



***SHINHAN INVESTMENT CORP.  
AND SUBSIDIARIES***

Consolidated Financial Statements

December 31, 2020 and 2019

(With Independent Auditor's Report Thereon)

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## Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of  
SHINHAN INVESTMENT CORP.

### Opinion

We have audited the accompanying consolidated financial statements of SHINHAN INVESTMENT CORP. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

### Basis for Opinion

We conducted our audit in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Emphasis of Matter

Without modifying our opinion, we draw attention to the following matters.

#### *(a) Contingent Liabilities Related to Lime Asset Management*

As described in Note 33.(6) to the financial statements, the former Prime Brokerage Service Division's head of the Group was convicted in a criminal trial for fraud and violations of the laws on FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT, and the prosecution also indicted the Group on January 22, 2021. However, the Group did not recognize any additional provision for the legal liability that may arise in the future in connection with the alleged involvement in such misconduct.

#### *(b) Significant uncertainty in the business environment - COVID-19*

As described in Note 42 to the financial statements, the rapid spread of COVID-19 has negatively affected the global economy, which can negatively affect the Group's ability to generate revenue by increasing expected credit losses and potential damage to assets.

## **Other Matters**

The consolidated financial statements of the Group for the year ended December 31, 2019, were audited by KPMG Samjong Accounting Corp. who expressed an unqualified opinion on those statements on March 20, 2020.

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Korean IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Samuel PricewaterhouseCoopers*

Seoul, Korea

March 3, 2021

This report is effective as of March 3, 2021, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that 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. AND SUBSIDIARIES

**Consolidated Statements of Financial Position**

As of December 31, 2020 and 2019

<i>(In millions of won)</i>	<i>Notes</i>		<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>Assets</b>				
Cash and due from banks measured at amortized cost	4,26,27,28	₩	3,418,793	2,620,662
Financial assets at fair value through profit or loss	5,26,27,28		26,779,574	24,225,162
Financial assets at fair value through other comprehensive income	6,26,27,28		2,636,280	2,690,332
Investments in associates	7		784,339	431,991
Loans measured at amortized cost	8,26,27,28		4,738,127	4,583,089
Property and equipment	9		156,185	139,299
Intangible assets	10		63,022	56,319
Investment property	11		440,473	216,790
Deferred tax assets	30		904	228
Current tax assets	30		-	12
Other financial assets	12,26,27,28		7,543,958	2,353,200
Other assets	13		70,778	58,403
<b>Total assets</b>		<b>₩</b>	<b>46,632,433</b>	<b>37,375,487</b>
<b>Liabilities</b>				
Deposits	14,26,27,28	₩	3,751,006	1,789,976
Financial liabilities at fair value through profit or loss	15,26,27,28		10,016,283	10,849,353
Borrowings	16,26,27,28		19,600,249	16,771,598
Provisions	17		162,895	14,260
Deferred tax liabilities	30		-	29,841
Current tax liabilities	30		46,796	4,523
Other financial liabilities	18,26,27,28		8,404,069	3,445,400
Other liabilities	19		277,043	233,980
<b>Total liabilities</b>		<b>₩</b>	<b>42,258,341</b>	<b>33,138,931</b>
<b>Equity</b>				
Capital stock	37	₩	1,786,998	1,786,998
Capital surplus	37		667,635	667,635
Capital adjustments	37		1,976	425
Accumulated other comprehensive income	37		102,221	99,433
Retained earnings	37		1,814,596	1,681,158
Non-controlling interests	37		666	907
<b>Total equity</b>		<b>₩</b>	<b>4,374,092</b>	<b>4,236,556</b>
<b>Total liabilities and equity</b>		<b>₩</b>	<b>46,632,433</b>	<b>37,375,487</b>

See accompanying notes to the consolidated financial statements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Consolidated Statements of Comprehensive Income**  
For the years ended December 31, 2020 and 2019

<i>(In millions of won)</i>	<i>Notes</i>	<b>2020</b>	<b>2019</b>
<b>Operating revenue:</b>			
Commission income	20	₩ 713,214	484,632
Gain on financial instruments at fair value through profit or loss	26	6,786,707	4,440,800
Gain on financial instruments at fair value through other comprehensive income	26	14,651	8,744
Interest income	21	701,830	658,160
Financial assets at fair value through profit or loss		382,678	354,666
Financial instruments measured at amortized cost		319,152	303,494
Reversal of provision for credit loss	26	-	7,579
Gain on foreign currency transactions	22	1,034,651	495,774
Others	24	40,002	44,237
		<u>9,290,965</u>	<u>6,139,926</u>
<b>Operating expense:</b>			
Commission expense	20	142,075	123,176
Loss on financial instruments at fair value through profit or loss	26	6,868,535	4,482,131
Loss on financial instruments at fair value through other comprehensive income	26	7,263	2,028
Interest expense	21	268,506	250,908
Provision for credit loss	26	111,797	6,254
Loss on foreign currency transactions	22	919,760	507,896
General and administrative expenses	23	592,351	521,572
Others	24	6,039	6,503
		<u>8,916,326</u>	<u>5,900,468</u>
<b>Operating income</b>		374,639	239,458
Non-operating income	25	78,670	89,734
Non-operating expense	25	(250,314)	(40,117)
		<u>202,995</u>	<u>289,075</u>
<b>Profit before income taxes</b>		202,995	289,075
Income tax expense	30	48,464	68,311
<b>Profit for the year</b>		<u>154,531</u>	<u>220,764</u>

See accompanying notes to the consolidated financial statements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Consolidated Statements of Comprehensive Income (Continued)**  
For the years ended December 31, 2020 and 2019

<i>(In millions of won)</i>	<i>Notes</i>	<b>2020</b>	<b>2019</b>
<b>Other comprehensive income (loss) for the year, net of income tax</b>			
<b>Items that are or may be reclassified subsequently to profit or loss:</b>			
Financial instruments at fair value through other comprehensive income	₩	5,463	(1,134)
Loss on valuation of investments in associates		(355)	-
Foreign currency translation adjustments for foreign operations		(19,904)	3,263
Effect of income tax expense		2,101	942
		<u>(12,695)</u>	<u>3,071</u>
<b>Items that cannot subsequently be reclassified to profit or loss</b>			
Gain on financial instruments at fair value through other comprehensive income		17,101	14,556
Adjustment of credit risk for financial liabilities at fair value through profit or loss		(9,689)	(11,621)
Effect of income tax expense		(2,038)	(807)
		<u>5,374</u>	<u>2,128</u>
<b>Total other comprehensive income (loss), net of tax</b>		<u>(7,321)</u>	<u>5,199</u>
<b>Total comprehensive income for the year</b>	₩	<u>147,210</u>	<u>225,963</u>
<b>Profit for the year attributable to:</b>			
Equity holders of Shinhan Investment Corp.	₩	154,772	220,850
Non-controlling interest		(241)	(86)
	₩	<u>154,531</u>	<u>220,764</u>
<b>Total comprehensive income attributable to:</b>			
Equity holders of Shinhan Investment Corp.	₩	147,451	226,049
Non-controlling interest		(241)	(86)
	₩	<u>147,210</u>	<u>225,963</u>

See accompanying notes to the consolidated financial statements.



SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Consolidated Statements of Changes in Equity**

For the years ended December 31, 2020 and 2019

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

See accompanying notes to the consolidated financial statements.

**SHINHAN INVESTMENT CORP. AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Equity (Continued)**

For the years ended December 31, 2020 and 2019

*See accompanying notes to the consolidated financial statements.*

<i>(In millions of won)</i>	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Non-controlling interests	Total
<b>Balance at January 1, 2020</b>	₩ 1,786,998	667,635	425	99,433	1,681,158	907	4,236,556
<b>Profit for the year</b>	-	-	-	-	154,772	(241)	154,531
<b>Other comprehensive income (loss), net of income tax</b>							
Net change in unrealized fair value of financial instruments at fair value through other comprehensive income	-	-	-	16,343	-	-	16,343
Share of the other comprehensive loss of associates	-	-	-	(257)	-	-	(257)
Foreign currency translation differences	-	-	-	(16,382)	-	-	(16,382)
Adjustment of credit risk for financial liabilities at fair value through profit or loss	-	-	-	(3,084)	(13,943)	-	(10,859)
<b>Transactions recognized directly in equity</b>							
Dividends	-	-	-	-	(7,391)	-	(7,391)
Change in share-based payment	-	-	1,551	-	-	-	1,551
<b>Balance at December 31, 2020</b>	₩ 1,786,998	667,635	1,976	102,221	1,814,596	666	4,374,092

*See accompanying notes to the consolidated financial statements.*

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Consolidated Statements of Cash Flows**  
For the years ended December 31, 2020 and 2019

(In millions of won)

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities</b>		
Profit before income taxes	₩ 202,995	289,075
Adjustment for:		
Interest income	(701,830)	(658,160)
Interest expense	268,506	250,908
Dividend income	(33,503)	(29,771)
Net gain on valuation of financial instruments at fair value through profit or loss	(115,638)	(80,624)
Net gain on disposal of financial instruments at fair value through profit or loss	(33,302)	(57,243)
Net gain on disposal of financial instruments at fair value through other comprehensive income	(7,388)	(6,715)
Impairment loss on financial instruments at fair value through other comprehensive income	-	272
Provisions for (reversal of) loan loss	111,797	(1,597)
Net gain(loss) on foreign exchanges	(102,405)	2,763
Depreciation	24,302	21,993
Amortization of intangible assets	7,664	7,564
Employee related expenses	1,524	2,998
Non-cash other operating expenses (income), net	2,077	(1,710)
Non-cash non-operating expenses (income), net	124,081	(27,636)
	<u>(454,115)</u>	<u>(576,958)</u>
Changes in assets and liabilities:		
Cash and due from banks at amortized cost	(251,455)	401,724
Financial instruments at fair value through profit or loss	(3,925,591)	(2,988,725)
Loan measured at amortized cost	(253,525)	(373,259)
Other financial assets	(5,140,319)	(668,133)
Other assets	(12,376)	2,904
Deposits liabilities	2,052,912	46,917
Other financial liabilities	5,064,091	1,969,622
Other liabilities	43,502	(782,739)
	<u>(2,422,761)</u>	<u>(2,391,689)</u>
Income taxes paid	(41,057)	(69,929)
Interests received	676,134	603,500
Interests paid	(258,143)	(244,377)
Dividends received	32,499	26,948
<b>Net cash outflow from operating activities</b>	<u>(2,264,448)</u>	<u>(2,363,430)</u>

See accompanying notes to the consolidated financial statements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Consolidated Statements of Cash Flows (Continued)**  
For the years ended December 31, 2020 and 2019

(In millions of won)

	<b>2020</b>	<b>2019</b>
<b>Cash flows from investing activities</b>		
Disposal of financial instruments at fair value through profit or loss	₩ 1,178,165	1,600,093
Acquisition of financial instruments at fair value through profit or loss	(672,944)	(3,157,576)
Disposal of financial instruments at fair value through other comprehensive income	5,001,299	3,338,130
Acquisition of financial instruments at fair value through other comprehensive income	(4,924,826)	(4,784,413)
Proceeds from disposal of investments in associates	124,890	79,403
Acquisition of investments in associates	(431,494)	(255,789)
Proceeds from disposal of property and equipment	1,537	35
Acquisition of property and equipment	(23,638)	(12,488)
Proceeds from disposal of intangible assets	-	3,304
Acquisition of intangible assets	(14,367)	(9,682)
Proceeds from disposal of investment property	7,461	86,118
Acquisition of investment property	(237,067)	(2)
<b>Net cash inflow(outflow) from investing activities</b>	<b>9,016</b>	<b>(3,112,867)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	6,121,025	6,735,053
Repayment of borrowings	(3,142,267)	(1,450,898)
Rental payment	(7,313)	(6,895)
Dividends paid	(7,391)	(20,000)
Issuance of preference stocks	-	658,829
<b>Net cash inflow from financing activities</b>	<b>2,964,054</b>	<b>5,916,089</b>
<b>Effect of exchange rate fluctuations on cash and cash equivalents held</b>	<b>99,657</b>	<b>9,400</b>
<b>Increase in cash and cash equivalents</b>	<b>608,965</b>	<b>449,192</b>
<b>Cash and cash equivalents at the beginning of year</b>	<b>709,010</b>	<b>259,818</b>
<b>Cash and cash equivalents at the end of year</b>	<b>₩ 1,317,975</b>	<b>709,010</b>

See accompanying notes to the consolidated financial statements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the years ended December 31, 2020 and 2019

**1. Reporting entity**

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

**(a) Controlling company**

General information of Shinhan Investment Corp. (the “Company”) was established on April 2, 1973 under the name of HyoSeong Securities Co., Ltd. to engage in proprietary trading, underwriting and brokerage services. The Company changed its name from Good Morning Shinhan Securities Co., Ltd. to Shinhan Investment Corp. on August 24, 2009. The Company is wholly owned by Shinhan Financial Group Co., Ltd. and operates through 87 branches, 31 sales offices, and 2 overseas offices as of December 31, 2020.

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 ₩25,232,354 million as of December 31, 2020 and the related commission income amounted to ₩15,302 million for the year ended December 31, 2020.

**(b) Scope of consolidation**

*(i) Subsidiaries*

Ownership of the Company’s major consolidated subsidiaries except special purpose entities as of December 31, 2020 is as follows:

Investor	Investee	Location	Closing month	Ownership (%)
Shinhan Investment Corp.	Shinhan Investment America Inc.	USA	December	100.0
”	Shinhan Investment Asia Ltd.	Hong Kong	December	100.0
”	Shinhan Securities Vietnam Co., Ltd	Vietnam	December	100.0
”	PT. Shinhan Sekuritas Indonesia	Indonesia	December	99.0
PT. Shinhan Sekuritas Indonesia	PT Shinhan Asset Management Indonesia	Indonesia	December	75.0

*(ii) Consolidated structured entities*

Consolidated structured entities are as follows:

Category	Consolidated structured entities	Description
Asset-Backed Securitization	Mainstream 4th Co., Ltd and 118 others	An entity for asset backed securitization is consolidated when the Group has the ability to dispose assets or change the conditions of the assets, is exposed to variable returns and has the ability to affect the variable returns providing credit enhancement and purchases of subordinated securities.
Investment Fund	JB Sangam Private Real Estate Investment Trust No.1 and 44 others	An investment fund is consolidated, when the Group manages or invests assets of the investment funds on behalf of other investors, or has the ability to dismiss the manager of the investment funds, and is exposed to, or has rights to, the variable returns.

*(iii) The Group holds more than a majority of the ownership interests of Rhinos Global Convertible Bond Private Investment Fund and 14 other investment trusts but does not have the power over relevant activities in accordance with agreements with trust and other shareholders; therefore, these entities are not consolidated.*

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the years ended December 31, 2020 and 2019

**1. Reporting entity (continued)**

**(c) Changes in consolidated subsidiaries**

Changes in consolidated subsidiaries during the years ended December 31, 2020 and 2019 are as follows:

① Consolidated subsidiaries newly included in the consolidated financial statements as of December 31, 2020 are as follows:

Category	Subsidiaries	Reason for consolidation
Asset-Backed Securitization	DMC 3rd Co., Ltd and 44 others	
Investment Fund	Kiwoom Milestone US Specialized Private Investment Trust No.22 and 9 others	Exposure to power and variable returns (Korean IFRS 1110 Paragraph 7)

② Subsidiaries excluded from the consolidated financial statements for the year ended December 31, 2020.

Category	Subsidiaries	Reason for exclusion
Asset-Backed Securitization	BL Energy 2 <sup>nd</sup> Co., Ltd and 38 others	Transaction ended during the current period
Investment Fund	Astra CIRCLE Specialized Private Investment Trust No.1 and 13 others	Disposed during the current period and decrease in power

③ Consolidated subsidiaries newly included in the consolidated financial statements as of December 31, 2019 are as follows:

Category	Subsidiaries	Reason for consolidation
Asset-Backed Securitization	Global Edition 1st L.L.C and 74 others	
Investment Fund	Shinhan Digital Healthcare Fund 1 and 34 others	Exposure to power and variable returns (Korean IFRS 1110 Paragraph 7)

④ Subsidiaries excluded from the consolidated financial statements for the year ended December 31, 2019.

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2020 and 2019

(In millions of won)

**1. Reporting entity (continued)**

**(d) Summary of financial statements**

① As of December 31, 2020 and 2019, the summarized statements of financial position of the Company and its consolidated subsidiaries are as follows:

(In millions of won)	2020			2019		
	Assets	Liabilities	Equity	Assets	Liabilities	Equity
Shinhan Investment Corp. (separate)	₩ 42,980,794	38,619,959	4,360,835	33,820,626	29,608,513	4,212,113
Shinhan Investment America Inc.	5,209	690	4,519	4,579	161	4,418
Shinhan Investment Asia Ltd.	112,765	168	112,597	43,252	658	42,594
Shinhan Securities Vietnam Co., Ltd.	70,113	26,856	43,257	44,552	353	44,199
PT Shinhan Securitas Indonesia (*1)	33,710	12,592	21,118	32,306	6,470	25,836
MSTREAM PFV	111,996	120,971	(8,975)	118,042	119,784	(1,742)
Shinhan Douzone Wehago 1st Co., Ltd	80,145	66,820	13,325	59,057	61,559	(2,502)
Shinhan Douzone Wehago 2nd Co., Ltd (*2)	-	-	-	99,422	102,864	(3,442)
Specified Money Trusts KTB Datacenter Special Investment Private Trust No. 39 (*2)	100,002	-	100,002	200,007	-	200,007
Multi Asset GlobalPrivateDebt Special Investment Private Trust No.9	126,312	1,249	125,063	121,568	13	121,555
KIAMCO US Utopia Trust	128,880	51	128,829	133,822	34	133,788
Global Solution 10th Co., Ltd	81,051	83,600	(2,549)	85,592	86,051	(459)
Valueplusmidstream Valueplus TEP (*2)	120,803	121,800	(997)	30,394	30,300	94
Shinhan Dining 1st Co., Ltd	-	-	-	89,369	89,700	(331)
Shinhan Dining 1st Co., Ltd	76,362	72,100	4,262	86,861	86,400	461
Shinhan Biomess 1st Co., Ltd	96,540	96,500	40	97,410	96,700	710
Shinhan MGH 1st Co., Ltd	131,845	128,343	3,502	122,368	122,700	(332)
Shinhan Utopia 1st Andy Warhol 1st Co., Ltd	173,738	171,500	2,238	177,137	177,700	(563)
Teosewoon 1st Co., Ltd (*2)	30,707	30,502	205	81,419	81,800	(381)
Teosewoon 1st Co., Ltd (*2)	-	-	-	110,296	110,296	-
Fridakalo 1st Corp.	118,488	120,100	(1,612)	88,728	88,728	-
LAM Enhanced Trade Finance Fund II L.P.	161,173	-	161,173	341,067	-	341,067
Sprott Global Renewable Private Equity Fund III (*3)	111,052	12	111,040	83,571	-	83,571
JR CR-REIT XVII	244,540	227,408	17,132	-	-	-
Teosewoon 4th Corp.	160,013	160,013	-	-	-	-
Garda 1st Co., Ltd	90,664	88,597	2,067	-	-	-

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2020 and 2019

(In millions of won)

**1. Reporting entity (continued)**

**(d) Summary of financial statements (continued)**

② Summarized statements of comprehensive income for the Company and its consolidated subsidiaries for the years ended December 31, 2020 and 2019 is as follows:

		2020			2019		
		Operating income	Profit(Loss) for the year	Total comprehensive income	Operating income	Profit(Loss) for the year	Total comprehensive income
Shinhan Investment Corp. (separate)	₩	9,084,398	149,019	158,396	6,008,637	208,727	209,991
Shinhan Investment America Inc.		2,216	399	101	2,091	552	681
Shinhan Investment Asia Ltd.		3,730	(589)	(3,347)	7,170	3,123	4,740
Shinhan Securities Vietnam Co., Ltd		5,697	1,697	(942)	6,169	2,781	4,262
PT Shinhan Sekuritas Indonesia (*1)		7,389	(3,062)	(4,523)	6,025	982	3,310
MSTREAM PFV		1,757	(7,234)	(7,234)	7,396	(4,103)	(4,103)
Shinhan Douzone Wehago 1st Co., Ltd		19,172	15,828	15,828	74	(2,502)	(2,502)
Shinhan Douzone Wehago 2nd Co., Ltd (*2)		-	-	-	327	(3,442)	(3,442)
Specified Money Trusts		2	2	2	7	7	7
KTB Datacenter Special Investment Private Trust No. 39 (*2)		-	-	-	277	(2,336)	(2,336)
Multi Asset GlobalPrivateDebt Special Investment Private Trust No.9		20,373	4,610	4,610	3,156	(255)	(255)
KIAMCO US Utopia Trust		23,491	4,155	4,155	1,584	1,533	1,533
Global Solution 10th Co., Ltd		4,253	(2,091)	(2,091)	1,373	(459)	(459)
Valueplusmidstream Valueplus TEP (*2)		487	(1,091)	(1,091)	2,323	94	94
Shinhan Dining 1st Co., Ltd		-	-	-	304	(331)	(331)
Shinhan Dining 1st Co., Ltd		6,429	3,801	3,801	2,341	461	461
Shinhan Biomess 1st Co., Ltd		1,579	(670)	(670)	985	710	710
Shinhan MGH 1st Co., Ltd		6,951	3,834	3,834	-	(332)	(332)
Shinhan Utopia 1st Andy Warhol 1st Co., Ltd		6,918	2,801	2,801	-	(563)	(563)
Shinhan Utopia 1st Andy Warhol 1st Co., Ltd		1,647	585	585	(106)	(381)	(381)
Teosewoon 1st Co., Ltd (*2)		-	-	-	721	-	-
Fridakalo 1st Corp.		2,939	(1,612)	(1,612)	1,494	-	-
LAM Enhanced Trade Finance Fund II L.P.		-	(172,879)	(177,965)	11,996	(6,420)	(7,836)



SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2020 and 2019

(In millions of won)

**1. Reporting entity (continued)**

**(d) Summary of financial statements (continued)**

② Summarized statements of comprehensive income for the Company and its consolidated subsidiaries for the years ended December 31, 2020 and 2019 is as follows (continued):

<i>(In millions of won)</i>	2020			2019		
	Operating income	Profit(Loss) for the year	Total comprehensive income	Operating income	Profit(Loss) for the year	Total comprehensive income
Sprott Global						
Renewable Private Equity Fund III (*3)	₩ 10,696	(1,796)	(1,796)	-	(375)	(375)
JR CR-REIT XVII	6,998	(5,118)	(5,118)	-	-	-
Teosewoon 4th Corp.	3,933	-	-	-	-	-
Garda 1st Co., Ltd	2,592	2,067	2,067	-	-	-

(\*1) A consolidated financial information of the intermediate parent company that includes PT Shinhan Asset Management Indonesia.

(\*2) Shinhan Douzone Wehago 2nd Co., Ltd, KTB Datacenter Special Investment Private Trust No. 39, Valueplus TEP and Teosewoon 1st Co., Ltd. are excluded from the consolidation.

(\*3) The consolidated financial information of the intermediate parent company that includes Sprott Global Renewable LLC III

(\*4) Criteria of determining a significant subsidiary

- A subsidiary with assets totaling more than 10% of the assets of the parent company at the end of the recent business year

- A subsidiary with assets of 75 billion won or more at the end of the recent business year

Overseas subsidiary was not applicable to the requirements of significant subsidiary, but included because it carries out operating activities. Investment funds, SPC, PEF, unions were excluded because it does not carry out operation activities.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the years ended December 31, 2020 and 2019

**2. Basis of preparation**

**(a) Statement of compliance**

The Group maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying consolidated financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Group's financial position, financial performance or cash flows, is not presented in the accompanying consolidated financial statements.

The consolidated financial statements of the Group have been prepared in accordance with Korean IFRS as prescribed in the Act on External Audit of Stock Companies. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the Republic of Korea.

The Group has applied the following amended standards for the first time for its annual reporting period commencing January 1, 2020.

*(i) Amendments to Korean IFRS 1001 Presentation of Financial Statements and Korean IFRS 1008 Accounting policies, changes in Accounting estimates and errors – Definition of Material*

The amendments clarify the definition of material in accordance with the Korean IFRS 1001 and 1008. In determining material, consider the material omissions or error. And also consider the impact of non-material information and the nature of information users when determining the information to be disclosed by the group. These amendments do not have a significant impact on the consolidated financial statements.

*(ii) Amendments to Korean IFRS 1103 Business Combination – Definition of a Business*

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs and the definition of output excludes the returns in the form of lower costs and other economic benefits. If substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, an entity may elect to apply an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. These amendments do not have a significant impact on the consolidated financial statements.

*(iii) Amendments to Korean IFRS 1109 Financial Instruments, Korean IFRS 1039 Financial Instruments: Recognition and Measurement, Korean IFRS 1107 Financial Instruments: Disclosure – Interest Rate Benchmark Reform*

These revised amendments provide exceptions to apply in the analysis of future prospects for hedge accounting even though interest rate benchmark reform gives rise to uncertainties. The exceptions assumes that the interest rate indicators that are subject to the interest rate benchmark reform do not change when assessing whether the expected cash flows from existing interest rate indicators are highly probable, whether there is an economic relationship between the hedged item and the hedging instrument and whether there is a high hedge effect between the two. These amendments do not have a significant impact on the consolidated financial statements.

The following amended standards have been published that are not mandatory for December 31, 2020 reporting periods and have not been early adopted by the Group.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the years ended December 31, 2020 and 2019

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

**(a) Statement of compliance (continued)**

*(i) Amendments to Korean IFRS 1116 Leases – Practical expedient for COVID-19-Related Rent Exemption, Concessions, Suspension*

As a practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. Lessee should account for changes in the lease payments due to rent concession, etc. consistent with how this standard specifies when such a change is not a lease modification. The amendments should be applied for annual periods beginning on or after June 1, 2020, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

*(ii) Amendments to Korean IFRS 1109 Financial Instruments, Korean IFRS 1039 Financial Instruments: Recognition and Measurement, Korean IFRS 1107 Financial Instruments: Disclosure, Korean IFRS 1104 Insurance Contracts and Korean IFRS 1116 Lease – Interest Rate Benchmark Reform*

In relation to interest rate benchmark reform, the amendments provide a practical expedient allowing entities to change the effective interest rate instead of changing the carrying amount and apply hedge accounting without discontinuance although the interest rate benchmark is replaced in hedging relationship. The amendments should be applied for annual periods beginning on or after January 1, 2021, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

*(iii) Amendments to Korean IFRS 1103 Business Combination – Reference to the Conceptual Framework*

The amendments update a reference of definition of assets and liabilities to qualify for recognition in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korean IFRS 1037 Provisions, Contingent Liabilities and Contingent Assets, and Korean IFRS 2121 Levies. The amendments also confirm that contingent assets should not be recognized at the acquisition date. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

*(iv) Amendments to Korean IFRS 1016 Property, Plant and Equipment - Proceeds before intended use*

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, as profit or loss. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

*(v) Amendments to Korean IFRS 1037 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts: Cost of Fulfilling a Contract*

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the years ended December 31, 2020 and 2019

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

**(a) Statement of compliance (continued)**

*(vi) Annual improvements to Korean IFRS 2018-2020*

Annual improvements of Korean IFRS 2018-2020 Cycle should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

- Korean IFRS 1101 First time Adoption of Korean International Financial Reporting Standards – Subsidiaries that are first-time adopters
- Korean IFRS 1109 Financial Instruments – Fees related to the 10% test for derecognition of financial liabilities
- Korean IFRS 1116 Leases – Lease incentives
- Korean IFRS 1041 Agriculture – Measuring fair value

*(vii) Amendments to Korean IFRS 1001 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current*

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the management's expectations thereof. Also, the settlement of liability includes the transfer of the entity's own equity instruments; however, it would be excluded if an option to settle the liability by the transfer of the entity's own equity instruments is recognized separately from the liability as an equity component of a compound financial instrument. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the years ended December 31, 2020 and 2019

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

**(b) Basis of measurement**

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

- financial instruments at fair value through profit or loss are measured at fair value
- other comprehensive income at fair values are measured at fair value
- liabilities for cash-settled share-based payment arrangements are measured at fair value

**(c) Functional and presentation currency**

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

<u>Subsidiaries</u>	<u>Functional Currency</u>
Shinhan Investment America Inc.	USD
Shinhan Investment Asia Ltd.	HKD
Shinhan Securities Vietnam Co., LTD	VND
PT. Shinhan Sekuritas Indonesia	IDR
PT. Shinhan Asset Management Indonesia	IDR

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

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

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

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the years ended December 31, 2020 and 2019

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

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

*(i) Income taxes*

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

*(ii) Fair value of financial instruments*

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

*(iii) Allowances for credit loss*

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

*(iv) Provisions*

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

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

The consolidated financial statements were authorized for issue by the Board of Directors on February 9, 2021, which will be submitted for approval to the stockholder's meeting to be held on March 24, 2021.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the years ended December 31, 2020 and 2019

**3. Significant accounting policies**

The significant accounting policies applied by the Group in preparation of its consolidated financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except for the certain standards and amendments applied for the first time, which are effective for annual periods beginning on or after January 1, 2020.

**(a) Basis of consolidation**

*(i) Subsidiaries*

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

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

*(ii) Structured entity*

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

*(iii) Transactions eliminated on consolidations*

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

*(iv) Non-controlling interests*

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

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

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the years ended December 31, 2020 and 2019

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

**(b) Associates and joint ventures**

An associate is an entity in which the Group has significant influence, but not control, over the entity's financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The investment in an associate and joint venture is initially recognized at cost, and the carrying amount is increased or decreased to recognize the Group's share of the profit or loss and changes in equity of the associate and the joint venture after the date of acquisition. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated the Group's stake in preparing the consolidated financial statements. Intra-group losses are recognized as expense if intra-group losses indicate an impairment that requires recognition in the consolidated financial statements.

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

When the carrying amount of that interest, including any long-term investments, is reduced to nil, the recognition of further losses is discontinued except to the extent that the Group has an obligation or has to make payments on behalf of the investee for further losses.

**(c) Business combinations**

*(i) Business combinations*

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

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

- Leases and insurance contracts are required to be classified on the basis of the contractual terms and other factors
- Only those contingent liabilities assumed in a business combination that are a present obligation and can be measured reliably are recognized
- Deferred tax assets or liabilities are recognized and measured in accordance with Korean IFRS 1012 income taxes
- Employee benefit arrangements are recognized and measured in accordance with Korean IFRS 1019 employee benefits
- Indemnification assets are recognized and measured on the same basis as the indemnified liability or asset
- Reacquired rights are measured on the basis of the remaining contractual terms of the related contract
- Liabilities or equity instruments related to share-based payment transactions are measured in accordance with the method in Korean IFRS 1102 share-based payment
- Assets held for sale are measured at fair value less costs to sell in accordance with Korean IFRS 1105 non-current assets held for sale

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



SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
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**3. Significant accounting policies (continued)**

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

*(i) Business combinations (continued)*

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer. However, any portion of the acquirer's share-based payment awards exchanged for awards held by the acquiree's employees that are included in consideration transferred in the business combination shall be measured in accordance with the method described above rather than at fair value.

Acquisition-related costs are costs the acquirer incurs to effect a business combination. Those costs include finder's fees; advisory, legal, accounting, valuation and other professional or consulting fees; general administrative costs, including the costs of maintaining an internal acquisitions department; and costs of registering and issuing debt and equity securities. Acquisition-related costs, other than those associated with the issue of debt or equity securities, are expensed in the periods in which the costs are incurred and the services are received. The costs to issue debt or equity securities are recognized in accordance with Korean IFRS 1032 Financial Instruments: Presentation and Korean IFRS 1039 Financial Instruments: Recognition and Measurement

*(ii) Goodwill*

The Group measures goodwill at the acquisition date as:

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

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

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

**(d) Foreign currency**

*(i) Foreign currency transactions*

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

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the years ended December 31, 2020 and 2019

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

**(d) Foreign currency (continued)**

*(ii) Foreign operations*

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

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

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

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

*(iii) Net investment in a foreign operation*

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

**(e) Cash and cash equivalents**

Cash and cash equivalents comprise balances with cash in hand,

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

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

*(i) Recognition and initial measurement*

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
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**3. Significant accounting policies (continued)**

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

*(ii) Classification and subsequent measurement*

At the time of initial recognition, financial assets are classified to be measured at amortized cost, fair value through profit or loss (“FVTPL”) and fair value through other comprehensive income (“FVOCI”). Financial assets are not reclassified after initial recognition unless the Group changes the business model that manages the financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period after the business model is changed.

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

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

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

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

Financial assets other than measured at amortized cost or FVOCI are classified at FVTPL. These financial assets include all derivative financial assets. If the Group designates to measure at FVTPL for the financial assets that are measured at amortized cost or FVOCI at initial recognition, the financial assets can be irrevocably designated as measured at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch.

*(iii) De-recognition of financial assets*

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

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

*(iv) Offsetting between financial assets and financial liabilities*

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the years ended December 31, 2020 and 2019

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

**(g) Impairment of financial assets**

The Group evaluates expected credit loss on financial assets measured at amortized cost and debt instruments measured at FVOCI.

The Group measures the provision at an amount equal to lifetime expected credit losses, except for the following financial assets measured at 12-month expected credit losses:

- Debt securities determined at the end of the reporting period that the credit risk is low
- Other debt securities of which credit risks have not increased significantly since initial recognition (the risk of default occurring over the expected life of the financial asset)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is available without undue cost or effort. This includes qualitative, quantitative information and analysis based on our experience and known credit evaluation, including future oriented information.

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between all contractual cash flows payable under the contract and all contractual cash flows expected to be received). Expected credit losses are discounted at the effective interest rate of the relevant financial asset.

At the end of each reporting period, the Group assesses whether the credit on financial assets measured at amortized cost and on debt securities measured at fair value through other comprehensive income are impaired. If one or more events occur that adversely affect the estimated future cash flows of the financial asset, the financial asset is considered as credit-impaired.

Evidence that financial asset is credit-impaired includes observable information as follow:

- Significant financial difficulties of the issuer or borrower
- Breach of contract, such as default in debt or past due of 90 days or more
- Inevitable mitigation of the original loan terms for economic or contractual reasons related to the financial difficulties of the borrower
- Borrowers are more likely than not to bankrupt or possibility of other financial restructuring is high
- Active markets for financial assets become inactive due to financial difficulties

The loss allowance for financial assets measured at amortized cost is deducted from the carrying amount of those assets. For debt instruments measured at fair value through other comprehensive income, the loss allowance is included in profit or loss and recognized in other comprehensive income.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
For the years ended December 31, 2020 and 2019

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

**(h) Property and equipment**

Property and equipment are initially measured at cost and after initial recognition. The cost of property and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Certain land and buildings are measured at fair value at the date of transition to Korean IFRS, which is deemed cost, in accordance with Korean IFRS 1101, 'First-time Adoption of Korean IFRS'.

Subsequent to initial recognition, the asset is measured at cost less accumulated depreciation and accumulated impairment losses, if any.

The Group recognizes in the carrying amount of an item of property and equipment the cost of replacing part of property and equipment when that cost is incurred if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Land is not depreciated. Other property and equipment are depreciated on a straight-line basis over the estimated useful lives, which most closely reflect the expected pattern of consumption of the future economic benefits embodied in the asset.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The gain or loss arising from the derecognition of an item of property and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and the gain or loss is recognized as 'non-operating income (expenses)'.

The estimated useful lives for the current and comparative periods are as follows:

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

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
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**3. Significant accounting policies (continued)**

**(i) Intangible assets**

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

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

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

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

Memberships and settlement system right of use have an indefinite useful life. Settlement system right of use refers to the right to engage in settlement system as a member of the settlement system, and the asset has no limited period of rights, and the Group intends to continue to engage in settlement payments. It is classified as an intangible asset with an indefinite useful life.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
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**3. Significant accounting policies (continued)**

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

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

**(j) Investment property**

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

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

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

**(k) Impairment of non-financial assets**

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

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

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

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

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
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**3. Significant accounting policies (continued)**

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

*(i) Financial liabilities at fair value through profit or loss (the “Financial liabilities at FVTPL”)*

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

If the designation of a financial asset eliminates or significantly reduces the recognition and measurement inconsistencies that may arise from the measurement of assets or liabilities on a different basis or recognition of gains or losses, a financial asset can be designated as fair value through profit or loss. However, it cannot be canceled once designated. Changes in fair value resulting from changes in self-credit risk of financial liability at fair value through profit or loss are recognized in other comprehensive income.

*(ii) Financial liabilities measured at amortized cost*

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

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

**(m) Equity capital**

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

Preference shares that do not provide for redemption or at the option of the issuer and when distributions to holders of a preference shares are at the discretion of the issuer, is classified as equity. Dividends are recognized when approved by a general meeting of shareholders. Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in profit or loss as accrued.

**(n) Employee benefits**

*(i) Short-term employee benefits*

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



SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
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**3. Significant accounting policies (continued)**

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

*(ii) Other long-term employee benefits*

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

*(iii) Retirement benefits: defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

*(iv) Termination benefits*

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

**(o) Share-based payment transactions**

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

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

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

**(p) Provisions**

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

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

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

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
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**3. Significant accounting policies (continued)**

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

*(i) Interest income and expense*

Interest income and expense are recognized in the statement of comprehensive income using the effective interest method. The effective interest method is used in the calculation of the amortized cost of a financial asset or a financial liability and in the allocation and recognition of the interest income or interest expense in profit or loss over the relevant period.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability or, where appropriate, a shorter period to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument, but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, and all other premiums or discounts. When it is not possible to estimate reliably the cash flows or the expected life of a financial instrument, the Group uses the contractual cash flows over the full contractual term of the financial instrument.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

*(ii) Fees and commission*

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

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

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

② Fees earned as services are provided

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

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

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

*(iii) Dividends*

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
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**3. Significant accounting policies (continued)**

**(r) Income taxes**

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

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

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

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

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

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis. If any additional income tax expense exists by payment of dividends, the Group recognizes it when the liability relating to the payment is recognized.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
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**3. Significant accounting policies (continued)**

**(s) Leases**

*i) Accounting treatment as the lessee*

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

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

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

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

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

The cost of right-of use assets comprise:

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

Lease payments related to short-term leases or low-value leases are recognized as current expenses over the lease term using the straight-line method.

Additional considerations for the Group when accounting for lessees include:

- Extension and termination options are included in a number of real estate lease contracts of the Group.
- In determining the lease term, management considers all relevant facts and circumstances that create an economic incentive not to exercise the options.
- The periods covered by, a) an option to extend the lease if the lessee is reasonably certain to exercise that option, or b) an option to terminate the lease if the lessee is reasonably certain not to exercise that option, is included when determining the lease term.
- The Group reassesses whether the Group is reasonably certain to exercise the extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee, and affects whether the lessee is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
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**3. Significant accounting policies (continued)**

**(s) Leases (continued)**

*ii) Accounting treatment as the lessor*

① Finance lease

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

② Operating lease

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2020 and 2019

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

**(t) Operating segments**

All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Group has five reportable segments which consist of retail, wholesale, investment bank (IB), trading, and others, as described in note 29.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

**(u) Financial guarantee contract**

A financial guarantee contract is a contract that the issuer must pay compensate for losses incurred by the holder due to the failure of a specific creditor to pay the due date on the original contract or modified terms of the debt instrument. Financial guarantee contracts are measured at fair value at initial recognition and are included in the provision for payment guarantees. Fair value is amortized over the period.

After initial recognition, it is measured as the greater of:

- Loss provision calculated in accordance with Korean IFRS 1109, 'Financial Instruments'
- The amount initially recognized, net of accumulated profits recognized in accordance with Korean IFRS 1115, 'Revenue from contracts with customers'

## SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2020 and 2019

(In millions of won)

**4. Cash and due from banks**

(a) Details of cash and due from banks measured at amortized cost as of December 31, 2020 and 2019 are summarized as follows:

		<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash and cash equivalents	Cash on hand	₩ 1,519	1,566
	Current deposits	156,488	8,497
	Demand deposits	105,950	101,736
	Time deposits	2	-
	Foreign currency deposits	1,028,607	429,179
	Others	25,409	168,032
		<u>1,317,975</u>	<u>709,010</u>
Due from banks measured at amortized cost in won	Time deposits	71,204	425,100
	Restricted time deposits	502,000	959,000
	Subscription deposits	19,742	1,025
	Reserve for claims of customers' deposits	407,800	78,500
	Guarantee deposits for stock borrowing for KSFC	63	4,161
	Guarantee deposits for KSFC trading	9,000	16,000
	Gold deposits	8,300	6,700
	Performance guarantee deposits	157,384	-
	Payment deposits	1,000	1,000
	Deposits for checking accounts	62	66
	Others	9,804	5,158
		<u>1,186,359</u>	<u>1,496,710</u>
Due from banks measured at amortized cost in foreign currency	Time deposits	124,636	-
	Reserve for claims of customers' deposits	183,620	108,961
	Deposit for foreign trading derivatives	604,696	305,981
	Others	1,507	-
		<u>914,459</u>	<u>414,942</u>
		<u>₩ 3,418,793</u>	<u>2,620,662</u>



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

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

(b) Restricted due from banks as of December 31, 2020 and 2019 are as follows:

	Placed at	December 31, 2020	December 31, 2019	Restriction
Time deposits	Kyongnam Bank, etc. ₩	137,000	107,000	Collateral for a bank overdraft facility
	Korean Securities Finance Corporation, etc.	330,000	812,000	Collateral for lending/borrowing securities
	Shinhan Bank	5,000	5,000	Collateral for the small amount of payment
	Woori Bank	30,000	35,000	Collateral for derivatives-combined bonds
Subscription deposits	LVMC Holdings Co., LTD	19,742	1,025	Subscription deposits
Reserve for claims on customers' deposits	Korean Securities Finance Corporation	591,420	187,461 (*)	
Reserve for claims on customers' deposits (trust)	Korean Securities Finance Corporation	1,907,210	1,103,050 (*)	
Guarantee deposits for stock borrowing for KSFC	Korean Securities Finance Corporation	63	4,161	Guarantee deposits for stock borrowing for KSFC
Guarantee deposits for stock KSFC trading	Korean Securities Finance Corporation	9,000	16,000	Guarantee deposits for stock KSFC trading
Gold deposits	Korean Securities Finance Corporation	8,300	6,700	Deposits for gold transactions
Other deposits in won	Korean Securities Finance Corporation	157,384	-	Payment deposits
	Shinhan Bank, etc.	62	66	Deposit for checking accounts
	NH Investment & Securities Co., LTD, etc.	10,804	2,504	Deposit for trading derivatives
Deposits for foreign trading derivatives	MAREX Financial Limited, etc.	391,865	140,810	Collateral for trading foreign futures
	Korea Exchange	29,708	6,904	Collateral for trading foreign futures
	Hong Kong Exchange and Clearing Limited	183,123	158,267	Collateral for trading securities
Other deposits in foreign currency	Others	1,507	-	Collateral for borrowing
	₩	3,812,188	2,585,948	

(\*) Pursuant to the Article 74 of the Act on Capital Markets and Financial Investment Business and Article 4-39 of the Regulations for Financial Investment Business, the Group is required to deposit certain portions of customers' deposits with the Korean Securities Finance Corporation ("KSFC") or banks to ensure repayment of customer deposits.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2020 and 2019

(In millions of won)

**5. Financial assets at fair value through profit or loss**

(a) Details of financial assets measured at FVTPL as of December 31, 2020 and 2019 are summarized as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Securities measured at FVTPL	₩ 22,869,193	21,227,156
Deposits and loan receivables measured at FVTPL	3,014,861	2,320,353
Derivative assets	895,520	677,653
	<u>₩ 26,779,574</u>	<u>24,225,162</u>

(b) Details of securities measured at FVTPL as of December 31, 2020 and 2019 are summarized as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Securities measured at FVTPL in won		
Government bonds	₩ 2,209,920	1,048,657
Local bonds	102,658	68,875
Financial bonds	8,502,226	7,146,660
Corporate bonds	4,990,131	4,416,166
Corporate commercial papers	1,042,546	1,622,638
Stocks	548,978	708,646
Collective investment securities	2,034,819	2,499,564
Financial instruments with put option (Stocks)	344,921	379,477
Financial instruments with put option (Equity Investment)	262,665	179,552
Derivatives-linked securities	248,997	129,819
Hybrid bonds	420,143	392,351
Others	9,500	41,047
	<u>20,717,504</u>	<u>18,633,452</u>
Securities measured at FVTPL in foreign currency		
Bonds	1,538,129	1,468,079
Stocks	100,539	85,724
Collective investment securities	439,984	1,052,616
Financial instruments with put option (Stocks)	14,219	23,387
Financial instruments with put option (Equity Investment)	58,818	63,898
	<u>2,151,689</u>	<u>2,593,704</u>
	<u>₩ 22,869,193</u>	<u>21,227,156</u>

(c) Details of loans and receivables measured at FVTPL as of December 31, 2020 and 2019 are summarized as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Korean Won		
Loan receivables	₩ 251,065	251,662
Reserve for claims on customers' deposits (trust)	1,907,210	1,103,050
	<u>2,158,275</u>	<u>1,354,712</u>
Foreign Currency		
Loan receivables	856,586	965,641
	<u>₩ 3,014,861</u>	<u>2,320,353</u>

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**5. Financial assets at fair value through profit or loss (continued)**

(d) Details of derivative assets as of December 31, 2020 and 2019 are summarized as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Derivatives in won		
Over the counter:		
Interest rate	₩ 33,252	38,178
Equity	122,120	143,967
Credit	64,548	282,993
Commodity	5,949	9,407
	<u>225,869</u>	<u>474,545</u>
Exchange traded:		
Equity	14,877	2,696
	<u>240,746</u>	<u>477,241</u>
Derivatives in foreign currency		
Over the counter:		
Interest rate	27,205	11,056
Currency	307,938	155,554
Equity	142	765
Credit	209,030	22
	<u>544,315</u>	<u>167,397</u>
Exchange traded:		
Interest rate	900	697
Currency	90	-
Equity	97,888	29,977
Commodity	11,581	2,341
	<u>110,459</u>	<u>33,015</u>
	<u>654,774</u>	<u>200,412</u>
	₩ <u>895,520</u>	<u>677,653</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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**6. Financial assets measured at FVOCI**

(a) Details of financial assets measured at FVOCI as of December 31, 2020 and 2019 are summarized as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Debt securities		
Government bonds	₩ 437,430	248,259
Financial bonds	1,234,503	1,451,310
Corporate bonds	782,705	827,102
	<u>2,454,638</u>	<u>2,526,671</u>
Equity securities		
Stocks (*1)	181,642	163,661
	₩ <u>2,636,280</u>	<u>2,690,332</u>

(\*1) Equity securities in the above table are classified as OCI – equity securities designated as fair value items, and OCI and fair value options are exercised for the purpose of holding as required by the policy. There is no disposition of equity securities designated as OCI-fair value items during the period. At disposal, the related G / L on disposal of accumulated OCI is reclassified to retained earnings and not reclassified to profit or loss. Dividend income from equity securities amounted to ₩ 3,810 million and ₩ 3,610 million for the years ended December 31, 2020 and 2019, respectively.

(b) Changes in carrying amount of debt securities measured at FVOCI as of December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
	Debt securities (expected credit loss for 12 months)	
Beginning	₩ 2,526,671	1,066,648
Acquisition	4,923,946	4,784,413
Valuation and effective interest amortization	2,473	(4,291)
Disposal	(4,993,912)	(3,331,414)
Others	(4,540)	11,315
Ending	₩ <u>2,454,638</u>	<u>2,526,671</u>

(c) Changes in loss provision of debt securities measured at FVOCI are as follows:

	<u>2020</u>	<u>2019</u>
	Debt securities (expected credit loss for 12 months)	
Beginning loss provision	₩ 1,094	822
Transfer loss provision	49	272
Ending loss provision	₩ <u>1,143</u>	<u>1,094</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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**7. Investments in associates**

(a) Details of investments in associates as of December 31, 2020 and 2019 are as follows:

	Location	Ownership	December 31, 2020		December 31, 2019
			Acquisition cost	Book value	Book value
IGIS GLIP Alternative Special Investment Private 1-1 (*1)	Rep. of Korea	88.18%	₩ 40,373	40,188	-
IGIS GLIP Alternative Special Investment Private 1-2 (*1)	Rep. of Korea	88.18%	40,373	40,188	-
FIDELIS Global Professional Investment Type Private Equity Real Estate 2 (*1)	Rep. of Korea	78.26%	19,959	19,485	-
HANA Alternative Estate Professional Private 122 (*1)	Rep. of Korea	75.19%	28,487	29,631	26,204
IGIS Professional Investment Type Private Equity Real Estate 395 Co., Ltd. (*1)	Rep. of Korea	58.82%	30,000	29,644	-
NH-amundi global infra private fund 16	Rep. of Korea	50.00%	48,879	43,839	48,158
Kiwoom Milestone Professional Private Real Estate Trust 19	Rep. of Korea	50.00%	10,549	9,918	10,408
Withwin Fun No.63	Rep. of Korea	49.99%	2,599	2,444	-
Tiger Alternative Real Estate Professional Private5	Rep. of Korea	48.71%	20,077	18,499	19,820
Pebblestone CGV Real Estate Professional Private1	Rep. of Korea	48.53%	13,200	13,346	-
Hanhwa US Equity Strategy Private Real Estate Fund No.1	Rep. of Korea	44.84%	1,996	2,277	25,965
IGIS Private Real Estate Investment Trust 286	Rep. of Korea	41.44%	10,070	8,844	9,768
Genesis North America Power Company No.1 PEF	Rep. of Korea	39.96%	15,807	16,983	18,275
BROS-DAVALUE New Technology Fund No.1	Rep. of Korea	39.06%	2,500	2,480	-
KB NA Hickory Private Speical Asset Fund	Rep. of Korea	37.50%	35,311	34,938	35,930
JB Power TL Investment Type Private Placement Special Asset Fund 7	Rep. of Korea	33.33%	15,743	16,186	16,800
IMM Global Private Equity Fund	Rep. of Korea	33.00%	120,374	120,855	28,925
Milestone Private Real Estate Fund 3	Rep. of Korea	32.06%	17,305	18,528	17,187
2019 PCC New Technology Fund	Rep. of Korea	31.75%	1,000	1,351	909
Rifa Professional Private Real Estate31	Rep. of Korea	31.31%	9,018	8,407	8,914
Nomura-Rifa Private Real Estate Investment Trust 19	Rep. of Korea	31.20%	2,402	2,064	2,218

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

(a) Details of investments in associates as of December 31, 2020 and 2019 are as follows (continued):

	Location	Ownership	December 31, 2020		December 31, 2019
			Acquisition cost	Book value	Book value
IGIS Private Real Estate Investment Trust 331	Rep. of Korea	30.77%	₩ 4,000	3,765	-
SHBNPP Venture Professional Investment Type Private Investment Trust No.1	Rep. of Korea	30.00%	26,642	25,989	17,327
Shinhan AIM Private Fund (FOFS) 6-A	Rep. of Korea	30.00%	5,938	5,367	-
DA VALUE-GILTEDGE GLOBAL BIO FUND NO.1	Rep. of Korea	29.41%	1,000	1,035	994
BRAIN DO PROFESSIONAL PRIVATE No. 27	Rep. of Korea	29.13%	3,000	3,441	3,065
IBK Global Renewable Energy Private Investment Fund No.2	Rep. of Korea	28.98%	32,658	32,349	-
AIP EuroGreen Private Real Estate Investment 12	Rep. of Korea	28.70%	49,632	48,344	-
IGIS Professional Investment Type Private Equity Real Estate 372 Co., Ltd.	Rep. of Korea	26.93%	55,200	53,905	-
Acurus Hyundai-investment New Technology	Rep. of Korea	26.79%	3,000	2,927	-
Sprott Global Renewable Private Equity Fund I	Rep. of Korea	26.65%	2,000	1,778	1,948
AIP Transportation Specialized Privately Placed Fund Trust #1	Rep. of Korea	25.99%	25,256	24,001	22,973
Koramco Europe Core Private Placement Real Estate Fund No.2-2	Rep. of Korea	25.84%	11,408	10,929	11,483
Samsung SRA Real Estate Private Fund 45	Rep. of Korea	25.00%	10,701	10,666	-
Csquare sniper Private Fund No.10	Rep. of Korea	25.00%	1,250	1,250	-
Pacificsunny Real Estate Private Fund 45	Rep. of Korea	25.00%	16,000	15,855	-
A1 mezzanine opportunity Private Fund	Rep. of Korea	24.79%	3,000	3,593	-
Ebest New Technology Fund No. 40	Rep. of Korea	24.67%	3,000	2,916	-
DB Epic convertible bonds Private Fund No. 2 (*2)	Rep. of Korea	24.51%	2,500	2,781	2,531
VS Cornerstone New Technology Fund	Rep. of Korea	23.53%	2,000	1,979	-

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

(a) Details of investments in associates as of December 31, 2020 and 2019 are as follows (continued):

	Location	Ownership	December 31, 2020		December 31, 2019
			Acquisition cost	Book value	Book value
Daishin New Technology Fund No. 5	Rep. of Korea	23.44%	₩ 3,000	2,850	-
AIPEuroGreen Real Estate Private Fund No. 3	Rep. of Korea	21.28%	20,000	21,021	20,884
Kiwoom unicorn New Technology Fund No. 3	Rep. of Korea	21.28%	3,000	4,283	-
Kiwoom unicorn New Technology Fund No. 4	Rep. of Korea	21.28%	2,000	2,046	-
Susung Mezzanine project P1 Private Investment Trust	Rep. of Korea	20.96%	532	675	2,561
Credian Healthcare Private Equity Fund II	Rep. of Korea	20.74%	586	3,552	1,447
EDN Central Co., LTD (*3)	Rep. of Korea	19.87%	1,995	1,040	-
Shinhan Praxis K-Growth Global Private Equity Fund (*3)	Rep. of Korea	14.15%	7,462	7,459	7,727
One Shinhan Future's Fund 1 (*3)	Rep. of Korea	13.89%	1,500	1,449	983
Shinhan Global Healthcare Fund 2 (*3) -	Rep. of Korea	13.68%	1,000	986	-
Shinhan Healthcare Fund 5 (*3)	Rep. of Korea	10.00%	1,000	990	-
One Shinhan Global Fund 1 (*3)	Rep. of Korea	9.98%	2,260	2,014	2,219
One Shinhan Future's Fund 2 (*3)	Rep. of Korea	9.90%	600	589	-
Shinhan Display New Technology Fund No.1 (*3)	Rep. of Korea	9.62%	1,000	6	6
Shinhan Healthcare Fund 3 (*3)	Rep. of Korea	9.62%	1,000	880	899
Shinhan SKS Corporate Recovery Private Equity Fund (*3),(*4)	Rep. of Korea	9.59%	-	-	-
KoFC Shinhan Frontier Champ 2010-4 PEF (*3)	Rep. of Korea	8.50%	3,242	519	518
SHINHAN-CORE TREND GLOBAL FUND 1 (*3)	Rep. of Korea	6.96%	990	1,015	1,042
Shinhan Global Healthcare Fund 1 (*3)	Rep. of Korea	3.13%	2,440	-	2,276
Korea investment gong-pyeong office real estate investment trust 2nd	Rep. of Korea	0.00%	-	-	954
Brain Asset Management PN Private Investment Trust Fund 13	Rep. of Korea	0.00%	-	-	490
Rico synergy collabo Multi-Mezzanine 3	Rep. of Korea	0.00%	-	-	3,217
IBK AONE convertible 1	Rep. of Korea	0.00%	-	-	6,077
Friend 23 New Technology Business Investment Fund	Rep. of Korea	0.00%	-	-	714
Credian TNF 2020 Corporate Recovery Private Equity Fund-	Rep. of Korea	0.00%	-	-	-
VISION US Muni US Local Debt Opportunist Professional Private1	Rep. of Korea	0.00%	-	-	9,869
BRAIN SK Privately Placed Fund 21	Rep. of Korea	0.00%	-	-	890

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	Location	Ownership	December 31, 2020		December 31, 2019
			Acquisition cost	Book value	Book value
Sprott Global Renewable Private Equity Fund II	Rep. of Korea	0.00%	-	-	19,015
GX SHINHAN INTERVEST 1st Private Equity Fund	Rep. of Korea	0.00%	-	-	19,006
Shinhan Healthcare Fund 2	Rep. of Korea	0.00%	-	-	1,395
Hyundai investment real estate investment trust No. 40	Rep. of Korea	0.00%	-	-	-
			₩	<u>797,814</u>	<u>784,339</u>
					<u>431,991</u>

(\*1) The investment was classified as investments in associates because it has no ability to determine the financial and operating policies according to its controlling power, although the Group has significant influence over the ownership of 50%.

(\*2) Lime Neptune Professional Private 6 changed its name to DB Epic convertible bonds Private Fund No. 2

(\*3) The investment was classified as investments in associates because it could exert significant influence on its financial and operation policies, although the equity stake is less than 20%.

(\*4) The entity was established during the year, but there is no investment amount.

Although the Group has more than 20% over Kiwoom Japan Milestone professional Real Estate Investment Trust 1 and others, the funds are excluded from investments in associates, considering the limitation of influence over related activities in accordance with a trust agreement.



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

(b) Changes in investments in associates for the years ended December 31, 2020 and 2019 are as follows:

	2020					
	Beginning balance	Acquisition (Disposal)	Equity method income(loss)	Share of the other comprehensive	Impairment loss	Ending balance
IGIS GLIP Alternative Special Investment Private 1-1 (*1)	₩ -	40,373	(8)	(177)	-	40,188
IGIS GLIP Alternative Special Investment Private 1-2 (*1)	-	40,373	(8)	(177)	-	40,188
FIDELIS Global Professional Investment Type Private Equity Real Estate 2 (*1)	-	18,582	903	-	-	19,485
HANA Alternative Estate Professional Private122 (*1)	26,204	(644)	4,071	-	-	29,631
IGIS Professional Investment Type Private Equity Real Estate 395 Co., Ltd. (*1)	-	30,000	(356)	-	-	29,644
NH-amundi global infra private fund 16	48,158	(1,236)	(3,083)	-	-	43,839
Kiwoom Milestone Professional Private Real Estate Trust 19	10,408	(265)	(225)	-	-	9,918
Withwin Fun No.63	-	2,599	(155)	-	-	2,444
Tiger Alternative Real Estate Professional Private5	19,820	(1,376)	55	-	-	18,499
Pebblestone CGV Real Estate Professional Private1	-	12,792	554	-	-	13,346
Hanhwa US Equity Strategy Private Real Estate Fund No.1	25,965	(26,908)	3,220	-	-	2,277
IGIS Private Real Estate Investment Trust 286	9,768	(1,361)	437	-	-	8,844
Genesis North America Power Company No.1 PEF	18,275	(3,869)	2,577	-	-	16,983
BROS-DAVALUE New Technology Fund No.1	-	2,500	(20)	-	-	2,480
KB NA Hickory Private Speical Asset Fund	35,930	(2,609)	1,617	-	-	34,938
JB Power TL Investment Type Private Placement Special Asset Fund 7	16,800	(1,359)	745	-	-	16,186
IMM Global Private Equity Fund	28,925	90,776	1,154	-	-	120,855
Milestone Private Real Estate Fund 3	17,187	(838)	2,179	-	-	18,528
2019 PCC New Technology Fund	909	-	442	-	-	1,351
Rifa Professional Private Real Estate31	8,914	(931)	424	-	-	8,407
Nomura-Rifa Private Real Estate Investment Trust	2,218	(178)	24	-	-	2,064

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

(b) Changes in investments in associates for the years ended December 31, 2020 and 2019 are as follows (continued):

	2020					
	Beginning balance	Acquisition (Disposal)	Equity method income(loss)	Share of the Other comprehensive	Impairment loss	Ending balance
IGIS Private Real Estate Investment Trust 331	₩ -	3,932	(167)	-	-	3,765
SHBNPP Venture Professional Investment Type Private Investment Trust No.1	17,327	9,000	(338)	-	-	25,989
Shinhan AIM Private Fund (FOFS) 6-A	-	5,938	(571)	-	-	5,367
DA VALUE-GILTEDGE GLOBAL BIO FUND NO.1 BRAIN DO	994	-	41	-	-	1,035
PROFESSIONALE PRIVATE No. 27	3,065	-	376	-	-	3,441
IBK Global Renewable Energy Private Investment Fund No.2	-	29,177	3,172	-	-	32,349
AIP EuroGreen Private Real Estate Investment 12	-	45,082	3,262	-	-	48,344
IGIS Professional Investment Type Private Equity Real Estate 372 Co., Ltd.	-	55,200	(1,295)	-	-	53,905
Acurus Hyundai-investment New Technology -	-	3,000	(73)	-	-	2,927
Sprott Global Renewable Private Equity Fund I	1,948	-	(170)	-	-	1,778
AIP Transportation Specialized Privately Placed Fund Trust #1	22,973	994	34	-	-	24,001
Koramco Europe Core Private Placement Real Estate Fund No.2-2	11,483	(781)	227	-	-	10,929
Samsung SRA Real Estate Private Fund 45	-	10,701	(35)	-	-	10,666
Csquare sniper Private Fund No.10	-	1,250	-	-	-	1,250
Pacificsunny Real Estate Private Fund 45	-	16,000	(145)	-	-	15,855
A1 mezzanine opportunity Private Fund	-	3,000	593	-	-	3,593
Ebest New Technology Fund No. 40	-	3,000	(84)	-	-	2,916
DB Epic convertible bonds Private Fund No. 2	2,531	-	250	-	-	2,781
VS Cornerstone New Technology Fund	-	2,000	(21)	-	-	1,979
Daishin New Technology Fund No. 5	-	3,000	(150)	-	-	2,850
AIPEuroGreen Real Estate Private Fund No. 3	20,884	(1,189)	1,326	-	-	21,021

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

(b) Changes in investments in associates for the years ended December 31, 2020 and 2019 are as follows (continued):

	<b>2020</b>					
	Beginning balance	Acquisition (Disposal)	Equity method income(loss)	Share of the other comprehensive	Impairment loss	Ending balance
Kiwoom unicorn New Technology Fund No. 3	₩ -	3,000	1,283	-	-	4,283
Kiwoom unicorn New Technology Fund No. 4	-	2,000	46	-	-	2,046
Susung Mezzanine project P1 Private Investment Trust	2,561	(1,807)	(79)	-	-	675
Credian Healthcare Private Equity Fund II	1,447	(3,005)	5,110	-	-	3,552
EDN Central Co., LTD (*3)	-	1,995	(955)	-	-	1,040
Shinhan Praxis K-Growth Global Private Equity Fund (*3)	7,727	58	(326)	-	-	7,459
One Shinhan Future's Fund 1 (*3)	983	500	(34)	-	-	1,449
Shinhan Global Healthcare Fund 2 (*3)	-	1,000	(14)	-	-	986
Shinhan Healthcare Fund 35 (*3)	-	984	6	-	-	990
One Shinhan Global Fund 1 (*3)	2,219	-	(205)	-	-	2,014
One Shinhan Future's Fund 2 (*3)	-	600	(11)	-	-	589
Shinhan Display New Technology Fund No.1 (*3)	6	-	-	-	-	6
Shinhan Healthcare Fund 3 (*3)	899	-	(19)	-	-	880
Shinhan SKS Corporate Recovery Private Equity Fund (*3),( *4)	-	-	-	-	-	-
KoFC Shinhan Frontier Champ 2010-4 PEF (*3)	518	-	1	-	-	519
SHINHAN-CORE TREND GLOBAL FUND 1 (*3)	1,042	-	(27)	-	-	1,015
Shinhan Global Healthcare Fund 1 (*3)	2,276	-	91	-	(2,367)	-
Korea investment gong- yeong office real estate investment trust 2nd	954	(954)	-	-	-	-
Brain Asset Management PN Private Investment Trust Fund 13	490	(490)	-	-	-	-
Rico synergy collabo Multi- Mezzanine 3	3,217	(3,221)	4	-	-	-
IBK AONE convertible 1	6,077	(6,048)	(29)	-	-	-

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

(b) Changes in investments in associates for the years ended December 31, 2020 and 2019 are as follows (continued):

	<b>2020</b>					
	Beginning balance	Acquisition (Disposal)	Equity method income(loss)	Share of the other comprehensive	Impairment loss	Ending balance
Friend 23 New Technology Business Investment Fund	₩ 714	(1,270)	556	-	-	-
Credian TNF 2020 Corporate Recovery Private Equity Fund-	-	(40)	40	-	-	-
VISION US Muni US Local Debt Opportunist Professional Private1	9,869	(10,032)	163	-	-	-
BRAIN SK Privately Placed Fund 21	890	(1,114)	224	-	-	-
Sprott Global Renewable Private Equity Fund II	19,015	(18,909)	(106)	-	-	-
GX SHINHAN INTERVEST 1st Private Equity Fund	19,006	(31,240)	12,234	-	-	-
Shinhan Healthcare Fund 2	1,395	(1,259)	(136)	-	-	-
Hyundai investment real estate investment trust No. 40	-	837	(837)	-	-	-
	<b>₩ 431,991</b>	<b>317,310</b>	<b>37,759</b>	<b>(354)</b>	<b>(2,367)</b>	<b>784,339</b>

(\*1) A transfer has occurred between the subsidiary and the investment in the associate because of changes in equity ratio during the period.

(\*2) During the period, the amount of investment was classified as an investment in the associate from a financial liability at fair value through profit or loss.

(\*3) During the period, the amount of investment was classified as a financial liability at fair value through profit or loss from an investment in the associate.

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

(b) Changes in investments in associates for the years ended December 31, 2020 and 2019 are as follows (continued):

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

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

(b) Changes in investments in associates for the years ended December 31, 2020 and 2019 are as follows (continued):

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

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

(b) Changes in investments in associates for the years ended December 31, 2020 and 2019 are as follows (continued):

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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

(c) Condensed financial information of investments in associates as of and for the years ended December 31, 2020 and 2019 are as follows:

	December 31, 2020				December 31, 2019			
	Assets	Liabilities	Operating revenue	Profit (loss) for the year	Assets	Liabilities	Operating revenue	Profit (loss) for the year
IGIS GLIP Alternative Special Investment Private 1-1	₩ 45,582	9	-	(9)	-	-	-	-
IGIS GLIP Alternative Special Investment Private 1-2	45,582	9	-	(9)	-	-	-	-
FIDELIS Global Professional Investment Type Private Equity Real Estate 2	24,901	2	1,902	1,214	-	-	-	-
HANA Alternative Estate Professional Private 122	39,449	38	6,836	5,487	34,897	45	1,561	(3,035)
IGIS Professional Investment Type Private Equity Real Estate Co., Ltd.	116,853	66,459	-	(605)	-	-	-	-
NH-amundi global infra private fund 16	87,908	230	20,499	(6,215)	100,513	4,197	4,128	(2,744)
Kiwoom Milestone Professional Private Real Estate Trust 19	58,393	38,558	2,772	(449)	59,559	38,744	3,100	470
Withwin Fun No.63	4,888	-	-	(311)	-	-	-	-
Tiger Alternative Real Estate Professional Private 5	38,064	86	7,827	113	40,792	103	1,628	(116)
Pebblestone CGV Real Estate Professional Private 1	63,907	36,405	7,451	1,141	-	-	-	-
Hanhwa US Equity Strategy Private Real Estate Fund No.1	5,798	721	32,667	7,180	59,652	1,750	14,838	3,742
IGIS Private Real Estate Investment Trust 286	74,406	53,065	5,298	696	75,372	51,870	2,838	(798)
Genesis North America Power Company No.1 PEF	48,221	5,727	6,976	6,449	46,041	281	4,323	3,756
BROS-DAVALUE New Technology Fund No.1	6,351	1	-	(50)	-	-	-	-



SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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

(c) Condensed financial information of investments in associates as of and for the years ended December 31, 2020 and 2019 are as follows (continued):

	December 31, 2020				December 31, 2019			
	Assets	Liabilities	Operating revenue	Profit (loss) for the year	Assets	Liabilities	Operating revenue	Profit (loss) for the year
KB NA Hickory Private Special Asset Fund ₩	93,236	69	13,464	4,312	96,289	476	16,132	2,489
JB Power TL Investment Type Private Placement Special Asset Fund 7	48,605	45	23,547	2,251	50,468	66	15,476	2,487
IMM Global Private Equity Fund	367,570	1,368	17,222	2,995	90,870	63	-	(63)
Milestone Private Real Estate Fund 3	57,792	2	7,083	6,797	53,610	3	904	532
2019 PCC New Technology Fund	4,257	1	1,442	1,392	2,864	-	-	(286)
Rifa Professional Private Real Estate31	98,291	71,442	7,584	1,356	99,976	71,507	2,383	(331)
Nomura-Rifa Private Real Estate Investment Trust	19,858	13,241	1,473	77	20,211	13,103	820	(14)
IGIS Private Real Estate Investment Trust 331	57,655	45,417	20	(388)	-	-	-	-
SHBNPP Venture Professional Investment Type Private Investment Trust No.1	86,707	78	491	(1,126)	57,849	93	534	(915)
Shinhan AIM Private Fund (FOFS) 6-A	17,888	1	12	(1,907)	-	-	-	-
DA VALUE-GILTEDGE GLOBAL BIO FUND NO.1	3,520	1	213	140	3,379	1	2	(22)
BRAIN DO PROFESSIONALE PRIVATE No. 27	11,827	12	1,414	1,292	10,305	10	287	(5)
IBK Global Renewable Energy Private Investment Fund No.2	116,284	4,679	19,514	10,943	-	-	-	-
AIP EuroGreen Private Real Estate Investment 12	169,233	783	36,577	9,120	-	-	-	-
IGIS Professional Investment Type Private Equity Real Estate 372 Co., Ltd.	628,769	428,577	10,221	(4,808)	-	-	-	-

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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

(c) Condensed financial information of major associate as of and for the years ended December 31, 2020 and 2019 are as follows (continued):

	December 31, 2020				December 31, 2019			
	Assets	Liabilities	Operating revenue	Profit (loss) for the year	Assets	Liabilities	Operating revenue	Profit (loss) for the year
Acurus Hyundai-investment								
New Technology -	₩ 10,928	-	-	(272)	-	-	-	-
Sprott Global Renewable Private Equity Fund I	6,677	3	1	(637)	7,314	3	-	(194)
AIP Transportation Specialized Privately Placed Fund Trust #1	92,454	101	11,100	132	94,437	6,042	12,473	1,242
Koramco Europe Core Private Placement Real Estate Fund No.2-2	46,239	3,948	4,920	877	46,742	2,304	9,328	5,462
Samsung SRA Real Estate Private Fund 45	42,895	230	4,155	(355)	-	-	-	-
Csquare sniper Private Fund No.10	5,010	10	10	-	-	-	-	-
Pacificsunny Real Estate Private Fund 45	141,811	93,336	1	(1,289)	-	-	-	-
A1 mezzanine opportunity Private Fund	14,530	40	2,507	2,390	-	-	-	-
Ebest New Technology Fund No. 40	11,819	-	-	(341)	-	-	-	-
DB Epic convertible bonds Private Fund No. 2	11,382	34	1,169	1,021	10,166	41	460	125
VS Cornerstone New Technology Fund	8,413	-	2	(87)	-	-	-	-
Daishin New Technology Fund No. 5	12,163	2	-	(638)	-	-	-	-
AIPEuroGreen Real Estate Private Fund No. 3	98,866	86	6,893	6,231	98,221	86	18,362	7,462
Kiwoom unicorn New Technology Fund No. 3	20,132	-	6,112	6,031	-	-	-	-
Kiwoom unicorn New Technology Fund No. 4	9,618	-	268	218	-	-	-	-
Susung Mezzanine project P1 Private Investment Trust	3,220	-	3,412	(373)	10,023	351	2,850	(91)
Credian Healthcare Privat Equity Fund II	17,141	15	25,926	24,638	7,001	24	1,542	1,031
EDN Central Co., LTD	99,768	97,161	916	(2,393)	-	-	-	-
Shinhan Praxis K-Growth Global Private Equity Fund	52,890	183	201	(2,306)	54,786	185	27,588	13,361
One Shinhan Future's Fund 1	10,439	5	6	(247)	7,082	1	8	(119)
Shinhan Global Healthcare Fund 2	7,272	65	3	(104)	-	-	-	-
Shinhan Healthcare Fund 35	9,895	-	180	59	-	-	-	-
One Shinhan Global Fund 1	20,188	-	3	(2,055)	22,244	-	92	(406)
One Shinhan Future's Fund 2	5,952	-	1	(108)	-	-	-	-
Shinhan Display New Technology Fund No.1	218	156	1	-	217	156	3	(8,370)
Shinhan Healthcare Fund 3	9,147	-	539	(198)	9,345	-	1	(1,055)

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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

(c) Condensed financial information of major associate as of and for the years ended December 31, 2020 and 2019 are as follows (continued):

	December 31, 2020				December 31, 2019			
	Assets	Liabilities	Operating revenue	Profit (loss) for the year	Assets	Liabilities	Operating revenue	Profit (loss) for the year
Shinhan SKS Corporate Recovery Private Equity Fund	₩ -	-	-	-	-	-	-	-
KoFC Shinhan Frontier Champ 2010-4 PEF	8,640	2,537	34	10	8,630	2,537	115	70
SHINHAN-CORE TREND GLOBAL FUND 1	14,585	1	696	(386)	14,971	1	1,002	746
Shinhan Global Healthcare Fund 1	55	2,104	1,034	(74,736)	73,388	701	2,931	(1,722)
Korea investment gong-pyeong office real estate investment trust 2nd	-	-	-	-	2,671	-	28,604	28,603
Brain Asset Management PN Private Investment Trust Fund 13	-	-	-	-	1,193	1	471	-
Rico synergy collabo Multi-Mezzanine 3	-	-	-	-	6,433	2	1,296	856
IBK AONE convertible 1	-	-	-	-	12,861	-	1,515	410
Friend 23 New Technology Business Investment Fund	-	-	-	-	2,142	-	48	42
VISION US Muni US Local Debt Opportunist Professional Private1	-	-	-	-	39,175	80	1,308	1,088
Brain SK Private Placed Fund 21	-	-	-	-	3,572	10	103	(106)
Sprott Global Renewable Private Equity Fund II	-	-	-	-	82,721	3	1,416	(4,833)
GX SHINHAN INTERVEST 1st Private Equity Fund	-	-	-	-	131,237	-	1,955	5,283
Shinhan Healthcare Fund 2	-	-	-	-	14,801	-	4,571	4,401

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

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**8. Loans measured at amortized cost**

(a) Details of loans measured at amortized cost as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Broker's loans	₩ 2,404,287	1,729,065
Loans for company facilities	2,355,894	2,648,956
Loans for housing	10,086	10,885
Call loans	1	108
Advances for customers	1,934	1,952
Bonds purchased under repurchase agreements	105,402	225,584
Other loans	364	577
	<u>4,877,968</u>	<u>4,617,127</u>
Present value discount	(1,071)	(1,165)
Deferred loan origination costs	(9,747)	(9,052)
Balance before deducting provision on credit loss	<u>4,867,150</u>	<u>4,606,910</u>
Allowance for credit loss	(129,023)	(23,821)
Balance after deducting provision on credit loss	<u>₩ <u>4,738,127</u></u>	<u>4,583,089</u>

(b) Changes in allowance for credit loss of loans measured at amortized cost for the years ended December 31, 2020 and 2019 are as follows:

	<b>2020</b>			
	<b>12 months Expected credit loss</b>	<b>Total period Expected credit loss</b>	<b>Financial asset with impaired credit</b>	<b>Total</b>
Beginning balance	₩ 14,081	7,243	2,497	23,821
Transfer to 12 months of expected credit loss	34	(34)	-	-
Transfer to total period of expected credit loss	(8,730)	8,730	-	-
Transfer to financial asset with impaired credit	-	(31,693)	31,693	-
Provision	27,867	30,601	47,288	105,756
Disposal	(34)	-	-	(34)
Write-offs	-	-	(500)	(500)
Others	(19)	-	-	(19)
Ending balance	<u>₩ 33,198</u>	<u>14,847</u>	<u>80,978</u>	<u>129,023</u>
	<b>2019</b>			
	<b>12 months Expected credit loss</b>	<b>Total period Expected credit loss</b>	<b>Financial asset with impaired credit</b>	<b>Total</b>
Beginning balance	₩ 18,918	8,125	2,463	29,506
Transfer to total period of expected credit loss	(736)	736	-	-
Transfer to financial asset with impaired credit	-	(50)	50	-
Reversal	(4,104)	(1,568)	(16)	(5,688)
Disposal	(6)	-	-	(6)
Others	9	-	-	9
Ending balance	<u>₩ 14,081</u>	<u>7,243</u>	<u>2,497</u>	<u>23,821</u>

## SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2020 and 2019

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

(c) Changes in carrying amount of loans measured at amortized cost for the years ended December 31, 2020 and 2019 are as follows:

	<b>2020</b>			
	<b>12 months Expected credit loss</b>	<b>Total period Expected credit loss</b>	<b>Financial asset with impaired credit</b>	<b>Total</b>
Beginning balance	₩ 4,488,497	115,915	2,498	4,606,910
Transfer to 12 months of expected credit loss	8,300	(8,300)	-	-
Transfer to total period of expected credit loss	(340,110)	340,110	-	-
Transfer to financial asset with impaired credit	-	(167,054)	167,054	-
Execution and recovery	432,208	(46,412)	(55)	385,741
Disposal	(125,001)	-	-	(125,001)
Write-offs	-	-	(500)	(500)
Ending balance	₩ 4,463,894	234,259	168,997	4,867,150

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

(d) Changes in deferred loan-originating fees for the years ended December 31, 2020 and 2019 are as follows:

	<b>2020</b>	<b>2019</b>
Beginning balance	₩ 9,052	13,132
Loan-originating fees incurred	14,637	12,479
Amortization	(13,942)	(16,559)
Ending balance	₩ 9,747	9,052

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

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**9. Property and equipment**

(a) Details of property and equipment as of December 31, 2020 and 2019 are as follows:

		<b>December 31, 2020</b>		
		<b>Acquisition cost</b>	<b>Accumulated depreciation</b>	<b>Book value</b>
Land	₩	63,366	-	63,366
Buildings		71,730	(27,150)	44,580
Right-of-use assets		26,696	(4,696)	22,000
Others		129,613	(103,374)	26,239
	₩	<u>291,405</u>	<u>(135,220)</u>	<u>156,185</u>
		<b>December 31, 2019</b>		
		<b>Acquisition cost</b>	<b>Accumulated depreciation</b>	<b>Book value</b>
Land	₩	63,877	-	63,877
Buildings		65,256	(24,982)	40,274
Right-of-use assets		21,358	(6,667)	14,691
Others		118,061	(97,604)	20,457
	₩	<u>268,552</u>	<u>(129,253)</u>	<u>139,299</u>

(b) Changes in property and equipment for the years ended December 31, 2020 and 2019 are as follows:

		<b>2020</b>				
		<b>Land</b>	<b>Buildings</b>	<b>Right-of-use assets</b>	<b>Others</b>	<b>Total</b>
Beginning balance	₩	63,877	40,274	14,691	20,457	139,299
Acquisition (*)		413	7,604	19,617	15,621	43,255
Disposal		(348)	(845)	(130)	(241)	(1,564)
Depreciation		-	(2,526)	(12,178)	(9,598)	(24,302)
Transferred from investment property		-	73	-	-	73
Transferred to investment property		(576)	-	-	-	(576)
	₩	<u>63,366</u>	<u>44,580</u>	<u>22,000</u>	<u>26,239</u>	<u>156,185</u>

(\*) Acquisition includes ₩ 491 million of provision for restoration liabilities about assets newly acquired for the year ended December 31, 2020.

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

(\*1) The conversion effect from the application of Korean IFRS 1116 is reflected.

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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**10. Intangible assets**

(a) Changes in intangible assets for the years ended December 31, 2020 and 2019 are as follows:

		2020					
		Finite useful lives		Infinite useful lives			
		Software	Others	Membership	Settlement system right of use	Goodwill	Total
Beginning balance	₩	12,362	50	16,307	19,696	7,904	56,319
Acquisition		12,857	704	806	-	-	14,367
Amortization		(7,647)	(17)	-	-	-	(7,664)
Ending balance	₩	17,572	737	17,113	19,696	7,904	63,022

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

(b) Goodwill

(i) Details of goodwill as of December 31, 2020 and 2019 are as follows:

		December 31, 2020	December 31, 2019
Shinhan Securities Vietnam Co., LTD	₩	1,219	1,219
PT Shinhan Sekuritas Indonesia		4,427	4,427
PT Shinhan Asset Management Indonesia		2,258	2,258
	₩	7,904	7,904

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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**10. Intangible assets (continued)**

(b) Goodwill (continued)

(ii) Impairment test

The recoverable amount for the cash-generating unit was evaluated based on value in use.

① When evaluating recoverable amount based on value in use, the income approach was applied in consideration of the characteristics of each financial institution.

② The forecast period for value in use was 5.5 years after the evaluation date, and the value after the forecast period was calculated by permanent value.

③ The discount rate was applied by calculating the cost of equity capital, and the cost of equity capital was calculated by the risk-free interest rate and the systematic risk ( $\beta$ ) in a market risk premium paid in exchange for risk. Also, the permanent growth rate was estimated based on the inflation rate.

The discount rate and permanent growth rate used for the cash-generating unit are as follows:

	<u>Discount rate(%)</u>	<u>Permanent growth(%)</u>
Shinhan Securities Vietnam Co., Ltd	13.0	2.0
PT Shinhan Sekuritas Indonesia	12.3	2.0

④ The aggregate amount of cash-generating unit group with goodwill for the years ended December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total recoverable amount	₩ 81,990	77,362
Total book value	77,640	73,111
Remaining balance	₩ 4,350	4,251



SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
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**11. Investment property**

(a) Details of investment property as of December 31, 2020 and 2019 are as follows:

		<b>December 31, 2020</b>		
		Acquisition cost	Accumulated depreciation	Book value
Land	₩	188,016	-	188,016
Buildings		307,877	(55,420)	252,457
	₩	<u>495,893</u>	<u>(55,420)</u>	<u>440,473</u>
		<b>December 31, 2019</b>		
		Acquisition cost	Accumulated depreciation	Book value
Land	₩	100,113	-	100,113
Buildings		147,684	(31,007)	116,677
	₩	<u>247,797</u>	<u>(31,007)</u>	<u>216,790</u>

(b) Changes in investment property for the years ended December 31, 2020 and 2019 are as follows:

		<b>2020</b>		
		Land	Buildings	Total
Beginning balance	₩	100,113	116,677	216,790
Acquisition		89,679	147,388	237,067
Disposal		(2,352)	(4,234)	(6,586)
Depreciation		-	(7,301)	(7,301)
Transferred from property and equipment		576	-	576
Transferred to property and equipment		-	(73)	(73)
Ending balance	₩	<u>188,016</u>	<u>252,457</u>	<u>440,473</u>
		<b>2019</b>		
		Land	Buildings	Total
Beginning balance	₩	114,367	182,518	296,885
Acquisition		-	2	2
Disposal		(13,141)	(60,336)	(73,477)
Depreciation		-	(5,539)	(5,539)
Transferred to property and equipment		(1,113)	32	(1,081)
Ending balance	₩	<u>100,113</u>	<u>116,677</u>	<u>216,790</u>

(c) Details of income and expense related to investment property for the years ended December 31, 2020 and 2019 are as follows:

		<b>December 31, 2020</b>	<b>December 31, 2019</b>
Rental income	₩	18,533	21,250
Direct operating expenses for investment property that generated rental income		6,148	4,877

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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**11. Investment property (continued)**

(d) The fair value of investment property as of December 31, 2020 and 2019 are as follows:

		<u>December 31, 2020</u>	<u>December 31, 2019</u>
Fair value	₩	553,205	290,154

The transaction with an independent third party and unobservable significant variables within the market are considered in evaluating the fair value of investment property. Therefore, the fair value is classified as level 3.

**12. Other financial assets**

(a) Details of other assets as of December 31, 2020 and 2019 are as follows:

		<u>December 31, 2020</u>	<u>December 31, 2019</u>
Receivables	₩	7,321,528	2,099,426
Accrued income		137,946	131,650
Deposits		32,284	52,771
Others		77,981	90,270
		<u>7,569,739</u>	<u>2,374,127</u>
Present value discount		(6,443)	(6,601)
		<u>7,563,296</u>	<u>2,367,526</u>
Allowance for credit loss		(19,338)	(14,326)
	₩	<u>7,543,958</u>	<u>2,353,200</u>

(b) Changes in allowance for credit loss for other financial assets measured at amortized cost for the years ended December 31, 2020 and 2019 are as follows:

<b>2020</b>					
		<u>12 months expected credit loss</u>	<u>Total period expected credit loss</u>	<u>Financial asset with impaired credit</u>	<u>Total</u>
Beginning	₩	5	472	13,849	14,326
Transfer to financial assets with impaired credit		-	(1,246)	1,246	-
Provision		127	1,477	3,566	5,170
Write-offs		-	-	(26)	(26)
Others		(25)	(107)	-	(132)
Ending balance	₩	<u>107</u>	<u>596</u>	<u>18,635</u>	<u>19,338</u>

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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**12. Other financial assets(continued)**

(c) Changes in total book value for other financial assets measured at amortized cost for the years ended December 31, 2020 and 2019 are as follows:

		<b>2020</b>			
		<b>12 months expected credit loss</b>	<b>Total period expected credit loss</b>	<b>Financial asset with impaired credit</b>	<b>Total</b>
Beginning	₩	2,352,962	715	13,849	2,367,526
Transfer to total period of expected credit loss		(6,207)	6,207	-	-
Transfer to financial assets with impaired credit		-	(5,901)	5,901	-
Execution and recovery		5,195,796	-	-	5,195,796
Write-offs		-	-	(26)	(26)
Ending balance	₩	<u>7,542,551</u>	<u>1,021</u>	<u>19,724</u>	<u>7,563,296</u>

  

		<b>2019</b>			
		<b>12 months expected credit loss</b>	<b>Total period expected credit loss</b>	<b>Financial asset with impaired credit</b>	<b>Total</b>
Beginning	₩	1,665,754	2,429	9,729	1,677,912
Transfer to total period of expected credit loss		(4,821)	4,821	-	-
Transfer to financial assets with impaired credit		-	(4,120)	4,120	-
Execution and recovery		692,029	(2,415)	-	689,614
Ending balance	₩	<u>2,352,962</u>	<u>715</u>	<u>13,849</u>	<u>2,367,526</u>

**13. Other assets**

Details of other assets as of December 31, 2020 and 2019 are as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Advance payments	₩ 40,068	29,139
Prepaid expenses	20,680	22,463
Others	10,030	6,801
	<u>₩ 70,778</u>	<u>58,403</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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**14. Deposits**

Details of deposits as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Customers' deposits		
Customers' deposits for brokerage	₩ 2,394,430	961,416
Customers' deposits for exchange-traded derivatives trading	704,081	520,884
Customers' deposit subscriptions	18	13
Customers' deposits for savings	7,145	6,567
Customers' deposits for other securities	76	76
Customers' deposits for foreign securities	601,622	267,823
	<u>3,707,372</u>	<u>1,756,779</u>
Guarantee deposits		
Deposits for credit extension	43,572	27,686
Deposits for margin loans	62	5,511
	<u>43,634</u>	<u>33,197</u>
	₩ <u>3,751,006</u>	<u>1,789,976</u>

**15. Financial liabilities at fair value through profit or loss**

(a) Details of financial liabilities measured at FVTPL as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Securities sold	₩ 897,129	1,095,293
Financial liabilities designated at fair value through profit or loss	8,455,724	9,409,456
Derivative liabilities	663,430	344,604
	₩ <u>10,016,283</u>	<u>10,849,353</u>

(b) Details of securities sold as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Stocks	₩ 387,857	289,666
Bonds	503,920	764,882
Others	5,352	40,745
	₩ <u>897,129</u>	<u>1,095,293</u>

(c) Details of financial liabilities designated at fair value through profit or loss as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Hybrid instruments		
Equity linked securities sold	₩ 6,556,288	6,880,811
Other derivatives-linked securities sold	1,899,436	2,528,645
	₩ <u>8,455,724</u>	<u>9,409,456</u>

The maximum exposure to credit risk for financial liabilities at fair value through profit or loss as of December 31, 2020 is ₩ 8,455,724 million. In addition, the decrease in fair value due to changes in credit risk for the year ended December 31, 2020 is ₩ 9,689 million, and the cumulative change in fair value is ₩ (7,133) million.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
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**15. Financial liabilities at fair value through profit or loss (continued)**

(d) Details of derivative liabilities as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Derivatives in won		
Over the counter:		
Interest rate	₩ 52,886	47,288
Equity	53,898	38,590
Credit	28,555	38,457
Commodity	32,693	27,745
	<u>168,032</u>	<u>152,080</u>
Exchange traded:		
Equity	32,228	3,633
	<u>200,260</u>	<u>155,713</u>
Derivatives in foreign currency		
Over the counter:		
Interest rate	40,316	12,881
Currency	291,823	128,116
Equity	495	4,729
Credit	1,127	142
	<u>333,761</u>	<u>145,868</u>
Exchange traded:		
Interest rate	422	595
Currency	186	-
Equity	128,615	32,328
Commodity	186	10,100
	<u>129,409</u>	<u>43,023</u>
	<u>463,170</u>	<u>188,891</u>
	₩ <u>663,430</u>	<u>344,604</u>

**16. Borrowings**

(a) Details of borrowings as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Borrowings	₩ 16,592,974	13,348,644
Debt securities issued	<u>3,007,275</u>	<u>3,422,954</u>
	₩ <u>19,600,249</u>	<u>16,771,598</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
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**16. Borrowings (continued)**

(b) Details of borrowings as of December 31, 2020 and 2019 are as follows:

	December 31, 2020			December 31, 2019		
	Institution	Expiry date	Interest rate (%)	Amount	Interest rate (%)	Amount
In won:						
Call money	Korea Investment Management Co., and others	January 4, 2021	0.53~0.72	₩ 105,000	1.28~1.42	₩ 174,000
Bond sold under repurchase agreements	Customers	-	0.10~0.75	9,046,737	0.05~1.25	8,077,381
Borrowing from bank	-	-	-	-	2.55	50,000
Borrowings from KSFC	KSFC	January 4, 2021 ~ April 29, 2025	0.75~0.93	619,399	1.45~1.82	272,180
Others	KTB Investment & Securities Co., Ltd and others	January 7, 2021 ~ December 27, 2021	0.86~3.10	1,885,000	1.65~2.07	1,725,000
	KTB Investment & Securities Co., Ltd and others	January 4, 2021 ~ December 27, 2021	0.86~6.20	3,063,666	1.75~2.9	2,264,662
				14,719,802		12,563,223
In foreign currency:						
Bond sold under repurchase agreements	Customers	-	0.10~2.43	1,076,766	1.45~2.35	533,766
Borrowing from bank	Woori bank and others	April 10, 2021 ~ December 30, 2021	1.39~8.00	25,641	3.04	4,596
Others	Shinhan Financial Group Co., Ltd	February 4, 2025 ~ August 20, 2025	2.55~2.78	638,656	2.79	104,202
	Others	January 8, 2021 ~ November 8, 2021	1.50~6.70	132,109	0.00~6.00	142,857
				1,873,172		785,421
				₩ 16,592,974	₩	13,348,644

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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16. Borrowings (continued)

(c) Details of debt securities issued as of December 31, 2020 and 2019 are as follows:

	Issue date	Redemption date	Interest rate (%)	December 31, 2020	December 31, 2019
In won:					
Short-term bond	July 5, 2019 ~ December 31, 2020	January 4, 2021 ~ November 10, 2021	0.71~6.20	₩ 1,808,116	2,391,800
Long-term bond	October 27, 2020 October 27, 2020 October 27, 2020 February 21, 2018 November 9, 2017	October 27, 2022 October 27, 2023 October 27, 2025 February 22, 2021 November 9, 2020	1.35 1.45 1.68 2.77 2.79	120,000 150,000 30,000 200,000 -	- - - 190,000 200,000
Subordinated bond	June 7, 2018	June 7, 2024	4.17	250,000	250,000
Discount on bond	October 11, 2018	October 11, 2024	3.89	250,000	190,000
	-	-	-	(2,760)	(3,163)
				₩ 2,805,356	3,278,637
In foreign currency:					
Bond	May 27, 2019 ~ December 31, 2020	January 4, 2021 ~ June 1, 2022	1.65~3.83	201,919	144,317
				₩ 3,007,275	3,422,954

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

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**17. Provisions**

(a) Details of provisions as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Financial acceptances and Guarantees liability (*1)	₩ 3,005	9,229
Allowances for unused commitments (*1)	1,464	921
Allowances for restoration cost (*2)	4,006	3,904
Allowance for lawsuits	206	206
Allowance for others (*3)	154,214	-
	<u>₩ 162,895</u>	<u>14,260</u>

(\*1) In accordance with Korean IFRS 1109, expected credit losses are measured and accounted for as provisions for granting of credit (such as purchase commitments).

(\*2) Provisions for restoration liabilities represent the estimated costs to restore the existing leased properties which are discounted to the present value using the appropriate discount rate at the end of the reporting period. Disbursements of such costs are expected to incur at the end of the lease contract. Such costs are reasonably estimated using the average lease year and the average restoration expenses. The average lease year is calculated based on the past three-year historical data of the expired leases. The average restoration expense is calculated based on the actual costs incurred for the past three years using the three-year average inflation rate.

(\*3) In a resolution of the board of directors on 20 March 2020, the Group made the following decisions: From April 2020, the Group decided to prepay 50% of the investment principal to customers who agree with the delayed maturity payment and settle the amount at the time of recovery, about the German Heritage DLS trust. As a result, the Group paid ₩ 170,720 million to customers who reached maturity as of December 31, 2020, and ₩ 138,275 million in excess of recoverable amounts including unpaid amounts not matured was recognized as a provision and the same amount was recognized as non-operating expenses.

In addition, the Group decided to voluntarily compensate customers for losses incurred by the sale of Lime funds through a resolution of the board of directors on May 19, 2020, and on June 30, 2020, the Financial Supervisory Service's Dispute Mediation Committee decided to return all principal for Trade Finance Fund sold after November, 2018. Accordingly, the Group paid ₩ 63,409 million by December 31, 2020 and recognized as non-operation expenses. The Group recognized ₩ 13,420 million, which is the amount of compensation determined by the resolution of the board of directors but not paid, and the estimated amount of additional payment based on the decision of the Dispute Mediation Committee to fully return the principal, as a provision and non-operating expenses, respectively.



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**17. Provisions (continued)**

(b) Changes in provisions related to off-balance commitment for the years ended December 31, 2020 and 2019 are as follows:

	2020					
	Financial guarantee contract liability			Allowances for unused commitments		
	12month expected credit loss	Lifetime expected credit losses Non credit- impaired	Total	12month expected credit loss	Lifetime expected credit losses Non credit- impaired	Total
Beginning balance	₩ 9,229	-	9,229	921	-	921
Transfer to total expected credit loss	(37)	37	-	(510)	510	-
Provision (reversal)	276	2	278	781	(238)	543
Net decrease	(6,502)	-	(6,502)	-	-	-
Ending balance	₩ 2,966	39	3,005	1,192	272	1,464

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**17. Provisions (continued)**

(b) Changes in provisions related to off-balance commitment for the years ended December 31, 2020 and 2019 are as follows (continued):

	2019							
	Financial guarantee contract liability			Allowances for unused commitments				
	12month expected credit loss	Lifefime expected credit losses		Total	12month expected credit loss	Lifefime expected credit losses		Total
	Non credit- impaired	Credit- impaired		Non credit- impaired	Credit- impaired		Non credit- impaired	Credit- impaired
Beginning balance	₩ 9,642	-	-	9,642	-	-	-	348
Provision (reversal)	(826)	-	-	(826)	-	-	-	573
Net decrease	413	-	-	413	-	-	-	-
Ending balance	₩ 9,229	-	-	9,229	-	-	-	921

## SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

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**17. Provisions (continued)**

(c) Changes in provisions (except for provisions related to off-balance commitment) for the years ended December 31, 2020 and 2019 are as follows:

		2020			
		Provisions for restoration liabilities	Allowance for litigation	Others	Total
Beginning balance	₩	3,904	206	-	4,110
Increases		491	-	-	491
Decreases		-	-	(22,949)	(22,949)
Provisions		-	-	177,290	177,290
Reversal		(389)	-	-	(389)
Others		-	-	(127)	(127)
Ending balance	₩	4,006	206	154,214	158,426

  

		2019			
		Provisions for restoration liabilities	Allowance for litigation	Others	Total
Beginning balance	₩	3,784	17,004	-	20,788
Increases		123	-	-	123
Decreases		-	(16,798)	-	(16,798)
Reversal		(3)	-	-	(3)
Ending balance	₩	3,904	206	-	4,110

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

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(In millions of won)

**18. Other financial liabilities**

Details of other financial liabilities as of December 31, 2020 and 2019 are as follows:

		<u>December 31, 2020</u>	<u>December 31, 2019</u>
Lease liabilities (*1)	₩	16,064	8,099
Accounts payable		7,135,902	2,105,204
Accrued expenses		44,453	28,980
Deposits for rent		69,191	43,081
Domestic exchanges payable		213	51,169
Account for agency business		103	127
Cash Collateral		44,453	3,445,400
		<u>8,411,646</u>	<u>8,099</u>
Present value discount		(7,577)	2,105,204
	₩	<u>8,404,069</u>	<u>28,980</u>

(\*1) As of December 31, 2020, the Group treats lease liabilities as other liabilities. There is no expense equivalent to variable lease payments not included in the measurement of lease liabilities and cash outflows from leases are ₩ 7,313 million, and interest expenses on lease liabilities are ₩ 252 million for the year ended December 31, 2020.

**19. Other liabilities**

Details of other liabilities as of December 31, 2020 and 2019 are as follows:

		<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts payable	₩	7,768	10,145
Accrued expenses		154,414	125,577
Advances from customers		12,283	12,149
Unearned income		63,353	50,333
Withholding income taxes		31,584	29,012
Others		7,641	6,764
	₩	<u>277,043</u>	<u>233,980</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

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**20. Net commission income**

Net commission income for the years ended December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Commission income		
Brokerage commissions	₩ 476,914	213,149
Brokerage commissions on indirect investment		
Securities collective investment securities	25,477	49,814
Underwriting commissions	61,775	48,121
Consulting commissions	57,833	37,284
Commissions on entrusted investments	14,695	15,697
Trust fees and commissions received from trust account	15,302	31,121
Others	61,128	89,446
	<u>713,124</u>	<u>484,632</u>
Commission expense		
Trading commissions	50,199	32,233
Commission on securities borrowed	19,453	33,926
Commission on Shinhan Group brand	4,922	5,071
Partnership commission	7,350	7,366
Others	60,151	44,580
	<u>142,075</u>	<u>123,176</u>
Net commission income	₩ <u>571,049</u>	<u>361,456</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

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**21. Net interest income**

Net interest income for the years ended December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Interest income		
Interest income on financial assets measured at FVTPL		
Interest on bonds	₩ 306,580	299,014
Interest on commercial paper	21,364	17,699
Interest on loans	53,423	37,287
Others	1,311	666
	<u>382,678</u>	<u>354,666</u>
Interest income on financial assets measured at FVOCI, financial assets measured at amortized cost and other financial assets		
Interest on deposits	27,354	44,207
Interest on bonds	38,637	28,450
Interest on loans	245,856	222,830
Others	7,305	8,007
	<u>319,152</u>	<u>303,494</u>
	<u>701,830</u>	<u>658,160</u>
Interest expense		
Interest on Borrowings	114,098	57,181
Interest on customers' deposits	6,867	8,659
Interest on bonds sold under repurchase agreements	62,115	114,311
Interest on call money	1,429	4,654
Interest on debentures	77,125	59,790
Interest on lease liabilities	252	307
Others	6,620	6,006
	<u>268,506</u>	<u>250,908</u>
Net interest income	₩ <u>433,324</u>	<u>407,252</u>

## SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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

Net gain (loss) on foreign transactions for the years ended December 31, 2020 and 2019 are as follows:

		<u>2020</u>	<u>2019</u>
Gain on foreign transactions			
Gain on foreign currency transactions	₩	738,753	430,862
Gain on foreign exchange		295,898	64,912
		<u>1,034,651</u>	<u>495,774</u>
Loss on foreign transactions			
Loss on foreign currency transactions		726,267	440,221
Loss on foreign exchange		193,493	67,675
		<u>919,760</u>	<u>507,896</u>
Net gain (loss) on foreign transactions	₩	<u>114,891</u>	<u>(12,122)</u>

**23. General and administrative expenses**

General and administrative expenses for the years ended December 31, 2020 and 2019 are as follows:

		<u>2020</u>	<u>2019</u>
Personnel expenses			
Salary and other benefits for employees	₩	380,451	345,631
Early retirement		5,958	6,328
Severance pay		20,778	19,801
		<u>407,187</u>	<u>371,760</u>
Depreciation		24,302	21,993
Amortization of intangible assets		7,664	7,564
Others			
Rent expense		9,701	7,618
Entertainment expense		6,336	6,028
Advertising expense		17,074	12,231
Computer system operation expense		21,100	19,075
Research and study expense		10,284	9,062
Communication expense		9,875	8,816
Maintenance and repairs expense		4,763	5,737
Tax and dues		29,581	21,016
Lease expenses		681	650
Others		43,803	30,022
		<u>153,198</u>	<u>120,255</u>
	₩	<u>592,351</u>	<u>521,572</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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**24. Other operating revenues and expenses**

Other operating revenues and expenses for the years ended December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Other operating revenues		
Dividends income	₩ 33,503	29,771
Reversal of provisions for restoration liabilities	389	3
Others	6,110	14,463
	<u>₩ 40,002</u>	<u>44,237</u>
Other operating expenses		
Deposit insurance premium	₩ 1,415	2,192
Provisions for other obligation	2,645	-
Others	1,979	4,311
	<u>₩ 6,039</u>	<u>6,503</u>

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

Non-operating incomes and expenses for the years ended December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Non-operating incomes		
Gain on equity method valuation	₩ 47,441	33,098
Gain on disposal of investments in associates	6,423	14,427
Rental income	18,533	21,250
Gain on disposal of property and equipment	138	5
Gain on disposal of intangible assets	-	1,837
Gain on disposal of investment property	876	12,640
Others	5,259	6,477
	<u>₩ 78,670</u>	<u>89,734</u>
Non-operating expenses		
Loss on equity method valuation	₩ 9,681	14,935
Loss on disposals of investments in associates	7,967	13,844
Impairment loss on investment in associates	2,367	-
Depreciation of investment property	7,301	5,539
Donations	3,192	4,217
Loss on disposals of property and equipment	165	45
Loss on disposals of intangible assets	-	2
Provisions for Others	174,645	-
Others	44,996	1,535
	<u>₩ 250,314</u>	<u>40,117</u>



SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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26. Financial instrument classification by category

(a) Detail of financial instruments' book value as of December 31, 2020 and 2019 are as follows:

	December 31, 2020						Total
	Financial assets measured at FVTPL	Financial assets measured at FVOCI	Financial asset measured at amortized cost	Financial liabilities measured at FVTPL	Financial liabilities measured at amortized cost	Financial liabilities measured at amortized cost	
Assets:							
Cash and due from banks	₩ 1,907,211	-	3,418,793	-	-	-	5,326,004
Securities/							
Derivative linked securities	22,869,193	2,636,280	-	-	-	-	25,505,473
Derivative instruments	895,519	-	-	-	-	-	895,519
Loans	1,107,651	-	4,738,127	-	-	-	5,845,778
Other financial assets	-	-	7,543,958	-	-	-	7,543,958
	₩ 26,779,574	2,636,280	15,700,878	-	-	-	45,116,732
Liabilities:							
Deposits	-	-	-	-	-	3,751,006	3,751,006
Securities sold/							
Derivative linked securities	-	-	-	897,129	8,455,724	-	9,352,853
Derivative instruments	-	-	-	663,430	-	-	663,430
Borrowings	-	-	-	-	-	19,600,249	19,600,249
Other financial liabilities	-	-	-	-	-	8,404,069	8,404,069
	₩ -	-	1,560,559	8,455,724	31,755,324	-	41,771,607

**SHINHAN INVESTMENT CORP. AND SUBSIDIARIES**  
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**26. Financial instrument classification by category (continued)**

(a) Detail of financial instruments' book value as of December 31, 2020 and 2019 are as follows:

	<b>December 31, 2019</b>						
	Financial assets measured at FVTPL	Financial assets measured at FVOCI	Financial asset measured at amortized cost	Financial liabilities measured at FVTPL	Financial liabilities designated at FVTPL	Financial liabilities measured at amortized cost	Total
Assets:							
Cash and due from banks	₩ 1,103,050	-	2,620,662	-	-	-	3,723,712
Securities/	21,227,157	2,690,332	-	-	-	-	23,917,489
Derivative linked securities	-	-	-	-	-	-	-
Derivative Instruments	677,653	-	-	-	-	-	677,653
Loans	1,217,302	-	4,583,089	-	-	-	5,800,391
Other financial assets	-	-	2,353,200	-	-	-	2,353,200
	₩ 24,225,162	2,690,332	9,556,951	-	-	-	36,472,445
Liabilities:							
Deposits	-	-	-	-	-	1,789,976	1,789,976
Securities sold/	-	-	-	-	-	-	-
Derivative linked securities	-	-	-	1,095,294	9,409,456	-	10,504,750
Derivative Instruments	-	-	-	344,603	-	-	344,603
Borrowings	-	-	-	-	-	16,771,598	16,771,598
Other financial liabilities	-	-	-	-	-	3,445,400	3,445,400
	₩ -	-	-	1,439,897	9,409,456	22,006,974	32,856,327

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
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**26. Financial instrument classification by category (continued)**

(b) Gains or losses of financial instruments for the years ended December 31, 2020 and 2019 are as follows:

		<u>2020</u>	<u>2019</u>
Financial assets measured at FVTPL			
Gain on valuation	₩	272,226	255,628
Gain on sale		935,804	515,151
Other gains		131,298	80,624
Loss on valuation		(531,364)	(328,363)
Loss on sale		(661,391)	122,824
	₩	<u>146,573</u>	<u>122,824</u>
Derivatives			
Gain on valuation	₩	811,332	626,018
Gain on sale		3,341,292	2,556,467
Loss on valuation		(629,362)	(350,023)
Loss on sale		(3,984,015)	(2,097,865)
	₩	<u>(460,753)</u>	<u>734,597</u>
Financial assets measured at FVOCI			
Gain on sale	₩	14,651	8,744
Gain on reversal		-	244
Loss on sale		(7,263)	(2,028)
Loss on reversal		(50)	(516)
Gain on valuation (other comprehensive income)		22,564	13,422
	₩	<u>29,902</u>	<u>19,866</u>
Financial assets measured at amortized cost			
Credit loss reversal	₩	-	6,341
Provision for credit loss on loans		(105,756)	(653)
Provision for credit loss on other assets		(5,169)	(4,344)
	₩	<u>(110,925)</u>	<u>1,344</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
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**26. Financial instrument classification by category (continued)**

(b) Gains or losses of financial instruments for the years ended December 31, 2020 and 2019 are as follows (continued):

		<u>2020</u>	<u>2019</u>
Financial liabilities measured at FVTPL			
Gain on valuation	₩	10,522	17,494
Gain on redemption		285,185	146,757
Loss on valuation		(58,783)	(34,406)
Loss on redemption		(202,812)	(182,550)
	₩	<u>34,112</u>	<u>(52,705)</u>
Financial liabilities designated at FVTPL			
Gain on valuation	₩	528,580	217,102
Gain on redemption		470,467	25,559
Loss on valuation		(287,514)	(250,974)
Loss on redemption		(513,294)	(837,734)
Adjustment of credit risk		(9,689)	(11,621)
	₩	<u>188,550</u>	<u>(857,668)</u>

## SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

#### 27. Financial instruments

The notes provide current information on the judgments and estimates that the Group has used to determine the fair value of financial instruments. There were no significant changes in the business and economic environment during the current year that affect the fair value of the financial assets and financial liabilities of the Group.

##### (a) Measurement of fair value

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

If the market for a financial instrument is not active, fair value is established either by using a valuation technique or independent third-party valuation service. The Group uses diverse valuation techniques using certain assumptions which are based on the inputs observable in markets at the end of each reporting date. In addition, unobservable inputs used in fair value measurements are produced by external evaluators and internal systems, and the adequacy of the calculated inputs is always reviewed.

The risk management department is responsible for reviewing external valuation methodologies, determining valuation techniques related to self-evaluation, and reviewing appropriateness of valuation techniques. Major decisions are made through the Fair Value Evaluation Committee.

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

##### (b) The Group classifies and discloses fair value of the financial instruments into the three-level hierarchy as follows:

Level 1: The fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: The fair values are based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: The fair values are based on unobservable inputs for the asset or liability

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
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**27. Financial instruments (continued)**

(c) Financial instruments measured at amortized cost

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

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
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**27. Financial instruments (continued)**

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

(ii) The financial instruments measured at amortized cost as of December 31, 2020 and 2019 are as follows:

	December 31, 2020				
	Book value				
	Balance	Unamortized balance	Allowance	Total	Fair value
<b>Assets</b>					
Cash and due from banks measured at amortized cost:					
Cash and cash equivalents	₩ 1,317,975	-	-	1,317,975	1,317,975
Due from banks	2,100,818	-	-	2,100,818	2,100,818
	<u>3,418,793</u>	<u>-</u>	<u>-</u>	<u>3,418,793</u>	<u>3,418,793</u>
Loans measured at amortized cost:					
Retail	2,017,454	(1,071)	(291)	2,016,092	2,016,092
Corporate	2,860,514	(9,747)	(128,732)	2,722,035	2,722,035
	<u>4,877,968</u>	<u>(10,818)</u>	<u>(129,023)</u>	<u>4,738,127</u>	<u>4,738,127</u>
Other financial assets	7,569,739	(6,443)	(19,338)	7,543,958	7,543,958
	<u>₩ 15,866,500</u>	<u>(17,261)</u>	<u>(148,361)</u>	<u>15,700,878</u>	<u>15,700,878</u>
<b>Liabilities</b>					
Deposits	₩ 3,751,006	-	-	3,751,006	3,751,006
Borrowings:					
Call money	105,000	-	-	105,000	105,000
Bonds sold under repurchase agreements	10,123,503	-	-	10,123,503	10,123,503
Borrowings	6,365,618	(1,147)	-	6,364,471	6,364,471
Debt securities issued	3,010,035	(2,760)	-	3,007,275	3,058,511
	<u>19,604,156</u>	<u>(3,907)</u>	<u>-</u>	<u>19,600,249</u>	<u>19,651,485</u>
Other financial liabilities	8,411,646	(7,577)	-	8,404,069	8,404,069
	<u>₩ 31,766,808</u>	<u>(11,484)</u>	<u>-</u>	<u>31,755,324</u>	<u>31,806,560</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements**  
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**27. Financial instruments (continued)**

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

(ii) The financial instruments measured at amortized cost as of December 31, 2020 and 2019 are as follows (continued)  
:

	December 31, 2019				
	Book value				
	Balance	Unamortized balance	Allowance	Total	Fair value
<b>Assets</b>					
Cash and due from banks measured at amortized cost:					
Cash and cash equivalents	₩ 709,010	-	-	709,010	709,010
Due from banks	1,911,652	-	-	1,911,652	1,911,652
	<u>2,620,662</u>	<u>-</u>	<u>-</u>	<u>2,620,662</u>	<u>2,620,662</u>
Loans measured at amortized cost:					
Retail	1,426,465	(1,165)	(132)	1,425,168	1,425,168
Corporate	3,190,662	(9,052)	(23,689)	3,157,921	3,157,921
	<u>4,617,127</u>	<u>(10,217)</u>	<u>(23,821)</u>	<u>4,583,089</u>	<u>4,583,089</u>
Other financial assets	2,374,127	(6,601)	(14,326)	2,353,200	2,352,289
	<u>₩ 9,611,916</u>	<u>(16,818)</u>	<u>(38,147)</u>	<u>9,556,951</u>	<u>9,556,040</u>
<b>Liabilities</b>					
Deposits	₩ 1,789,976	-	-	1,789,976	1,789,976
Borrowings:					
Call money	174,000	-	-	174,000	174,000
Bonds sold under repurchase agreements	8,611,147	-	-	8,611,147	8,611,147
Borrowings	4,563,497	-	-	4,563,497	4,563,497
Debt securities issued	3,426,118	(3,164)	-	3,422,954	3,477,710
	<u>16,774,762</u>	<u>(3,164)</u>	<u>-</u>	<u>16,771,598</u>	<u>16,826,354</u>
Other financial liabilities	3,446,859	(1,459)	-	3,445,400	3,445,622
	<u>₩ 22,011,597</u>	<u>(4,623)</u>	<u>-</u>	<u>22,006,974</u>	<u>22,061,952</u>



SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

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**27. Financial instruments (continued)**

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

(iii) Details of financial instruments measured at amortized cost by the level in the fair value hierarchy is categorized as of December 31, 2020 and 2019 are as follows:

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash and due from banks measured at amortized cost:				
Cash and cash equivalents	₩ 1,317,975	-	-	1,317,975
Deposits measured at amortized cost	-	2,100,818	-	2,100,818
Loans measured at amortized cost:				
Retail	-	-	2,016,092	2,016,092
Corporate	-	-	2,722,035	2,722,035
Other financial assets	-	190,948	7,353,010	7,543,958
	₩ <u>1,317,975</u>	<u>2,291,766</u>	<u>12,091,137</u>	<u>15,700,878</u>
<b>Liabilities</b>				
Deposits	₩ -	3,751,006	-	3,751,006
Call money	-	105,000	-	105,000
Bonds sold under repurchase agreements	-	-	10,123,503	10,123,503
Borrowings	-	-	6,364,471	6,364,471
Debt	-	-	3,058,511	3,058,511
Other financial liabilities	-	190,908	8,213,161	8,404,069
	₩ <u>-</u>	<u>4,046,914</u>	<u>27,759,646</u>	<u>31,806,560</u>
	December 31, 2019			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash and due from banks measured at amortized cost:				
Cash and cash equivalents	₩ 709,010	-	-	709,010
Deposits measured at amortized cost	-	1,911,652	-	1,911,652
Loans measured at amortized cost:				
Retail	-	-	1,425,168	1,425,168
Corporate	-	108	3,157,813	3,157,921
Other financial assets	-	526,799	1,825,897	2,352,696
	₩ <u>709,010</u>	<u>2,438,559</u>	<u>6,408,471</u>	<u>9,556,040</u>
<b>Liabilities</b>				
Deposits	₩ -	1,789,976	-	1,789,976
Call money	-	174,000	-	174,000
Bonds sold under repurchase agreements	-	-	8,611,147	8,611,147
Borrowings	-	-	4,563,497	4,563,497
Debt	-	-	3,477,710	3,477,710
Other financial liabilities	-	526,685	2,918,937	3,445,622
	₩ <u>-</u>	<u>2,490,661</u>	<u>19,571,291</u>	<u>22,061,952</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

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**27. Financial instruments (continued)**

(d) Financial instruments measured at fair value

(i) Details of financial instruments measured at fair value by the level in the fair value hierarchy is categorized as of December 31, 2020 and 2019 are as follows:

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets measured at FVTPL:				
Debt securities	₩ 4,745,470	12,355,999	241,595	17,343,064
Equity securities	424,992		224,526	649,518
Deposits	-	1,907,210	-	1,907,210
Loans (*1)	-	-	1,107,651	1,107,651
Others (*2)	672,587	1,940,024	2,264,000	4,876,611
Derivative assets:				
Trading purpose	125,335	364,871	405,313	895,519
Financial assets measured at FVOCI				
Debt securities	827,204	1,627,434	-	2,454,638
Equity securities	-	-	181,642	181,642
Total financial assets:	₩ 6,795,588	18,195,538	4,424,727	29,415,853
<b>Liabilities</b>				
Trading financial liabilities at FVTPL:				
Securities sold	₩ 897,129	-	-	897,129
Derivative liabilities:				
Trading purpose	161,629	418,532	83,269	663,430
Financial liabilities designated at fair value through profit or loss:				
Derivatives-combined securities sold (*2)	-	314,220	8,141,504	8,455,724
Total financial liabilities:	₩ 1,058,758	732,752	8,224,773	10,016,283

(\*1) Of the financial assets at FVTPL invested by the group, P-note's valuation of amount related to Lime Asset Management is ₩ 161.2 billion. As of December 31, 2020, in this regard, international disputes are under way, and the Group does not have an active market trading price, so based on the recent audit report, the fair value was estimated in consideration of changes in the future. Accounting significant estimates and assumptions about the future used in the preparation of the consolidated financial statements may result in adjustments due to changes in uncertainty, such as future available information and market conditions. However, the ultimate impact on the business, financial condition, performance, and liquidity of the Group cannot be predicted.

(\*2) GEN2 Partners Asset Management related financial instruments (beneficiary certificates ₩ 211.7 billion and derivative securities sold ₩ 211.7 billion) suffered repurchase delays during the year, and the Group estimated fair value based on net asset value on the latest available data and, therefore, there is uncertainty of fair value measurement due to subsequent market situation change.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2020 and 2019

(In millions of won)

**27. Financial instruments (continued)**

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

(i) Details of financial instruments measured at the fair value by the level in the fair value hierarchy is categorized as of December 31, 2020 and 2019 are as follows (continued):

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

## SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2020 and 2019

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**27. Financial instruments (continued)**

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

(ii) Changes in level 3 of the fair value hierarchy for the years ended December 31, 2020 and 2019 are as follows:

		2020					
		Loans measured at FVTPL	Securities measured at FVTPL	Financial assets designated at FVOCI	Financial liabilities designated at FVTPL	Derivative instrum ents	Total
Beginning balance	₩	1,217,303	2,931,041	163,661	(8,511,489)	341,882	(3,857,602)
Total income		(203,502)	77,205	17,101	(206,432)	54,375	(261,253)
Profit or loss (*1)		(207,240)	77,205	-	(196,743)	54,375	(272,403)
Other comprehensive income		3,738	-	17,101	(9,689)	-	11,150
Purchases and issuances		1,305,222	1,355,058	880	(9,043,503)	466	(6,381,877)
Sales and settlements		(1,211,372)	(1,984,590)	-	9,928,472	(74,679)	6,657,831
Transferred to level 3 (*2)		-	351,407	-	(308,552)	-	42,855
Ending balance	₩	1,107,651	2,730,121	181,642	(8,141,504)	322,044	(3,800,046)
		2019					
		Loans measured at FVTPL	Securities measured at FVTPL	Financial assets designated at FVOCI	Financial liabilities designated at FVTPL	Derivative instrum ents	Total
Beginning balance	₩	-	1,228,000	149,105	(6,833,737)	(170,726)	(5,627,358)
Total income		-	(18,674)	14,556	(840,248)	482,643	(361,723)
Profit or loss (*1)		-	(18,674)	-	(826,594)	482,643	(362,625)
Other comprehensive income		-	-	14,556	(13,654)	-	902
Purchases and issuances		1,217,303	2,281,503	-	(8,821,680)	534	(5,322,340)
Sales and settlements		-	(709,055)	-	7,984,176	29,431	7,304,552
Transferred to level 3 (*2)		-	149,267	-	-	-	149,267
Ending balance	₩	1,217,303	2,931,041	163,661	(8,511,489)	341,882	(3,857,602)

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2020 and 2019**

(In millions of won)

**27. Financial instruments (continued)**

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

(ii) Changes in level 3 of the fair value hierarchy for the years ended December 31, 2020 and 2019 are as follows (continued):

(\*1) Recognized profit or loss of the changes in carrying value of financial instruments classified as Level 3 for the years ended December 31, 2020 and 2019, are included in the statements of comprehensive income, of which the amounts and the related accounts are as follows:

	2020		2019	
	Amounts recognized in profit or loss	Recognized profit or loss from the financial instruments held as of December 31	Amounts recognized in profit or loss	Recognized profit or loss from the financial instruments held as of December 31
Gain(loss) on financial assets measured at FVTPL	₩ (75,660)	(212,941)	463,968	(19,846)
Gain(loss) on financial liabilities designated at FVTPL	(196,743)	(189,885)	(826,594)	(66,113)
	₩ <u>(272,403)</u>	<u>(23,056)</u>	<u>(362,626)</u>	<u>(85,959)</u>

(\*2) The change in the availability of observable market data for the financial investment occurred between levels. The Group recognizes the variation in levels at the beginning of the reporting period in which an event or situation that causes the movement between levels occurred.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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**For the years ended December 31, 2020 and 2019**

(In millions of won)

**27. Financial instruments (continued)**

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

*(iii) Deferred profit and loss*

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

Day 1 profit or loss for the years ended December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Beginning balance	₩ (167,104)	(121,603)
New transactions	(347,120)	(174,400)
Amounts recognized in profit or loss during the period	223,842	128,899
Ending balance	<u>₩ (290,382)</u>	<u>(167,104)</u>

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**27. Financial instruments (continued)**

(e) Valuation techniques and unobservable inputs in the market

(i) Information about valuation technique and inputs used at December 31, 2020 and 2019 in the fair value measurement of financial instruments classified as level 2 are as follows:

Type of financial instrument	Valuation technique	Classification	December 31, 2020	Inputs
<b>Assets</b>				
Financial assets measured at FVTPL	DCF, Net asset method	Debt securities	₩ 12,355,999	Interest rate, credit spread, etc. price of underlying asset, Discount rate, Dividend yield, etc.
		Others	3,847,234	
Derivative assets	Black-Scholes model, Hull-White model, Monte Carlo Simulation	Interest	39,223	Discount curve, etc
		Currency	307,938	Exchange Rate Notified by SMBS
		Stock	11,224	Index notified by the KRX Exchange, etc
		Credit	1,432	Reserved assets Hazard Rate
		Commodity	5,054	Index announced by Bloomberg, etc.
Securities measured at FVOCI	DCF	Debt securities	1,627,434	Interest rate, credit spread, etc.
			<u>₩ 18,195,538</u>	
<b>Liabilities</b>				
Derivative liabilities	Black-Scholes model, Hull-White model, Monte Carlo Simulation	Interest	₩ 61,261	Discount curve, etc
		Currency	291,752	Exchange Rate Notified by SMBS
		Stock	33,034	Index notified by the KRX Exchange, etc
		Credit	704	Reserved assets Hazard Rate
		Commodity	31,781	Index announced by Bloomberg, etc.
Financial liabilities designated at FVTPL	Black-Scholes model	Derivative securities	314,220	Discount curve, etc
			<u>₩ 732,752</u>	

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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**27. Financial instruments (continued)**

(e) Valuation techniques and unobservable inputs in the market (continued)

(i) Information about valuation technique and inputs used at December 31, 2020 and 2019 in the fair value measurement of financial instruments classified as level 2 are as follows (continued):

<u>Type of financial instrument</u>	<u>Valuation technique</u>	<u>Classification</u>	<u>December 31, 2019</u>	<u>Inputs</u>
<b>Assets</b>				
Financial assets measured at FVTPL	DCF, Net asset method	Debt securities	₩ 10,435,581	Interest rate, credit spread, etc.
		Others	4,266,812	price of underlying asset, Discount rate, Dividend yield, etc.
Derivative assets	Black-Scholes model, Hull-White model, Monte Carlo simulation	Interest	22,641	Discount curve, etc
		Currency	154,776	Exchange Rate Notified by SMBS
		Stock	4,074	Index notified by the KRX Exchange, etc
		Credit	3,454	Reserved assets Hazard Rate
		Commodity	135	Index announced by Bloomberg, etc.
Securities measured at FVOCI	DCF	Debt securities	1,889,420	Interest rate, credit spread, etc.
			<u>₩ 16,776,893</u>	
<b>Liabilities</b>				
Derivative liabilities	Black-Scholes model, Hull-White model, Monte Carlo simulation	Interest	37,847	Discount curve, etc
		Currency	128,117	Exchange Rate Notified by SMBS
		Stock	16,048	Index notified by the KRX Exchange, etc
		Credit	939	Reserved assets Hazard Rate
		Commodity	17	Index announced by Bloomberg, etc.
Financial liabilities designated at FVPTL	Black-Scholes model	derivative securities	897,967	Discount curve, etc
			<u>₩ 1,080,935</u>	



SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
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**27. Financial instruments (continued)**

(e) Valuation techniques and unobservable inputs in the market (continued)

(ii) Information about valuation technique and significant unobservable inputs used at December 31, 2020 and 2019 in the fair value measurement of financial instruments classified as level 3 are as follows:

Type of financial instrument	Valuation technique	Classification	December 31, 2020	Significant unobservable inputs	Range of volatility	Range of correlations	The effect of changes in unobservable inputs on fair value
<b>Assets</b>							
Trading assets measured at FVTPL	DCF	Debt securities, loans	₩ 1,349,246	Interest rate, credit spread, etc.	0.05~0.61	N/A	Volatility of underlying assets : Positive
	Net asset method, Binomial Model, DCF, Black-Scholes model	Equity securities, others	2,488,526	Price of underlying asset, The volatility of underlying asset, Discount rate, Growth rate, etc.	0.21~0.40	0.20~0.79	Volatility of underlying assets : Positive, Correlation : Positive
Derivative assets	Black-Scholes model, Hull-White model, Monte Carlo simulation	Stock Currency Interest Commodity Credit	111,037 1 21,234 895 272,146		0.19~1.27 0.07~0.37 0.005~0.006 0.005~0.402 N/A	-0.05~0.82 -0.03 0.26~0.85 -0.43~0.92 N/A	Volatility of underlying assets : Positive, Correlation : Positive
Securities measured at FVOCI	DCF		₩ 181,642 <u>4,424,727</u>	Discount rate, Growth rate	Discount rate: 9.58~15.1% Growth rate: 0~2%		Discount rate : Negative, Growth rate : Positive

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(In millions of won)

27. Financial instruments (continued)

(e) Valuation techniques and unobservable inputs in the market (continued)

(ii) Information about valuation technique and significant unobservable inputs used at December 31, 2020 and 2019 in the fair value measurement of financial instruments classified as level 3 are as follows:

Type of financial instrument	Valuation technique	Classification	December 31, 2020	Significant unobservable inputs	Range of volatility	Range of correlations	The effect of changes in unobservable inputs on fair value
<b>Liabilities</b>							
Derivative liabilities	Black-Scholes model, Hull-White model, Monte Carlo simulation	Stock Currency Interest Commodity Credit Derivative securities sold	₩ 21,367 71 31,941 2,037 27,853	The volatility of the underlying asset, correlations	0.19~0.61 0.07~0.37 0.005~0.396 0.006~1.019 N/A	0.11~0.82 -0.03~-0.03 0.83~0.85 -0.43~0.92 N/A	Volatility of underlying assets : Positive, Correlation : Positive
Financial liabilities designated at FVTPL	Black-Scholes model		8,141,504	The volatility of the underlying asset, correlations	0.005~1.273	-0.43~0.92	Volatility of underlying assets : Positive, Correlation : Positive
			₩ 8,224,773				

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For the years ended December 31, 2020 and 2019

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27. Financial instruments (continued)

(e) Valuation techniques and unobservable inputs in the market (continued)

(ii) Information about valuation technique and significant unobservable inputs used at December 31, 2020 and 2019 in the fair value measurement of financial instruments classified as level 3 are as follows:

Type of financial instrument	Valuation technique	Classification	December 31, 2019	Significant unobservable inputs	Range of volatility	Range of correlations	The effect of changes in unobservable inputs on fair value
<b>Assets</b>							
Trading assets measured at FVTPL	DCF	Debt securities, loans	₩ 460,611	Interest rate, credit spread, etc.	0~0.3	N/A	Volatility of underlying assets : Positive
	Net asset method, Binomial Model, DCF, Black-Scholes model	Equity securities, others	3,687,732	Price of underlying asset, The volatility of underlying asset, Discount rate, Growth rate, etc.	0.01~0.43	0.05~0.88	Volatility of underlying assets : Positive, Correlation : Positive
Derivative assets	Black-Scholes model, Hull-White model, Monte Carlo simulation	Stock, Currency, Interest, Commodity, Credit	140,658 778 26,594 9,271 279,561		0.13~0.56 0.07~0.25 0.01~0.01 0.01~0.39 N/A	0.05~0.82 -0.42~-0.32 0.57~0.88 0.2~0.93 N/A	Volatility of underlying assets : Positive, Correlation : Positive
Securities measured at FVOCI	DCF		₩ 163,661 <u>4,768,866</u>	Discount rate, Growth rate	Discount rate: 9.4~12.6% Growth rate: 0~2%		Discount rate : Negative, Growth rate : Positive

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27. Financial instruments (continued)

(e) Valuation techniques and unobservable inputs in the market (continued)

(ii) Information about valuation technique and significant unobservable inputs used at December 31, 2020 and 2019 in the fair value measurement of financial instruments classified as level 3 are as follows:

Type of financial instrument	Valuation technique	Classification	December 31, 2019	Significant unobservable inputs	Range of volatility	Range of correlations	The effect of changes in unobservable inputs on fair value
Liabilities Derivative liabilities	Black-Scholes model,	Stock	₩ 27,271		0.08~1.4	0.05~-0.78	Volatility of underlying assets : Positive, Correlation : Positive
	Hull-White model,	Interest Commodity	22,321	The volatility of the underlying asset, correlations	0~-0.55	0.76~-0.88	
	Monte Carlo simulation		27,728		0~-1.09	-0.46~-0.93	
Financial liabilities designated at FVTPL		Credit Derivative securities sold	37,660		N/A	N/A	Volatility of underlying assets : Positive, Correlation : Positive
	Black-Scholes model			The volatility of the underlying asset, correlations	0~-1.4	-0.46~-0.93	
			₩ 8,511,488				
			₩ 8,626,468				

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

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**27. Financial instruments (continued)**

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

Sensitivity analysis of financial instruments is performed to measure favorable and unfavorable changes in the fair value of financial instruments which are affected by the unobservable parameters, using a statistical technique. When the fair value is affected by more than two input parameters, the most favorable or most unfavorable amounts are presented.

The results of the sensitivity analysis for the effect on profit or loss, or on comprehensive income, from changes in inputs for each financial instrument for the years ended December 31, 2020 and 2019, are as follows:

	<b>December 31, 2020</b>	
	<b>Favorable changes</b>	<b>Unfavorable changes</b>
Financial assets at fair value through profit or loss (*1)		
Financial assets measured at FVTPL	₩ 28,731	(27,054)
Derivative assets	22,839	(21,347)
Securities measured at FVOCI (*2)	12,121	(8,215)
	<u>₩ 63,691</u>	<u>(56,616)</u>
Financial liabilities at fair value through profit or loss (*1)		
Financial liabilities designated at FVTPL	₩ 72,042	(71,690)
Derivative liabilities	14,060	(13,127)
	<u>₩ 86,102</u>	<u>(84,817)</u>

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

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

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

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

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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27. Financial instruments (continued)

(g) Offsetting financial assets and financial liabilities

Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2020 and 2019 are as follows:

	December 31, 2020				
	Gross amounts of recognized financial assets/liabilities	Gross amounts of recognized financial instruments set off in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Related amounts not set off in the statement of financial position	Net amount
<b>Assets</b>					
Derivatives, etc. (*1)	₩ 770,184	-	770,184	(226,658)	296,196
Bonds purchased under repurchase agreements (*3)	10,592,496	-	10,592,496	(10,228,904)	363,592
Securities loaned (*3)	99,670	-	99,670	(99,670)	-
Domestic exchange settlement debit (*1)	116,477	-	116,477	(116,290)	186
Other financial instruments (*4)	13,171,077	(6,502,695)	6,668,382	(74,685)	6,593,697
	₩ 24,749,903	(6,502,695)	18,247,208	(247,330)	7,253,671
<b>Liabilities</b>					
Derivatives, etc. (*1),(*2)	₩ 8,957,696	-	8,957,696	(1,374,722)	7,581,974
Bonds purchased under repurchase agreements (*3)	10,123,502	-	10,123,502	(10,123,502)	-
Securities borrowed (*3)	897,129	-	897,129	(897,129)	-
Domestic exchange settlement pending (*1)	74,618	-	74,618	(74,471)	147
Other financial instruments (*4)	13,236,852	(6,502,695)	6,734,157	(116,504)	6,617,653
	₩ 33,289,797	(6,502,695)	26,787,102	(12,586,328)	14,199,774

(\*1) Some of the Group's OTC derivatives are traded under the International Swaps and Derivatives Association (ISDA) contract. Under the agreement, any derivative transaction with the counterparty will be terminated in the event of a credit event, such as the other party's bankruptcy. At the time of termination, the parties to the transaction will pay the amount offsetting to be paid or payable for each transaction.

(\*2) The total amount of financial liabilities recognized as of December 31, 2020 included ₩ 8,455,724 million in other derivative securities. In the course of the transaction, the Group provides collateral for some transactions, and the ₩ 1,087,349 million financial instruments provided as collateral are included in non-offset financial instruments. Of the total amount of financial liabilities recognized on December 31, 2020, the transaction amount with the offset contract is ₩ 693,017 million.

(\*3) Trade transactions under repurchase agreements and securities are also subject to similar agreements to ISDA contracts.

(\*4) It is presented in net amount at statement of financial because of holding the right of legal offsetting as an account that handles bonds and liabilities arising from transactions with customers and exchanges and paying in net.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(In millions of won)

27. Financial instruments (continued)

(g) Offsetting financial assets and financial liabilities (continued)

Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2020 and 2019 are as follows (continued):

	December 31, 2019					
	Gross amounts of recognized financial assets/liabilities	Gross amounts of recognized financial instruments set off in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net amount
				Financial instruments	Cash collateral received	
<b>Assets</b>						
Derivatives, etc.	₩ 500,521	-	500,521	(149,540)	(251,675)	99,306
Bonds purchased under repurchase agreements	9,476,157	-	9,476,157	(8,846,731)	-	629,426
Securities loaned	30,242	-	30,242	(30,242)	-	-
Domestic exchange settlement debit	526,799	-	526,799	(526,653)	-	146
Other financial instruments	1,320,704	(1,319,365)	1,339	-	-	1,339
	₩ 11,854,423	(1,319,365)	10,535,058	(9,553,166)	(251,675)	730,217
<b>Liabilities</b>						
Derivatives, etc.	₩ 10,832,115	-	10,832,115	(565,709)	(1,000)	10,265,406
Bonds purchased under repurchase agreements	8,621,147	-	8,621,147	(8,621,147)	-	-
Securities borrowed	1,095,294	-	1,095,294	(1,095,294)	-	-
Domestic exchange settlement pending	526,685	-	526,685	(526,653)	-	32
Other financial instruments	1,375,977	(1,319,365)	56,612	-	-	56,612
	₩ 22,451,218	(1,319,365)	21,131,853	(10,808,803)	(1,000)	10,322,050

(\*1) Some of the Group's OTC derivatives are traded under the International Swaps and Derivatives Association (ISDA) contract. Under the agreement, any derivative transaction with the counterparty will be terminated in the event of a credit event, such as the other party's bankruptcy. At the time of termination, the parties to the transaction will pay the amount offsetting to be paid or payable for each transaction.

(\*2) The total amount of financial liabilities recognized as of December 31, 2019 included ₩ 9,409,456 million in other derivative securities. In the course of the transaction, the Group provides collateral for some transactions, and the ₩ 122,129 million financial instruments provided as collateral are included in non-offset financial instruments.

(\*3) Trade transactions under repurchase agreements and securities are also subject to similar agreements to ISDA contracts.

(\*4) It is presented in net amount at statement of financial because of holding the right of legal offsetting as an account that handles bonds and liabilities arising from shares traded on the market.

## SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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#### 28. Financial risk management

##### (a) General information of risk management

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

##### (b) Risk management principles

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

- All businesses should be undertaken in consideration of the balance between risk and profit within a predetermined risk tolerance level.
- The risk management departments should present risk-related guidelines, supervise compliance, and have responsibility and authority for monitoring at the group level.
- A risk-related decision-making system is operated to enhance management's involvement.- continuously assessing risk preference;
- Organizing and operating a risk management organization independent of the business.
- Performance management system is operated to clearly consider risks when making business decisions.- balancing profitability and risk management through risk-adjusted profit management
- It aims for preemptive and practical risk management functions.
- Sharing a cautious view to prepare for the possibility of deterioration in normal situations.

##### (c) Risk management organization

###### *(i) Risk Management Committee*

As the top decision-making body for risk management, it establishes risk management policies under the commission of the board of directors and monitors compliance with them. Furthermore, it reviews the risk appetite that the Group can bear and sets risk limits by category and type. It consists of three outside directors.

###### *(ii) Risk Management Operating Committee*

It is a decision-making body in charge of practical tasks for risk management, commissioned by the Risk Management Committee. It determines the transaction and loss limit by products and department within the limits for each business sector set by the Risk Management Committee. It also reviews detailed operation plans for system reconstruction and improvement such as the risk management operation matters set by the committee, and sets the entity's crisis situation handling plan and crisis stage. Among all executives excluding the Group's Chief Executive Officer, it consists of a risk management officer, a finance officer, an agenda initiative officer, and an executive in charge of major business divisions.

###### *(iii) Investment Review Committee*

It is a decision-making body in charge of practical tasks on investment and credit transactions. It is commissioned by the Risk Management Committee to approve the acquisition of stock and bond-related products, initial public offering, contract for over the counter stock registration, investment with equity capital, loan transactions, liquidity and credit grant. Among all executives excluding the Group's Chief Executive Officer, it consists of a risk management officer, a finance officer, an agenda initiative officer, and an executive in charge of major business divisions.



## SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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#### **28. Financial risk management (continued)**

(c) Risk management organization (continued)

*(iv) Investment Review Subcommittee*

It is a decision-making body related to acquisition for the efficient performance of the Investment Review Committee. It reviews the acquisition of domestic and foreign convertible bonds, exchange bonds, bonds with underwriting rights and foreign financial products under the commission of the Investment Review Committee. It consists of the head of the audit department, risk management department, finance department, strategic planning department, legal department, agenda initiative department and major business department.

*(v) Risk Management Operating Team*

The Risk Management Headquarter consists of Risk Management Department, Risk Engineering Department, Audit Department and Supervision Department. In order to manage the Group's overall risk, it is in charge of recognition, evaluation and control of the overall risk independently from the general business departments.

(d) Risk management system

*(i) Management of the risk capital*

Risk capital refers to the capital required to compensate for the potential loss (risk) if it is actually realized. Risk capital management refers to the management of the risk assets considering its risk appetite, which is a datum point on the level of risk burden compared to available capital, so as to maintain the risk capital at an appropriate level.

The Group establishes and operates a risk planning process to reflect the risk plan in advance when establishing financial and business plans for risk capital management, and establishes a risk limit management system to control risk to an appropriate level.

*(ii) Risk Monitoring*

The Group has established a multi-dimensional risk monitoring system in order to proactively manage risks by periodically identifying risk factors that can affect the group's business environment. The Group prepares weekly, monthly and occasional monitoring reports to report to Group management including the CRO.

*(iii) Risk Reviewing*

When conducting new product, new business and major policy changes, risk factors are reviewed by using a pre-defined checklist to prevent indiscriminate promotion of business that is not easy to judge risk and to support rational decision making. The risk management department conducts a preliminary review and post-monitoring process on products, services, and project to be pursued in the business division. In case of matters that are linked or jointly promoted with other subsidiaries, the risk reviews are carried out after prior-consultation with the risk management department of the Group.

*(iv) Risk management*

The Group maintains a group wide risk management system to detect the signals of any risk crisis pre-emptively and, in the event of a crisis actually happening, to respond on a timely, efficient and flexible basis so as to ensure the Group's survival as a going concern. The Group maintains crisis planning into 'alert', 'imminent crisis' and 'crisis' determination of which is made based on quantitative and qualitative monitoring and consequence analysis, and upon the happening of any such contingency, is required to respond according to a prescribed contingency plan.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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

(e) Credit risk

(i) Maximum exposure to credit risk

The Group is exposed to a certain level of credit risk, which means a potential risk of loss that may arise from the counterparty's deterioration in business condition, credit decline or default. Credit risk is classified as a risk that requires significant management for the Group's operating activities, and thus, management carefully manages the credit risk exposure. Credit risk exposure refers to the total exposure of credit risk from off-balance sheet transactions of loans, securities as well as derivatives in a comparable manner. Credit exposure mainly arises from due from banks and the lending process related to loans and investing activities in debt securities and off-balance sheet items in financial statements including purchase agreements and thereon. Credit risk is managed by the risk management department within the Group, and it is regularly reported to the management and risk management committee.

Details of the Group's maximum exposure to credit risk without taking account of any collateral held or other credit enhancements as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<On-balance sheet accounts>		
Deposits and loans measured at amortized cost (*1) ₩	8,155,401	7,202,186
Bank	2,244,107	2,115,063
Retail	1,507,272	846,766
- residential mortgage loan	9,014	9,722
- others	1,498,258	837,044
Government	1,967	584
Corporate	4,402,054	4,239,773
- major entity	1,715,102	858,409
- small entity	1,662,220	1,595,919
- special finance	1,024,731	1,737,353
- others	-	48,092
Loans measured at FVTPL	1,107,651	1,217,303
Corporate	1,107,651	1,217,303
- small entity	635,619	549,407
- special finance	472,032	667,896
Debt securities measured at FVTPL	24,126,886	21,535,837
Debt securities measured at FVOCI	2,454,638	2,526,670
Derivative assets	895,519	677,653
Other financial assets	7,543,958	2,353,607
	<u>44,284,053</u>	<u>35,513,256</u>
<Off-balance sheet accounts>		
Payment agreements and purchase agreements	122,618	361,227
Other acquisition agreement	262,875	242,820
	<u>385,493</u>	<u>604,047</u>
₩	<u>44,669,546</u>	<u>36,117,303</u>

(\*1) Due from banks is the amount excluding cash among Cash and due from banks measured at amortized cost..

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

(e) Credit risk (continued)

(ii) Details of financial assets at credit risk of impairment as of December 31, 2020 and 2019 are as follows:

	December 31, 2020							Mitigation of credit risk due to collateral		
	12-month expected credit loss			Lifetime expected credit loss			Net			
	Grade 1	Grade 2	Grade 1	Grade 2	Grade 1	Grade 2		Impaired	Total	Allowances
Due from banks and loans at amortized cost:										
Banks	₩ 2,244,107	-	-	-	-	-	-	2,244,107	-	2,244,107
Retail	1,507,142	132	-	216	73	-	-	1,507,563	(291)	1,507,272
- residential mortgage loan	9,016	-	-	-	-	-	-	9,016	(2)	9,014
- others	1,498,126	132	-	216	73	-	-	1,498,547	(289)	1,498,258
Government Corporations	1,967	-	-	-	-	-	-	1,967	-	1,967
- major entity	2,739,397	1,388,423	99,336	134,707	168,923	-	-	4,530,786	(128,732)	4,402,054
- small entity	1,542,731	180,019	-	-	1,869	-	-	1,724,619	(9,517)	1,715,102
- special finance	499,485	1,067,667	14,759	109,453	57,554	-	-	1,748,918	(86,697)	1,662,221
Debt securities at FVOCI	697,181	140,737	84,578	25,254	109,499	-	-	1,057,249	(32,518)	1,024,731
Other financial assets	6,492,614	1,388,554	99,336	134,923	168,996	-	-	8,284,423	(129,022)	8,155,401
	2,049,116	405,523	-	-	-	-	-	2,454,639	-	2,454,639
	7,305,582	-	-	257,714	-	-	-	7,563,296	(19,338)	7,543,958
	₩ 15,847,312	1,794,077	99,336	392,637	168,996	-	-	18,302,358	(148,360)	18,153,998

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

(e) Credit risk (continued)

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(ii) Details of financial assets at credit risk of impairment as of December 31, 2020 and 2019 are as follows (continued):

	December 31, 2019							Mitigation of credit risk due to collateral			
	12-month expected credit loss			Lifetime expected credit loss			Net				
	Grade 1	Grade 2	Grade 1	Grade 2	Grade 1	Grade 2		Impaired	Total	Allowances	Net
Due from banks and loans at amortized cost:											
Banks	₩ 2,115,063	-	-	-	-	-	-	2,115,063	-	2,115,063	-
Retail	846,756	-	-	14	14	128	128	846,898	(132)	846,766	700,923
- residential mortgage loan	9,724	-	-	-	-	-	-	9,724	(2)	9,722	646
- others	837,032	-	-	14	14	128	128	837,174	(130)	837,044	700,277
Government Corporations	584	-	-	-	-	-	-	584	-	584	-
- major entity	2,660,499	1,484,692	69,608	46,293	2,369	2,369	2,369	4,263,462	(23,689)	4,239,773	2,927,796
- small entity	763,820	70,730	24,418	-	1,869	1,869	1,869	860,838	(2,429)	858,409	210,521
- special finance	487,339	1,108,596	12,242	1,202	-	-	-	1,609,378	(13,459)	1,595,919	963,549
- others	1,409,340	257,274	32,948	45,091	500	500	500	1,745,153	(7,801)	1,737,352	1,729,680
	-	48,092	-	-	-	-	-	48,092	-	48,092	24,046
Debt securities at FVOCI	5,622,902	1,484,692	69,608	46,307	2,497	2,497	2,497	7,226,006	(23,821)	7,202,186	3,628,719
Other financial assets	2,116,466	410,204	-	-	-	-	-	2,526,670	-	2,526,670	-
	2,177,693	-	168,202	8,189	13,849	13,849	13,849	2,367,933	(14,326)	2,353,607	-
₩	9,917,061	1,894,896	237,810	54,496	16,346	16,346	16,346	12,120,610	(38,147)	12,082,463	3,628,719

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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

(e) Credit risk (continued)

(iii) Information on impairment due to credit risk of off-balance sheet accounts.

Details of information on impairment of credit risk from payment guarantees, purchase agreements and loan commitment as of December 31, 2020 and 2019 are as follows:

		December 31, 2020			
		Payment agreements and purchase agreements		Loan commitments	
		Credit risk exposure to 12 months expected credit loss	Provision for 12 months expected credit loss	Credit risk exposure to 12 months expected credit loss	Provision for 12 months expected credit loss
Grade 1 (*)	₩	111,425	5,100	122,070	14,873
Grade 2 (*)		6,093	-	101,316	24,616
Total	₩	117,518	5,100	223,386	39,489

		December 31, 2019			
		Guarantee and purchase agreements		Loan commitments	
		Credit risk exposure to 12 months expected credit loss	Provision for 12 months expected credit loss	Credit risk exposure to 12 months expected credit loss	Provision for 12 months expected credit loss
Grade 1 (*)	₩	226,413	-	-	-
Grade 2 (*)		134,814	-	242,820	-
Total	₩	361,227	-	242,820	-

(\*) The distinction between prime and normal grades is as follows:

Category	Banks and Corporations
Grade 1 : Prime	Internal credit rating of BBB+ or above
Grade 2 : Normal	Internal credit rating of below BBB+

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

(e) Credit risk (continued)

(iv) Concentration by location

The Group sets and manages exposure limits by location to prevent the credit risk arising from the concentration of the credit risk exposure in specific sectors. Foreign country's exposure mostly exists in banks and corporate clients.

Details of concentration by location of due from banks, loans and debt securities as of December 31, 2020 and 2019 are as follows:

	December 31, 2020				
	Korea	U.S.A	U.K.	Other	Total
Deposits and loans measured at amortized cost	₩ 6,760,244	229,044	380,701	785,412	8,155,401
Banks	1,602,438	150,967	48,867	441,835	2,244,107
Retail	1,507,272	-	-	-	1,507,272
- residential mortgage loan	9,014	-	-	-	9,014
- others	1,498,258	-	-	-	1,498,258
Government	1,967	-	-	-	1,967
Corporations	3,648,567	78,077	331,834	343,577	4,402,055
- major entity	1,308,981	6,484	243,814	155,824	1,715,103
- small entity	1,575,184	22	-	87,015	1,662,221
- special finance	764,402	71,572	88,018	100,739	1,024,731
Loans measured at FVTPL	217,546	466,812	-	423,294	1,107,651
Corporations	217,546	466,812	-	423,294	1,107,651
- small entity	178,905	177,755	-	278,959	635,619
- special finance	38,641	289,056	-	144,335	472,032
Debt securities at FVTPL	22,908,585	761,002	5,113	452,185	24,126,886
Debt securities at FVOCI	2,425,115	5,750	-	23,773	2,454,638
	₩ 32,311,490	1,462,608	385,814	1,684,664	35,844,576

	December 31, 2019				
	Korea	U.S.A	U.K.	Other	Total
Deposits and loans measured at amortized cost	₩ 6,717,345	73,516	179,384	231,941	7,202,186
Banks	1,906,435	66,035	34,509	108,084	2,115,063
Retail	846,766	-	-	-	846,766
- residential mortgage loan	9,722	-	-	-	9,722
- others	837,044	-	-	-	837,044
Government	584	-	-	-	584
Corporations	3,963,560	7,481	144,875	123,857	4,239,773
- major entity	621,840	7,458	144,875	84,236	858,409
- small entity	1,595,635	23	-	261	1,595,919
- special finance	1,697,993	-	-	39,360	1,737,353
- others	48,092	-	-	-	48,092
Loans measured at FVTPL	1,217,303	-	-	-	1,217,303
Corporations	1,217,303	-	-	-	1,217,303
- small entity	549,407	-	-	-	549,407
- special finance	667,896	-	-	-	667,896
Debt securities at FVTPL	21,014,764	304,884	831	215,358	21,535,837
Debt securities at FVOCI	2,509,333	11,489	-	5,848	2,526,670
	₩ 31,458,745	389,889	180,215	453,147	32,481,996

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

(e) Credit risk (continued)

(v) *Concentration by industry sector*

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

Details of concentration by industry sector of due from banks, loans and debt securities as of December 31, 2020 and 2019 are as follows:

	December 31, 2020							
	Finance and insurance	Manu- facturing	Retail and wholesale	Real estate and service	Construction	Others	Retail customers	Total
Deposits and loans measured at amortized cost	₩ 4,923,437	230,171	84,420	444,896	53,573	911,633	1,507,271	8,155,401
Banks	2,244,106	-	-	-	-	-	-	2,244,107
Retail	-	-	-	-	-	-	1,507,271	1,507,272
- residential mortgage loan	-	-	-	-	-	-	9,014	9,014
- others	-	-	-	-	-	-	1,498,258	1,498,258
Government	1,014	-	-	-	-	955	-	1,967
Corporations	2,678,317	230,171	84,420	444,896	53,573	910,678	-	4,402,055
- major entity	1,284,546	105,539	41,124	106,383	18,000	159,510	-	1,715,102
- small entity	781,971	52,779	43,295	127,390	35,573	621,213	-	1,662,221
- special finance	611,801	71,852	-	211,123	-	129,954	-	1,024,732
Loans measured at FVTPL	1,077,368	-	-	10,000	-	20,282	-	1,107,651
Corporations	1,077,368	-	-	10,000	-	20,282	-	1,107,651
- small entity	625,619	-	-	10,000	-	-	-	635,619
- special finance	451,749	-	-	-	-	20,282	-	472,032
Debt securities at FVTPL	15,628,099	1,223,055	204,384	94,436	73,408	6,903,504	-	24,126,886
Debt securities at FVOCI	1,501,811	202,435	80,380	27,202	10,398	632,412	-	2,454,638
	₩ 23,130,715	1,655,661	369,184	576,534	137,379	8,467,831	1,507,271	35,844,576

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

(e) Credit risk (continued)

(v) Concentration by industry sector (continued)

	December 31, 2019							
	Finance and insurance	Manu- facturing	Retail and wholesale	Real estate and service	Construction	Others	Retail customers	Total
Deposits and loans measured at amortized cost	₩ 4,340,968	440,796	73,437	367,025	37,089	1,096,105	846,766	7,202,186
Banks	2,115,063	-	-	-	-	-	-	2,115,063
Retail	-	-	-	-	-	-	846,766	846,766
- residential mortgage loan	-	-	-	-	-	-	9,722	9,722
- others	-	-	-	-	-	-	837,044	837,044
Government	584	-	-	-	-	-	-	584
Corporations	2,225,321	440,796	73,437	367,025	37,089	1,096,105	-	4,239,773
- major entity	524,328	284,427	28,022	-	-	21,632	-	858,409
- small entity	664,073	94,285	19,919	-	3,816	813,826	-	1,595,919
- special finance	988,828	62,084	25,496	367,025	33,273	260,647	-	1,737,353
- others	48,092	-	-	-	-	-	-	48,092
Loans measured at FVTPL	1,159,413	-	-	-	-	57,890	-	1,217,303
Corporations	1,159,413	-	-	-	-	57,890	-	1,217,303
- small entity	549,407	-	-	-	-	-	-	549,407
- special finance	610,006	-	-	-	-	57,890	-	667,896
Debt securities at FVTPL	14,321,491	996,194	251,194	115,954	66,359	5,784,645	-	21,535,837
Securities at FVOCI	1,906,509	111,120	60,387	-	-	448,654	-	2,526,670
	₩ 21,728,381	1,548,110	385,018	482,979	103,448	7,387,294	846,766	32,481,996



# SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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### 28. Financial risk management (continued)

(f) Market risk

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

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

The group manages market risk exposure to marketable assets. The market risk exposure is calculated, managed, and reported daily by various criteria such as standard method risk amount and Value at Risk (VaR).

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

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

Value at risk (VaR) measurement is a method of estimating the potential loss of pre-tax profits over a given period of time under a specified confidence level. Value at risk (VaR) is an approach based on probability that reflects market conditions as well as risk variance by recognising position offsetting and correlation between goods and markets. Risk can be measured consistently in all markets and commodities, and risk measurements can be consolidated into a single risk figure.

Market risk is calculated in 10-day VaR using historical simulation models. Historical simulation models produce VaR through simulation based on historical changes in market variables without assuming a specific probability distribution. The group uses a 10-day return on the historical one-year time series of the asset risk factor held and uses 99.9% confidence level of the portfolio's one-year time series distribution. The Value at Risk (VaR) under 99.9% confidence level used by the Group assumes that there is a 99.9% chance that the daily loss will not exceed the reported VaR.

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

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

An analysis of trading positions VaR as of and for the years ended December 31, 2020 and 2019 are as follows:

		<b>December 31, 2020</b>			<b>December 31, 2020</b>
		<b>Average</b>	<b>Maximum</b>	<b>Minimum</b>	
Interest rate	₩	20,512	30,903	12,076	23,551
Equities		26,136	51,509	2,412	36,573
Foreign exchange		12,477	46,970	632	15,557
Option volatility		43,324	162,008	2,894	57,924
Portfolio diversification					(38,397)
	₩	<u>75,226</u>	<u>187,985</u>	<u>18,648</u>	<u>95,207</u>

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

(f) Market risk (continued)

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

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

(ii) Non-trading position VaR

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

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

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

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

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

Interest rate VaR and EaR of non-trading positions as of December 31, 2020 and 2019 are as follows:

		December 31, 2020	December 31, 2019
Interest rate VaR	₩	20,998	59,430
Interest rate EaR		98,802	124,619

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

(f) Market risk (continued)

(iii) Foreign exchange risk

Foreign exchange risk refers to the risk of loss that may arise from fluctuations in the fair value or future cash flow of foreign exchange risk exposure due to exchange rate fluctuations. Foreign exchange risk exposure can be understood as the difference between foreign currency denominated assets and liabilities (net position), and derivative financial instruments with exchange rate as underlying asset. Foreign exchange risk is a factor that causes market risk of the trading position and is managed by the Group under the market risk management system. Foreign exchange risk arises when a forward-looking transaction and recognized assets and liabilities are presented in a currency other than the functional currency.

The Group's net foreign exchange position is managed to maintain within a certain level of equity as of the end of the previous month, the direct management standard defined by the supervisory authorities.

The position of the management department exposed to foreign exchange risks is checked and managed daily by the Risk Management Committee, which is entrusted with the decision-making of transactions and limit approval.

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

Exposures to foreign exchange risk of foreign currency denominated assets and liabilities as of December 31, 2020 and 2019 are as follows:

	December 31, 2020				
	USD	JPY	EUR	Other	Total
<b>Assets</b>					
Cash and due from banks measured at amortized cost	₩ 1,356,036	60,211	180,475	355,478	1,952,200
Financial assets measured at FVTPL	3,333,145	41,334	197,186	98,968	3,670,633
Financial assets measured at FVOCI	56,154	-	-	-	56,154
Loans measured at amortized cost	239,423	-	-	18,900	258,323
Other financial assets	360,509	-	37,471	15,801	413,781
	<u>5,345,267</u>	<u>101,545</u>	<u>415,132</u>	<u>489,147</u>	<u>6,351,091</u>
<b>Liabilities</b>					
Deposits	740,293	11,601	9,612	47,047	808,553
Financial liabilities measured at FVTPL	1,395,821	10,255	26,267	104,424	1,536,767
Borrowings	2,049,450	-	-	25,641	2,075,092
Other financial liabilities	592,631	-	-	9,981	602,612
	<u>4,778,195</u>	<u>21,856</u>	<u>35,879</u>	<u>187,094</u>	<u>5,023,024</u>
Net assets	567,073	79,689	379,253	302,053	1,328,068
Off-balance sheet derivative exposure	(735,497)	(76,211)	(201,314)	(161,032)	(1,174,054)
Net position	₩ (168,424)	3,478	177,940	141,021	154,015

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

(f) Market risk (continued)

(iii) Foreign exchange risk (continued)

		December 31, 2019				
		USD	JPY	EUR	Other	Total
<b>Assets</b>						
Cash and due from banks measured at amortized cost	₩	606,333	42,034	61,418	139,016	848,801
Financial assets measured at FVTPL		3,321,883	17,199	130,051	68,069	3,537,202
Financial assets measured at FVOCI		50,286	-	-	-	50,286
Loans measured at amortized cost		133,459	-	-	-	133,459
Other financial assets		425,200	-	-	17,318	442,518
	₩	<u>4,537,161</u>	<u>59,233</u>	<u>191,469</u>	<u>224,403</u>	<u>5,012,266</u>
<b>Liabilities</b>						
Deposits	₩	367,201	8,648	26,633	26,311	428,793
Financial liabilities measured at FVTPL		1,608,939	5,892	8,368	16,265	1,639,464
Borrowings		929,738	-	-	-	929,738
Other financial liabilities		560,079	-	-	10,996	571,075
		<u>3,465,957</u>	<u>14,540</u>	<u>35,001</u>	<u>53,572</u>	<u>3,569,070</u>
Net assets		1,071,204	44,693	156,468	170,831	1,443,196
Off-balance sheet derivative exposure		(3,171,984)	(142,764)	(204,070)	(111,697)	(3,630,515)
Net position	₩	<u>(2,100,780)</u>	<u>(98,071)</u>	<u>(47,602)</u>	<u>59,134</u>	<u>(2,187,319)</u>

The above table summarizes the Group's exposure to foreign currency translation risk as of December 31, 2020 and 2019. Among the items included in the table, the on-balance sheet account is the carrying amount of the financial instruments of the group classified as foreign currency, and the off-balance sheet account is the contracted amount.

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

(g) Liquidity risk

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

By predicting early liquidity fluctuations related to funding and management and securing an appropriate level of liquidity through systematic management, the Group aims to minimize the risk of underfunding and secure stable returns.

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

- maintain risk to an appropriate level through limit (or ratio) management:
- financing and operation of funds are appropriately distributed by period and product so that they are not concentrated at the same time:
- manage not only the expected demand for funds by currency but also the unexpected demand for funds:
- establish an emergency plan to take measures in the event of a liquidity crisis:
- minimize losses due to mismatch in funding dates of asset and liabilities and secure stable returns:
- diversification of funding methods and distributed management of financing sources.

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

(g) Liquidity risk (continued)

(i) *Maturities for financial instruments*

The maturities of financial instruments as of December 31, 2020 and 2019 are as follows:

		December 31, 2020						
		Less than 1 month	1~3 months	3~6 months	6 months ~ 1 year	1~5 years	More than 5 years	Total
Financial assets:								
Cash and due from bank								
measured at								
amortized cost	₩	2,700,652	59,169	11,246	640,774	3,232	8,190	3,423,263
Loans measured at								
FVTPL		900	8,648	37,205	65,467	168,490	880,096	1,160,807
Securities measured at								
FVTPL		21,443,580	87,021	273,244	498,753	2,106,325	367,481	24,776,404
Derivative assets		895,519	-	-	-	-	-	895,519
Securities measured at								
FVOCI		2,463,739	-	-	-	-	181,642	2,645,380
Loans measured at								
amortized cost		306,425	1,060,445	1,806,320	503,060	1,291,379	97,408	5,065,038
Other financial assets								
(*1)		7,472,158	4,491	14,243	25,387	50,691	2,768	7,569,738
		<u>35,282,973</u>	<u>1,219,774</u>	<u>2,142,258</u>	<u>1,733,441</u>	<u>3,620,117</u>	<u>1,537,586</u>	<u>45,536,150</u>
Financial liabilities:								
Deposits								
		3,751,625	-	-	-	-	-	3,751,625
Financial liabilities								
measured at FVTPL		899,534	-	-	-	-	-	899,534
Financial								
liabilities designated								
at FVTPL		596,676	221,857	336,784	1,277,803	5,043,549	979,057	8,455,726
Derivative liabilities		663,430	-	-	-	-	-	663,430
Borrowings		6,625,677	1,186,763	711,683	1,232,663	5,770,431	1,193,665	16,720,883
Debt securities issued		2,013,541	204,009	6,115	12,229	863,255	-	3,099,150
Other financial								
liabilities		8,359,841	11,539	5,127	10,943	24,173	24	8,411,645
		<u>22,910,325</u>	<u>1,624,168</u>	<u>1,059,708</u>	<u>2,533,638</u>	<u>11,701,408</u>	<u>2,172,745</u>	<u>42,001,993</u>
Net position	₩	<u>12,372,648</u>	<u>(404,394)</u>	<u>1,082,550</u>	<u>(800,196)</u>	<u>(8,081,290)</u>	<u>(635,159)</u>	<u>3,534,157</u>

(\*1) Financial liabilities designated at FVTPL were classified according to contractual expected cash flows

The above period has been segmented based on management's judgment. The amounts presented include cash flows of principal and interest and are classified as the earliest due date when the Group's obligation to pay is based on undiscounted cash flows of financial assets and liabilities. Disposable securities at FVTPL and FVOCI are classified as the shortest or disposable earliest maturity date and the other securities at FVOCI are classified according to maturity. (See note 39 for details of the remaining period of the lease liabilities.)

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

(g) Liquidity risk (continued)

(i) *Maturities for financial instruments (continued)*

The maturities of financial instruments as of December 31, 2020 and 2019 are as follows:

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

(\*1) Financial liabilities designated at FVTPL were classified according to contractual cash flows

The above period has been segmented based on management's judgment. The amounts presented include principal and interest cash flows and are classified as the earliest due date for the Group's obligation to pay, based on the undiscounted cash flows of the financial assets and liabilities. Securities at FVTPL are classified as either the earliest or the earliest possible expiration date. Securities measured at FVOCI are classified based on their maturity.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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

(g) Liquidity risk (continued)

(ii) *Maturities for off balance sheet items*

The exposure to payment guarantees and purchase agreements, loan commitments and other acceptance agreements and derivative instruments that are likely to be exposed to liquidity risk are presented. The amounts of liquidity risk exposure for off-balance items under the standard have been classified as expiration within one month, which is the earliest period in which payment can be requested. The payment guarantee is the maximum amount that the financial institution is required to pay in the contract if the party claims the full amount of guarantee for the payment guarantee contract, and the purchase agreement is an asset purchase agreement related to asset securitization. Loan commitments and other acceptance agreements are non-executive loan commitments and for other equity instruments and debt instruments. The amount related to derivative instruments is the amounts of derivative instruments subject to hedge accounting, and the Group does not have derivatives that apply hedge accounting.

Maturities for off balance sheet items as of December 31, 2020 and 2019 are as follows:

		December 31, 2020						
		Less than 1 month	1~3 months	3~6 months	6 months ~ 1 year	1~5 years	More than 5 years	Total
Payment agreements and purchase agreements	₩	122,618	-	-	-	-	-	122,618
Loan commitments and other acceptance agreements		784,217	-	-	-	-	-	784,217
	₩	906,835	-	-	-	-	-	906,835

		December 31, 2019						
		Less than 1 month	1~3 months	3~6 months	6 months ~ 1 year	1~5 years	More than 5 years	Total
Payment agreements and purchase agreements	₩	361,227	-	-	-	-	-	361,227
Loan commitments and other acceptance agreements		1,098,774	-	-	-	-	-	1,098,774
	₩	1,460,001	-	-	-	-	-	1,460,001



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

(h) Capital management

The Group actively manages its capital in order to prevent the inherent risks of the business operated by the Group and to avoid incurring damage to the assets of investors, customers and stakeholders. A financial investment entity's capital adequacy management is based on the 'Net Capital Ratio' established by the Financial Supervisory Service, and the Group reports its 'Net Capital Ratio' at the end of each month to the Financial Supervisory Service.

(i) *Capital management*

The objective of capital management is to maintain a competitive credit rating for maximizing shareholder's value and support its going concern. In addition, capital management is actively carried out to satisfy externally imposed capital maintenance requirements.

The Group manages the capital structure and adjusts it by considering the risk concerning changes of market statuses and operating activities. The Group is able to maintain and adjust its capital structure by restricting dividend payable to the shareholders and increasing or reducing its capital stock.

Comparing to previous year, no policy or procedure have been changed as of the end of the current period for the purpose of the Group's capital management.

(ii) *Regulatory Capital Status*

Financial Supervisory Service imposes limitations on the Group's net capital ratio (NCR) to maintain at over 100%. Management improvement measures are being taken for financial investors whose net capital ratio is below a certain level. The Financial Supervisory Service's management improvement measures by net capital ratio are as follows:

- NCR between 50%~100%: recommending management improvement
- NCR between 0%~50%: demanding management improvement
- NCR less than 0%: ordering management improvement

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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**29. Operating Segments**

(a) General information of operating segments

Operating segments	General information
Retail /WM group	Providing services such as securities brokerage, investment advice, financial planning, asset management, credit offerings, sales of financial instruments, etc.
Wholesale group	Providing services such as securities brokerage, investment advice, asset management, investment loan, financial instrument sales, securities analysis, etc. to domestic and foreign corporate customers.
GIB group	IPO, M&A advice, bond issuance, capital increase, ABS issuance, CB and BW issuance, real estate and SOC project financing, etc.
GMS group	Stock management, derivative management, bond management, issuance and sale of derivative combined securities (ELS/DLS), equity investment, RP management, etc.
Other	Other businesses, supporting businesses, etc.

(b) Operating income and profit for the year for each operating segment for the years ended December 31, 2020 and 2019 are as follows:

	2020					
	Retail / WM	Wholesale	GIB	GMS	Other	Total
Net operating income						
Net fees and commission income	₩ 415,456	83,324	221,789	6,697	(156,217)	571,049
Net gain on financial instruments, net interest income, and others	100,318	24,182	39,190	331,376	(270,768)	224,297
General and administrative expenses	314,640	44,020	128,270	118,434	(13,013)	592,351
Profit before income taxes	201,134	63,486	132,709	219,639	(413,973)	202,995
Income tax expense (benefit)	55,312	17,458	36,495	60,401	(121,202)	48,464
Profit (loss) for the year	₩ 145,822	46,028	96,214	159,238	(292,771)	154,531

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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**29. Operating Segments**

(b) Operating income and profit for the year for each operating segment for the years ended December 31, 2020 and 2019 are as follows:

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

(c) The main assets for each operating segment as of December 31, 2020 and 2019 are as follows:

		December 31, 2020					Total
		Retail / WM	Wholesale	GIB	GMS	Other	
Cash and due from banks measured at amortized cost	₩	2,609	12,687	25,316	1,120,872	2,257,309	3,418,793
Financial assets measured at FVTPL		147	763,876	1,206,166	19,004,556	5,804,829	26,779,574
Financial assets measured at FVOCI		-	-	-	2,454,638	181,642	2,636,280
Investments in associates		-	-	525,974	258,365	-	784,339
Loans measured at amortized cost		2,359,270	-	1,784,928	434,357	159,572	4,738,127
	₩	2,362,026	776,563	3,542,384	23,272,788	8,403,352	38,357,113

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2020 and 2019

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**29. Operating Segments (continued)**

(c) The main assets for each operating segment as of December 31, 2020 and 2019 are as follows:

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

**30. Income tax expense and deferred tax**

(a) The components of income tax expense of the Group for the years ended December 31, 2020 and 2019 are as follows:

		2020	2019
Current income tax expense	₩	83,341	62,262
Changes in deferred tax arising from temporary differences		(30,517)	5,609
Deferred income tax adjustment charged or credited directly to equity		(4,360)	440
Income tax expense	₩	48,464	68,311

(b) The income tax expense calculated by applying statutory tax rates to the Group's taxable income differs from the actual tax expense in the consolidated statements of comprehensive income for the years ended December 31, 2020 and 2019 for the following reasons:

		2020	2019
Profit before income taxes	₩	202,995	289,075
Tax rates		27.50%	27.50%
Income taxes at statutory tax rates		55,824	79,496
Adjustments:			
Non-taxable income		(486)	(523)
Non-deductible expense		401	1,349
Consolidated tax return adjustment		3,447	3,672
Income tax payments (refunds)		(929)	(6,128)
Effect of change in tax rate		(10,362)	(9,173)
Others		569	(382)
Income tax expense	₩	48,464	68,311
Effective tax rate		23.87%	23.63%

## SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

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**30. Income tax expense and deferred tax (continued)**

(c) Changes in deferred tax assets (liabilities) for the years ended December 31, 2020 and 2019 are as follows:

		<b>2020</b>			
		<b>Beginning balance</b>	<b>Profit or loss for the year</b>	<b>Other comprehensive income (capital adjustments)</b>	<b>Ending balance</b>
Stocks measured at FVTPL	₩	(82,903)	73,125	-	(9,778)
Bonds measured at FVTPL		(8,320)	32,379	-	24,059
Derivatives-linked securities		(1,416)	3,089	-	1,673
Derivatives-linked securities sold		(26,409)	(111,542)	-	(137,951)
Exchange traded derivatives		8,860	(24,554)	-	(15,694)
Over the counter derivatives		3,628	(91,287)	-	(87,659)
Other financial assets measured at FVTPL		-	(8)	-	(8)
Other financial liabilities measured at FVTPL		(10,050)	23,322	-	13,272
Financial assets measured at FVOCI		(32,855)	844	(6,221)	(38,232)
Investments in associates		66,819	44,271	3,619	114,709
Allowance for credit loss		245	5,260	-	5,505
Property and equipment and investment property		(35,410)	2,042	-	(33,368)
Intangible assets		(5,138)	(121)	-	(5,259)
Accrued income		(16,189)	(3,474)	-	(19,663)
Accounts payable and accrued expenses		17,763	1,365	(588)	18,540
Provisions		10,761	61,999	-	72,760
Day 1 profit or loss		71,361	37,397	-	108,758
Amortization of up-front fee		2,534	(1,951)	-	583
Net gain (loss) on foreign exchange translations		309	(25,482)	-	(25,173)
Credit risk of financial liabilities		3,130	-	(1,170)	1,960
Others		3,667	8,203	-	11,870
	₩	<u>(29,613)</u>	<u>34,877</u>	<u>(4,360)</u>	<u>904</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
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**30. Income tax expense and deferred tax (continued)**

(c) Changes in deferred tax assets (liabilities) for the years ended December 31, 2020 and 201 are as follows:

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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**30. Income tax expense and deferred tax (continued)**

(d) The aggregate current and deferred tax relating to items that are charged or credited directly to equity for the years ended December 31, 2020 and 2019, is as follows:

		<b>2020</b>				
		<b>Current period</b>	<b>Tax effect of the current period</b>	<b>Prior Period</b>	<b>Tax effect of the prior period</b>	<b>Change of tax effect</b>
Gain on financial asset measured at FVOCI	₩	171,451	(47,149)	148,887	(40,928)	(6,221)
Credit risk on financial liabilities		(7,133)	1,962	(11,386)	3,131	(1,170)
Share of the other comprehensive loss of associates		(352)	97	2	(1)	98
Foreign currency translation differences		(20,800)	4,146	(896)	624	3,522
Stock option (Capital adjustments)		2,726	(749)	587	(161)	(588)
	₩	<u>145,892</u>	<u>(41,693)</u>	<u>137,194</u>	<u>(37,335)</u>	<u>(4,359)</u>
		<b>2019</b>				
		<b>Current period</b>	<b>Tax effect of the current period</b>	<b>Prior Period</b>	<b>Tax effect of the prior period</b>	<b>Change of tax effect</b>
Gain on financial asset measured at FVOCI	₩	148,829	(40,928)	135,465	(37,253)	(3,675)
Credit risk on financial liabilities		(11,386)	3,131	235	(65)	3,196
Share of the other comprehensive loss of associates		2	(1)	2	(1)	-
Foreign currency translation differences		(896)	624	(4,158)	10	614
Stock option (Capital adjustments)		587	(161)	1,696	(466)	305
	₩	<u>137,136</u>	<u>(37,335)</u>	<u>133,240</u>	<u>(37,775)</u>	<u>440</u>

(e) The deductible temporary differences which were not recognized as deferred tax assets (liabilities) as of December 31, 2020 and 2019 are as follows:

	₩	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Investments in subsidiaries		1,515	10,247

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

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**30. Income tax expense and deferred tax (continued)**

(f) The Group set off a deferred tax asset against a deferred tax liability of the same taxable entity if, and only if, they related to income taxes levied by the same taxation authority and the entity has a legally enforceable right to set off current tax assets against current tax liabilities.

The current tax assets (liabilities) and deferred tax assets (liabilities) presented on a gross basis prior to any offsetting as of December 31, 2020 and 2019 are as follows:

		<u>December 31, 2020</u>	<u>December 31, 2019</u>
Deferred tax assets	₩	258,256	109,409
Deferred tax liabilities		(257,352)	(139,709)
Current tax assets		-	-
Current tax liabilities		46,796	4,523



SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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**31. Derivatives**

(a) Details of the outstanding contract amounts of derivatives as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Interest rates		
Over the counter:		
Interest rate swaps	₩ 6,917,543	5,449,493
Interest rate options	192,000	206,000
	<u>7,109,543</u>	<u>5,655,493</u>
Exchange traded:		
Interest rate futures	2,186,165	2,163,388
Interest rate swaps	32,138,500	24,538,200
	<u>34,324,665</u>	<u>26,701,588</u>
Foreign exchange		
Over the counter:		
Currency forwards	10,313,879	19,380,504
Currency swaps	2,552,866	2,774,670
Currency options	5,440	23,735
	<u>12,872,185</u>	<u>22,178,909</u>
Exchange traded:		
Currency futures	1,069,894	1,010,404
	<u>1,069,894</u>	<u>1,010,404</u>
Equity		
Over the counter:		
Equity swap	2,429,161	4,255,831
Equity options	239,473	111,403
	<u>2,668,634</u>	<u>4,367,234</u>
Exchange traded:		
Equity futures	1,583,114	861,293
Equity options	4,269,257	3,980,363
	<u>5,852,371</u>	<u>4,841,656</u>
Credit		
Over the counter:		
Credit swap	3,213,848	3,332,835
TRS Swap	1,322,779	2,071,422
	<u>4,536,627</u>	<u>5,404,257</u>
Commodity		
Over the counter:		
Commodity swaps	537,351	583,080
Exchange traded:		
Commodity futures	263,460	344,329
	<u>69,234,730</u>	<u>71,086,949</u>
	₩	

## SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

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**31. Derivatives (continued)**

(b) Details of the gain (loss) on valuation of derivatives for the years ended December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Interest rates		
Over the counter:		
Interest rate swaps	₩ (44,698)	(55,520)
Interest rate options	(249)	(2,237)
	<u>(44,947)</u>	<u>(57,757)</u>
Exchange traded:		
Interest rate futures	478	102
Foreign exchange		
Over the counter:		
Currency forwards	18,295	23,507
Currency swaps	(3,534)	2,215
Currency options	146	179
	<u>14,907</u>	<u>25,901</u>
Exchange traded:		
Currency futures	(96)	-
Equity		
Over the counter:		
Equity swap	(15,979)	46,770
Equity options	(2,316)	582
	<u>(18,295)</u>	<u>47,352</u>
Exchange traded:		
Equity futures	27,434	(2,099)
Equity options	196,334	58,368
	<u>223,768</u>	<u>56,269</u>
Credit		
Over the counter:		
Credit swap	2,200	1,480
TRS Swap	6,079	212,275
	<u>8,279</u>	<u>213,755</u>
Commodity		
Over the counter:		
Commodity swaps	(13,518)	(1,897)
Commodity options	-	29
	<u>(13,518)</u>	<u>(1,868)</u>
Exchange traded:		
Commodity futures	11,394	(7,759)
	<u>₩ 181,970</u>	<u>(275,995)</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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**32. Pledged Assets**

The details of pledged assets as collateral as of December 31, 2020 and 2019 are as follows:

		December 31, 2020							
		Pledged for							
ELS/DLS		Securities							
sold		Borrowing	Derivative	borrowed	RP	Lease	Other	Total	
Due from banks at amortized cost	₩	30,000	138,507	1,000	487,384	-	-	104,124	761,016
Financial assets measured at FVTPL		1,401,220	-	1,395,581	4,170,951	8,359,508	-	1,313	15,328,573
Financial assets measured at FVOCI		-	-	68,550	751,075	866,927	-	-	1,686,551
Investment property		-	156,000	-	-	-	123,634	16,800	296,434
	₩	<u>1,431,220</u>	<u>294,507</u>	<u>1,465,131</u>	<u>5,409,411</u>	<u>9,226,435</u>	<u>123,634</u>	<u>122,238</u>	<u>18,072,574</u>

  

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

The carrying amounts of asset pledged that the pledges have the right to repledge regardless of the Group's default as of December 31, 2020 and 2019 are ₩9,226,435 million ₩9,240,573 million, respectively.

**33. Share-based payments**

(a) Details of performance shares granted as of December 31, 2020 are as follows:

	Descriptions
Type	Equity-settled share-based payment transaction (granted before 2019) Cash-settled share-based payment transactions (granted after 2020)
Service period	Within 4 years from the beginning of fiscal year inclusive of grant date (within 5 years if classified as for deferred payment)
Performance conditions	Management index linkage (80.0%) and relative stock price linkage (20.0%)
Number of shares estimated at December 31, 2020	286,140 shares

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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

(b) Number of performance shares granted and fair value at grant date for equity-settled share-based payments as of December 31, 2020 are as follows

Grant date	Number of shares granted	Number of shares estimated(*1)	Fair value(*2)
January 1, 2016	58,620	48,810	39,000
March 26, 2016	3,800	2,916	41,100
October 27, 2016	1,900	286	43,850
January 1, 2017	56,710	40,585	45,300
March 17, 2017	10,600	7,216	49,750
July 6, 2017	2,400	1,084	49,200
January 1, 2018	51,140	39,154	49,400
January 23, 2018	9,000	7,220	53,000
January 24, 2018	2,805	2,341	52,700
January 1, 2019	71,538	52,596	39,600
January 21, 2019	7,242	5,928	40,600
March 26, 2019	11,976	8,062	42,750
June 1, 2019	946	504	45,150
	<u>288,678</u>	<u>216,702</u>	-

(\*1) The Group adjusted the increase rate of stock price (20.0%) and achievement target ROE (80.0%) to determine the number of shares estimated, based on initial number of shares granted, after the termination of service period.

(\*2) Calculated by the closing price of Shinhan Financial Group Co., Ltd. at grant date as fair value per share

(c) Number of shares granted and fair value for cash-settled share-based payments at grant date as of December 31, 2020 are as follows

Grant date	Number of shares granted	Number of shares estimated (*1)	Fair value (*2)
January 1, 2020	75,048	53,101	32,050
February 1, 2020	2,216	1,745	32,050
March 25, 2020	19,672	13,230	32,050
July 1, 2020	3,121	1,362	32,050
	<u>100,056</u>	<u>69,438</u>	-

(\*1) The Group adjusted the increase rate of stock price (20.0%) and achievement target ROE (80.0%) to determine the number of shares estimated, based on initial number of shares granted, after the termination of service period.

(\*2) Calculated by the closing price of Shinhan Financial Group Co., Ltd. as of December 31, 2020 as fair value per share.

(\*3) The Group recognized ₩ 1,984 million of liabilities for cash-settled share-based payments as of December 31, 2020.

(d) Share-based compensations costs (benefits) calculated as of and for the years ended December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Equity-settled share-based payment transaction		
Share-based payments recognized as expenses	₩ (508)	2,803
Account payables	4,950	9,437
Cash-settled share-based payment transactions		
Share-based payments recognized as expenses	1,984	-
Account payables	1,984	-

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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

(e) Book value of liabilities and intrinsic value of liabilities regarding share-based payment as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Equity-settled share-based payment transaction		
Account payables	₩ 4,950	9,437
Intrinsic value	4,950	9,437
Cash-settled Share-based Payment Transactions		
Account payables	1,984	-
Intrinsic value	1,984	-

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

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**34. Commitments and contingencies**

(a) As of December 31, 2020, the Group was filed as a defendant of 22 lawsuits (total litigation value of 19,857 million won), and the details of pending lawsuits as of December 31, 2020 and 2019 are as follows:

December 31, 2020						
Lawsuits	Plaintiff	Details		Amount		
Compensation for loss	An individual	Illegal acts for loss of excessive trading	₩	2,612		
		Compensation for loss of incomplete sale of trust products		100		
		Compensation for loss of fund incomplete sales and illegal activities		600		
		Compensation for loss of default		40		
		Compensation for loss of description obligation		210		
		Investor damages claim due to soaring ETN gap rate		4,540		
		Daejin medical foundation		298		
		Woori investment bank		1,000		
		Commitment	Good Plus investment	NPL liquidated private loan principal claim		1,000
		Deposit	An individual	Claim for inheritance equity		52
Return of unreasonable profit	An individual	Cancellation of contract		2,000		
Claim for deposit	ULS Co., Ltd	Repurchase Payment		748		
Claim for return of investment	An individual	Violation of customer protection obligations		400		
		Compensation for loss of description obligation		1,000		
Claim for payment of money	Kumkang industry Co, Ltd	Compensation obligation for damages		200		
Unreasonable profit	An individual	Fund contract cancellation		4,000		
		Violation of operating instruction of special money trust		575		
Others	An individual	Deferred bonus of result		194		
		the fulfillment of inheritance shares		88		
		Kumkang industry Co, Ltd	Compensation obligation for damages		200	
			₩	19,857		

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2020 and 2019**

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

(a) As of December 31, 2020, the entity was filed as a defendant of 22 lawsuits (total litigation value of 19,857 million won), and the details of pending lawsuits as of December 31, 2020 and 2019 are as follows: (continued):

<b>December 31, 2019</b>			
<b>Lawsuits</b>	<b>Plaintiff</b>	<b>Details</b>	<b>Amount</b>
Compensation for loss	An individual	User responsibilities related to taxation due to insufficient consultation	₩ 1,246
Compensation for loss	An individual	Illegal acts for loss of excessive trading	2,612
Claim amount for reimbursement/indemnity	KB INSURANCE CO., Ltd.	Claiming compensation for a hacking accident	3
			<b>₩ 3,861</b>

The Group recognized provisions of ₩ 206 million regarding the case the Group lost at the second trial. The Group believes that the rest of the cases will not have a significant impact on the consolidated financial statements, but it is probable that an additional outflow of economic benefits arises according to the outcome of cases.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

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

(b) Financial supplementary agreements and purchase agreements

(i) The details of financial supplementary agreement for Korean Won, payment guarantees, and CP purchase agreements are as follows, and the assets purchased and held by the Group under these agreements amount to ₩ 3,801 million as of December 31, 2020:

Company	Underlying asset	Contractual amount		Date of agreements	Date of maturity
		December 31, 2020	December 31, 2019		
Credit offering (Financial supplementary agreement)					
Angelest the 5, 6, 7th L.L.C	Preferred stock and TRS contracts	₩ 15,000	15,000	October 9, 2019	October 10, 2022
Mainstream the 8th L.L.C	Loans	25,000	25,000	July 4, 2018	July 4, 2023
Shinhan Creative Financing 3rd Co., Ltd	Private placed bond	-	11,000	November 22, 2018	November 22, 2020
Smart financing 2nd Co., Ltd	Loans	6,100	6,300	October 8, 2019	October 8, 2020
		<u>46,100</u>	<u>57,300</u>		
Liquidity offering (ABCP purchase agreement)					
Multiplex Series the 3rd Co., Ltd	Leasehold Deposits	30,000	30,000	August 29, 2018	August 29, 2021
Lotte, Teheran	Beneficiary certificate and TRS contracts	55,000	55,000	December 8, 2017	December 8, 2022
Catchment logistics center 1st Co., Ltd	Loans	28,000	28,000	March 13, 2019	January 1, 2023
		<u>113,000</u>	<u>113,000</u>		
Credit offering (Payment agreements)					
Smart financing 7th Co., Ltd	Loans	15,000	15,000	May 31, 2019	May 31, 2021
Smart financing 8th Co., Ltd	Loans	5,100	5,100	June 27, 2019	June 28, 2021
Smart financing 11th Co., Ltd	Loans	15,000	15,000	September 27, 2019	September 27, 2021
		<u>35,100</u>	<u>35,100</u>		
		₩ <u>194,200</u>	<u>205,400</u>		



SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2020 and 2019

(In millions of won, US dollars, and millions of Vietnam Dong)

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

(b) Financial supplementary agreements and purchase agreements

(ii) The details of financial supplementary agreement for the foreign currency, payment guarantees, and purchase agreements are as follows, and there are no assets purchased by the Group under this agreement:

Company	Underlying asset	Currency	Contractual amount		Date of agreements	Date of maturity
			December 31, 2020	December 31, 2019		
Credit offering (Financial supplementary agreement)						
Shinhan						
Indonesia Green forest Co., Ltd	Private placed bond	USD	5,600	13,400	September 14, 2018	September 14, 2021
Value Plus Mine	Loans	USD	-	21,500	March 21, 2019	January 29, 2020
Value Plus inni 1st Co., Ltd	Loans	USD	-	27,300	October 25, 2019	November 3, 2020
			5,600	62,200		
Credit offering (Payment agreements)						
PT Global Mediacom	Private placed bond	USD	-	40,000	October 26, 2018	October 26, 2020
Transimex corporation	Private placed bond	VND	150,000	150,000	December 9, 2019	December 13, 2022
			150,000	190,000		
Purchase agreements						
Vitnam Electrical Equipment JSC	Private placed bond	VND	-	300,000	May 16, 2018	May 16, 2020
		VND	500,000	-	May 28, 2020	May 28, 2023
An Phat Plastic & Green Environment JSC	Private placed bond	VND	100,000	300,000	November 08, 2018	November 08, 2021
			600,000	600,000		
		USD	5,600	102,200		
		VND	750,000	750,000		

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

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

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

As one of the co-general partner of KoFC Shinhan Frontier Champ 2010-4 Private Equity Fund, the Group is obliged to conserve its loss by priority, whose limit is 3% of the its investment to the PEF. Therefore, the amount of the investment collected as a result of liquidation of the PEF is subject to change. As of the end of the reporting period, the cost required for conserve its loss by priority is estimated, and no additional losses were recognized for the current period.

(d) Other underwriting commitment

The details of the acceptance agreements for debt securities and equity securities as of December 31, 2020 and 2019 are as follows:

	<u>Company</u>		<u>December 31, 2020</u>	<u>December 31, 2019</u>
Equity securities	KHQ Private Equity Fund No.4 and others	₩	365,974	127,599
Debt securities	Shinyoung PFV and others		418,243	971,175
		₩	<u>784,217</u>	<u>1,098,774</u>

(e) Financial institution commitment

The agreements and limitations made with financial institutions as of December 31, 2020 and 2019 are as follows:

	<u>Financial Institution</u>		<u>December 31, 2020</u>	<u>December 31, 2020</u>
Daylight overdrafts commitment	Shinhan Bank and others	₩	216,000	216,000
	TRLILAND METALS		-	USD 5,000,000
	Euroclear Bank		USD 8,000,000	USD 8,000,000
	Korea securities depository		USD 12,000,000	USD 12,000,000
Bank overdrafts commitment	Kyungnam Bank Co., Ltd and others	₩	165,000	195,000
	VPB and others		VND 160,000,000,000	-
Discounting of bills note receivable discount commitment	Shinhan Bank	₩	19,000	19,000
Commitment on loans	Shinhan Bank and others		USD 80,000,000	USD 80,000,000
	Woori Bank and others		VND 391,000,000,000	-
Institutional operating fund loans	Korean Securities Finance Corporation(self)	₩	500,000	500,000
	Korean Securities Finance Corporation(trust)		within the range of trusts	within the range of trusts
Notes discounted	Korean Securities Finance Corporation(self)	₩	150,000	150,000
	Korea Securities Finance Corporation (subscription deposits)		within the range of subscription deposits	within the range of subscription deposits
KSFC trading	Korea Securities Finance Corporation	₩	500,000	500,000
Agreement on intraday fund transaction	Korea Securities Finance Corporation		200,000	200,000
Collateral financing loan	Korea Securities Finance Corporation		500,000	500,000

## SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

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#### 34. Commitments and contingencies (continued)

##### (f) Contingent liabilities related to the Lime case

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

In accordance with the Lime Fund's managing directions in 2019, the Group contributed the IIG Fund to LAM Enhanced Finance III L.P. (hereafter referred to as the “Lime III Fund”) and acquired the LAM III Fund's beneficiary certificates. The recoverable value of LAM III Fund's beneficiary certificates is affected by the recoverable value of the IIG Fund contributed in kind. In addition, the IIG Fund received the cancellation of registration and the assets freezing from the U.S Securities and Exchange Commission in November 2019.

The Korean Financial Supervisory Service (FSS) announced in February 2020 that the Group was suspected of being involved in misconduct and fraudulent activities during the TRS transactions with Lime Asset Management and that its related prosecution investigations are also underway.

On October 6, 2020, FSS notified the Group of the result of the inspection. FSS's Sanctions Review Committee on November 10, 2020, and Financial Services Commission (FSC)'s Securities and Futures Committee on February 8, 2021, respectively were held to decide the sanctions on former executives and institutions. Former executive and institutional sanctions against the Group will be finalized by FSC.

The former prime brokerage service head of the Group was convicted in a criminal trial of fraud and violations of the law on Capital Markets and Financial Investment Services Provider Act in connection with the deal with Lime Asset Management on September 25, 2020. In this regard, appeals are under way after submitting an appeal on October 5, 2020.

And the prosecution also indicted the Group for violating the Capital Market and Financial Investment Services Provider Act on January 22, 2021. However, the Group determines that present obligation does not exist in connection of the fraudulent activities as of the reporting period.

##### (g) Contingent liabilities related to the sales of German heritage DLS trust

The Group sold about ₩ 390.7 billion in German Heritage DLS trust from May 2017 to December 2018. In this regard, the repayment of ₩ 379.9 billion as of December 31, 2020 has been delayed, and FSS inspection of whether the trust product is sold incompletely has been carried out.

On October 6, 2020, FSS notified the Group of the result of the inspection, and FSS's Sanctions Review Committee decided the sanctions on the employees and the Group on November 10, 2020. Employees and institutional sanctions against the Group will be finalized by FSC.

(h) The Group sold Gen2-related trust products from May 2014 to November 2019, and approximately ₩ 287.1 billion out of ₩ 420 billion in sales balance as of December 31, 2020 has been suspended, delaying repayment.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

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**35. Financial Instruments Transfer Transaction as a transfer of financial instruments**

(a) Financial instruments that are not subject to derecognition

(i) Repurchase Conditional Sales

The details of financial instruments that were not subject to derecognition on the condition that the Group repurchases the securities at a fixed price as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<b>Transferred assets</b>		
Financial assets designated at fair value through profit or loss	₩ 8,359,508	7,922,253
Financial assets measured at FVOCI	866,927	1,318,320
	<u>₩ 9,226,435</u>	<u>9,240,573</u>
<b>Associated liabilities</b>		
Bonds sold under repurchase agreements	₩ 10,123,502	8,611,147

(ii) Asset-backed securities

The details of the transferred assets to the subsidiaries by the Group through Asset-backed Securitization Act for the years ended December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Transferred assets	₩ 9,420	10,000
Related liabilities	9,420	10,000

(iii) Securities Loan Transactions

When lending a security held by the Group, ownerships of the securities are transferred, but the securities are returned at the end of the loan period, therefore the Group continues to recognize the entire securities as it holds most of the risks and rewards of the securities. The carrying amount of loaned securities as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>Rental Company</u>
Securities	₩ 99,670	30,242	The Korea Securities Finance Corporation

(b) Qualified for de-recognition and continuing involvement in financial assets

There are no financial assets that meet the conditions of de-recognition and in which the Group has continuing involvement as of December 31, 2020 and 2019.

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2020 and 2019**

(In millions of won)

**36. Securities withheld and securities borrowed**

The details of the securities withheld on behalf of clients and securities borrowed as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Securities withheld		
Broker's securities	₩ 82,602,344	58,721,029
Beneficiary's securities	78,108,174	83,521,699
Depositor's securities	157,752	92,850
Others	838	621
	<u>160,869,108</u>	<u>142,336,199</u>
Securities borrowed		
	7,979,349	6,495,084
	₩ <u>168,848,457</u>	<u>148,831,283</u>

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

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**37. Equity**

(a) The details of equity as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Stockholder's equity		
Ordinary shares	₩ 1,527,882	1,527,882
Preference shares	259,116	259,116
	<u>1,786,998</u>	<u>1,786,998</u>
Capital surplus		
Additional Paid-in Capital	667,620	667,620
Gain from reduction of capital	15	15
	<u>667,635</u>	<u>667,635</u>
Capital adjustments		
Stock options	1,976	425
Accumulated other comprehensive income		
Gain on financial instruments measured at FVOCI	124,302	107,959
Adjustment of credit risk for financial liabilities designated at FVTPL	(5,172)	(8,255)
Change of investments in a associate	(255)	1
Accumulated foreign exchange differences	(16,654)	(272)
	<u>102,221</u>	<u>99,433</u>
Retained earnings		
Legal reserve	39,549	38,810
Voluntary reserve (*1)	196,728	189,302
Unappropriated earnings	1,578,319	1,453,046
	<u>1,814,596</u>	<u>1,681,158</u>
Non-controlling interest		
Capital of non-controlling interest	961	961
Surplus profit brought forward from the previous term of non-controlling interest	(54)	32
Profit, attributable to non-controlling interests	(241)	(86)
	<u>666</u>	<u>907</u>
	<u>₩ 4,374,092</u>	<u>4,236,556</u>

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

(b) Stockholder's equity as of December 31, 2020 and 2019 are summarized as follows:

	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
Number of shares authorized	450,000,000	150,000,000	450,000,000	150,000,000
Par value per share (in won)	₩ 5,000	5,000	5,000	5,000
Number of issued shares				
Outstanding	305,576,350	51,823,314	305,576,350	51,823,314
Stockholder's equity	₩ 1,527,882	259,116	1,527,882	259,116

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2020 and 2019

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**37. Equity (continued)**

(c) Change in accumulated other comprehensive income for the years ended December 31, 2020 and 2019 are as follows:

		<b>2020</b>				
		<b>Valuation of financial assets measured at FVOCI</b>	<b>Change of investments in an associate</b>	<b>Accumulated foreign exchange differences</b>	<b>Adjustment of credit risk for financial liabilities measured at FVTPL</b>	<b>Total</b>
Opening balance	₩	107,959	1	(272)	(8,255)	99,433
Increase from fair value valuation		24,381	(354)	-	(9,689)	14,338
Increase from disposal		(1,817)	-	-	13,942	12,125
Effect of exchange rate difference		-	-	(19,904)	-	(19,904)
Deferred tax effect		(6,221)	98	3,522	(1,170)	(3,771)
Ending balance	₩	124,302	(255)	(16,654)	(5,172)	102,221

  

		<b>2019</b>				
		<b>Valuation of financial assets measured at FVOCI</b>	<b>Change of investments in an associate</b>	<b>Accumulated foreign exchange differences</b>	<b>Adjustment of credit risk for financial liabilities measured at FVTPL</b>	<b>Total</b>
Opening balance	₩	98,212	1	(4,149)	170	94,234
Increase from fair value valuation		16,101	-	-	(11,621)	4,480
Increase from disposal		(2,679)	-	-	-	(2,679)
Effect of exchange rate difference		-	-	3,263	-	3,263
Deferred tax effect		(3,675)	-	614	3,196	135
Ending balance	₩	107,959	1	(272)	(8,255)	99,433

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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**37. Equity (continued)**

(d) Statements of appropriation of retained earnings

Statements of appropriation of retained earnings for the years ended December 31, 2020 and 2019 are as follows:

	<b>2020</b>		<b>2019</b>	
	March 24, 2021		March 25, 2020	
Date of appropriation				
Unappropriated retained earnings				
Balance at beginning of the year	₩	1,414,886		1,218,370
Profit for the year		149,019		208,727
Revaluation surplus		4,886		932
Reclassification of own credit risk adjustment		(13,942)		-
		1,554,849		1,428,029
Appropriation of retained earnings				
Legal reserve		739		739
Regulatory reserve for loan loss		7,229		5,013
Dividends		7,391		7,391
Cash dividends on ordinary shares				
Current year (In won) : ₩ - (0.00%)				
Prior year (In won) : ₩ - (0.00%)		-		-
Cash dividends on preference shares				
Current year (In won) : ₩ 50 (1.00%)				
Prior year (In won) : ₩ 50 (1.00%)		191		191
Cash dividends on 2 <sup>nd</sup> preference shares				
Current year (In won) : ₩ 150 (3.00%)				
Prior year (In won) : ₩ 150 (3.00%)		7,200		7,200
		15,359		13,143
Unappropriated retained earnings carried over to subsequent period	₩	1,539,490		1,414,886

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

**38. Dividends**

Dividends declared for the years ended December 31, 2020 and 2019 are as follows:

	<b>2020</b>			<b>2019</b>		
	Ordinary shares	1 <sup>st</sup> Preference shares	2 <sup>nd</sup> Preference shares	Ordinary shares	1 <sup>st</sup> Preference shares	2 <sup>nd</sup> Preference shares
Number of issued shares outstanding	305,576,350	3,823,314	48,000,000	305,576,350	3,823,314	48,000,000
Par value per share (in won) ₩	5,000	5,000	5,000	5,000	5,000	5,000
Dividends per share (in won)	-	50	150	-	50	150
Dividends ₩	-	191	7,200	-	191	7,200
Dividend rate per share	-	1.00%	3.00%	-	1.00%	3.00%

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



SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
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**39. Leases**

(a) The plan to recover operating lease payments as of December 31, 2020 and 2019 is as follows.

		<b>December 31, 2020</b>	<b>December 31, 2019</b>
Less than 1 year	₩	15,682	8,273
1 ~ 2 years		14,415	5,615
2 ~ 3 years		13,460	3,261
3 ~ 4 years		12,322	2,061
4 ~ 5 years		11,810	31
Over 5 years		95,000	-
	₩	<u>162,689</u>	<u>19,241</u>

(b) The details of lessee's right of use assets by type of underlying assets as of December 31, 2020 and 2019.

		<b>December 31, 2020</b>		
		<b>Acquisition costs (*)</b>	<b>Accumulated depreciation</b>	<b>Carrying amount</b>
Real estate	₩	25,244	(4,583)	20,661
Vehicle		1,452	(113)	1,339
	₩	<u>26,696</u>	<u>(4,696)</u>	<u>22,000</u>

(\*) Includes ₩ 6,066 million of prepaid rent and ₩ 3,144 million of provisions for recovery.

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

(\*) Includes ₩ 6,380 million of prepaid rent and ₩ 3,108 million of provisions for recovery.

(c) Movements in the right-of-use lease for the years ended December 31, 2020 and 2019 are as follows:

		<b>2020</b>		
		<b>Real estate</b>	<b>Vehicle</b>	<b>Total</b>
Beginning balance	₩	13,335	1,356	14,691
Acquisitions		26,266	2,089	28,355
Disposals		(7,445)	(1,423)	(8,868)
Depreciation		(11,495)	(683)	(12,178)
Ending balance	₩	<u>20,661</u>	<u>1,339</u>	<u>22,000</u>

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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**39. Leases (Continued)**

(d) The details of the maturities of lease liabilities as of December 31, 2020 and 2019 are as follows:

		December 31, 2020						
		Less than 1 month	1 month ~ 3 months	3 months ~ 6 months	6 months ~ 1 year	1 year ~ 5 years	Over 5 years	Total
Real estate	₩	597	951	1,298	2,139	7,756	1,959	14,699
Vehicle		56	108	159	284	759	-	1,365
	₩	<u>653</u>	<u>1,059</u>	<u>1,457</u>	<u>2,422</u>	<u>8,515</u>	<u>1,959</u>	<u>16,064</u>

  

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

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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**40. Cash flows**

(a) The details of significant non-cash activities for the years ended December 31, 2020 and 2019 are as follows:

Replacement from financial assets measured at FVOCI to investments in associates

	<b>2020</b>	<b>2019</b>
Replacement from financial assets measured at FVTPL to derivative liabilities ₩	151,207	-
Replacement from investments in associates to financial assets measured at FVTPL	19,678	-
Replacement from financial assets measured at FVTPL to investments in associates	32,255	-
Property and equipment transferred from investment property	73	1,081
Replacement from property and equipment to investment property	576	-
Valuation gain on financial assets measured at FVOCI	22,564	13,422
Tax effect on valuation gain on financial assets measured at FVOCI	(6,221)	(3,675)
Valuation gain on financial liabilities designated at FVTPL with adjustment of credit risk	(9,689)	(11,621)
Tax effect on valuation gain on financial liabilities designated at FVTPL with adjustment of credit risk	2,664	3,196
Change of investments in associates	(355)	-
Tax effect on change of investments in associates	98	-
Foreign currency translation differences	(19,904)	3,262
Tax effect on foreign currency translation differences	3,522	614

(b) Changes in liabilities arising from financing activities for the years ended December 31, 2020 and 2019 are as follows:

	<b>2020</b>			
	<b>Borrowings</b>	<b>Debentures</b>	<b>Lease liabilities</b>	<b>Total</b>
Balance at January 1, 2020 ₩	13,348,645	3,422,953	7,798	16,779,396
Changes from cash flows	3,390,722	(411,964)	(7,313)	2,971,445
Amortization of discount on borrowings and debentures	140	1,888	252	2,280
Changes in foreign currency exchange rate	(148,764)	(5,602)	-	(154,366)
Others	2,230		14,710	16,940
Balance at December 31, 2020 ₩	<u>16,592,973</u>	<u>3,007,275</u>	<u>15,447</u>	<u>19,615,695</u>

  

	<b>2019</b>			
	<b>Borrowings</b>	<b>Debentures</b>	<b>Lease liabilities</b>	<b>Total</b>
Balance at January 1, 2019 ₩	9,748,483	1,736,192	10,736	11,495,411
Changes from cash flows	3,599,339	1,684,816	(6,895)	5,277,260
Amortization of discount on borrowings and debentures	-	668	307	975
Changes in foreign currency exchange rate	1,688	1,277	-	2,965
Others	(865)	-	3,650	2,785
Balance at December 31, 2019 ₩	<u>13,348,645</u>	<u>3,422,953</u>	<u>7,798</u>	<u>16,779,396</u>

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

(a) Significant account balances with related companies as of December 31, 2020 and 2019 are as follows:

Related party	Accounts	December 31, 2020	December 31, 2019
Shinhan Financial Group Co., Ltd	Other receivables (*1)	₩ -	12
	Other payables (*3)	53,615	13,613
	Accrued expenses	6,088	344
	Borrowings (*2)	638,656	104,202
Shinhan Bank	Other receivables (*1)	49,755	56,880
	Other payables (*3)	31,438	29,513
	Cash and deposits	847,450	576,763
	Accrued income	173	358
	Accrued expenses	176	16
	Borrowings (*2)	61,038	5,000
	Derivative liabilities	12,075	12,445
	Derivative assets	1,962	7,385
	Loans	11,450	-
	Shinhan Card Co., Ltd.	Other payables (*3)	2,468
Deposits		471	434
Shinhan Life Insurance Co., Ltd.	Other receivables (*1)	1,924	-
	Other payables (*3)	2,120	1,790
	Deposits	418	373
Shinhan Capital Co., Ltd.	Other payables (*3)	2,767	2,865
	Other receivables (*1)	-	131
	Accrued expenses	210	-
	Borrowings	31,000	15,000
	Deposits	200,427	35,458
	Other payables (*3)	6,857	1,250
Shinhan BNP Paribas Asset Management Co., Ltd.	Other payables (*3)	389	391
Shinhan Alternative Investment Management Inc.	Accrued expenses	364	661
Shinhan DS	Borrowings (*2)	22,250	7,300
Shinhan AITAS Co., Ltd.	Other payables (*3)	12,745	12,003
Shinhan AI Co., Ltd.	Other payables (*3)	207	207
	Accrued expenses	579	567
	Deposits	28	-
	Other payables	219	-
Orange Life Insurance co., Ltd	Derivative liabilities	88	-
	Cash and deposits	71,709	190,828
Jeju Bank	Accrued income	106	1,021
	Accrued income	45	31
Other fund	Accrued income	-	91
Shinhan Praxis K-Growth Global Private Equity Fund	Accrued income	-	248
GX Shinhan interest 1 <sup>st</sup> Private Equity Fund	Accrued income	16	9
SHINHAN-CORE TREND GLOBAL FUND 1	Accrued income	-	37
Shinhan Healthcare Fund 2	Accrued income	68	68
Shinhan Healthcare Fund 3	Accrued income	127	-
Shinhan Healthcare Fund 5	Accrued income	33	34
One Shinhan Future's Fund 1	Accrued income	-	-

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES  
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**41. Related party transactions (Continued)**

(a) Significant account balances with related companies as of December 31, 2020 and 2019 are as follows (continued):

Related party	Accounts	December 31, 2020	December 31, 2019
One Shinhan Global Fund 1	Accrued income	₩ 122	175
One Shinhan Future's Fund 2	Accrued income	31	-
Nomura investment property trust No.19	Loans	11,976	11,973
	Accrued income	44	42
IGIS Private Real Estate Investment Trust 331	Loans	9,919	-
	Accrued income	121	-
	Unearned income	22	-
EDN Central Co., LTD	Loans	19,450	-
	Accrued income	9	-
	Unearned income	578	-
Pacificsunny Real Estate Private Fund 45	Unearned income	76	-
IGIS Private Real Estate Investment Trust 286	Other receivables	436	-
Genesis North America Power Company No.1 PEF	Other receivables	2,171	-
SHBNPP Venture Professional Investment Type Private Investment Trust No.1	Accrued income	-	1
		₩ 2,131,433	1,091,887

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

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

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

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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

(b) Significant transactions with related parties for the years ended December 31, 2020 and 2019 are as follows:

Related party	Accounts	2020	2019
Revenue:			
Shinhan Financial Group Co., Ltd.	Commission	₩ 66	150
Shinhan Bank	Interest	3,466	3,543
	Commission	-	113
	Rent	1,271	745
	Others	5	-
	Derivatives	35,597	49,911
Shinhan Card Co., Ltd.	Commission	413	553
	Rent	15	5
Shinhan Life Insurance Co., Ltd.	Commission	2	4
	Rent	130	43
Shinhan Capital	Commission	-	47
	Rent	143	50
	Derivatives	-	632
Shinhan BNP Paribas Asset Management Co., Ltd.	Commission	1	-
	Rent	1,777	1,221
Shinhan Savings Bank	Commission	-	1
Shinhan Alternative Investment Management Inc.	Rent	631	391
Shinhan AITAS Co., Ltd.	Commission	6	-
	Rent	768	220
Shinhan AI Co., Ltd.	Rent	315	231
	Others	-	1,837
	Commission	41	-
Orange Life Insurance Co., Ltd	Rent	4	-
	Derivatives	69	-
	Interest	2,407	4,711
Jeju Bank	Commission	500	134
	Dividend	6,638	883
	Others	-	1
	Commission	361	448
Shinhan Praxis K-Growth Global Private Equity Fund	Commission	454	545
GX Shinhan Intervest 1st Private Equity Fund	Commission	-	360
Shinhan Global Healthcare Fund 1	Commission	116	119
Shinhan Healthcare New Technology Fund No.2	Commission	100	45
SHINHAN-CORE TREND GLOBAL FUND 1	Commission	73	38
One Shinhan future's New Technology Fund No. 1	Commission	156	88
Shinhan Healthcare New Technology Fund No. 3	Commission	248	-
One Shinhan Global New Technology Fund No. 1	Commission	36	-
One Shinhan future's New Technology Fund No. 2	Commission	73	-
Shinhan Healthcare New Technology Fund No. 5	Commission	525	519
Nomura investment property trust No.19	Interest	3	7
	Others	731	-
IGIS Private Real Estate Investment Trust 331	Commission	478	-
	Interest	649	-
EDN Central Co., LTD	Commission	578	-
	Interest	1,412	-
Pacificsunny Real Estate Private Fund 45	Commission	-	-

SHINHAN INVESTMENT CORP. AND SUBSIDIARIES

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

(b) Significant transactions with related parties for the years ended December 31, 2020 and 2019 are as follows (continued):

Related party	Accounts	2020	2019
SG ARGES Private Equity Fund No.1	Dividend	₩ -	93
Eum Private Equity Fund No. 3	Dividend	1,429	136
Plutus-SG Private Equity Fund	Dividend	274	44
SHBNPP Venture Professional Investment Type Private Investment Trust No.1	Commission	3	3
EN healthcare fund 1	Dividend	630	482
Samchully Midstream Private Equity Fund 504	Dividend	307	-
Shinhan BNPP Daegu greenpower cogeneration	Dividend	242	-
Godeokgangil 10 PFV	Commission	150	-
Multi Asset Special Investment Private Trust No.1	Dividend	2,441	-
KB logistics center 1st Co., Ltd	Dividend	921	-
NH-Amundi US Private Trust No. 2	Dividend	600	-
Rigars-GMB Private Trust	Dividend	713	-
J&Margnet Private Equity Fund	Dividend	312	-
Kiwoom Milestone Professional Private Real Estate Trust 20	Dividend	601	-
PCC amberstone Fund No. 1	Dividend	752	-
Axis Global growth New technology Fund	Dividend	305	-
Canister Private Equity Fund No. 1	Dividend	3,217	-
Simone mezzanine Private Equity Fund No. 1	Dividend	96	-
Lime pricing Private Equity Fund	Dividend	860	-
PSAEMP Private Equity Fund	Dividend	139	-
MC New technology Fund	Dividend	24	-
Hyundai investment real estate investment trust No. 40	Dividend	50	-
		₩ 74,324	68,353

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

(b) Significant transactions with related parties for the years ended December 31, 2020 and 2019 are as follows:

Related party	Accounts	2020	2019
Expense:			
Shinhan Financial Group Co., Ltd.	Commission	₩ 4,474	5,071
	Interest	16,791	344
Shinhan Bank	Interest	1,215	1,419
	Commission	5,413	6,054
	Rent	10,804	5,514
	Others	-	5
	Derivatives	58,405	53,958
Shinhan Card Co., Ltd.	Interest	4	5
	Commission	162	312
Shinhan Life Insurance Co., Ltd.	Interest	26	34
	Commission	-	62
Shinhan Capital	Interest	352	54
	Commission	345	21
	Derivatives	-	40
Shinhan BNP Paribas Asset Management Co., Ltd.	Interest	5	18
Shinhan DS	Interest	20	91
	Commission	13,446	10,564
Shinhan AITAS Co., Ltd.	Interest	10	220
	Commission	76	-
Shinhan Credit Information Co., Ltd.	Commission	5	1
Shinhan AI Co., Ltd.	Commission	1,825	567
	Interest	-	3
Orange Life Insurance Co., Ltd	Derivatives	376	-
Jeju Bank	Commission	23	14
Asia Trust Co., Ltd.	Commission	-	3
IGIS Private Real Estate Investment Trust 331	Others	67	-
EDN Central Co., LTD	Others	121	-
SHBNPP Venture Professional Investment Type Private Investment Trust No.1	Others	-	8
		₩ 113,965	84,382



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

(c) Key management personnel compensation for the years ended December 31, 2020 and 2019 are as follows:

		<u>2020</u>	<u>2019</u>
Salaries and wages	₩	13,247	9,774
Severance benefits		558	441
Share-based payments		1,476	2,803
	₩	<u>15,281</u>	<u>13,018</u>

(d) Details of collaterals to the related parties

Details of collaterals provided to the related parties as of December 31, 2020 and 2019 are as follows:

<u>Related party</u>	<u>Assets pledged as collateral</u>		<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>Description</u>
Shinhan Bank	Time deposits	₩	37,000	37,000	Collateral for a bank overdraft facility
	Time deposits		5,000	5,000	Collateral for the small amount of payment
	Reserve for claims of customers' deposits (trust)		90,000	90,000	Collateral for the small amount of payment
	Other deposits denominated in won		9	11	Deposit for checking accounts
Shinhan Life Insurance	Land and buildings		151,974	91,974	Collateral for rental
	Land and buildings		273	273	Collateral for rental
Shinhan BNP Paribas Asset Management Co., Ltd.	Land and buildings		1,354	1,354	Collateral for rental
Shinhan Alternative Investment Management Inc.	Land and buildings		166	166	Collateral for rental
Jeju Bank	Time deposits		20,000	-	Collateral for securities loaned
		₩	<u>305,776</u>	<u>225,778</u>	

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

(e) Financial arrangements with related parties

Details of the limit agreements with Shinhan Bank and Jeju Bank as of December 31, 2020 and December 31, 2019 are as follows:

<u>Related parties</u>	<u>Currency</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Shinhan Bank	KRW	201,000	201,000
	USD	50,000,000	30,000,000
	VND	20,000 million	-
Jeju Bank	KRW	3,000	3,000

As of December 31, 2020, the credit card limit agreements amount provided by Shinhan Card is ₩ 8,500 million, and the credit card limit agreements amount provided by Shinhan Vietnam Bank is VND 300,000,000.

(f) Details of purchase commitments for related parties

The purchase commitments provided to Shinhan Vietnam Bank, an affiliate, as of December 31, 2020 and 2019 are as follows. The Group has not purchased any assets under the terms of the agreement.

<u>Related party</u>	<u>Asset (commitments of purchase)</u>	<u>Currency</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Shinhan Vietnam Bank	Vitetnam Electrical Equipment JSC Issued private bonds	VND (million)	200,000	200,000

(g) Fund lending transaction to the related parties for the years ended December 31, 2020 and 2019 are as follows:

<u>Relationship</u>	<u>Name</u>		<u>2020</u>				<u>Ending</u>
			<u>Beginning</u>	<u>Lending</u>	<u>Recover</u>	<u>Other(*1)</u>	
Common control	Shinhan Bank	₩	-	41,450	(30,000)	-	11,450
Affiliates	Nomura-Rifa Private Real Estate Investment Trust No.19		11,973	-	-	3	11,976
	IGIS Private Real Estate Investment Trust 331		-	10,000	-	(81)	9,919
	EDN Central Co., Ltd		-	20,000	-	(550)	19,450
		₩	11,973	71,450	(30,000)	(628)	52,795

(\*1) Effect of foreign currency translation, fair value and change in provision on credit loss amount is included.

<u>Relationship</u>	<u>Name</u>		<u>2019</u>				<u>Ending</u>
			<u>Beginning</u>	<u>Lending</u>	<u>Recover</u>	<u>Other(*1)</u>	
Affiliates	Nomura-Rifa Private Real Estate Investment Trust No.19	₩	11,966	-	-	7	11,973

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

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

(h) Fund borrowing transaction from the related parties for the years ended December 31, 2020 and 2019 are as follows:

		<b>2020</b>				
<b>Relationship</b>	<b>Name</b>	<b>Beginning</b>	<b>Borrowing</b>	<b>Repayment</b>	<b>Other (*1)</b>	<b>Ending</b>
Parent company	Shinhan Financial Group Co., Ltd.	₩ 104,202	1,107,603	(520,000)	(53,149)	638,656
Common control	Shinhan Bank	5,000	87,384	(30,778)	(568)	61,038
	Shinhan Capital Co., Ltd.	15,000	31,000	(15,000)	-	31,000
	Shinhan DS	7,300	128,037	(113,087)	-	22,250
		<b>₩ 131,502</b>	<b>1,354,024</b>	<b>(678,865)</b>	<b>(53,717)</b>	<b>752,944</b>

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

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

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

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

(i) The unused purchase agreements provided by the Group to related parties as of December 31, 2020 and 2019 are as follows:

Related party	Classification	Currency	December 31, 2020	December 31, 2019
Genesis North America Power Company No.1 PEF	Purchase agreement	KRW	652	760
AIP Transportation Specialized Privately Placed Fund Trust #1	Purchase agreement	KRW	2,092	2,092
Samsung SRA Real Estate Private Fund 45	Purchase agreement	USD	15,964	-
SHBNPP Venture Professional Investment Type Private Investment Trust No.1	Purchase agreement	KRW	3,369	12,003
Shinhan AIM Private Fund (FOFS) 6-A	Purchase agreement	USD	25,098	-
Shinhan Praxis K-Growth Global Private Equity Fund	Purchase agreement	KRW	38	96
One Shinhan Future's Fund 1	Purchase agreement	KRW	-	500
One Shinhan Future's Fund 2	Purchase agreement	KRW	400	-
Eum Private equity Fund No.3	Purchase agreement	KRW	-	519
Partnerone Value up Private Equity Fund	Purchase agreement	KRW	-	2,000
SHBNPP Future`s energy Professional Investment Type Private Investment Trust No.1	Purchase agreement	KRW	-	12,400
Shinhan AIM Private Fund (FOFS) No. 1	Purchase agreement	KRW	300	450
SHBNPP Venture Professional Investment Type Private Investment Trust No.2	Purchase agreement	KRW	6,000	14,000
Shinhan AIM Private Fund (FOFS) No. 2	Purchase agreement	KRW	322	1,000
SHBNPP Venture Professional Investment Type Private Investment Trust No.3	Purchase agreement	KRW	14,000	-
SHBNPP Venture alpha Professional Investment Type Private Investment Trust No.1	Purchase agreement	KRW	1,050	-
Neoplux Private Equity Fund	Purchase agreement	KRW	960	-
Shinhan SKS Corporate Recovery Private Equity Fund	Purchase agreement	KRW	10,000	-
Kiwoom Milestone US Specialized Private Investment Trust No.16-C	Purchase agreement	USD	1,600	-
IGIS GLIP Private Real Estate Investment Trust 1-1	Purchase agreement	USD	4,105	-
IGIS GLIP Private Real Estate Investment Trust 1-2	Purchase agreement	USD	4,105	-

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

(j) The details of securities sales through the Group by major related parties for the years ended December 31, 2020 and 2019 are as follows:

Realated Parties	2020		2019	
	Sold	Buy (*)	Sold	Buy (*)
Shinhan Financial Group Co., Ltd	-	60,000	-	150,000
Shinhan Bank	5,835,568	6,964,384	6,639,051	3,336,406
Shinhan Life Insurance Co., Ltd.	894,111	127,133	402,405	193,635
Shinhan Card Co., Ltd.	367,624	438,170	-	100,000
Shinhan Capital Co., Ltd.	9,000	631	25,000	40,000
GMB ICT New technology fund	-	2,910	-	-

(\*) Includes the underwriting accounts by the Group among the securities issued by the related parties.

(k) Collateral provided from the related parties as of December 31, 2020 and 2019 are summarized as follows:

Related Parties	Assets provided as collateral	December 31, 2020	December 31, 2019
Shinhan Life Insurance	Government bonds	4,981	4,976

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**42. Regulatory reserve for loan loss**

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

(a) Regulatory reserve for loan losses as of December 31, 2020 and 2019 are as follows:

		<u>December 31, 2020</u>	<u>December 31, 2019</u>
Beginning balance of regulatory reserve for loan loss	₩	45,996	33,683
Planned regulatory reserve for loan loss		<u>21,156</u>	<u>12,313</u>
Ending balance of regulatory reserve for loan loss	₩	<u>67,152</u>	<u>45,996</u>

(b) Profit attributable to equity holders after adjusting regulatory reserve for loan losses for the years ended December 31, 2020 and 2019 are as follows:

		<u>2020</u>	<u>2019</u>
Profit for the year before adjusted by regulatory reserve for loan loss	₩	154,772	220,850
Provision for regulatory reserve for loan loss		<u>(21,156)</u>	<u>(12,313)</u>
Profit for the year after adjusted by regulatory reserve for loan loss	₩	<u>133,616</u>	<u>208,537</u>

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**43. Interests in unconsolidated structured entities**

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

The Group involved in assets-backed securitization, structured financing, beneficiary certificates (primarily investment funds) and other structured entities and characteristics of these structured entities are as follows:

	Description
Assets-backed securitization	Securitization vehicles are established to buy assets from originations and issue asset-backed securities in order to facilitate the originators' funding activities and enhance their financial soundness. The Group is involved in the securitization vehicles by purchasing (or committing to purchase) the asset-backed securities issued and/or providing other forms of credit enhancement.
Structured financing	Structured entities for project financing are established to raise funds and invest in a specific project such as M&A (mergers and acquisitions), BTL (build-transfer-lease), shipping finance, etc. The Group is involved in the structured entities by originating loans, investing in equity, or providing credit enhancement.
Investment fund	Investment fund means an investment trust, a PEF (private equity fund) or a partnership which invests in a group of assets such as stocks or bonds by issuing a type of beneficiary certificates to raise funds from the general public, and distributes its income and capital gains to their investors. The Group manages assets by investing in shares of investment fund for playing a role of an operator or a GP (general partner) of investment fund, on behalf of other investors.

Details of unconsolidated structured entities as of December 31, 2020 and 2019 are as follows:

		December 31, 2020			
		Asset-backed securitization	Project financing	Investment fund	Total
Total Assets	₩	1,646,176	12,787,916	15,116,833	29,550,925
		December 31, 2019			
		Asset-backed securitization	Project financing	Investment fund	Total
Total Assets	₩	417,839	13,568,074	10,900,225	24,886,138

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

(i) *Assets and liabilities recognized in the consolidated financial statements of the Group related to the Group's interests in unconsolidated structured entities as of December 31, 2020 and 2019 are as follows:*

		December 31, 2020			
		Asset-backed securitization	Project financing	Investment fund	Total
Assets:					
Loans measured at FVTPL	₩	7,007	156,069	-	163,076
Loans measured at amortized cost		-	701,201	-	701,201
Securities measured at FVTPL		68,789	14,025	1,550,568	1,633,382
Other assets		2,019	19,617	405	22,041
	₩	<u>77,815</u>	<u>890,912</u>	<u>1,550,973</u>	<u>2,519,700</u>
Liabilities:					
Other liabilities	₩	<u>2,610</u>	<u>16,591</u>	<u>-</u>	<u>19,201</u>

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

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

(i) Assets and liabilities recognized in the consolidated financial statements of the Group related to the Group's interests in unconsolidated structured entities as of December 31, 2020 and 2019 are as follows (continued):

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

(ii) As of December 31, 2020 and 2019, the Group's maximum risk exposure to unconsolidated structured entities is as follows:

	December 31, 2020			
	Asset-backed securitization	Project financing	Investment fund	Total
Holding assets	₩ 77,815	890,912	1,550,973	2,519,700
Purchase agreement	89,954	-	283,816	373,770
Payment guarantees	87,293	-	-	87,293
Others	-	123,210	-	123,210
	₩ <u>255,062</u>	<u>1,014,122</u>	<u>1,834,789</u>	<u>3,103,973</u>
	December 31, 2019			
	Asset-backed securitization	Project financing	Investment fund	Total
Holding assets	₩ 60,482	1,041,584	1,629,732	2,731,798
Purchase agreement	113,000	-	-	113,000
Payment guarantees	139,522	-	-	139,522
Others	-	118,344	-	118,344
	₩ <u>313,004</u>	<u>1,159,928</u>	<u>1,629,732</u>	<u>3,102,664</u>



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**44. Uncertainty due to changes in domestic and foreign economic conditions**

The rapid spread of the COVID-19 epidemic is negatively affecting the global economy. The Group uses forward-looking information to estimate expected credit losses in accordance with Korean IFRS 1109, and significant changes in forward-looking information existed during the current term due to the spread of the COVID-19. As the economic situation is expected to slow down compared to the previous forecast, the forecast default rate at the end of 2020 was reestimated and reflected in the loss allowance for expected credit losses using updated forward-looking information on GDP growth rate and private consumption growth rate. The economic environment remains uncertain as of the settlement date, and future credit losses may vary depending on the end of the COVID-19 and the pace of economic recovery. The Group will continue to monitor the impact of the COVID-19 on the economy.