

Korea Securities Finance Corporation
Brochure 2018

A reliable win-win growth partner
of the capital market

KSFC

63 Years of Trust

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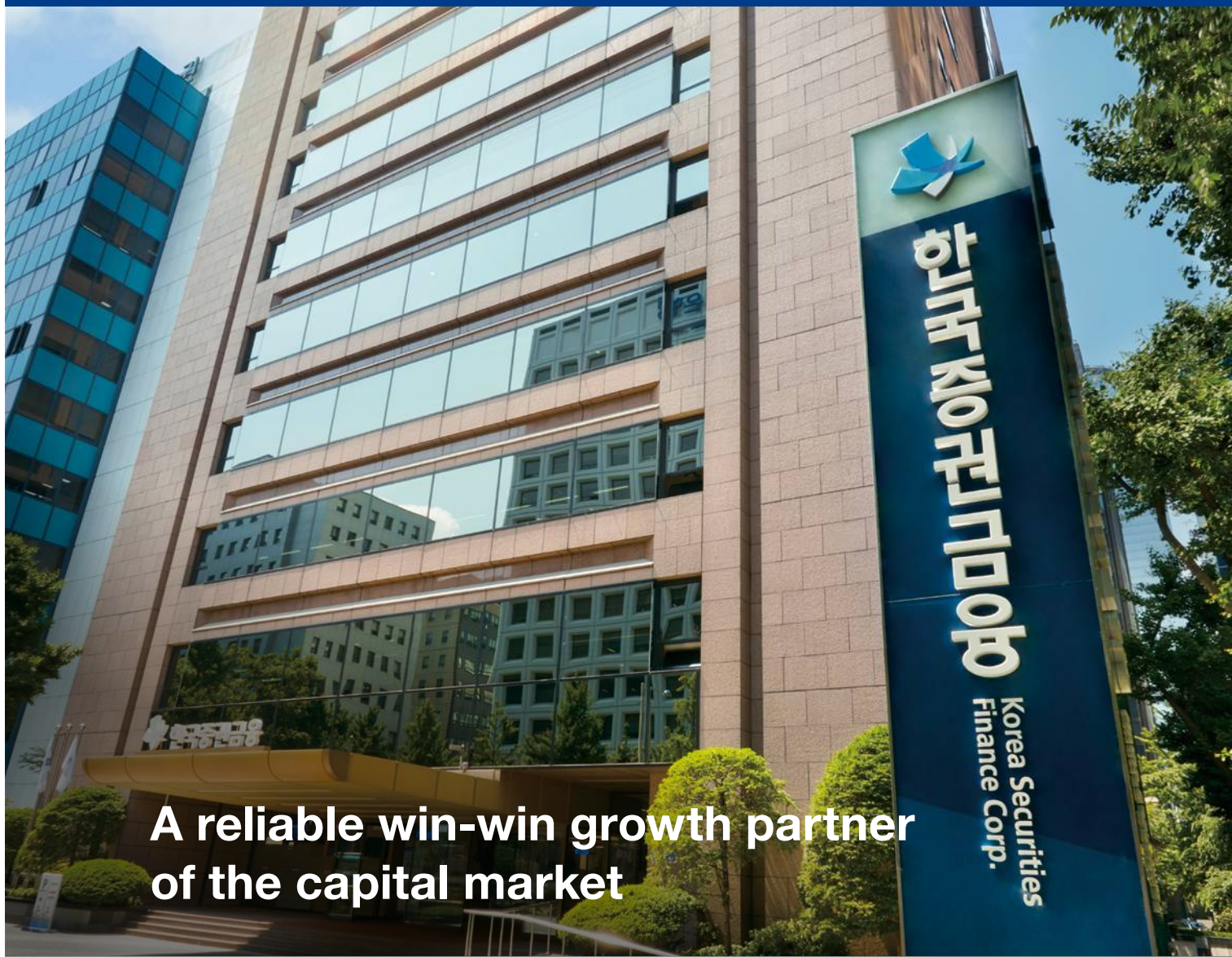
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63 Years of Trust




A reliable win-win growth partner of the capital market

KSFC was founded in 1955 with the mission of providing funds and support to the securities market, marking the beginning of its story.

As Korea's sole securities finance company, we have evolved and grown alongside the capital market to become a firm pillar of the market, as well as a reliable partner to financial investment companies.

We will move forward to build a greater future with our customers as a reliable growth partner of the capital market.



**Providing secure management of
investors' deposits and serving as
the safety net for the capital market**

KSFC fulfills its responsibility
as a safety net for the capital market
by safekeeping and managing investors' deposits.

We are striving to foster a strong capital market.
We preemptively address market volatility by injecting liquidity
in any event of liquidity shortages, and also at times of economic crises,
such as the Asian Financial Crisis and the Global Financial Crisis.



Supporting ESOPs to improve welfare of all employees

As the sole institution entrusted with management of Employee Stock Ownership Plans (ESOPs) based on the Framework Act on Labor Welfare, KSFC operates the Center for Employee Stock Ownership (CESO) and provides an array of related services. The services we provide in relation to ESOPs include consulting, education, depository and financial services.

We contribute to a healthy labor-management culture by conducting administrative work related to the management of ESOPs, which in turn helps employees accrue wealth and strengthens cooperation between labor and management.



Toward financial innovation and change

Leveraging on our professional expertise, we offer a range of intermediary services for SBL, inter-dealer RP and IDB, as well as safekeeping and management services for investment assets.

By supplying these services using our methodical processes, systems and thorough risk management, KSFC will evolve into a global custodian.

As secretariat of the private pension fund investment pool, KFSC will contribute to the expansion of the demand base for the capital market by supporting efficient and stable management of small- to medium-sized pension funds.

In addition, we will tap into global markets by collaborating with international financial institutions on infrastructure-related businesses to promote the spread of the financial Hallyu.

Message from the CEO

**Family is always there for you no matter what.
We, too, will always stand by your side as a reliable
win-win growth partner of the capital market.**

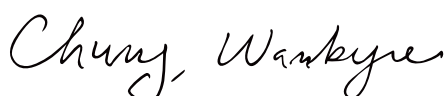
KSFC (Korea Securities Finance Corp.) is Korea's only corporation dedicated to securities financing that contributes to the advancement of the capital market by providing diverse securities-based services. We provide an array of services ranging from the provision of securities and funds to the safe and efficient management of investors' deposits and support for ESOPs to promote workers' welfare.

Since our inception in 1955, we have played an instrumental role in shielding the market and investors from turbulence in the global financial environment, and have faithfully fulfilled our mission of pushing the boundaries of the financial investment industry, as evidenced by our support for the securities market to tide over the Asian Financial Crisis of 1997 and the provision of liquidity at the height of the Global Financial Crisis of 2008.

As a blue chip financial services provider that has received the highest credit ratings from credit rating agencies in Korea and beyond, we aim to expand further along with Korea's capital market by safely protecting investors' assets; providing greater liquidity to the capital market; providing market infrastructure through ESOP, intermediaion and custody services; and reinforcing our role in investment finance and forex businesses.

We ask for your continued support and encouragement.

Chung, Wan-Kyu
President and CEO of KSFC





About KSFC

As the only securities finance company in Korea, KSFC supplies funds or securities to facilitate the issuance and distribution of securities, thereby contributing to the stability and development of the market.

WHAT IS A SECURITIES FINANCE SYSTEM?

By definition, securities finance refers to all securities-related financing activities that are conducted in the market, or the lending of funds or securities that are either backed by marketable securities or related to securities trading. By supplying securities firms and retail investors with funds or securities needed to purchase, acquire, sell or hold securities, KSFC facilitates the issuance and distribution of securities and contributes to the stability and development of the securities market.

THE BIRTH OF KSFC, CORNERSTONE TO THE GROWTH OF THE SECURITIES MARKET

In the 1950s, upon an urgent need to raise industry capital to support Korea’s post-war economic reconstruction, members of the Korea Securities Dealers Association funded the establishment of a securities finance institution to resolve the shortage of funds in the securities market and to create a stock exchange. Accordingly, KSFC was founded in Oct. 1955 to support Korea’s economic development by supplying funds to the securities market, performing specific tasks, and contributing to capital market development (Article 2 of KSFC’s Articles of Association). With the enactment of the Securities and Exchange Act in 1963, KSFC was legally registered as a securities finance company. Today, the company is a legally incorporated company licensed by the Financial Services Commission in accordance with the Financial Investment Services and Capital Markets Act (Article 34).

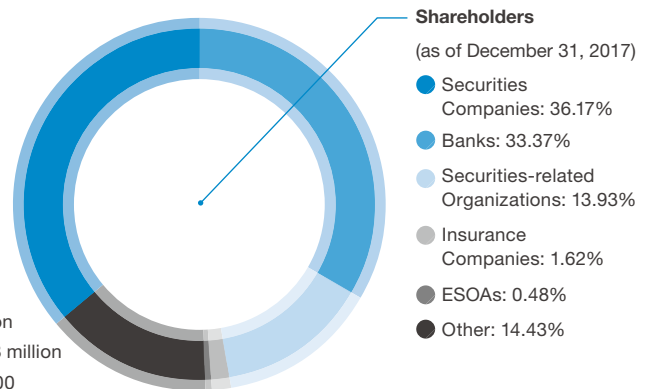
CAPITAL AND OWNERSHIP STRUCTURE

Major Shareholders

- Korea Exchange: 11.35%
- Woori Bank: 7.81%
- KEB Hana Bank: 6.98%
- NH Investment & Securities: 6.17%
- Korea Development Bank: 5.19%

Capital

- Paid-in capital: KRW 340 billion
- Issued shares outstanding: 68 million
- Par value per share: KRW 5,000



TOP-CLASS CREDIT RATING

| Credit Rating Agency | Long-Term Issuer Rating | Short-Term Issuer Rating | Outlook |
|-------------------------------|-------------------------|--------------------------|---------|
| Domestic | | | |
| - NICE Investors Services Co. | AAA | AAA | Stable |
| - Korea Ratings | | | |
| - Korea Investors Service | | | |
| International | Aa2 | P-1 | Stable |
| Moody's | | | |

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 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.

Vision

With passionate minds and continued efforts, we will become a reliable win-win growth partner of the capital market.

KSFC'S VISION

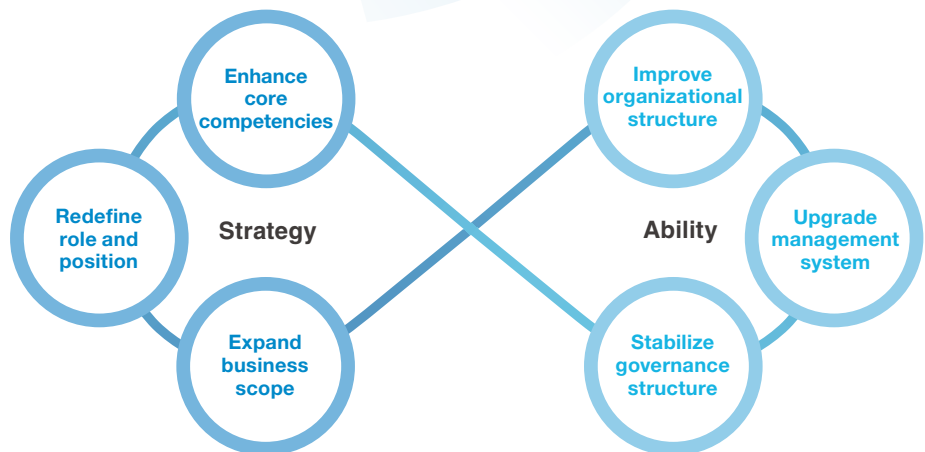
KSFC grows together with the capital market. By becoming a win-win growth partner for the investor and the market, we will pave the way for another century of trust with our customers.

Mission

We pursue mutual growth with market participants by supporting the capital market and protecting investors

Vision

To become a reliable win-win growth partner of the capital market

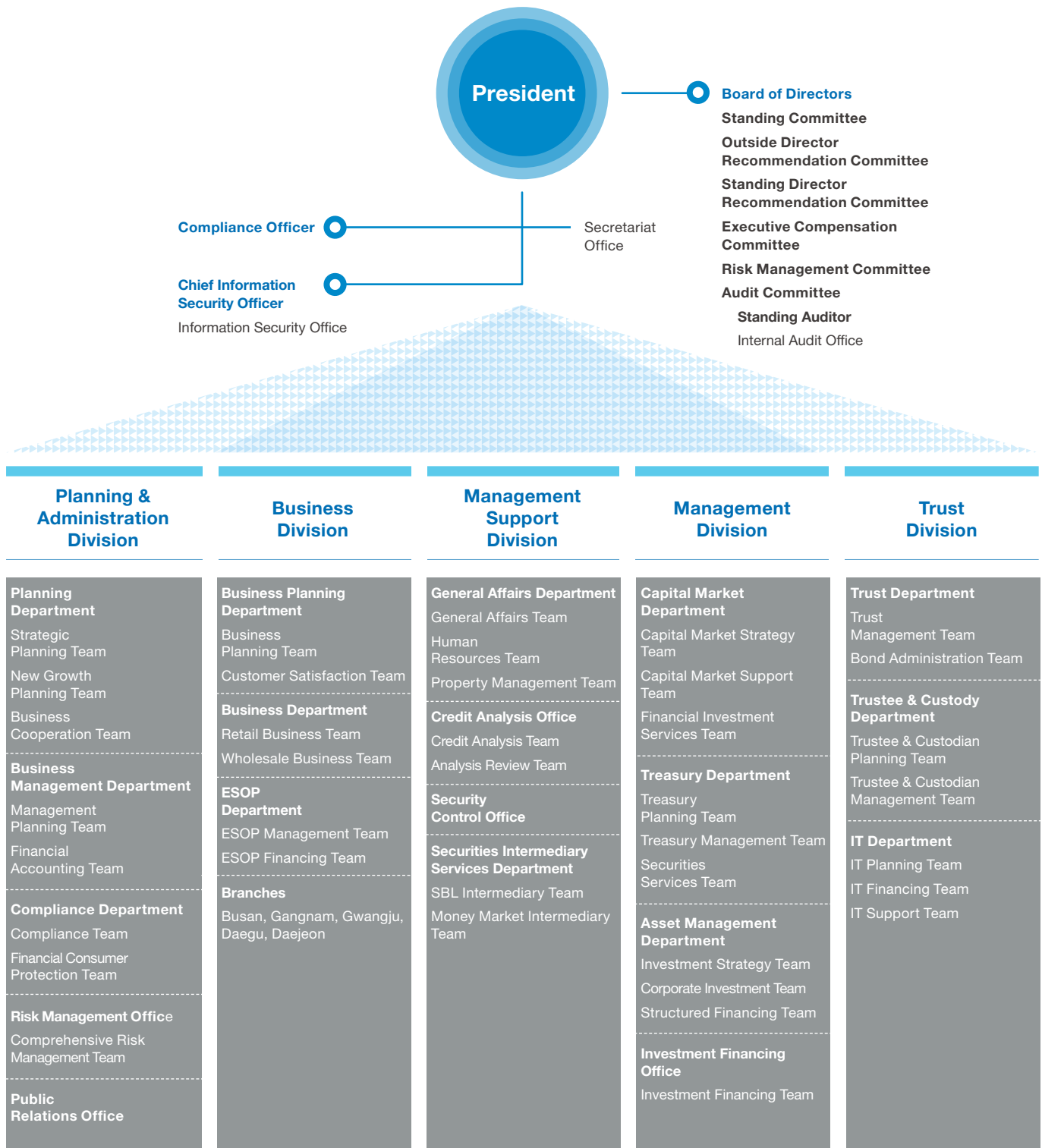


Core Values

| | | | | |
|----------------|------------|---------|-----------|-------------|
| Customer Focus | Innovation | Passion | Expertise | Reliability |
|----------------|------------|---------|-----------|-------------|

Organization

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



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



1950~60s

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



1970s

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



1980s

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

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

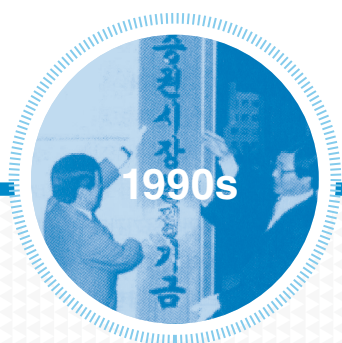
May. 2005 Opened the Center for Employee Stock Ownership

Jun. 2010 Built the next-generation IT system

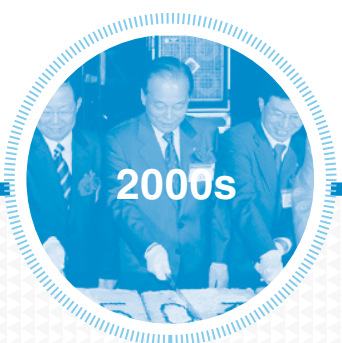
Apr. 2011 Launched inter-dealer RP brokerage business

Jan. 2012 Built the next-generation securities brokerage system

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



1990s



2000s



2010s

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



100 Years of Cooperation

We will continue to work alongside the Korean capital market for another century to come.

Leveraging on our long history of trust and cooperation with the market, KSFC is now gearing up for the next challenge.

We will evolve into a growth partner of the market with a shared vision.



01 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.

02 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.

03 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.

04 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.



Business Overview

We strive for the development of financial investment firms and the capital market and offer efficient services to securities investors.

SECURITIES FINANCE SERVICES IN ACCORDANCE WITH THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT

- Lending of funds or securities to traders and brokers in relation to purchasing or selling financial investment products, issuing or underwriting securities, or soliciting an offer, offering and accepting an offer.
- Lending of funds or securities through the Korea Exchange for securities or derivatives trading
- Loans backed by securities

SUPPORT FOR FINANCIAL INVESTMENT FIRMS AND THE CAPITAL MARKET

| | |
|---|--|
| Management of investors' deposits | Deposit and trust accounts |
| ESOP-related services | Custody and management of ESOP shares, ESOP-related comprehensive consulting |
| Loans | 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, loans for clearing and settlement, securities investment banking |
| Deposits | Subscription margin deposits, deposits by financial investment companies, Stock Market Stabilization Fund (SMSF) deposits, sale of notes issued, deposit of national treasury funds and public funds, Special Purpose Acquisition Company (SPAC) deposits |
| Trustee and custodial services | Custody and asset management, custody of discretionary assets, corporate bond administration |
| Securities brokerage | Securities borrowing and lending (SBL) intermediation, inter-dealer RP intermediation, inter-dealer brokerage (IDB) |
| Private pension fund investment pool | Support for private pension fund investment pool administrations |

FINANCIAL SERVICES FOR NON-INSTITUTIONAL CUSTOMERS (RETAIL/CORPORATE)

| | |
|-----------------------|---|
| ESOP financing | ESOA deposits, ESOP support loans, ESOP stock lending |
| Loans | General securities-backed loans, short-term note trading at a discount, deposit-backed loans |
| Deposits | Securities subscription deposits, corporate deposits, sale of notes issued, bond sale under RP, subscription deposits by small cap public companies, and deposits by pension funds, crowdfunding subscription margin deposits |

Protecting Investors' Assets

Investors' deposits with financial investment firms for investment purposes are separately deposited with and safely managed by KSFC.



PROTECTING INVESTORS' ASSETS

By safely managing investors' deposits received from financial investment companies, such as securities firms, futures companies and asset management companies, we contribute to the stable growth of the Korean capital market.

WHAT IS THE SEPARATE DEPOSIT SYSTEM?

The separate deposit system is a protection mechanism that requires all financial investment firms to entrust total amounts of investors' deposits to a third party institution, thereby segregating the deposits from each firm's proprietary assets to protect and ensure safekeeping of the funds. Separate management of investors' deposits is not only implemented in Korea; the rule is currently in force in countries including the U.S., the U.K. and Japan as a result of heightened awareness of the seriousness of problems created by the commingling of corporate and customer funds as witnessed by the insolvency of some securities companies. In Korea, this mechanism has been put in place pursuant to the Financial Investment Services and Capital Markets Act to strengthen market stability and confidence by reducing the likelihood of default caused by risky investments and poor management by financial investment companies.

LEGAL BASIS FOR THE SEPARATE DEPOSIT SYSTEM

- Financial Investment Services and Capital Markets Act, Article 74
- Enforcement Decree of the Financial Investment Services and Capital Markets Act, Article 75
- Regulations on Financial Investment Business, Part 4, Chapter 2, Section 4

SEPARATE DEPOSIT OF INVESTORS' DEPOSITS

Investors must deposit a margin with financial investment companies to trade securities or derivatives. Such deposits must be redeposited into a deposit or a trust account at KSFC by the next business day (or the same business day for collective investment securities trading).

CHANGES TO THE SEPARATE DEPOSIT SYSTEM

- Apr. 1978 Mandatory depositing of 100% of investors' deposits with KSFC
- May. 1979 Depositing changed from mandatory to optional
- Feb. 1980 Partial amounts of investors' deposits required to be held as repayment reserves at KSFC (frequent adjustments to the reserve ratio)
- May. 1998 30%-100% of investors' deposits required to be redeposited with KSFC (depending on the net capital ratio)
- Jul. 1999 Began centralized management of investors' deposit with the implementation of mandatory depositing of full amounts of deposits
- Dec. 2002 Separate deposits in trust accounts of KSFC approved (optional) (choice of securities/futures companies)
- Jul. 2009 Launched the specified money trust business to support fund transfers of financial investment companies

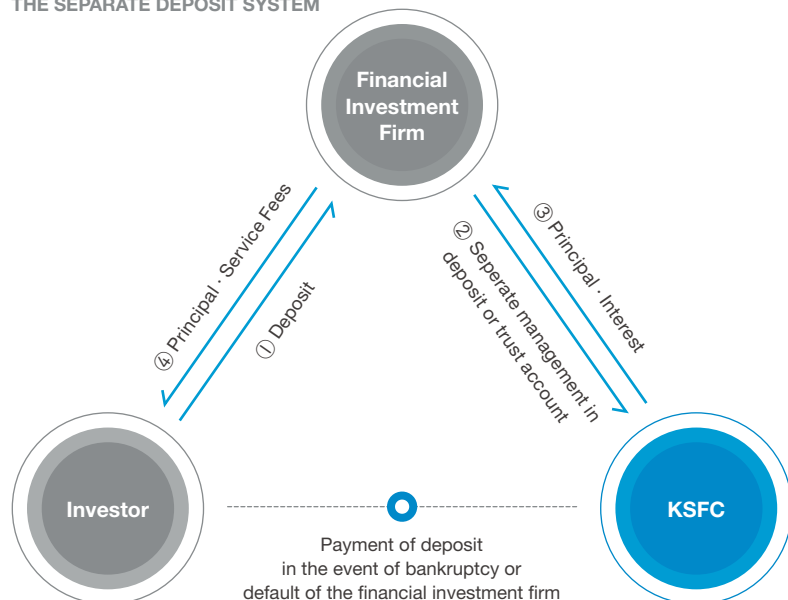
GUARANTEEING THE SAFETY OF INVESTORS' DEPOSITS

Such deposits cannot be transferred, provided as collateral, set-off or seized. In addition, financial investment companies cannot withdraw the deposits arbitrarily from KSFC unless upon request of an investor.

SAFE MANAGEMENT OF INVESTORS' DEPOSITS

KSFC faithfully and honestly safeguard investor money received into deposits and trusts from financial investment companies by managing them separately from their proprietary assets. We also consider safety and liquidity as our foremost priority to ensure they are safely returned to investors. In particular, we strictly limit the types of investment vehicles used, to government bonds, CDs, beneficiary certificates and bank deposits, while maximum investment limits are also imposed. Moreover, we safely and transparently manage all matters related to the depositing, withdrawing, investing and settling of investors' deposits through self-regulatory organizations (the Management Committee for Investors' Deposits in Trust Accounts and the Management Committee for Investor's Deposits in Deposit Accounts) operated by financial investment companies.

STRUCTURE OF THE SEPARATE DEPOSIT SYSTEM



Supporting Financial Investment Companies and the Securities Market

We contribute to the growth of the securities market by providing the securities market with liquidity, helping companies raise funds, and circulate securities.

SECURITIES UNDERWRITING LOANS

Securities underwriting loans help the financing activities of securities-issuing companies by lending funds to financial investment companies or individual investors who will use the loans to subscribe for newly issued shares.

MARGIN FINANCING LOANS

Margin financing loans are offered to securities companies through the Korea Exchange's (KRX) settlement system with an aim of supplying them with money or stocks needed to finance the margin trading of their customers. These loans help companies raise capital through the securities market by ultimately facilitating securities trading.

STOCK PURCHASING LOANS

Stock purchasing loans are given to financial investment firms to support their stock purchasing activities. They contribute to the stabilization of the stock market during prolonged periods of stock market slumps.

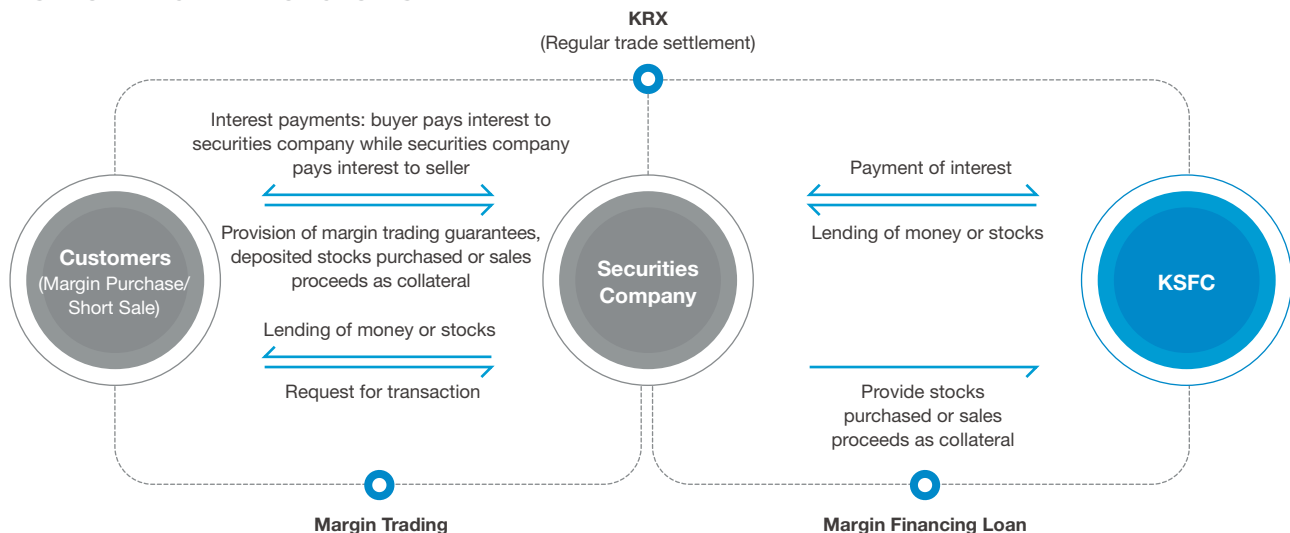
WORKING CAPITAL LOANS

By providing securities-backed working capital loans to financial investment firms, financial investment services related organizations and insurance companies, KSFC supplies liquidity to institutional investors.

BOND DEALER LOANS

Bond dealer loans provide underwriters and bond dealers, as defined and authorized by the Financial Investment Services and Capital Markets Act, with funds or bonds needed for bond acquisition and trading.

MECHANISM FOR MARGIN FINANCING LOANS





LOANS TO FINANCE SECURITIES-BACKED LOANS

Loans to finance securities-backed loans allow financial investment firms to readily procure funds needed to offer depository receipt-backed loans to their customers, thereby promoting further utilization of securities owned by investors.

SHORT-TERM NOTE TRADING AT A DISCOUNT

We help balance the supply and demand of funds among financial institutions while supplying low-cost funding to the securities market by purchasing notes issued by financial institutions and listed companies that meet specific criteria.

BONDS PURCHASE UNDER RP

To help institutions raise short-term funds, we buy bonds held by these institutions under the condition of buy-back after a specific time period at a previously agreed upon price, including interest.

PRIVATE PENSION FUND INVESTMENT POOL ADMINISTRATION

We provide support for the stable and efficient asset management of private pension funds, such as mutual aid associations, non-profit foundations, and private school funds, to promote their participation in the capital market and thereby contribute to the revitalization of the securities market.

INVESTMENT FINANCING

M&A Financing Loan We provide funds to acquirers for M&As involving financial investment firms (intermediation, arrangement, proxy, etc.).

Project Financing Loan This product provides funds for special-purpose vehicles established for specific projects such as property and infrastructure development involving financial investment firms.

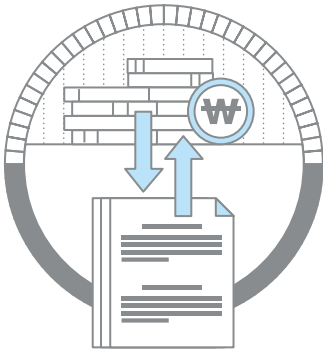
Asset Backed Loan (ABL) We provide funds needed for the asset securitization of companies with financial investment firm participants.

Loan to Support Prime Brokerage Service We provide funds for the PBS of comprehensive financial investment firms.

Loan for Collective Investment Vehicles We provide liquidity to collective investment vehicles.

Financial Services for Securities Investors

We offer safe vehicles that allow our customers to raise funds using securities, thereby increasing the demand base for securities and creating a sound investment culture.



SECURITIES-BACKED LOANS

This product helps customers finance various needs including investment funding. This product comes in an array of loan ceilings, accepts a wide range of securities as collateral, and targets both individuals and corporations that own securities

DEPOSIT-BACKED LOANS

This product is backed by the deposits of customers with maturity set up to one year (extendible until the withdrawal of deposits).

ESOP SHARE ACQUISITION LOANS

These low-interest loans are offered to ESOAs and their members to help them purchase ESOP shares. We also provide customized financial planning and comprehensive consulting services related to ESOPs.

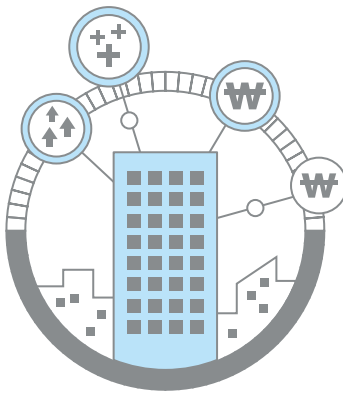
ESOP SHARE-BACKED LOANS

Personal loans are available to ESOA members who provide their ESOP shares as collateral. There are no handling fees or early repayment penalties, and the loans can be freely managed online within approved limits.



Capital Raising Services

We receive deposits from financial investment firms, retail investors, and companies to inject liquidity into the capital market while acting as a money broker.



FINANCIAL INVESTMENT FIRMS

Redeposit of investor's deposits Financial investment firms must redeposit with KSFC the funds entrusted by investors for the purpose of trading stock and futures. This is to segregate investors' assets from that of the firm's proprietary assets. According to the nature of deposits, redeposits of investors' deposits are categorized into deposits for securities trading, deposits for derivatives trading, deposits from derivatives-specializing institutions, and deposits for collective investment securities trading.

Subscription margin deposits KSFC receives deposits of subscription margins that investors entrust to financial investment firms to subscribe to IPOs or public offerings.

SPAC deposits This product is for deposits made in accordance with Article 6, Paragraph 4, Section 14 of the Enforcement Decree of the Financial Investment Services and Capital Markets Act by a Special Purpose Acquisition Company (SPAC), which gathers investors and issues shares in accordance with Article 9, Paragraph 7 of the same Act for the sole purpose of merging with another corporation.

Subscription deposits by small cap public companies These are deposits of subscription margins that investors entrust to small cap or DPO companies in accordance with the Financial Investment Services and Capital Markets Act.

Deposits from financial investment institutions Deposits from financial investment firms and financial investment services-related organizations are used to provide funding to financial investment firms including through securities financing loans.

FINANCIAL INVESTMENT FIRMS, CORPORATIONS AND SECURITIES INVESTORS

Bond Sale under RP Companies can buy securities held by KSFC under the condition of buy-back at the original purchase price plus interest after a specific period of time. KSFC uses this product to supply short-term funds to institutions.

Sale of notes issued Financial investment firms and financial investment services-related institutions can earn interest on deposits by purchasing promissory notes from KSFC.

CORPORATIONS AND SECURITIES INVESTORS

ESOA deposits ESOA deposits are funds accumulated by an ESOA to purchase ESOP shares and consist of contributions made by ESOA members, the employer company, and major shareholders. The deposit holder can benefit from a high interest rate depending on the total deposit period, and enjoy tax benefits on interest earnings.

General corporate deposits We help listed companies, insurance companies, state and local governments, funds established in accordance with the law, and related management and administrative legal entities in their management of surplus funds.

Deposits by private pension funds We manage surplus funds deposited by private pension funds, including employee welfare funds of companies, benefit societies, non-profit organizations, private schools and more.

Deposits by retail investors This product is for retail investors who deposit funds in trading accounts at financial investment firms.

Efficient Asset Management

We safeguard funds related to the securities market and investors' deposits with a reliable risk management system and an optimized asset management system.



TRUST MANAGEMENT

Since obtaining business approval for trust business on November 8, 2002, KSFC has been accepting deposits from securities companies that chose to safeguard investors' deposits in a trust account, and has strictly maintained and managed the deposits separately in segregated accounts. We received the business approval for specified money trust business on February 4, 2009, and is now supporting settlement operations of securities companies as well.

SHORT-TERM FUND MANAGEMENT

Our success in attracting and managing short-term funds can be attributed to our fund management expertise acquired through our experience of managing diverse policy-related short-term funds for the past decades, excellent financial strength, and liquidity management abilities. Short-term funds we manage are securities market-related funds, which include CMAs and trust funds of securities firms, investment funds, national treasury funds, and Public Money Management Funds. By managing such funds, we deliver high returns to investors and provide securities companies with a safe means of managing funds.

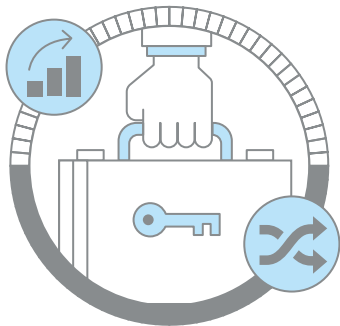
ASSET MANAGEMENT

Assets are managed safely by our highly skilled investment professionals. They analyze and forecast developments taking place in the local and global financial markets, and establish investment plans and strategies based on their key findings. A variety of investment instruments are used to diversify risk and sources of income, together with efficient allocation of assets. Furthermore, our risk management infrastructure, built upon performance measurement and risk index analysis systems, optimizes the management of assets.



Custody Services

We provide custody and asset management services based on our expertise in the securities industry. By offering critically needed ancillary services, we strive to become Korea's representative custodian.



CUSTODIAL SERVICES

In accordance with the Financial Investment Services and Capital Markets Act, we provide safekeeping and management of: collective investment assets (including trusts and investment firm assets); assets under management of investment trusts or hybrid financial trust organizations (including CR REITS and assets of real estate investment companies); and other assets of similar nature (including PEFs, discretionary investment assets and securitized assets).

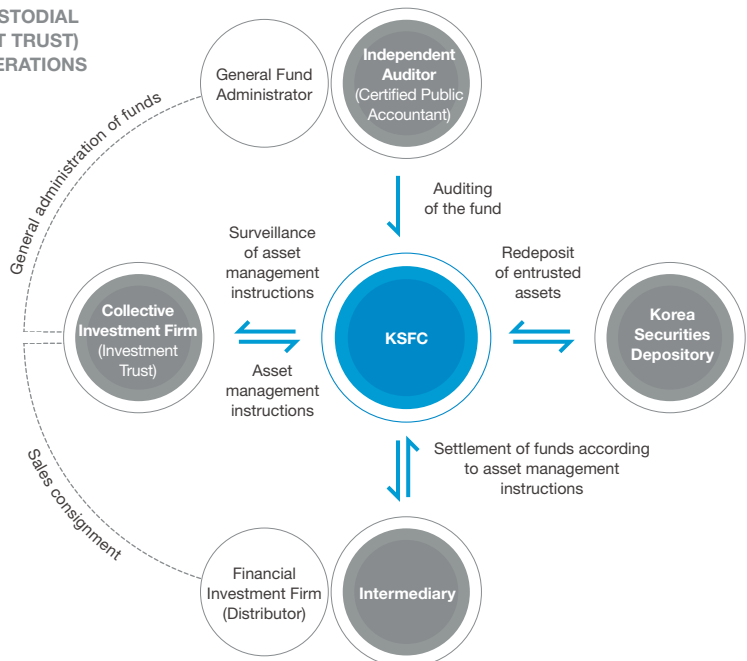
CHARACTERISTICS OF KSFC'S CUSTODIAL SERVICES

- Offers world-class custodial services tailored to the needs of customers, based on our expertise and mutual trust shared with customers.
- Staffed by professionals who are optimally trained for providing custodial services through continuous training
- Top-class customer services made possible by maintaining a cutting-edge IT system
- Innovative custodial work processes and outstanding risk management

CORPORATE BOND ADMINISTRATION

We manage bond issuers and protect investors. By signing a bond administration outsourcing contract with a corporate bond issuing company, we follow through the fulfillment of the terms of contract by the issuer, and monitor any changes in its financial and credit standings. We also take protective measures on behalf of the creditor to collect principal and interest payments in the event of issuer bankruptcy. As an institution dedicated to safeguarding investors' deposits, we actively leverage on our experience and clout in evaluating companies and managing loans to actively perform our role of protecting corporate bond investors while contributing to the revitalization of the corporate bond market.

FLOW OF CUSTODIAL (INVESTMENT TRUST) SERVICE OPERATIONS



Key Intermediary in the Securities Finance Market

As an intermediary for securities trading, we continuously provide better infrastructure to the capital market. We also act as a market maker by resolving excess or shortage of liquidity in the money market through inter-dealer RP intermediary services and more.

INTER-DEALER RP INTERMEDIARY SERVICES

We provide intermediary services for RP transactions and stimulate the market. An RP transaction is a contract in which a customer trades securities under the condition of buy-back or sell-back at a previously agreed-upon price after a specific period of time. It is a comparatively more reliable means of raising and managing funds than call transactions. As part of the Korean government’s measure to improve policies regarding the money market following the 2008 financial crisis, KSFC introduced its inter-dealer RP intermediary business in April 2011 to act as a market maker and developer. Not only do we aim to successfully carry out our mandate of becoming a market maker using our abundant inventory of securities and liquidity, but we also aim to reduce non-monetary financial institutions’ reliance on call loans by increasing the size of the RP market while satisfying the demand for call loans using RP transactions and electronic short-term bonds. Through this, we will ultimately be able to improve the structure of the money market.

Eligible customers & securities

| | |
|----------------------------|---|
| Eligible customers | <ul style="list-style-type: none"> Those who qualify under Article 7, Paragraph 4, Subparagraph 3 of the Enforcement Decree of the Capital Markets Act Other parties deemed necessary by KSFC |
| Eligible securities | <ul style="list-style-type: none"> Listed stocks Listed bonds ETFs Depository receipts Other securities designated by the participants |

※ Major participants

- RP buyers: banks, asset management firms, etc.
- RP sellers: banks, securities firms, etc.

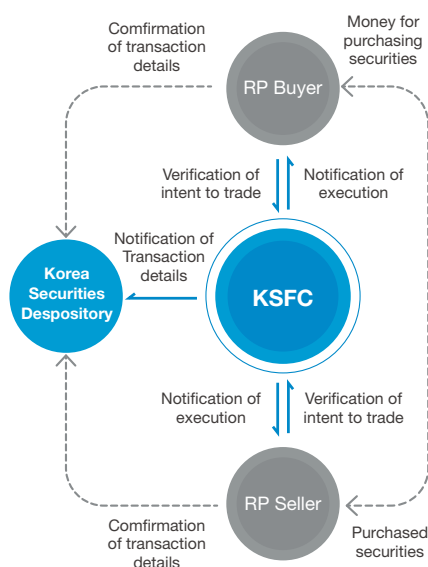
INTER-DEALER BROKERAGE (IDB) SERVICES

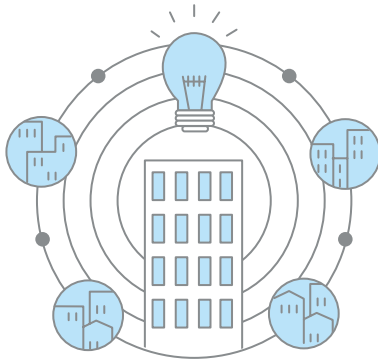
We provide inter-dealer brokerage services. An inter-dealer broker is a financial intermediary that facilitates transactions of over-the-counter debt securities among professional investors. Through our IDB business, we have invigorated the RP market by introducing screen-based competitive bidding for RP transactions. We are also making it easier for securities companies to raise funds while supporting seamless operation of the electronic short-term bond market by offering electronic short-term bonds (with maturities of 30 days or less) to investors on behalf of the issuers.

Eligible customers & securities

| | |
|----------------------------|---|
| Eligible customers | <ul style="list-style-type: none"> Screen-based RP brokerage: those who qualify under Article 7, Paragraph 4, Subparagraph 3 of the Enforcement Decree of the Financial Investment Services and Capital Markets Act Electronic short-term bonds: securities companies |
| Eligible securities | <ul style="list-style-type: none"> Screen-based RP brokerage: debt securities Electronic short-term bonds: electronic short-term bonds issued by securities companies with maturities of 30 days or less |

MECHANISM FOR RP TRANSACTIONS





SECURITIES BORROWING & LENDING (SBL) INTERMEDIARY SERVICES

We provide intermediary services for SBL. SBL refers to the lending of securities by a security holder to a third party under the condition of returning the securities after a specific period of time. Lenders earn a steady flow of income by collecting lending fees on idle securities, and borrowers can obtain securities at low costs and create new streams of revenue by using the loaned securities to implement various investment strategies.

Eligible customers & securities

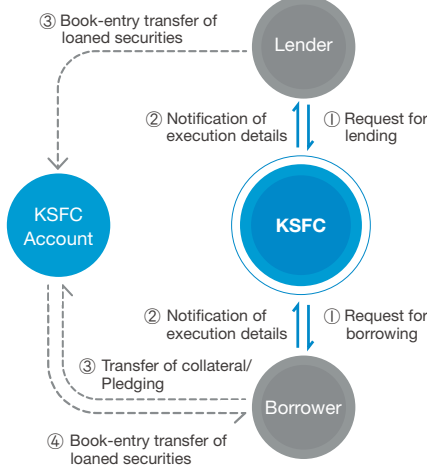
- | | |
|----------------------------|--|
| Eligible customers | <ul style="list-style-type: none"> • Institutional investors as defined by the Enforcement Decree and the Enforcement Regulations on the Corporate Tax Act • Foreign corporations that received an Investment Registration Certificate from the Financial Supervisory Services (participation through a standing domestic agent) • Other parties deemed necessary by KSFC |
| Eligible securities | <ul style="list-style-type: none"> • Listed stocks • Listed bonds (excluding bonds with credit ratings lower than BBB, equity-related corporate bonds, and bonds whose market values are difficult to assess) • ETFs • Other listed securities |

※ Major participants

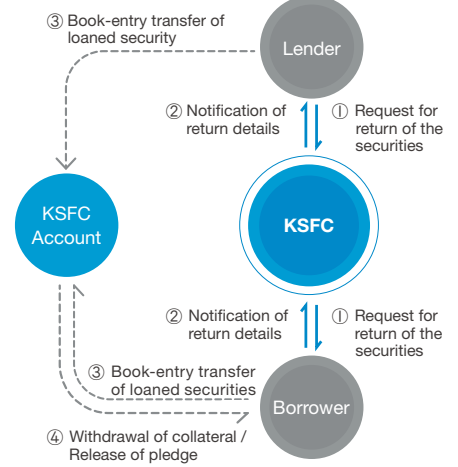
- Lenders: banks, insurance companies, financial investment firms (securities companies, asset management firms, etc.), pension funds, and non-residents
- Borrowers: financial investment firms (securities companies, asset management firms, etc.), and non-residents

MECHANISM FOR SBL TRANSACTIONS

1. Borrowing/Lending



2. Return

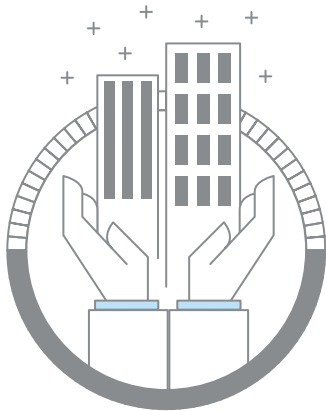


EXPANSION OF SECURITIES INTERMEDIARY SERVICES

We continue to expand our securities intermediary services. After becoming the first Korean institution to provide SBL performance guarantee services in 1996, we began to offer SBL intermediary services in 2000. Currently, we are conducting SBL intermediary services for over 200 institutions, including major securities firms, banks, asset management companies, pension funds, and foreign institutions, accounting for about 40% of the domestic SBL market. In addition, we have addressed the problem of imbalances in the demand and supply of liquidity in the money market, as well as promoting RP transactions by offering inter-dealer RP intermediary services since 2011. We have also promoted screen-based RP transactions and supported the growth of the electronic short-term bond market through our IDB business.

The Exclusive Manager of ESOPs

As the sole institution entrusted with management of Employee Stock Ownership Plans (ESOPs), we contribute to the creation of a sound labor-management culture by conducting relevant administrative work and supporting financing activities.



WHAT IS AN ESOP?

An Employee Stock Ownership Plan (ESOP)—also known as an employee ownership plan, an employee equity ownership plan, or an employee equity scheme—is a program that enables employees to buy and own shares of their employer companies while benefiting from various incentives provided by the government and/or the employer company.

BENEFITS OF AN ESOP

Enhanced employee welfare and management participation

By becoming a shareholder of their employer company, an employee can enhance the company's managerial transparency. Through ESOPs, employees can also accrue wealth from increased share value, dividend income, while enjoying various tax benefits.

Increased cooperation between labor and management and improved corporate productivity

Companies can benefit from a growing sense of ownership of their employees, creation of a platform for greater labor-management cooperation, and improvement of overall labor welfare.

Realization of matured capitalism

ESOPs promote healthy development of capitalism while establishing a more equitable economic order through dispersed capital ownership and a balanced distribution of wealth.

HOW TO ACQUIRE ESOP SHARES

Members of an Employee Stock Ownership Association (ESOA) can acquire ESOP shares in the following methods:

- Preferential allocation of shares through IPOs, listings, rights issues
- Purchase of company shares from major shareholders
- Purchase of company shares through the stock market
- Exercising ESOP stock options
- Purchase through contributions from the company or others
- Purchase through loans from the company or others

TAX BENEFITS

Tax benefits for employees

- Annual income tax deduction on ESOP contributions up to KRW 4 million
- Tax exemption on dividend income from ESOP shares (up to par value of KRW 18 million)
- Tax exemption on capital gains resulting from the difference between the purchase price and the market price of ESOP shares

Tax benefits for companies

- If a company offers contributions to an ESOA or covers the cost of its operation, the total amount spent is considered as expenses
- Tax exemption on interest-free loans given to employees for the acquisition of ESOP shares

ESOP SHARE LENDING PROGRAM

ESOP share lending allows employees to gain additional income through lending ESOP shares, while all attached rights, including voting rights and dividends, stay with the employee.

THE ROLE OF KSFC

Exclusive depository of ESOP shares

- Within one month of purchasing an ESOP share, an ESOA must deposit the share with KSFC for at least one year. The mandatory minimum deposit period varies according to the source of funding used to buy the share.

Financial assistance

- We offer long-term, low interest loans to ESOAs and ESOA members to help them purchase ESOP shares and extend personal loans to ESOA members who use their ESOP shares as collateral.

Financial assistance for ESOPs

| Type | Loans for ESOP share acquisitions | ESOP loans backed by collateral |
|--------------------|---|--|
| Borrower | ESOA, ESOA members and their respective companies | ESOA members |
| Description | Loans for ESOA and ESOA members to purchase ESOP shares (in the case of loans to respective companies, loans are limited to those used to grant loans to respective ESOAs). | Loans against shares deposited by a member as collateral |

PROCEDURE FOR ESTABLISHING ESOP



- **Establish a preparation committee**
Draft Union Charter and recruit members
- **Hold inaugural meeting**
Approve Union Charter and elect representatives
- **Sign an ESOP management consignment agreement**
KSFC
- **Register the ESOA**
Department of Labor (or the competent regional labor office)

CENTER FOR EMPLOYEE STOCK OWNERSHIP

Objective

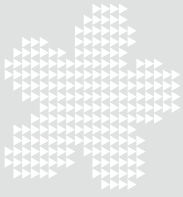
- To promote and improve ESOP policies through research and analysis and to create an advanced labor-management culture by supporting successful management of ESOPs through ESOP education, PR, and consulting.

Key activities

- Conducting research and analysis on ESOPs and publishing relevant material
- Proposing means of improving and promoting ESOPs and supplying relevant material
- Promoting ESOPs, offering ESOP education and publishing relevant materials
- Providing advice and counseling on the management of ESOP
- Providing on-site consulting on the establishment of ESOA

Timeline of ESOP business

- Nov. 1968 First ever legislation on ESOPs enacted as part of the Capital Market Development Act
- Jan. 1977 KSFC designated as the exclusive manager of ESOP
- Jan. 1997 Legal basis of ESOP modified to the Securities and Exchange Act
- Aug. 2001 Framework Act on Labor Welfare enacted and designated as the basic act for ESOP(Enforced in Jan, 2002)
- May. 2005 Center for Employee Stock Ownership established
- Feb. 2015 Announced the Plan for Promotion of the ESOP Scheme
- Jan. 2016 Implemented an ESOP lending program
- Jun. 2017 Initiated the compulsory repurchase of ESOP shares and support for M&As



Corporate Social Responsibility

Hope, love and happiness can be shared and multiplied. By giving back to the community we serve, the world becomes a better place.



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.

MISSION
The sharing of HOPE, LOVE, AND HAPPINESS.



KSFC Foundation

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.

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.



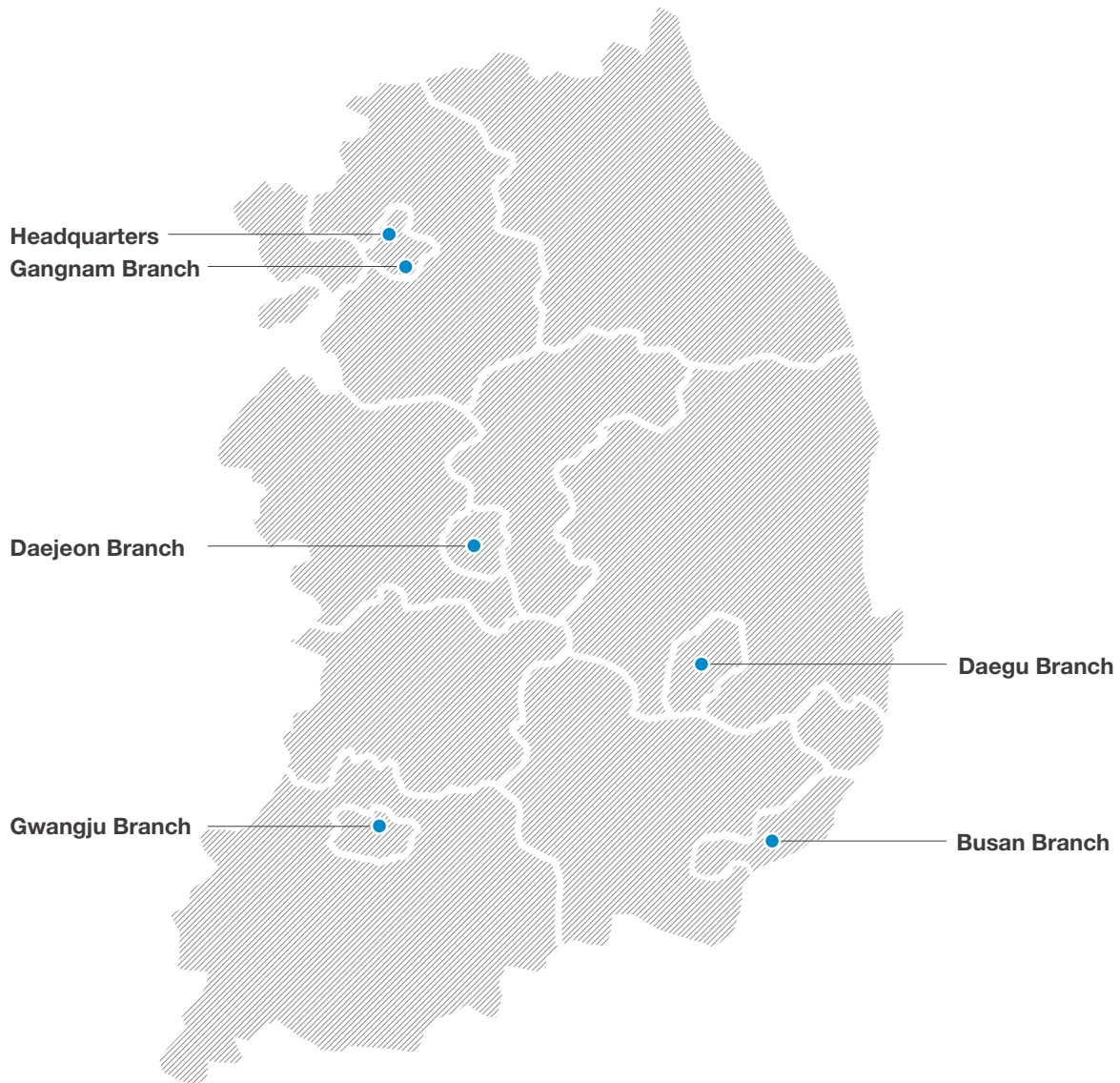
The KSFC Foundation proactively implements a range of social contribution programs with hopes of creating a brighter and friendlier world, where people of all backgrounds can enjoy decent lives.



MILESTONES

- Nov. 15, 2013** Incorporated the legal entity of the KSFC Foundation
- Feb. 20, 2014** Signed an MoU with the Korea Legal Aid Corporation to support financially marginalized people to recover their credit
- Since 2014** Providing scholarships to students in need each year
- Apr. 29, 2014** Supported the improvement of medical facilities and environment of the Doty Memorial Hospital
- Since 2014** Providing support for social welfare facilities in different areas each year
- Oct. 23, 2014** Signed an MoU with the Ministry of Gender Equality & Family to support adolescent growth
- Dec. 24, 2014** Awarded by the Minister of the Ministry of Gender Equality & Family for social sharing contributions through public-private partnership
- Jul. 10, 2015** Supported low-income neighbors troubled by aircraft noise
- Since 2015** Providing support for the operation of Kkumnanum Café each year
- Jul. 21, 2015** Supported the building of the Dream Sharing ICT Education Center in Mongolia and conducted social contribution activities
- Nov. 03, 2015** Made donations for the establishment of book cafés in the 1st Infantry Division
- Dec. 23, 2015** Made donations to the Korea Childhood Leukemia Foundation
- Since 2016** Providing matching grants for donations made by KSFC employees each year
- Aug. 10, 2016** Joint campaign with the Seoul Metropolitan Police Agency to eradicate child abuse
- Aug. 29, 2016** Sponsored the establishment of an ICT training center and library in Cambodia while also donating human talent
- Sep. 05, 2016** Provided financial support for a campaign to root out child abuse
- Oct. 21, 2016** Received plaque of appreciation on the "71th police commemoration day" for contributions in eradicating child abuse
- Apr. 24, 2017** Provided support for awareness education on the rights of the disabled
- May. 12, 2017** Provided support for reading programs at the Regional Childcare Center
- Jul. 11, 2017** Provided support for the installation of the Kkumnanum Fun and Safe Playground
- Aug. 06, 2017** Constructed an ICT educational center and provided cows and performed volunteer work for poverty-stricken communities in Laos
- Oct. 17, 2017** Provided support for a group wedding ceremony for the disabled
- Dec. 27, 2017** Provided relief aid for victims of the earthquake in Pohang, Gyeongsangbuk-do (The Community Chest of Korea)

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) |