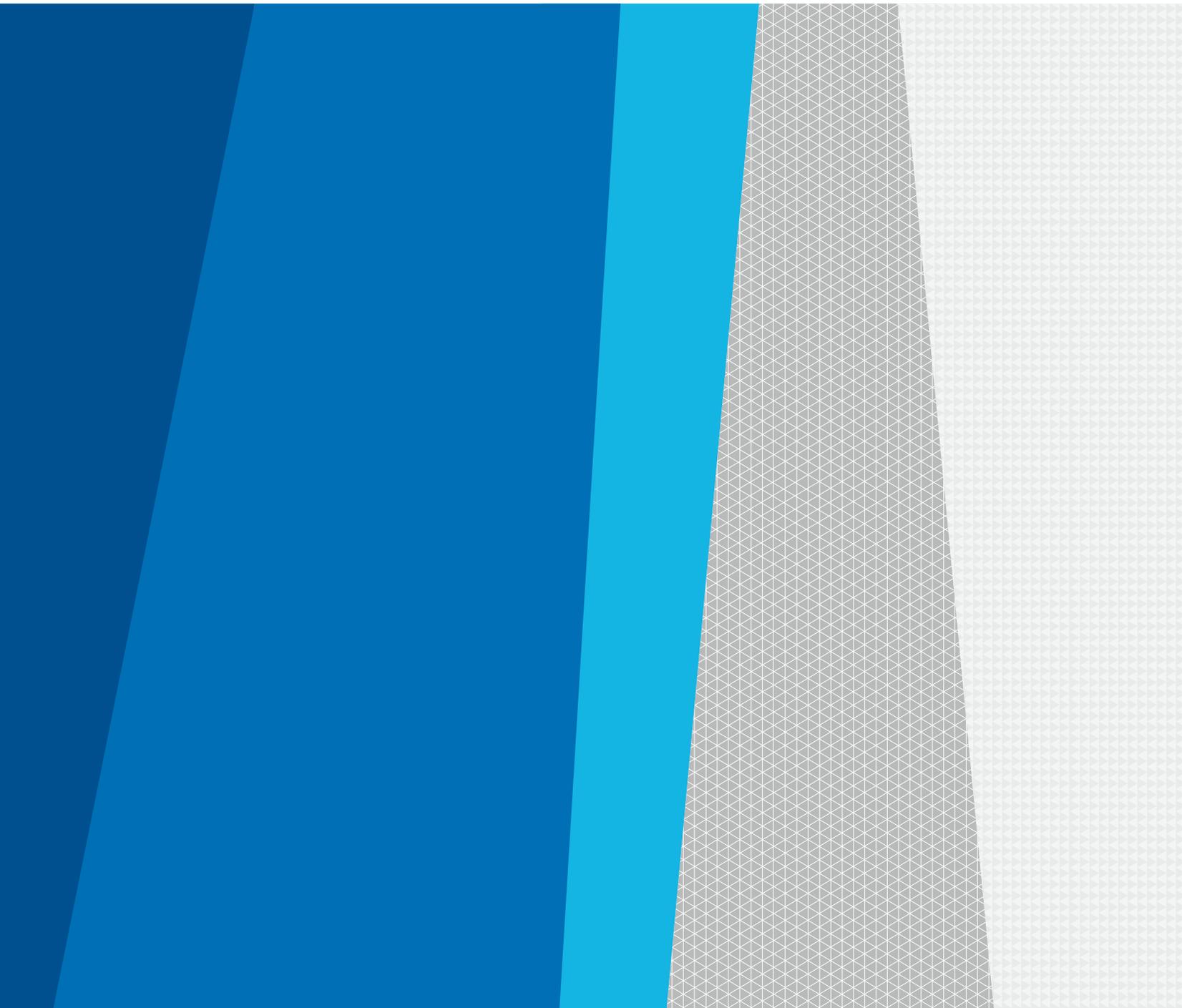


Korea Securities Finance Corporation
Annual Report 2016

A reliable win-win growth partner
of the capital market

Momentum



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Our company is built upon 62 years of trust. Since establishment in 1955, KSFC has grown alongside the Korean capital market. As a partner for growth, we will continue to foster trust through our passion and dedication. We are now looking forward to yet another century of mutual trust and growth. By sharing one common vision, we will provide endless support as a reliable win-win growth partner of the capital market.



Message from the CEO

We will put our shareholders and customers at the center of our business by achieving the management objective of promoting mutual growth with the capital market by focusing on the securities financing function.

Dear esteemed shareholders,

I would like to begin by expressing my deepest gratitude to all of our esteemed shareholders for your kind and unwavering support to KSFC throughout the past year. I am more than pleased to share with you our solid financial performances for fiscal year 2016, the 67th accounting period for KSFC.

In retrospect, year 2016 was in fact a year of relentless change for the financial investment industry at large. We experienced much turbulence both at home and abroad, whether it be deepening uncertainties in the Eurozone following the Brexit vote, growing concerns over a possible interest rate hike by the U.S. Fed, or an obvious slowdown of the Chinese economy. On the domestic front, many local industries witnessed contracted economic activities, with a low-growth, low-interest rate environment setting in.

Despite such headwinds, however, we delivered solid results by facing the turbulences with preemptive responses, guided by our overarching goal of achieving shared growth with the local capital markets. We recorded KRW 65.2 trillion in assets (including trust accounts), a 5.5% increase from last year-end, and KRW 128.4 billion in net income, up 2.6% year-on-year.

We are therefore proud to present to you, in further detail, our FY2016 performance in several key areas.

On the lending side, strengthened cooperation with the financial investment industry and preemptive responses to market shifts have allowed for enhanced operational competitiveness, as well as expansion of our institutional and retail/corporate lending by 20.7% and 14.6% year-on-year to KRW 10.5 trillion and KRW 4.7 trillion, respectively.

On the depositing side, we have strived ceaselessly to provide safe and stable depository services, while also expanding the scope of services to depositing funds related to the securities market. Thanks to such efforts, total deposits with KSFC climbed 8.6% from last year-end to mark KRW 35.5 trillion.

The total for our fee-earning assets also leaped 19.8% year-on-year, recording a staggering KRW 196 trillion, owing to persistent strengthening of our role in the capital markets, such as through increasing our AUM and promoting RP and electronic short-term bond intermediary services.

As proven by such results, we were able to seek stable sources of return, while promoting mutual growth with the financial investment industry, despite growing market uncertainties. We also succeeded in fulfilling our mandate of supporting the local capital markets.

We will secure new growth engines, while adapting to paradigm shifts in the financial industry. Every effort will be put to improve our fundamentals to sustain mutual growth with the capital markets.

Going forward, KSFC and all of our employees will carry on with our hard work, staying true to our mandate of delivering shared growth to the industry, and strive to further expand our role in the capital markets.

Let me now introduce some key management targets for FY2017 that will help realize our aforementioned goals.

Esteemed shareholders,

In 2017, we will seek to achieve the following key initiatives with an aim of realizing the goal of expanding our role in the capital markets, based on stable growth.

First of all, we will achieve stable growth by preemptively responding to the shifts in the tumultuous business environment we face today.

Externally, we are confronted with a continued global economic slowdown amid growing uncertainties over the Eurozone following the Brexit referendum, while China continues to struggle from an ongoing slowdown carried over from last year.

Meanwhile, most local industries remain sluggish due to weak domestic demand. At the same time, a possible increase in the local interest rate triggered by the U.S.'s key interest rate hike are reigniting concerns over mortgage and household debt issues, which may pose a significant threat to the Korean economy.

Against this backdrop, we believe our core management principles of logical analysis and flexible yet agile responses are of the essence. Making full use of such management tactics, we will continue to deliver sound growth for years to come.

Secondly, we intend to enhance profit generation by tapping into diverse business models and analyzing current businesses for room for efficiency improvement.

Margins have been squeezed throughout most of the financial industry, given the low-interest rate trend and a diminishing interest rate spread. It is only obvious that improving the bottom line through quantitative growth without structural change is extremely difficult to deliver.

Thus, we will uncover new profit-based growth drivers tailored to today's changing financial environment, while carrying out an accurate analysis of the profitability profiles of our existing businesses to maximize efficiency through streamlined products and processes.

Thirdly, we will reach further beyond our current role of providing a safety net to the industry, and seek out a more proactive role for the development of the capital markets.

KSFC was able to evolve continuously, thanks to endless support and guidance from our shareholders. We promise you that our customers and shareholders will always be our utmost priority.

This year is poised to mark the start of an era of mega-IBs, internet-only banks and fintech, as witnessed by the rapidly evolving crowdfunding projects, blockchain technologies, as well as credit analysis and risk management tactics that leverage on big data analytics.

We will set out to redefine our role in the local capital markets amid such rapid transformations in today's world of finance.

We will seek out new structures and instruments that can offer funds to the capital markets. Instead of simply providing straight loans to securities firms, for example, we will provide foreign currency liquidity to support seamless operations of securities firms, while also expanding our lineup of investment vehicles that offer risk-sharing mechanisms.

Furthermore, we will continue to act as an active market maker, promoting term RP trading so as to allow seamless integration of financial innovation into the local capital markets. At the same time, we will support new trends take root in the markets, thereby promoting both quantitative and qualitative growth of the industry.

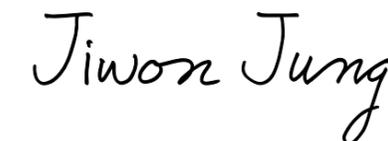
Esteemed shareholders,

Your encouragement and support have brought us thus far. Please rest assured that the top priority of concern for every one of our executives and employees has been and will be shareholders and customers. We look forward to your continued support and guidance going forward.

Thank you again for your precious time, and on that note I would like to conclude my overview on our key performance for FY2016, the 67th fiscal period.

Thank you.

**Jiwon Jung
President & CEO**



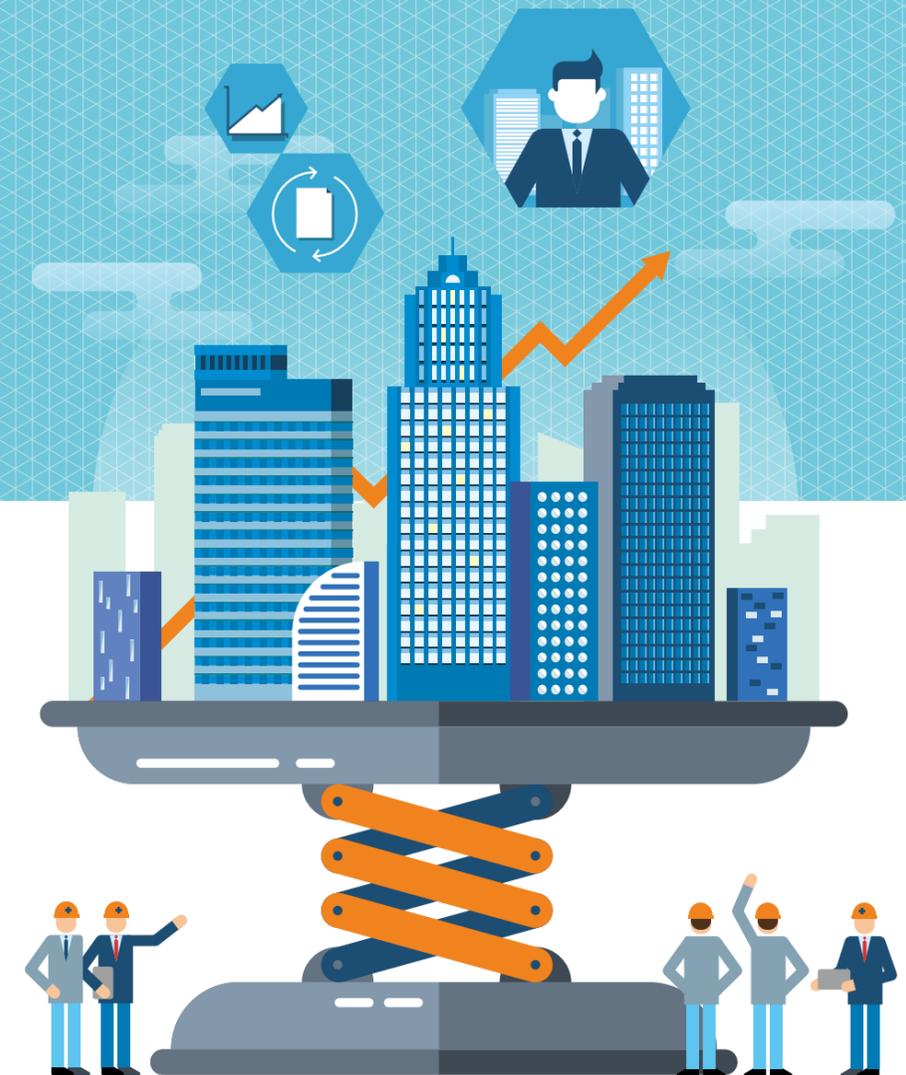
01 History



Rich Experience and Insight

Based on a long history of 62 years, KSFC continues to grow as it settles into its industry-leading position. Leveraging our capability to expand with the Korean capital market, we will discover opportunities for new growth through our insights on industrial trends and hidden potentials. Our 62-year long history of trust will upgrade into a 100-year long partnership.

02 Financial Infrastructure



Safety Net of the Capital Market

KSFC is at the forefront of supplying liquidity to the securities market and protecting investors, in accordance with its mission of delivering 'sound growth to the capital market'.
By providing funds and securities to securities companies and investors, we contribute to expanding the demand base for securities and fostering a healthy investment culture. We also protect investors and support the stable growth of the capital market by safely managing investors' deposits.

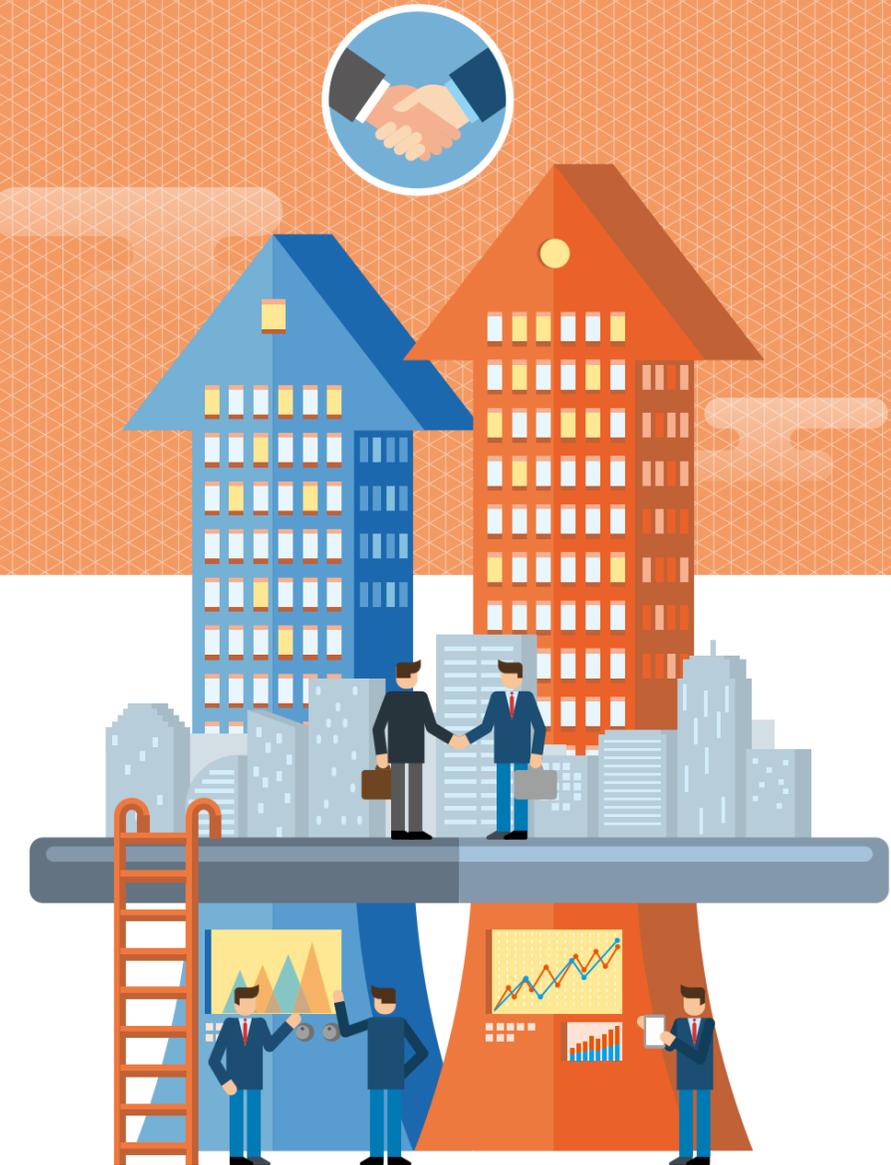
03 Financial Soundness



A Reliable Partner for Growth

KSFC is a reliable partner as evidenced by our excellent financial soundness. As an industry-leading financial institution with a domestic credit rating of AAA(outlook/stable), we maintain the highest level of financial soundness, with a BIS ratio that exceeds the level recommended by the Financial Supervisory Service. Our credibility in the market is underscored by our Moody's rating of Aa2, the highest among all Korean financial institutions.

04 Win-Win Partnership



Collaborating for Shared Growth

KSFC is dedicated to promoting win-win partnerships not only with the securities industry, but also with investors. We pursue sound and solid partnerships for shared growth as we strive to revitalize the capital market based on our global leadership. We also actively communicate with market participants to help them unleash their full potentials.

05 Corporate Social Responsibility



Joy of Caring and Giving

We strive to share the fruits of our work with local communities as a responsible corporate citizen. Under our slogan of 'Sharing Hope, Sharing Love, Sharing Happiness', we continue our endeavor to create a better world by giving back to society.

The KSFC Foundation is at the heart of our vision to create an inclusive and welcoming community where everyone has the opportunity to enjoy a decent life.

Vision

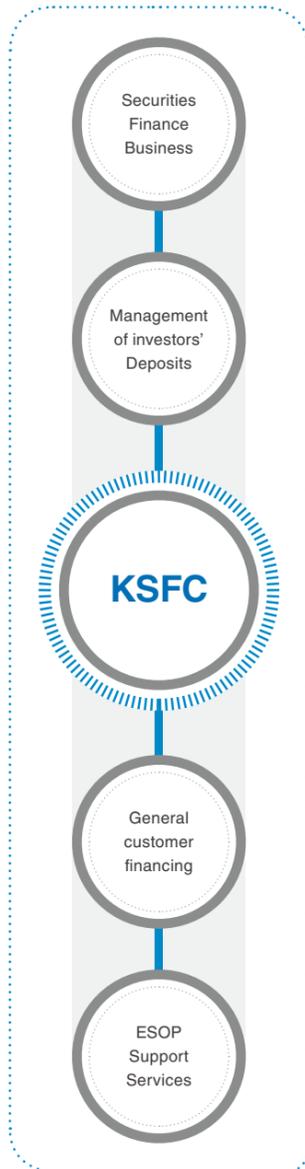
KSFC's Vision

KSFC grows together with the capital market. By becoming a win-win growth partner for the investor and the market, we will pave the way for another century of trust with our customers.

We are realizing our dream through strategic thinking and differentiated competencies. With passionate minds and continued efforts, we will become a reliable win-win growth partner of the capital market.



Functions and Roles



Korea Securities Finance Corporation (KSFC) was established in 1955 to supply liquidity and perform specialized tasks required by the securities market, so as to contribute to the development of the domestic capital market.

Providing securities-based liquidity

We supply funds and securities to financial investment firms and retail investors
 KSFC provides financial investment firms, financial investment services-related organizations and collective investment companies with liquidity by supplying funds and securities. We also contribute to the expansion of the securities market and promote further utilization of securities owned by retail investors by offering individuals and corporations a variety of financial services that use securities as collateral.

Acting as a financial safety net of the capital market

We safely store and manage investors' assets
 KSFC supports the stable development of the Korean capital market by protecting investors and safeguarding their assets. We receive investors' deposits from investment traders and brokers and place them separately and safely in our deposit or trust accounts.

Managing funds related to the securities market

We manage deposits from financial investment firms, corporations and retail investors
 KSFC safely deposits not only idle funds of financial investment firms and companies, subscription margins, CMA funds and securities subscription deposits, but also national treasury funds and Public Money Management Funds. By doing so, we stimulate the bond market and efficiently invest these funds in the money market. As such, we offer investors a safe and profitable vehicle to manage funds and help financial investment firms manage short-term liquidity.

Building the infrastructure for the capital market

We offer SBL and inter-dealer RP intermediary services, as well as custodial services for collective investment assets
 KSFC promotes further utilization of securities through securities borrowing and lending (SBL) intermediary services, and contributes to the stabilization of the money market through institutional RP brokerage. In addition, we provide top-class custodial services through diversification of assets under management and by providing ancillary services that best meet customer needs.

Supporting ESOPs

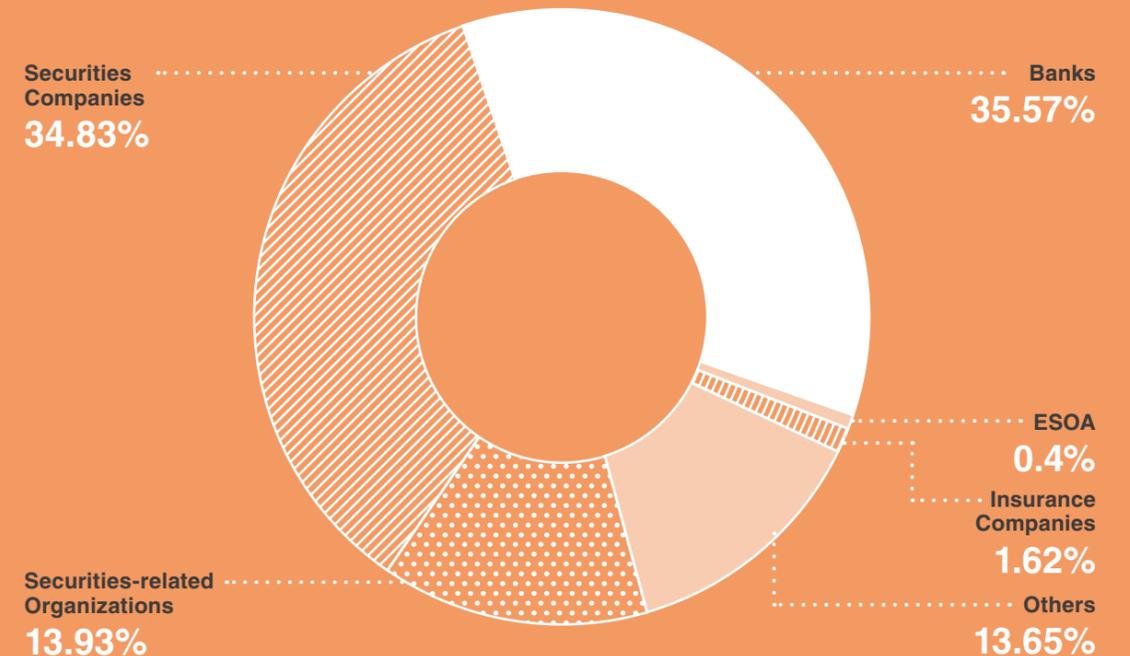
We provide depository, custodial, stock lending and other finance services related to ESOP shares as an exclusive ESOP management institution
 An Employee Stock Ownership Plan (ESOP) is an employee benefit scheme that promotes workers' welfare by encouraging them to purchase and hold stocks of their employer companies. We have established and now operate an ESOP support center that provides consulting and education on the creation and management of Employee Stock Ownership Associations (ESOAs). We also offer depository and custodial services for ESOP shares as well as an array of related financial services.

01

Company Overview

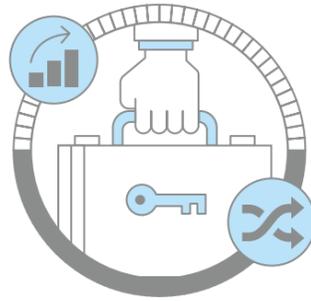
OWNERSHIP STRUCTURE

(December 31, 2016)



Company Profile

As the only securities finance company in Korea, KSFC is devoted to performing diverse roles and functions needed for the development of the capital market and the national economy.



PLAYING A KEY ROLE FOR THE DEVELOPMENT OF THE CAPITAL MARKET

As Korea's only institution designated to handle securities financing, KSFC focuses on supplying funds and securities to the market and securities firms, while protecting investors through disciplined management of investor's deposits. We also assist in the establishment and development of employee stock ownership plans (ESOPs) and provide general financing services such as securities-backed loans. Our business portfolio has so far expanded to include SBL intermediation, RP intermediation, corporate bond administration, and IDB, contributing to the creation of a solid foundation for the growth of the capital market.

AN EXCELLENT FINANCIAL INSTITUTION WITH Aa2 INTERNATIONAL CREDIT RATING

KSFC, whose first priority is financial soundness, is an excellent financial institution with Aa2 international credit ratings, as well as AAA domestic credit ratings with a stable outlook. KSFC manages more than KRW 40 trillion using its advanced management techniques.

A FINANCIAL INSTITUTION THAT PURSUES ETHICS-BASED MANAGEMENT

Based on the KSFC Code of Ethics, we acknowledge our economic, legal, and ethical responsibilities as our primary duties. We adopt and apply the standards of transparency, rationality, and legitimacy in ethical decision making while leading the CSR movement by participating in various volunteer activities through our One Heart Volunteer Group, under the slogan of "Sharing Hope, Sharing Love, Sharing Happiness".

PROGRAMS FOR ETHICAL MANAGEMENT PRACTICE

Ethical Management Committee

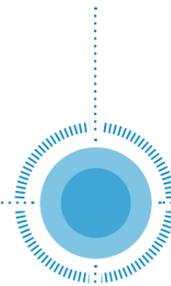
We operate a committee that superintends ethical management and makes ethical decisions in order to raise awareness of ethical conduct and encourage employees to practice ethical management.

Self-Assessment of Adherence to Ethics/Compliance

Checklists regarding ethical conduct and key regulations are made for employees and senior officers for the purpose of regular self-assessment, which aim to promote ethical behavior and compliance.

Setting up the Code of Conduct

A detailed code of business conduct to achieve ethical management is set up and practiced by employees in an effort to establish a sound corporate culture.

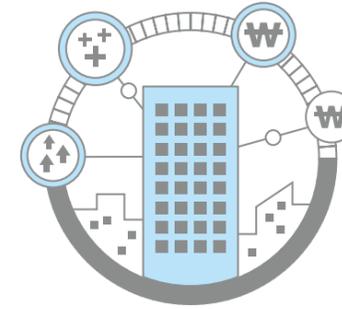


Frequent Ethics/Compliance Education

Various ethics/compliance education sessions are conducted to improve ethical behavior and practice, which contribute to enhancing corporate competitiveness.

Scope of Business and Services

We strive to develop and grow financial investment firms and the financial market, and offer efficient services to securities investors.



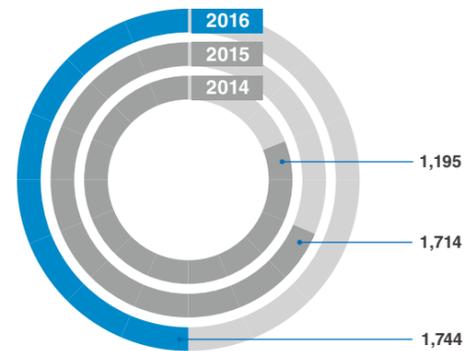
KSFC engages in securities financing services in accordance with the Financial Investment Services and Capital Markets Act and additional services licensed by, approved by, or registered with the Financial Services Commission. These services mainly include lending of funds or securities for trade in the securities and derivatives markets through the Korea Exchange, loans backed by securities, trust services, custody, management of collective investment assets, etc.

Services	For Financial Investment Firms and the Capital Markets	For Retail Investors and Corporations
Loans	<ul style="list-style-type: none"> • Securities Underwriting Loans • Margin Financing Loans • Stock Purchasing Loans • Working Capital Loans • Bond Dealer Loans • Loans to Finance Securities-Backed Loans • Short-term Note Trading at a Discount • Bond Purchase under RP • Clearance and Settlement Loans 	<ul style="list-style-type: none"> • Securities-backed Loans • Short-term Note Trading at a Discount • Deposit-backed Loans
Deposits	<ul style="list-style-type: none"> • Subscription Guarantee Money Deposits • Financial Investment Institutions' Deposits • Stock Market Stabilization Fund Deposits • Sales of Notes Issued • National Treasury and Public Fund Deposits • SPAC Deposits 	<ul style="list-style-type: none"> • KSFC-wide Deposits • Sales of Notes Issued • Bond Sale under RP • Deposits from Small-cap Publicly Offered Companies • Deposits from Private Pension Funds
Management of Investors' Deposits	<ul style="list-style-type: none"> • Investor's Deposits in Deposit Accounts • Investor's Deposits in Trust Accounts 	
Trustee and Custody	<ul style="list-style-type: none"> • Trustee and Custody Services • Management of Entrusted Assets • General Administration Management • Corporate Bond Administration 	
ESOP Support	<ul style="list-style-type: none"> • ESOP Stock Management • ESOP Stock-backed Loans • ESOP Stock Lending • ESOP Support Services 	<ul style="list-style-type: none"> • ESOP Support Services • ESOP Stock-backed Loans
Securities Borrowing & Lending Intermediation	<ul style="list-style-type: none"> • Securities Borrowing & Lending (SBL) Intermediation • RP Intermediation • IDB Business 	

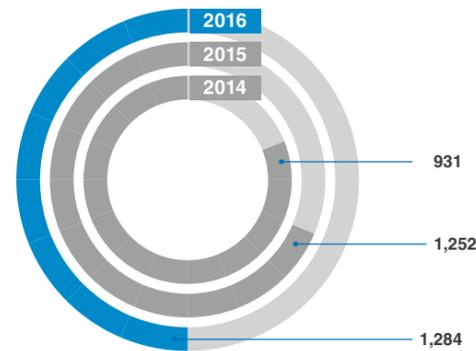
Financial Highlights

KSFC INCOME

Operating Income
(unit : KRW 100 million)



Net Income
(unit : KRW 100 million)

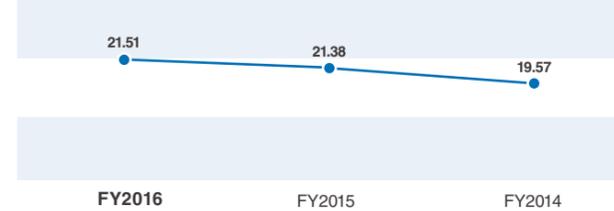


※ Operating income and net income decreased due to the decreased number of operating months from 12 to 9 led by a change in the fiscal year(2014).

ASSETS (unit : 100 million KRW)

Division	FY2016	FY2015	FY2014
Total Assets	428,230	406,137	362,150
Total Equity	17,641	17,006	16,005
Total Liabilities	410,589	389,131	346,145

BIS RATIO (unit : %)



CREDIT RATING

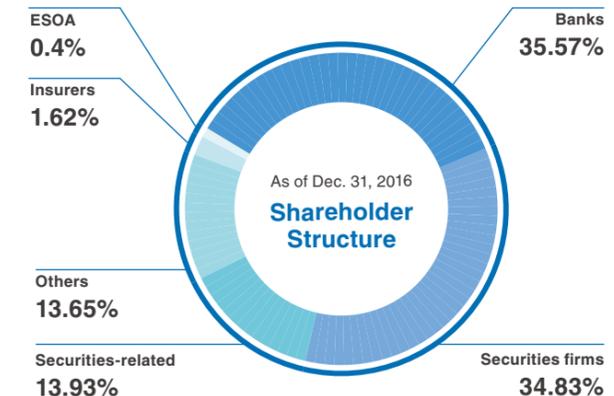
Domestic
(NICE Investors Services Co. / Korea Ratings / Korea Investors Service)

Long-Term Issuer Rating: **AAA**
Short-Term Issuer Rating: **AAA**
Outlook: **Stable**

International
(Moody's)

Long-Term Issuer Rating: **Aa2**
Short-Term Issuer Rating: **P-1**
Outlook: **Stable**

SHAREHOLDER STATUS

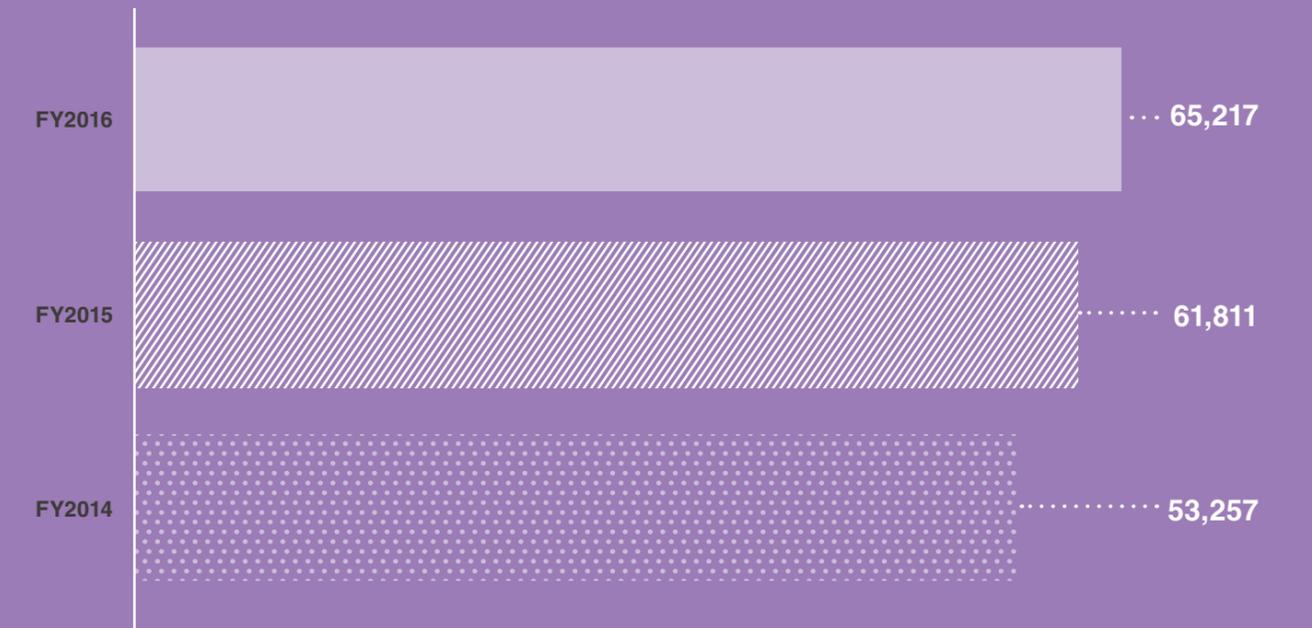


02

Business Review

TOTAL ASSETS

(KRW in billions, including trust accounts)



Summary

January 1, 2016 ~ December 31, 2016

In FY2016, we stayed true to our role as a securities finance company as we continued to diversify and stabilize our earning structure to achieve strong results, and increase our support for the financial investment industry.

FINANCIAL POSITION

In FY2016, the average balance of total assets increased by 22.6% year-on-year to KRW 53.64 trillion. Securities increased by 29.3% to KRW 18.41 trillion, loan receivables by 38.1% to KRW 21.15 trillion, while cash and bank deposits decreased by 0.2% to KRW 14.37 trillion.

Total liabilities recorded KRW 51.94 trillion, a 23.3% increase year-on-year, with depository liabilities increasing by 26.6% to KRW 45.45 trillion, and borrowings by 0.5% to KRW 3.68 trillion.

Total shareholder's equity, including paid-in capital grew by 8.5% year-on-year, recording KRW 1.69 trillion.

OPERATING PERFORMANCE

In FY2016, operating revenue recorded KRW 1.13 trillion, marking an increase of 2.0% year-on-year. Interest income in particular, dropped by 2.9% to KRW 728.1 billion, while gain on valuation and disposal of financial investments was up by 18.4% recording KRW 187.5 billion. Fee income rose by 12.0% to KRW 131.9 billion, while investment return from trust accounts increased by 1.8% to KRW 19.6 billion, and dividend income by 3.5% to KRW 49.3 billion.

Operating expenses totalled KRW 962 billion, an increase of 2.0% year-on-year, with interest expenses recording KRW 719.4 billion, fee expenses KRW 111.3 billion, and administrative expenses KRW 79.9 billion, climbing 0.2%, 16.9%, and 3.9%, respectively. Loss on valuation and disposal of securities fell by 22.5%, recording KRW 27.5 billion.

As a result, we recorded KRW 174.4 billion won in operating income, a year-on-year increase of 1.8%, and net income of KRW 128.4 billion, a year-on-year increase of 2.6%.

SUMMARY

On the external front, 2016 saw continued concerns over deepening uncertainties stemming from the Eurozone, key interest rate hike by the U.S. Fed, and a slowdown in the Chinese economy. Internally, amid a protracted low-growth, low-interest rate environment, slowdown in business activity became further entrenched across all sectors, making 2016 a challenging year for the financial investment industry at large.

In spite of this challenging business environment, however, we were able to respond preemptively to changing market conditions with the goal of achieving shared growth with the capital markets, growing our operating volume (including trust accounts and fee-earning assets) by 17.9% year-on-year to KRW 272.5 trillion (KRW +41.5 trillion, average balance), and net income by 2.6% (KRW +3.2 billion) to KRW 128.4 billion.

In the case of loans, thanks to strengthened cooperation with the financial investment industry, coupled with efforts to boost our operational competitiveness to better respond to the changing market environment, our institutional lending and loans to retail and corporate customers grew by 20.7% and 14.6% year-on-year, recording KRW 10.5 trillion and KRW 4.7 trillion respectively.

Also, total fee-earning assets rose by 19.8% year-on-year to KRW 196 trillion, mostly due to continued growth in our custody assets as well as expansion of our RP and electronic short-term bond intermediation business, as part of our ongoing efforts to play a more active role on the securities market.

On balance, despite growing market uncertainties, we were able to deliver solid results in FY2016 while also fulfilling our due role of supporting the local capital markets, thanks to our continued commitment and work to seek out stable sources of income, while also achieving shared growth with the financial investment industry.



Funding

KSFC's main sources of funding are various deposits, bonds sold under RPs, borrowings from financial institutions, corporate bond issues, and equity capital. On an average balance basis, we raised a total of KRW 53.64 trillion in funding in FY2016, which is a 22.6% increase year-on-year.

Main sources of funding include various deposits, bonds sold under RPs, borrowings from financial institutions, corporate bond issues, and equity capital. On an average balance basis, we raised a total of KRW 53.64 trillion in funding in FY2016, which is a 22.6% increase year-on-year.

In terms of the funding mix, deposits from financial investment firms accounted for 42.3%, investors' deposits 12.5%, notes issued 21.5%, and bonds sold under RPs 5.3%. New funding sources, including ISA deposits and online small-amount subscription deposits, were added on compared to the prior year, and while the proportion of notes issued increased year-on-year, there was a decline in the share of deposits from financial investment firms, investors' deposits, and bonds sold under RPs.

DEPOSIT LIABILITIES

The average balance of deposit liabilities, which is composed of various deposits, notes issued, etc., increased by 26.6% year-on-year to KRW 45.45 trillion, accounting for 84.7%, an absolute majority of total raised funding compared to 82.1% in the previous year.

Investors' Deposits

Funds that investors place in financial investment companies for stock or derivative trading purposes, which are required to be re-deposited with the KSFC in accordance with relevant laws and regulations. The average balance increased by 0.1% year-on-year to KRW 6.71 trillion, accounting for 12.5% of total funds raised compared to 15.3% in FY2015.

- Deposits for securities spot trading are funds entrusted to financial investment companies for the purpose of stock trading. The average balance stood at KRW 9 billion.

- Deposits for derivatives trading are funds placed by investors in financial investment companies for the purpose of trading stock index futures and options. The average balance recorded KRW 2.28 trillion.

- Deposits from derivatives-specializing institutions are funds placed by institutions that exclusively handle exchange-traded derivatives for investors seeking futures trading. The average balance recorded KRW 1.72 trillion.

- Deposits for collective investment securities trading are funds entrusted to financial investment companies for the purpose of trading collective investment securities. The average balance stood at KRW 2.90 trillion.

- Foreign currency deposits are funds placed by investors in financial investment companies in foreign currencies. The average balance recorded KRW 507.6 billion.

Deposits for Gold Spot Trading

Deposits for gold spot trading are funds placed by investors in financial investment companies for the purpose of gold spot trading. The average balance recorded KRW 18.5 billion.

Subscription Margin Deposits

Subscription margins are paid to investment companies by investors seeking to take part in an IPO or rights offering. Subscription margin deposits decreased by 512.8% year-on-year, recording an average balance of KRW 1.16 trillion in FY2016, accounting for 2.2% of total raised funding compared to 3.1% in the previous year.

FY2016 BREAKDOWN OF SOURCES OF FUNDING

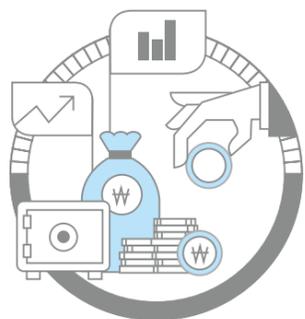
(Unit: Million won, %, based on average balance)

Sources of Funding	FY2016		FY2015		FY2014	
	Amount	%	Amount	%	Amount	%
Deposit Liabilities	45,453,872	84.7	35,911,030	82.1	30,512,130	80.5
Investors' Deposits ¹⁾	6,712,575	12.5	6,704,494	15.3	6,343,170	16.7
Deposits for Gold Spot Trading	18,479	0.0	7,731	0.0	3,323	0.0
Subscription Margin Deposits	1,168,090	2.2	1,339,230	3.1	1,414,721	3.7
Stock Market Stabilization Fund Deposits	13,292	0.0	15,026	0.0	24,425	0.0
Deposits from Financial Investment Institutions	22,692,656	42.3	20,741,172	47.4	16,578,905	43.7
ISA Deposits	20,116	0.0	-	-	-	-
Deposits from Corporate Customers	2,147,703	4.0	1,809,065	4.1	1,359,525	3.6
IPO Stock Subscription Deposits and Others	2,655	0.0	1,348	0.0	1,444	0.0
Deposits from Retail Customers	90,806	0.2	114,617	0.3	135,322	0.4
ESOP Deposits	9,554	0.0	3,945	0.0	3,515	0.0
Pension Fund Deposits	503,790	0.9	192,130	0.4	-	-
Online Small-amount Subscription Deposits	1,251	0.0	-	-	-	-
Guarantee Money Deposits	67	0.0	66	0.0	65	0.0
SPAC Deposits	522,338	1.0	384,179	0.9	73,489	0.2
Notes Issued	11,548,175	21.5	4,595,583	10.5	4,571,834	12.1
Special Deposits	2,325	0.0	2,444	0.0	2,392	0.0
Borrowings	3,680,598	6.9	3,662,942	8.4	4,077,454	10.7
Call Money	-	0.0	34,034	0.1	593,375	1.6
Bonds Sold under RPs	2,843,248	5.3	2,761,127	6.3	2,551,934	6.7
Borrowings ²⁾	837,350	1.6	867,781	2.0	932,145	2.5
Corporate Bonds	1,333,305	2.5	1,058,230	2.4	877,584	2.3
Other Liabilities	1,478,808	2.8	1,544,929	3.5	1,062,781	2.8
Cash Collateral ³⁾	750,787	1.4	953,767	2.2	713,775	1.9
Borrowings from Trust Accounts	559,156	1.0	493,653	1.2	273,860	0.7
Deferred Tax and Others	168,865	0.3	97,509	0.2	75,147	0.2
Shareholder's Equity	1,697,068	3.2	1,564,640	3.6	1,400,370	3.7
Total	53,643,651	100.0	43,741,771	100.0	37,930,320	100.0

1. Sum of deposits for: securities spot trading, derivatives trading (including those from derivatives-specialized institutions), collective investment securities trading, trading derivatives in foreign currency, trading securities in foreign currency, and trading collective investment securities in foreign currency

2. Sum of bank borrowings and commercial papers

3. Sum of cash collateral for: stock loans, SBL intermediation, and other transactions



- These deposits are usually used to purchase discounted bills issued by the depositing financial investment company, to an extent not exceeding the sum of their respective deposit balances.

Deposits from Financial Investment Institutions

In FY2016, the average balance of deposits from financial investment institutions and other related institutions recorded KRW 22.69 trillion, accounting for 42.3% of total raised funding.

- This was mostly due to increased deposits from financial investment companies' discretionary CMA accounts and other surplus funds, driven by a rise in market liquidity amid a protracted low interest rate environment.

Deposits from Corporate Customers

The average balance of deposits from surplus funds of corporations, public institutions, and other organizations recorded KRW 2.14 trillion in FY2016.

- We saw continued inflows thanks to loose market liquidity conditions and efforts to attract major large corporate customers.

Pension Fund Deposits

The average balance of these funds which are placed by various private pension funds, including mutual aid associations, public interest corporations, private schools, and employee welfare funds, etc., recorded KRW 503.8 billion in FY2016.

ISA Deposits

Funds placed by financial investment companies from their Individual Savings Account (ISA) reserves. Newly launched on Jun. 27, 2016, the average balance recorded KRW 20.1 billion in FY2016.

Online Small-amount Subscription Deposits

A new offering launched on Jan. 25, 2016 for managing securities-type crowdfunding subscription deposits. The average balance recorded KRW 1.3 billion in FY2016.

Special Purpose Acquisition Company Deposits

Funds received from a special purpose acquisition company (SPAC), which raises funds and issues shares for the sole purpose of a merger with another company, in accordance with the Enforcement Decree of the Capital Markets Act. The average balance recorded KRW 522.3 billion, accounting for 1.0% of total raised funding.

Notes Issued

Raising deposit-like funds by issuing debt instruments. The average balance increased by 151.3% to KRW 11.54 trillion in FY2016.

- Notes issued are mostly comprised of government treasury or public funds as well as trust funds from financial investment companies. Government funds, in particular, are invested in exchange-traded RPs, MMFs, bank deposits, call loans, etc. in accordance with prior agreements with the government.

BORROWINGS

Funds are borrowed through bonds sold under RPs, bank loans, commercial papers, and call money. The average balance of borrowings increased by 0.5% year-on-year in FY2016, recording KRW 3.68 trillion, and accounting for 6.9% of total raised funding.

Call Money

Zero outstanding balance as of FY2016.

Bonds Sold under RPs

The average balance of bond sales under RPs, where bond holdings are sold to an individual or corporation on condition that they will be bought back at a later agreed-upon date, recorded KRW 2.84 trillion in FY2016, accounting for 5.3% of total raised funding.

- Bonds sold under RPs emerged as a key source of funding after inter-dealer RP trading began in 2003.

Borrowings

The average balance of borrowings from financial institutions fell 3.5% year-on-year to KRW 837.4 billion, accounting for 1.6% of total funding compared to 2.0% in the previous year.

CORPORATE BONDS

In FY2016, corporate bond issuance increased 26% year-on-year to KRW 1.33 trillion, accounting for 2.5% of total raised funding, compared to 2.4% in the previous year.

OTHER LIABILITIES

The average balance of other liabilities including cash collateral and borrowings from trust accounts, etc. declined by 4.3% year-on-year to KRW 1.47 trillion, accounting for 2.8% of total raised funding in FY2016, compared to 3.5% in the previous year.

Cash Collateral

The average balance, which includes KRW 634.4 billion in cash collateral for SBL intermediation, KRW 22.8 billion in cash collateral for stock loans, and KRW 93.5 billion in other cash collateral, decreased by 21.3% year-on-year to KRW 750.8 billion, making up 1.4% of total raised funding in FY2016, compared to 2.2% in the previous year.

Borrowings from Trust Accounts

The average balance of borrowings from trust accounts, which are uninvested funds deposited from collective investment schemes that consign safekeeping and management of fund assets to KSFC, pursuant to the trust contract, increased by 13.3% year-on-year to KRW 559.2 billion, accounting for 1.0% of total raised funding in FY2016, compared to 1.2% in the previous year.

SHAREHOLDERS' EQUITY

In FY2016, the average balance of shareholder's equity increased by 4% year-on-year to KRW 1.69 trillion, accounting for 3.2% of total raised funding, compared to 3.6% in FY2015.

Paid-In Capital and Capital Surplus

In FY2016, paid-in capital and capital surplus recorded KRW 340 billion and KRW 21.8 billion respectively, the same level as the previous year.

Retained Earnings

In FY2016, retained earnings increased by 10.9% year-on-year, recording KRW 1.16 trillion.

Fund Management

We manage funds by keeping them in cash or bank deposits, and use them to purchase securities, discounted notes, or bonds under RPs, or offer them to our customers through an array of loan products.

Funds are mostly managed in the form of cash, bank deposits or invested in securities, loans, discounted notes, bonds sold under RPs, etc. A breakdown of our total fund mix includes 25.9% in won-denominated bank deposits, 23.4% in loans, 21.7% in trading securities, 12% in bonds purchased under RPs, 11.9% in available-for-sale securities, and 4.0% in discounted notes. Relative to the previous year, the proportion of securities and loans increased, while that of bank deposits declined.

CASH AND BANK DEPOSITS

A big portion of total funds are held in the form of cash and bank deposits for stable liquidity management, since short-term current funds make up a significant portion of our total raised funding due to our funding structure. In FY2016, the average balance of cash and bank deposits decreased by 0.2% year-on-year to KRW 14.37 trillion, accounting for 26.8% of total funds managed, compared to 32.9% in the previous year.

Bank Deposits in Won

In FY2016, the average balance of bank deposits in won decreased by 1.7% year-on-year to KRW 13.87 trillion, accounting for 25.9% of total funds managed, compared to 32.3% in the previous year.

Bank Deposits in Foreign Currencies

In FY2016, the average balance of bank deposits in foreign currencies increased by 74.3% year-on-year to KRW 507.4 billion, accounting for 0.9% of total funds managed, compared to 0.7% in the previous year.

SECURITIES

Due to intensifying competition in the securities-backed loan market, we chose to increase investments in securities to enhance our profitability and returns. As a result, the average balance of securities in FY2016 increased by 29.3% year-on-year to KRW 18.41 trillion, accounting for 33.6% of total funds managed, compared to 31.9% in the previous year.

A breakdown by asset class includes stocks (including equity investments) and bonds, which increased by 8.5% and 11.3% respectively to KRW 615.9 billion and KRW 5.90 trillion, and beneficiary certificates, which increased by 43.3% to KRW 11.2 trillion, and others (derivative-linked instruments, etc.), which increased by 21% to KRW 323 billion.

Trading Securities

The average balance of trading securities, which are acquired for the purpose of seeking short-term trading gains, increased by 48.4% to KRW 11.64 trillion in FY2016, making up 21.7% of total funds managed compared to 17.9% in the previous year.

Available-for-Sale Securities

The average balance of available-for-sale securities, which seek longer term investment returns, increased by 4.8% year-on-year to KRW 6.39 trillion, making up 11.9% of total funds managed, compared to 14% in the previous year.



LOAN RECEIVABLES

Our loan receivables include discounted notes, bonds purchased under RPs, and various other loan products, which serve short term funding purposes. In FY2016, the average balance increased by 38.1% year-on-year to KRW 21.15 trillion, making up 39.4% of total managed funds, compared to 35% in the previous year.

Discounted Notes

Due to a decline in subscription margin deposits, the average balance of discounted notes fell 3.2% year-on-year to KRW 2.16 trillion, accounting for 4.0% of total managed funds, compared to 5.1% in the previous period.

Bonds Purchased under RPs

The average balance of bonds purchased from institutional investors on a buy-back condition at a later agreed-upon date recorded KRW 6.46 trillion in FY2016, making up 12.0% of total managed funds.

Loans

The average balance of loans grew by 21.8% year-on-year to KRW 12.52 trillion, accounting for 23.4% of total managed funds.

FY2016 BREAKDOWN OF MANAGED FUNDS

(Unit: Million won, %, based on average balance)

Funds	FY2016		FY2015		FY2014	
	Amount	%	Amount	%	Amount	%
Cash and Bank Deposits	14,377,739	26.8	14,404,716	32.9	12,423,227	32.8
Deposits in Won	13,870,325	25.9	14,113,664	32.3	12,166,994	32.1
Deposits in Foreign Currencies	507,414	0.9	291,035	0.7	256,217	0.7
Securities	18,041,482	33.6	13,952,310	31.9	12,842,995	33.9
Trading Securities	11,644,607	21.7	7,847,405	17.9	6,669,248	17.6
Financial Assets Designated at Fair Value through Profit or Loss	-	-	-	-	4,511	0.0
Available-for-sale Securities	6,396,874	11.9	6,104,905	14.0	6,164,908	16.3
Derivatives	-	-	768	0.0	583	0.0
Loans and Receivables	21,158,537	39.4	15,322,439	35.0	12,604,188	33.2
Call Loans	-	-	-	-	50,182	0.1
Discounted Notes	2,167,273	4.0	2,239,873	5.1	1,860,070	4.9
Bonds Purchased under RPs	6,463,332	12.0	2,796,219	6.4	3,048,659	8.0
Loans	12,527,932	23.4	10,286,347	23.5	7,645,277	20.2
Other Assets	65,894	0.1	61,548	0.2	59,327	0.1
Total	53,643,652	100.0	43,741,771	100.0	37,930,320	100.0

- Margin financing loans are offered through a clearing house (exchange) to provide investment companies with funding and securities needed to finance their customers' margin trading. The average balance recorded KRW 3.7 trillion.
- Financing for securities-backed loans are offered to financial investment companies to provide financing to fund their securities-backed loan businesses. The average balance recorded KRW 4.41 trillion.
- Working capital loans are securities-backed loans offered to financial investment companies, related institutions, the Korea Exchange, insurance companies, etc. to fund their working capital needs. The average balance recorded KRW 688.4 billion.
- ESOP share acquisition loans are provided to assist ESOA members in purchasing their allotted ESOP shares, and are backed by those shares as collateral. The average balance recorded KRW 2.09 trillion.
- ESOP share-backed loans are provided to ESOA members, backed by their deposited ESOP shares. The average balance recorded KRW 24.8 billion.
- General securities-backed loans are securities-backed loans offered to retail or corporate customers to fund their investment needs, etc. The average balance recorded KRW 2.21 trillion.
- Deposit-backed loans are offered to customers against their KSFC deposit holdings as collateral. The balance of deposit-backed loans was minimal at below KRW 1 million.

BREAKDOWN OF LOANS

(Unit: Million won, %, based on average balance)

Type of Loan	FY2016		FY2015		FY2014	
	Amount	%	Amount	%	Amount	%
Margin Financing Loans	3,070,275	24.5	3,198,841	31.1	2,686,589	35.2
Working Capital Loans	688,384	5.5	221,914	2.2	90,448	1.2
Financing to Support Securities-Backed Loans	4,412,927	35.2	3,143,344	30.6	1,890,224	24.7
ESOP Share Acquisition Loans	2,097,550	16.7	1,765,812	17.2	1,424,130	18.6
ESOP Share-Backed Loans	24,803	0.2	15,974	0.2	8,830	0.1
General Securities-Backed Loans	2,213,619	17.7	1,935,282	18.8	1,540,207	20.2
Deposit-Backed Loans	1	0.0	99	0.0	67	0.0
Others	20,373	0.2	5,081	0.0	4,782	0.1
Total	12,527,932	100.0	10,286,347	100.0	7,645,277	100.0

ESOP Support Services

As the sole custodian of ESOP shares in accordance with the Framework Act on Labor Welfare, KSFC performs public functions related to the ESOP system.

As an exclusive custodian of ESOP shares in accordance with the Framework Act on Labor Welfare, KSFC offers various ESOP-related services to help spread and anchor the ESOP system in Korea. We provide out-reach consulting services on the establishment and management of employee stock ownership associations (ESOAs), as well as other public-good functions including safekeeping and management services for customers' ESOP shares, practical training to ESOA managers, and more.

Moreover, we also provide financial assistance to ESOAs and their members, so they can purchase ESOP shares more easily (ESOP share acquisitions loans) or cover household living expenses (ESOP share-backed loans) when in need.

Current Status of ESOA Establishment

As of the end of December 2016, a total of 2,971 companies have established their own ESOAs, with members totalling 1.3 million. Of those companies, 674 are KOSPI-listed (948,000 members), 860 are KOSDAQ-listed (126,000 members), and 1,437 are classified as others (263,000 members).

Current Status of Deposited ESOP Shares

As of the end of December 2016, a total of 380,000 members from 1,126 ESOAs have deposited a total of 555,242,000 ESOP shares, valued at KRW 7.43 trillion based on acquisition price.

- Of the total deposited shares, 418,863,000 are KOSPI-listed shares, 55,014,000 are KOSDAQ-listed shares, and 81,364,000 are classified as others.



- As of the end of December 2016, the market value of deposited shares totaled KRW 8.34 trillion - KRW 7.94 trillion for KOSPI-listed companies, KRW 595.4 billion for KOSDAQ-listed companies, and KRW 651.1 billion for the other companies.
- Members' ownership interest in ESOP shares was minimal, at 1.6% for KOSPI-listed companies, 0.8% for KOSDAQ-listed companies, and 1.6% for the remaining companies classified as other.

CURRENT STATUS OF ESOA ESTABLISHMENT

(Unit: Number of Companies, number of members)

Type of Company	FY2016 (As of Dec. 31, 2016)		FY2015 (As of Dec. 31, 2015)		FY2014 (As of Dec. 31, 2014)	
	ESOA	Member	ESOA	Member	ESOA	Member
KOSPI-listed Companies	674	948,148	664	930,067	653	906,717
KOSDAQ-listed Companies	860	126,135	825	120,228	779	114,444
Others	1,437	263,080	1,343	251,698	1,274	235,718
Total	2,971	1,337,363	2,832	1,301,993	2,706	1,256,879

* Note: the statistics for market share and ranking are based on average balances in trust published by the Korea Financial Investment Association

CURRENT STATUS OF DEPOSITED ESOP SHARES

(Unit: Number of companies, number of members, thousand shares, million won)

Classification	FY2016 (As of Dec. 31, 2016)				FY2015 (As of Dec. 31, 2015)				FY2014 (As of Dec. 31, 2014)			
	Depositing ESOAs		Deposited Shares		Depositing ESOAs		Deposited Shares		Depositing ESOAs		Deposited Shares	
	ESOA	Member	Share	Cost	ESOA	Member	Share	Cost	ESOA	Member	Share	Cost
KOSPI-listed	271	301,705	418,863	6,344,759	257	292,398	299,935	5,808,753	246	300,077	292,956	5,486,391
KOSDAQ-listed	315	24,625	55,015	461,276	295	24,173	47,478	314,972	271	23,493	51,386	302,124
Other	540	54,072	81,364	630,109	499	50,464	70,535	559,312	474	50,953	80,306	621,917
Total	1,126	380,402	555,242	7,436,144	1,051	367,035	417,948	6,683,037	991	374,523	424,648	6,410,432

Safekeeping and Management of Investors' Deposits

According to the Capital Markets Act, a financial investment company must separately deposit investment funds from securities and derivatives investors with KSFC, and the funds can either be deposited in a deposit account or a trust account.

In accordance with the Financial Investment Services and Capital Markets Act, financial investment companies are required to deposit funds entrusted to them by their investors with KSFC, with the option of placing the deposits in a deposit account or a trust account.

For deposit accounts, the return of both principal and interest is guaranteed by the KSFC, and monthly interest on previously agreed-upon terms is paid out. The payback of principal and interest is not guaranteed for trust accounts, however, trust account funds are separately invested and managed, and merit-based dividends are paid out monthly.

Trust Account Performance

In FY2016, the average balance of investors' deposits in trust accounts stood at KRW 22.34 trillion, of which KRW 17.23 trillion was for securities trading, KRW 3.15 trillion for derivatives trading, and 1.94 trillion for specified money in trust.

- As of the end of December 2016, investors' deposits in trust accounted for 90.8% of total investors' deposits, which is the sum of investors' deposits placed in deposit accounts and trust accounts (89.8% in FY2015), with 36 companies choosing to place their investors' deposits in trust accounts (36 companies in FY2015) and 17 opting for deposit accounts (19 companies in FY2015).





Investment of Deposits in Trust

Because deposits in trust must be managed safely while maintaining high levels of liquidity, strict laws and regulations specifying the scope of investible assets and eligible counterparties must be applied.

- In the interest of balancing risk and return, a total of KRW 16.21 trillion are managed using cash and bank deposits, while KRW 6.03 trillion are invested in securities.

CURRENT STATE OF INVESTORS' DEPOSITS IN TRUST

(Unit: Million won, %, based on average balance)

Classification	FY2016		FY2015		FY2014	
① Investors' Deposit in Trust						
Securities Investors' Deposits	17,237,111		14,911,549		11,305,373	
Derivatives Investors' Deposits	3,159,164		3,420,971		3,199,929	
Specified Money Trust	1,948,418		1,944,187		1,958,049	
Total	22,344,693		20,276,707		16,463,351	
② Breakdown of Investment						
Cash and Bank Deposits	16,215,642	(72.9%)	14,476,257	(71.7%)	12,100,191	(73.8%)
Debt Securities	170,462	(0.8%)	358,518	(1.8%)	6,661	(0.0%)
Securities	5,867,639	(26.4%)	5,354,579	(26.5%)	4,201,988	(25.6%)
Beneficiary Certificates						
Total	6,038,101	(27.1%)	5,713,097	(28.3%)	4,208,649	(25.7%)
Loans	0	(0.0%)	0	(0.0%)	735	(0.0%)
RPs	271	(0.0%)	799	(0.0%)	76,302	(0.5%)
Others	1,325	(0.0%)	1,010	(0.0%)	412	(0.0%)
Total	22,255,339	(100.0%)	20,191,164	(100.0%)	16,386,289	(100.0%)
③ Number of Companies (As of FY-end)	36		36		38	

Safekeeping and Management of Collective Investment Assets

Since June 2004, KSFC has been safely managing collective investment assets of collective investment schemes in accordance with relevant laws to protect investors.

KSFC has been engaged in the business of safekeeping and management of collective investment assets under collective investment schemes since June 2004, in accordance with relevant laws on investor protection with regard to the management of proceeds from the sale of collective investment securities.

- In FY2016, the average balance of custody assets increased by 6.8% year-on-year to KRW 83.20 trillion, thanks to an increase in MMF assets as well as continued efforts to diversify our custody asset base.
- Our market share increased slightly by 0.49%p year-on-year to 14.68%.
- We currently provide custody services to public/private pension fund investment pools (as of the end of December 2016).

CURRENT STATE OF CUSTODY BUSINESS

(Unit: 100 million won)

Classification	FY2016	FY2015	FY2014
Assets under Custody (average balance)	832,098	775,560	619,878
Market Share (industry ranking)	14.68% (2)	14.19% (2)	14.77% (1)

* Note: Market share and industry ranking figures are based on FY-end statistics on assets under custody announced by the Korea Financial Investment Association (KOFIA).



Securities Intermediary Services

Securities Borrowing and lending (SBL) refers to the act of lending and borrowing securities for investment purposes or for settlement of transactions.

SBL Intermediation

In FY2016, the average balance for SBL intermediation fell by 5.2% year-on-year, recording KRW 27.34 trillion.

- **Stock Borrowing / Lending Intermediation** The average balance decreased by 13.2% year-on-year to KRW 3.75 trillion, with KOSPI-listed shares accounting for KRW 2.51 trillion, posting a 13% decline from the previous year, and KOSDAQ-listed shares accounting for KRW 1.23 trillion, and marking a 13.5% drop.

- **Bond Borrowing / Lending Intermediation** The average balance fell by 3.8% year-on-year to KRW 23.59 trillion. The balance of treasury bonds dropped by 4.8% to KRW 21.82 trillion, while monetary stabilization bonds (MSBs) increased by 10.9% to KRW 1.63 trillion. The balance of other bonds increased by 14.2% year-on-year, recording KRW 138.7 billion.

Short-term Fund Intermediation

The average balance for RP intermediation rose by 50.3% compared to the previous year to KRW 10.51 trillion, while the average balance for electronic short-term bond issuance intermediation fell by 1.9% year-on-year to KRW 72 billion.

CURRENT STATE OF SBL/RP/ELECTRONIC SHORT-TERM BOND ISSUANCE INTERMEDIATION

(Unit: 100 million won, based on average balance)

Classification		FY2016		FY2015		FY2014
① SBL Intermediation		273,448		288,432		233,302
Stocks	KOSPI (%)	25,170 (67.1%)		28,927 (66.9%)		23,864 (67.6%)
	KOSDAQ (%)	12,366 (32.9%)		14,300 (33.1%)		11,452 (32.4%)
	Sub-Total (%)	37,536 (100.0%)		43,227 (100.0%)		35,316 (100.0%)
Bonds	Treasury Bonds (%)	218,209 (92.5%)		229,274 (93.5%)		188,728 (95.3%)
	Monetary Stabilization Bonds (%)	16,316 (6.9%)		14,716 (6.0%)		8,663 (4.4%)
	Other Bonds	1,387 (0.6%)		1,215 (0.5%)		596 (0.3%)
	Sub-Total (%)	235,912 (100.0%)		245,205 (100.0%)		197,986 (100.0%)
② RP Intermediation		105,111		69,915		60,893
③ Intermediation for Electronic Short-term Bond Issuance		720		734		507

03

Sustainability Review

CSR ACTIVITIES

(Unit: KRW in millions)



Corporate Social Responsibility

KEY AREAS OF SOCIAL CONTRIBUTIONS

SOCIAL WELFARE
We always stand shoulder to shoulder with those who may be marginalized and need more protection, such as infants, children, adolescents, women, the elderly, and the disabled.

ARTS AND CULTURE
We support the arts and culture by supporting content creation and expanding their market base.

EDUCATION AND ACADEMICS
We support academic and educational organizations, while assisting with a range of programs for research and scholarships.

ENVIRONMENT
We take part in a variety of activities including disaster relief initiatives to preserve the beauty of nature and foster a safer community.



Our One Heart Volunteer Group continues to actively engage in social contribution activities across a wide range of areas. We contribute to creating a better world through our socially responsible management.

SHARING LOVE FOR GREATER HAPPINESS

As a corporate citizen, we carry out socially responsible management. Through our practical and systematic social contribution activities, we are committed to giving back to our community love and trust we have received from our customers and the market.

Through the work of our One Heart Volunteer Group, many executives and employees engage in sharing activities, reaching out to people in need wherever they may be. The group visits youth shelters, welfare centers for children, multi-cultural households, nursing homes, etc., sharing their time and service, while also taking part in various talent donation programs.

We also run a matching grant program together with employees. Our employees donate a part of their salary every month and the company donates matching amounts to help people in need. This program was created through a long tradition of sharing with the less fortunate. The fund is used for supporting daily activities and welfare of disadvantaged children and adolescents.

We believe we can achieve mutual growth by striving to make a better world. Our sharing of hope, love and happiness will pave the way to our goal.



VISION OF SOCIAL CONTRIBUTION

MISSION
Putting our socially responsible management principles into practice. (Sharing Hope, Sharing Love, Sharing Happiness)

CORE VALUE
We give back to our communities what we have received from our customers and the market. We contribute to making a better world by fulfilling our social responsibility as a corporate citizen. Through this, we will grow into a trusted company.

SLOGAN
Sharing Love
We donate a portion of our profits to the community and put our socially responsible management principles into practice through our employees' charitable and volunteer activities. Through this, we look forward to a loving world where we all can live in harmony.

Growing Happiness
We make sure that we provide practical support for beneficiaries so that our social contribution activities contribute to creating an inclusive world.



KSFC Foundation

The KSFC Foundation proactively implements a range of social contribution programs with hopes of creating a brighter and friendlier world, where people of all backgrounds can enjoy decent lives.

KSFC FOUNDATION

The KSFC Foundation is the embodiment of our longing to create a brighter and friendlier community. To give back to society, we established and launched a public welfare foundation in November 2013. The KSFC Foundation carries out various project with three main strategic directions as follows:

First, we provide credit recovery support to the financially marginalized.

This initiative provides a platform for people who have been marginalized due to credit issues spurred by economic and financial crises in the 1990s and the 2000s. More specifically, we help people with bad credit in financing their legal costs that they need to bear to recover their credit.

Second, we provide scholarships and financial education programs.

The foundation provides scholarships to underprivileged youths in order to end the cycle of poverty, provide them with hope and vision, and nurture them into leaders of an inclusive and prospering society.

Third, we supply social services for the disadvantaged at home and abroad.

The foundation will support marginalized regions including underdeveloped countries, agricultural and fishing villages, and military bases in Korea and abroad. We will also pursue a variety of social welfare projects such as environmental improvement programs, as well as culture and arts sponsorship programs for the benefit of multicultural families, malnourished children, and marginalized people neglected by society, as all are entitled to a decent life.

We will not stop at merely establishing a public welfare foundation. We will make sure to provide long-term support to all of the volunteer programs of the foundation so that they can be carried out without glitches. By planning and executing diverse social contribution programs in line with the purpose of the foundation, we will continuously grow to become a trusted and respected company.



KEY ACTIVITIES OF THE KSFC FOUNDATION

CREDIT RECOVERY SUPPORT PROGRAM

We help to repair the credit of the financially marginalized to support their economic recovery and help them stand on their own feet again.

SCHOLARSHIPS AND FINANCIAL EDUCATION

We provide scholarships and financial education programs to low-income, disadvantaged youths to develop their talent and unlock their potential.

SOCIAL SERVICES

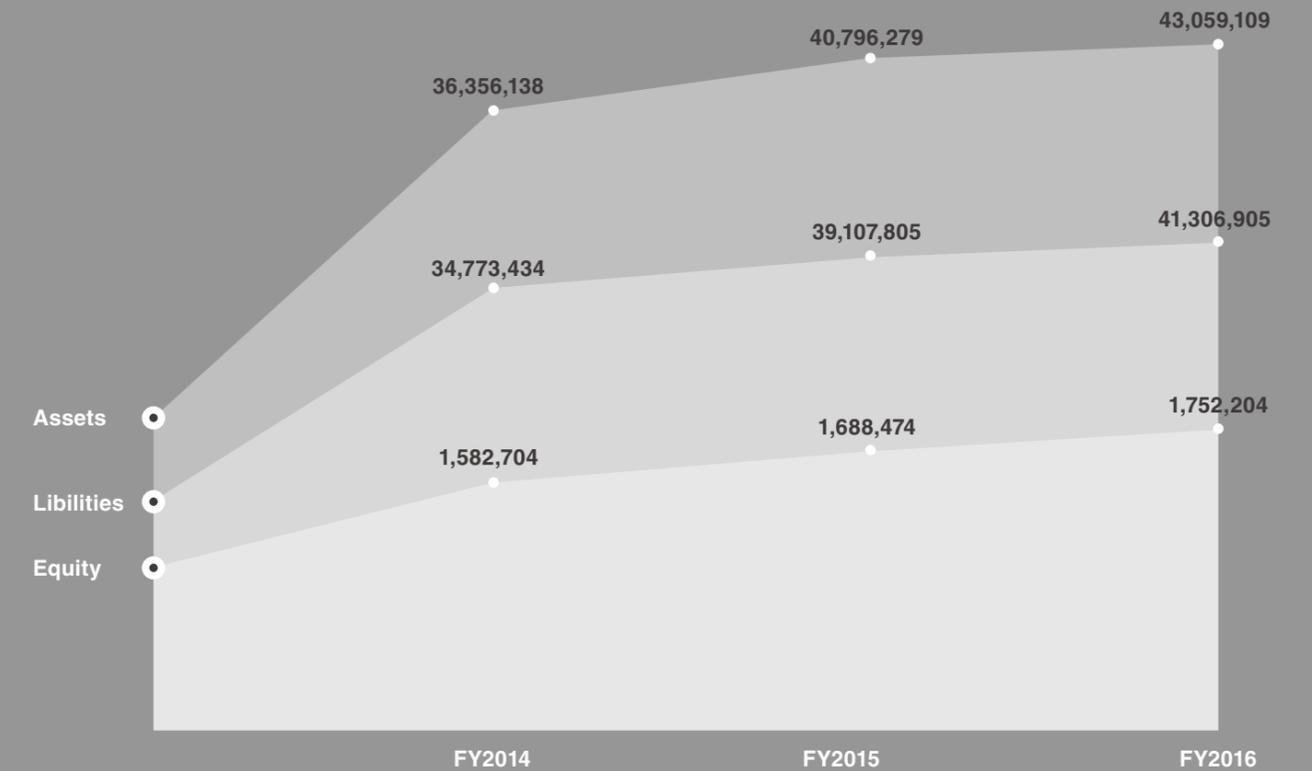
We create a bright and friendly community through social service programs for the disadvantaged at home and abroad.

04

Financial Review

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unit: KRW in millions)



KOREA SECURITIES FINANCE CORP. AND SUBSIDIARIES

Consolidated Statements of Financial Position

As of December 31, 2016 and 2015

In Korean won		December 31, 2016		December 31, 2015	
Assets	Cash and due from banks	₩	10,463,795,226,110	₩	12,507,052,883,753
	Financial investments		12,843,214,879,718		11,748,625,884,341
	Loans		19,485,506,578,600		16,234,874,325,268
	Other assets:				
	Investments in associates		112,294,385,006		154,090,506,561
	Property, plants and equipments		30,511,653,497		30,765,658,074
	Intangible assets		6,072,604,503		6,359,606,396
	Prepaid expenses		2,555,559,530		3,249,755,654
	Accrued income		101,137,506,150		99,132,069,099
	Investment assets		11,261,528,159		9,960,151,460
	Others		2,758,854,949		2,168,316,315
			266,592,091,794		305,726,063,559
	Total assets	₩	43,059,108,776,222	₩	40,796,279,156,921
Liabilities	Deposits	₩	35,497,225,802,389	₩	32,719,377,130,085
	Borrowings		3,501,815,260,000		3,999,015,260,000
	Debentures		1,309,123,625,484		1,179,275,452,709
	Other liabilities				
	Guarantee deposits		315,039,428,731		506,101,033,480
	Supply and demand premium		378,916		3,789,840
	Account payable for trust accounts		533,010,952,945		540,579,088,421
	Unearned income		1,655,651,715		1,445,018,778
	Accrued expenses		78,206,868,232		63,663,823,979
	Current tax liabilities		10,175,514,988		23,888,228,552
	Provisions		250,000,000		250,000,000
	Net defined benefit liabilities		5,083,465,174		18,663,958,586
	Deferred tax liabilities		34,493,586,770		41,085,476,924
	Sundry liabilities		18,751,481,645		10,882,884,914
	Payment for reclassified interests		2,072,869,918		3,573,676,165
		998,740,199,034		1,210,136,979,639	
Total liabilities	₩	41,306,904,886,907	₩	39,107,804,822,433	

In Korean won		December 31, 2016		December 31, 2015	
Equity	Owner's equity				
	Issued capital	₩	340,000,000,000	₩	340,000,000,000
	Capital surplus		21,767,313,027		21,767,313,027
	Accumulated other comprehensive income		141,480,760,439		164,272,095,497
	Retained earnings		1,248,955,815,849		1,162,434,925,964
	(Regulatory reserve for credit losses: ₩83,343 million as at December 31, 2016, and ₩65,143 million as at December 31, 2015)				
	Expected additional regulatory reserve for credit losses: ₩10,054 million as at December 31, 2016, and ₩18,200 million as at December 31, 2015)				
			1,752,203,889,315		1,688,474,334,488
	Non-controlling interests		-		-
	Total equity		1,752,203,889,315		1,688,474,334,488
Total liabilities and equity	₩	43,059,108,776,222	₩	40,796,279,156,921	

KOREA SECURITIES FINANCE CORP. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2016 and 2015

In Korean won	2016	2015
Operating income:		
Interest income		
Interest on due from banks	₩ 207,771,962,657	₩ 257,310,751,064
Interest on securities	173,788,441,030	181,383,848,296
Interest on loans	371,485,180,253	338,770,647,871
	753,045,583,940	777,465,247,231
Gain on valuation and sale of financial investments:		
Gain on sales of financial assets held for trading	101,530,718,172	82,287,584,803
Gain on valuation of financial assets held for trading	55,108,340,842	50,308,668,705
Gain on valuation of financial assets designated at FVTPL	-	859,785,466
Gain on sales of available-for-sale financial assets	21,179,135,607	19,010,779,829
	177,818,194,621	152,466,818,803
Gain on valuation and transaction of derivative instruments:		
Gain on transaction of derivative instruments	631,330,000	6,398,163,770
	631,330,000	6,398,163,770
Commission income	131,882,137,685	117,764,122,828
Gain on foreign exchange transaction	19,963,062,046	16,792,078,275
Trust fees and commissions received from trust account	19,587,307,486	19,231,868,254
Dividends		
Dividend income from financial assets held for trading	729,831,718	2,806,400,617
Dividend income from available-for-sale financial assets	26,334,507,536	23,297,932,704
Others	27,064,339,254	26,104,333,321
Total operating income	₩ 1,129,991,955,032	₩ 1,116,222,908,936

In Korean won	2016	2015
Operating expenses:		
Interest expenses:		
Interest on due from banks	₩ 621,264,684,146	₩ 606,154,375,143
Interest on borrowings and debentures	43,205,469,861	43,192,608,328
Others	58,400,044,904	72,250,115,301
	722,870,198,911	721,597,098,772
Loss on valuation and sales of financial investments:		
Loss on sales of financial assets held for trading	5,445,859,014	12,356,286,324
Loss on valuation of financial assets held for trading	564,240,728	1,502,836,283
Loss on sales of available-for-sale financial assets	6,064,099,767	2,523,031,465
Impairment loss of available-for-sale financial assets	12,516,264,583	23,442,261,367
	24,590,464,092	39,824,415,439
Loss on valuation and transaction of derivative instruments:		
Loss on transaction of derivative instruments	1,223,760,000	2,200,086,897
	1,223,760,000	2,200,086,897
Loss on valuation and disposal of loans		
Bad debt expenses	2,155,648,292	152,200,441
	2,155,648,292	152,200,441
Commission expense	112,486,707,013	96,328,419,356
Loss on foreign exchange transaction	19,984,720,675	16,794,255,103
Administrative expenses	79,856,004,453	76,853,164,524
Others	4,045,082,934	2,952,294,942
Total operating expenses	₩ 967,212,586,370	₩ 956,701,935,474
Operating profit :	₩ 162,779,368,662	₩ 159,520,973,462

In Korean won	2016	2015
Non-operating income (expenses):		
Gain on equity method investments in associates	₩ 13,977,228,877	₩ 17,722,514,825
Loss on equity method investments in associates	(3,319,198,974)	(3,640,032,144)
Impairment loss of equity method investments in associates	(5,048,672,342)	-
Gain on disposal of property, plant and equipment	-	110,669,375
Loss on disposal of property, plant and equipment	(1,150,000)	(19,606,900)
Loss on disposal of investment assets	(20,935,000)	-
Other interest income	214,028,430	266,753,100
Donations	(4,354,500,000)	(3,738,500,000)
Others	540,604,807	(2,025,176,789)
	1,987,405,798	8,676,621,467
Net income before income taxes	164,766,774,460	168,197,594,929
Income taxes	40,845,884,575	41,366,244,754
Net income	123,920,889,885	126,831,350,175
(Adjusted net income after regulatory reserve for credit losses: ₩113,867 million for the year ended December 31, 2016, and ₩108,631 million for the year ended December 31, 2015)		
Attributable to: Owners of the parent	123,920,889,885	126,831,350,175
Non-controlling interests	-	-
Other comprehensive income (loss)		
Other comprehensive income not reclassified to profit or loss in subsequent periods	363,079,660	
Other comprehensive loss reclassified to profit or loss in subsequent periods	(23,154,414,718)	
	(22,791,335,058)	12,939
Total comprehensive income (loss)	₩ 101,129,554,827	₩ 139,770,183,475
Attributable to: Owners of the controlling company	101,129,554,827	139,770,183,475
Noncontrolling interests	-	-
Earnings per share	₩ 1,822	₩ 1,865

KOREA SECURITIES FINANCE CORP.

Separate Statements of Financial Position

As of December 31, 2016 and 2015

In Korean won	December 31, 2016	December 31, 2015
Assets		
Cash and due from banks	₩ 10,415,076,636,604	₩ 12,505,697,141,625
Financial investments	12,823,596,922,161	11,828,397,563,242
Loans	19,433,634,142,198	16,132,190,739,905
Other assets:		
Property, plants and equipment	30,511,653,497	30,765,658,074
Intangible assets	6,072,604,503	6,359,606,396
Prepaid expenses	2,259,143,538	3,016,682,692
Accrued income	98,022,246,081	95,415,432,308
Investment assets	11,261,528,159	9,960,151,460
Others	2,597,916,829	1,913,830,875
	150,725,092,607	147,431,361,805
Total assets	₩ 42,823,032,793,570	₩ 40,613,716,806,577
Liabilities		
Deposits	₩ 35,497,225,802,389	₩ 32,719,377,130,085
Borrowings	3,249,215,260,000	3,802,515,260,000
Debentures	1,309,123,625,484	1,179,275,452,709
Other liabilities:		
Guarantee deposits	315,039,428,731	506,101,033,480
Supply and demand premium	378,916	3,789,840
Account payable for trust accounts	536,335,373,888	542,376,022,360
Unearned income	1,655,651,715	1,444,130,190
Accrued expenses	77,982,078,880	63,480,221,754
Current tax liabilities	10,175,514,988	23,888,228,552
Provisions	250,000,000	250,000,000
Net defined benefit liabilities	5,083,465,174	18,663,958,586
Deferred tax liabilities	38,266,218,087	44,922,433,995
Others	18,583,262,501	10,850,483,890
	1,003,371,372,880	1,211,980,302,647
Total liabilities	₩ 41,058,936,060,753	₩ 38,913,148,145,441

In Korean won	December 31, 2016	December 31, 2015
Equity		
Issued capital	₩ 340,000,000,000	₩ 340,000,000,000
Capital surplus	21,767,313,027	21,767,313,027
Accumulated other comprehensive income	152,747,569,800	180,266,412,722
Retained earnings	1,249,581,849,990	1,158,534,935,387
(Regulatory reserve for credit losses: ₩83,343 million as at December 31, 2016, and ₩65,143 million as at December 31, 2015)		
Expected additional regulatory reserve for credit losses: ₩10,054 million as at December 31, 2016, and ₩18,200 million as at December 31, 2015)		
Total equity	1,764,096,732,817	1,700,568,661,136
Total liabilities and equity	₩ 42,823,032,793,570	₩ 40,613,716,806,577

KOREA SECURITIES FINANCE CORP.

Separate Statements of Comprehensive Income

For the years ended December 31, 2016 and 2015

In Korean won	2016	2015
Operating income:		
Interest income:		
Interest on due from banks	₩ 203,251,118,511	₩ 257,222,242,964
Interest on securities	156,691,697,158	161,745,955,320
Interest on loans	368,164,342,325	330,932,012,514
	728,107,157,994	749,900,210,798
Gain on valuation and sales of financial investments:		
Gain on sales of financial assets held for trading	102,347,032,716	81,721,228,295
Gain on valuation of financial assets held for trading	63,708,978,676	56,399,316,209
Gain on sales of available-for-sale financial assets	21,489,443,910	20,222,610,574
Gain on valuation and transaction of derivative	187,545,455,302	158,343,155,078
Gain on transaction of derivative	11,450,000	4,672,834,246
	11,450,000	4,672,834,246
Commission income	131,882,137,685	117,764,122,828
Gain on foreign exchange transaction	19,963,062,046	16,792,078,275
Trust fees and commissions received from trust account	19,587,307,486	19,231,868,254
Dividends		47,624,681,851
Dividends income from financial assets held for trading	325,836,278	1,544,194,745
Dividends income from available-for-sale financial assets	48,951,895,162	46,080,487,106
	49,277,731,440	47,624,681,851
Others	1,758,944	1,326,395
Total operating income	₩ 1,136,376,060,897	₩ 1,114,330,277,725

In Korean won	2016	2015
Operating expenses:		
Interest expense:		
Interest on due from banks	₩ 621,264,684,146	606,154,375,143
Interest on borrowings and debentures	43,205,469,861	43,192,608,328
Others	54,946,141,776	68,845,865,551
	719,416,295,783	718,192,849,022
Loss on valuation and sales of financial investments		
Loss on sales of financial assets held for trading	1,690,638,777	9,143,086,123
Loss on valuation of financial assets held for trading	232,995,104	556,873,926
Loss on sales of available-for-sale financial assets	6,063,895,071	2,431,716,169
Impairment loss of available-for-sale financial assets	19,525,772,327	23,381,364,466
	27,513,301,279	35,513,040,684
Loss on valuation and transaction of derivative		
Loss on transaction of derivative instruments	117,040,000	69,100,000
	117,040,000	69,100,000
Loss on valuation and disposal of loans		
Bad debt expenses	12,648,292	135,170,441
	12,648,292	135,170,441
Commission expenses	111,317,146,782	95,252,202,022
Loss on foreign exchange transaction	19,984,720,675	16,794,255,103
Administrative expenses	79,856,004,453	76,853,164,524
Commission expenses	3,733,589,209	106,543,345
Total operating expenses	₩ 961,950,746,473	₩ 942,916,325,141
Operating profit	₩ 174,425,314,424	₩ 171,413,952,584

In Korean won	2016	2015
Non-operating income (expenses):		
Gain on disposal of property, plant and equipment	-	110,669,375
Loss on disposal of property, plant and equipment	(1,150,000)	(19,606,900)
Loss on disposal of investment assets	(20,935,000)	-
Other interest income	214,028,430	266,753,100
Donations	(4,354,500,000)	(3,738,500,000)
Others	475,025,469	(1,996,701,927)
	(3,687,531,101)	(5,377,386,352)
Net income before income taxes	170,737,783,323	166,036,566,232
Income taxes	42,290,868,720	40,838,509,043
Net income	128,446,914,603	125,198,057,189
(Adjusted net income after regulatory reserve for credit losses: ₩118,393 million for the year ended December 31, 2016, and ₩106,998 million for the year ended December 31, 2015)		
Other comprehensive income (loss)		
Other comprehensive income not to be reclassified to profit or loss in subsequent periods	363,079,660	(1,979,108,302)
Other comprehensive loss reclassified to profit or loss in subsequent periods	(27,881,922,582)	10,825,972,982
	(27,518,842,922)	8,846,864,680
Total comprehensive income	₩ 100,928,071,681	₩ 134,044,921,869
Earnings per share	₩ 1,889	₩ 1,841

KOREA SECURITIES FINANCE CORP. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2016 and 2015

In Korean won	Capital stock	Capital surplus	Capital adjustment	Accumulated other comprehensive income	Retained earnings	Non-controlling interest	Total
January 1, 2015	₩340,000,000,000	₩ 21,767,313,027	₩(7,699,834,267)	₩ 151,333,262,197	₩1,077,303,410,056	-	1,582,704,151,013
Dividends	-	-	-	-	(34,000,000,000)	-	(34,000,000,000)
Amortization of loss on disposal of treasury stock	-	-	7,699,834,267	-	(7,699,834,267)	-	-
Balance after appropriations	340,000,000,000	21,767,313,027	-	151,333,262,197	1,035,603,575,789	-	1,548,704,151,013
Total comprehensive income	-	-	-	12,938,833,300	126,831,350,175	-	139,770,183,475
Net income	-	-	-	-	126,831,350,175	-	126,831,350,175
Remeasurements of defined benefit plans	-	-	-	(1,979,108,302)	-	-	(1,979,108,302)
Gain on valuation of available-for-sale financial assets*	-	-	-	14,917,941,602	-	-	14,917,941,602
December 31, 2015	₩340,000,000,000	₩ 21,767,313,027	₩ -	₩164,272,095,497	₩1,162,434,925,964	-	1,688,474,334,488
January 1, 2016	₩340,000,000,000	₩ 21,767,313,027	-	164,272,095,497	1,162,434,925,964	-	1,688,474,334,488
Dividends	-	-	-	-	(37,400,000,000)	-	(37,400,000,000)
Balance after appropriations	340,000,000,000	21,767,313,027	-	164,272,095,497	-	-	1,651,074,334,488
Total comprehensive income	-	-	-	(22,791,335,058)	1,125,034,925,964	-	101,129,554,827
Net income	-	-	-	-	123,920,889,885	-	123,920,889,885
Remeasurements of defined benefit plans	-	-	-	363,079,660	123,920,889,885	-	363,079,660
Loss on valuation of available-for-sale financial assets	-	-	-	(23,154,414,718)	-	-	(23,154,414,718)
December 31, 2016	₩340,000,000,000	₩ 21,767,313,027	₩ -	₩ 141,480,760,439	₩1,248,955,815,849	₩ -	1,752,203,889,315

KOREA SECURITIES FINANCE CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2016 and 2015

In Korean won	2016		2015	
Cash flows from operating activities:				
Net income before income tax	₩	164,766,774,460	₩	168,197,594,929
Non-cash items:				
Interest expenses		722,870,198,911		721,597,098,772
Loss on valuation of financial assets held for trading		564,240,728		1,502,836,283
Loss on sale of available-for-sale financial assets		6,064,099,767		2,523,031,465
Impairment loss of available-for-sale financial assets		12,516,264,583		23,442,261,367
Depreciation		2,036,753,964		1,626,084,455
Amortization expenses of intangible assets		3,577,045,741		4,286,128,079
Bad debt expenses		2,155,648,292		152,200,441
Other bad debt expenses		158,813,655		2,442,150,303
Loss on foreign currency transaction		19,982,816,656		16,793,174,621
Loss on foreign exchange transaction		1,904,019		1,080,482
Severance pay		3,999,308,724		3,202,976,184
Loss on disposal of property, plant and equipment		1,150,000		19,606,900
Loss on disposal of investment assets		20,935,000		-
Loss on equity method valuation		3,319,198,974		3,640,032,144
Impairment loss of equity method investments in associates		5,048,672,342		0
Loss on payment for reclassified interests		154,439,014		403,601,294
Interest income		(753,045,583,940)		(777,465,247,231)
Dividend income		(27,064,339,254)		(26,104,333,321)
Gain on valuation of financial instruments held for trading		(55,108,340,842)		(50,308,668,705)
Gain on sale of available-for-sale financial assets		(21,179,135,607)		(19,010,779,829)
Other reversal of allowance for credit loss		(1,758,944)		-
Gain on foreign currency transaction		(19,962,014,837)		(16,791,862,335)
Gain on foreign exchange transaction		(1,047,209)		(215,940)
Gain on disposal of property, plant and equipment		-		(110,669,375)
Gain on equity method valuation		(13,977,228,877)		(17,722,514,825)
		(107,867,959,140)		(125,882,028,771)

In Korean won	2016	2015
Changes in operating assets and liabilities:		
Deposit due from banks	(1,271,764,388,163)	116,182,080,852
Financial assets held for trading	(174,454,890,072)	(433,216,240,975)
Financial assets designated at FVTPL	-	32,943,929,130
Derivative assets for trading	-	(2,015,734,283)
Loans	(3,252,738,120,932)	(3,679,463,434,251)
Receivables	(1,794,088,368)	(2,726,384,196)
Other assets	(195,667,421)	4,451,009,034
Deposits	2,777,848,672,304	5,360,685,401,594
Other financial liabilities	14,543,044,253	(7,075,235,858)
Other liabilities	8,079,391,658	1,228,523,258
Plan assets	(13,926,283,900)	0
Severance payment	(3,174,521,323)	(626,083,821)
	(1,917,576,851,964)	1,390,367,830,484
Interest income received	763,973,123,992	789,364,372,074
Interest expenses paid	(716,634,184,196)	(731,271,186,855)
Dividend income received	27,064,339,254	26,104,333,321
Income tax paid	(53,874,099,000)	(57,073,927,587)
	(1,840,148,856,594)	1,459,806,987,595
Cash flows from investing activities:		
Proceeds from disposal of available-for-sale financial assets	2,464,228,633,644	3,082,667,056,738
Proceeds from disposal of investment stocks in associates	58,140,144,800	72,194,367,405
Proceeds from disposal of investment assets	499,067,000	-
Decrease in guarantee money	1,300,330,000	1,910,131,296

In Korean won	2016	2015
Proceeds from disposal of property, plant and equipment	₩ 3,263,013	₩ 139,041,084
Acquisition of available-for-sale financial assets	(3,368,785,576,988)	(3,131,987,290,983)
Acquisition of property, plant and equipment	(1,787,162,400)	(3,481,347,840)
Acquisition of investment stocks in associates	(10,734,665,684)	(25,865,924,274)
Acquisition of intangible assets	(3,290,043,848)	(2,872,485,060)
Acquisition of investment assets	(994,870,190)	-
Increase in guarantee money	(2,115,000,000)	(1,830,460,696)
	(863,535,880,653)	(9,126,912,330)
Cash flows from financing activities:		
Increase in debentures	56,833,572,908,470	37,418,259,740,191
Increase in borrowings	99,666,100,000,000	59,635,600,000,000
Net increase (decrease) in supply and demand premium	(3,410,924)	3,789,840
Decrease in debentures	(56,710,000,000,000)	(37,125,000,000,000)
Decrease in borrowings	(100,163,300,000,000)	(60,800,700,000,000)
Decrease in guarantee deposits	(191,061,604,749)	(247,892,904,613)
Payment of dividends	(37,400,161,990)	(34,031,578,140)
Net increase (decrease) in account payable for trust account	(7,568,135,476)	121,235,563,177
Decrease in payment for reclassified interests	(1,655,245,261)	(6,262,019,204)
	(611,315,649,930)	(1,038,787,408,749)
Net increase (decrease) in cash and cash equivalents	(3,315,000,387,177)	411,892,666,516)
Cash and cash equivalents at the beginning of the year	8,531,702,680,645	8,119,810,014,129
Cash and cash equivalents at the beginning of the year	₩ 5,216,702,293,468	₩ 8,531,702,680,645

History

Oct. 1955 Established the Korea United Securities Finance Corporation (paid-in capital of KRW 7.5 million)

Jan. 1956 Launched business under a securities business license and was listed on the Seoul Stock Exchange

Apr. 1962 Legally registered as a securities finance company with the enactment of the Securities Exchange Act

Dec. 1971 Launched settlement financing loan business with the introduction of margin trading system

Nov. 1973 Launched special securities-backed loan business to stabilize stock prices

Mar. 1974 Launched margin financing loan business with the integration of settlement financing loans with special securities-backed loans

Mar. 1980 Opened the Myeong-dong branch

Jul. 1982 Launched short-term notes trading business

Apr. 1985 Built and relocated to new headquarters in Yeouido, Seoul

Oct. 1985 Increased paid-in capital to KRW 40 billion

Feb. 1990 Launched IPO subscription deposit-backed loan business

May. 1990 Launched Stock Market Stabilization Fund (SMSF) deposit business

Dec. 1991 Bought back IFC's equity stake

Oct. 1994 Opened the Daegu branch

Aug. 2000 Increased paid-in capital to KRW 340 billion

Dec. 2002 Launched trust business for investors' deposits

Jun. 2004 Launched trustee and custodial business

May. 2005 Opened the Center for Employee Stock Ownership

Apr. 2010 Declared VISION 2015

Jun. 2010 Built the next-generation IT system

Apr. 2011 Launched inter-dealer RP brokerage business

Oct. 2011 Awarded with the Prime Minister's Merit Award for Sharing

Jan. 2012 Built the next-generation securities brokerage system



1950~60s



1970s



1980s



1990s



2000s



2010s

Jul. 1962 Renamed to Korea Securities Finance Corporation

Feb. 1969 Increased paid-in capital to KRW 1 billion
Launched securities borrowing and lending (SBL) business

Mar. 1969 Launched securities-backed loan business for individual customers

May. 1969 Opened the Busan branch

May. 1975 Increased paid-in capital to KRW 2 billion (12% equity stake owned by the IFC and USD 5 million worth of new borrowings)

Jan. 1977 Accepted roles previously played by the Korea Investment Corporation before its dissolution (ESOP services, general securities-backed loans, etc.)

Feb. 1977 Launched new services following the amendment of the Securities and Exchange Act (bond purchase under RP, bond sale under RP, issuance of short-term notes, and deposit services)

Apr. 1978 Established investors' deposits management business with the introduction of the centralized management system of investors' deposits

Jul. 1986 Launched IPO subscription deposit business

Sep. 1987 Opened the Gangnam branch

Dec. 1988 Increased paid-in capital to KRW 80 billion

Oct. 1989 Opened the Gwangju branch

Aug. 1996 Launched forfeited share subscription deposit business and forfeited share subscription deposit-backed loan business

Oct. 1996 Opened the Daejeon branch

Apr. 1997 Started managing the Securities Investor Protection Fund (SIPF) and launched fund management business

Oct. 1998 Issued non-real name corporate bonds worth KRW 2 trillion

Jul. 1999 Changed investors' deposits management business in accordance with the increased deposit requirement (100%)

Sep. 2005 Obtained ISO 9001:2000 certification, an international quality management certification, for securities custody business

Apr. 2006 Obtained an AAA (outlook / stable) domestic credit rating

May. 2007 Gained approval for asset management business and general administration business

Jan. 2008 Resumed margin financing stock loans

Jul. 2008 Obtained ISO 9001 certification for ESOP business

Jan. 2009 Awarded Grand Prize for Securities Industry Leader by Maeil Business Newspaper

Jul. 2009 Launched specified money trust business

Apr. 2012 Introduced K-IFRS (Korean version of International Financial Reporting Standards)

Jan. 2013 Launched corporate bond administration business

Nov. 2013 Launched inter-dealer brokerage business
Signed an MoU for mutual cooperation with China Securities Finance Corporation

Nov. 2013 Established the KSFC Foundation

Mar. 2014 Obtained an Aa3 international credit rating from Moody's

Apr. 2014 Awarded with the 2014 Forbes Best CEO Award

Feb. 2015 Signed MoUs for Mutual Cooperation with the Dubai Financial Market and Thailand Securities Finance Corporation

Jul. 2015 Declared VISION 2020

Sep. 2015 Started administration of private pension fund investment pool

Dec. 2015 Obtained upgraded international credit rating of Aa2 from Moody's

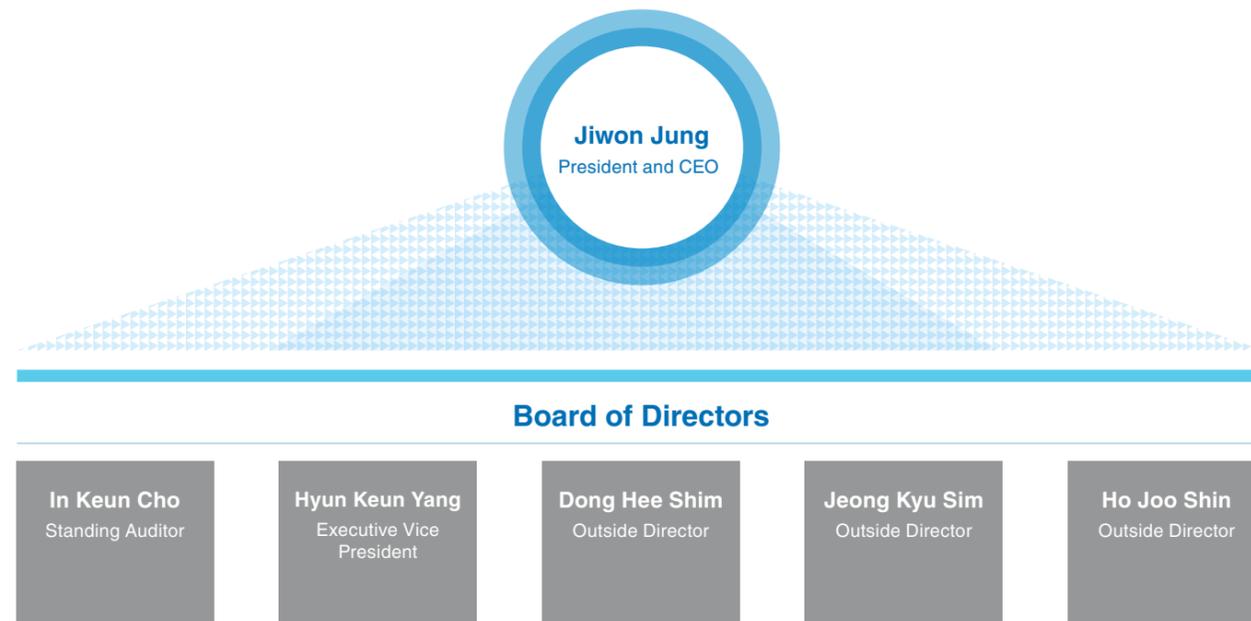
Jan. 2016 Implemented ESOP share lending program

Dec. 2016 Acquired ISMS (Information Security Management Systems) Certification

Mar. 2017 Initiated securities lending and borrowing business for security purposes

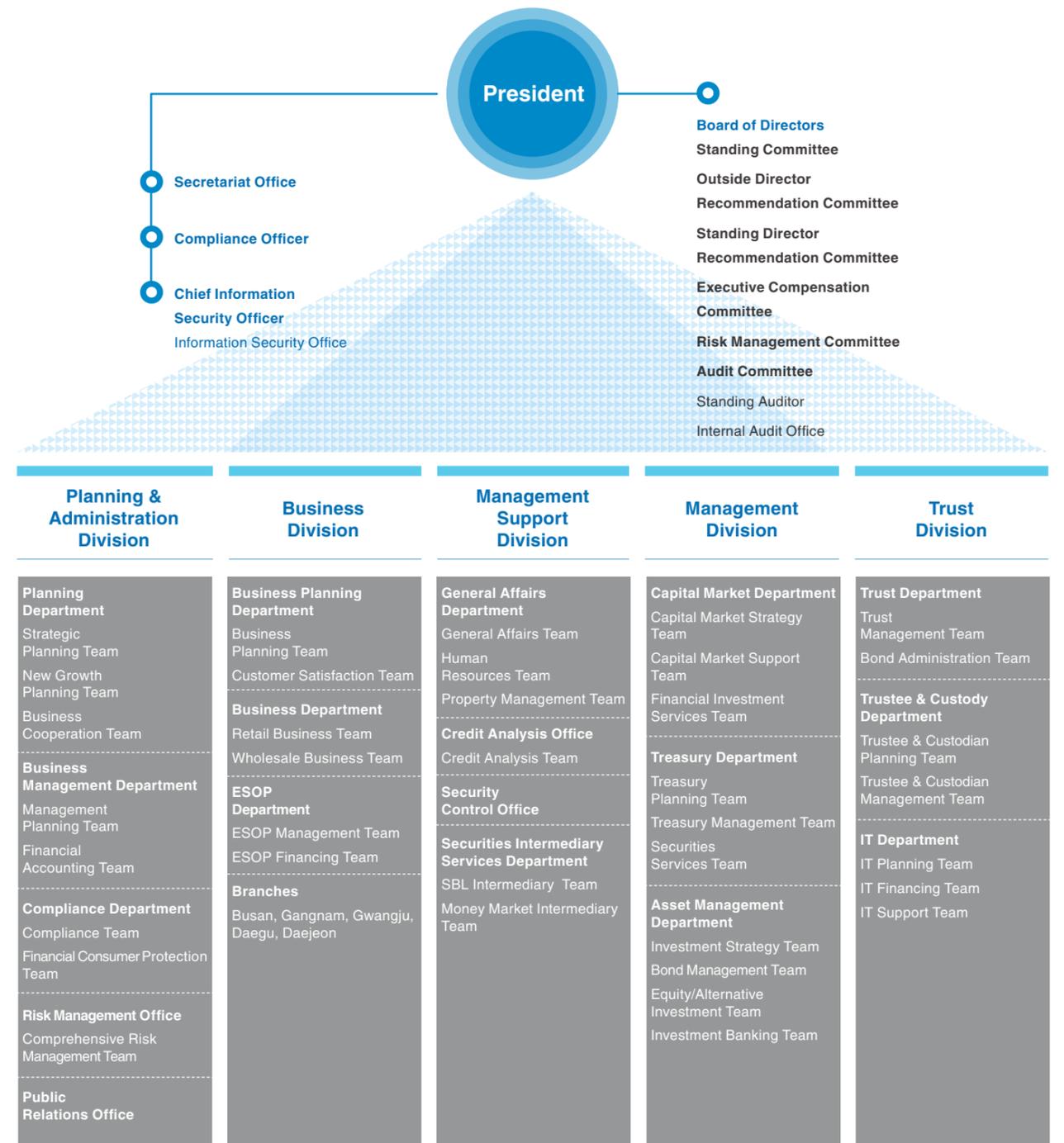
Board of Directors

We collaborate and share knowledge through seamless communication, while creating customer value through synergy optimization.

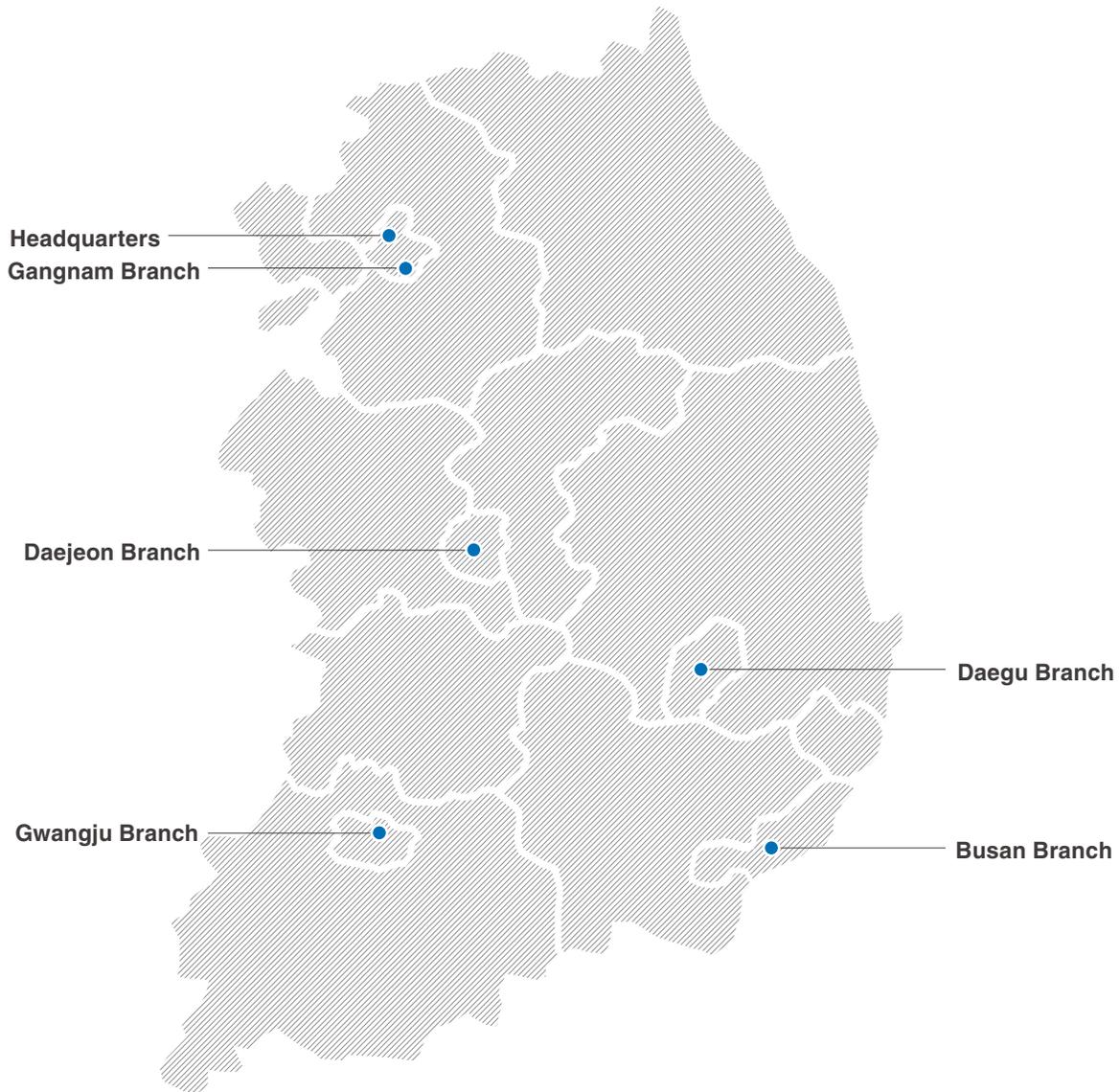


Organization

Our organization structure, which is strategically planned around KSFC's roles and functions, is the first component of our effective operation.



Business Network



Division	Phone Number	Address
Headquarters	82-2-3770-8800	10, Gookjegeumyoong-ro 8-gil, Youngdeungpo-gu, Seoul, South Korea (34-9, Yeouido-dong)
Gangnam Branch	82-2-6934-0700	403, Gangnamdae-ro, Seocho-gu, Seoul, South Korea (1318-5, Seocho-dong)
Daejeon Branch	82-42-717-3000	69, Munye-ro, Seo-gu, Daejeon, South Korea (1508, Dunsan-dong)
Daegu Branch	82-53-717-0300	341, Dongdaegu-ro, Suseong-gu, Daegu, South Korea (43-8, Beomeo-dong)
Busan Branch	82-51-797-5000	709, Munhyeongeumyung-ro, Nam-gu, Busan, South Korea (1229-2, Munhyeon-dong)
Gwangju Branch	82-62-719-5100	52 Jukbong-daero, Seo-gu, Gwangju, South Korea (417-40 Nongseong-dong)