

Korea Securities Finance Corporation  
Annual Report 2017

**A reliable win-win growth partner  
of the capital market**

# KSFC

## CONTENTS

- 02 Message from the CEO
- 06 Core Competencies
- 11 Vision
- 12 Functions and Roles

### Company Overview

- 14 Company Profile
- 15 Scope of Business and Services
- 16 Financial Highlights

### Business Review

- 18 Summary
- 20 Funding
- 24 Fund Management
- 27 ESOP Support Services
- 29 Safekeeping and Management of Investors' Deposits
- 31 Safekeeping and Management of Collective Investment Assets
- 32 Securities Intermediary Services

### Sustainability Review

- 34 Corporate Social Responsibility
- 36 KSFC Foundation

### Financial Review

- 38 Consolidated Statements of Financial Position
- 40 Consolidated Statements of Comprehensive Income
- 43 Separate Statements of Financial Position
- 45 Separate Statements of Comprehensive Income
- 48 Consolidated Statements of Changes in Shareholders Equity
- 49 Consolidated Statements of Cash Flows

- 52 History
- 54 Board of Directors
- 55 Organization
- 56 Business Network

**Our company is built upon 63 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, with management objectives of promoting mutual growth with the capital market.**

**Dear esteemed shareholders,**

First and foremost, I would like to express my deepest gratitude to all of you for your unwavering support to KSFC throughout the past year. I am pleased to share with you our solid financial performance for fiscal year 2017, KSFC's 68th such accounting period.

In retrospect, year 2017 witnessed an expansion in volatility in the global financial market due to additional key interest rate hike and balance-sheet reduction of the U.S. Fed as well as geopolitical risk looming over North Korea, etc., on the external front. On the domestic front, unstable factors such as macroeconomic risks in the wake of surging household debt persisted, although the economic growth rate improved driven mainly by exports.

Amidst such uncertainties in the business environment, we worked hard to achieve shared growth with the capital market under the goal of "expanding our role in the capital market based on secure, stable growth". As a result, our operating volume in FY2017 (including trust accounts) increased by 13.6% to KRW 74 trillion from last year-end, and our net income rose by 2.0% to KRW 131 billion compared to the previous year.

We have demonstrated notable performances in several key areas in FY2017. On the loan side, our total lending rose by 11.9% from last year-end to KRW 15.8 trillion based on strengthened cooperation with the financial investment industry and enhanced operational competitiveness.

On the deposit side, total deposits with KSFC climbed 11.4% from last year-end to KRW 39.5 trillion, powered by our ceaseless efforts to secure stable sources of deposits while leveraging the securities market rally to further expand the deposit base.

Our fee-earning assets also jumped 16.3% from last year-end to KRW 227.9 trillion, owing to our hard work to reinforce our role in custody and RP intermediation.

We believe our continued endeavors to seek stable sources of return and expand our role in the capital market against uncertainties in Korea and beyond helped us deliver solid results as a going concern in FY2017.

We will never stand idle in innovating KSFC and staying faithful to our raison d'être of supporting the capital market throughout 2018, thereby reinforcing our presence in the industry.

To this end, we will strive to achieve the following management goals in FY2018.

**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.**

**Esteemed shareholders,**

We will aggressively fulfill the following tasks in an aim to “enhance our value as a key financial organization in the capital market”.

**First, we will continue to evolve and achieve innovation to proactively respond to the fast-changing financial environment.**

At the moment, the convergence of advanced technology and financial services, such as with online only banks, crowdfunding, and big-data-based credit rating and risk management, is exerting an increasing influence on the market.

We will have a healthy dissatisfaction with the status quo and keep abreast with the latest changes in the industry.

We will strive to advance into a truly smart financial service provider by adopting technological and financial innovations in all areas and procedures concerned.

**Second, we will pursue qualitative growth through close cooperation with the financial investment industry.**

We will build stronger ties with the industry to survive and thrive in the ecosystem of the capital market.

We will elevate the financial investment industry and capital market to new heights and respond to changes in demand for the short-term funding of securities companies with accuracy by helping the RP market take firm root and supplying foreign currency liquidity.

**Third, we will strive to become a truly trusted company.**

As trust can be earned only on the back of stability, we will reinforce our financial stability through the advancement of risk management skills, maintenance of organizational integrity, and cultivation of talented experts.

We will ensure stability of the short-term funding market through reliable management of investors' deposits and efficient operation of RP intermediation and SBL intermediation businesses.

We will focus our resources on developing the ESOP system to serve as a solid foundation for closer labor-management cooperation.

**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.**

Lastly, we will work hard to deliver financial inclusion for all of our neighbors and surrounding communities to positively impact the lives of others.

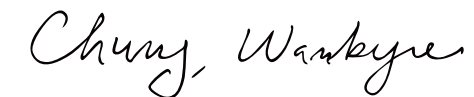
**Esteemed shareholders,**

We were able to grow and prosper in the soil of your support and interest. All employees at KSFC pledge to place utmost importance on customers and shareholders in all our business activities and ask for your continued support throughout 2018.

Thank you again for taking time out of your busy schedule and attending this meeting. On this note, I would like to conclude my overview of our key performances for FY2017, the 68th fiscal period.

Thank you.

**Chung, Wan-Kyu  
President and CEO of KSFC**



# 01 History



## Rich Experience and Insight

Based on a long history of 63 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 63-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

We place the utmost importance on achieving co-prosperity with the entire industry through supporting financial investors and reinforcing market stability as a market infrastructure development organization that supplies liquidity to the capital market to raise the market's efficiency and protect investors' asset. We will continue to promote shared growth with the financial investment industry and capital market.

# 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

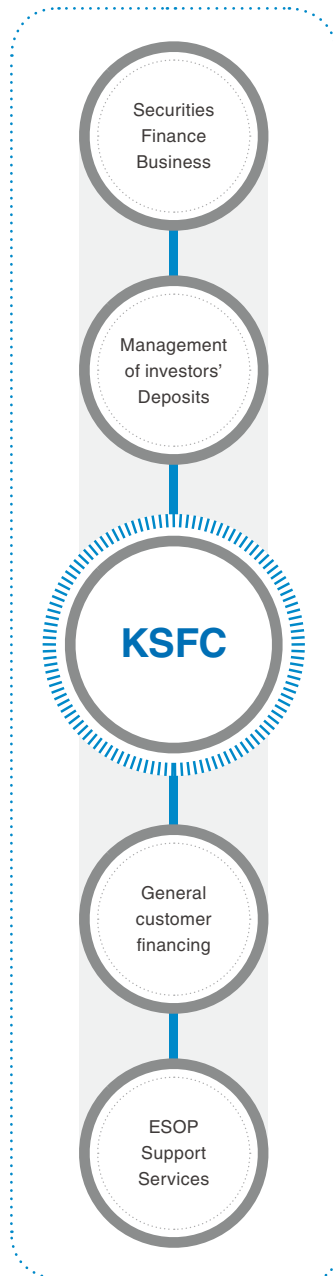
### KSFC's Vision

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.

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

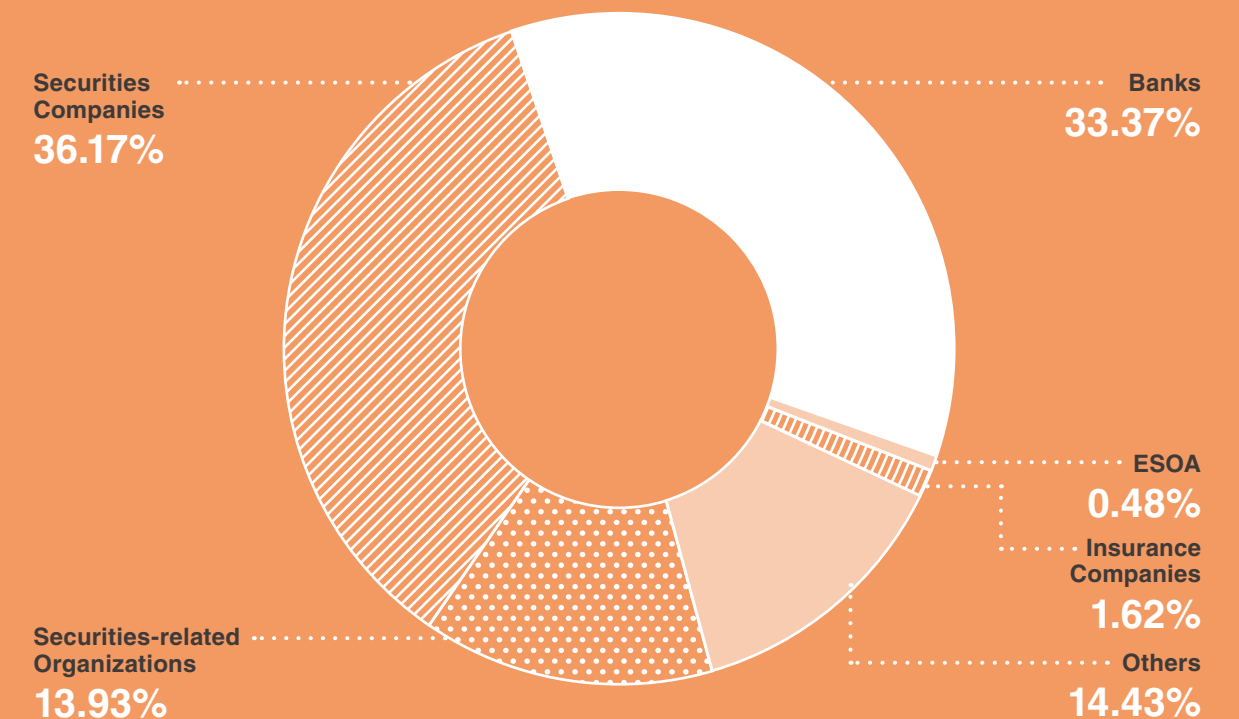
**We provide depository, custodial, stock lending and other finance services related to ESOP shares as an exclusive ESOP management institution**  
 An Employee Stock Ownership Plan (ESOP) is an employee benefit scheme that promotes workers' welfare by encouraging them to purchase and hold stocks of 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

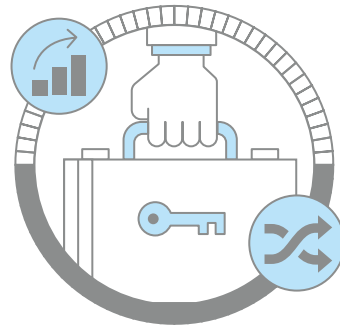
(December 31, 2017)





# 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 Hanmaeum Volunteer Group, under the slogan of "Sharing Hope, Sharing Love, Sharing Happiness".

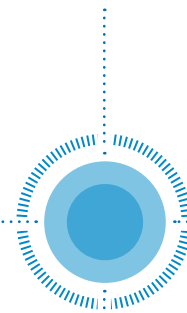
### PROGRAMS FOR ETHICAL MANAGEMENT PRACTICE

#### 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

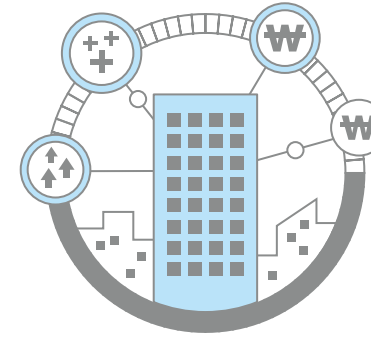
A detailed code of business conduct to achieve ethical management is set up and practiced by employees in an effort to establish a sound corporate culture.

#### 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.



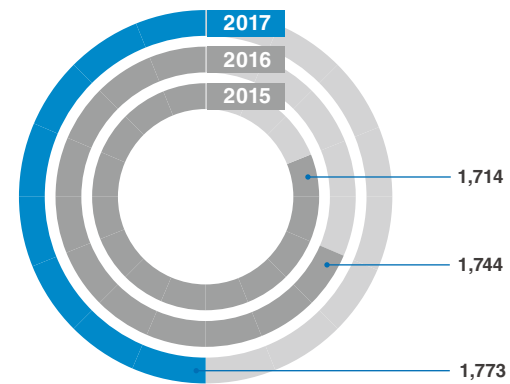
KSFC engages in securities financing services in accordance with the Financial Investment Services and Capital Markets Act and additional services licensed by, approved by, or registered with the Financial Services Commission. These services mainly include lending of funds or securities for trade in 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"> <li>• Securities Underwriting Loans</li> <li>• Margin Financing Loans</li> <li>• Stock Purchasing Loans</li> <li>• Working Capital Loans</li> <li>• Bond Dealer Loans</li> <li>• Loans to Finance Securities-Backed Loans</li> <li>• Short-term Note Trading at a Discount</li> <li>• Bond Purchase under RP</li> <li>• Clearance and Settlement Loans</li> <li>• Investment Financing</li> </ul>	<ul style="list-style-type: none"> <li>• Securities-backed Loans</li> <li>• Short-term Note Trading at a Discount</li> <li>• Deposit-backed Loans</li> </ul>
Deposits	<ul style="list-style-type: none"> <li>• Subscription Guarantee Money Deposits</li> <li>• Financial Investment Institutions' Deposits</li> <li>• Stock Market Stabilization Fund Deposits</li> <li>• Sales of Notes Issued</li> <li>• National Treasury and Public Fund Deposits</li> <li>• SPAC Deposits</li> </ul>	<ul style="list-style-type: none"> <li>• KSFC-wide Deposits</li> <li>• Sales of Notes Issued</li> <li>• Bond Sale under RP</li> <li>• Deposits from Small-cap Publicly Offered Companies</li> <li>• Deposits from Private Pension Funds</li> </ul>
Management of Investors' Deposits	<ul style="list-style-type: none"> <li>• Investor's Deposits in Deposit Accounts</li> <li>• Investor's Deposits in Trust Accounts</li> </ul>	
Trustee and Custody	<ul style="list-style-type: none"> <li>• Trustee and Custody Services</li> <li>• Management of Entrusted Assets</li> <li>• General Administration Management</li> <li>• Corporate Bond Administration</li> </ul>	
ESOP Support	<ul style="list-style-type: none"> <li>• ESOP Stock Management</li> <li>• ESOP Stock-backed Loans</li> <li>• ESOP Support Services</li> </ul>	<ul style="list-style-type: none"> <li>• ESOP Support Services</li> <li>• ESOP Stock-backed Loans</li> </ul>
Securities Borrowing & Lending Intermediation	<ul style="list-style-type: none"> <li>• Securities Borrowing &amp; Lending (SBL) Intermediation</li> <li>• RP Intermediation</li> <li>• IDB Business</li> </ul>	

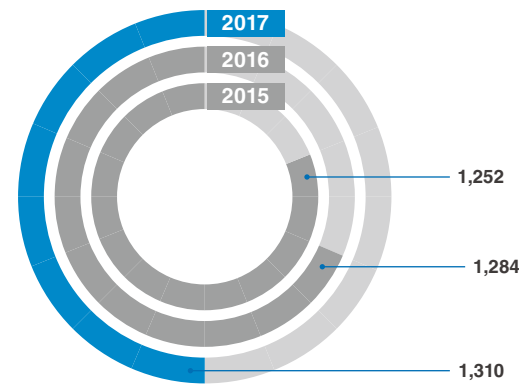
# Financial Highlights

## KSFC INCOME

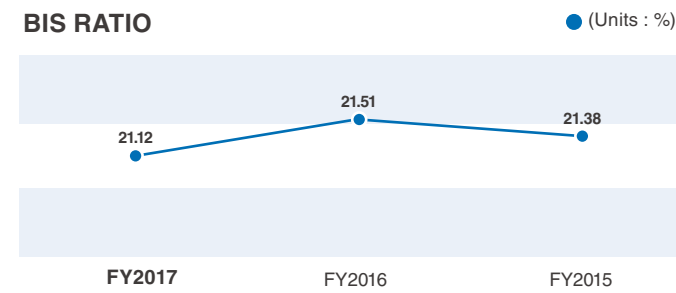
### Operating Income (Units : KRW 100 million)



### Net Income (Units : KRW 100 million)



ASSETS (Units : KRW 100 million)			
Division	FY2017	FY2016	FY2015
<b>Total Assets</b>	<b>488,483</b>	428,230	406,137
<b>Total Equity</b>	<b>18,226</b>	17,641	17,006
<b>Total Liabilities</b>	<b>470,257</b>	410,589	389,131



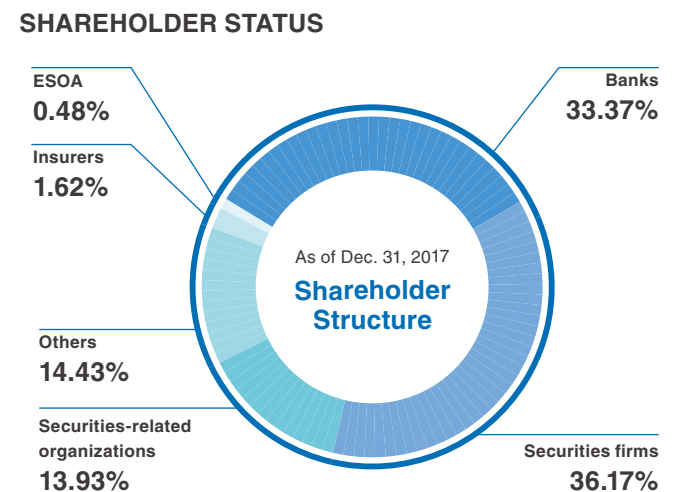
### CREDIT RATING

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

Long-Term Issuer Rating <b>AAA</b>	Short-Term Issuer Rating <b>AAA</b>	Outlook <b>Stable</b>
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**International**  
(Moody's)

Long-Term Issuer Rating <b>Aa2</b>	Short-Term Issuer Rating <b>P-1</b>	Outlook <b>Stable</b>
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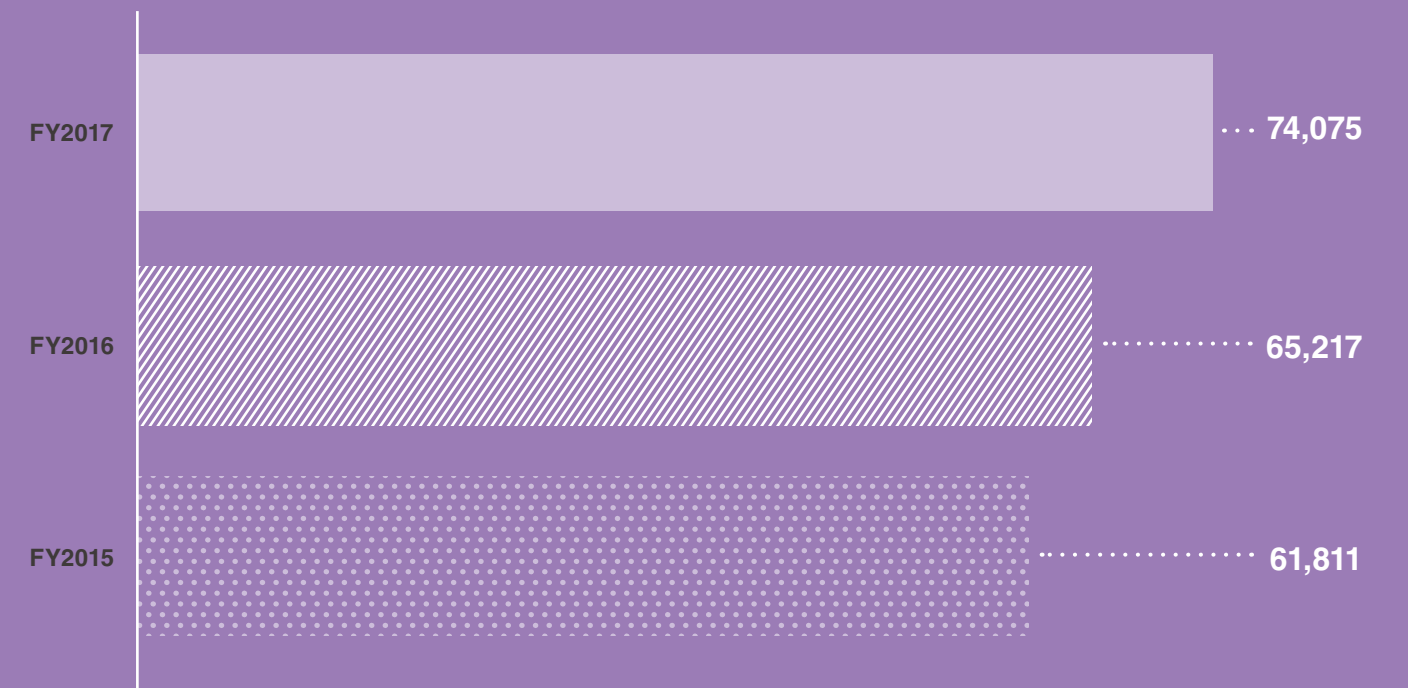


# 02

# Business Review

## TOTAL ASSETS

(KRW in billions, including trust accounts)



# Summary

January 1, 2017 ~ December 31, 2017

**In FY2017, 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 FY2017, the average balance of total assets increased by 10.3% year-on-year to KRW 54.20 trillion. Loan receivables increased by 38.1% to KRW 21.16 trillion, while securities, and cash and bank deposits declined by 9.0% to KRW 16.42 trillion and by 6.4% to KRW 13.46 trillion, respectively.

Total liabilities recorded KRW 52.45 trillion, a 1.0% increase year-on-year, with depository liabilities increasing by 0.1% to KRW 45.49 trillion and borrowings by 6.1% to KRW 3.91 trillion.

Total shareholder's equity, including paid-in capital of KRW 340 billion, grew by 2.8% to KRW 1.74 trillion.

## OPERATING PERFORMANCE

In FY2017, operating revenue recorded KRW 1.16 trillion, marking an increase of 1.8% year-on-year. While the gain on valuation and disposal of financial investments declined by 10.0% to KRW 168.9 billion and fee income decreased by 11.4% to KRW 116.9 billion, interest income rose by 1.0% to KRW 735.5 billion, investment returns from trust accounts by 5.1% to KRW 20.6 billion, and dividend income by 26.2% to KRW 62.2 billion.

Operating expenses totalled KRW 980 billion, an increase of 1.9% year-on-year. Interest expenses decreased by 4.6% to KRW 686.4 billion, and fee expenses by 7.7% to KRW 102.7 billion. However, administrative expenses recorded KRW 82.5 billion, climbing 3.3%, and the loss on valuation and disposal of financial investments rose by 87.6% to KRW 51.6 billion.

As a result, we recorded KRW 177.3 billion in operating income, a year-on-year increase of 1.6%, and KRW 131 billion in net income, a year-on-year increase of 2.0%.

## SUMMARY

On the external front, the year 2017 witnessed intensifying volatility in the financial market stemming from additional key interest rate hike and balance-sheet reduction of the U.S. Fed as well as geopolitical risk looming over North Korea. On the domestic front, unstable factors such as macroeconomic risks in the wake of surging household debt persisted, although the economic growth rate improved driven mainly by exports.

In spite of this challenging business environment, we worked hard to achieve shared growth with the capital market under the goal of "expanding our role in the capital market based on secure, stable growth". As a result, our operating volume (including trust accounts and fee-earning assets) increased by 14.8% year-on-year to KRW 313 trillion (KRW +40.5 trillion, average balance), and our net income rose by 2.0% (KRW +2.5 billion) to KRW 131 billion.

Powered by the combination of reinforced cooperation with the financial investment industry and our efforts to boost operational competitiveness, our total loans grew by 3.9% from last year-end to KRW 15.8 trillion.

Our total deposit reached KRW 39.5 trillion, a 11.4% increase from last year-end, based on our continued efforts to secure stable sources of deposits while leveraging the securities market rally to further expand the deposit base.

Also, total fee-earning assets rose drastically by 16.3% from last year-end to KRW 227.9 trillion, mostly due to continued growth in our custody assets as well as the expansion of our RP intermediation business.

Despite growing market uncertainties both in Korea and abroad, we were able to deliver solid results as a going concern in FY2017 thanks to our continued commitment to seeking out stable sources of income and expanding our role in the capital market.



# 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 54.20 trillion in funding in FY2017, which is a 1.0% increase year-on-year.**

Our 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 54.20 trillion in funding in FY2017, which is a 1.0% increase year-on-year.

In terms of the funding mix, deposits from financial investment firms accounted for 46.9%, investors' deposits 12.7%, notes issued 16.4%, and bonds sold under RPs 5.6%. The new funding source of call money was added to the previous year's mix. While the proportion of notes issued decreased year-on-year, an increase was witnessed in terms 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 0.1% year-on-year to KRW 45.48 trillion, accounting for 83.9%, an absolute majority of total raised funding compared to 84.7% 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 2.9% year-on-year to KRW 6.9 trillion, accounting for 12.7% of total funds raised compared to 12.5% in FY2016.

- Deposits for securities spot trading are funds entrusted to financial investment companies for the purpose of stock trading. The average balance stood at KRW 6.2 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 2.5 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 1.24 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 2.75 trillion.

- Foreign currency deposits are funds placed by investors in financial investment companies in foreign currencies. The average balance recorded KRW 408.6 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 25.7 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 6.7% year-on-year, recording an average balance of KRW 1.9 trillion in FY2017, accounting for 2.0% of total raised funding compared to 2.2% in the previous year.

## FY2017 BREAKDOWN OF SOURCES OF FUNDING

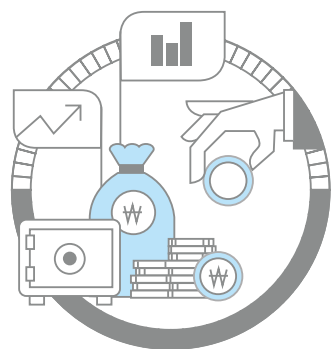
((Units: KRW million, %, based on average balance))

Sources of Funding	FY2017		FY2016		FY2015	
	Amount	%	Amount	%	Amount	%
<b>Deposit Liabilities</b>	<b>45,485,202</b>	<b>83.9</b>	45,453,872	84.7	35,911,030	82.1
Investors' Deposits <sup>1)</sup>	6,907,857	12.7	6,712,575	12.5	6,704,494	15.3
Deposits for Gold Spot Trading	25,739	0.0	18,479	0.0	7,731	0.0
Subscription Margin Deposits	1,090,074	2.0	1,168,090	2.2	1,339,230	3.1
Stock Market Stabilization Fund Deposits	7,484	0.0	13,292	0.0	15,026	0.0
Deposits from Financial Investment Institutions	25,414,128	46.9	22,692,656	42.3	20,741,172	47.4
Individual Savings Account Deposits (ISA)	85,709	0.2	20,116	0.0	-	-
Deposits from Corporate Customers	2,004,464	3.7	2,147,703	4.0	1,809,065	4.1
IPO Stock Subscription Deposits and Others	7	0.0	2,655	0.0	1,348	0.0
ISA Deposits	70,973	0.1	90,806	0.2	114,617	0.3
ESOP Deposits	3,688	0.0	9,554	0.0	3,945	0.0
Pension Fund Deposits	543,887	1.0	503,790	0.9	192,130	0.4
Online Small-amount Subscription Deposits	2,261	0.0	1,251	0.0	-	-
Guarantee Money Deposits	68	0.0	67	0.0	66	0.0
SPAC Deposits	456,919	0.8	522,338	1.0	384,179	0.9
Notes Issued	8,869,805	16.4	11,548,175	21.5	4,595,583	10.5
Special Deposits	1,414	0.0	2,325	0.0	2,444	0.0
<b>Borrowings</b>	<b>3,906,689</b>	<b>7.2</b>	3,680,598	6.9	3,662,942	8.4
Call Money	93,656	0.2	-	0.0	34,034	0.1
Bonds Sold under RPs	3,058,101	5.6	2,843,248	5.3	2,761,127	6.3
Borrowings <sup>2)</sup>	754,932	1.4	837,350	1.6	867,781	2.0
<b>Corporate Bonds</b>	<b>1,347,417</b>	<b>2.5</b>	1,333,305	2.5	1,058,230	2.4
<b>Other Liabilities</b>	<b>1,714,943</b>	<b>3.2</b>	1,478,808	2.8	1,544,929	3.5
Cash Collateral <sup>3)</sup>	1,125,214	2.1	750,787	1.4	953,767	2.2
Borrowings from Trust Accounts	514,386	0.9	559,156	1.0	493,653	1.2
Deferred Tax and Others	75,343	0.1	168,865	0.3	97,509	0.2
<b>Shareholder's Equity</b>	<b>1,744,453</b>	<b>3.2</b>	1,697,068	3.2	1,564,640	3.6
<b>Total</b>	<b>54,198,704</b>	<b>100.0</b>	53,643,651	100.0	43,741,771	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 FY2017, the average balance of deposits from financial investment institutions and other related institutions recorded KRW 25.41 trillion, accounting for 46.9% 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 trillion in FY2017.

#### 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 543.9 billion in FY2017.

#### ISA Deposits

The average balance of these funds placed by financial investment companies from their Individual Savings Accounts (ISAs) recorded KRW 85.7 billion in FY 2017.

#### Online Small-amount Subscription Deposits

This offering which manages securities-type crowdfunding subscription deposits saw average balance reach KRW 2.3 billion in FY2017.

#### 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 456.9 billion, accounting for 0.8% of total raised funding.

#### Notes Issued

Raising deposit-like funds by issuing debt instruments. The average balance decreased by 23.2% to KRW 8.87 trillion in FY2017.

- 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 FY2017, recording KRW 3.9 trillion, and accounting for 7.2% of total raised funding.

#### Call Money

Call money increased on the back of low interest rates after the lifting of restrictions on call loans. In FY2017, the average balance of call money stood at KRW 93.7 billion, accounting for 0.2% of total raised funding.

#### 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 3.58 trillion in FY2017, accounting for 5.6% 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 9.8% year-on-year to KRW 754.9 billion, accounting for 1.4% of total funding compared to 1.6% in the previous year.

### CORPORATE BONDS

In FY2017, corporate bond issuance increased 1.1% year-on-year to KRW 1.35 trillion, accounting for 2.5% of total raised funding (also 2.5% in the previous year).

### OTHER LIABILITIES

The average balance of other liabilities including cash collateral and borrowings from trust accounts, etc. declined by 16.0% year-on-year to KRW 1.71 trillion, accounting for 3.2% of total raised funding in FY2017, compared to 2.8% in the previous year.

#### Cash Collateral

The average balance, which includes KRW 1.58 trillion in cash collateral for SBL intermediation, KRW 2 billion in cash collateral for stock loans, and KRW 64.9 billion in other cash collateral, increased by 49.9% year-on-year to KRW 1.13 trillion, making up 2.1% of total raised funding in FY2017, compared to 1.4% 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 8.0% year-on-year to KRW 514.4 billion, accounting for 0.9% of total raised funding in FY2017, compared to 1.0% in the previous year.

### SHAREHOLDERS' EQUITY

In FY2017, the average balance of shareholder's equity increased by 4.0% year-on-year to KRW 1.74 trillion, accounting for 2.8% of total raised funding, compared to 3.2% in FY2016.

#### Paid-In Capital and Capital Surplus

In FY2017, 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 FY2017, retained earnings increased by 6.5% year-on-year, recording KRW 1.24 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 24.1% in won-denominated bank deposits, 24.5% in loans, 17.8% in trading securities, 15.9% in bonds purchased under RPs, 12.5% in available-for-sale securities, and 4.3% in discounted notes. The share of deposits, borrowings and securities investment has fallen year-on-year.

## 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 FY2017, the average balance of cash and bank deposits decreased by 6.4% year-on-year to KRW 13.46 trillion, accounting for 24.9% of total funds managed, compared to 26.8% in the previous year.

### Bank Deposits in Won

In FY2017, the average balance of bank deposits in won decreased by 5.9% year-on-year to KRW 13.53 trillion, accounting for 24.1% of total funds managed, compared to 25.9% in the previous year.

### Bank Deposits in Foreign Currencies

In FY2017, the average balance of bank deposits in foreign currencies decreased by 19.5% year-on-year to KRW 408.6 billion, accounting for 0.8% of total funds managed, compared to 0.9% 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 FY2017 decreased by 9.0% year-on-year to KRW 16.41 trillion, accounting for 30.3% of total funds managed, compared to 33.6% in the previous year.

A breakdown by asset class includes stocks (including equity investments) and bonds, which increased by 13.0% and 2.5% respectively to KRW 696.0 billion and KRW 6.53 trillion, and beneficiary certificates, which decreased by 15.9% to KRW 9.4 trillion, and others (derivative-linked instruments, etc.), which decreased by 22.8% to KRW 249.3 billion.

### Trading Securities

The average balance of trading securities, which are acquired for the purpose of seeking short-term trading gains, decreased by 17.1% to KRW 9.65 trillion in FY2017, making up 17.8% of total funds managed compared to 21.7% in the previous year.

### Available-for-Sale Securities

The average balance of available-for-sale securities, which seek longer term investment returns, increased by 5.7% year-on-year to KRW 6.76 trillion, making up 12.5% of total funds managed, compared to 11.9% 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 FY2017, the average balance increased by 14.6% year-on-year to KRW 24.24 trillion, making up 44.7% of total managed funds, compared to 39.4% in the previous year.

### Discounted Notes

Due to a decline in subscription margin deposits, the average balance of discounted notes climbed 8.2% year-on-year to KRW 2.34 trillion, accounting for 4.3% of total managed funds, compared to 4.0% 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 8.6 trillion in FY2017, making up 15.9% of total managed funds.

### Loans

The average balance of loans grew by 6.2% year-on-year to KRW 13.3 trillion, accounting for 24.5% of total managed funds.

## FY2017 BREAKDOWN OF MANAGED FUNDS

(Units: KRW million, %, based on average balance)

Funds	FY2017		FY2016		FY2015	
	Amount	%	Amount	%	Amount	%
<b>Cash and Bank Deposits</b>	<b>13,462,206</b>	<b>24.9</b>	14,377,739	26.8	14,404,716	32.9
Deposits in Won	13,053,623	24.1	13,870,325	25.9	14,113,664	32.3
Deposits in Foreign Currencies	408,583	0.8	507,414	0.9	291,035	0.7
<b>Securities</b>	<b>16,415,897</b>	<b>30.3</b>	18,041,482	33.6	13,952,310	31.9
Trading Securities	9,651,678	17.8	11,644,607	21.7	7,847,405	17.9
Financial Assets Designated at Fair Value through Profit or Loss	-	-	-	-	-	-
Available-for-sale Securities	6,764,219	12.5	6,396,874	11.9	6,104,905	14.0
<b>Derivatives</b>	<b>-</b>	<b>0.0</b>	-	-	768	0.0
<b>Loans and Receivables</b>	<b>24,244,529</b>	<b>44.7</b>	21,158,537	39.4	15,322,439	35.0
Call Loans	-	-	-	-	-	-
Discounted Notes	2,345,086	4.3	2,167,273	4.0	2,239,873	5.1
Bonds Purchased under RPs	8,598,593	15.9	6,463,332	12.0	2,796,219	6.4
Loans	13,300,850	24.5	12,527,932	23.4	10,286,347	23.5
<b>Other Assets</b>	<b>76,072</b>	<b>0.1</b>	65,894	0.1	61,548	0.2
<b>Total</b>	<b>54,198,704</b>	<b>100.0</b>	53,643,652	100.0	43,741,771	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 3.26 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 4.62 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 774.4 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 2.36 trillion.
- ESOP share-backed loans are provided to ESOA members, backed by their deposited ESOP shares. The average balance recorded KRW 31.8 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 2.57 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**

(Units: KRW million, %, based on average balance)

Type of Loan	FY2017		FY2016		FY2014	
	Amount	%	Amount	%	Amount	%
Margin Financing Loans	3,259,137	24.5	3,070,275	24.5	3,198,841	31.1
Working Capital Loans	774,420	5.8	688,384	5.5	221,914	2.2
Financing to Support Securities-Backed Loans	4,623,863	34.8	4,412,927	35.2	3,143,344	30.6
ESOP Share Acquisition Loans	2,035,934	15.3	2,097,550	16.7	1,765,812	17.2
ESOP Share-Backed Loans	31,800	0.2	24,803	0.2	15,974	0.2
General Securities-Backed Loans	2,570,536	19.3	2,213,619	17.7	1,935,282	18.8
Deposit-Backed Loans	0.0	0.0	1	0.0	99	0.0
Others	5,160	0.1	20,373	0.2	5,081	0.0
<b>Total</b>	<b>13,300,850</b>	<b>100.0</b>	<b>12,527,932</b>	<b>100.0</b>	<b>10,286,347</b>	<b>100.0</b>

# 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 2017, a total of 3,059 companies have established their own ESOAs, with members totalling 1.3 million. Of those companies, 676 are KOSPI-listed (956,000 members), 905 are KOSDAQ-listed (132,000 members), and 1,478 are classified as others (269,000 members).

**Current Status of Deposited ESOP Shares**

As of the end of December 2017, a total of 347,000 members from 1,178 ESOAs have deposited a total of 451,730,000 ESOP shares, valued at KRW 6.73 trillion based on acquisition price.

- Of the total deposited shares, 304,416,000 are KOSPI-listed shares, 69,776,000 are KOSDAQ-listed shares, and 77,537,000 are classified as "other".



- As of the end of December 2017, the value of the total deposited shares by mark-to-market stands at KRW 8.16 trillion, with the value of KOSPI-listed shares at KRW 6.78 trillion, KOSDAQ-listed shares at KRW 770.6 billion, and shares classified as "other" at KRW 615.3 billion.
- Members' ownership interest in ESOP shares was minimal, at 1.05% for KOSPI-listed companies, 0.79% for KOSDAQ-listed companies, and 1.47% for the remaining companies classified as other.

**CURRENT STATUS OF ESOA ESTABLISHMENT**

(Units: number of companies, number of members)

Type of Company	FY2017 (As of Dec. 31, 2017)		FY2016 (As of Dec. 31, 2016)		FY2015 (As of Dec. 31, 2015)	
	ESOA	Member	ESOA	Member	ESOA	Member
KOSPI-listed Companies	676	956,323	674	948,148	664	930,067
KOSDAQ-listed Companies	905	132,737	860	126,135	825	120,228
Others	1,478	269,757	1,437	263,080	1,343	251,698
<b>Total</b>	<b>3,059</b>	<b>1,358,817</b>	2,971	1,337,363	2,832	1,301,993

\* 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**

(Units: number of companies, number of members, thousand shares, KRW million)

Classification	FY2017 (As of Dec. 31, 2017)				FY2016 (As of Dec. 31, 2016)				FY2015 (As of Dec. 31, 2015)			
	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	279	269,635	304,416	5,674,459	271	301,705	418,863	6,344,759	257	292,398	299,935	5,808,753
KOSDAQ-listed	352	25,472	69,776	461,254	315	24,625	55,015	461,276	295	24,173	47,478	314,972
Other	547	52,691	77,537	598,050	540	54,072	81,364	630,109	499	50,464	70,535	559,312
<b>Total</b>	<b>1,178</b>	<b>347,798</b>	<b>451,730</b>	<b>6,733,763</b>	1,126	380,402	555,242	7,436,144	1,051	367,035	417,948	6,683,037

# 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 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 FY2017, the average balance of investors' deposits in trust accounts stood at KRW 24.05 trillion, of which KRW 18.85 trillion was for securities trading, KRW 3.31 trillion for derivatives trading, and KRW 1.89 trillion for specified money in trust.

- As of the end of December 2017, investors' deposits in trust accounted for 90.0% of total investors' deposits, which is the sum of investors' deposits placed in deposit accounts and trust accounts (90.8% at last year-end), with 34 companies choosing to place their investors' deposits in trust accounts (36 companies at last year-end) and 17 opting for deposit accounts (17 companies at last year-end).







**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 are applied.

- In the interest of balancing risk and return, a total of KRW 17.1 trillion is managed using cash and bank deposits, while KRW 6.85 trillion is invested in securities.

**CURRENT STATE OF INVESTORS' DEPOSITS IN TRUST**

(Units: KRW million, %, based on average balance)

Classification	FY2017		FY2016		FY2015	
<b>① Investors' Deposit in Trust</b>						
Securities Investors' Deposits	18,848,100		17,237,111		14,911,549	
Derivatives Investors' Deposits	3,307,221		3,159,164		3,420,971	
Specified Money Trust	1,893,008		1,948,418		1,944,187	
<b>Total</b>	<b>24,048,329</b>		<b>22,344,693</b>		<b>20,276,707</b>	
<b>② Breakdown of Investment</b>						
Cash and Bank Deposits	17,106,324	(71.4%)	16,215,642	(72.9%)	14,476,257	(71.7%)
Securities						
Debt Securities	268,653	(1.1%)	170,462	(0.8%)	358,518	(1.8%)
Beneficiary Certificates	6,137,350	(25.6%)	5,867,639	(26.4%)	5,354,579	(26.5%)
CD	448,225	(1.9%)	0	(0.0%)	0	(0.0%)
<b>Total</b>	<b>6,854,228</b>	<b>(28.6%)</b>	<b>6,038,101</b>	<b>(27.1%)</b>	<b>5,713,097</b>	<b>(28.3%)</b>
Loans	0	(0.0%)	0	(0.0%)	0	(0.0%)
RPs	3,013	(0.0%)	271	(0.0%)	799	(0.0%)
Others	1,475	(0.0%)	1,325	(0.0%)	1,010	(0.0%)
<b>Total</b>	<b>23,965,040</b>	<b>(100.0%)</b>	<b>22,255,339</b>	<b>(100.0%)</b>	<b>20,191,164</b>	<b>(100.0%)</b>
<b>③ Number of Companies (As of FY-end)</b>	<b>34</b>		<b>36</b>		<b>36</b>	

# 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 FY2017, the average balance of custody assets increased by 13.9% year-on-year to KRW 94.74 trillion, thanks to an increase in MMF assets as well as continued efforts to diversify the custody asset base.
- Our market share decreased slightly by 1.92%p year-on-year to 12.76%.
- We currently provide custody services to public/private pension fund investment pools.

**CURRENT STATE OF CUSTODY BUSINESS**

(Units: KRW million)

Classification	FY2017	FY2016	FY2015
Assets under Custody (average balance)	<b>947,359</b>	832,098	775,560
Market Share (end balance of the preceding day)	<b>12.76%</b>	14.68%	14.19%

\* 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 FY2017, the average balance for SBL intermediation rose by 35.5% year-on-year, recording KRW 37.63 trillion.

- **Stock Borrowing / Lending Intermediation** The average balance decreased by 34.5% year-on-year to KRW 2.46 trillion, with KOSPI-listed shares accounting for KRW 1.9 trillion, posting a 24.5% decline, and KOSDAQ-listed shares accounting for KRW 559.1 billion, marking a 54.8% drop.

- **Bond Borrowing / Lending Intermediation** The average balance rose by 46.7% year-on-year to KRW 34.60 trillion. The balance of treasury bonds rose by 48.0% to KRW 32.3 trillion, while monetary stabilization bonds (MSBs) increased by 33.6% to KRW 2.18 trillion. The balance of other bonds decreased by 6.4% year-on-year, recording KRW 129.8 billion.

### Short-term Fund Intermediation

The average balance for RP intermediation rose by 28.3% compared to the previous year to KRW 13.48 trillion, while the average balance for electronic short-term bond issuance intermediation fell by 15.4% year-on-year to KRW 60.9 billion.

**CURRENT STATE OF SBL/RP/ELECTRONIC SHORT-TERM BOND ISSUANCE INTERMEDIATION** (Units: KRW million, based on average balance)

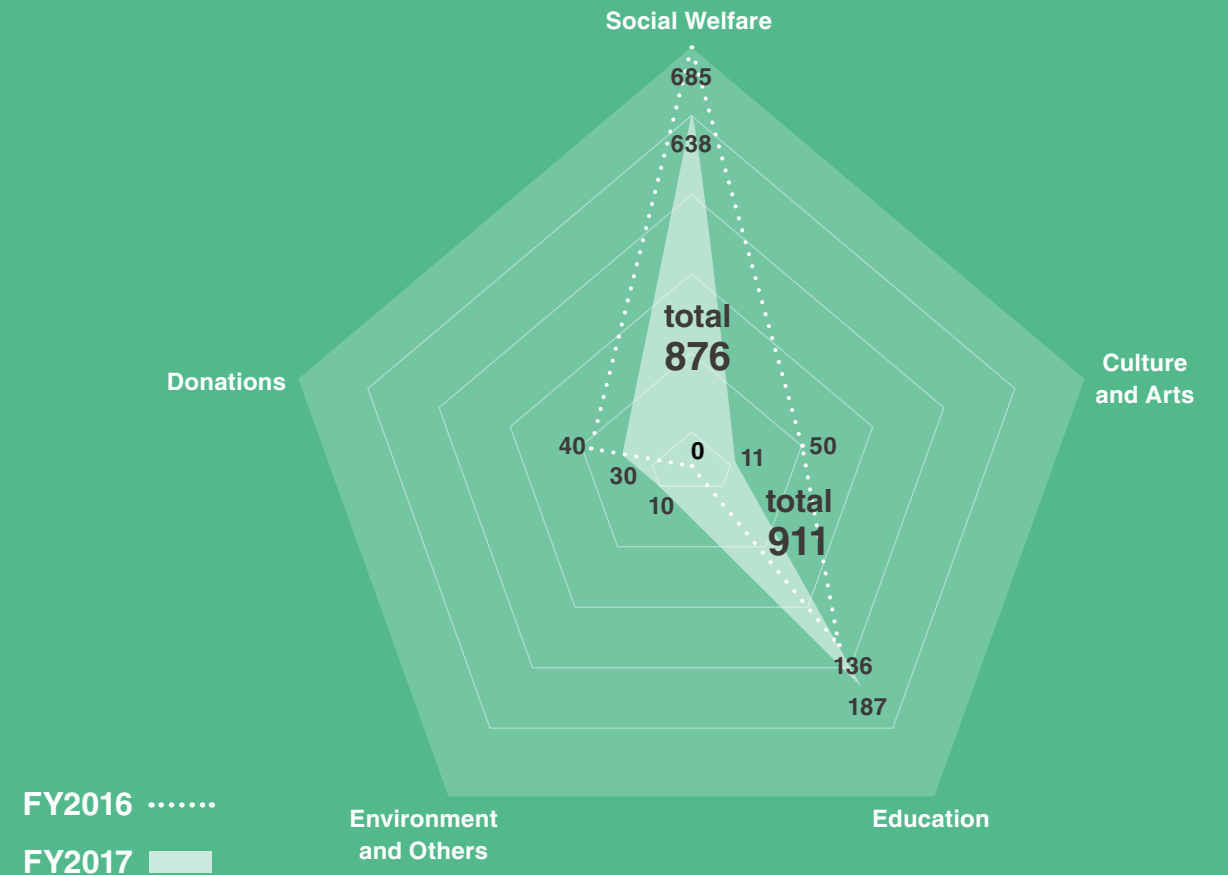
Classification		FY2017		FY2016		FY2015
<b>① SBL Intermediation</b>		<b>307,634</b>		273,448		288,432
Stocks	KOSPI (%)	19,007 (77.3%)		25,170 (67.1%)		28,927 (66.9%)
	KOSDAQ (%)	5,591 (22.7%)		12,366 (32.9%)		14,300 (33.1%)
	<b>Sub-Total (%)</b>	<b>24,598 (100.0%)</b>		37,536 (100.0%)		43,227 (100.0%)
Bonds	Treasury Bonds (%)	322,947 (93.3%)		218,209 (92.5%)		229,274 (93.5%)
	Monetary Stabilization Bonds (%)	21,791 (6.3%)		16,316 (6.9%)		14,716 (6.0%)
	Other Bonds	1,298 (0.4%)		1,387 (0.6%)		1,215 (0.5%)
	<b>Sub-Total (%)</b>	<b>346,036 (100.0%)</b>		235,912 (100.0%)		245,205 (100.0%)
<b>② RP Intermediation</b>		<b>134,834</b>		105,111		69,915
<b>③ Intermediation for Electronic Short-term Bond Issuance</b>		<b>609</b>		720		734

# 03

# Sustainability Review

## CSR ACTIVITIES

(Units: 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 Hanmaeum 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

KSFC strives to practice socially responsible management as a corporate citizen. We pay back what we have received from our customers and market to the communities we serve through systematic and substantial community outreach activities.

Hanmaeum Volunteers is a gathering of KSFC's executives and employees, formed to visit underserved communities once a month and provide a helping hand to those in need. Hanmaeum Volunteers have engaged in diverse activities at the Mazzarello Center, Yeongdeungpo Regional Children's Welfare Center, Dream Tree Village, Holt, Seoul Senior Citizens' Welfare Center, and many other institutions serving underprivileged neighbors and seeks further opportunities for talent donation. It continues to reach out to local communities through various programs such as "Sharing Coal Briquettes for Winter Months", "Sharing Kimchi for Winter Months", and "Free Meal Service". It also strives to build a more systematic and sustainable outreach system as evidenced by "Sisterhood with a Rural Village", through which it partners with a rural village, purchases its farm produce, and donates the purchased produce to those in need.

We also take pride in our Hand-in-Hand Donation Program. Each employee sets aside and donates a certain amount from his/her salary each month with the company matching the donation. This program is a reflection of KSFC's time-honored heritage of positively impacting, and sharing what we have with, our communities. The collected donations are then provided once a year to help disadvantaged children and teenagers.

We believe that our growth hinges upon our contributions to making this world a better place, and we will continue to practice this belief and reach out to others throughout the future.



## 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 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.

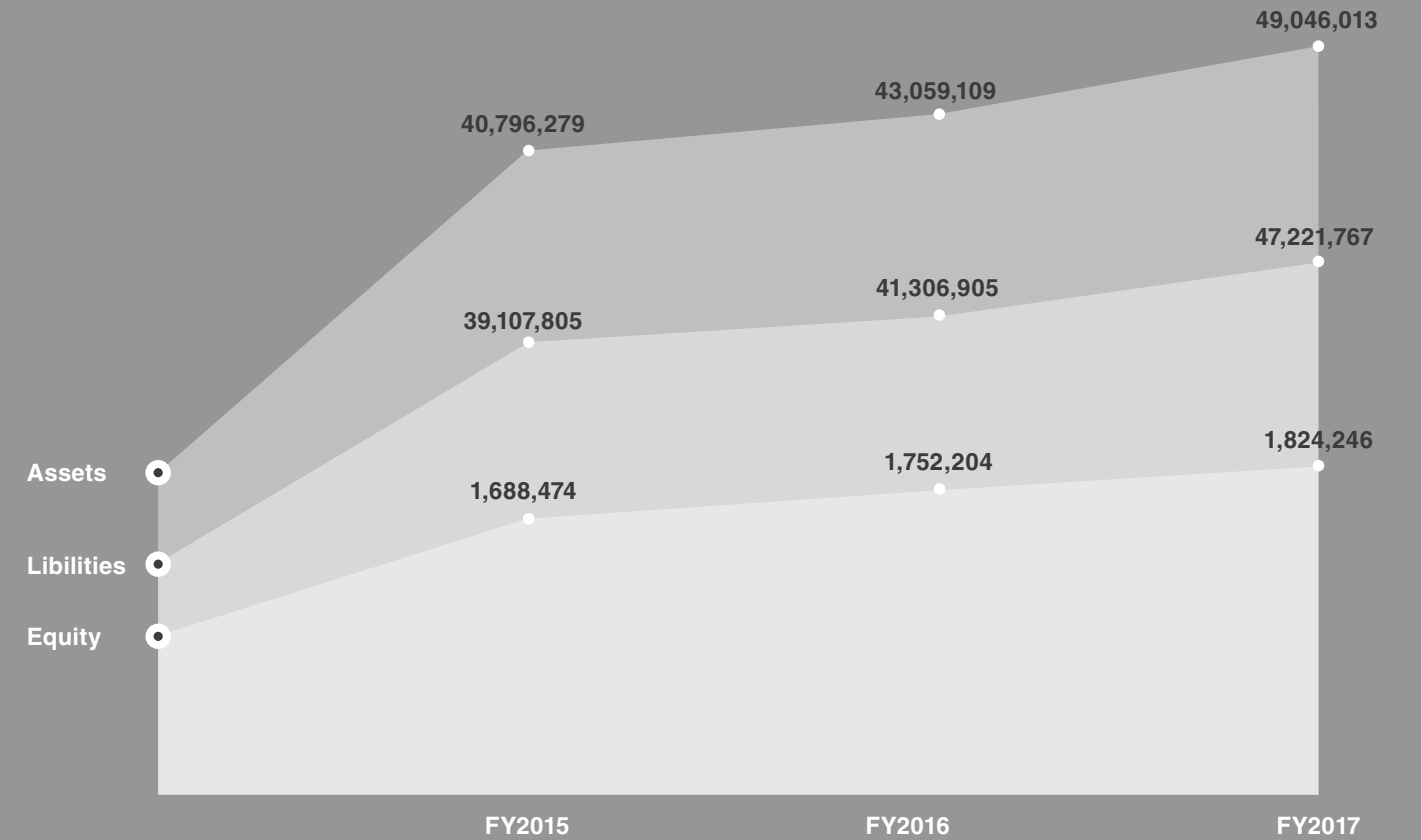


# 04

# Financial Review

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Units: KRW in millions)



KOREA SECURITIES FINANCE CORP. AND SUBSIDIARIES

# Consolidated Statements of Financial Position

As of December 31, 2017 and 2016

In Korean won		December 31, 2017		December 31, 2016	
<b>Assets</b>	Cash and due from banks	₩	12,881,167,183,901	₩	10,463,795,226,110
	Financial investments		12,859,779,620,171		12,843,214,879,718
	Loans		23,039,053,542,330		19,485,506,578,600
	Other assets:				
	Investments in associates		90,105,925,932		112,294,385,006
	Property, plants and equipments		29,994,296,470		30,511,653,497
	Intangible assets		10,107,986,731		6,072,604,503
	Prepaid expenses		2,568,301,537		2,555,559,530
	Accrued income		113,043,775,022		101,137,506,150
	Investment assets		11,855,851,447		11,261,528,159
	Others		8,336,272,172		2,758,854,949
			266,012,409,311		266,592,091,794
	<b>Total assets</b>	<b>₩</b>	<b>49,046,012,755,713</b>	<b>₩</b>	<b>43,059,108,776,222</b>
<b>Liabilities</b>	Deposits	₩	39,547,828,531,851	₩	35,497,225,802,389
	Derivatives		585,952,230		-
	Borrowings		5,797,504,840,000		3,501,815,260,000
	Debentures		1,089,171,288,199		1,309,123,625,484
	Other liabilities				
	Guarantee deposits		179,247,184,321		315,039,428,731
	Supply and demand premium		-		378,916
	Account payable for trust accounts		459,329,528,667		533,010,952,945
	Unearned income		1,772,830,687		1,655,651,715
	Accrued expenses		74,399,429,984		78,206,868,232
	Current tax liabilities		10,945,557,146		10,175,514,988
	Provisions		250,000,000		250,000,000
	Net defined benefit liabilities		4,244,561,325		5,083,465,174
	Deferred tax liabilities		26,367,011,198		34,493,586,770
	Sundry liabilities		27,547,905,236		18,751,481,645
	Payment for reclassified interests		2,572,524,759		2,072,869,918
			786,676,533,323		998,740,199,034
<b>Total liabilities</b>	<b>₩</b>	<b>47,221,767,145,603</b>	<b>₩</b>	<b>41,306,904,886,907</b>	

In Korean won		December 31, 2017		December 31, 2016	
<b>Equity</b>	<b>Owner's equity</b>				
	Capital stock	₩	340,000,000,000	₩	340,000,000,000
	Capital surplus		21,767,313,027		21,767,313,027
	Accumulated other comprehensive income		119,378,389,057		141,480,760,439
	Retained earnings		1,343,099,908,026		1,248,955,815,849
	(Regulatory reserve for credit losses: ₩93,397 million as at December 31, 2017, and ₩83,343 million as at December 31, 2016)				
	Expected additional regulatory reserve for credit losses: ₩25,327 million as at December 31, 2017, and ₩10,054 million as at December 31, 2016)				
			1,824,245,610,110		1,752,203,889,315
	<b>Non-controlling interests</b>		-		-
	<b>Total equity</b>		1,824,245,610,110		1,752,203,889,315
<b>Total liabilities and equity</b>	<b>₩</b>	<b>49,046,012,755,713</b>	<b>₩</b>	<b>43,059,108,776,222</b>	

KOREA SECURITIES FINANCE CORP. AND SUBSIDIARIES

# Consolidated Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

In Korean won	2017	2016
<b>Operating income:</b>		
Interest income		
Interest on due from banks	₩ 186,961,816,768	₩ 207,771,962,657
Interest on securities	163,373,228,892	173,788,441,030
Interest on loans	404,730,310,880	371,485,180,253
	755,065,356,540	753,045,583,940
Gain on valuation and sale of financial investments:		
Gain on sales of financial assets held for trading	80,779,068,207	101,530,718,172
Gain on valuation of financial assets held for trading	52,809,645,688	55,108,340,842
Gain on sales of available-for-sale financial assets	29,214,462,989	21,179,135,607
	162,803,176,884	177,818,194,621
Gain on valuation and transaction of derivative instruments:		
Gain on transaction of derivative instruments	1,297,467,308	631,330,000
	1,297,467,308	631,330,000
Commission income	116,920,248,239	131,882,137,685
Gain on foreign exchange transaction	53,152,556,688	19,963,062,046
Trust fees and commissions received from trust account	20,629,268,985	19,587,307,486
Dividends		
Dividend income from financial assets held for trading	582,225,337	729,831,718
Dividend income from available-for-sale financial assets	42,388,444,428	26,334,507,536
Others	42,970,669,765	27,064,339,254
<b>Total operating income</b>	<b>₩ 1,154,704,538,373</b>	<b>₩ 1,129,991,955,032</b>

In Korean won	2017	2016
<b>Operating expenses:</b>		
Interest expenses:		
Interest on due from banks	₩ 588,413,606,433	₩ 621,264,684,146
Interest on borrowings and debentures	38,190,165,321	43,205,469,861
Others	62,691,858,985	58,400,044,904
	689,295,630,739	722,870,198,911
Loss on valuation and sales of financial investments:		
Loss on sales of financial assets held for trading	8,134,832,737	5,445,859,014
Loss on valuation of financial assets held for trading	4,544,369,789	564,240,728
Loss on sales of available-for-sale financial assets	17,682,524,118	6,064,099,767
Impairment loss of available-for-sale financial assets	17,329,885,292	12,516,264,583
	47,691,611,936	24,590,464,092
Loss on valuation and transaction of derivative instruments:		
Loss on transaction of derivative instruments	899,447,523	1,223,760,000
Loss on valuation of derivative instruments	585,952,230	-
	1,485,399,753	1,223,760,000
Loss on valuation and disposal of loans		
Bad debt expenses	-	2,155,648,292
	-	2,155,648,292
Commission expense	103,727,261,717	112,486,707,013
Loss on foreign exchange transaction	53,129,703,719	19,984,720,675
Administrative expenses	82,450,823,354	79,856,004,453
Others	3,504,903,418	4,045,082,934
<b>Total operating expenses</b>	<b>981,285,334,636</b>	<b>967,212,586,370</b>
<b>Operating profit :</b>	<b>₩ 173,419,203,737</b>	<b>₩ 162,779,368,662</b>

In Korean won	2017		2016	
<b>Non-operating income (expenses):</b>				
Gain on equity method investments in associates	₩	17,473,758,520	₩	13,977,228,877
Loss on equity method investments in associates		(1,038,051,347)		(3,319,198,974)
Impairment loss of equity method investments in associates		(7,441,955,615)		(5,048,672,342)
Loss on disposal of property, plant and equipment		(12,604,735)		(1,150,000)
Loss on disposal of investment assets		(550,000)		(20,935,000)
Other interest income		233,507,488		214,028,430
Donations		(5,649,000,000)		(4,354,500,000)
Others		283,329,271		540,604,807
		3,848,433,582		1,987,405,798
<b>Net income before income taxes</b>		<b>177,267,637,319</b>		164,766,774,460
<b>Income taxes</b>		<b>42,323,545,142</b>		40,845,884,575
<b>Net income</b>		<b>134,944,092,177</b>		123,920,889,885
(Adjusted net income after regulatory reserve for credit losses: ₩109,617 million for the year ended December 31, 2017, and ₩113,867 million for the year ended December 31, 2016)		134,944,092,177		123,920,889,885
Attributable to: Owners of the parent				
Non-controlling interests		-		-
<b>Other comprehensive income (loss)</b>				
Other comprehensive income not reclassified to profit or loss in subsequent periods		(2,948,605,308)		363,079,660
Other comprehensive loss reclassified to profit or loss in subsequent periods		(19,153,766,074)		(23,154,414,718)
		(22,102,371,382)		(22,791,335,058)
<b>Total comprehensive income (loss)</b>	₩	<b>112,841,720,795</b>	₩	101,129,554,827
Attributable to: Owners of the controlling company		112,841,720,795		101,129,554,827
Noncontrolling interests		-		-
<b>Earnings per share</b>	₩	<b>1,984</b>	₩	<b>1,822</b>

KOREA SECURITIES FINANCE CORP.

# Separate Statements of Financial Position

As of December 31, 2017 and 2016

In Korean won	December 31, 2017		December 31, 2016	
<b>Assets</b>				
Cash and due from banks	₩	12,869,845,684,416	₩	10,415,076,636,604
Financial investments		12,851,311,391,446		12,823,596,922,161
Loans		22,954,564,957,779		19,433,634,142,198
Other assets:				
Property, plants and equipment		29,994,296,470		30,511,653,497
Intangible assets		10,107,986,731		6,072,604,503
Prepaid expenses		2,377,709,578		2,259,143,538
Accrued income		110,004,428,342		98,022,246,081
Investment assets		11,855,851,447		11,261,528,159
Others		8,218,572,172		2,597,916,829
		172,558,844,740		150,725,092,607
<b>Total assets</b>	₩	<b>48,848,280,878,381</b>	₩	42,823,032,793,570
<b>Liabilities</b>				
Deposits	₩	39,547,828,531,851	₩	35,497,225,802,389
Borrowings		5,604,204,840,000		3,249,215,260,000
Debentures		1,089,171,288,199		1,309,123,625,484
Other liabilities:				
Guarantee deposits		179,247,184,321		315,039,428,731
Supply and demand premium		-		378,916
Account payable for trust accounts		460,455,369,274		536,335,373,888
Unearned income		1,772,830,687		1,655,651,715
Accrued expenses		74,294,158,214		77,982,078,880
Current tax liabilities		10,945,557,146		10,175,514,988
Provisions		250,000,000		250,000,000
Net defined benefit liabilities		4,244,561,325		5,083,465,174
Deferred tax liabilities		25,826,685,690		38,266,218,087
Others		27,486,686,090		18,583,262,501
		784,523,032,747		1,003,371,372,880
<b>Total liabilities</b>	₩	<b>47,025,727,692,797</b>	₩	41,058,936,060,753

In Korean won	December 31, 2017	December 31, 2016
<b>Equity</b>		
Issued capital	₩ 340,000,000,000	₩ 340,000,000,000
Capital surplus	21,767,313,027	21,767,313,027
Accumulated other comprehensive income	121,044,909,775	152,747,569,800
Retained earnings	1,339,740,962,782	1,249,581,849,990
(Regulatory reserve for credit losses: ₩93,397 million as at December 31, 2017, and ₩83,343 million as at December 31, 2016)		
Expected additional regulatory reserve for credit losses: ₩25,327 million as at December 31, 2017, and ₩10,054 million as at December 31, 2016)		
Total equity	1,822,553,185,584	1,764,096,732,817
<b>Total liabilities and equity</b>	<b>₩ 48,848,280,878,381</b>	<b>₩ 42,823,032,793,570</b>

## KOREA SECURITIES FINANCE CORP.

# Separate Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

In Korean won	2017	2016
<b>Operating income:</b>		
Interest income:		
Interest on due from banks	₩ 186,092,155,383	₩ 203,251,118,511
Interest on securities	151,485,341,684	156,691,697,158
Interest on loans	397,958,515,549	368,164,342,325
	735,536,012,616	728,107,157,994
Gain on valuation and sales of financial investments:		
Gain on sales of financial assets held for trading	79,786,858,157	102,347,032,716
Gain on valuation of financial assets held for trading	57,192,295,564	63,708,978,676
Gain on sales of available-for-sale financial assets	31,893,690,171	21,489,443,910
Gain on valuation and transaction of derivative	168,872,843,892	187,545,455,302
Gain on transaction of derivative	19,040,000	11,450,000
	19,040,000	11,450,000
Commission income	116,920,248,239	131,882,137,685
Gain on foreign exchange transaction	53,152,556,688	19,963,062,046
Trust fees and commissions received from trust account	20,629,268,985	19,587,307,486
Dividends		
Dividends income from financial assets held for trading	54,824,997	325,836,278
Dividends income from available-for-sale financial assets	62,133,700,573	48,951,895,162
	62,188,525,570	49,277,731,440
Others	-	1,758,944
<b>Total operating income</b>	<b>₩ 1,157,318,495,990</b>	<b>₩ 1,136,376,060,897</b>



In Korean won	2017		2016	
<b>Operating expenses:</b>				
Interest expense:				
Interest on due from banks	₩	588,413,606,433	₩	621,264,684,146
Interest on borrowings and debentures		38,190,165,321		43,205,469,861
Others		59,814,743,315		54,946,141,776
		686,418,515,069		719,416,295,783
Loss on valuation and sales of financial investments				
Loss on sales of financial assets held for trading		7,381,334,515		1,690,638,777
Loss on valuation of financial assets held for trading		1,851,394,815		232,995,104
Loss on sales of available-for-sale financial assets		17,562,473,300		6,063,895,071
Impairment loss of available-for-sale financial assets		24,829,875,292		19,525,772,327
		51,625,077,922		27,513,301,279
Loss on valuation and transaction of derivative				
Loss on transaction of derivative instruments		57,630,000		117,040,000
		57,630,000		117,040,000
Loss on valuation and disposal of loans				
Bad debt expenses		282,489,434		12,648,292
		282,489,434		12,648,292
Commission expenses		102,711,818,205		111,317,146,782
Loss on foreign exchange transaction		53,129,703,719		19,984,720,675
Administrative expenses		82,450,823,354		79,856,004,453
Commission expenses		3,371,204,936		3,733,589,209
<b>Total operating expenses</b>	<b>₩</b>	<b>980,047,262,639</b>	<b>₩</b>	<b>961,950,746,473</b>
<b>Operating profit</b>	<b>₩</b>	<b>177,271,233,351</b>	<b>₩</b>	<b>174,425,314,424</b>

In Korean won	2017		2016	
<b>Non-operating income (expenses):</b>				
Loss on disposal of property, plant and equipment		(12,604,735)		(1,150,000)
Loss on disposal of investment assets		(550,000)		(20,935,000)
Other interest income		233,507,488		214,028,430
Donations		(5,649,000,000)		(4,354,500,000)
Others		167,822,475		475,025,469
		(5,260,824,772)		(3,687,531,101)
<b>Net income before income taxes</b>		<b>172,010,408,579</b>		<b>170,737,783,323</b>
<b>Income taxes</b>		<b>41,051,295,787</b>		<b>42,290,868,720</b>
<b>Net income</b>		<b>130,959,112,792</b>		<b>128,446,914,603</b>
(Adjusted net income after regulatory reserve for credit losses: ₩105,632 million for the year ended December 31, 2017, and ₩118,393 million for the year ended December 31, 2016)				
<b>Other comprehensive income (loss)</b>				
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		(2,948,605,308)		363,079,660
Other comprehensive loss reclassified to profit or loss in subsequent periods		(28,754,054,717)		(27,881,922,582)
		(31,702,660,025)		(27,518,842,922)
<b>Total comprehensive income</b>	<b>₩</b>	<b>99,256,452,767</b>	<b>₩</b>	<b>100,928,071,681</b>
<b>Earnings per share</b>	<b>₩</b>	<b>1,926</b>	<b>₩</b>	<b>1,889</b>

KOREA SECURITIES FINANCE CORP. AND SUBSIDIARIES

# Consolidated Statements of Changes in Equity

For the years ended December 31, 2017 and 2016

In Korean won	Capital stock	Capital surplus	Capital adjustment	Accumulated other comprehensive income	Retained earnings	Non-controlling interest	Total
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	1,125,034,925,964	-	1,651,074,334,488
Total comprehensive income	-	-	-	(22,791,335,058)	123,920,889,885	-	101,129,554,827
Net income	-	-	-	-	123,920,889,885	-	123,920,889,885
Remeasurements of defined benefit plans	-	-	-	363,079,660	-	-	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
January 1, 2017	₩340,000,000,000	₩ 21,767,313,027	-	141,480,760,439	1,248,955,815,849	-	1,752,203,889,315
Dividends	-	-	-	-	(40,800,000,000)	-	(40,800,000,000)
Balance after appropriations	340,000,000,000	21,767,313,027	-	141,480,760,439	1,208,155,815,849	-	1,752,203,889,315
Total comprehensive income	-	-	-	(22,102,371,382)	134,944,092,177	-	112,841,720,795
Net income	-	-	-	-	134,944,092,177	-	134,944,092,177
Capital Changes in equity method	-	-	-	(21,119,735,475)	-	-	(21,119,735,475)
Remeasurements of defined benefit plans	-	-	-	1,965,969,401	-	-	1,965,969,401
Loss on valuation of available-for-sale financial assets	-	-	-	(2,948,605,308)	-	-	(2,948,605,308)
December 31, 2017	₩340,000,000,000	₩ 21,767,313,027	₩ -	₩ 119,378,389,057	₩1,248,955,815,849	₩ -	1,824,245,610,110

KOREA SECURITIES FINANCE CORP. AND SUBSIDIARIES

# Consolidated Statements of Cash Flows

For the years ended December 31, 2017 and 2016

In Korean won	2017		2016	
<b>Cash flows from operating activities:</b>				
Net income before income tax	₩	177,267,637,319	₩	164,766,774,460
Non-cash items:				
Interest expenses		689,295,630,739		722,870,198,911
Loss on valuation of financial assets held for trading		4,544,369,789		564,240,728
Loss on sale of available-for-sale financial assets		17,682,524,118		6,064,099,767
Impairment loss of available-for-sale financial asset		17,329,885,292		12,516,264,583
Loss on valuation of derivatives		585,952,230		-
Depreciation		2,181,771,418		2,036,753,964
Amortization expenses of intangible assets		2,978,560,552		3,577,045,741
Bad debt expenses		-		2,155,648,292
Other bad debt expenses		2,536,532		158,813,655
Loss on foreign currency transaction		53,127,850,305		19,982,816,656
Loss on foreign exchange transaction		1,853,414		1,904,019
Severance pay		3,345,470,424		3,999,308,724
Loss on disposal of property, plant and equipment		12,604,735		1,150,000
Loss on disposal of investment assets		550,000		20,935,000
Others		3,277,000		-
Loss on equity method valuation		1,038,051,347		3,319,198,974
Impairment loss of equity method investments in associates		7,441,955,615		5,048,672,342
Loss on payment for reclassified interests		133,698,482		154,439,014
Interest income		(755,065,356,540)		(753,045,583,940)
Dividend income		(42,970,669,765)		(27,064,339,254)
Gain on valuation of financial instruments held for trading		(52,809,645,688)		(55,108,340,842)
Gain on sale of available-for-sale financial assets		(29,214,462,989)		(21,179,135,607)
Other reversal of allowance for credit loss		(1,685,793,964)		(1,758,944)
Gain on foreign currency transaction		(53,152,517,268)		(19,962,014,837)
Gain on foreign exchange transaction		(39,420)		(1,047,209)
Gain on equity method valuation		(17,473,758,520)		(13,977,228,877)
		(152,845,702,162)		(107,867,959,140)

In Korean won	2017	2016
<b>Changes in operating assets and liabilities:</b>		
Deposit due from banks	(64,916,718,686)	(1,271,764,388,163)
Financial assets held for trading	(74,662,529,067)	(174,454,890,072)
Loans	(3,551,640,540,268)	(3,252,738,120,932)
Receivables	(2,256,633,441)	(1,794,088,368)
Other assets	(3,315,278,720)	(195,667,421)
Deposits	4,050,602,729,462	2,777,848,672,304
Other financial liabilities	(58,782,612)	14,543,044,253
Other liabilities	8,805,273,577	8,079,391,658
Plan assets	(4,618,080,589)	(13,926,283,900)
Severance payment	(3,456,274,301)	(3,174,521,323)
	354,483,165,355	(1,917,576,851,964)
Interest income received	750,584,385,933	763,973,123,992
Interest expenses paid	(688,157,140,255)	(716,634,184,196)
Dividend income received	42,970,669,765	27,064,339,254
Income tax paid	(42,599,356,308)	(53,874,099,000)
	(441,703,659,647)	(1,840,148,856,594)
<b>Cash flows from investing activities:</b>		
Proceeds from disposal of available-for-sale financial assets	4,262,199,746,736	2,464,228,633,644
Proceeds from disposal of investment stocks in associates	65,455,853,217	58,140,144,800
Proceeds from disposal of investment assets	25,000,000	499,067,000
Decrease in guarantee money	1,505,000,000	1,300,330,000

In Korean won	2017	2016
Proceeds from disposal of property, plant and equipment	₩ 2,270,499	₩ 3,263,013
Acquisition of available-for-sale financial assets	(4,196,494,737,891)	(3,368,785,576,988)
Acquisition of property, plant and equipment	(1,679,289,625)	(1,787,162,400)
Acquisition of investment stocks in associates	(31,704,307,742)	(10,734,665,684)
Acquisition of intangible assets	(7,013,942,780)	(3,290,043,848)
Acquisition of investment assets	-	(994,870,190)
Increase in guarantee money	(2,302,450,000)	(2,115,000,000)
	(89,993,142,414)	(863,535,880,653)
<b>Cash flows from financing activities:</b>		
Increase in debentures	-	123,572,908,470
Increase in borrowings	2,295,689,580,000	-
Net increase (decrease) in supply and demand premium	365,577,443)	(3,410,924)
Decrease in debentures	(225,044,466,970)	-
Decrease in borrowings	-	(497,200,000,000)
Decrease in guarantee deposits	(135,792,244,410)	(191,061,604,749)
Payment of dividends	(40,801,437,710)	(37,400,161,990)
Net increase (decrease) in account payable for trust account	(73,681,424,278)	(7,568,135,476)
Decrease in payment for reclassified interests	-	(1,655,245,261)
	1,820,735,584,075	(611,315,649,930)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,352,432,386,136</b>	(3,315,000,387,177)
<b>Cash and cash equivalents at the beginning of the year</b>	<b>5,216,702,293,468</b>	8,531,702,680,645
<b>Cash and cash equivalents at the end of the year</b>	<b>₩ 7,569,134,679,604</b>	₩ 5,216,702,293,468

# 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

**KSFC has worked and grown together with the market for the past 63 years of trust. Now we are ready to create a future of mutual growth as a reliable partner of the capital market.**

**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

**Jun. 2010** Built the next-generation IT system

**Apr. 2011** Launched inter-dealer RP brokerage business

**Jan. 2012** Built the next-generation securities brokerage system

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



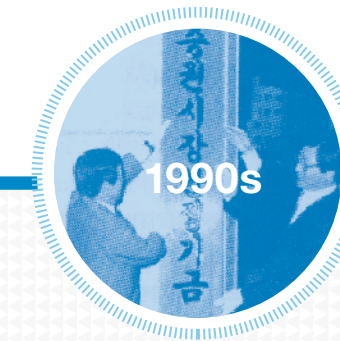
1950~60s



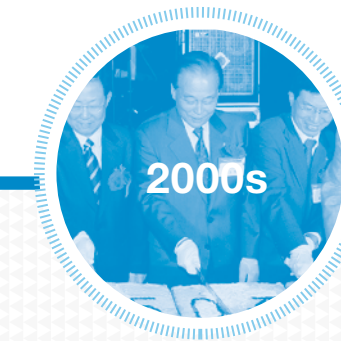
1970s



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

**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  
Established the KSFC Foundation

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

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

**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

**May. 2017** Registered as an organization dealing with foreign currencies

**Nov. 2017** November 2017. Initiated the integrated one-click service for ESOP shares

# Board of Directors

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



## Board of Directors

<b>In Keun Cho</b> Standing Auditor	<b>Hyun Keun Yang</b> Executive Vice President	<b>Ho Joo Shin</b> Outside Director	<b>Dong Hee Shim</b> Outside Director	<b>Sang Dae Kim</b> Outside Director	<b>Yeong Un Park</b> Outside Director
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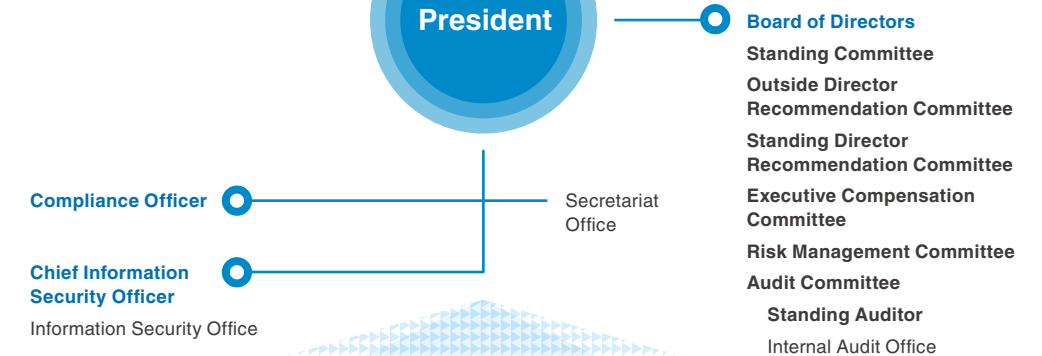
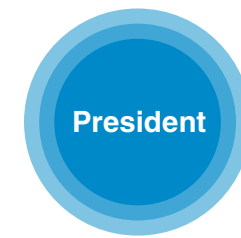


## Management Committee

<b>In Keun Cho</b> Standing Auditor	<b>Hyun Keun Yang</b> Executive Vice President	<b>Byung Lyul Lee</b> Managing Director (Business Division)	<b>Young Nock Park</b> Managing Director (Management Support Division)	<b>In Gi Hong</b> Managing Director (Management Division)	<b>Jeong Ku Oh</b> Managing Director (Trust Division)
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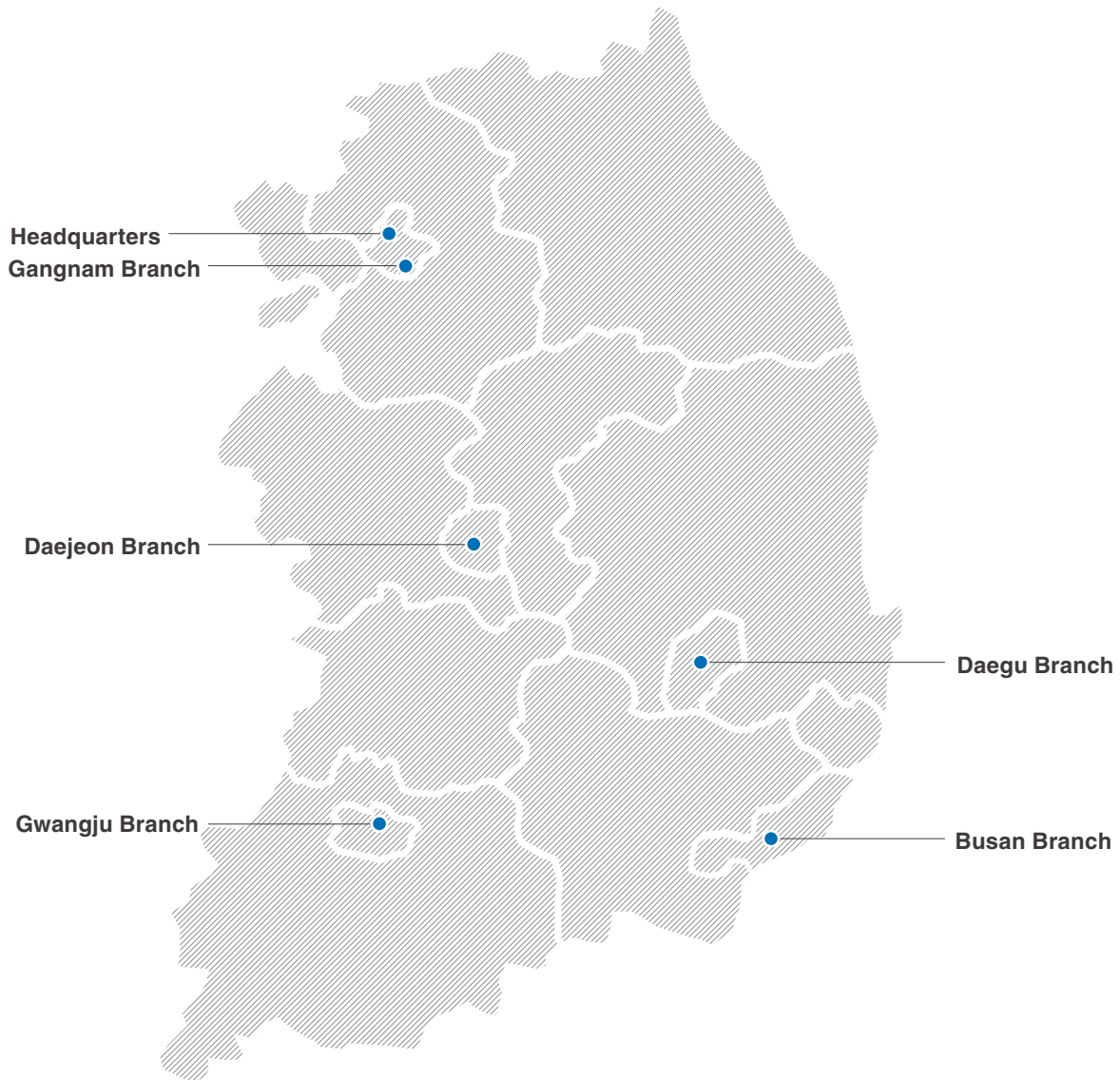
# Organization

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



Planning & Administration Division	Business Division	Management Support Division	Management Division	Trust Division
<b>Planning Department</b> Strategic Planning Team New Growth Planning Team Business Cooperation Team <hr/> <b>Business Management Department</b> Management Planning Team Financial Accounting Team <hr/> <b>Compliance Department</b> Compliance Team Financial Consumer Protection Team <hr/> <b>Risk Management Office</b> Comprehensive Risk Management Team <hr/> <b>Public Relations Office</b>	<b>Business Planning Department</b> Business Planning Team Customer Satisfaction Team <hr/> <b>Business Department</b> Retail Business Team Wholesale Business Team <hr/> <b>ESOP Department</b> ESOP Management Team ESOP Financing Team <hr/> <b>Branches</b> Busan, Gangnam, Gwangju, Daegu, Daejeon	<b>General Affairs Department</b> General Affairs Team Human Resources Team Property Management Team <hr/> <b>Credit Analysis Office</b> Credit Analysis Team Analysis Review Team <hr/> <b>Security Control Office</b> <hr/> <b>Securities Intermediary Services Department</b> SBL Intermediary Team Money Market Intermediary Team	<b>Capital Market Department</b> Capital Market Strategy Team Capital Market Support Team Financial Investment Services Team <hr/> <b>Treasury Department</b> Treasury Planning Team Treasury Management Team Securities Services Team <hr/> <b>Asset Management Department</b> Investment Strategy Team Corporate Investment Team Structured Financing Team <hr/> <b>Investment Financing Office</b> Investment Financing Team	<b>Trust Department</b> Trust Management Team Bond Administration Team <hr/> <b>Trustee &amp; Custody Department</b> Trustee & Custodian Planning Team Trustee & Custodian Management Team <hr/> <b>IT Department</b> IT Planning Team IT Financing Team IT Support Team

# 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)