

Korea Securities Finance Corporation
Annual Report 2018

A reliable win-win
growth partner
of the capital market

KSFC

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**Our company is built upon 64 years of trust.
Since establishment in 1955,
the KSFC has grown alongside the Korean capital market.
As a partner for growth, we will continue to foster trust
through passion and dedication.
We are now looking forward to yet another century of
mutual trust and growth.
By sharing a 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, under the management objective of promoting mutual growth with the capital market.

Dear esteemed shareholders,

I would like to extend my deepest appreciation to all of our esteemed shareholders for the kind and unwavering support to the KSFC throughout last year. I am pleased to share with you our strong performance for fiscal year 2018, the 69th accounting period for the KSFC.

Looking back, year 2018 was a year of heightened volatility for the financial industry both at home and abroad. On the global landscape, the ongoing U.S.-China trade war coupled with interest rate hikes and monetary tightening in advanced economies such as the U.S., led to increasing levels of financial volatility. Meanwhile, the domestic market also saw volatility rising higher than ever, driven by intensified competition with a number of non-financial companies entering the financial industry.

Despite such challenges, we delivered solid results by concentrating our capabilities towards the goal of strengthening our value as a core financial infrastructure provider of Korea's capital market. Based on continuous efforts to secure stable profits and shared growth with the financial investment industry, we recorded KRW 49 trillion in assets and KRW 155.2 billion in net income, all the while successfully supporting capital market development, which is one of our inherent roles.

We are committed to fulfilling our mission again this year and will make the best of our efforts to expand our role, aiming to achieve co-prosperity with members of the industry.

That said, allow us to proudly present our business objectives for FY2019.

Esteemed shareholders,

In 2019, we will strive to accomplish the following initiatives under the overarching goal of improving core competencies as a growth partner of the capital market through reform and innovation.

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.

First, we will lay the foundation for continued growth by driving reform and innovation.

The financial ecosystem is recently experiencing dramatic changes. With the 4th industrial revolution breaking down barriers between different sectors of the financial industry, the concept of 'finance' as we know it is gradually transforming. In order to survive in such a rapidly changing environment, we must seek continued growth driven by reform and innovation.

We will eradicate outdated practices and stereotypes while consistently pioneering innovation to preemptively respond to tumultuous shifts in the financial industry.

Second, we will reinforce our inherent role as a pillar of the capital market to duly respond to changes in the financial environment.

While being faithful to our mandate of supporting the capital market, we will contribute to capital market development by strengthening our core business and identifying areas for innovation. We will make concerted efforts to expand the infrastructure of the capital market, paving the way for the financial investment industry to achieve shared growth on a mid- to long-term horizon.

Third, we will become an institution that is trusted and loved by customers and the society as a whole.

To this end, we will enhance fiscal stability by advancing our risk management system, and better protect the rights and interests of customers by integrating the information protection management systems and bolstering security.

In addition, we plan to fully utilize the KSFC Foundation, established with 100% contribution from the KSFC, to continuously unearth and conduct measures that can help the customers and the society to grow hand-in-hand. We will sponsor various volunteer facilities and the local community, as well as introduce scholarship programs for children of employees who are members of the ESOAs(Employee Stock Ownership Associations).

The 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.

Esteemed shareholders,

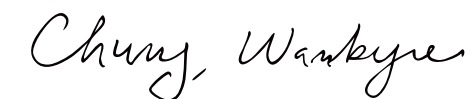
We would not be where we are now if it weren't for your kind encouragement and support. Please rest assured that the top priority of every one of our executives and employees has been and will be boosting return for customers and shareholders. We look forward to your continued interest and guidance for this year as well.

Thank you again for your precious time, and I would like to conclude my overview on our key performance of FY2018, the 69th fiscal period.

Thank you.

March 29, 2019

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



01 History



Rich Experience and Insight

Based on a long history of 64 years, the 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 64-year long history of trust will evolve into a 100-year long partnership.

02 Financial Infrastructure



Safety Net of the Capital Market

The 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

The 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

The KSFC places the utmost importance on achieving co-prosperity with the entire industry as a market infrastructure provider that enhances market efficiency and protects investors' assets by injecting liquidity into the capital market. We will continue to promote shared growth with the financial investment industry and capital market.

05 Corporate Social Responsibility



Joy of Caring and Giving

The KSFC is committed to sharing 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

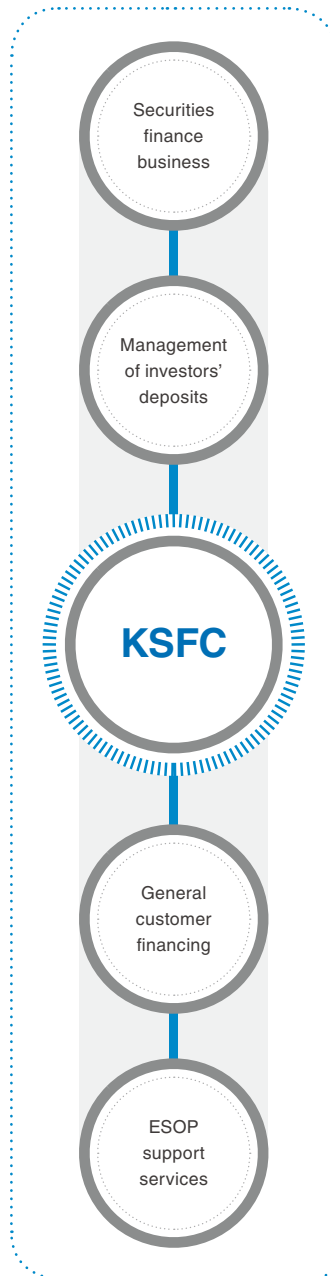
KSFC's Vision

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

With passion and perseverance, we will become a reliable win-win growth partner of the capital market.



Functions and Roles



The Korea Securities Finance Corporation (KSFC) was established in 1955 to supply liquidity and perform specialized tasks for the securities industry 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

The 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 safeguard and manage investors' assets

The 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

The 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

The 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

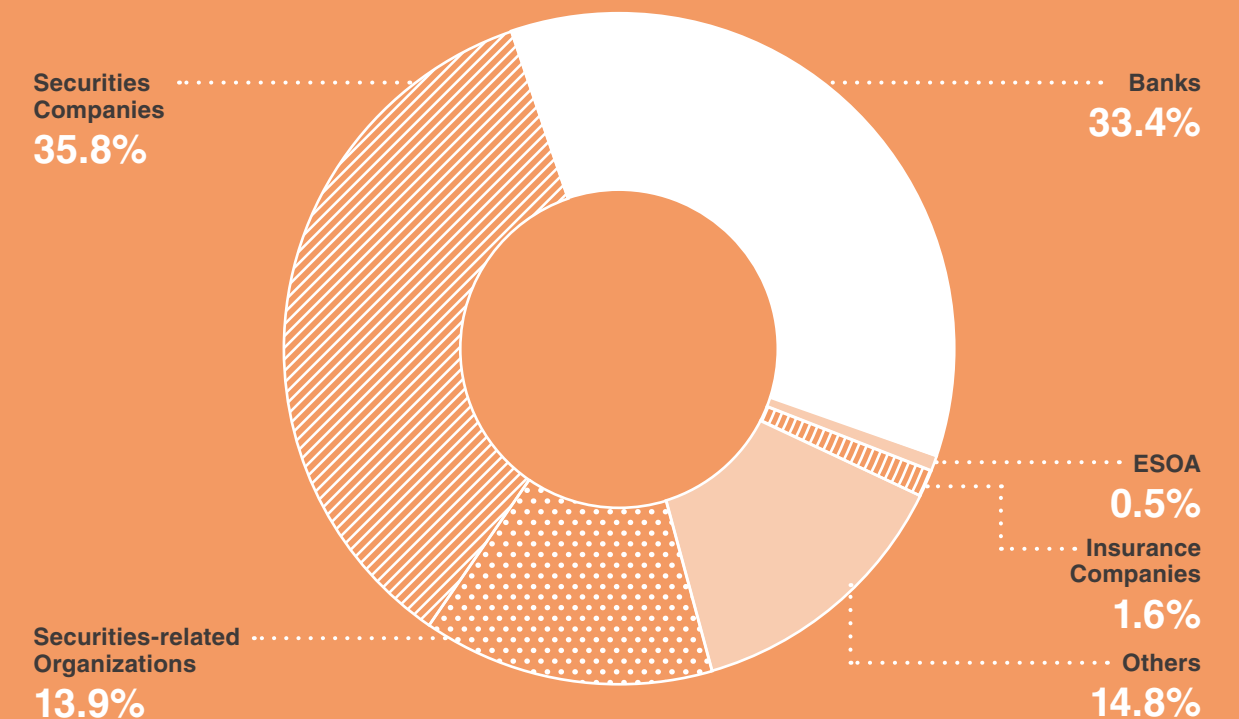
An Employee Stock Ownership Plan (ESOP) is an employee benefit scheme that promotes workers' welfare by encouraging them to purchase and hold stocks of their employer companies. We have established and now operate an ESOP support center that provides consultation and education on the creation and management 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

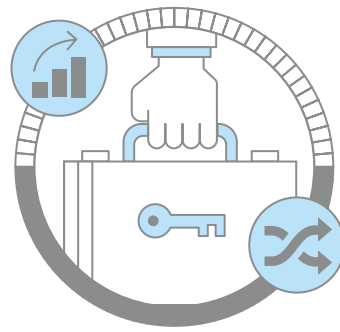
OWNERSHIP STRUCTURE

(December 31, 2018)



Company Profile

As the only securities finance company in Korea, the 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, the KSFC focuses on supplying funds and securities to the market and securities firms, while protecting investors through disciplined management of investors' 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

Placing priority on financial soundness, the KSFC 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

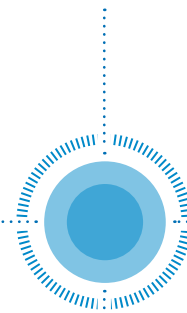
We operate a committee that superintends ethical management and makes ethical decisions in order to raise awareness on ethical conduct and encourage employees to practice ethical management.

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.

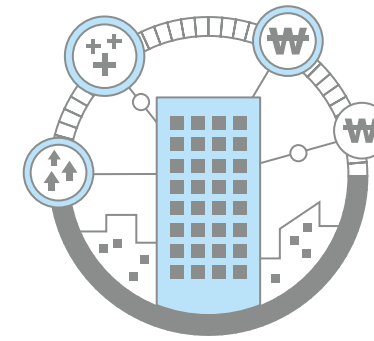


Frequent Ethics/Compliance Education

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 support the financial investment industry and market players, while offering efficient services to investors.



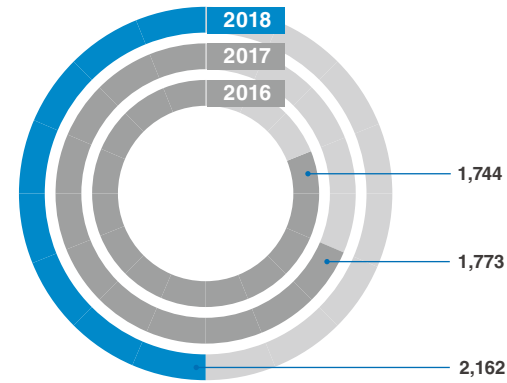
The KSFC engages in securities financing services in accordance with the Financial Investment Services and Capital Markets Act and additional services licensed by, approved by, or registered with the Financial Services Commission. These services mainly include lending of funds or securities for trading 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 • Investment Financing 	<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 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 	

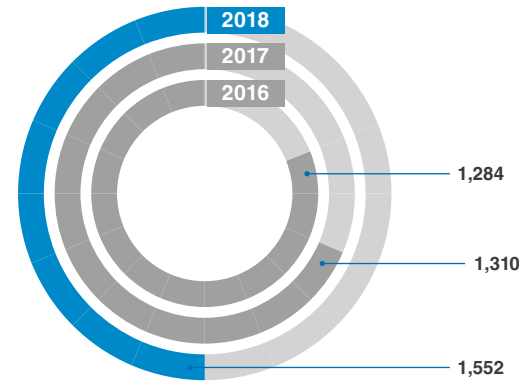
Financial Highlights

KSFC INCOME

Operating Income
(Units : KRW 100 million)



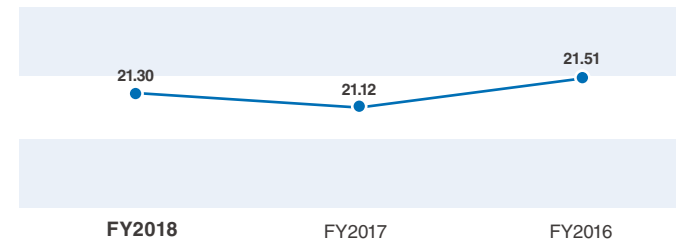
Net Income
(Units : KRW 100 million)



ASSETS (Units : KRW 100 million)

Division	FY2018	FY2017	FY2016
Total Assets	490,941	488,483	428,230
Total Equity	19,630	18,226	17,641
Total Liabilities	471,311	470,257	410,589

BIS RATIO (Units : %)



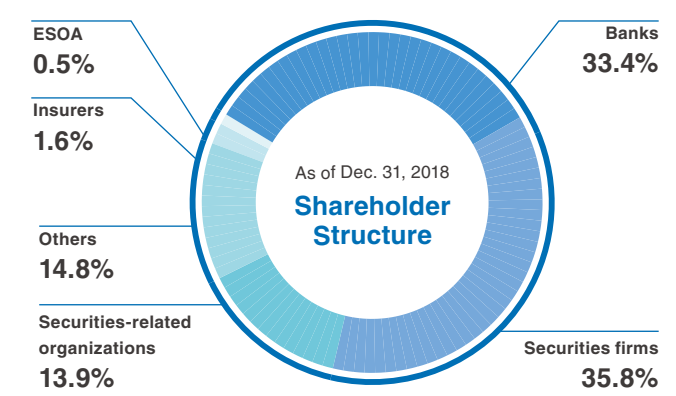
CREDIT RATING

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

Long-Term Issuer Rating: **AAA**
Short-Term Issuer Rating: **A1**
Outlook: **Stable**

International
(Moody's)
Long-Term Issuer Rating: **Aa2**
Short-Term Issuer Rating: **P-1**
Outlook: **Stable**

SHAREHOLDER STATUS



CURRENT STATUS OF CONSOLIDATED SUBSIDIARIES (EXCLUDING STRUCTURED ENTITIES)

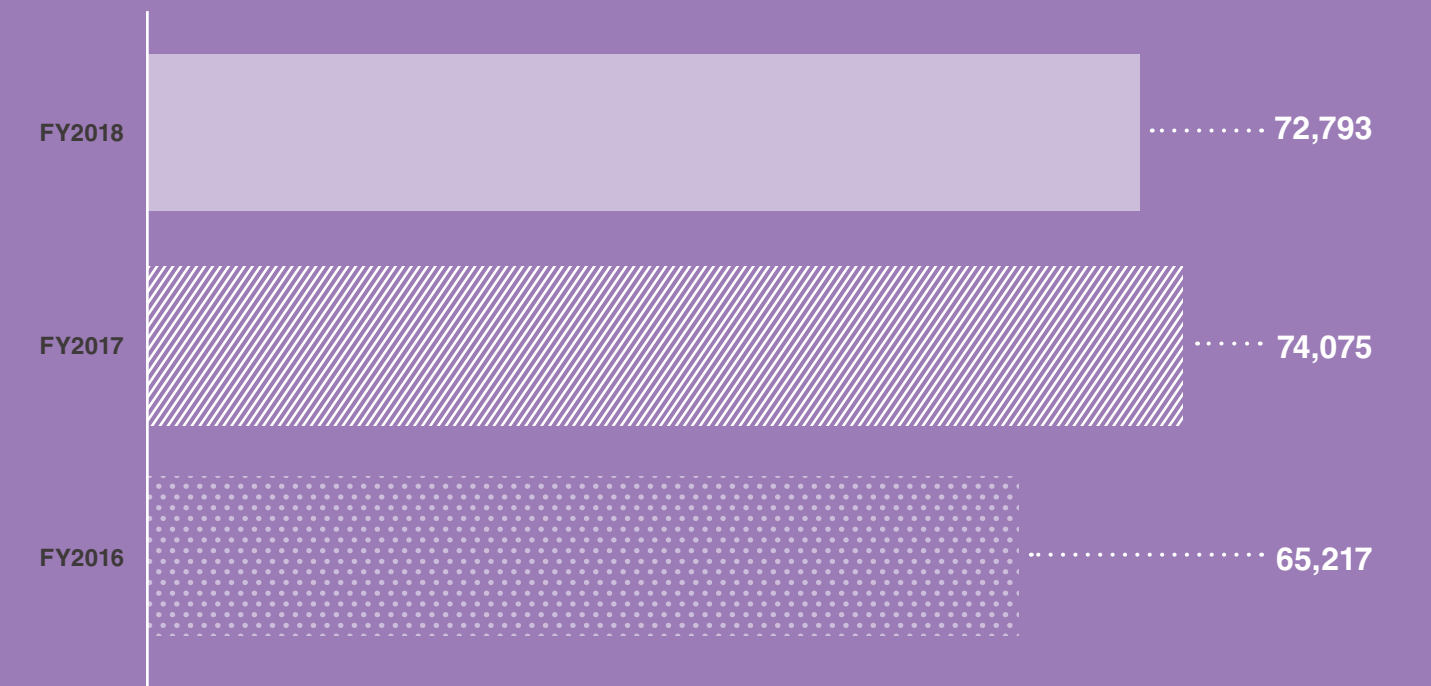
COMPANY NAME	Business category	Capital	Number of shares owned	Percentage of ownership
Fund Online Korea	Financial business	KRW 76,017,100,000	8,360,000 shares	54.99%

02

Business Review

TOTAL ASSETS

(KRW in billions, including trust accounts)



Summary

January 1, 2018 ~ December 31, 2018

In FY2018, 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 FY2018, the average balance of total assets increased by 10.7% year-on-year to KRW 60.49 trillion. Although securities declined by 4.7% to KRW 15.64 trillion, loan receivables increased by 26.3% to KRW 30.64 trillion and cash and bank deposits by 1.6% to KRW 13.68 trillion.

Total liabilities recorded KRW 58.25 trillion, a 11.0% increase year-on-year, with depository liabilities increasing by 11.9% to KRW 50.92 trillion and borrowings by 17.65% to KRW 4.60 trillion.

Total shareholder's equity, including paid-in capital of KRW 340 billion, grew by 3.2% to KRW 1.80 trillion.

OPERATING PERFORMANCE

In FY2018, operating revenue recorded KRW 1.41 trillion, marking an increase of 21.5% year-on-year. While the gain on valuation and disposal of financial investments increased by 26.2% to KRW 213.1 billion and fee income by 15.5% to KRW 135.1 billion, interest income also rose by 28.7% to KRW 946.9 billion, investment returns from trust accounts by 1.6% to KRW 20.9 billion, and dividend income by 18.5% to KRW 73.6 billion.

Operating expenses totalled KRW 1.19 trillion, an increase of 21.5% year-on-year. Interest expenses increased by 31.2% to KRW 901.0 billion, and fee expenses by 14.7% to KRW 117.8 billion. Furthermore, administrative expenses recorded KRW 87.1 billion, climbing 5.7%, and the loss on valuation and disposal of financial investments rose by 28.9% to KRW 66.5 billion.

As a result, we recorded KRW 216.1 billion in operating income, a year-on-year increase of 21.9%, and KRW 155.2 billion in net income, a year-on-year increase of 18.4%.

EVALUATION

During 2018, the ongoing U.S.-China trade war coupled with interest rate hikes and monetary tightening in advanced economies such as the U.S., led to increasing levels of financial volatility on the global landscape. Meanwhile, the domestic market also saw volatility rising higher than ever, driven by intensified competition as non-financial companies entered the financial industry.

Despite increasing uncertainties, the KSFC delivered solid results in 2018 by concentrating its capabilities towards the goal of better serving Korea's capital market as a core infrastructure provider. Based on continuous efforts to secure stable profits and shared growth with the industry, the KSFC recorded KRW 49 trillion in assets and KRW 155.2 billion in net income as of the end of FY2018, all the while successfully supporting capital market development.



Funding

The 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 funding of KRW 54.20 trillion in FY2018, which is a 1.0% increase year-on-year.

The key funding sources include various deposits, bonds sold under RPs borrowings from financial institutions, corporate bonds, shareholders' equities, etc., and the average amount of funds raised in FY2018 was KRW 60.05 trillion, up 10.8% compared to the previous period.

The share of each account is as follows: deposits from financial investment institutions 44.3%, notes issued 22.9%, investors' deposits 11.5% and bonds sold under RPs 5.6%. While the percentages of investors' deposits and notes issued increased, the percentage of deposits from financial investment institutions decreased.

DEPOSIT LIABILITIES

The average balance of deposit liabilities, which is composed of various deposits, notes issued, etc., increased by 11.9% year-on-year to KRW 50.92 trillion, accounting for 84.8%, an absolute majority of total raised funding and a slight increase from 83.9% in the previous year.

Investors' Deposits

Investors' deposits are 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 0.2% year-on-year to KRW 6.92 trillion, accounting for 11.5% of total funds raised compared to 12.7% in FY2017.

- Deposits for securities trading are funds entrusted to financial investment companies for the purpose of stock trading. The average balance stood at KRW 100.2 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 2.40 trillion.

- Deposits from derivatives-specialized institutions are funds placed by institutions that exclusively handle exchange-traded derivatives for investors seeking futures trading. The average balance recorded KRW 1.27 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 2.91 trillion.

- Foreign currency deposits are funds placed by investors in financial investment companies in foreign currencies. The average balance recorded KRW 245.2 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 24.3 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 12.5% year-on-year, recording an average balance of KRW 952.8 billion in FY2018, taking up a share of 1.6% among total funding, compared to 2.0% in the previous year.

FY2018 BREAKDOWN OF SOURCES OF FUNDING

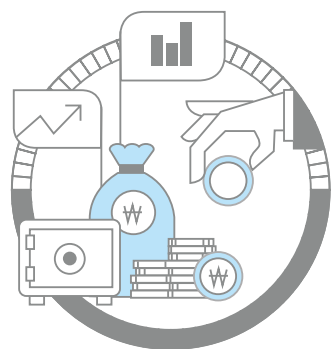
(Units: KRW million, %, based on average balance)

Sources of Funding	FY2018		FY2017		FY2016	
	Amount	%	Amount	%	Amount	%
Deposit Liabilities	50,920,315	84.8	45,485,202	83.9	45,453,872	84.7
Investors' Deposits ¹⁾	6,920,629	11.5	6,907,857	12.7	6,712,575	12.5
Deposits for Gold Spot Trading	24,338	0.0	25,739	0.0	18,479	0.0
Subscription Margin Deposits	952,822	1.6	1,090,074	2.0	1,168,090	2.2
Stock Market Stabilization Fund Deposits	4,375	0.0	7,484	0.0	13,292	0.0
Deposits from Financial Investment Institutions	26,519,439	44.3	25,414,128	46.9	22,692,656	42.3
Individual Savings Account Deposits (ISA)	78,227	0.1	85,709	0.2	20,116	0.0
Deposits from Corporate Customers	1,975,540	3.3	2,004,464	3.7	2,147,703	4.0
IPO Stock Subscription Deposits and Others	477	0.0	732	0.0	2,655	0.0
Deposits from Retail Customers	62,840	0.1	70,974	0.1	90,806	0.2
ESOP Deposits	3,188	0.0	3,688	0.0	9,554	0.0
Pension Fund Deposits	324,211	0.5	543,887	1.0	503,790	0.9
Online Small-amount Subscription Deposits	1,367	0.0	2,261	0.0	1,251	0.0
Guarantee Money Deposits	69	0.0	68	0.0	67	0.0
SPAC Deposits	309,826	0.5	456,919	0.8	522,338	1.0
Notes Issued	13,742,506	22.9	8,869,805	16.4	11,548,175	21.5
Special Deposits	461	0.0	1,414	0.0	2,325	0.0
Borrowings	4,596,284	7.7	3,906,688	7.2	3,680,598	6.9
Call Money	237,591	0.4	93,656	0.2	-	0.0
Bonds Sold under RPs	3,314,446	5.6	3,058,100	5.6	2,843,248	5.3
Borrowings ²⁾	1,044,247	1.7	754,932	1.4	837,350	1.6
Corporate Bonds	1,339,648	2.2	1,347,417	2.5	1,333,305	2.5
Other Liabilities	1,391,163	2.3	1,714,943	3.2	1,478,808	2.8
Cash Collateral ³⁾	764,841	1.3	1,125,214	2.1	750,787	1.4
Borrowings from Trust Accounts	542,262	0.9	514,386	0.9	559,156	1.0
Deferred Tax and Others	84,060	0.1	75,343	0.1	168,865	0.3
Shareholder's Equity	1,801,746	3.0	1,744,453	3.2	1,697,068	3.2
Total	60,049,156	100.0	54,198,704	100.0	53,643,651	100.0

1. Investors' deposits are the sum of deposits for securities trading, deposits for derivatives trading, deposits from derivatives-specialized institutions, deposits for collective investment securities trading, deposits for foreign currency derivatives trading, deposits for foreign currency investment securities trading, and deposits for foreign currency collective investment securities trading.

2. Borrowings are the sum of borrowings from banks and commercial papers.

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



Deposits from Financial Investment Institutions

In FY2018, the average balance of deposits from financial investment institutions and other related institutions recorded KRW 26.52 trillion, accounting for 44.3% 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 1.98 trillion in FY2018.

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 324.2 billion in FY2018.

ISA Deposits

The average balance of these funds placed by financial investment companies from their Individual Savings Accounts (ISAs) recorded KRW 78.2 billion in FY 2018.

Online Small-amount Subscription Deposits

This offering which manages securities-type crowdfunding subscription deposits saw average balance reach KRW 1.3 billion in FY2018.

Special Purpose Acquisition Company Deposits

These are 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 309.8 billion, accounting for 0.5% of total raised funding.

Notes Issued

Notes issued can raise deposit-like funds by issuing debt instruments. The average balance increased by 54.9% to KRW 13.74 trillion in FY2018.

- 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 17.6% year-on-year in FY2018, recording KRW 4.60 trillion and accounting for 7.7% 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 FY2018, the average balance of call money stood at KRW 237.5 billion, accounting for 0.4% 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 3.31 trillion in FY2018, accounting for 5.6% of total raised funding.

Borrowings

The average balance of borrowings from financial institutions increased 38.3% year-on-year to KRW 1.04 trillion, accounting for 1.7% of total funding compared to 1.4% in the previous year.

CORPORATE BONDS

In FY2018, corporate bond issuance decreased 0.5% year-on-year to KRW 1.34 trillion, accounting for 2.2% of total raised funding, which is a drop from 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 18.8% year-on-year to KRW 1.39 trillion, taking up 2.3% of total raised funding in FY2018, compared to 3.2% in the previous year.

Cash Collateral

The average balance, which includes KRW 590.7 billion in cash collateral for SBL intermediation, KRW 8 billion in cash collateral for stock loans, and KRW 165.9 billion in other cash collateral, decreased by 32.0% year-on-year to KRW 764.8 billion, making up 1.3% of total raised funding in FY2018, compared to 2.1% in the previous year.

Borrowings from Trust Accounts

The average balance of borrowings from trust accounts, which are uninvested funds of collective investment schemes that they entrust to the KSFC for safekeeping and asset management under a trust contract, increased by 5.4% year-on-year to KRW 542.2 billion, accounting for 0.9% of total raised funding in FY2018, maintaining the same share of 0.9% in the previous year.

SHAREHOLDERS' EQUITY

In FY2018, the average balance of shareholders' equity increased by 3.2% year-on-year to KRW 1.80 trillion, accounting for 3.0% of total raised funding, compared to 3.2% in FY2017.

Paid-In Capital and Capital Surplus

In FY2018, 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 FY2018, retained earnings increased by 11.7% year-on-year, recording KRW 1.39 trillion.

Fund Management

The funds we manage are kept in cash or bank deposits, and used to purchase securities, discounted notes or bonds under RPs, or offered as loan products to our customers.

Funds are mostly managed in the form of cash and bank deposits, or invested in securities, loans, discounted notes, bonds sold under RPs, etc. A breakdown of our total fund mix includes 27.9% in loans, 22.4% in won-denominated bank deposits, 15.9% in securities at fair value through profit or loss, 19.9% in bonds purchased under RPs, 10.1% in securities at fair value through other comprehensive income, and 3.2% in discounted notes. The share of deposits 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 funding structure. In FY2018, the average balance of cash and bank deposits increased by 1.6% year-on-year to KRW 13.68 trillion, accounting for 22.8% of total funds managed, compared to 24.9% in the previous year.

Bank Deposits in Won

In FY2018, the average balance of bank deposits in won increased by 3.0% year-on-year to KRW 13.46 trillion, accounting for 22.4% of total funds managed, compared to 24.1% in the previous year.

Bank Deposits in Foreign Currencies

In FY2018, the average balance of bank deposits in foreign currencies decreased by 44.7% year-on-year to KRW 225.7 billion, accounting for 0.4% of total funds managed, compared to 0.8% in the previous year.

SECURITIES

The intensified competition in the securities-backed loan market led us to increase, investments in securities, which we had expanded during the previous year to boost profitability. As a result, the average balance of securities in FY2018 decreased by 4.7% year-on-year to KRW 15.64 trillion accounting for 26.0% of total funds managed, compared to 30.3% in the previous year.

Looking at the current status by type, stocks (including investment money) amounted to KRW 749.2 billion, up 7.6% over the previous period, while bonds fell by 5.6% to KRW 5.71 trillion and beneficiary certificates by 5.5% to KRW 8.89 trillion. Other securities (derivative-linked securities, etc.) increased by 15.8% to KRW 288.8 billion.

Securities at Fair Value through Profit or Loss

Securities at fair value through profit or loss, which measures the initially recognized amount at fair value and recognizes ensuing changes in the fair value as profit and loss, account for 15.9% of the total amount of funds under management.

Securities at Fair Value through Other Comprehensive Income

Securities at fair value through other comprehensive income, which measures the initially recognized amount at fair value and recognizes ensuing changes in the fair value as other comprehensive income, account for 10.1% of the total amount of funds under management.

Securities at Amortized Cost

Securities at amortized cost, which measures the recognized amount at amortized cost, account for 0.1% of the total amount of funds under management.



LOAN RECEIVABLES

Our loan receivables include discounted notes, bonds purchased under RPs, and various other loan products, which serve short term funding purposes. In FY2018, the average balance increased by 26.3% year-on-year to KRW 30.64 trillion, making up 51.1% of total managed funds, compared to 44.7% in the previous year.

Discounted Notes

The average balance of discounted notes fell 19.1% year-on-year to KRW 1.90 trillion, accounting for 3.2% of total managed funds, compared to 4.3% 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 11.94 trillion in FY2018, making up 19.9% of total managed funds.

FY2018 BREAKDOWN OF MANAGED FUNDS

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

Funds	FY2018		FY2017		FY2016	
	Amount	%	Amount	%	Amount	%
Cash and Bank Deposits	13,681,662	22.8	13,462,206	24.9	14,377,739	26.8
Deposits in Won	13,455,910	22.4	13,053,623	24.1	13,870,325	25.9
Deposits in Foreign Currencies	225,717	0.4	408,583	0.8	507,414	0.9
Securities	15,642,728	26.0	16,415,897	30.3	18,041,482	33.6
Short-term Trading Securities	-	-	9,651,678	17.8	11,644,607	21.7
Securities at Fair Value through Profit or Loss	9,549,267	15.8	-	-	-	-
Financial Assets Designated at Fair Value through Profit or Loss	-	-	-	-	-	-
Available-for-sale Securities	-	-	6,764,219	12.5	6,396,874	11.9
Securities at Fair Value through Other Comprehensive Income	6,093,351	10.1	-	-	-	-
Securities at Amortized Cost	110	0.1	-	-	-	-
Derivatives	-	-	-	-	-	-
Loan Receivables	30,644,663	51.1	24,244,529	44.7	21,158,537	39.4
Call Loans	36,438	0.1	-	-	-	-
Discounted Notes	1,896,206	3.2	2,345,086	4.3	2,167,273	4.0
Bonds Purchased under RPs	11,935,880	19.9	8,598,593	15.9	6,463,332	12.0
Loans	16,776,139	27.9	13,300,850	24.5	12,527,932	23.4
Other Assets	80,103	0.1	76,072	0.1	65,894	0.1
Total	60,049,156	100.0	54,198,704	100.0	53,643,652	100.0

Loans

The average balance of loans grew by 26.1% year-on-year to KRW 16.78 trillion, accounting for 27.9% of total managed funds.

- **Margin financing loans** are offered through a clearing house (exchange) to provide financial investment companies with funding and securities needed to finance their customers' margin trading. The average balance recorded KRW 4.28 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 6.43 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 766.7 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 2.10 trillion.
- **ESOP share-backed loans** are provided to ESOA members, backed by their deposited ESOP shares. The average balance recorded KRW 47.5 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 2.99 trillion.

BREAKDOWN OF LOANS

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

Type of Loan	FY2018		FY2017		FY2016	
	Amount	%	Amount	%	Amount	%
Margin Financing Loans	4,282,973	25.5	3,259,137	24.5	3,070,275	24.5
Working Capital Loans	766,742	4.6	774,420	5.8	688,384	5.5
Financing for Securities-Backed Loans	6,425,246	38.3	4,623,863	34.8	4,412,927	35.2
ESOP Share Acquisition Loans	2,097,567	12.5	2,035,934	15.3	2,097,550	16.7
ESOP Share-Backed Loans	47,482	0.3	31,800	0.2	24,803	0.2
General Securities-Backed Loans	2,987,821	17.8	2,570,536	19.3	2,213,619	17.7
Securities Investment Finance	161,657	0.96	-	-	-	-
Others	6,651	0.04	5,160	0.04	20,374	0.2
Total	16,776,139	100.0	13,300,850	100.0	12,527,932	100.0

ESOP Support Services

As the sole custodian of ESOP shares in accordance with the Framework Act on Labor Welfare, the 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, the KSFC offers various ESOP-related services to help spread and promote the ESOP system in Korea. We provide consultation services on the establishment and management of employee stock ownership associations (ESOAs), as well as other public functions including the safekeeping and management of ESOP shares and practical training of ESOA managers.

Moreover, we also provide financial assistance to ESOAs and their members to help them purchase ESOP shares (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 2018, a total of 3,184 companies have established their own ESOAs, with members totalling 1.4 million. Of those companies, 684 are KOSPI-listed (961,944 members), 952 are KOSDAQ-listed (134,653 members), and 1,548 are classified as others (280,567 members).

Current Status of Deposited ESOP Shares

As of the end of December 2018, a total of 359,125 members from 1,247 ESOAs have deposited a total of 529.5 million ESOP shares, valued at KRW 7.10 trillion based on acquisition price.

- Of the total deposited shares, 395.4 million are KOSPI-listed shares, 58.9 million are KOSDAQ-listed shares, and 75.2 million are classified as others.



- As of the end of December 2018, the value of the total deposited shares by mark-to-market stood at KRW 7.25 trillion, with the value of KOSPI-listed shares at KRW 6.18 trillion, KOSDAQ-listed shares at KRW 460.6 billion, and shares classified as others at KRW 605.6 billion.
- Members' ownership interest in ESOP shares was minimal, at 1.22% for KOSPI-listed companies, 0.68% for KOSDAQ-listed companies, and 1.32% for the remaining companies classified as others.

CURRENT STATUS OF ESOA ESTABLISHMENT

(Units: number of companies, number of members)

Type of Company	FY2018 (as of the end of year)		FY2017 (as of the end of year)		FY2016 (as of the end of year)	
	ESOA	Member	ESOA	Member	ESOA	Member
KOSPI-listed Companies	684	961,944	676	956,323	674	948,148
KOSDAQ-listed Companies	952	134,653	905	132,737	860	126,135
Others	1,548	280,567	1,478	269,757	1,437	263,080
Total	3,184	1,377,164	3,059	1,358,817	2,971	1,337,363

CURRENT STATUS OF DEPOSITED ESOP SHARES

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

Classification	FY2018 (as of the end of year)				FY2017 (as of the end of year)				FY2016 (as of the end of year)			
	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	292	284,235	395,398	6,099,678	279	269,635	304,416	5,674,459	271	301,705	418,863	6,344,759
KOSDAQ-listed	385	25,027	58,895	416,101	352	25,472	69,776	461,254	315	24,625	55,015	461,276
Other	570	49,863	75,165	587,310	547	52,691	77,537	598,050	540	54,072	81,364	630,109
Total	1,247	359,125	529,459	7,103,089	1,178	347,798	451,730	6,733,763	1,126	380,402	555,242	7,436,144

Safekeeping and Management of Investors' Deposits

According to the Capital Markets Act, financial investment companies must separately deposit funds that investors put in their brokerage accounts to engage in the trading of securities or derivatives. These 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 the 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. However, the return of principal and interest is not guaranteed for trust accounts, which are separately invested and pays monthly dividends according to investment performance.

Trust Account Performance

In FY2018, the average balance of investors' deposits in trust accounts stood at KRW 25.80 trillion, of which KRW 20.56 trillion was for securities trading, KRW 3.27 trillion for derivatives trading, and KRW 1.97 trillion for specified money in trust.

- As of the end of December 2018, investors' deposits in trust accounted for 91.8% of total investors' deposits (90.0% at last year-end), which is the sum of investors' deposits placed in deposit accounts and trust accounts, with 34 companies choosing trust accounts (34 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 specify the scope of assets for investment and the eligibility of counterparties.

- In the interest of balancing risk and return, a total of KRW 18.06 trillion is managed using cash and bank deposits, while KRW 7.52 trillion is invested in securities.

CURRENT STATE OF INVESTORS' DEPOSITS IN TRUST

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

Classification	FY2018		FY2017		FY2016	
① Investors' Deposit in Trust						
Securities Investors' Deposits	20,560,186		18,848,100		17,237,111	
Derivatives Investors' Deposits	3,274,106		3,307,221		3,159,164	
Specified Money Trust	1,968,282		1,893,008		1,948,418	
Total	25,802,574		24,048,329		22,344,693	
② Breakdown of Investment						
Cash and Bank Deposits	18,062,865	(70.3%)	17,106,324	(71.4%)	16,215,642	(72.9%)
Securities						
Debt Securities	536,292	(2.1%)	268,653	(1.1%)	170,462	(0.8%)
Beneficiary Certificates	5,972,202	(23.2%)	6,137,350	(25.6%)	5,867,639	(26.4%)
CD	1,012,867	(3.9%)	448,225	(1.9%)	0	(0.0%)
Sub-total	7,521,361	(29.2%)	6,854,228	(28.6%)	6,038,101	(27.1%)
Loans	0	(0.0%)	0	(0.0%)	0	(0.0%)
RPs	119,184	(0.5%)	3,013	(0.0%)	271	(0.0%)
Others	747	(0.0%)	1,475	(0.0%)	1,325	(0.0%)
Total	25,704,157	(100.0%)	23,965,040	(100.0%)	22,255,339	(100.0%)
③ Number of Companies (As of FY-end)	34		34		36	

Safekeeping and Management of Collective Investment Assets

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

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

- In FY2018, the average balance of assets under custody decreased by 1.8% year-on-year to KRW 93.01 trillion, due to decreased investments in the MMF market.
- Our market share decreased slightly by 1.17%p year-on-year to 11.59%.
- We currently provide custody services to public/private pension fund investment pools.

CURRENT STATE OF CUSTODY BUSINESS

(Units: KRW 100 million)

Classification	FY2018	FY2017	FY2016
Assets under Custody (average balance)	930,067	947,359	832,098
Market Share (end balance)	11.59%	12.76%	14.68%



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 FY2018, the average balance of SBL intermediation rose by 19.9% year-on-year, recording KRW 44.45 trillion.

- **Stock Borrowing / Lending Intermediation** The average balance increased by 21.8% year-on-year to KRW 3.00 trillion, with KOSPI-listed shares accounting for KRW 2.31 trillion, posting a 21.4% increase and KOSDAQ-listed shares rising by 23.1% to KRW 688.5 billion.

- **Bond Borrowing / Lending Intermediation** The average balance rose by 19.8% year-on-year to KRW 41.46 trillion. The balance of treasury bonds rose by 22.8% to KRW 39.66 trillion, while monetary stabilization bonds (MSBs) decreased by 24.4% to KRW 1.65 trillion. The balance of other bonds increased by 15.1% year-on-year, recording KRW 149.4 billion.

Short-term Fund Intermediation

The average balance of RP intermediation rose by 6.3% compared to the previous year to KRW 14.34 trillion, while the average balance of electronic short-term bond issuance intermediation fell by 52.7% year-on-year to KRW 28.8 billion.

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

(Units: KRW 100 million, %, based on average balance)

Classification		FY2018	FY2017	FY2016
① SBL Intermediation		444,520	370,634	273,448
Stocks	KOSPI (%)	23,083 (77.0%)	19,007 (77.3%)	25,170 (67.1%)
	KOSDAQ (%)	6,885 (23.0%)	5,591 (22.7%)	12,366 (32.9%)
	Sub-total (%)	29,968 (100.0%)	24,598 (100.0%)	37,536 (100.0%)
Bonds	Treasury Bonds (%)	396,580 (95.7%)	322,947 (93.3%)	218,209 (92.5%)
	Monetary Stabilization Bonds (%)	16,478 (4.0%)	21,791 (6.3%)	16,316 (6.9%)
	Other Bonds	1,494 (0.3%)	1,298 (0.4%)	1,387 (0.6%)
	Sub-total (%)	414,552 (100.0%)	346,036 (100.0%)	235,912 (100.0%)
② RP Intermediation		143,367	134,834	105,111
③ Intermediation for Electronic Short-term Bond Issuance		288	609	720

03

Sustainability Review



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 market expansion.

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

The 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 the KSFC's executives and employees, formed to visit underserved communities once a month and provide a helping hand to those in need. Hanmaeum Volunteers has 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 the KSFC's time-honored heritage of positively impacting our communities and sharing what we have. 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' charity 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 projects 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 the 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.

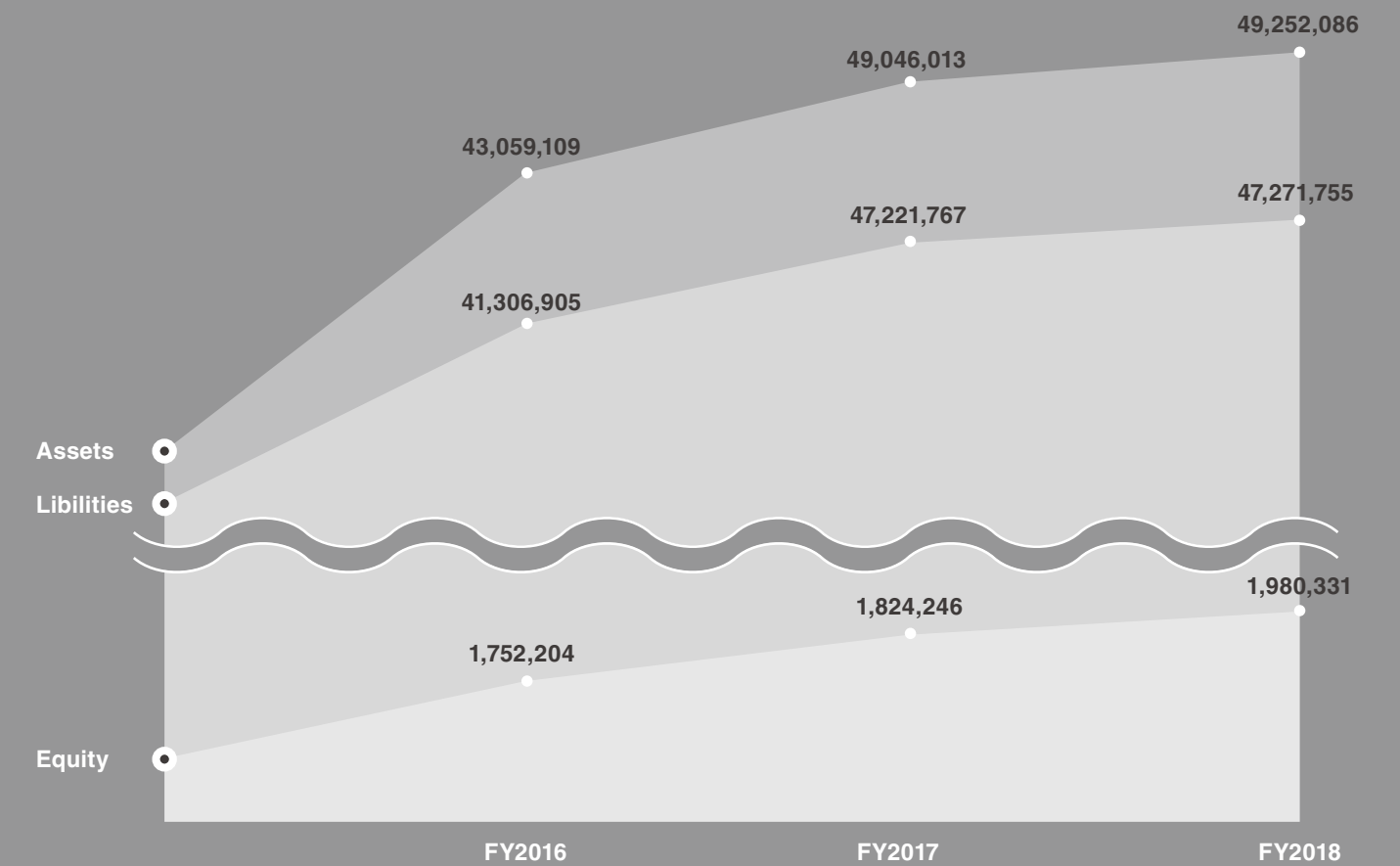


04

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, 2018 and 2017

In Korean won		December 31, 2018		December 31, 2017		
Assets	Cash and due from banks	₩	12,388,366,527,856	₩	12,881,167,183,901	
	Financial investments		12,054,158,314,169		12,859,779,620,171	
	Loans		24,461,816,836,464		23,039,053,542,330	
	Other assets:					
	Investments in associates		138,284,528,536		90,105,925,932	
	Property and equipments		30,941,340,060		29,994,296,470	
	Intangible assets		29,592,483,015		10,107,986,731	
	Prepaid expenses		3,216,940,326		2,568,301,537	
	Accrued income		130,993,471,898		113,043,775,022	
	Investment assets		13,268,137,030		11,855,851,447	
	Others		1,447,871,835		8,336,272,172	
					347,744,772,700	266,012,409,311
Total assets	₩	49,252,086,451,189	₩	49,046,012,755,713		
Liabilities	Deposits	₩	38,308,099,602,728	₩	39,547,828,531,851	
	Derivatives		270,909,198		585,952,230	
	Borrowings		6,141,204,840,000		5,797,504,840,000	
	Debentures		1,618,781,692,824		1,089,171,288,199	
	Other liabilities					
	Guarantee deposits		518,919,040,156		179,247,184,321	
	Supply and demand premium		7,450,450		-	
	Account payable for trust accounts		480,955,072,237		459,329,528,667	
	Unearned income		1,921,822,394		1,772,830,687	
	Accrued expenses		87,563,931,544		74,399,429,984	
	Current tax liabilities		22,507,036,943		10,945,557,146	
	Provisions		160,301,524		250,000,000	
	Net defined benefit liabilities		6,391,152,062		4,244,561,325	
	Deferred tax liabilities		43,260,720,493		26,367,011,198	
	Sundry liabilities		40,700,466,329		27,547,905,236	
	Payment for reclassified interests		1,010,961,837		2,572,524,759	
						1,203,397,955,969
Total liabilities	₩	47,271,755,000,719	₩	47,221,767,145,603		

In Korean won		December 31, 2018		December 31, 2017			
Equity	Owner's equity						
	Capital stock	₩	340,000,000,000	₩	340,000,000,000		
	Capital surplus		21,767,313,027		21,767,313,027		
	Accumulated other comprehensive income		85,979,886,486		119,378,389,057		
	Retained earnings		1,511,344,033,835		1,343,099,908,026		
	(Regulatory reserve for credit losses: ₩118,724 million as at December 31, 2018, and ₩93,397 million as at December 31, 2017)						
	Expected additional regulatory reserve: ₩6,857 million as at December 31, 2018, and ₩25,327 million as at December 31, 2017)						
						1,959,091,233,348	1,824,245,610,110
	Non-controlling interests		21,240,217,122		-		
	Total equity		1,980,331,450,470		1,824,245,610,110		
	Total liabilities and equity	₩	49,252,086,451,189	₩	49,046,012,755,713		

KOREA SECURITIES FINANCE CORP. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

In Korean won	2018	2017
Operating income:		
Interest income		
Interest on due from banks	₩ 230,055,298,040	₩ 186,961,816,768
Interest on securities	157,604,954,754	163,373,228,892
Interest on loans	576,259,428,621	404,730,310,880
	963,919,681,415	755,065,356,540
Gain on valuation and sale of financial investments:		
Gain on sales of financial assets held for trading	-	80,779,068,207
Gain on sales of financial assets at FVTPL	103,481,310,378	-
Gain on valuation of financial assets held for trading	-	52,809,645,688
Gain on valuation of financial assets FVTPL	84,397,051,270	-
Gain on sales of available-for-sale financial assets	-	29,214,462,989
Gain on sales of financial assets at FVOCI	5,670,167,026	-
	193,548,528,674	162,803,176,884
Gain on valuation and transaction of derivative instruments:		
Gain on transaction of derivative instruments	838,754,091	1,297,467,308
	838,754,091	1,297,467,308
Reversal of allowance for credit loss		
Reversal of loss allowance for deposit due from banks	18,154,099	-
Reversal of loss allowance for loans	-	1,865,793,964
Reversal of loss allowance for financial assets at FVOCI measured at FVOCI	2,330,900,280	-
	2,349,054,379	1,865,793,964
Commission income	135,135,979,075	116,920,248,239
Gain on foreign currency transactions and translation	14,954,852,526	53,152,556,688
Trust fees and commissions received from trust account	20,925,979,385	20,629,268,985
Dividends		
Dividend income from financial assets held for trading	-	582,225,337
Dividend income from available-for-sale financial assets	-	42,388,444,428
Dividend income from financial assets at FVTPL	337,240,968	-
Dividend income from financial assets at FVOCI	1,404,506,242	-
	1,741,747,210	42,970,669,765
Others	58,802,733,068	-
Total operating income	₩ 1,392,217,309,823	₩ 1,154,704,538,373

In Korean won	2018	2017
Operating expenses:		
Interest expenses:		
Interest on due from banks	₩ 780,964,999,799	₩ 588,413,606,433
Interest on borrowings and debentures	47,147,839,295	38,190,165,321
Others	75,603,759,977	62,691,858,985
	903,716,599,071	689,295,630,739
Loss on valuation and sales of financial investments:		
Loss on sale of financial assets held for trading	-	8,134,832,737
Loss on valuation of financial assets held for trading	-	4,544,369,789
Loss on sale of financial assets at FVTPL	31,751,949,076	-
Loss on valuation of financial assets at FVTPL	26,827,932,598	-
Loss on sale of available-for-sale financial assets	-	17,682,524,118
Loss on sale of financial assets at FVOCI	4,002,091,066	-
Impairment loss of available-for-sale financial assets	-	17,329,885,292
	62,581,972,740	47,691,611,936
Loss on valuation and transaction of derivative instruments:		
Loss on transaction of derivative instruments	350,000,000	899,447,523
Loss on valuation of derivative instruments	270,909,198	585,952,230
	620,909,198	1,485,399,753
Loss on valuation and disposal of loans:		
Bad debt expenses	320,411,584	-
Loss on disposal of loans at amortized cost	536,036,190	-
	856,447,774	-
Commission expense	118,643,634,342	103,727,261,717
Loss on foreign currency transactions and translation	14,954,805,107	53,129,703,719
Administrative expenses	87,163,144,434	82,450,823,354
Others	3,699,721,036	3,504,903,418
Total operating expenses	1,192,237,233,702	981,285,334,636
Operating profit :	₩ 199,980,076,121	₩ 173,419,203,737

In Korean won	2018		2017	
Non-operating income (expenses):				
Gain on equity method investments in associates	₩	16,183,589,924	₩	17,473,758,520
Loss on equity method investments in associates		(4,174,826,140)		(1,038,051,347)
Impairment loss of equity method investments in associates		-		(7,441,955,615)
Gain on disposal of property and equipment		708,000		-
Loss on disposal of property, and equipment		(4,384,314)		(12,604,735)
Loss on disposal of investment assets		(550,000)		(550,000)
Other interest income		340,293,231		233,507,488
Donations		(4,630,500,000)		(5,649,000,000)
Others		111,828,775		283,329,271
		7,826,159,476		3,848,433,582
Net income before income taxes		207,806,235,597		177,267,637,319
Income taxes		57,801,779,322		42,323,545,142
Net income		150,004,456,275		134,944,092,177
(Adjusted net income after regulatory reserve for credit losses: ₩143,147 million for the year ended December 31, 2018, and ₩109,617 million for the year ended December 31, 2017)		150,004,456,275		134,944,092,177
Attributable to: Owners of the parent				
Non-controlling interests		-		-
Other comprehensive income (loss)				
Other comprehensive income (loss) that will not reclassified to profit or loss in subsequent periods		6,328,900,428		(2,948,605,308)
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods		19,959,352,871		(19,153,766,074)
		26,288,253,299		(22,102,371,382)
Total comprehensive income	₩	176,292,709,574	₩	112,841,720,795
Attributable to: Owners of the controlling company		176,292,709,574		112,841,720,795
Non-controlling interests		-		-
Earnings per share	₩	2,206	₩	1,984

KOREA SECURITIES FINANCE CORP.

Separate Statements of Financial Position

As of December 31, 2018 and 2017

In Korean won		December 31, 2018		December 31, 2017	
Assets					
Cash and due from banks	₩	12,351,274,755,091	₩	12,869,845,684,416	
Financial investments		12,221,784,005,533		12,851,311,391,446	
Loans		24,337,515,243,722		22,954,564,957,779	
Other assets:					
Property, plant and equipment		30,782,029,372		29,994,296,470	
Intangible assets		8,611,275,007		10,107,986,731	
Prepaid expenses		2,787,892,200		2,377,709,578	
Accrued income		128,215,962,398		110,004,428,342	
Investment assets		12,978,953,492		11,855,851,447	
Others		131,821,234		8,218,572,172	
		183,507,933,703		172,558,844,740	
Total assets	₩	49,094,081,938,049	₩	48,848,280,878,381	
Liabilities					
Deposits	₩	38,345,359,769,915	₩	39,547,828,531,851	
Borrowings		5,964,604,840,000		5,604,204,840,000	
Debentures		1,618,781,692,824		1,089,171,288,199	
Other liabilities:					
Guarantee deposits		518,919,040,156		179,247,184,321	
Supply and demand premium		7,450,450		-	
Account payable for trust accounts		485,645,789,469		460,455,369,274	
Unearned income		1,921,822,394		1,772,830,687	
Accrued expenses		87,145,289,493		74,294,158,214	
Current tax liabilities		22,507,036,943		10,945,557,146	
Provisions		50,000,000		250,000,000	
Net defined benefit liabilities		6,391,152,062		4,244,561,325	
Deferred tax liabilities		39,812,310,924		25,826,685,690	
Others		39,965,656,330		27,486,686,090	
		1,202,365,548,221		784,523,032,747	
Total liabilities	₩	47,131,111,850,960	₩	47,025,727,692,797	

In Korean won		December 31, 2018		December 31, 2017	
Equity	Capital stock	₩	340,000,000,000	₩	340,000,000,000
	Capital surplus		21,767,313,027		21,767,313,027
	Accumulated other comprehensive income		85,795,447,921		121,044,909,775
	Retained earnings		1,515,407,326,141		1,339,740,962,782
	(Regulatory reserve for credit losses: ₩118,724 million as at December 31, 2018, and ₩93,397 million as at December 31, 2017)				
	Expected additional regulatory reserve: for credit losses: ₩6,857 million as at December 31, 2018, and ₩25,327 million as at December 31, 2017)				
	Total equity		1,962,970,087,089		1,822,553,185,584
	Total liabilities and equity	₩	49,094,081,938,049	₩	48,848,280,878,381

KOREA SECURITIES FINANCE CORP.

Separate Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

In Korean won		2018		2017	
Operating income:					
Interest income:					
	Interest on due from banks	₩	228,839,042,117	₩	186,092,155,383
	Interest on securities		146,359,448,481		151,485,341,684
	Interest on loans		571,719,119,483		397,958,515,549
			946,917,610,081		735,536,012,616
Gain on valuation and sales of financial investments:					
	Gain on sales of financial assets held for trading		-		79,786,858,157
	Gain on sales of financial assets measured at FVTPL		104,753,515,013		-
	Gain on valuation of financial assets held for trading		-		57,192,295,564
	Gain on valuation of financial assets measured at FVTPL		103,959,842,344		-
	Gain on sales of available-for-sale financial assets		-		31,893,690,171
	Gain on sales of financial assets measured at FVOCI		4,421,235,906		-
			213,134,593,263		168,872,843,892
Gain on valuation and transaction of derivative					
	Gain on transaction of derivative		-		19,040,000
Reversal of allowance for credit loss:					
	Reversal of loss allowance for deposit due from banks		18,154,099		-
	Reversal of loss allowance for loans		5,872,649		-
	Reversal of loss allowance for financial assets at FVOCI measured at FVOCI		2,330,900,280		-
			2,354,927,028		-
	Commission income		135,135,979,075		116,920,248,239
	Gain on foreign currency transactions and transaction		14,954,852,526		53,152,556,688
	Trust fees and commissions received from trust account		20,966,306,027		20,629,268,985
Dividends					
	Dividends income from financial assets held for trading		-		54,824,997
	Dividends income from financial assets measured at FVTPL		337,240,968		-
	Dividends income from available-for-sale financial assets		-		62,133,700,573
	Dividends income from financial assets measured at FVOCI		1,404,506,242		-
			1,741,747,210		62,188,525,570
	Others		71,965,748,501		-
	Total operating income	₩	1,407,171,763,711	₩	1,157,318,495,990

In Korean won	2018		2017	
Operating expenses:				
Interest expense:				
Interest on due from banks	₩	780,964,999,799	₩	588,413,606,433
Interest on borrowings and debentures		47,147,839,295		38,190,165,321
Others		72,891,276,359		59,814,743,315
		901,004,115,453		686,418,515,069
Loss on valuation and sales of financial investments:				
Loss on sales of financial assets held for trading		-		7,381,334,515
Loss on sales of financial assets measured at FVTPL		31,959,296,420		-
Loss on valuation of financial assets held for trading		-		1,851,394,815
Loss on valuation of financial assets measured at FVTPL		30,606,369,723		-
Loss on sales of available-for-sale financial assets		-		17,562,473,300
Loss on sales of financial assets measured at FVOCI		4,002,091,066		-
Impairment loss of available-for-sale financial assets		-		24,829,875,292
		66,567,757,209		51,625,077,922
Loss on valuation and transaction of derivative:				
Loss on transaction of derivative instruments		-		57,630,000
		-		57,630,000
Loss on valuation and disposal of loans:				
Bad debt expenses		-		282,489,434
		-		282,489,434
Commission expenses		117,852,809,212		102,711,818,205
Loss on foreign currency transactions and translation		14,954,805,107		53,129,703,719
Administrative expenses		87,163,144,434		82,450,823,354
Others		3,436,035,600		3,371,204,936
Total operating expenses	₩	1,190,978,667,015	₩	980,047,262,639
Operating profits	₩	216,193,096,696	₩	177,271,233,351

In Korean won	2018		2017	
Non-operating income (expenses):				
Loss on disposal of property, plant and equipment		(4,384,314)		(12,604,735)
Gain on disposal of investment assets		708,000		-
Loss on disposal of investment assets		(550,000)		(550,000)
Other interest income		340,293,231		233,507,488
Donations		(4,630,500,000)		(5,649,000,000)
Others		75,623,469		167,822,475
		(4,218,809,614)		(5,260,824,772)
Net income before income taxes		211,974,287,082		172,010,408,579
Income taxes		56,793,110,863		41,051,295,787
Net income		155,181,176,219		130,959,112,792
(Adjusted net income after regulatory reserve for credit losses: ₩148,324 million for the year ended December 31, 2018, and ₩105,632 million for the year ended December 31, 2017)				
Other comprehensive income (loss)				
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods		6,328,900,428		(2,948,605,308)
Other comprehensive loss reclassified to profit or loss in subsequent periods		19,913,267,970		(28,754,054,717)
		26,242,168,398		(31,702,660,025)
Total comprehensive income	₩	181,423,344,617	₩	99,256,452,767
Earnings per share	₩	2,282	₩	1,926

KOREA SECURITIES FINANCE CORP. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

In Korean won	Capital stock	Capital surplus	Accumulated other comprehensive income (loss)	Retained earnings	Non-controlling interests	Total
As of 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	-	1,711,403,889,315
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
Loss on valuation of available-for-sale financial assets	-	-	(21,119,735,475)	-	-	(21,119,735,475)
Capital changes in equity method	-	-	1,965,969,401	-	-	1,965,969,401
Remeasurements of defined benefit plans	-	-	(2,948,605,308)	-	-	(2,948,605,308)
As of December 31, 2017	₩ 340,000,000,000	₩ 21,767,313,027	₩ 119,378,389,057	₩ 1,343,099,908,026	₩ -	₩ 1,824,245,610,110
As of January 1, 2018	₩340,000,000,000	₩ 21,767,313,027	119,378,389,057	1,343,099,908,026	-	1,824,245,610,110
Effect of changes in accounting standards	-	-	(59,686,755,870)	59,039,669,534	-	(647,086,336)
As of January 1, 2018 (adjusted)	340,000,000,000	21,767,313,027	59,691,633,187	1,402,139,577,560	-	1,823,598,523,774
Dividends	-	-	-	(40,800,000,000)	-	(40,800,000,000)
Balance after appropriations	340,000,000,000	21,767,313,027	59,691,633,187	1,361,339,577,560	-	1,782,798,523,774
Total comprehensive income	-	-	26,288,253,299	150,004,456,275	-	176,292,709,574
Net income	-	-	-	150,004,456,275	-	150,004,456,275
Loss on valuation of financial assets at FVOCI	-	-	19,959,352,871	-	-	19,959,352,871
Loss on valuation of financial assets designated at FVOCI	-	-	8,671,328,966	-	-	8,671,328,966
Remeasurements of defined benefit plans	-	-	(2,342,428,538)	-	-	(2,342,428,538)
Changes in non-controlling interests due to acquisition of subsidiary	-	-	-	-	21,240,217,122	21,240,217,122
As of December 31, 2018	₩ 340,000,000,000	₩ 21,767,313,027	₩ 85,979,886,486	₩ 1,511,344,033,835	₩ 21,240,217,122	₩ 1,980,331,450,470

KOREA SECURITIES FINANCE CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

In Korean won	2018		2017	
Cash flows from operating activities:				
Net income before income tax	₩	207,806,235,597	₩	177,267,637,319
Adjustments to reconcile net income before income tax to net cash flows provided by (used in) operating activities:				
Interest expenses		903,716,599,071		689,295,630,739
Loss on valuation of financial assets held for trading		-		4,544,369,789
Loss on valuation of financial assets at FVTPL		26,827,932,598		-
Loss on sale of available-for-sale financial assets		-		17,682,524,118
Loss on sale of financial assets at FVOCI		4,002,091,066		-
Impairment loss of available-for-sale financial asset		-		17,329,885,292
Bad debt expenses		320,411,584		-
Loss on valuation of derivatives		270,909,198		585,952,230
Loss on transaction of derivatives		350,000,000		-
Depreciation		2,357,676,359		2,181,771,418
Amortization expenses of intangible assets		3,840,331,724		2,978,560,552
Other bad debt expenses		-		2,536,532
Loss on foreign currency translation		14,953,842,101		53,127,850,305
Loss on foreign currency transactions		963,006		1,853,414
Post-employment benefits		3,959,038,596		3,345,470,424
Loss on disposal of property and equipment		4,384,314		12,604,735
Loss on disposal of investment assets		550,000		550,000
Others		-		3,277,000
Loss on equity method investments in associates		4,174,826,140		1,038,051,347
Impairment loss of equity method investments in associates		-		7,441,955,615
Loss on payment for reclassified interests		263,685,436		133,698,482
Interest income		(963,919,681,415)		(755,065,356,540)
Dividend income		(1,741,747,210)		(42,970,669,765)
Other operating income		(58,752,065,235)		-
Gain on valuation of financial instruments held for trading		-		(52,809,645,688)
Gain on valuation of financial assets at FVTPL		(84,397,051,270)		-
Gain on sale of available-for-sale financial assets		-		(29,214,462,989)
Gain on sale of financial assets at FVOCI		(5,670,167,026)		-
Reversal of loss allowance on deposit due from banks		(18,154,099)		-

In Korean won	2018	2017
Reversal of loss allowance on financial assets at FVOCI	(2,330,900,280)	-
Reversal of loss allowance on loans	-	(1,865,793,964)
Reversal of loss allowance on others	(44,289,668)	-
Gain on transaction of derivatives	(838,754,091)	-
Gain on foreign currency translation	(14,954,615,149)	(53,152,517,268)
Gain on foreign currency transactions	(237,377)	(39,420)
Gain on disposal of property and equipment	(708,000)	-
Gain on equity method investments in associates	(16,183,589,924)	(17,473,758,520)
	(183,808,719,551)	(152,845,702,162)
Changes in operating assets and liabilities:		
Deposit due from banks	(36,026,587,367)	(64,916,718,686)
Financial assets held for trading	-	(74,662,529,067)
Financial assets at FVTPL	1,343,940,013,501	-
Loans	(1,423,425,968,188)	(3,551,640,540,268)
Receivables	3,141,303,308	(2,256,633,441)
Other assets	741,716,472	(3,315,278,720)
Deposits	(1,240,268,761,936)	4,050,602,729,462
Other financial liabilities	3,030,111,418	(58,782,612)
Other liabilities	11,903,708,321	8,805,273,577
Plan assets	(1,526,252,241)	(4,618,080,589)
Post-employment benefits paid	(3,376,470,734)	(3,456,274,301)
	(1,341,867,187,446)	354,483,165,355
Interest received	949,288,043,463	750,584,385,933
Interest paid	(888,535,888,720)	(688,157,140,255)
Dividends received	60,493,812,445	42,970,669,765
Income tax paid	(37,600,720,721)	(42,599,356,308)
Net cash flows provided by (used in) operating activities	(1,234,224,424,833)	441,703,659,647
Cash flows from investing activities:		
Net cash flow from business combination	1,581,403,637	-
Proceeds from disposal of available-for-sale financial assets	-	4,262,199,746,736
Proceeds from disposal of financial assets at FVOCI	5,769,236,201,460	-
Proceeds from disposal of investments in associates	22,199,744,928	65,455,853,217

In Korean won	2018	2017
Proceeds from disposal of investments in assets	₩ 28,277,000	₩ 25,000,000
Decrease in deposits	1,320,000,000	1,505,000,000
Proceeds from disposal of property and equipment	4,028,295	2,270,499
Acquisition of available-for-sale financial assets	-	(4,196,494,737,891)
Acquisition of property and equipment	(3,153,113,870)	(1,679,289,625)
Acquisition of financial assets at FVOCI	(6,197,639,724,131)	-
Cash outflows from derivative contracts	(97,198,139)	-
Acquisition of investment in associates	(69,474,751,612)	(31,704,307,742)
Acquisition of intangible assets	(2,343,620,000)	(7,013,942,780)
Acquisition of investment assets	(564,478,744)	-
Increase in deposits	(1,920,000,000)	(2,302,450,000)
Net cash flows provided by (used in) investing activities	(480,823,231,176)	89,993,142,414
Cash flows from financing activities:		
Net increase (decrease) in debentures	524,408,710,119	(225,044,466,970)
Net Increase in borrowings	343,700,000,000	2,295,689,580,000
Net Increase (decrease) in guarantee deposits	339,671,855,835	(135,792,244,410)
Net increase in supply and demand premium	7,450,450	365,577,443
Net increase (decrease) in accounts payable for trust account	21,625,543,570	(73,681,424,278)
Net decrease in provisions	(200,000,000)	-
Payment of dividends	(40,796,419,910)	(40,801,437,710)
Decrease in payment for reclassified interests	(1,825,248,358)	-
Net cash flows provided by financing activities	1,186,591,891,706	1,820,735,584,075
Net increase (decrease) in cash and cash equivalents	(528,455,764,303)	2,352,432,386,136
Cash and cash equivalents at the beginning of the year	7,569,134,679,604	5,216,702,293,468
Cash and cash equivalents at the end of the year	₩ 7,040,678,915,301	₩ 7,569,134,679,604

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 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

The KSFC has worked and grown together with the market during the past 64 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

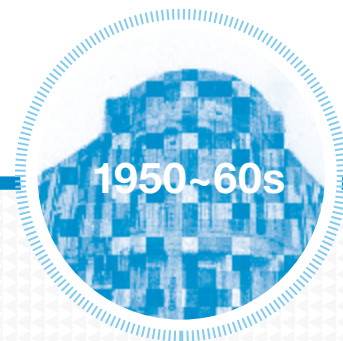
May. 2005 Opened the Center for Employee Stock Ownership

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 the International Financial Reporting Standards)



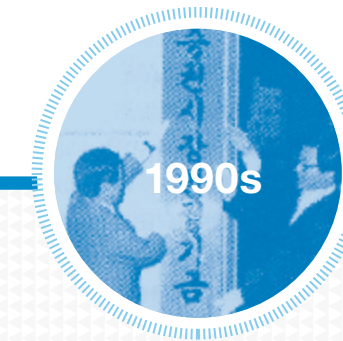
1950~60s



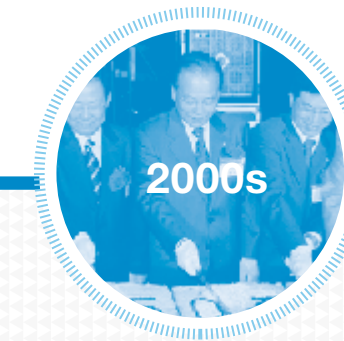
1970s



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 Initiated the integrated one-click service for ESOP shares

Aug. 2018 Signed an MOU for mutual cooperation with Securities Exchange Commission of Cambodia

Dec. 2018 Acquired Fund Online Korea

Board of Directors

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



Wan-kyu Chung
President and CEO

Board of Directors

Dae-sik Kim Standing Auditor	Hyun-keun Yang Executive Vice President	Yeong-un Park Outside Director	Sang-dae Kim Outside Director	Hak-gyun Kim Outside Director	Min-cheol Kim Outside Director
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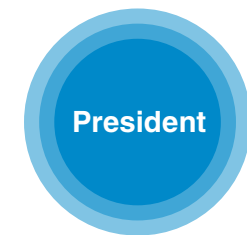
Wan-kyu Chung
President and CEO

Management Committee

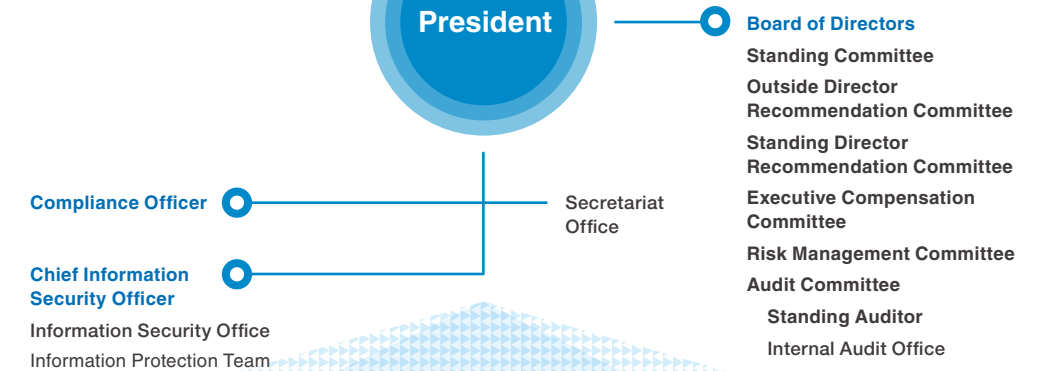
Dae-sik Kim Standing Auditor	Hyun-keun Yang Executive Vice President	Jeong-ku Oh Managing Director (Business Division)	Byung-lyul Lee Managing Director (Management Support Division)	In-gi Hong Managing Director (Management Division)	Wook-jung Kim Managing Director (Trust Division)
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Organization

Our organization structure, which is strategically planned around the KSFC's roles and functions, is important in pursuing effective operation.

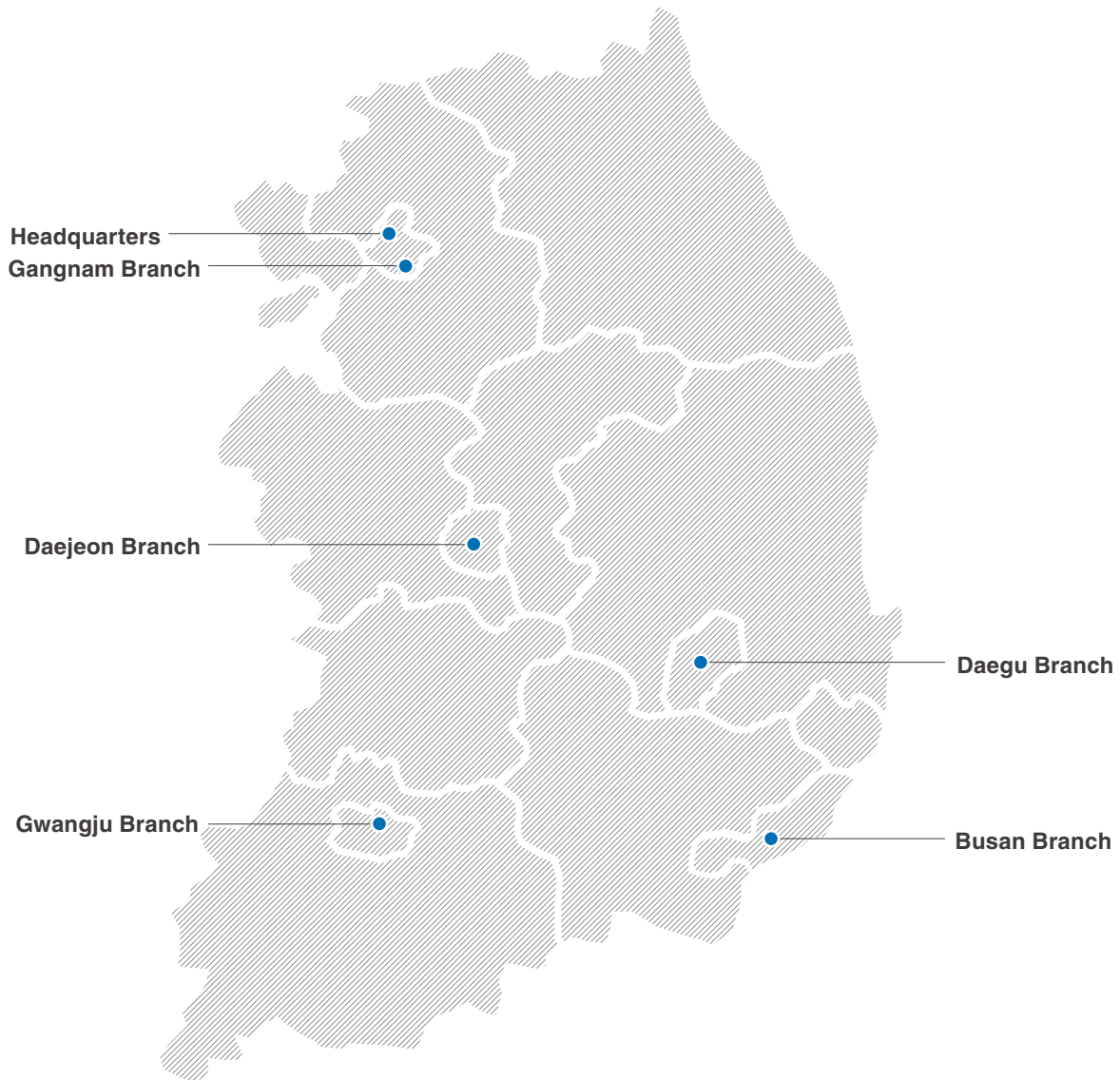


President



Planning & Administration Division	Business Division	Management Support Division	Management Division	Trust Division
Planning Department Strategic Planning Team New Growth Planning Team Business Cooperation Team Business Management Department Management Planning Team Financial Accounting Team Compliance Department Compliance Team Financial Consumer Protection Team Risk Management Office Comprehensive Risk Management Team Public Relations Office	Business Planning Department Business Planning Team Digital Planning Team Customer Satisfaction Team Business Department Retail Business Team Wholesale Business Team ESOP Department ESOP Management Team ESOP Financing Team Branches Busan, Gangnam, Gwangju, Daegu, Daejeon	General Affairs Department General Affairs Team Human Resources Team Property Management Team Credit Analysis Office Credit Analysis Team Analysis Review Team Security Control Office Securities Intermediary Services Department SBL Intermediary Team Money Market Intermediary Team	Capital Market Department Capital Market Strategy Team Capital Market Support Team Financial Investment Services Team Treasury Department Treasury Planning Team Treasury Management Team Securities Services Team Asset Management Department Investment Strategy Team Corporate Investment Team Structured Financing Team Investment Financing Office Investment Financing Team	Trust Department Trust Management Team Bond Administration Team Trustee & Custody Department Trustee & Custodian Planning Team Trustee & Custodian Management Team IT Department 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	10F, Finance Building, 50, Dunsanjung-ro, Seo-gu, Daejeon, South Korea (1413, Dunsan-1-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)