

Korea Securities Finance Corporation  
Annual Report 2019

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

# KSFC

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**Our company is built upon 65 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 are committed to fulfilling our mission again this year as a safety net for Korea's capital market, and will make the best of our efforts to achieve co-prosperity with members of the industry.**

**Dear esteemed shareholders,**

I would like to begin by extending my deepest appreciation to all of our distinguished shareholders for the continuous support to the KSFC throughout last year. I am pleased to share with you our performance for fiscal year 2019, the 70th accounting period for the KSFC.

In retrospect, a host of negative factors from home and abroad had created a challenging environment for the financial industry during year 2019. On the global landscape, sluggish economic growth and interest rate reductions in major economies heightened volatility, which was exacerbated by events such as the Hong Kong protests. Meanwhile, the domestic market was hampered by faltering domestic consumption and investment, coupled with a marked decrease in working age population.

Undeterred, we worked harder than ever for the shared growth of the financial investment industry, under our goal of supporting the capital market as a competent partner for growth based on reform and innovation.

As a result, we were able to deliver solid results as of the end of 2019, recording KRW 156.2 billion in net income and KRW 2 trillion in equity capital, a remarkable feat.

This would not have been possible without the steadfast support of all the shareholders, and we are very grateful.

We are committed to fulfilling our mission again this year as a safety net for Korea's capital market, and will make the best of our efforts to achieve co-prosperity with members of the industry.



**By injecting necessary liquidity to the market and safeguarding investors' deposits, we are contributing to building a financial environment in which investors can safely invest and manage their money.**

#### **Esteemed shareholders,**

In 2020, we will strive to accomplish the following initiatives under the overarching goal of promoting balanced growth in terms of quantity and quality, as a critical infrastructure provider of the capital market.

#### **First, we will create opportunities for the industry to take another leap forward through reform and innovation.**

Competition in the financial market is becoming fiercer by the day amid the prolonged trend of low growth and low interest rate.

Securities companies are busy making a transition from simple brokerage business to IB and comprehensive wealth management in order to diversify their business models. As for banks, they are making increased investment into IT infrastructure, strengthening their competitiveness in response to the emergence of open banking.

We will also dedicate our efforts to respond preemptively to the rapidly changing financial environment, with a focus on promoting new distribution channels and creating new demand.

#### **Second, we will reinforce our inherent role as a comprehensive service provider in the capital market that aims to bolster shared growth.**

By injecting necessary liquidity to the market and safeguarding investors' deposits, we are contributing to building a financial environment in which investors can safely invest and manage their money.

All of our employees will strive to foster the development of the capital market by providing differentiated financial services to market players, which will in turn lead to the development of the KSFC, thereby creating a virtuous cycle.

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

Sadly, the public's mistrust toward the financial industry has increased with the recent mis-selling of DLFs(derivatives-linked funds) and some privately placed funds. We will concert our efforts to provide customer-oriented services by stepping into their shoes, as well as strengthen preemptive risk management.

**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.**

Furthermore, we plan to expand the volunteer activities of the KSFC Foundation, which was established with 100% contribution from the KSFC, to better embrace the vulnerable and instill hope to the society. The KSFC Foundation is actively carrying out various charity work, including its sponsorship of charity contests to select welfare projects for multi-cultural families and scholarship programs for students in need.

#### **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.

Once again, we thank you for your precious time and send best wishes for your health and well-being, as well as for your families.

On that note, I would like to conclude my overview on our key performance of FY2019, the 70th fiscal period.

Thank you.

**March 31, 2020**

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

*Chung, Wankyu*

# 01 History



## Rich Experience and Insight

Based on a long history of 65 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 65-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

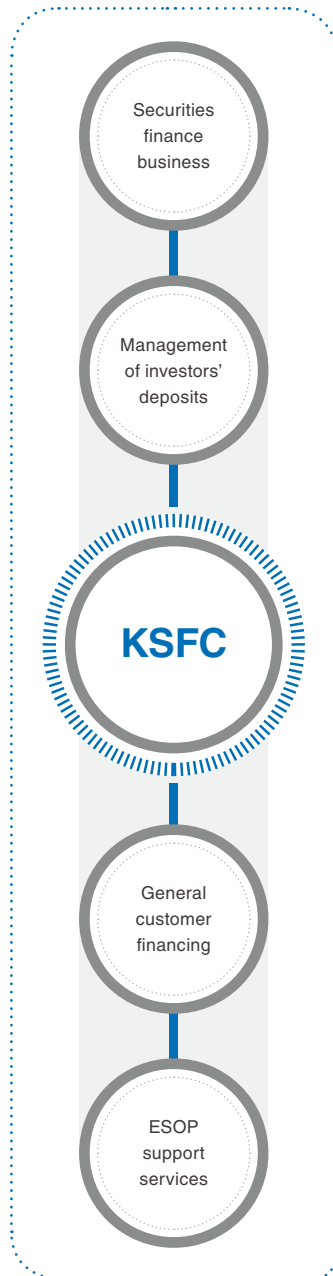
### KSFC's Vision

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 ancillary services that best meet customer needs.

### Supporting ESOPs

**We provide depository, custodial, stock lending and other financial services related to ESOP shares as an exclusive ESOP management institution**

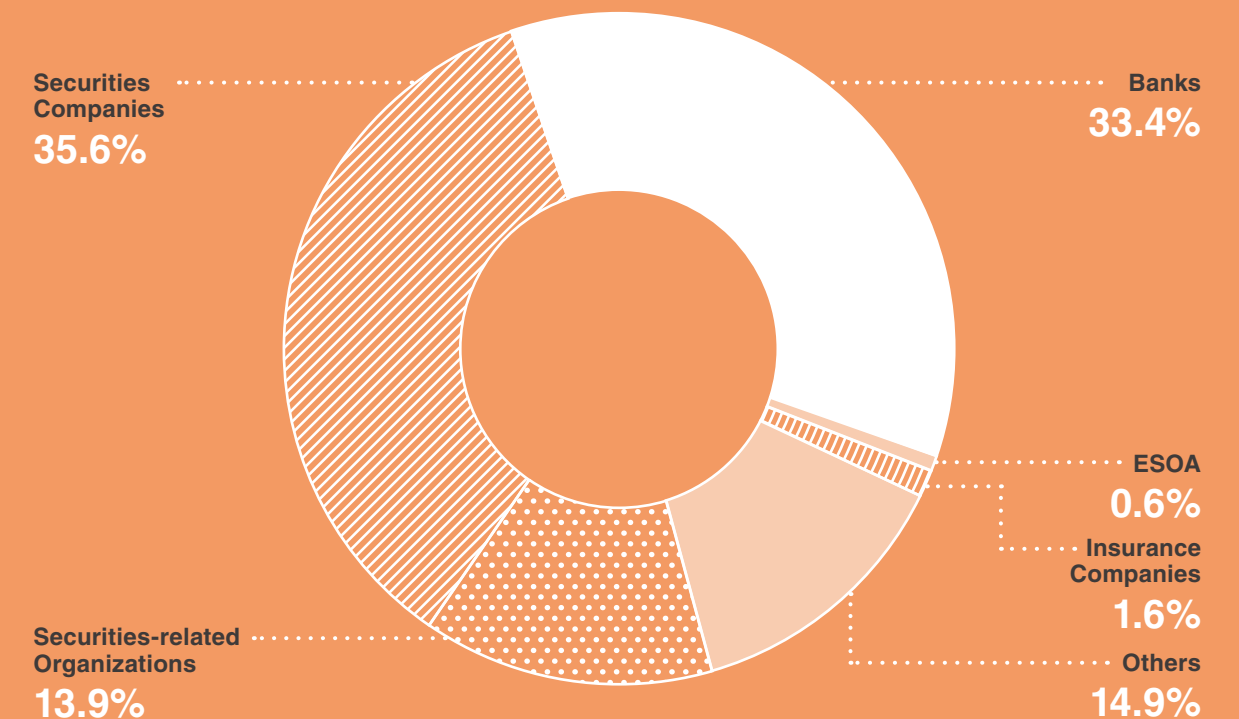
An Employee Stock Ownership Plan (ESOP) is an employee benefit scheme that promotes workers' welfare by encouraging them to purchase and hold stocks of their employer companies. We have established and now operate an ESOP support center that provides consultation and education on the creation and management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

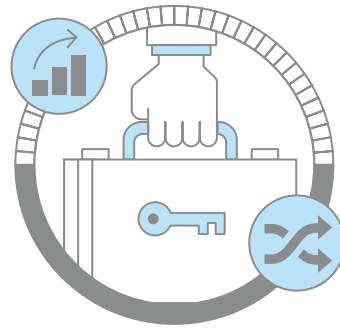
(December 31, 2019)





# 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

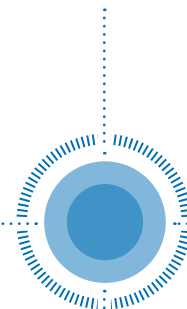
We operate a committee that superintends ethical management and makes ethical decisions in order to raise awareness on ethical conduct and encourage employees to practice ethical management.

#### 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.

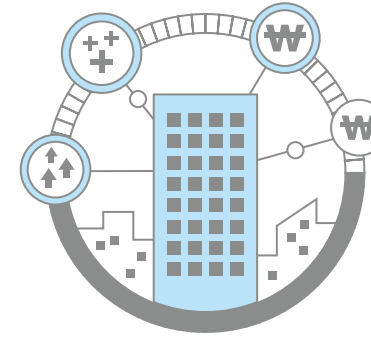


#### Frequent Ethics/Compliance Education

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.



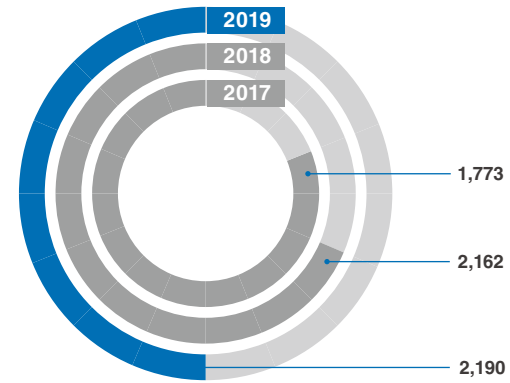
The KSFC engages in securities financing services in accordance with the Financial Investment Services and Capital Markets Act and additional services licensed by, approved by, or registered with the Financial Services Commission. These services mainly include lending of funds or securities for trading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

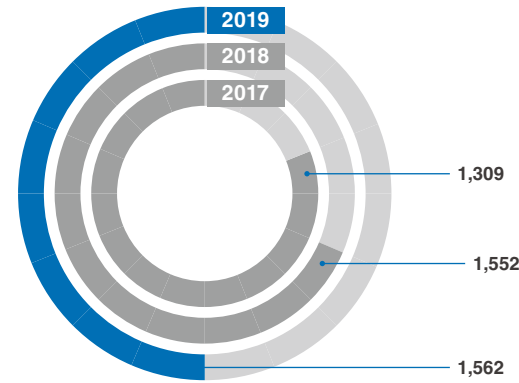
# Financial Highlights

## KSFC INCOME

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



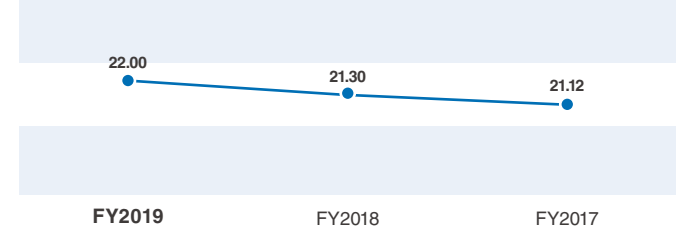
**Net Income**  
(Units : KRW 100 million)



## ASSETS (Units : KRW 100 million)

Division	FY2019	FY2018	FY2017
<b>Total Assets</b>	<b>498,698</b>	490,941	488,483
<b>Total Equity</b>	<b>20,687</b>	19,630	18,226
<b>Total Liabilities</b>	<b>478,012</b>	471,311	470,257

## BIS RATIO (Units : %)



## CREDIT RATING

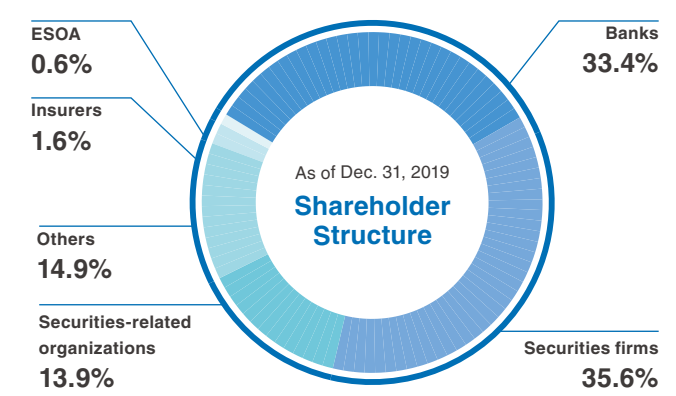
**Domestic**  
(NICE Investors Services Co. / Korea Ratings / Korea Investors Service)

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)

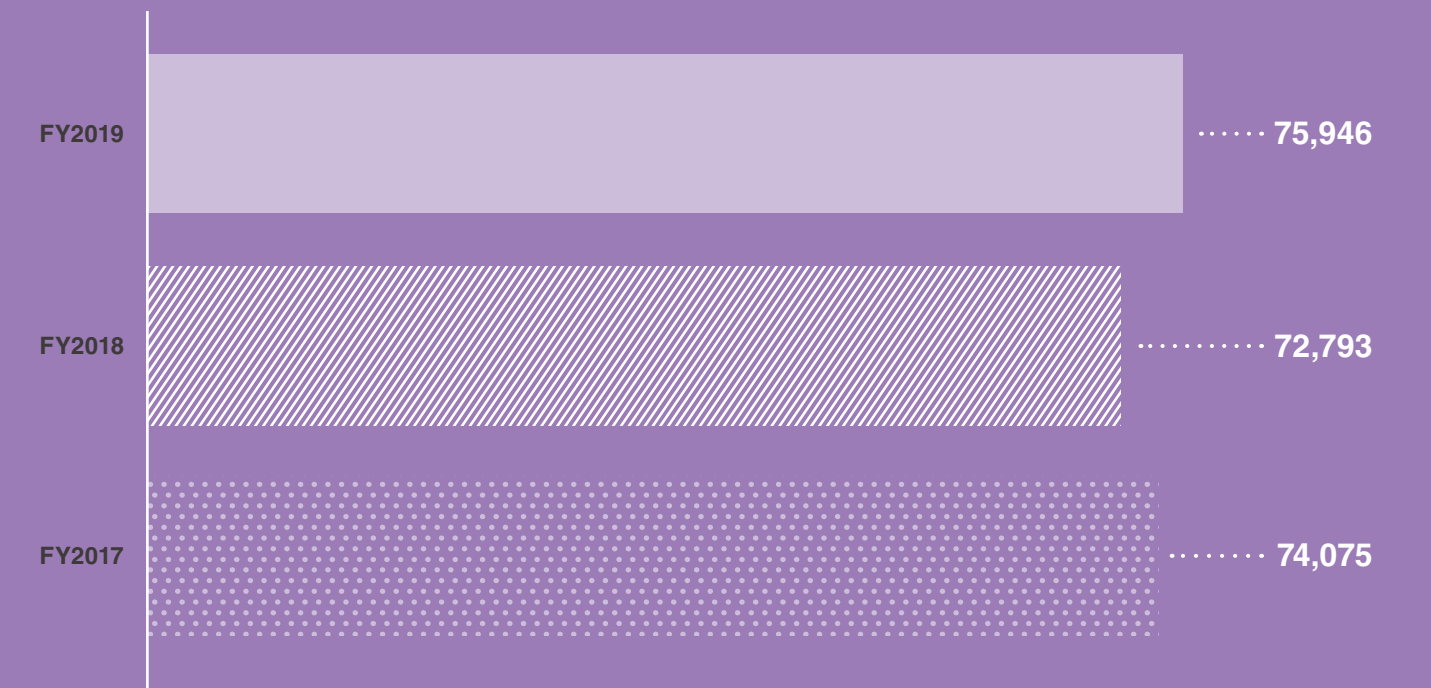
COMPANY NAME	Business category	Capital	Number of shares owned	Percentage of ownership
Fund Online Korea	Financial business	KRW 76,017,100,000	8,414,000 shares	55.34%

# 02

# Business Review

## TOTAL ASSETS

(KRW in billions, including trust accounts)



# Summary

January 1, 2019 ~ December 31, 2019

**In FY2019, 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 FY2019, the average balance of total assets decreased by 8.0% year-on-year to KRW 55.25 trillion. Loan receivables decreased by 6.7% to KRW 28.58 trillion, cash and bank deposits decreased by 7.7% to KRW 12.62 trillion, and securities declined by 10.7% to KRW 13.97 trillion.

Total liabilities recorded KRW 53.28 trillion, an 8.5% decrease year-on-year, with depository liabilities declining by 10.0% to KRW 45.85 trillion and borrowings by 3.5% to KRW 4.44 trillion.

Total shareholders' equity, including paid-in capital of KRW 340 billion, grew by 9.3% to KRW 1.97 trillion.

## OPERATING PERFORMANCE

In FY2019, operating revenue recorded KRW 1.38 trillion, marking a decrease of 2.1% year-on-year. While gains on the valuation and disposal of financial investments dropped by 27.6% to KRW 154.3 billion and fee income by 6.1% to KRW 126.9 billion, interest income also decreased by 2.5% to KRW 970.7 billion and investment returns from trust accounts by 4.1% to KRW 20.1 billion. Dividend income rose by 18.8% to KRW 87.5 billion.

Operating expenses decreased by 2.8% to KRW 1.16 trillion. Interest expenses dropped by 3.6% to KRW 868.6 billion, fee expenses by 8.4% to KRW 107.9 billion, and losses on the valuation and disposal of financial investments by 0.6% to KRW 66.2 billion. However, administrative expenses rose by 12.4% to KRW 98.0 billion.

As a result, we recorded KRW 219.0 billion in operating income, a year-on-year increase of 1.3%, and KRW 156.2 billion in net income, a year-on-year increase of 0.6%.

## EVALUATION

In 2019, the volatility of the global financial market continued to expand due to various factors ranging from sluggish economic growth across the globe, interest rate reductions to protests in Hong Kong. The capital market was faced with unfavorable conditions such as the slump in domestic consumption and investment, as well as the continuing decline of the working age population.

Amidst such challenges, the KSFC strived to achieve shared growth with the financial investment industry towards the goal of improving our competence as a core financial

infrastructure provider through innovation. As a result, we recorded KRW 49.87 trillion in assets and KRW 156.2 billion in net income as of the end of FY2019 and successfully fulfilled our mission of 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 55.25 trillion in FY2019, which is a 8.0% decrease 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 FY2019 was KRW 55.25 trillion, down 8.0% compared to the previous year.

The respective share of each account is as follows: deposits from financial investment institutions at 49.0%, notes issued at 14.9%, investors' deposits at 12.2%, and bonds sold under RPs at 5.7%. While the percentages of investors' deposits and deposits from financial investment institutions increased, the percentage of notes issued decreased.

## DEPOSIT LIABILITIES

The average balance of deposit liabilities, which is composed of various deposits, notes issued, etc., decreased by 10.0% year-on-year to KRW 45.85 trillion, accounting for 83.0% (84.8% in the previous year), the majority of the total raised funds.

### 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 decreased by 2.2% year-on-year to KRW 6.77 trillion, accounting for 12.3% of the total raised funds compared to 11.5% in FY2018.

- Deposits for securities trading are funds entrusted to financial investment companies for the purpose of stock trading. The average balance stood at KRW 37.0 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 2.38 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 1.25 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 2.85 trillion.
- Foreign currency deposits are funds placed by investors in financial investment companies in foreign currencies. The average balance recorded KRW 245.9 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 42.9 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 increased by 15.6% year-on-year, recording an average balance of KRW 1.10 trillion in FY2019, accounting for a share of 2.0% of the total raised funds (1.6% in the previous year).

- These deposits are managed in the form of discounted notes to investment companies that deposited the funds within the deposited amount.

## FY2019 BREAKDOWN OF SOURCES OF FUNDING

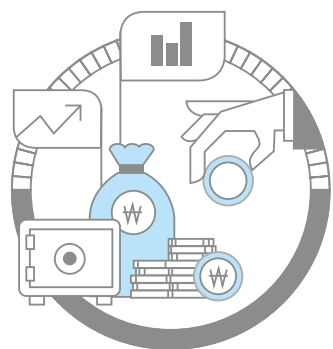
(Units: KRW million, %, based on average balance)

Sources of Funding	FY2019		FY2018		FY2017	
	Amount	%	Amount	%	Amount	%
<b>Deposit Liabilities</b>	<b>45,845,783</b>	<b>83.0</b>	50,920,315	84.8	45,485,202	83.9
Investors' Deposits <sup>1)</sup>	6,766,538	12.3	6,920,629	11.5	6,907,857	12.7
Deposits for Gold Spot Trading	42,918	0.1	24,338	0.0	25,739	0.1
Subscription Margin Deposits	1,101,089	2.0	952,822	1.6	1,090,074	2.0
Stock Market Stabilization Fund Deposits	3,986	0.0	4,375	0.0	7,484	0.0
Deposits from Financial Investment Institutions	27,059,175	49.0	26,519,439	44.3	25,414,128	46.9
Individual Savings Account Deposits (ISA)	88,618	0.2	78,227	0.1	85,709	0.2
Deposits from Corporate Customers	1,823,652	3.3	1,975,540	3.3	2,004,464	3.7
IPO Stock Subscription Deposits and Others	3,824	0.0	477	0.0	732	0.0
Deposits from Retail Customers	64,430	0.1	62,840	0.1	70,974	0.1
ESOP Deposits	2,266	0.0	3,188	0.0	3,688	0.0
Pension Fund Deposits	399,428	0.7	324,211	0.5	543,887	1.0
Online Small-amount Subscription Deposits	321	0.0	1,367	0.0	2,261	0.0
Guarantee Money Deposits	70	0.0	69	0.0	68	0.0
SPAC Deposits	236,308	0.4	309,826	0.5	456,919	0.8
Notes Issued	8,252,664	14.9	13,742,506	22.9	8,869,805	16.4
Special Deposits	496	0.0	461	0.0	1,414	0.0
<b>Borrowings</b>	<b>4,436,891</b>	<b>8.0</b>	4,596,284	7.7	3,906,688	7.2
Call Money	245,550	0.4	237,591	0.4	93,656	0.2
Bonds Sold under RPs	3,123,040	5.7	3,314,446	5.6	3,058,100	5.6
Borrowings <sup>2)</sup>	1,068,301	1.9	1,044,247	1.7	754,932	1.4
<b>Corporate Bonds</b>	<b>1,819,45</b>	<b>3.3</b>	1,339,648	2.2	1,347,417	2.5
<b>Other Liabilities</b>	<b>1,181,229</b>	<b>2.1</b>	1,391,163	2.3	1,714,943	3.2
Cash Collateral <sup>3)</sup>	628,021	1.1	764,841	1.3	1,125,214	2.1
Borrowings from Trust Accounts	472,299	0.9	542,262	0.9	514,386	1.0
Deferred Tax and Others	80,909	0.1	84,060	0.1	75,343	0.1
<b>Shareholder's Equity</b>	<b>1,968,966</b>	<b>3.6</b>	1,801,746	3.0	1,744,453	3.2
<b>Total</b>	<b>55,252,325</b>	<b>100.0</b>	60,049,156	100.0	54,198,704	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. Cash collateral is the sum of stock loans, SBL intermediation, and other transactions.



#### Deposits from Financial Investment Institutions

In FY2019, the average balance of deposits from financial investment institutions and other related institutions recorded KRW 27.06 trillion, accounting for 49.0% of the total raised funds.

- 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 the 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 1.82 trillion in FY2019.

#### 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 399.4 billion in FY2019.

#### ISA Deposits

The average balance of these funds placed by financial investment companies from their Individual Savings Accounts (ISAs) recorded KRW 88.6 billion in FY2019.

#### Online Small-amount Subscription Deposits

The average balance of this offering, which manages securities-type crowdfunding subscription deposits, reached KRW 300 million in FY2019.

#### 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 236.3 billion, accounting for 0.4% of the total raised funds.

#### Notes Issued

Notes issued can raise deposit-like funds by issuing debt instruments. The average balance decreased by 39.9% to KRW 8.25 trillion in FY2019.

- Notes issued are mostly composed 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 decreased by 3.5% year-on-year in FY2019, recording KRW 4.44 trillion and accounting for 8.0% of the total raised funds.

#### Call Money

Call money increased on the back of low interest rates after the lifting of restrictions on call loans. In FY2019, the average balance of call money stood at KRW 245.6 billion, accounting for 0.4% of the total raised funds.

#### Bonds Sold under RPs

The average balance of bond sales under RPs, where bond holdings are sold to an individual or corporation on the condition that they will be bought back at a later agreed-upon date, recorded KRW 3.12 trillion in FY2019, accounting for 5.7% of the total raised funds.

- This emerged as a major funding source with the initiation of RP transactions between institutions in 2003.

#### Borrowings

The average balance of borrowings from financial institutions increased 2.3% year-on-year to KRW 1.07 trillion, accounting for 1.9% of the total funding compared to 1.7% in the previous year.

### CORPORATE BONDS

In FY2019, corporate bond issuance increased by 35.8% year-on-year to KRW 1.82 trillion, accounting for 3.3% of the total raised funds (2.2% in the previous year).

### OTHER LIABILITIES

The average balance of other liabilities including cash collateral and borrowings from trust accounts, etc., declined by 15.1% year-on-year to KRW 1.18 trillion, accounting for 2.1% of the total raised funds in FY2019 (2.3% in the previous year).

#### Cash Collateral

The average balance, which includes KRW 444.4 billion in cash collateral for SBL intermediation, KRW 15.8 billion in cash collateral for stock loans, and KRW 167.8 billion in other cash collateral, decreased by 17.9% year-on-year to KRW 628.0 billion, accounting for 1.1% of the total raised funds in FY2019 (1.3% 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, decreased by 12.9% year-on-year to KRW 472.3 billion, accounting for 0.9% of the total raised funds in FY2019 (0.9% in the previous year).

### SHAREHOLDERS' EQUITY

In FY2019, the average balance of shareholders' equity increased by 9.3% to KRW 1.97 trillion, accounting for 3.6% of the total raised funds (3.0% in the previous year).

#### Paid-in Capital and Capital Surplus

Paid-in capital and capital surplus recorded KRW 340.0 billion and KRW 21.8 billion, respectively, which are the same as the previous year.

#### Retained Earnings

Retained earnings increased by 10.1% year-on-year to KRW 1.53 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 32.1% in loans, 22.4% in won-denominated bank deposits, 15.8% in bonds purchased under RPs, 12.9% in securities at fair value through profit or loss, 12.5% in securities at fair value through other comprehensive income, and 3.6% in discounted notes. The share of securities investment fell year-on-year.

## CASH AND BANK DEPOSITS

A large portion of the total funds is held in the form of cash and bank deposits for stable liquidity management, as short-term current funds account for a significant share in our funding structure. In FY2019, the average balance of cash and bank deposits decreased by 7.7% year-on-year to KRW 12.62 trillion, accounting for 22.9% of the total managed funds (22.8% in the previous year).

### Bank Deposits in Won

The average balance of bank deposits in won decreased by 7.8% year-on-year to KRW 12.40 trillion, accounting for 22.5% of the total managed funds (22.4% in the previous year).

### Bank Deposits in Foreign Currencies

The average balance of bank deposits in foreign currencies decreased by 0.8% year-on-year to KRW 223.9 billion, accounting for 0.4% of the total managed funds (0.4% in the previous year).

## SECURITIES

Compared to the previous year, during which we expanded investments in securities to boost profitability due to the intensified competition in the securities-backed loan market, the average balance of securities in FY2019 decreased by 10.7% year-on-year to KRW 13.97 trillion, accounting for 25.4% of the total managed funds (26.0% in the previous year).

Looking at the current status by type, stocks (including investment money) amounted to KRW 819.1 billion, up 9.3% over the previous year, while bonds rose by 13.8% to KRW 6.50 trillion and beneficiary certificates declined by 28.6% to KRW 6.35 trillion. Other securities (derivative-linked securities, etc.) increased by 5.7% to KRW 305.3 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 12.8% of the total managed funds (15.9% in the previous year).

### 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 12.5% of the total managed funds (10.1% in the previous year).



## LOAN RECEIVABLES

Our loan receivables include discounted notes, bonds purchased under RPs, and various other loan products, which serve short-term funding purposes. The average balance in FY2019 decreased by 6.7% year-on-year to KRW 28.58 trillion, accounting for 51.7% of the total managed funds (51.1% in the previous year).

### Discounted Notes

The average balance of discounted notes increased by 4.9% year-on-year to KRW 1.99 trillion, accounting for 3.6% of the total managed funds (3.2% in the previous year).

### Bonds Purchased under RPs

The average balance of bonds purchased from institutional investors on a buy-back condition at a later agreed-upon date recorded KRW 8.74 trillion in FY2019, accounting for 15.8% of the total managed funds.

## FY2019 BREAKDOWN OF MANAGED FUNDS

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

Funds	FY2019		FY2018		FY2017	
	Amount	%	Amount	%	Amount	%
<b>Cash and Bank Deposits</b>	<b>12,624,803</b>	<b>22.9</b>	13,681,662	22.8	13,462,206	24.9
Deposits in Won	12,400,941	22.5	13,455,945	22.4	13,053,623	24.1
Deposits in Foreign Currencies	223,862	0.4	225,717	0.4	408,583	0.8
<b>Securities</b>	<b>13,972,871</b>	<b>25.3</b>	15,642,728	26.0	16,415,897	30.3
Short-term Trading Securities	-	-	-	-	9,651,678	17.8
Securities at Fair Value through Profit or Loss	7,076,921	12.8	9,549,267	15.8	-	-
Financial Assets Designated at Fair Value through Profit or Loss	-	-	-	-	-	-
Available-for-sale Securities	-	-	-	-	6,764,219	12.5
Securities at Fair Value through Other Comprehensive Income	6,895,950	12.5	6,093,351	10.1	-	-
Securities at Amortized Cost	-	-	110	0.1	-	-
<b>Derivatives</b>	<b>-</b>	<b>-</b>	-	-	-	-
<b>Loan Receivables</b>	<b>28,581,021</b>	<b>51.7</b>	30,644,663	51.1	24,244,529	44.7
Call Loans	96,712	0.2	36,438	0.1	-	-
Discounted Notes	1,989,546	3.6	1,896,206	3.2	2,345,086	4.3
Bonds Purchased under RPs	8,741,744	15.8	11,935,880	19.9	8,598,593	15.9
Loans	17,753,019	32.1	16,776,139	27.9	13,300,850	24.5
<b>Other Assets</b>	<b>73,630</b>	<b>0.1</b>	80,103	0.1	76,072	0.1
<b>Total</b>	<b>55,252,325</b>	<b>100.0</b>	60,049,156	100.0	54,198,704	100.0

### Loans

The average balance of loans grew by 5.82% year-on-year to KRW 17.75 trillion, accounting for 32.1% of the total managed funds.

- **Margin financing loans** are offered through a clearing house (exchange) to provide financial investment companies with the funding and securities needed to finance their customers' margin trading. The average balance recorded KRW 3.87 trillion.
- **Financing for securities-backed loans** are offered to financial companies to fund their securities-backed loan businesses. The average balance recorded KRW 7.39 trillion.
- **Working capital loans** are offered to financial investment companies, related institutions, the Korea Exchange, insurance companies, etc., to fund their working capital needs. The average balance recorded KRW 771.6 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 2.07 trillion.
- **ESOP share-backed loans** are provided to ESOA members, backed by their deposited ESOP shares. The average balance recorded KRW65.2 billion.
- **General securities-backed loans** are offered to retail or corporate customers to fund their investment needs, etc. The average balance recorded KRW 3.12 trillion.

### BREAKDOWN OF LOANS

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

Type of Loan	FY2019		FY2018		FY2017	
	Amount	%	Amount	%	Amount	%
Margin Financing Loans	3,872,513	21.8	4,282,973	25.5	3,259,137	24.5
Working Capital Loans	771,563	4.3	766,742	4.6	774,420	5.8
Financing for Securities-Backed Loans	7,387,334	41.6	6,425,246	38.3	4,623,863	34.8
ESOP Share Acquisition Loans	2,068,428	11.7	2,097,567	12.5	2,035,934	15.3
ESOP Share-Backed Loans	65,260	0.4	47,482	0.3	31,800	0.2
General Securities-Backed Loans	3,120,523	17.5	2,987,821	17.8	2,570,536	19.3
Securities Investment Finance	460,240	2.6	161,657	0.96	-	-
Others	7,158	0.1	6,651	0.04	5,160	0.04
<b>Total</b>	<b>17,753,019</b>	<b>100.0</b>	<b>16,776,139</b>	<b>100.0</b>	<b>13,300,850</b>	<b>100.0</b>

## 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 the exclusive custodian of ESOP shares in accordance with the Framework Act on Labor Welfare, the KSFC performs various ESOP-related public functions, such as consultation on the establishment and management of employee stock ownership associations (ESOs), the safekeeping and management of ESOP shares, and the practical training of ESOA managers, to help spread and promote the ESOP system in Korea. We also provide financial assistance to ESOAs and their members to help them purchase ESOP shares (ESOP share acquisitions loans) and cover household living expenses (ESOP share-backed loans) when in need.

### Current Status of ESOA Establishment

As of the end of December 2019, a total of 3,269 companies have established their own ESOAs, with their combined members totaling 1,435,000. Of those companies, 691 are KOSPI-listed (1,011,000 members), 997 are KOSDAQ-listed (140,000 members), and 1,581 are classified as others (284,000 members).

### Current Status of Deposited ESOP Shares

As of the end of December 2019, a total of 425,000 members from 1,268 ESOAs have deposited 538.9 million ESOP shares valued at KRW 7.42 trillion based on acquisition price.

- Of the total deposited shares, 393.0 million are KOSPI-listed shares, 52.4 million are KOSDAQ-listed shares, and 93.5 million shares are classified as others.



- As of the end of December 2019, the mark-to-market value of the total deposited shares stood at KRW 7.32 trillion, with the value of KOSPI-listed shares at KRW 6.11 trillion, KOSDAQ-listed shares at KRW 549.5 billion, and shares classified as others at KRW 659.1 billion.
- Members' ownership interest in ESOP shares was minimal at 1.12% for KOSPI-listed companies, 0.59% for KOSDAQ-listed companies, and 1.49% for remaining companies classified as others.

#### CURRENT STATUS OF ESOA ESTABLISHMENT

(Units: number of companies, number of members)

Type of Company	FY2019 (as of the end of year)		FY2018 (as of the end of year)		FY2017 (as of the end of year)	
	ESOA	Member	ESOA	Member	ESOA	Member
KOSPI-listed Companies	691	1,010,988	684	961,944	676	956,323
KOSDAQ-listed Companies	997	140,328	952	134,653	905	132,737
Others	1,581	284,036	1,548	280,567	1,478	269,757
<b>Total</b>	<b>3,269</b>	<b>1,435,352</b>	<b>3,184</b>	<b>1,377,164</b>	<b>3,059</b>	<b>1,358,817</b>

#### CURRENT STATUS OF DEPOSITED ESOP SHARES

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

Classification	FY2019 (as of the end of year)				FY2018 (as of the end of year)				FY2017 (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	289	347,853	392,972	6,313,977	292	284,235	395,398	6,099,678	279	269,635	304,416	5,674,459
KOSDAQ-listed	394	25,379	52,408	463,270	385	25,027	58,895	416,101	352	25,472	69,777	461,254
Other	585	51,968	93,494	645,697	570	49,863	75,165	587,310	547	52,691	77,537	598,050
<b>Total</b>	<b>1,268</b>	<b>425,200</b>	<b>538,874</b>	<b>7,422,944</b>	<b>1,247</b>	<b>359,125</b>	<b>529,459</b>	<b>7,103,089</b>	<b>1,178</b>	<b>347,798</b>	<b>451,730</b>	<b>6,733,763</b>

## 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 in securities and derivatives with the KSFC, with the KSFC 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 and monthly interest as stipulated by previously agreed-upon terms is paid out by the KSFC. For trust accounts, the return of principal and interest is not guaranteed, and the entire deposited amount is separately managed and invested with monthly dividends paid out based on investment performance.

#### Trust Account Performance

In FY2019, the average balance of investors' deposits in trust accounts stood at KRW 25.12 trillion, of which KRW 19.89 trillion was for securities trading, KRW 3.26 trillion for derivatives trading, and KRW 1.97 trillion for specified money in trust.

- As of the end of December 2019, investors' deposits in trust accounted for 92.7% of total investors' deposits (91.8% at year-end 2018), which is the sum of investors' deposits placed in deposit accounts and trust accounts, with 35 companies choosing trust accounts (34 companies at year-end 2018) and 16 opting for deposit accounts (17 companies at year-end 2018).







#### Investment of Deposits in Trust

As deposits in trust must be managed safely while maintaining high levels of liquidity, relevant laws strictly regulate the scope of assets for investment and the eligibility of counterparts.

- In the interest of balancing risk and return, a total of KRW 18.10 trillion is managed in cash and bank deposits, while KRW 6.71 trillion is invested in securities.

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

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

Classification	FY2019		FY2018		FY2017	
<b>① Investors' Deposit in Trust</b>						
Securities Investors' Deposits	19,889,313		20,560,186		18,848,100	
Derivatives Investors' Deposits	3,263,416		3,274,106		3,307,221	
Specified Money Trust	1,971,000		1,968,282		1,893,008	
<b>Total</b>	<b>25,123,729</b>		<b>25,802,574</b>		<b>24,048,329</b>	
<b>② Breakdown of Investment</b>						
Cash and Bank Deposits	18,104,375	(72.4%)	18,062,865	(70.3%)	17,106,324	(71.4%)
Securities						
Debt Securities	207,060	(0.8%)	536,292	(2.1%)	268,653	(1.1%)
Beneficiary Certificates	5,547,555	(22.2%)	5,972,202	(23.2%)	6,137,350	(25.6%)
CD	951,449	(3.8%)	1,012,867	(3.9%)	448,225	(1.9%)
Sub-total	6,706,063	(26.8%)	7,521,361	(29.2%)	6,854,228	(28.6%)
Loans	0	(0.0%)	0	(0.0%)	0	(0.0%)
RPs	202,064	(0.8%)	119,184	(0.5%)	3,013	(0.0%)
Others	774	(0.0%)	747	(0.0%)	1,475	(0.0%)
<b>Total</b>	<b>25,013,276</b>	<b>(100.0%)</b>	<b>25,704,157</b>	<b>(100.0%)</b>	<b>23,965,040</b>	<b>(100.0%)</b>
<b>③ Number of Companies (As of FY-end)</b>	<b>35</b>		<b>34</b>		<b>34</b>	

## 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 safekeeping and management of 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 FY2019, the average balance of assets under custody slightly increased by 1.6% year-on-year to KRW 94.50 trillion due to increased investments in the MMF market.
- Our market share slightly decreased by 0.59% year-on-year to 11.00%.
- We currently provide custody services to public/private pension fund investment pools.

#### CURRENT STATE OF CUSTODY BUSINESS

(Units: KRW 100 million)

Classification	FY2019	FY2018	FY2017
Assets under Custody (average balance)	<b>944,969</b>	930,067	947,359
Market Share (end balance)	<b>11.00%</b>	11.59%	12.76%



## 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 FY2019, the average balance of SBL intermediation rose by 9.1% year-on-year, recording KRW 48.50 trillion.

- **Stock Borrowing / Lending Intermediation** The average balance decreased by 11.9% year-on-year to KRW 2.64 trillion, with KOSPI-listed shares accounting for KRW 1.85 trillion, posting a 19.9% decrease, and KOSDAQ-listed shares rising by 15.6% to KRW 789.4 billion.

- **Bond Borrowing / Lending Intermediation** The average balance rose by 10.6% year-on-year to KRW 45.86 trillion. The balance of treasury bonds rose by 8.4% to KRW 42.99 trillion, while monetary stabilization bonds (MSBs) increased by 64.7% to KRW 2.71 trillion. The balance of other bonds increased by 2.3% year-on-year, recording KRW 153.0 billion.

### Short-term Fund Intermediation

The average balance of RP intermediation dropped by 4% compared to that of the previous year to KRW 13.76 trillion, while there were no occurrences of electronic short-term bond issuance intermediation.

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

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

Classification		FY2019	FY2018	FY2017
① SBL Intermediation		484,994	444,520	385,744
Stocks	KOSPI (%)	18,518 (70.1%)	23,142 (77.2%)	19,668 (80.0%)
	KOSDAQ (%)	7,894 (29.9%)	6,826 (22.8%)	4,929 (20.0%)
	<b>Sub-total (%)</b>	<b>26,412 (100.0%)</b>	<b>29,968 (100.0%)</b>	<b>24,597 (100.0%)</b>
Bonds	Treasury Bonds (%)	429,920 (93.7%)	396,580 (95.7%)	337,878 (93.6%)
	Monetary Stabilization Bonds (%)	27,134 (5.9%)	16,478 (4.0%)	21,843 (6.0%)
	Other Bonds	1,530 (0.4%)	1,494 (0.4%)	1,426 (0.4%)
	<b>Sub-total (%)</b>	<b>458,584 (100.0%)</b>	<b>414,552 (100.0%)</b>	<b>361,147 (100.0%)</b>
② RP Intermediation		137,575	143,367	134,834
③ Intermediation for Electronic Short-term Bond Issuance		0	288	609

# 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

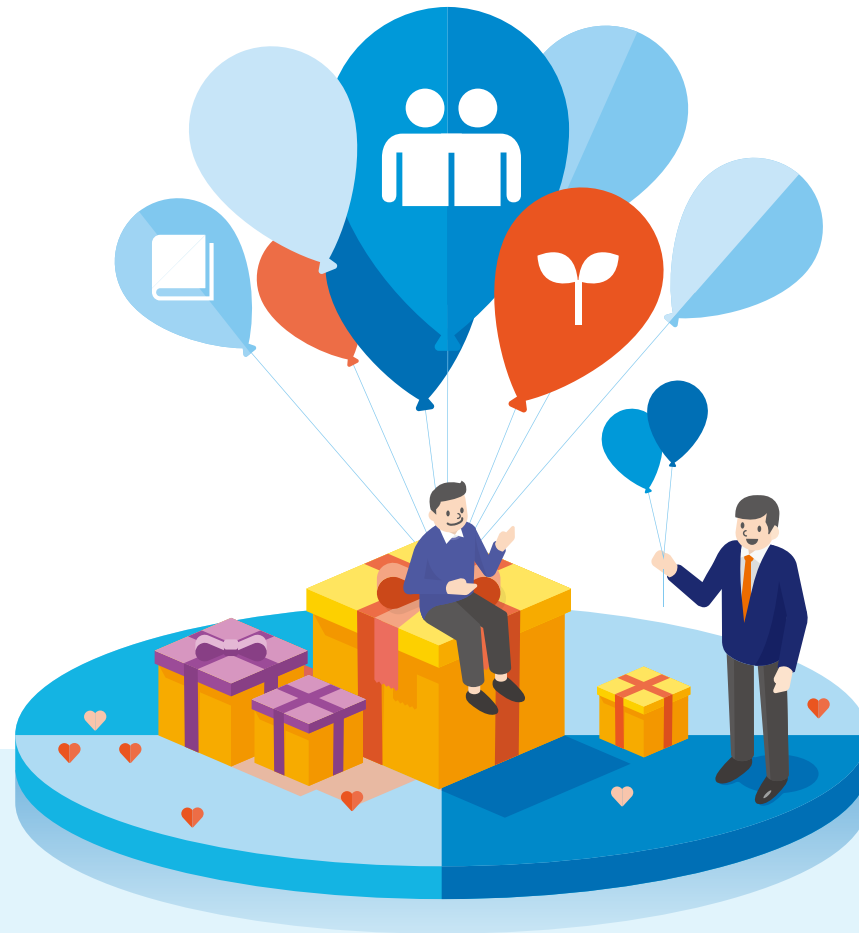
We support the arts and culture by supporting content creation and market expansion.

### 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.

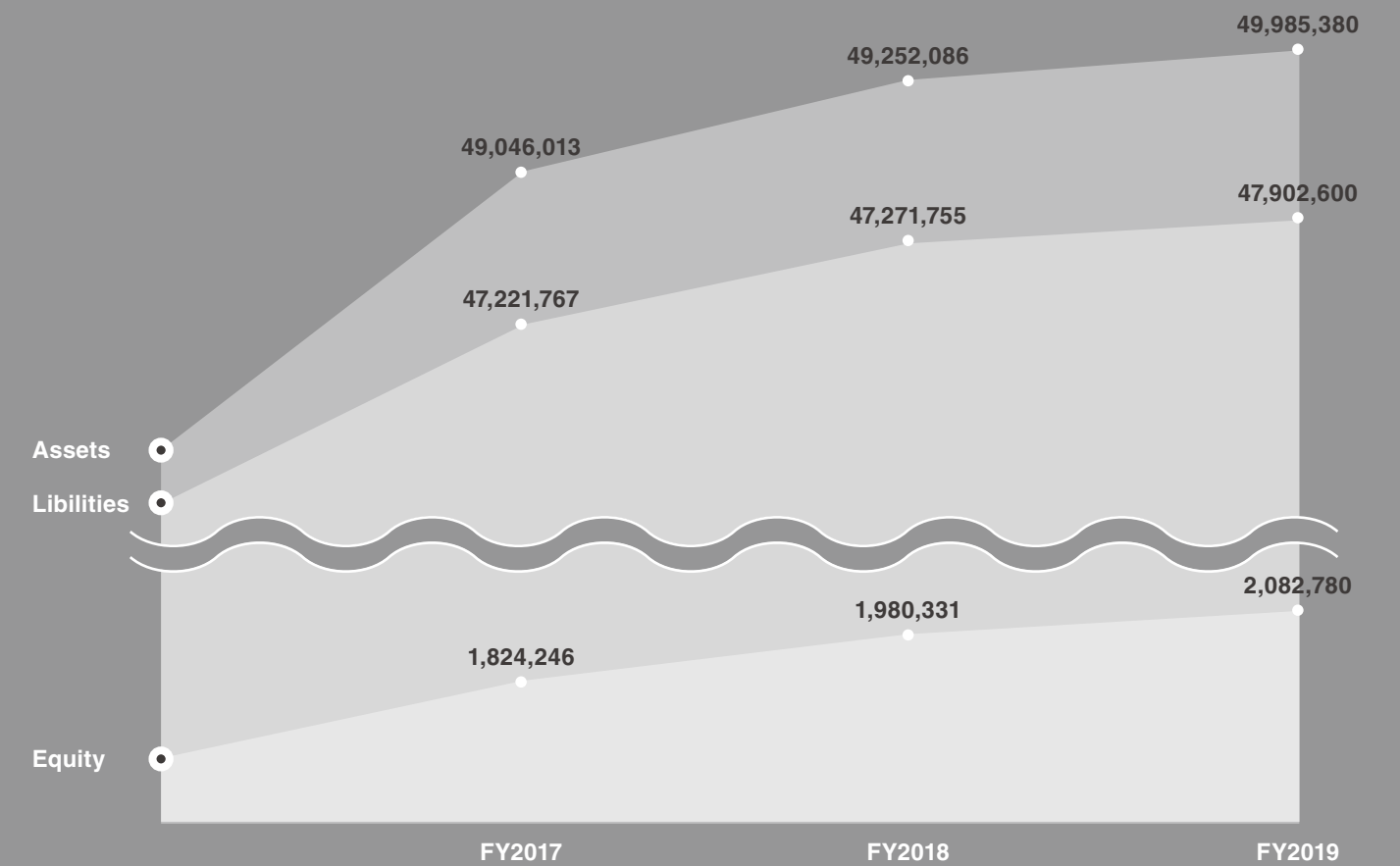


# 04

# 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, 2019 and 2018

In Korean won		December 31, 2019		December 31, 2018	
<b>Assets</b>	Cash and due from banks	₩	10,448,485,262,056	₩	12,388,366,527,856
	Financial investments		12,649,466,960,771		12,054,158,314,169
	Loans		26,601,163,769,151		24,461,816,836,464
	Other assets:				
	Investments in associates		93,253,614,596		138,284,528,536
	Property and equipments		38,051,187,824		30,941,340,060
	Intangible assets		18,206,254,366		29,592,483,015
	Prepaid expenses		2,410,020,130		3,216,940,326
	Accrued income		114,200,932,354		130,993,471,898
	Investment assets		13,019,473,413		13,268,137,030
	Others		7,122,822,729		1,447,871,835
		286,264,305,412		347,744,772,700	
<b>Total assets</b>	<b>₩</b>	<b>49,985,380,297,390</b>	<b>₩</b>	<b>49,252,086,451,189</b>	
<b>Liabilities</b>	Deposits	₩	38,977,954,676,665	₩	38,308,099,602,728
	Short-term trading financial liabilities		11,791,463,538		-
	Derivatives		300,188,698		270,909,198
	Borrowings		5,689,304,840,000		6,141,204,840,000
	Debentures		2,038,639,871,473		1,618,781,692,824
	Other liabilities				
	Guarantee deposits		660,869,726,080		518,919,040,156
	Supply and demand premium		631,942		7,450,450
	Account payable for trust accounts		341,786,809,902		480,955,072,237
	Unearned income		1,898,548,101		1,921,822,394
	Accrued expenses		69,919,476,428		87,563,931,544
	Current tax liabilities		30,605,427,590		22,507,036,943
	Lease liabilities		160,951,772		-
	Provisions		1,544,883,087		160,301,524
	Net defined benefit liabilities		3,002,641,051		6,391,152,062
	Deferred tax liabilities		28,765,330,286		43,260,720,493
	Sundry liabilities		45,154,702,145		40,700,466,329
	Payment for reclassified interests		900,233,507		1,010,961,837
			1,184,609,361,891		1,203,397,955,969
<b>Total liabilities</b>	<b>₩</b>	<b>47,902,600,402,265</b>	<b>₩</b>	<b>47,271,755,000,719</b>	

In Korean won		December 31, 2019		December 31, 2018	
<b>Equity</b>	<b>Owner's equity</b>				
	Capital stock	₩	340,000,000,000	₩	340,000,000,000
	Capital surplus		21,893,382,294		21,767,313,027
	Accumulated other comprehensive income		99,047,855,539		85,979,886,486
	Retained earnings		1,603,843,619,016		1,511,344,033,835
	(Regulatory reserve for credit losses: ₩125,581 million as at December 31, 2019, and ₩118,724 million as at December 31, 2018)				
	Expected additional regulatory reserve: ₩10,249 million as at December 31, 2019, and ₩6,857 million as at December 31, 2018)				
			2,064,784,856,849		1,959,091,233,348
	<b>Non-controlling interests</b>		17,995,038,276		21,240,217,122
	Total equity		2,082,779,895,125		1,980,331,450,470
	<b>Total liabilities and equity</b>	<b>₩</b>	<b>49,985,380,297,390</b>	<b>₩</b>	<b>49,252,086,451,189</b>

KOREA SECURITIES FINANCE CORP. AND SUBSIDIARIES

# Consolidated Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

In Korean won	2019	2018
<b>Operating income:</b>		
Interest income		
Interest on due from banks	₩ 221,883,655,455	₩ 230,055,298,040
Interest on securities	165,590,171,718	157,604,954,754
Interest on loans	600,487,560,099	576,259,428,621
	987,961,387,272	963,919,681,415
Gain on valuation and sale of financial investments:		
Gain on sales of financial assets at FVTPL	79,361,063,926	103,481,310,378
Gain on valuation of financial assets at FVTPL	61,613,154,590	84,397,051,270
Gain on sales of financial assets at FVOCI	2,904,751,916	5,670,167,026
	143,878,970,432	193,548,528,674
Gain on valuation and transaction of derivative instruments:		
Gain on transaction of derivative instruments	1,828,410,572	838,754,091
	1,828,410,572	838,754,091
Reversal of allowance for credit loss		
Reversal of loss allowance for deposit due from banks	-	18,154,099
Reversal of loss allowance for loans	172,607,631	-
Reversal of loss allowance for financial assets at FVOCI	1,465,536,867	2,330,900,280
	1,638,144,498	2,349,054,379
Commission income	130,140,972,577	135,135,979,075
Gain on foreign currency transactions and translation	14,067,481,916	14,954,852,526
Trust fees and commissions received from trust account	20,027,716,215	20,925,979,385
Dividends		
Dividend income from financial assets at FVTPL	301,649,220	337,240,968
Dividend income from financial assets at FVOCI	1,800,599,626	1,404,506,242
	2,102,248,846	1,741,747,210
Others	60,526,273,899	58,802,733,068
<b>Total operating income</b>	<b>₩ 1,362,171,606,227</b>	<b>₩ 1,392,217,309,823</b>

In Korean won	2019	2018
<b>Operating expenses:</b>		
Interest expenses:		
Interest on due from banks	₩ 739,033,022,344	₩ 780,964,999,799
Interest on borrowings and debentures	59,352,982,018	47,147,839,295
Others	71,779,488,925	75,603,759,977
	870,165,493,287	903,716,599,071
Loss on valuation and sales of financial investments:		
Loss on sale of financial assets at FVTPL	36,343,864,210	31,751,949,076
Loss on valuation of financial assets at FVTPL	21,534,120,143	26,827,932,598
Loss on sale of financial assets at FVOCI	4,304,487	4,002,091,066
	57,882,288,840	62,581,972,740
Loss on valuation and transaction of derivative instruments:		
Loss on transaction of derivative instruments	1,627,200,000	350,000,000
Loss on valuation of derivative instruments	300,188,698	270,909,198
	1,927,388,698	620,909,198
Loss on valuation and disposal of loans:		
Loss allowance for deposit due from banks	26,907,100	-
Loss allowance for loans	-	320,411,584
Provisions for unused commitments on loans	4,876,992	-
Loss on disposal of loans	-	536,036,190
	31,784,092	856,447,774
Commission expense	108,888,142,094	118,643,634,342
Loss on foreign currency transactions and translation	14,073,819,267	14,954,805,107
Administrative expenses	108,818,280,206	87,163,144,434
Others	2,772,330,806	3,699,721,036
<b>Total operating expenses</b>	<b>1,164,559,527,292</b>	<b>1,192,237,233,702</b>
<b>Operating profits</b>	<b>₩ 197,612,078,935</b>	<b>₩ 199,980,076,121</b>

In Korean won	2019		2018	
<b>Non-operating income (expenses):</b>				
Gain on equity method investments in associates	₩	18,593,396,702	₩	16,183,589,924
Loss on equity method investments in associates		(4,038,667,243)		(4,174,826,140)
Gain on disposal of property and equipment		-		708,000
Loss on disposal of property, and equipment		(76,903,803)		(4,384,314)
Loss on disposal of intangible assets		(13,000)		-
Impairment loss of intangible assets		(18,564,638,072)		-
Loss on disposal of investment assets		-		(550,000)
Other interest income		368,069,395		340,293,231
Donations		(5,143,750,915)		(4,630,500,000)
Provisions		(7,918,739)		-
Others		296,901,203		111,828,775
		(8,573,524,472)		7,826,159,476
<b>Net income before income taxes</b>		<b>189,038,554,463</b>		207,806,235,597
<b>Income taxes</b>		<b>52,058,078,861</b>		57,801,779,322
<b>Net income</b>		<b>136,980,475,602</b>		150,004,456,275
(Adjusted net income after regulatory reserve for credit losses: ₩126,731 million for the year ended December 31, 2019, and ₩143,147 million for the year ended December 31, 2018)				
Attributable to: Owners of the parent		140,099,585,181		150,004,456,275
Non-controlling interests		(3,119,109,579)		-
<b>Other comprehensive income (loss)</b>				
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods		1,021,989,899		6,328,900,428
Other comprehensive income (loss) reclassified to profit or loss in subsequent periods		12,045,979,154		19,959,352,871
		13,067,969,053		26,288,253,299
<b>Total comprehensive income</b>	<b>₩</b>	<b>150,048,444,655</b>	<b>₩</b>	176,292,709,574
Attributable to: Owners of the controlling company		153,167,554,234		176,292,709,574
Non-controlling interests		(3,119,109,579)		-
<b>Earnings per share</b>	₩	2,060	₩	2,206

KOREA SECURITIES FINANCE CORP.

# Separate Statements of Financial Position

As of December 31, 2019 and 2018

In Korean won		December 31, 2019		December 31, 2018	
<b>Assets</b>					
Cash and due from banks	₩	10,436,333,924,072	₩	12,351,274,755,091	
Financial investments		12,763,368,639,557		12,221,784,005,533	
Loans		26,488,729,093,555		24,337,515,243,722	
Other assets:					
Property, plant and equipment		36,903,170,704		30,782,029,372	
Intangible assets		12,535,908,174		8,611,275,007	
Prepaid expenses		2,169,338,497		2,787,892,200	
Accrued income		112,542,204,314		128,215,962,398	
Investment assets		12,670,020,761		12,978,953,492	
Others		4,592,666,073		131,821,234	
		181,413,308,523		183,507,933,703	
<b>Total assets</b>	<b>₩</b>	<b>49,869,844,965,707</b>	<b>₩</b>	49,094,081,938,049	
<b>Liabilities</b>					
Deposits	₩	38,997,513,290,856	₩	38,345,359,769,915	
Borrowings		5,584,704,840,000		5,964,604,840,000	
Debentures		2,038,639,871,473		1,618,781,692,824	
Other liabilities:					
Guarantee deposits		660,869,726,080		518,919,040,156	
Supply and demand premium		631,942		7,450,450	
Account payable for trust accounts		343,559,065,099		485,645,789,469	
Unearned income		1,898,548,101		1,921,822,394	
Accrued expenses		69,749,154,801		87,145,289,493	
Current tax liabilities		30,605,427,590		22,507,036,943	
Provisions		54,876,992		50,000,000	
Lease liabilities		1,013,140,718			
Net defined benefit liabilities		3,002,641,051		6,391,152,062	
Deferred tax liabilities		25,834,458,281		39,812,310,924	
Others		43,724,323,453		39,965,656,330	
		1,180,311,994,108		1,202,365,548,221	
<b>Total liabilities</b>	<b>₩</b>	<b>47,801,169,996,437</b>	<b>₩</b>	47,131,111,850,960	

In Korean won	December 31, 2019		December 31, 2018	
<b>Equity</b>				
Capital stock	₩	340,000,000,000	₩	340,000,000,000
Capital surplus		21,767,313,027		21,767,313,027
Accumulated other comprehensive income		82,924,746,803		85,795,447,921
Retained earnings		1,623,982,909,440		1,515,407,326,141
(Regulatory reserve for credit losses: ₩125,581 million as at December 31, 2019, and ₩118,724 million as at December 31, 2018)				
Expected additional regulatory reserve for credit losses: ₩10,249 million as at December 31, 2019, and ₩6,857 million as at December 31, 2018)				
Total equity		2,068,674,969,270		1,962,970,087,089
<b>Total liabilities and equity</b>	<b>₩</b>	<b>49,869,844,965,707</b>	<b>₩</b>	<b>49,094,081,938,049</b>

## KOREA SECURITIES FINANCE CORP.

# Separate Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

In Korean won	2019		2018	
<b>Operating income:</b>				
Interest income:				
Interest on due from banks	₩	221,471,937,229	₩	228,839,042,117
Interest on securities		153,901,504,837		146,359,448,481
Interest on loans		595,337,197,202		571,719,119,483
		970,710,639,268		946,917,610,081
Gain on valuation and sales of financial investments:				
Gain on sales of financial assets measured at FVTPL		83,228,746,682		104,753,515,013
Gain on valuation of financial assets measured at FVTPL		68,148,318,150		103,959,842,344
Gain on sales of financial assets measured at FVOCI		2,904,751,916		4,421,235,906
		154,281,816,748		213,134,593,263
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		1,465,536,867		2,330,900,280
		1,465,536,867		2,354,927,028
Commission income		126,926,900,438		135,135,979,075
Gain on foreign currency transactions and translation		14,067,481,916		14,954,852,526
Trust fees and commissions received from trust account		20,113,053,670		20,966,306,027
Dividends				
Dividends income from financial assets measured at FVTPL		301,649,220		337,240,968
Dividends income from financial assets measured at FVOCI		1,800,599,626		1,404,506,242
		2,102,248,846		1,741,747,210
Others		87,291,982,917		71,965,748,501
<b>Total operating income</b>	<b>₩</b>	<b>1,376,959,660,670</b>	<b>₩</b>	<b>1,407,171,763,711</b>



In Korean won	2019		2018	
<b>Operating expenses:</b>				
Interest expense:				
Interest on due from banks	₩	739,982,662,610	₩	780,964,999,799
Interest on borrowings and debentures		59,352,982,018		47,147,839,295
Others		69,261,915,660		72,891,276,359
		868,597,560,288		901,004,115,453
Loss on valuation and sales of financial investments:				
Loss on sales of financial assets measured at FVTPL		41,045,670,578		31,959,296,420
Loss on valuation of financial assets measured at FVTPL		25,146,625,643		30,606,369,723
Loss on sales of financial assets measured at FVOCI		4,304,487		4,002,091,066
		66,196,600,708		66,567,757,209
Loss on valuation and disposal of loans:				
Loss allowance for deposit due from banks		26,907,100		-
Loss allowance for loans		369,408,369		-
		396,315,469		-
Commission expenses		107,944,111,874		117,852,809,212
Loss on foreign currency transactions and translation		14,073,819,267		14,954,805,107
Administrative expenses		97,993,825,431		87,163,144,434
Others		2,732,291,992		3,436,035,600
Total operating expenses	₩	1,157,934,525,029	₩	1,190,978,667,015
<b>Operating profits</b>	₩	<b>219,025,135,641</b>	₩	<b>216,193,096,696</b>

In Korean won	2019		2018	
<b>Non-operating income (expenses):</b>				
Gain on disposal of property, plant and equipment		-		708,000
Loss on disposal of property, plant and equipment		(76,903,803)		(4,384,314)
Loss on disposal of intangible assets		(13,000)		-
Loss on disposal of investment assets		-		(550,000)
Other interest income		359,700,281		340,293,231
Donations		(5,143,750,915)		(4,630,500,000)
Others		197,747,337		75,623,469
		(4,663,220,100)		(4,218,809,614)
<b>Net income before income taxes</b>		<b>214,361,915,541</b>		<b>211,974,287,082</b>
<b>Income taxes</b>		<b>58,186,332,242</b>		<b>56,793,110,863</b>
<b>Net income</b>		<b>156,175,583,299</b>		<b>155,181,176,219</b>
(Adjusted net income after regulatory reserve for credit losses: ₩145,927 million for the year ended December 31, 2019, and ₩148,324 million for the year ended December 31, 2018)				
<b>Other comprehensive income (loss)</b>				
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods		(15,101,118,837)		6,328,900,428
Other comprehensive loss reclassified to profit or loss in subsequent periods		12,230,417,719		19,913,267,970
		(2,870,701,118)		26,242,168,398
<b>Total comprehensive income</b>	₩	<b>153,304,882,181</b>	₩	<b>181,423,344,617</b>
<b>Earnings per share</b>	₩	<b>2,297</b>	₩	<b>181,423,342,282</b>

KOREA SECURITIES FINANCE CORP. AND SUBSIDIARIES

# Consolidated Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

In Korean won	Capital stock	Capital surplus	Accumulated other comprehensive income (loss)	Retained earnings	Non-controlling interests	Total
<b>As of January 1, 2018</b>	₩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)
<b>As of January 1, 2018 (adjusted)</b>	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
Gain (loss) on valuation of financial assets at FVOCI	-	-	19,959,352,871	-	-	19,959,352,871
Gain (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
<b>As of December 31, 2018</b>	₩ 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
<b>As of January 1, 2019</b>	₩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
Dividends	-	-	-	(47,600,000,000)	-	(47,600,000,000)
Balance after appropriations	340,000,000,000	21,767,313,027	85,979,886,486	1,463,744,033,835	21,240,217,122	1,932,731,450,470
Total comprehensive income	-	-	13,067,969,053	140,099,585,181	(3,119,109,579)	150,048,444,655
Net income	-	-	-	140,099,585,181	(3,119,109,579)	136,980,475,602
Gain (loss) on valuation of financial assets at FVOCI	-	-	12,045,979,154	-	-	12,045,979,154
Gain (loss) on valuation of financial assets designated at FVOCI	-	-	3,000,867,307	-	-	3,000,867,307
Remeasurements of defined benefit plans	-	-	(1,978,877,408)	-	-	(1,978,877,408)
Changes in non controlling interests due to acquisition of subsidiary	-	126,069,267	-	-	(126,069,267)	-
<b>As of December 31, 2019</b>	₩ 340,000,000,000	₩ 21,893,382,294	₩ 99,047,855,539	₩ 1,603,843,619,016	₩ 17,995,038,276	₩ 2,082,779,895,125

KOREA SECURITIES FINANCE CORP. AND SUBSIDIARIES

# Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

In Korean won	2019	2018
<b>Cash flows from operating activities:</b>		
Net income before income tax	₩ 189,038,554,463	₩ 207,806,235,597
Adjustments to reconcile net income before income tax to net cash flows provided by (used in) operating activities:		
Interest expenses	870,165,493,287	903,716,599,071
Loss on valuation of financial assets at FVTPL	21,534,120,143	26,827,932,598
Loss on sale of financial assets at FVOCI	4,304,487	4,002,091,066
Depreciation	4,115,677,449	2,357,676,359
Amortization expenses of intangible assets	5,556,327,627	3,840,331,724
Loss allowance for deposit due from banks	26,907,100	-
Loss allowance for loans	-	320,411,584
Loss on valuation of derivatives	300,188,698	270,909,198
Loss on transaction of derivatives	1,627,200,000	350,000,000
Loss on foreign currency translation	14,073,011,360	14,953,842,101
Loss on foreign currency transactions	807,907	963,006
Post-employment benefits	4,661,525,316	3,959,038,596
Provisions	7,918,739	-
Provisions for unused commitments on loans	4,876,992	-
Loss on disposal of property and equipment	76,903,803	4,384,314
Loss on disposal of intangible assets	13,000	-
Impairment loss of intangible assets	18,564,638,072	-
Loss on disposal of investment assets	-	550,000
Others	340,523,357	-
Loss on equity method investments in associates	4,038,667,243	4,174,826,140
Loss on payment for reclassified interests	44,915,808	263,685,436
Interest income	(987,961,387,272)	(963,919,681,415)
Dividend income	(2,102,248,846)	(1,741,747,210)
Other operating income	(58,680,424,372)	(58,752,065,235)
Gain on valuation of financial assets at FVTPL	(61,613,154,590)	(84,397,051,270)
Gain on sale of financial assets at FVOCI	(2,904,751,916)	(5,670,167,026)
Reversal of loss allowance for deposit due from banks	-	(18,154,099)
Reversal of loss allowance for financial assets at FVOCI	(1,465,536,867)	(2,330,900,280)
Reversal of loss allowance for loans	(172,607,631)	-

In Korean won	2019	2018
Reversal of loss allowance for others	(1,846,201,844)	(44,289,668)
Gain on transaction of derivatives	(1,828,410,572)	(838,754,091)
Gain on foreign currency translation	(14,067,246,747)	(14,954,615,149)
Gain on foreign currency transactions	(235,169)	(237,377)
Gain on disposal of property and equipment	-	(708,000)
Gain on equity method investments in associates	(18,593,396,702)	(16,183,589,924)
	(206,091,582,140)	(183,808,719,551)
<b>Changes in operating assets and liabilities</b>		
Deposit due from banks	39,892,349,062	(36,026,587,367)
Financial assets at FVTPL	148,266,135,136	1,343,940,013,501
Loans	(2,139,161,930,230)	(1,423,425,968,188)
Receivables	3,520,390,812	3,141,303,308
Other assets	(4,614,013,727)	741,716,472
Deposits	669,855,073,937	(1,240,268,761,936)
Financial liabilities at FVTPL	11,791,463,538	-
Other financial liabilities	(2,162,365,058)	3,030,111,418
Provisions	(12,145,483)	-
Other liabilities	5,100,129,917	11,903,708,321
Plan assets	(2,981,115,823)	(1,526,252,241)
Post-employment benefits paid	(7,679,576,712)	(3,376,470,734)
	(1,278,185,604,631)	(1,341,867,187,446)
Interest received	1,005,812,045,709	949,288,043,463
Interest paid	(878,314,892,408)	(888,535,888,720)
Dividends received	60,782,673,218	60,493,812,445
Income tax paid	(62,627,174,085)	(37,600,720,621)
Net cash flows provided by (used in) operating activities	(1,169,585,979,874)	(1,234,224,424,833)
<b>Cash flows from investing activities:</b>		
Net cash flow from business combination	-	1,581,403,637
Proceeds from disposal of financial assets at FVOCI	4,787,766,789,291	5,769,236,201,460
Proceeds from disposal of investments in associates	59,597,877,394	22,199,744,928
Proceeds from disposal of property and equipment	1,688,756	4,028,295
Decrease in deposits	1,800,000,000	1,320,000,000

In Korean won	2019	2018
Proceeds from disposal of investment assets	₩ -	₩ 28,277,000
Acquisition of financial assets at FVOCI	(5,471,334,007,320)	(6,197,639,724,131)
Cash outflows from derivative contracts	(69,698,626)	(97,198,139)
Acquisition of investments in associates	(12,233,995)	(69,474,751,612)
Acquisition of property and equipment	(8,882,671,010)	(3,153,113,870)
Acquisition of intangible assets	(12,734,750,050)	(2,343,620,000)
Increase in deposits	(1,854,625,676)	(1,920,000,000)
Acquisition of investment assets	-	(564,478,744)
<b>Net cash flows provided by (used in) investing activities</b>	(645,721,631,236)	(480,823,231,176)
<b>Cash flows from financing activities:</b>		
Net increase (decrease) in debentures	412,773,220,110	524,408,710,119
Net increase (decrease) in borrowings	(451,900,000,000)	343,700,000,000
Net increase (decrease) in guarantee deposits	141,950,685,924	339,671,855,835
Net increase in supply and demand premium	(6,818,508)	7,450,450
Net increase (decrease) in accounts payable for trust account	(139,168,262,335)	21,625,543,570
Payments for lease liabilities	(538,037,780)	-
Net decrease in provisions	-	(200,000,000)
Payment of dividends	(47,603,204,450)	(40,796,419,910)
Decrease in payment for reclassified interests	(155,644,138)	(1,825,248,358)
<b>Net cash flows provided by (used in) financing activities</b>	(84,648,061,177)	1,186,591,891,706
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,899,955,672,287)</b>	(528,455,764,303)
<b>Cash and cash equivalents at the beginning of the year</b>	<b>7,040,678,915,301</b>	7,569,134,679,604
<b>Cash and cash equivalents at the end of the year</b>	<b>₩ 5,140,723,243,014</b>	₩ 7,040,678,915,301

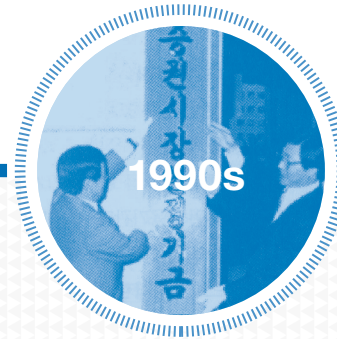
# History

- 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

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)



- 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 the Securities Exchange Commission of Cambodia
- Dec. 2018** Acquired Fund Online Korea
- Nov. 2019** Established a new system for custody business

# 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

<b>Dae-sik Kim</b> Standing Auditor	<b>Ho-soon Shin</b> Executive Vice President	<b>Jong-sung Lee</b> Outside Director	<b>Sung-wook Park</b> Outside Director	<b>Hak-gyun Kim</b> Outside Director	<b>Min-cheol Kim</b> Outside Director
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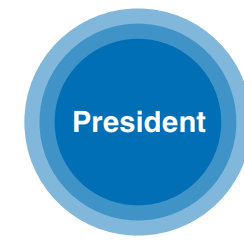
**Wan-kyu Chung**  
President and CEO

## Management Committee

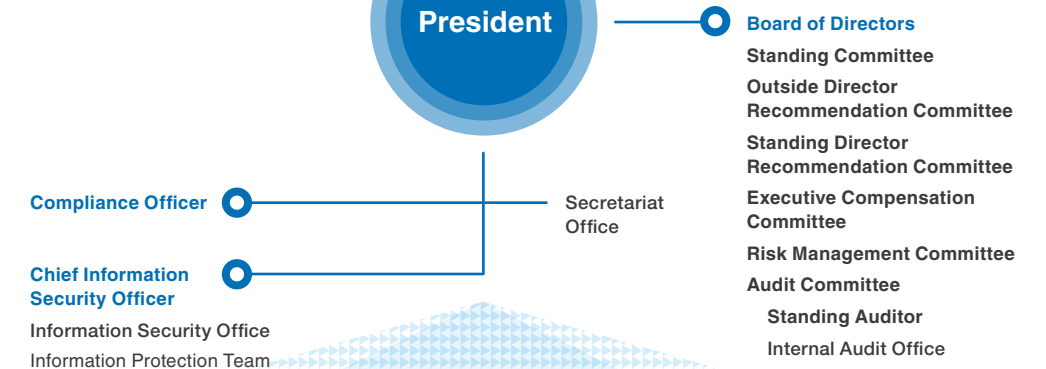
<b>Dae-sik Kim</b> Standing Auditor	<b>Ho-soon Shin</b> Executive Vice President	<b>In-gi Hong</b> Senior Managing Director (Treasury & Financing Division)	<b>Byung-lyul Lee</b> Managing Director (Management Support Division)	<b>Jeong-ku Oh</b> Managing Director (Business Division)	<b>Wook-jung Kim</b> 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.

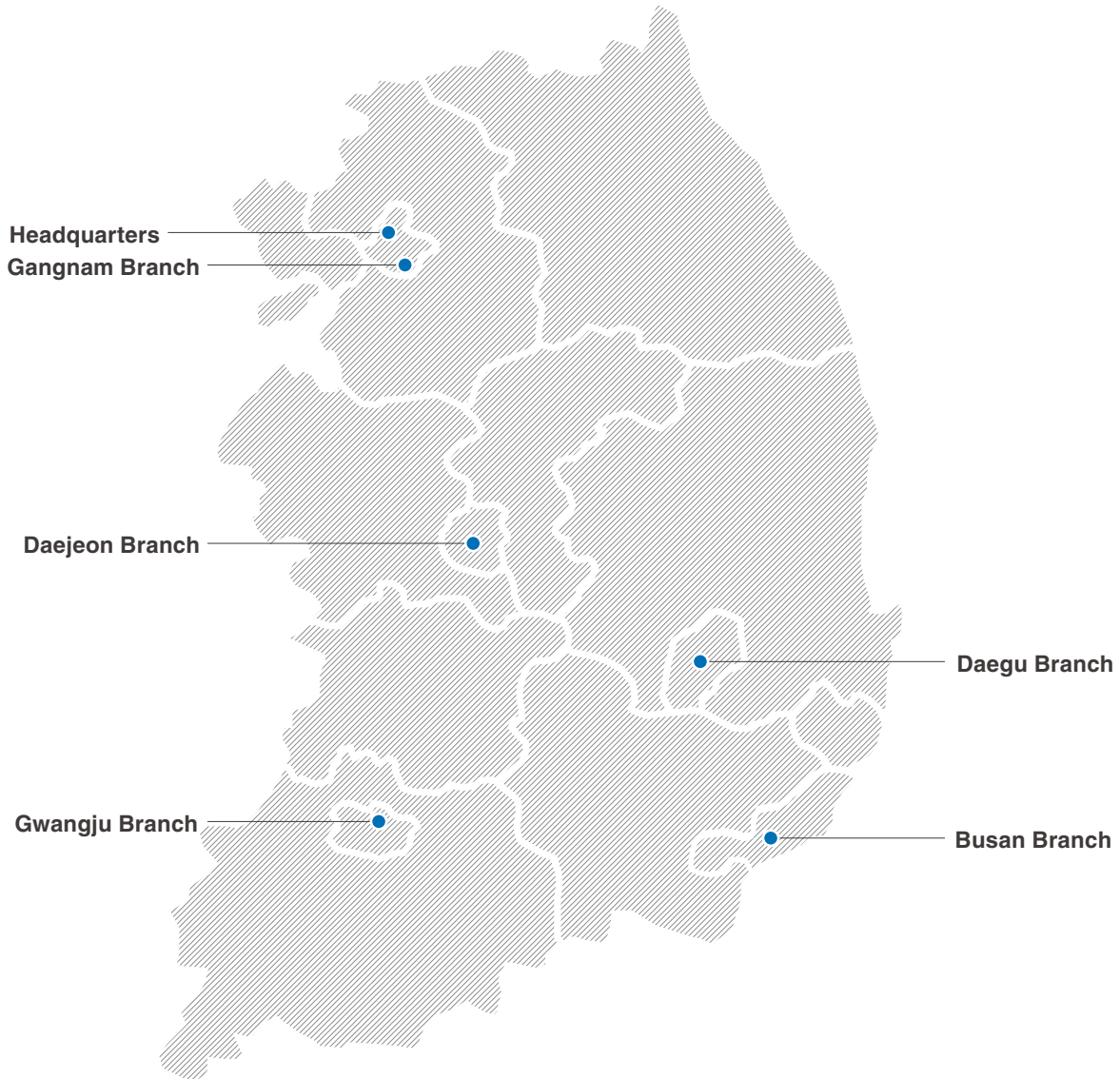


**President**



Planning & Coordination Division	Treasury & Financing Division	Business Division	Management Support Division	Trust Division
<b>Planning Department</b> Strategic Planning Team New Growth Planning Team Business Cooperation Team <hr/> <b>Business Management Department</b> Management Planning Team Financial Accounting Team <hr/> <b>Legal &amp; Compliance Department</b> Legal & Compliance Team Financial Consumer Protection Team <hr/> <b>Risk Management Office</b> Comprehensive Risk Management Team <hr/> <b>Public Relations Office</b>	<b>Capital Markets Department</b> Capital Markets Strategy Team Capital Markets Finance Team 1 Capital Markets Finance Team 2 <hr/> <b>Treasury Department</b> Treasury Planning Team Treasury Management Team Securities Management Team <hr/> <b>Asset Management Department</b> Bond Investment Team Corporate Investment Team Structured Financing Team <hr/> <b>Investment Financing Office</b> Investment Financing Team	<b>Business Planning Department</b> Business Planning Team Digital Business Planning Team Customer Satisfaction Team <hr/> <b>Retail &amp; Corporate Finance Department</b> Retail Finance Team Corporate Finance Team <hr/> <b>ESOP Department</b> ESOP Management Team ESOP Financing Team <hr/> <b>Gangnam Branch</b> Gangnam Corporate Finance Team <hr/> <b>Busan Branch</b> <hr/> <b>Gwangju Branch</b> <hr/> <b>Daegu Branch</b> <hr/> <b>Daejeon Branch</b>	<b>HR &amp; Admin Department</b> Human Resources Team General Affairs Team Property Management Team <hr/> <b>Credit Analysis Department</b> Credit Analysis Team Credit Policy Team <hr/> <b>Securities Intermediary Services Department</b> SBL Intermediary Team Money Market Intermediary Team <hr/> <b>Security Control Office</b>	<b>Trust Department</b> Trust Management Team Bond Administration Team <hr/> <b>Custody Department</b> Custody Planning Team Custody Management Team Custody Settlement Team <hr/> <b>IT Department</b> IT Planning Team IT Operation Team 1 IT Operation Team 2

# 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	5F, 373, Gangnamdae-ro, Seocho-gu, Seoul, South Korea (1328, 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)