Appropriation for 2010: June 28, 2010

(In millions of won)

	<u>Note</u>	<u>2011</u>	<u>2010</u>
Unappropriated retained earnings:			
Balance at the beginning of year	₩	422,967	347,809
Net income		<u>109,609</u>	<u>91,594</u>
Balance at end of year before appropriation		<u>532,576</u>	<u>439,403</u>
Transfer from voluntary reserves			
Reserve for loss on futures transactions		<u>-</u>	<u>64</u>
Appropriation of retained earnings:			
Legal Reserve		2,000	1,500
Dividends	29	<u>20,000</u>	<u>15,000</u>
		<u>22,000</u>	<u>16,500</u>
Unappropriated retained earnings to be carried over to subsequent year	₩	<u>510,576</u>	<u>422,967</u>

See accompanying notes to the non-consolidated financial statements.

Shinhan Investment Corp.
Non-Consolidated Statements of Changes in Equity
For the years ended March 31, 2011 and 2010

<i>(In millions of won)</i>		<u>Capital stock</u>	<u>Capital surplus</u>	<u>Accumulated other comprehensive income</u>	<u>Retained earnings</u>	<u>Total stockholder's equity</u>
Balance at April 1, 2009	₩	1,296,998	15	50,795	380,873	1,728,681
Cash dividends		-	-	-	(30,000)	(30,000)
Net income		-	-	-	91,594	91,594
Gain(Loss) on valuation of securities available for sale		-	-	31,704	-	31,704
Share of associates' other changes in net assets		-	-	(2,195)	-	(2,195)
Balance at March 31, 2010	₩	<u>1,296,998</u>	<u>15</u>	<u>80,304</u>	<u>442,467</u>	<u>1,819,784</u>
Balance at April 1, 2010	₩	1,296,998	15	80,304	442,467	1,819,784
Cash dividends		-	-	-	(15,000)	(15,000)
Net income		-	-	-	109,609	109,609
Gain(Loss) on valuation of securities available for sale		-	-	15,456	-	15,456
Share of associates' other changes in net assets		-	-	(1,017)	-	(1,017)
Balance at March 31, 2011	₩	<u>1,296,998</u>	<u>15</u>	<u>94,743</u>	<u>537,076</u>	<u>1,928,832</u>

See accompanying notes to the non-consolidated financial statements.

Shinhan Investment Corp.
Non-Consolidated Statements of Cash Flows
For the years ended March 31, 2011 and 2010

<i>(In millions of won)</i>	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Net income	₩ 109,609	91,594
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation expense	14,453	14,291
Amortization expense	15,410	10,787
Provision for loan losses	21,022	57,429
Provision for doubtful accounts	-	25,398
Reversal of Allowance for Others	(12,504)	-
Unrealized gain on trading securities, net	(3,997)	(34,556)
Impairment loss on available-for-sale securities	754	926
Unrealized loss on securities sold, net	135	988
Unrealized gain on hybrid securities bought, net	(7,197)	(29,594)
Unrealized loss on hybrid securities issued, net	99,531	105,817
Unrealized gain on derivatives transactions, net	(64,238)	(9,645)
Gain on foreign currency transactions, net	(1,282)	(1,658)
Loss (gain) from sale of available-for-sale securities, net	(1,024)	17,314
Loss from valuation of investment securities accounted for by equity method, net	3,604	3,714
Deferred tax income	-	(29,862)
Provision for retirement and severance benefits	1,565	2,188
Gain (loss) from sale of property and equipment, net	16	(2,228)
Increase in deposits segregated under the regulation	(385,487)	(867,015)
Decrease (increase) in trading securities	(948,101)	110,148
Increase in hybrid securities bought	(35,201)	(25,402)
Decrease in derivative assets	32,779	71,490
Decrease (increase) in Call loans	80,000	(80,000)
Increase in brokers' loans	(217,870)	(201,018)
Increase in Employees' loans	(667)	(1,679)
Decrease (increase) in advances for customers	(336)	21
Decrease in loan purchased	144,628	136,923
Decrease (increase) in other loans	57,292	(1,360)
Decrease (increase) in other assets	35,380	(54,428)
Increase (decrease) in deposits from customers	231,151	(117,855)
Increase in deposits	5,861	6,649
Increase (decrease) in bonds sold with repurchase agreements	552,326	(91,124)
Increase in securities sold	251,039	198,680
Increase in hybrid securities issued	1,115,712	430,360
Decrease in derivative liabilities	(57,009)	(143,080)
Decrease in allowance for credit loss	(97,197)	-
Increase (decrease) in other liabilities	(139,719)	149,401
Increase (decrease) in deferred tax liabilities, net	15,707	(1,205)
Retirement and severance benefits paid	(1,803)	(1,957)
Unwinding of present value discount accounts	1,101	-
Other, net	(41,810)	675
Net cash provided by (used in) operating activities	₩ <u>773,633</u>	<u>(286,355)</u>

See accompanying notes to the non-consolidated financial statements.

Shinhan Investment Corp.
Non-Consolidated Statements of Cash Flows, Continued
For the years ended March 31, 2011 and 2010

<i>(In millions of won)</i>	2011	2010
Cash flows from investing activities:		
Cash provided by investing activities:		
Disposition of securities available for sale	4,262	31,133
Dividends from equity method accounted investments	99	-
Disposition of tangible fixed assets	64	4,488
Disposition of intangible fixed assets	-	3
Collection of guarantee	1,192	6,481
Collection of dishonored bonds	23	-
	<u>5,640</u>	<u>42,105</u>
Cash used in investing activities:		
Acquisition of securities using equity method	13,583	8,336
Acquisition of securities available for sale	368,359	21,987
Acquisition of tangible fixed assets	7,016	11,843
Payment of guarantee	4,484	5,788
Acquisition of intangible assets	6,861	3,424
	<u>400,303</u>	<u>51,378</u>
Net cash used in investing activities	<u>(394,663)</u>	<u>(9,273)</u>
Cash flows from financing activities:		
Cash provided by financing activities:		
Increase in call money	384,700	-
Increase in borrowings	-	78,252
Increase in debentures	-	50,000
Receipt of deposits for rent	2,225	1,727
	<u>386,925</u>	<u>129,979</u>
Cash used in financing activities:		
Decrease in call money	-	113,300
Decrease in borrowings	175,805	53,003
Payment of debenture issuance costs	-	59
Payment of deposits for rent	2,315	5,218
Payment of cash dividends on common stock	15,000	30,000
	<u>193,120</u>	<u>201,580</u>
Net cash provided by (used in) financing activities	<u>193,805</u>	<u>(71,601)</u>
Net increase (decrease) in cash and cash equivalents	572,775	(367,229)
Cash and cash equivalents at beginning of the period	<u>35,694</u>	<u>402,923</u>
Cash and cash equivalents at end of the year	<u>608,469</u>	<u>35,694</u>

See accompanying notes to the non-consolidated financial statements.

Shinhan Investment Corp.
Note to Non-Consolidated Financial Statements
March 31, 2011 and 2010

(1) Organization and Description of Business

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 and operates through 88 branches and 18 sales offices as of March 31, 2011.

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 ₩6,179,131 million as of March 31, 2011 and fee income derived there from amounted to ₩6,425 million for the year ended March 31, 2011.

(2) Basis of Presenting Financial Statements and Summary of Significant Accounting Policies

(a) Basis of Presenting Financial Statements

The Company maintains its official accounting records in Korean won and prepares statutory financial statements in the Korean language in conformity with accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these non-consolidated financial statements are intended solely for use by those who are informed in Korean accounting principles and practices. The accompanying non-consolidated financial statements have been condensed, restructured and translated into English with certain expanded descriptions from the Korean language non-consolidated financial statements.

Certain information included in the Korean language non-consolidated financial statements, but not required for a fair presentation of the Company's financial position, results of operations, cash flows or changes in equity is not presented in the accompanying non-consolidated financial statements.

The accompanying non-consolidated financial statements include only the accounts of the Company, and do not include the accounts of any of its subsidiaries.

The Company prepares the financial statements in accordance with generally accepted accounting principles in the Republic of Korea. The Company applied the same accounting policies that were adopted in the previous year's non-consolidated financial statements.

(2) Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(b) Investments in Securities

Classification

Upon acquisition, the Company classifies debt and equity securities (excluding investments in subsidiaries, associates and joint ventures) into the following categories: held-to-maturity, available-for-sale or trading securities.

Investments in debt securities where the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity. Securities that are acquired principally for the purpose of selling in the short term are classified as trading securities. Investments not classified as either held-to-maturity or trading securities are classified as available-for-sale securities.

Initial recognition

Investments in securities (excluding investments in subsidiaries, associates and joint ventures) are initially recognized at cost.

Subsequent measurement and income recognition

Trading securities are subsequently carried at fair value. Gains and losses arising from changes in the fair value of trading securities are included in the non-consolidated income statement in the period in which they arise. Available-for-sale securities are subsequently carried at fair value. Gains and losses arising from changes in the fair value of available-for-sale securities are recognized as accumulated other comprehensive income, net of tax, directly in equity. Investments in available-for-sale securities that do not have readily determinable fair values are recognized at cost less impairment, if any. Held-to-maturity investments are carried at amortized cost with interest income and expense recognized in the non-consolidated income statement using the effective interest method.

Fair value information

The fair value of marketable securities is determined using quoted market prices as of the period end. Non-marketable debt securities are fair valued by discounting cash flows using the prevailing market rates for debt with a similar credit risk and remaining maturity. Credit risk is determined using the issuer's credit rating as announced by accredited credit rating agencies in Korea. Non-marketable beneficiary certificates are recorded at the fair value using the standard trading yield rate determined by fund management companies.

Impairment

The Company reviews investments in securities whenever events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable. Impairment losses are recognized when the reasonably estimated recoverable amounts are less than the carrying amount and it is not obviously evidenced that impairment is unnecessary.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized and a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in the asset in prior years. For financial assets measured at amortized cost and available-for-sale assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

(2) Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(c) Investment in Associates and Subsidiaries

Associates are entities of the Company and its subsidiaries that have the ability to significantly influence the financial and operating policies. It is presumed to have significant influence if the Company holds directly or indirectly 20 percent or more of the voting power unless it can be clearly demonstrated that this is not the case. Subsidiaries are entities controlled by the Company.

Investments in associates and subsidiaries are accounted for using the equity method of accounting and are initially recognized at cost.

The Company's investments in associates and subsidiaries include goodwill identified on the acquisition date (net of any accumulated impairment loss). Goodwill is calculated as the excess of the acquisition cost of an investment in an associate or subsidiary over the Company's share of the fair value of the identifiable net assets acquired. Goodwill is amortized using the straight-line method over its estimated useful life. Amortization of goodwill is recorded together with equity income (losses).

When events or circumstances indicate that the carrying value of goodwill may not be recoverable, the Company reviews goodwill for impairment and records any impairment loss immediately in the statement of income.

The Company's share of its post-acquisition profits or losses in investments in associates and subsidiaries is recognized in the income statement, and its share of post-acquisition movements in equity is recognized in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of each investment. Changes in the carrying amount of an investment resulting from dividends by an associate or subsidiary are recognized when the associate or subsidiary declares the dividend. When the Company's share of losses in an associate or subsidiary equals or exceeds its interest in the associate or subsidiary, including preferred stock or other long term loans and receivables issued by the associate or subsidiary, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate or subsidiary.

If the investee is a subsidiary, net income and net assets of the parent company's separate financial statements should agree with the parent company's share in the net income and net assets of the consolidated financial statements, except when the Company discontinues the application of the equity method due to its investment in a subsidiary being reduced to zero.

Unrealized gains on transactions between the Company and its associates or subsidiaries are eliminated to the extent of the Company's interest in each associate or subsidiary.

(d) Derivatives-combined Securities Bought or Sold

Equity-linked securities and derivative-linked securities bought or sold are presented as a combination of interest-bearing debt securities with a series of option contracts. The embedded option contracts are not bifurcated from the debt securities. The debt component and the equity conversion option are combined and recorded at the fair value with unrealized holding gains and losses reported in operating revenue (expense). Additionally, in relation to derivatives-combined securities sold, commission paid at the issue date are separated from these instruments and accounted for as commission income. Securities with stock warrants, which are marketable, are recorded at fair value per quoted market prices as of the period end and non-marketable securities with stock warrants are recorded at fair value as quoted by accredited credit rating agencies in Korea.

(2) Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(e) Loans

Loans are reported at their outstanding principal balances net of any unearned income and charge-offs. Unearned income is amortized over the contractual life of the loan using the effective interest method. The Company generally places loans on nonaccrual status when principal or interest payments become one day past due. Any unpaid interest previously accrued on such loans is reversed from income, and thereafter interest is recognized only to the extent payments are received. These loans are entirely charged off when deemed uncollectible or when they reach a defined number of days past due. Payments on delinquent loans are first applied to delinquent interest, to normal interest, and then to the principal balance.

Transfers of loans to third parties are accounted for as sales when control is surrendered to the transferee. The Company derecognizes the loans from the statement of financial position including any related allowance, and recognizes all assets obtained and liabilities incurred at fair value. Any resulting gain or loss on the sales is recognized in earnings.

(f) Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts on outstanding loans (brokers' loans, advances for customers, dishonored bonds and other loans) and other receivables (trade accounts receivable and accrued income) at the end of the period based on the collectibility of individual receivables and in accordance with the Regulation on Supervision of Securities Business. This regulation requires that all loans be classified as normal, precautionary, sub-standard, doubtful, or estimated loss based on a number of factors, including the financial position of the borrower, the repayment ability of the borrower and past-due history. An allowance for doubtful accounts is calculated as of the end of reporting period, on the loan balances using the prescribed percentages of 0.5%, 2%, 20%, 75% and 100%, respectively.

Additionally, due to the revised Regulation on Supervision of Securities Business, the Company should provide an allowance for doubtful accounts on outstanding project financing loans

	Project financing loans		
Normal	More than 3% (one-year pass due loans)	More than 0.5% (less than one-year pass due loans secured by the company with higher than BBB ⁻ or A3 ⁻ credit rating)	More than 2% for the rest
Precautionary	More than 7% (apartment related loans)	More than 10% for the rest	
Substandard	More than 30%		
Doubtful	More than 75%		
Estimated loss	100%		

(2) Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(f) Allowance for Doubtful Accounts, Continued

The Company assess the aggregated amount of loans and receivables as present value discounted by reasonable interest rate if there are significant differences between the book value and the present value of restructured loans and receivables due to a rescheduling of terms in principals, interest rates or maturities agreed by the related parties as in the case of court receivership, court mediation or workout. The differences between the book value and the present value are recorded as allowances for credit losses and credit loss expenses.

(g) Property and Equipment

Property, plant and equipment are stated at cost, except in the case of revaluation made in accordance with the prior Asset Revaluation Law. Assets acquired through investment in kind or donation, are recorded at their fair value upon acquisition. For assets acquired in exchange for a non-monetary asset, the fair value of the asset given up is used to measure the cost of the asset received unless the fair value of the asset received is more clearly evident.

Significant additions or improvements extending useful lives of assets are capitalized. Normal maintenance and repairs are charged to expense as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of assets as follows:

Description	Useful Lives
Buildings	40 ~ 60 years
Vehicles	4 years
Furniture and fixtures	4 years
Office equipment and other	15 years

(h) Intangible Assets

Intangible assets, which are acquired by the Company, are stated at cost less accumulated amortization and impairment losses, if any. Such intangible assets are amortized using the straight-line method over a reasonable period based on the nature of the asset, four years for computer software and five years for other intangible assets.

(i) Joint fund in compensation for damages

Under the Financial Investment services, article 394 of Capital market Act and article 23 of regulation on supervision of members in Korea Exchange (KRX), the Company reserves the collective fund for default loss on breach of contract and collective fund for default loss in Korea Exchange (KRX), respectively, to compensate for the damage result from the breach the contracts in the security market and default on obligation in the futures market. The funded amounts consist of basic amount of ₩500 million, members' payment on dealing in stocks in daily average, and the aggregated amount of variable in accordance with the ratio of guarantee trading deposit. The maximum limit on each of funds are ₩100 billion.

Note to Non-Consolidated Financial Statements, Continued

March 31, 2011 and 2010

(2) Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(j) Bonds Sold (Purchased) with Repurchase (Resale) Agreements

Bonds purchased with resale agreements and bonds sold under repurchase agreements are treated as collateralized financing transactions and are carried in the non-consolidated statement of financial position as assets and liabilities at the amount at which the securities will be subsequently resold or repurchased, including accrued interest, as specified in the respective agreements. Interest earned on resale agreements and interests incurred on repurchase agreements are reported as interest income and interest expense, respectively. The Company's policy is to take possession of securities purchased under agreements to resell.

(k) Securities Sold

Marketable securities borrowed from the Korea Securities Depository are not presented as securities sold in the statement of financial position (see note 31). When the borrowed securities are sold, the market value of such securities at the time of sale is recorded as a liability. Differences between the market value at the time of sale and the market value at the time of the borrowing are accounted for as unrealized gain (loss) on those securities in operating revenue (expense).

(l) Retirement and Severance Benefits

The Company sponsors a defined contribution plan in which contributions in the amount of 1/12 of employee's annual salary is made by the Company. The amount of benefit payments depends on the performance of the plan assets and is not guaranteed. Contributions to the plan are expensed as retirement and severance benefits when remitted to the plan.

Some of employees who have been with the Company for more than one year are entitled to lump-sum payments based on salary rates and length of service at the time they leave the Company. The Company's estimated liability under the plan which would be payable if all employees left on the end of reporting period is accrued in the accompanying non-consolidated statement of financial position. A portion of the liability is covered by an employees' severance benefits trust where the employees have a vested interest in the deposit with the insurance company in trust. The deposit for severance benefits held in trust is, therefore, reflected in the accompanying non-consolidated statement of financial position as a reduction of the liability for retirement and severance benefits.

Through March 1999, under the National Pension Scheme of Korea, the Company transferred a certain portion of retirement allowances for employees to the National Pension Fund. The amount transferred will reduce the retirement and severance benefit amount to be paid to the employees when they leave the Company and is accordingly reflected in the accompanying non-consolidated financial statements as a reduction of the retirement and severance benefits liability.

However, due to a new regulation effective April 1999, such transfers to the National Pension Fund are no longer required.

(2) Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(m) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at ₩1,107.20 to US\$ 1, the foreign exchange rate on the end of the reporting period, with the resulting gains or losses recognized in the non-consolidated income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into Korean Won at the foreign exchange rate at the date of the transaction.

Foreign currency assets and liabilities of foreign-based operations and companies accounted for using the equity method are translated at the rate of exchange at the end of the reporting period. Foreign currency amounts in the statement of income are translated using an average rate and foreign currency balances in the capital account are translated using the historical rate. Translation gains and losses arising from collective translation of the foreign currency financial statements of foreign-based operations are recorded net as accumulated other comprehensive income. These gains and losses are subsequently recognized as income in the year the foreign operations or the companies are liquidated or sold.

(n) Derivatives

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Attributable transaction costs are recognized in profit or loss when incurred.

Hedge accounting

Where a derivative, which meets certain criteria, is used for hedging the exposure to changes in the fair value of a recognized asset, liability or firm commitment, it is designated as a fair value hedge. Where a derivative, which meets certain criteria, is used for hedging the exposure to the variability of the future cash flows of a forecasted transaction it is designated as a cash flow hedge. The Company documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting the changes in fair values or cash flows of hedged items.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(2) Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(n) Derivatives, Continued

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity. The gain or loss relating to any ineffective portion is recognized immediately in the statement of income. Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at the time remains in equity and is recognized when the forecast transaction is ultimately recognized in the statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of income.

Derivatives that do not qualify for hedge accounting

Changes in the fair value of derivative instruments that are not designated as fair value or cash flow hedges are recognized immediately in the statement of income.

Separable embedded derivatives

Changes in the fair value of separable embedded derivatives are recognized immediately in the statement of income.

(o) Share-Based Payment

The Company granted shares or share options to the Company's employees and other parties. For equity-settled share-based payment transactions, the Company measures the goods or services received, and the corresponding increase in equity as a capital adjustment at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the entity cannot estimate reliably the fair value of the goods or services received, the Company measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted. If the fair value of the equity instruments cannot be estimated reliably at the measurement date, the Company measures them at their intrinsic value and recognizes the goods or services received based on the number of equity instruments that ultimately vest. For cash-settled share-based payment transactions, the Company measures the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Company remeasures the fair value of the liability at each reporting date and at the date of settlement, with changes in fair value recognized in profit or loss for the period

(p) Provisions, Contingent Assets and Contingent Liabilities

Provisions are recognized when all of the following are met: (1) an entity has a present obligation as a result of a past event; (2) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (3) a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, a provision is recorded at the present value of the expenditures expected to be required to settle the obligation.

Where the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset when, and only when, it is virtually certain that reimbursement will be received if the Company settles the obligation. The expense relating to a provision is presented net of the amount recognized for a reimbursement.

(2) Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(q) Revenue Recognition

Gain and loss from securities transactions and commission income and expense relating to brokerage services are recorded on trade date.

Interest income on loans is recognized on an accrual basis; however, interest income on delinquent and dishonored loans, other than those subject to security deposits and guaranteed by financial institutions, is recognized on a cash basis.

(r) Income Taxes

Income tax on the income or loss for the year comprises current and deferred tax. Income tax is recognized in the statement of income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted.

Meanwhile, Shinhan Financial Group Co., Ltd., the Parent Company, has adopted tax consolidation scheme in the current year to which the Company and its other seven wholly owned domestic subsidiaries are included in the consolidated group. The Parent Company is required to report and remit corporate taxes for consolidation group as a single entity. As the Company is under an obligation to pay its allocated portion to the Parent Company, the respective tax liability amounts were accounted as payable.

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Changes in deferred taxes due to a change in the tax rate except for those related to items initially recognized outside profit or loss (either in other comprehensive income or directly in equity) are recognized as income in the current year.

(s) Use of Estimates

The preparation of non-consolidated financial statements in accordance with accounting principles generally accepted in the Republic of Korea requires management to make estimates and assumptions that affect the amounts reported in the non-consolidated financial statements and related notes to the non-consolidated financial statements. Actual results could differ from those estimates.

Shinhan Investment Corp.
Note to Non-Consolidated Financial Statements, Continued
 March 31, 2011 and 2010

(3) Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2011 and 2010 are summarized as follows:

(In millions of won)

	2011	2010
Cash on hand	₩ 111	78
Checking accounts	1,493	2,024
Deposits in foreign currencies	11,305	9,450
Demand deposits	16,281	10,742
Time deposits	524,479	-
Financial bills	54,800	13,400
	₩ 608,469	35,694

(4) Deposits

Deposits as of March 31, 2011 and 2010 are summarized as follows:

(In millions of won)

	2011	2010
Reserve for claims of customers' deposits	₩ 79,727	28,688
Reserve for claims of customers' deposits (trust)	889,539	984,159
Others	1,257,651	786,133
	₩ 2,226,917	1,798,980

Restricted Deposits as of March 31, 2011 and 2010 are summarized as follows:

(In millions of won)

	Placed at	2011	2010	Restricted as
Time deposits	Kookmin bank	₩ 1,486	1,662	collateral for the sales of beneficiary certificates (note 20)
	Shinhan Bank	17,000	17,000	collateral for a bank overdraft facility
	Shinhan Bank	5,000	5,000	collateral for the small amount of payment
	SC First Bank	-	50,000	collateral for the purchase of DLS
	SC First Bank	-	21,000	collateral for the purchase of DLS
Reserve for claims on customers' deposits	Korean Securities Finance Corporation	79,727	28,688	(*)
	Korean Securities Finance Corporation	889,539	984,159	(*)
Other deposits	MAREX Financial Limited and others	3,088	2,340	collateral for trading the foreign futures

Shinhan Investment Corp.
Note to Non-Consolidated Financial Statements, Continued
 March 31, 2011 and 2010

(4) Deposit, Continued

(In millions of won)

	Placed at		2011	2010	Restricted as
Other deposits	Korea Exchange	₩	1,107	100,509	collateral for trading the foreign futures
	Korean Securities Finance Corporation		4,478	7,265	guarantee deposits for stock borrowings from KSFC
	Shinhan Bank and others		64	61	collateral for opening checking accounts
	Hong Kong Exchanges and Clearing Limited		28	29	collateral for trade securities
	Terra Nova		111	113	collateral for trade securities
	Korea Exchange		7,849	7,654	Note 2 (i)
	Shinhanlife		147	327	retirement insurance deposit
	Shinhan Bank		23	333	retirement trust
		₩	<u>1,009,647</u>	<u>1,226,140</u>	

(*) Pursuant to the Regulation on Financial Investment Business, the Company is required to deposit certain portions of customers' deposits with the Korean Securities Finance Corporation ("KSFC") or banks to ensure repayment of customer deposits and the deposits may not be pledged as collateral.

Shinhan Investment Corp.
Note to Non-Consolidated Financial Statements, Continued
 March 31, 2011 and 2010

(5) Securities

Securities as of March 31, 2011 and 2010 are summarized as follows:

(In millions of won)

	2011	2010
Trading securities:		
Stocks	₩ 194,190	170,987
Stock warrants	1,225	509
State & local municipal bonds	780,631	975,259
Special bonds	2,882,747	2,152,501
Corporate bonds	1,429,475	1,028,972
Collective investment securities	60,603	32,046
Corporate commercial papers	-	15,018
Securities in foreign currencies	17,783	39,264
	<u>5,366,654</u>	<u>4,414,556</u>
Available-for-sale securities:		
Stocks	156,163	134,235
Investments in partnerships	11,724	13,263
Special bonds	175,831	-
Corporate bonds	212,068	23,653
Collective investment securities	23,911	24,197
Securities in foreign currencies	2,516	2,653
Stock warrants	-	23
	<u>582,213</u>	<u>198,024</u>
Equity method investment securities	<u>41,069</u>	<u>32,524</u>
Derivatives-combined securities:		
Equity-linked securities	317,538	285,450
Equity-linked warrants	-	72
Derivative-linked securities	10,382	-
	<u>327,920</u>	<u>285,522</u>
	<u>₩ 6,317,856</u>	<u>4,930,626</u>

(a) Trading securities as of March 31, 2011 and 2010 are summarized as follows:

(In millions of won)

	2011		2010	
	Acquisition cost	Fair value	Book value	Book value
Equity securities	₩ 189,651	195,415	195,415	171,496
Debt securities (*)	5,097,283	5,092,853	5,092,853	4,156,732
Collective investment securities	57,898	60,603	60,603	32,046
Corporate commercial paper	-	-	-	15,018
Securities in foreign currencies	17,826	17,783	17,783	39,264
	<u>₩ 5,362,658</u>	<u>5,366,654</u>	<u>5,366,654</u>	<u>4,414,556</u>

(*) Debt securities are recorded at the lower of fair value using the market yield of bonds provided by Korea Investors Service, Inc. and Korea Bond Pricing, Inc.

Shinhan Investment Corp.
Note to Non-Consolidated Financial Statements, Continued
 March 31, 2011 and 2010

(5) Securities, Continued

(b) Available-for-sale securities as of March 31, 2011 and 2010 are summarized as follows:

(In millions of won)

	Acquisition cost	2011			Book (Fair) value	2010 Book (Fair) value
		Unrealized holding gain (loss)				
		Beginning balance	Changes	Ending balance		
Equity securities:						
Korea Exchange	₩ 3,072	71,983	17,037	89,020	92,092	75,055
The Korea Securities Finance Co., Ltd.	11,573	10,840	5,962	16,802	28,375	22,413
Korea Securities Depository	843	8,775	1,625	10,400	11,243	9,618
Korea Money Broker Co., Ltd.	100	458	198	656	756	558
Koscom	44	403	56	459	503	447
SkyLake Global Incuvest 2	2,154	(468)	592	124	2,278	3,783
QCP - Organized Corporate Restructuring Fund QCP 13	2,453	(252)	(503)	(755)	1,698	1,951
HANA UBS AMBATO VY NICKEL OVERSEAS1	2,387	(621)	72	(549)	1,838	1,766
Kumho Industrial	13,409	-	(5,432)	(5,432)	7,977	-
Shinhan 1 st Special Purpose Acquisition Company LTD	15	-	22	22	37	-
Sewoo Tech	500	-	(49)	(49)	451	-
Red hot	992	625	(141)	484	1,476	1,617
Kazakhstan Stock Exchange	1,040	-	-	-	1,040	1,036
Other	20,639	287	(287)	-	20,639	31,907
	59,221	92,030	19,152	111,182	170,403	150,151
Debt securities:						
Specgal bonds	175,598	-	233	233	175,831	-
Corporate bonds	212,094	-	(26)	(26)	212,068	23,653
	387,692	-	207	207	387,899	23,653
Collective investment securities						
Collective investment securities	19,998	3,446	467	3,913	23,911	24,197
Stock warrants	-	-	-	-	-	23
	₩ 466,911	95,476	19,826	115,302	582,213	198,024
Deferred tax effect		20,996		25,366		

(*) Non-marketable securities whose fair value cannot be reasonably estimated are recorded at acquisition cost.

(c) Changes in unrealized gain (loss) for the years ended March 31, 2011 and 2010 were as follows:

(In millions of won)

	2011	2010
Beginning balance	₩ 95,476	54,841
Realized losses (gains) on disposition of securities	(209)	25,873
Unrealized gains (losses) on valuation of securities	20,035	14,762
Net balance at end of year	₩ 115,302	95,476

Shinhan Investment Corp.
Note to Non-Consolidated Financial Statements, Continued
 March 31, 2011 and 2010

(5) Securities, Continued

(d) Equity Method Accounted Investments

Investments in companies accounted for using the equity method as of March 31, 2011 and 2010 are summarized as follows:

(In millions of won, except percentage of ownership)

Subsidiary	Ownership percentage (%)	2011					Ending balance
		Beginning balance	Equity method income (loss)	Acquisition or Dividends	Other changes in equity		
Shinhan Investment Corp. Europe Ltd. (*1)	100.00	₩ 6,292	(1,415)	-	282	5,159	
Shinhan Investment America Inc. (*1)	100.00	4,951	(92)	-	(100)	4,759	
Shinhan Investment Corp. Asia Ltd. (*1)	100.00	4,590	(1,055)	-	(66)	3,469	
The Asia Pacific Capital Fund II L.P. (*1)	21.90	16,691	(905)	7,979	(1,451)	22,314	
Shinhan Maritime Private Equity Fund I. (*2)	7.10	-	(137)	5,505	-	5,368	
		₩ 32,524	(3,604)	13,484	(1,335)	41,069	

(*1) The Company accounted for its investment by using equity method of accounting based on the unaudited and unreviewed financial statements as it was unable to obtain the audited or reviewed financial statements and performed procedures to verify the unaudited financial statements. In addition, the Company utilized unaudited financial statements for the period ended December 31, 2010 for Shinhan Investment Corp. Europe Ltd. and The Asia Pacific Capital Fund II L.P. since their fiscal years differ from that of the Company.

(*2) The Company accounted for Shinhan Maritime Private Equity Fund 1 by using equity method despite below 20% ownership of its investment due to the Company's participation in significant investment decision as a managing partner.

(In millions of won, except percentage of ownership)

Subsidiary	Ownership percentage (%)	2010					Ending balance
		Beginning balance	Equity method income (loss)	Acquisition	Other changes in equity		
Shinhan Investment Corp. Europe Ltd. (*)	100.00	₩ 8,299	(1,036)	-	(971)	6,292	
Shinhan Investment Corp. America Inc. (*)	100.00	7,319	(1,134)	-	(1,234)	4,951	
Shinhan Investment Corp. Asia Ltd. (*)	100.00	6,182	(515)	-	(1,077)	4,590	
The Asia Pacific Capital Fund II L.P. (*)	21.90	7,733	(1,029)	8,336	1,651	16,691	
		₩ 29,533	(3,714)	8,336	(1,631)	32,524	

Shinhan Investment Corp.
Note to Non-Consolidated Financial Statements, Continued
 March 31, 2011 and 2010

(5) Securities, Continued

(e) Derivatives-combined securities

Details of derivatives-combined securities as of March 31, 2011 and 2010 are summarized as follows:

(In millions of won)

		2011			2010	
		Face value	Acquisition cost	Book(Fair) value	Unrealized gain(loss)	Book(Fair) value
Equity-linked securities	₩	312,042	310,620	317,538	6,918	285,450
Equity-linked warrants		28	1	-	(1)	72
Derivative-linked securities		10,209	10,102	10,382	280	-
	₩	<u>322,279</u>	<u>320,723</u>	<u>327,920</u>	<u>7,197</u>	<u>285,522</u>

(6) Loans and Allowance for Doubtful Accounts

(a) Loans outstanding as of March 31, 2011 and 2010 are summarized as follows:

(In millions of won)

		2011	2010
Call loans	₩	-	80,000
		-	80,000
Broker's loans (allowance)		809,723 (4,049)	591,853 (2,959)
		<u>805,674</u>	<u>668,894</u>
Loans (allowance)		15,258 (102)	14,591 (100)
		<u>15,156</u>	<u>14,491</u>
Loans purchased		84,239	228,867
Deferred loan origination fees (allowance)		- (22,135)	- (109,046)
		<u>62,104</u>	<u>119,821</u>
Advances for customers (allowance)		11,921 (11,913)	11,585 (11,461)
		<u>8</u>	<u>124</u>
Defaulted bonds (allowance)		4,755 (4,755)	4,778 (4,778)
		<u>-</u>	<u>-</u>
Private placement bonds		27,482	34,495
Deferred loan origination fee (allowance)		- (20,064)	(30) (8,070)
		<u>7,418</u>	<u>26,395</u>
Other loans		15,974	66,364
Deferred loan origination fees (allowance)		- (889)	(113) (1,203)
		<u>15,085</u>	<u>65,048</u>
	₩	<u>905,445</u>	<u>894,773</u>

Shinhan Investment Corp.
Note to Non-Consolidated Financial Statements, Continued
 March 31, 2011 and 2010

(6) Loans and Allowance for Doubtful Accounts, Continued

(b) Loans and allowance for doubtful accounts by asset credit risk classification as of March 31, 2011 and 2010 are summarized as follows:

(In millions of won)

	2011						Allowance
	Book value	Normal	Precautionary	Sub-standard	Doubtful	Estimated loss	
Loans:							
Brokers' loan	809,723	809,723	-	-	-	-	4,049
Loans to employees	15,258	15,232	-	-	-	26	102
Loans purchased	84,239	45,000	10,900	3,956	24,383	-	22,135
Advance payments on acceptances and guarantees	11,921	-	-	-	30	11,891	11,913
Dishonored bonds	4,755	-	-	-	-	4,755	4,755
Private placement bonds	27,482	2,500	-	-	19,723	5,259	20,064
Other	15,974	14,277	897	-	-	800	889
Other assets:							
Accounts receivable	167,608	151,333	547	-	15,616	112	11,961
Accrued income	77,248	72,867	2,201	-	652	1,528	2,939
	1,214,208	1,110,932	14,545	3,956	60,404	24,371	<u>78,807</u>
Provision rate per regulation	6.49%	0.49%	18.49%	25.00%	75.00%	100.00%	
Allowance	₩ 78,807	5,455	2,690	989	45,302	24,371	

(*) Due to the revised Regulation on Supervision of Securities Business, the Company recognized additional allowances of loan losses classified as normal are ₩623 million, ₩79 million for precautionary loans and ₩198 million for sub-standard or doubtful loans.

Shinhan Investment Corp.
Note to Non-Consolidated Financial Statements, Continued
 March 31, 2011 and 2010

(In millions of won)

	Book Value	2010						Allowance
		Normal	Precautionary	Sub-standard	Doubtful	Estimated Loss		
Loans:								
Broker's loans	₩ 591,853	591,853	-	-	-	-	-	2,959
Loans	14,591	14,564	-	-	-	-	27	100
Loans purchased	228,867	64,060	12,300	14,015	131,258	7,234	11,427	109,046
Customer advances	11,585	-	-	154	4	11,427	-	11,461
Defaulted bonds	4,778	-	-	-	-	4,778	-	4,778
Private placement bonds	34,495	18,180	10,000	-	944	5,371	-	8,070
Other loans	66,364	60,564	5,000	-	-	800	-	1,203
Other assets:								
Accounts receivable	264,483	211,813	-	20,105	31,704	861	-	28,683
Accrued income	59,637	57,439	653	-	1	1,544	-	1,957
	1,276,653	1,018,473	27,953	34,274	163,911	32,042	-	<u>168,257</u>
Provision rate per regulation	13.18%	0.40%	8.48%	20.00%	75.00%	100.00%	-	
Allowance	₩ <u>168,257</u>	<u>4,056</u>	<u>2,370</u>	<u>6,855</u>	<u>122,934</u>	<u>32,042</u>	-	

(7) Transactions and Balances with Related Companies

(a) Details of parent and subsidiary relationship as of March 31, 2011 were as follows:

Parent	Control relationship
Shinhan Financial Group Co., Ltd.	Parent company
Subsidiaries	Ownership (%)
Shinhan Investment Corp. America Inc.	100%
Shinhan Investment Corp. Europe Ltd.	100%
Shinhan Investment Corp. Asia Ltd.	100%
Shinhan Maritime Private Equity Fund I	7.1%

Shinhan Investment Corp.
Note to Non-Consolidated Financial Statements, Continued
 March 31, 2011 and 2010

(7) Transactions and Balances with Related Companies , Continued

- (b) Significant transactions which occurred in the normal course of business with related companies for the years ended March 31, 2011 and 2010 were as follows:

(In millions of won)

	Revenue	2011	2010
Related Party:			
Shinhan Financial Group Co., Ltd.	Interest	₩ -	390
	Commission	1,570	4
Shinhan Maritime Private Equity Fund I	Commission	100	-
	Derivatives	1,237	-
Shinhan Bank	Interest	4,310	4,494
	Rent	414	498
	Commission	1,778	10
	Derivatives	3	-
Shinhan Card Co., Ltd.	Interest	720	446
	Rent	751	1,002
	Commission	360	253
Shinhan Capital	Interest	-	866
	Derivatives	-	212
	Commission	64	30
Shinhan Life Insurance Co., Ltd.	Interest	14	18
	Rent	18	21
	Commission	2	2
Shinhan BNP Paribas Asset Management Co., Ltd.	Rent	1,751	1,745
Jeju Bank	Interest	2,575	2,441
Shinhan Aitas Co.,Ltd	Commission	10	-
		₩ <u>15,677</u>	<u>12,432</u>

Shinhan Investment Corp.
Note to Non-Consolidated Financial Statements, Continued
 March 31, 2011 and 2010

(7) Transactions and Balances with Related Companies , Continued

(In millions of won)

	Expense	2011	2010
Related Party:			
Shinhan Financial Group Co., Ltd.	Interest	₩ 7,103	4,477
	Commission	2,767	9,360
Shinhan Investment America Inc.	Commission	945	783
Shinhan Investment Corp.Europe Ltd.	Commission	129	294
Shinhan Investment Corp.Asia Ltd.	Commission	164	789
Shinhan Maritime Private Equity Fund I	Derivatives	96	-
	Interest	62	108
Shinhan Bank	Rent	836	1,593
	Commission	7,190	120
	Interest	99	6
Shinhan Card Co., Ltd.	Commission	12	-
	Commission	18	42
Shinhan Life Insurance	Rent	24	-
	Commission	23	65
Shinhan Credit Information Co., Ltd.	Commission	23	65
Shinhan Data System	Interest	2	-
	Commission	2,247	2,868
Jeju Bank	Interest	1	1
	Commission	33	-
Shinhan Private Equity Inc.	Interest	101	168
Shinhan Aitas Co.,Ltd	Interest	106	47
	Commission	4	8
		₩ <u>21,962</u>	<u>20,729</u>

(c) Significant account balances with related companies as of March 31, 2011 and 2010 were as follows:

(In millions of won)

	Assets	2011	2010
Related Party:			
Shinhan Bank	Bank deposits	₩ 258,345	166,301
	Accured revenues	2,939	1,337
	Other assets(*1)	33,876	20,107
Jeju Bank	Bank deposits	63,017	48,693
	Accured revenues	545	754
Shinhan Card Co., Ltd.	Accured revenues	-	169
	Other assets(*1)	21,465	43,773
Shinhan Capital	Derivatives assets	-	212
Shinhan Maritime Private Equity Fund I	Derivatives assets	1,237	-
Shinhan Life Insurance Co., Ltd.	Bank deposits	-	327
		₩ <u>381,424</u>	<u>281,673</u>

Shinhan Investment Corp.
Note to Non-Consolidated Financial Statements, Continued
 March 31, 2011 and 2010

(7) Transactions and Balances with Related Companies , Continued

(In millions of won)

	Liabilities	2011	2010
Related Party			
Shinhan Financial Group Co., Ltd.	Borrowings(*2)	₩ 100,000	170,000
	Accrued expenses	950	5,757
Shinhan Investment Corp. America Inc.	Accrued expenses	163	32
Shinhan Investment Corp. Europe Ltd.	Accrued expenses	14	6
Shinhan Maritime Private Equity Fund I	Derivatives liabilities	96	-
Shinhan Bank	Other liabilities(*3)	12,537	11,243
	Borrowings(*2)	1,769	-
	Derivatives liabilities	354	-
	Accrued expenses	4	-
Shinhan Card Co., Ltd.	Borrowings(*2)	-	78
	Accrued expenses	-	852
	Other liabilities(*3)	3,974	4,264
Shinhan Private Equity Inc.	Borrowings(*2)	-	2,289
	Accrued expenses	-	12
Shinhan Life Insurance Co., Ltd.	Other liabilities(*3)	-	3,409
Shinhan BNP ITMC Co., Ltd.	Other liabilities(*3)	1,053	962
Shinhan Data System	Accrued expenses	-	261
Shinhan Aitas Co., Ltd	Borrowings(*2)	-	3,248
	Accrued expenses	-	4
		<u>₩ 120,914</u>	<u>202,417</u>

(*1) Includes leasehold deposits and others.

(*2) Includes securities sold under reverse resale agreements.

(*3) Includes leasehold deposits received and others.

As of March 31, 2011 loans to employees in the amount of ₩15,257 million are recorded in loans, respectively.

Shinhan Investment Corp.
Note to Non-Consolidated Financial Statements, Continued
 March 31, 2011 and 2010

(8) Property and Equipment

(a) Property and equipment as of March 31, 2011 and 2010 are summarized as follows:

(In millions of won)

	2011	2010
Land	₩ 42,288	42,288
Buildings	161,316	161,316
Vehicles	350	446
Equipments	106,439	100,692
Others	9	9
	<u>310,402</u>	<u>304,751</u>
Less: accumulated depreciation		
Buildings	(61,669)	(57,654)
Vehicles	(161)	(92)
Equipments	(85,924)	(76,840)
Others	(9)	(9)
	<u>(147,763)</u>	<u>(134,595)</u>
	<u>₩ 162,639</u>	<u>170,156</u>

(b) Changes in property and equipment for the years ended March 31, 2011 and 2010 were as follows:

(In millions of won)

	2011				
	Book value as of Apr 1	Acquisitions	Disposals	Depreciation	Book value as of Mar 31
Land	₩ 42,288	-	-	-	42,288
Buildings	103,662	-	-	(4,015)	99,647
Vehicles	354	-	(70)	(95)	189
Equipments and others	23,852	7,016	(10)	(10,343)	20,515
	<u>₩ 170,156</u>	<u>7,016</u>	<u>(80)</u>	<u>(14,453)</u>	<u>162,639</u>
	2010				
	Book value as of Apr 1	Acquisitions	Disposals	Depreciation	Book value as of Mar 31
Land	₩ 43,268	-	(980)	-	42,288
Buildings	108,862	-	(1,164)	(4,036)	103,662
Vehicles	78	396	(25)	(95)	354
Equipments and others	22,656	11,447	(91)	(10,160)	23,852
	<u>₩ 174,864</u>	<u>11,843</u>	<u>(2,260)</u>	<u>(14,291)</u>	<u>170,156</u>

Shinhan Investment Corp.
Note to Non-Consolidated Financial Statements, Continued
 March 31, 2011 and 2010

(9) Pledged Assets

The following assets were pledged as collateral for Company's borrowings and other purposes such as the sales of beneficiary certificates and lending and borrowing transactions of securities as of March 31, 2011.

(In millions of won)

	Book value	Collateralized amount	Pledged to
Other deposits	₩ 23,486	23,486	Various including Shinhan Bank
Trading stocks	5,108	5,108	Korea Securities Depository and others
Trading debt securities	992,690	992,690	Korea Securities Depository and others
Land and buildings	190,469	100,218	Various including Shinhan Bank

(*) The fair value of trading securities and available-for-securities pledged as collateral for repurchase agreement as of March 31, 2011 were ₩3,508,728 million and ₩364,246 million, respectively.

(10) Other Assets

Other assets as of March 31, 2011 and 2010 are summarized as follows:

(In millions of won)

	2011	2010
Accounts receivable from customers (allowance)	₩ 167,608 (11,961) <u>155,647</u>	264,483 (28,683) <u>235,800</u>
Accrued income (allowance)	77,248 (2,939) <u>74,309</u>	59,637 (1,957) <u>57,680</u>
Advance payments	26,592	13,189
Prepaid expenses	10,832	2,619
Guarantee deposits paid	74,312	71,020
Collective fund for default losses (*)	7,849	7,654
Intangible assets, net of accumulated amortization:		
Computer software	28,800	33,612
Other	13,491 <u>42,291</u>	18,878 <u>52,490</u>
Deferred tax assets	-	17,122
Receivables from Inter-bank fund transfer	32,650	9,766
Other	9,704 <u>434,186</u>	11,344 <u>478,684</u>

(*) In accordance with the provisions of the Financial Investment Services and Capital Markets Act, the Company deposited special reserves with the Korea Exchange for any potential losses on unsettled trading positions.

Shinhan Investment Corp.
Note to Non-Consolidated Financial Statements, Continued
 March 31, 2011 and 2010

(11) Guarantee deposits

Deposits as of March 31, 2011 and 2010 are summarized as follows:

<i>(In millions of won)</i>	2011	2010
Securities loaned	₩ 4,478	7,265
Deposits for margin loans	17,149	8,502
	<u>₩ 21,627</u>	<u>15,767</u>

(12) Call Money and Borrowings

Call money and borrowings as of March 31, 2011 and 2010 are summarized as follows:

<i>(In millions of won)</i>	Interest rate (%)	2011	2010
Call money from:			
Hana UBS Asset Management Co.,Ltd., etc.	2.98~3.16	₩ 744,600	359,900
Borrowings from:			
The Korea Securities Finance Co., Ltd.	4.56	100,427	206,232
		<u>₩ 845,027</u>	<u>566,132</u>

(13) Derivatives-combined securities sold

Details of derivatives-combined securities sold as of March 31, 2011 and 2010 are summarized as follows:

<i>(In millions of won)</i>		2011			
		Face value	Issue amount	Book (Fair) value	Unrealized loss
Equity-linked securities sold	₩	1,915,117	1,893,257	1,959,884	(66,627)
Equity-linked warrants sold		1,809,819	23,210	38,779	(15,569)
Derivative-linked securities sold		425,043	414,111	431,446	(17,335)
	₩	<u>4,149,979</u>	<u>2,330,578</u>	<u>2,430,109</u>	<u>(99,531)</u>

<i>(In millions of won)</i>		2010			
		Face value	Issue amount	Book (Fair) value	Unrealized gain (loss)
Equity-linked securities sold	₩	842,770	749,994	837,628	(87,633)
Equity-linked warrants sold		574,099	15,196	7,641	7,555
Derivative-linked securities sold		383,930	343,859	369,598	(25,739)
	₩	<u>1,800,799</u>	<u>1,109,049</u>	<u>1,214,867</u>	<u>(105,817)</u>

Shinhan Investment Corp.
Note to Non-Consolidated Financial Statements, Continued
 March 31, 2011 and 2010

(14) Debenture

Debenture as of March 31, 2011 and 2010 is summarized as follows:

(In millions of won)

	<u>Maturity</u>	<u>Interest rate (%)</u>		<u>2011</u>	<u>2010</u>
Good Morning Shinhan 17th	2012.7.23	5.69	₩	50,000	50,000
Less : Discounts				(27)	(46)
			₩	<u>49,973</u>	<u>49,954</u>

The principals are scheduled to be redeemed at maturity and the interest is paid every three months.

(15) Subordinated Borrowings

Subordinated borrowings as of March 31, 2011 and 2010 are summarized as follows:

(In millions of won)

	<u>Maturity</u>	<u>Interest rate (%)</u>		<u>2011</u>	<u>2010</u>
Shinhan Financial Group Co., Ltd.	2010. 7. 31	5.25	₩	-	70,000
"	2012. 1. 31	5.64		100,000	100,000
			₩	<u>100,000</u>	<u>170,000</u>

The principals are scheduled to be redeemed at maturity and the interest is paid every three months.

(16) Retirement and Severance Benefits

Changes in retirement and severance benefits for the years ended March 31, 2011 and 2010 were as follows:

(In millions of won)

		<u>2011</u>	<u>2010</u>
Estimated retirement and severance benefit at beginning of year	₩	1,114	854
Payments		(2,293)	(1,999)
Transferred from Shinhan Bank		-	70
Provisions for retirement and severance benefits		1,565	2,189
Estimated retirement and severance benefits at end of the period		386	1,114
Transfer to National Pension Fund		(11)	(11)
Deposit for severance benefit insurance		(170)	(660)
Net balance at end of year	₩	<u>205</u>	<u>443</u>

The company recorded ₩13,911 million as retirement and severance benefits related with a defined contribution plan when remitted to the plan.

Shinhan Investment Corp.
Note to Non-Consolidated Financial Statements, Continued
 March 31, 2011 and 2010

(17) Assets and Liabilities Denominated in Foreign Currencies

Assets and liabilities denominated in foreign currencies as of March, 31 2011 and 2010 are summarized as follows:

(USD, HKD, JPY, GBP, in millions of won)

		2011					2010	
		Foreign currencies	Exchange rate	KRW equivalent	Valuation gain	Valuation loss	KRW equivalent	
Assets								
Deposits in foreign currency	USD	8,084,253.96	1,107.20	8,951	49	339	8,334	
	HKD	12,491,295.39	142.23	1,777	-	48	523	
	GBP	44,919.41	1,779.27	80	-	2	281	
	CAD	116,008.59	1,139.62	132	-	7	141	
	JPY	6,331,012.00	1,331.89	84	10	224	93	
	EUR	157,646.23	1,563.48	246	-	31	72	
	AUD	29,959.09	1,142.08	35	-	1	4	
	NOK	-	-	-	-	-	1	
	SGD	73.75	877.55	-	-	-	1	
Reserve for claims of customers' deposits	USD	70,020,569.85	1,107.20	77,527	-	964	25,313	
	EUR	17.08	1,563.48	-	-	-	76	
Guarantee trading foreign deposits for futures	USD	493,630.11	1,107.20	547	-	37	1,422	
	HKD	341,716.09	142.23	48	-	4	-	
Guarantee trading foreign deposits for futures(FCM)	HKD	236,407.16	142.23	34	-	-	2	
	USD	2,221,371.84	1,107.20	2,459	144	7	916	
Guarantee trading deposits for futures	USD	877,300.04	1,107.20	971	-	28	1,884	
	HKD	953,417.64	142.23	136	7	-	52	
Others (deposits)	USD	7,855,902.17	1,107.20	8,698	22	943	3,262	
	HKD	2,751,882.42	142.23	391	-	157	2,135	
	VND	2,836,113,707.00	0.05	150	-	18	351	
	IDR	1,246,746,327.52	12.70	158	-	7	23	
Trading securities (stocks)	USD	11,566,333.96	1,107.20	12,806	-	-	6,463	
	HKD	34,991,794.98	142.23	4,977	-	-	4,017	
Trading securities (bonds)	USD	-	-	-	-	-	28,784	
Available-for-sale securities	USD	939,157.82	1,107.20	1,039	-	-	1,036	
	GBP	829,631.60	1,779.27	1,477	-	-	1,617	
Equity method investment securities	HKD	24,387,374.30	142.23	3,469	-	-	4,590	
	USD	24,451,930.41	1,107.20	27,073	-	-	21,641	
	GBP	2,899,663.85	1,779.27	5,159	-	-	6,293	
Private placement corporate bonds	USD	4,750,000.00	1,107.20	5,259	-	112	5,371	
Other loans	JPY	-	-	-	-	-	9,740	
Unsettled spot exchange	USD	8,939,343.00	1,107.20	9,898	1	31	88,415	
Other receivables	USD	59.50	1,107.20	-	-	-	2	
				<u>173,581</u>	<u>233</u>	<u>2,960</u>	<u>222,855</u>	

Shinhan Investment Corp.
Note to Non-Consolidated Financial Statements, Continued
 March 31, 2011 and 2010

(17) Assets and Liabilities Denominated in Foreign Currencies, Continued

(USD, HKD, JPY, GBP, in millions of won)

		2011				2010	
		Foreign currencies	Exchange rate	KRW equivalent	Valuation gain	Valuation loss	KRW equivalent
Liabilities							
Customers' deposits for futures and options trading	USD	72,222,836.90	1,107.20	79,965	2,066	36	26,831
	EUR	0.61	1,563.48	-	-	-	76
	HKD	577,130.45	142.23	82	1	-	2
Other customers' deposits	USD	14,480,215.79	1,107.20	16,032	567	-	11,491
	HKD	15,464,835.97	142.23	2,200	781	-	2,684
	VND	2,590,129,308.00	0.05	137	27	-	345
	GBP	44,284.21	1,779.27	79	9	-	279
	CAD	112,865.98	1,139.62	129	7	-	140
	JPY	5,057,157.00	1,331.89	67	-	10	91
	EUR	156,687.46	1,563.48	245	24	-	72
	AUD	27,941.18	1,142.08	32	1	-	4
	IDR	140,469,050.00	0.13	18	-	4	3
	NOK	-	-	-	-	-	1
	SGD	73.75	877.55	-	-	-	1
Unsettled spot exchange	USD	5,964,592.00	1,107.20	6,604	-	27	109,719
Other liabilities	USD	547,616.17	1,107.20	606	11	1	3,336
				<u>106,196</u>	<u>3,494</u>	<u>78</u>	<u>155,075</u>

(18) Other Liabilities

Other liabilities as of March 31, 2011 and 2010 are summarized as follows:

(In millions of won)

	2011	2010
Accrued income taxes	₩ 427	23,921
Accrued dividends	711	711
Accounts payable	97,169	221,946
Accrued expenses	46,343	45,132
Deposits for rent	27,894	27,984
Unearned income	74	836
Deferred tax liabilities	2,638	-
Domestic exchanges payable	48,799	51,322
Withholding income taxes	17,693	12,709
Others	16,014	8,173
	<u>₩ 257,762</u>	<u>392,734</u>

Shinhan Investment Corp.
Note to Non-Consolidated Financial Statements, Continued
 March 31, 2011 and 2010

(19) 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, 2011 were as follows:

(In won)

Stock option series	Grant date	Number of stock options exercisable	Exercise period	Exercise price	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. As of March 31, 2011 and 2010, the market-equivalent price was estimated to be ₩7,097 and ₩6,359 per stock option, respectively.

Shinhan Investment Corp.
Note to Non-Consolidated Financial Statements, Continued
 March 31, 2011 and 2010

(19) Share-based payments, Continued

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

Shinhan Financial Group Co., Ltd. granted stock purchase options to certain employees and directors. Details of stock options granted as of March 31, 2011 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	₩ 28,006	₩ 38,829	₩ 54,560	₩ 49,053
Number of shares granted	288,927	260,119	166,298	79,024
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, 2010	61,573	204,310	117,569	57,179
Exercised and etc.	(10,200)	(19,197)	-	(200)
Outstanding at March 31, 2011	51,373	185,113	117,569	56,979
Exercisable at March 31, 2011	51,373	185,113	117,569	56,979
Assumptions used to determine the fair value of options:				
Risk-free interest rate			3.44%	3.51%
Expected exercise period			1 year and 4 months	1 year and 9 months
Expected stock price volatility			25.29%	28.52%
Expected dividend yield			1.41%	1.41%
Weighted average fair value per share			₩4,772	₩8,943

Compensation costs relative to stock option were recognized as a component of salaries and wages in general and administrative expenses

Shinhan Investment Corp.
Note to Non-Consolidated Financial Statements, Continued
 March 31, 2011 and 2010

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

Details of performance shares granted as of March 31, 2011 were as follows

	Grant in 2010
Terms:	
Service period	2010~2012
Performance conditions	Increase rate of stock price and Achievement of target ROE
Number of shares estimated at March 31, 2011	25,104

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

(c) Stock compensations costs calculated for the year ended March 31, 2011 and 2010 were as follows:

<i>(in millions of won)</i>	2011		2010	
	Stock Options	Performance Shares	Stock Options	Performance Shares
Compensation costs recorded for the period	₩ 1,074	1,246	5,583	-
Accrued expenses related to compensation cost	4,317	1,246	3,588	-

(20) Commitments and Contingencies

- (a) As of March 31, 2011, the Company had overdraft credit facility with an aggregate limit of ₩50,000 million, a note discount agreement with a discount limit of ₩69,000 million and daily revolving facility with an aggregate limit of ₩234,000 million with Shinhan Bank and others. In addition, the Company had working capital loans with total credit limit of ₩500,000 million with Korea Securities Finance Corp. The Company has various lending facilities of which the credit limit is determined based on the type of deposits and the respective balances
- (b) As of March 31, 2011, the Company has eight pending lawsuits as a defendant (total claim amount : ₩40,445 million) of which a legal provision of to ₩21,942 million is included in allowance for others in the statement of financial position.
- (c) As of March 31, 2011, 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 ₩1,486 million was pledged as collateral to Franklin Templeton Investment Trust Management Co., Ltd. for the potential losses.
- (d) The Company has signed ABCP purchase agreements with Tops Invest Co., Ltd., Euljiro Kim's Frist Co.,Ltd. and Good Invest 2nd Co., Ltd. Under the terms of the purchase agreements, the Company agrees to purchase any remaining ABCPs in the event that the some or all of the payment of ₩70,000 million is not made on the date the ABCP was issued. In addition, the Company entered into credit default swap contracts with BNP Paribas and others in the total nominal amount of ₩59,764 million, recorded ₩41 million ₩ 65 million and as derivative assets and derivative liabilities

Shinhan Investment Corp.
Note to Non-Consolidated Financial Statements, Continued
 March 31, 2011 and 2010

(21) Derivatives

Details of unsettled derivative instruments for trading purposes as of March 31, 2011 were as follows:

(In millions of won)

		Notional amount	Valuation gain (loss)
Interest rate related	Futures	₩ 502,769	327
	Swaps	15,154,000	(359)
		<u>15,656,769</u>	<u>(32)</u>
Currency related	Futures	14,004	191
	Options	1,500	32
	Forwards	458,267	1,989
	Swap	30,000	294
		<u>503,771</u>	<u>2,506</u>
Stock price index related	Futures	110,818	(3,307)
	Swap	885,713	36,650
	Options bought	1,584,902	17,783
	Options sold	196,436	(993)
	Options bought (OTC)	633,535	53
	Options sold (OTC)	1,638	7
		<u>3,413,042</u>	<u>50,193</u>
Stock related	Futures	14,381	(524)
	Swap	267,620	10,945
	Options bought	34,542	265
	Options sold	3,000	(168)
		<u>319,543</u>	<u>10,518</u>
Other	Commodity Swap	5,053	(685)
	Commodity Future	11,890	(54)
	Commodity Forward	6,263	58
	Commodity Option	41,046	(1,731)
	Credit Default Swap	69,764	99
		<u>134,016</u>	<u>(2,313)</u>
	₩	<u>20,027,141</u>	<u>60,872</u>

(22) Stockholder's equity

Stockholder's equity as of March 31, 2011 and 2010 are summarized as follows:

(Share, won)

	2011		2010	
	Common Stock	Preferred Stock	Common Stock	Preferred Stock
Authorized Capital	450,000,000	150,000,000	450,000,000	150,000,000
Par value per Stock	5,000	5,000	5,000	5,000
Capital Stock	255,576,350	3,823,314	255,576,350	3,823,314

Shinhan Investment Corp.
Note to Non-Consolidated Financial Statements, Continued
 March 31, 2011 and 2010

(23) Capital Surplus

The Company reduced its capital by the ratio of 1:0.9 as of December 24, 2002, in accordance with the resolution at the shareholders' meeting. As a result, the Company recorded ₩15 million of net gain from the capital reduction as capital surplus.

(24) Accumulated Other Comprehensive Income

(a) Accumulated other comprehensive income as of March 31, 2011 and 2010 are summarized as follows:

(In millions of won)

	2011	2010
Unrealized gain on available-for-sale securities (note 5)	₩ 89,936	74,480
Unrealized gain on equity method investment securities (note 5)	4,807	5,824
	₩ 94,743	80,304

(b) Comprehensive income for the years ended March 31, 2011 and 2010 were as follows:

(In millions of won)

	2011	2010
Net income	₩ 109,609	91,594
Other comprehensive income		
Unrealized gain (loss)		
on available-for-sale securities	15,456	31,704
Unrealized gain (loss)		
on equity method investment securities	(1,017)	(2,195)
Comprehensive income	₩ 124,048	121,103

(25) Retained Earnings

Retained earnings as of March 31, 2011 and 2010 are summarized as follows:

(In millions of won)

	2011	2010
Legal reserve	₩ 4,500	3,000
Reserve for loss on futures trading	-	64
Unappropriated retained earnings	532,576	439,403
	₩ 537,076	442,467

Shinhan Investment Corp.
Note to Non-Consolidated Financial Statements, Continued
 March 31, 2011 and 2010

(26) General and Administrative Expenses

Details of general and administrative expenses for the years ended March 31, 2011 and 2010 were as follows:

(In millions of won)

	2011	2010
Salaries and wages	₩ 169,686	170,818
Provision for retirement and severance benefits	15,476	14,452
Early retirement expenses	84	-
Other benefits for employees	40,302	37,579
Computer system operation expenses	8,332	10,285
Rental expenses	10,268	9,539
Miscellaneous commissions	3,823	4,541
Entertainment expenses	5,302	4,285
Advertising expenses	17,721	25,285
Depreciation	14,453	14,291
Research and study expenses	5,051	4,527
Training expenses	2,236	2,725
Amortization of intangible assets	15,410	10,787
Tax and dues	17,192	16,206
Consignment fee	6	-
Business meeting expenses	232	226
Printings expenses	1,359	1,612
Travel expenses	1,820	1,344
Vehicles maintenance expenses	471	401
Supplies expenses	542	781
Utility expenses	2,529	2,520
Insurance premiums	2,038	2,452
Event expenses	2,687	1,800
Others	15,837	15,687
	₩ <u>352,857</u>	<u>352,143</u>

Shinhan Investment Corp.
Note to Non-Consolidated Financial Statements, Continued
 March 31, 2011 and 2010

(27) Income Taxes

- (a) The Company was subject to income taxes on taxable income at the following normal tax rates.

Taxable income		Tax rate			
Prior to 2008	Thereafter	Prior to 2009	2009	2010/11	Thereafter
Up to ₩100 million	Up to ₩ 200million	12.1%	12.1%	11.0%	11.0%
Over ₩100 million	Over ₩200 million	27.5%	24.2%	24.2%	22.0%

In December 2009, the Korean government postponed the reduction of the corporate income tax rate (including resident tax) from 24.2% to 22% until 2012.

- (b) The components of income tax expense for the years ended March 31, 2011 and 2010 were as follows:

(In millions of won)

	2011	2010
Current tax expense	₩ 25,397	61,775
Deferred tax expense (benefit)	19,892	(20,369)
Income tax expense directly recognized in equity	(4,052)	(9,494)
Additional tax payment related to prior year	4,722	229
Effect of Consolidated Tax	(1,703)	(199)
Income tax expense	₩ 44,256	31,942

- (c) The income tax expense calculated by applying statutory tax rates to the Company's income before income taxes for the year differs from the actual tax expense (benefit) in the non-consolidated statement of income for the years ended March 31, 2011 and 2010 for the following reasons:

(In millions of won)

	2011	2010
Income before income taxes	₩ 153,865	123,536
Expense for income taxes at normal tax rates	37,209	29,872
Adjustments:		
Non-taxation income	(468)	(358)
Non-deduction expense	1,159	833
Not recognized deferred tax effects	1,061	650
Tax effects of tax rate change	-	775
Additional payment of income taxes	4,722	229
Effect of Consolidated Tax	(1,703)	(199)
Others	2,276	140
Income tax expense	₩ 44,256	31,942
Effective tax rate	% 28.8	25.9

Shinhan Investment Corp.
Note to Non-Consolidated Financial Statements, Continued
 March 31, 2011 and 2010

(27) Income Taxes, Continued

(d) Changes in significant accumulated temporary differences and tax effects as of March 31, 2011 are as follows:

(In millions of won)

	2011				
	Beginning balance	Decrease	Increase	Ending balance	Deferred tax assets (liabilities)
Deductible temporary differences:					
Trading securities	₩ 5,187	5,187	12,513	12,513	2,885
Available-for-sale securities	103,542	19,938	754	84,358	18,559
Securities sold	1,045	1,045	-	-	-
OTC derivatives	71,251	71,251	42,099	42,099	9,396
Derivatives	1,609	1,609	-	-	-
Hybrid securities issued	122,324	122,324	106,703	106,703	24,286
Accrued expenses	2,148	2,148	1,485	1,485	329
Hybrid securities bought	617	617	1,767	1,767	390
Other	98,827	67,039	22,485	54,273	10,805
	<u>406,550</u>	<u>291,158</u>	<u>187,806</u>	<u>303,198</u>	<u>66,650</u>
Taxable temporary differences:					
Accrued income	(8,373)	(8,373)	(47,085)	(47,085)	(10,359)
Derivatives	(411)	(411)	(15,190)	(15,190)	(3,676)
Trading securities	(39,743)	(39,743)	(18,852)	(18,852)	(4,215)
Hybrid securities issued	(16,507)	(16,507)	(13,572)	(13,572)	(3,071)
Deposit for severance benefit trust	(443)	(443)	(278)	(278)	(61)
Hybrid securities bought	(30,211)	(30,211)	(9,832)	(9,832)	(2,258)
OTC derivatives	(81,361)	(81,361)	(87,047)	(87,047)	(19,427)
Available-for-sale securities	(95,476)	-	(19,827)	(115,303)	(25,366)
Securities sold	(57)	(57)	(455)	(455)	(110)
Other	(60,239)	(55,301)	(2,182)	(7,120)	(745)
	<u>(332,821)</u>	<u>(232,407)</u>	<u>(214,320)</u>	<u>(314,734)</u>	<u>(69,288)</u>
	<u>₩ 73,729</u>	<u>58,751</u>	<u>(26,514)</u>	<u>(11,536)</u>	<u>(2,638)</u>

Differences resulting from the finalization of prior year tax return are reflected in the increase (decrease) of the current period.

(e) Deferred tax assets and liabilities that were directly charged or credited to accumulated other comprehensive income as of March 31, 2011 are as follows:

(In millions of won)	Temporary differences	Deferred tax assets (liabilities)
Unrealized gain(loss) on valuation of available-for-sale securities	19,826	(4,370)
Unrealized gain(loss) on equity method investment securities	(1,336)	319

Shinhan Investment Corp.
Note to Non-Consolidated Financial Statements, Continued
 March 31, 2011 and 2010

(28) Dividends

(a) Dividends for the year ended March 31, 2011 are calculated as follows:

(In millions of won, except shares)

		2011	
		Common shares	Preferred shares
Total number of share issued and outstanding	₩	255,567,350	3,823,314
Dividend per share		76	126
Dividends	₩	19,517	483

(b) Payout ratios for the year ended March 31, 2011 are calculated as follows:

(In millions of won, except payout ratio)

		2011
Dividends	₩	20,000
Net income		109,609
Payout ratio (%)		18.25

(29) Statements of Cash Flows

Significant non-cash transactions for the year ended March 31, 2011 and 2010 are as follows:

(In millions of won)

		2011	2010
Increase in unrealized gain on available-for-sale securities	₩	19,826	40,635
Tax effect on unrealized gain on available-for-sale securities		(4,370)	(8,931)

(30) Securities in Custody and Securities Borrowed

Securities in custody and securities borrowed as of March 31, 2011 and 2010 were as follows:

(In millions of won)

		2011	2010
Securities in custody			
from brokerage customers (*1)	₩	29,141,823	25,626,597
from customers with savings deposits (*1)		35,146	35,403
from customers with beneficiary certificate accounts (*2)		5,263,359	6,369,069
Others (*1)		463	319
		34,440,791	32,031,388
Securities borrowed (*1)		14,517	1,932
	₩	34,455,308	32,033,320

(*1) The securities are recorded at fair value. If fair value cannot be estimated reliably, the securities are recorded at face value.

(*2) The securities are recorded at the net asset value per share as determined in accordance with the respective trust deed or articles of incorporation of the investment company.

Shinhan Investment Corp.
Note to Non-Consolidated Financial Statements, Continued
 March 31, 2011 and 2010

(31) Value Added Information

The components of general and administrative expenses which are necessary in calculating added value for the years ended March 31, 2011 and 2010 are as follows:

(In millions of Won)

	2011	2010
Salaries and wages	₩ 169,686	170,818
Provision for retirement and severance benefits	15,560	14,452
Other employee benefits	40,302	37,579
Rent	10,268	9,539
Depreciation	14,453	14,291
Taxes and dues	17,192	16,206
	₩ 267,461	262,885

(32) Employee Welfare and Contributions to Society

For employee welfare, the Company maintains employ loans for housing, a refectory, an infirmary, a scholarship fund and other employee benefits program.

The Company donated ₩1,219 million to society for the year ended March 31, 2011.

(33) Performance for the Last Quarter

Operation results for the fourth quarter ended March 31, 2011 and 2010 are as follows:

(In millions of won)

	2011 4 th Quarter	2010 4 th Quarter
Operating revenue	₩ 500,799	350,873
Operating income(loss)	38,493	68,130
Net income for the period	25,168	54,448

(34) Effective Date for Financial Statements

The accompanying financial statements were approved at the Board of Directors' meeting on June 10, 2011.

Shinhan Investment Corp.
Note to Non-Consolidated Financial Statements, Continued
March 31, 2011 and 2010

(35) Plans and status for the First-time Adoption of K-IFRS (International Financing Reporting Standards)

(a) Preparation of K-IFRS adoption

Under the roadmap announced by the Financial Supervisory Commission for the adoption of Korean IFRS (the "K-IFRS") in March 2007 and article 13 of the Act on External Audit of Stock Companies, the Company will adopt the K-IFRS from the fiscal year 2010 (the date of first-time adoption to K-IFRS: January 1, 2010).

In August 2007, the Company formed a task force to prepare for its transition from Korean GAAP to K-IFRS. The two phases being conducted for the transition to K-IFRS by the task force are 1) Analysis and Planning Phase, 2) Implementation Phase. As of the date of the report, all phases as described above are substantially completed. The Company has been preparing financial statements under K-IFRS from the date of transition and onwards and expects that financial information for the fiscal year 2010 will be K-IFRS compliant.

(b) K-IFRS Adoption Status

i) Action Plan and Status

The Task Force Team has divided its operations into three phases for effective management and completion of the long-term plans

① Phase 1: Analysis Phase

The Company identified differences between Statements of Korean Financial Accounting Standards (current Korean Accounting Standards) and K-IFRS, and assessed the potential impact of K-IFRS adoption over the period from August of 2007 to February of 2008. Also, the Company has provided K-IFRS training course to its employees to enhance K-IFRS knowledge.

② Phase 2: Policy Establishment, System Design and Implementation Phase

Based on the outcome of Phase 1, from March 2008 to December 2009, the Company performed detailed GAP and impact analysis, designed and implemented of its IT infrastructure. The Company also has continuously carried out training course for its employees.

③ Phase 3: K-IFRS application phase

Starting January 2010, the Company is proceeding to prepare and verify financial information, to reorganize internal accounting control system, and to analyze the impact of changes in accordance with K-IFRS.

Shinhan Investment Corp.
Note to Non-Consolidated Financial Statements, Continued
March 31, 2011 and 2010

(35) Plans and status for the First-time Adoption of K-IFRS (International Financing Reporting Standards).
Continued

ii) Main Activities

① Establishment of Shinhan Financial Group (the “Group”) accounting policies and accounting manuals

In consideration of the requirements of K-IFRS and the Group’s current situations, the Company performed an analysis of its various alternatives in order to establish the Group accounting policies that would best apply to both the Company and all its subsidiaries, and determined the detailed methodologies for each accounting treatment. In addition, each subsidiary reorganized its accounting policy and accounting practice manual to meet the consistency for accounting treatments.

② System Redesign

The Company analyzed a financial reporting system and defined business requirement design in order to produce the financial information in a relevant and efficient manner. Then the Company completed IFRS system at the end of reporting period. In addition, the Company has performed financial data cleansing and uploaded data in IFRS system.

And the employees were acquainted with the accounting practices based on K-IFRS system.

③ Generation and analysis of financial information in accordance with K-IFRS

Opening balance as of April 1, 2010 and first and second quarter of 2010 financial information prepared in accordance with K-IFRS are under a review of the independent auditor, and the Company is generating and analyzing third quarter financial information as of the reporting date.

iii) Composition and Operation of Action Plan

In order to ensure a smooth transition to K-IFRS, the Company formed its K-IFRS Adoption Task Force Team, including external consultants. Each subsidiary performs detail conversion tasks. In addition, an IT IFRS Task Force Team was formed with IT experts from each sector, in order to carry out IT system design and implementation.

Shinhan Investment Corp.
Note to Non-Consolidated Financial Statements, Continued
 March 31, 2011 and 2010

(35) Plans and status for the First-time Adoption of K-IFRS (International Financing Reporting Standards).
Continued

(c) GAAP Difference Items

Items that are expected to be significantly affected by K-IFRS adoption include the scope of consolidation, goodwill, loan loss reserves, revenue recognition, derecognition of financial instruments, measurement of financial instruments among others.

	K-IFRS	Previous K-GAAP
First-time Business adoption of combination K-IFRS	K-IFRS 1103, <i>Business combination</i> will not be applied retrospectively about business combination transaction prior to the date of transition.	-
Fair value or revaluation as deemed cost	Fair value will be used as deemed cost for land and building.	-
The cumulative translation differences	The cumulative translation differences for all foreign operations would be deemed to be zero at the date of transition to K-IFRS.	-
Derecognition of financial assets and liabilities	The derecognition requirements in K-IFRS 1039, <i>Financial Instruments: Recognition and Measurement</i> will be applied prospectively for transactions occurring on or after transition date.	-
Designation of fair value through profit or loss or available for sales security	Designation of financial assets and liabilities as at fair value through profit or loss and of available for sales security will be applied as of the date of transition to K-IFRS that meets the criteria for such designation.	-
Share based payment transaction	Share based payment transaction prior to the date of transition will be applied retrospectively according to K-IFRS 1102, <i>Share based payment transaction</i>	-
Decommissioning liabilities included in the cost of property, plant 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.	-

Shinhan Investment Corp.
Note to Non-Consolidated Financial Statements, Continued
 March 31, 2011 and 2010

(36) Plans and status for the First-time Adoption of K-IFRS (International Financing Reporting Standards).
Continued

	K-IFRS	Previous K-GAAP
Investments in subsidiaries, jointly controlled entities and associates	When the Company prepares separate financial statements in accordance with K-IFRS 1027, <i>Consolidated and Separate Financial Statements</i> and measures its investments in subsidiaries, jointly controlled entities and associates at cost, the deemed cost for such investments is K-GAAP carrying amount at the date of transition.	-
Primary financial statements	Consolidated financial statements	Stand-alone financial statements
Scope of consolidation	Subsidiaries are entities controlled by the Group and the financial statements of all subsidiaries are included in the consolidated financial statements regardless of the size of the subsidiaries. Special purposed entities are consolidated as well if the Group controls the SPEs.	Pursuant the Act on External Audit of Stock Companies, a subsidiary with a prior year's total assets less than ₩ 10 billion is excluded from the scope of consolidation. There is no specific guidance on consolidating special purpose entities
Allowance for loan losses	Allowance for loan losses that has been incurred but not yet identified are estimated for individual asset basis or collectively for similar group of assets and collective level using the historical experience.	Allowance for loan losses is estimated at a greater 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 on Financial Investment Business.
Revenue recognition	All fees associated with origination of loans are deferred and recognized over the expected lives of the respective loans 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.
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, etc.

Shinhan Investment Corp.
Note to Non-Consolidated Financial Statements, Continued
 March 31, 2011 and 2010

(35) Plans and status for the First-time Adoption of K-IFRS (International Financing Reporting Standards), Continued

	K-IFRS	Previous K-GAAP
Derecognition of financial assets	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 is continued to be recognized to the extent of its continuing involvement in the financial asset.	Depending on whether or not the Company retains control over the financial assets, the transferred asset is continued to be recognized or derecognized. However, the financial assets transferred in accordance with the Korean Asset Backed Securitization Law are derecognized without considering whether the Company retains the control over the financial assets or not.
Employee benefits	Under the Projected Unit Credit Method, the Company recognizes a defined benefit obligation calculated using an actuarial technique and a discount rate based on the present value of the projected benefit obligation.	The Company establishes an allowance for severance liability equal to the amount which would be payable if all employees left at the end of the reporting period.

(d) Change in scope of consolidation

The Company is required under K-IFRS to present consolidated financial statements. Changes in the scope of consolidation from K-GAAP to K-IFRS as of March 31, 2011 are as follows:

	K-IFRS	Previous K-GAAP
① Subsidiaries	-	-
② Special purpose company	Good Invest 2nd SPC and the other	N/A
③ Private equity fund	SANTACLause LONG-TERM BOND FUND 4 and other 15 PEFs	N/A

(e) The effects of the adoption of K-IFRS on the statement of financial position and the results of operation

This summary of the effects on the Company's financial position and the results of its operation described below are based on the consolidated financial statements, and may change in the future as a result of additional analysis, revised standards, etc.

(i) Adjustments to the statements of financial position as of the date of transition, March 31, 2011 are as follows.

Shinhan Investment Corp.
Note to Non-Consolidated Financial Statements, Continued
 March 31, 2011 and 2010

(35) Plans and status for the First-time Adoption of K-IFRS (International Financing Reporting Standards).
Continued

	₩	<u>Total assets</u>	<u>Total liabilities</u>	<u>Total equity</u>
Previous K-GAAP		8,384,288	6,564,504	1,819,784
Adjustment for:				
Allowance for loan losses		5,238	-	5,238
Deferred Day 1 P/L		9,085	8,594	491
Reclassification of financial instruments		(8,118)	3	(8,121)
Deemed cost for land and buildings		170,320	-	170,320
Conversion to the cost method for equity method investments		(2,402)	-	(2,402)
Others		3,675	10,658	(6,983)
Tax effect on adjustments		(17,122)	16,628	(33,750)
Total adjustment		<u>160,676</u>	<u>35,883</u>	<u>124,793</u>
K-IFRS	₩	<u><u>8,544,964</u></u>	<u><u>6,600,387</u></u>	<u><u>1,944,577</u></u>

(ii) The effect of the K-IFRS adoption on the net income and comprehensive income of the Bank for the year ended March 31, 2011.

	₩	<u>Total assets</u>	<u>Total liabilities</u>	<u>Total equity</u>	<u>Net income</u>	<u>Total comprehensive income</u>
K-GAAP		10,775,904	8,847,072	1,928,832	109,608	124,048
Adjustment for:						
Allowance for loan losses		15,729	-	15,729	10,491	10,491
Deferred Day 1 P/L		3,678	4,051	(373)	(864)	(864)
Reclassification of financial instruments		(19,166)	9	(19,175)	(7,929)	(10,118)
Deemed cost for land and buildings		168,350	-	168,350	(2,007)	(2,007)
Conversion to the cost method for equity method investments		3,578	-	3,578	5,490	5,980
Derecognition of financial assets		15,818	17,432	(1,614)	(1,614)	(1,614)
Others		8,570	11,720	(3,150)	3,242	4,022
Tax effect on adjustments		-	32,196	(32,196)	700	1,554
Total adjustment		<u>196,558</u>	<u>65,408</u>	<u>131,150</u>	<u>7,509</u>	<u>7,444</u>
K-IFRS	₩	<u><u>10,972,461</u></u>	<u><u>8,912,480</u></u>	<u><u>2,059,981</u></u>	<u><u>117,117</u></u>	<u><u>131,492</u></u>

Independent Accountants' Review Report on Internal Accounting Control System

English translation of a Report Originally Issued in Korean

To the President of
Shinhan Investment Corp.:

We have reviewed the accompanying Report on the Operations of Internal Accounting Control System ("IACS") of Shinhan Investment Corp. (the "Company") as of March 31, 2011. The Company's management is responsible for designing and maintaining effective IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review management's assessment and issue a report based on our review. In the accompanying report of management's assessment of IACS, the Company's management stated: "Based on the assessment of the operations of the IACS, the Company's IACS has been effectively designed and is operating as of March 31, 2011, in all material respects, in accordance with the IACS Framework issued by the Internal Accounting Control System Operation Committee."

We conducted our review in accordance with IACS Review Standards, issued by the Korean Institute of Certified Public Accountants. Those Standards require that we plan and perform the review to obtain assurance of a level less than that of an audit as to whether Report on the Operations of Internal Accounting Control System is free of material misstatement. Our review consists principally of obtaining an understanding of the Company's IACS, inquiries of company personnel about the details of the report, and tracing to related documents we considered necessary in the circumstances. We have not performed an audit and, accordingly, we do not express an audit opinion.

A company's IACS is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, however, IACS may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that Report on the Operations of Internal Accounting Control System as of March 31, 2011 is not prepared in all material respects, in accordance with IACS issued by the Internal Accounting Control System Operation Committee.

This report applies to the Company's IACS in existence as of March 31, 2011. We did not review the Company's IACS subsequent to March 31, 2011. This report has been prepared for Korean regulatory purposes, pursuant to the External Audit Law, and may not be appropriate for other purposes or for other users.

KPMG Samjong Accounting Corp.
Seoul, Korea
June 16, 2011

Notice to Readers

This report is annexed in relation to the audit of the non-consolidated financial statements as of and for the year ended March 31, 2011 and the review of internal accounting control system pursuant to Article 2-3 of the Act on External Audit for Stock Companies of the Republic of Korea.

Report on the Operations of Internal Accounting Control System

To the Board of Directors and Internal Audit Committee of
Shinhan Investment Corp.:

I, as the Internal Accounting Control Officer (“IACO”) of Shinhan Investment Corp. (the “Company”), have assessed the status of the design and operations of the Company’s internal accounting control system (“IACS”) as of March 31, 2011.

The Company’s management, including IACO, is responsible for the design and operations of its IACS. I, as the IACO, have assessed whether the IACS has been effectively designed and is operating to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of establishing the reliability of financial statement preparation and presentation for external uses. I, as the IACO, applied the IACS Framework for the assessment of design and operations of the IACS.

Based on the assessment of the operations of the IACS, the Company’s IACS has been effectively designed and is operating as of March 31, 2011, in all material respects, in accordance with the IACS Framework issued by the IACS Operations Committee.

Yong Tae, Song, Internal Accounting Control Officer

Hyu Won, Lee, Chief Executive Officer or President

April 27, 2011

This report has been translated into English from Korean language report enclosed.