

Global Investment Partner

2018 MIRAE ASSET DAEWOO INTEGRATED REPORT

About this report

The 2018 Mirae Asset Daewoo Integrated Report was created with an aim of reviewing our sustainability management activities and our achievements, and thus disclosing stakeholders with information in a transparent manner.

Reporting Status

This report is the seventh sustainability report since we published sustainability reports for the first time in the industry in 2006 and is the second after the merger with Mirae Asset Securities in December 2016. In addition, this report is developed as an Integrated Report which consolidate an annual report and a sustainability report.

Reporting Method and Period

This report was compiled in accordance with the Global Reporting Initiative (GRI) Standards, a global guideline for sustainability reports, and the framework of the International Integrated Reporting Council (IIRC). It is also aligned to the 10 principles of the UN Global Compact, which the company has been upholding since 2006.

The reporting period of this report is from 1 January 2017 to 31 December 2017 and some topics disclose three-year data from 2015 for trend comparison. Both financial information and non-financial information are reported according to the company's fiscal years following our disclosure policy, and information that do not fit such criteria have footnotes added. This report also includes information on major activities executed in the first half of 2018.

Reporting Scope

The scope of information in this report encompasses the company headquarters, Customer Support Center, Human Resources Development Center, IT Center, domestic branch network, and overseas subsidiaries and offices and other areas where Mirae Asset Daewoo performs business activities. The reporting scope of the data provided in this report satisfies at least 75% of the company's sales on a consolidated basis. However, as for overseas business sites, such as overseas subsidiaries and offices, the scope of reporting includes business performance only for data collection is difficult due to physical limitations in terms of material management and assessment.

Independent Assurance

To enhance the internal and external credibility of this report, the company commissioned an independent assurance statement from the DNV GL, which is a professional assurance organization. Also, credibility and fairness in the compilation process, disclosure data and other content have been ensured by the VeriSustain™, which is an assurance protocol of DNV GL in accordance with international standards including International Standard on Assurance Engagements (ISAE) 3000. Detailed assurance opinions are outlined on page 96-97 of this report.

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Mirae Asset Daewoo at a Glance

Global Investment Partner — Mirae Asset Daewoo

At Mirae Asset Daewoo, we do not rest on our leading positions as Korea's No. 1 financial institution, instead we are making relentless endeavor to make a leap forward into becoming a top-tier investment bank in Asia by expanding our global business.



(As of December 31, 2017; Consolidated figures basis)

Total Assets

KRW **90.6** trillion

Equity Capital

KRW **7.4** trillion

* KRW 8.1 trillion as of the end of March, 2018

Total Client Assets

KRW **245.1** trillion

Market Share in Brokerage Commissions for Equity Securities

No.1 **10.1%**

Credit Ratings

Bonds

AA0

Korea Investors Service

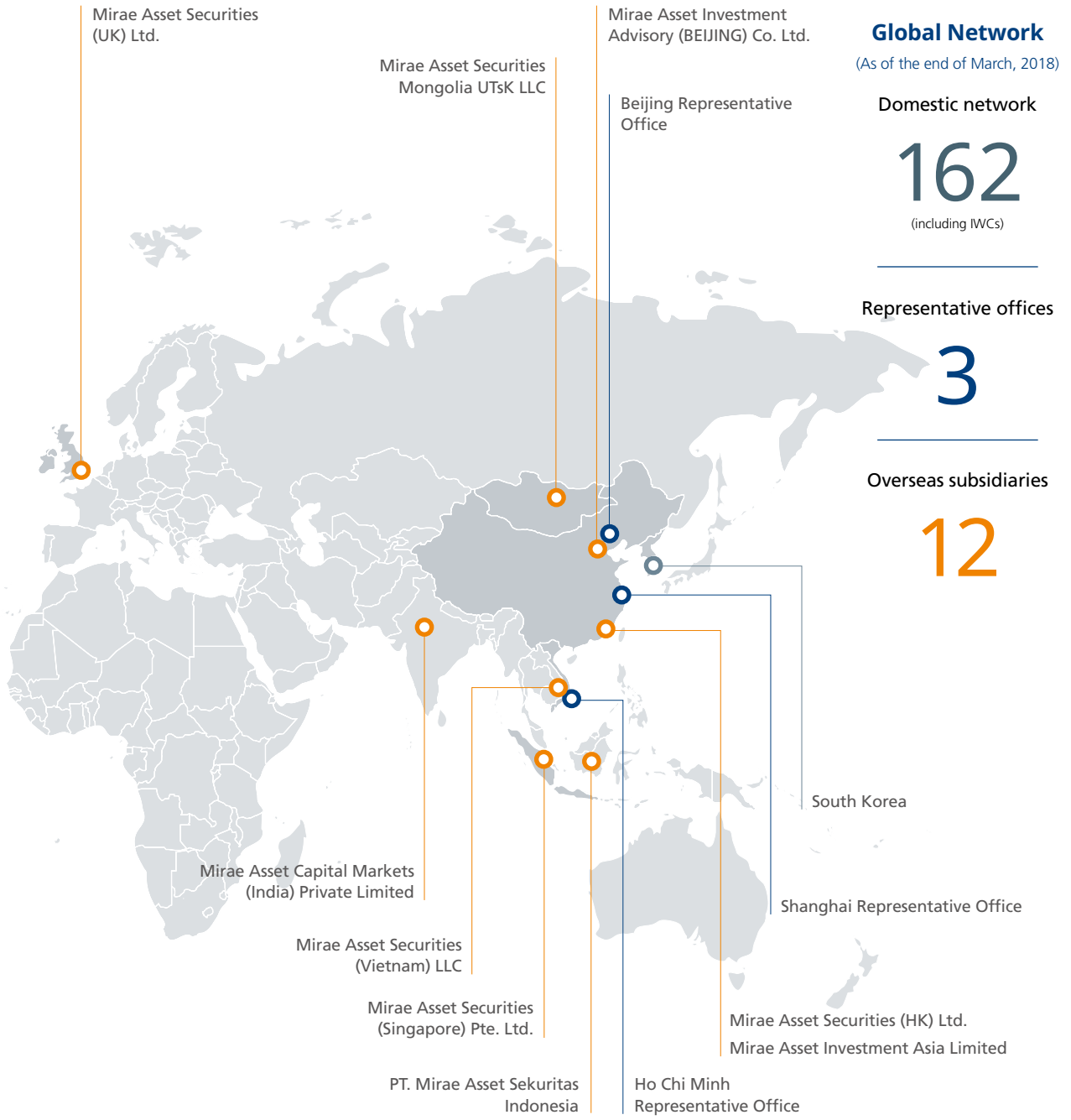
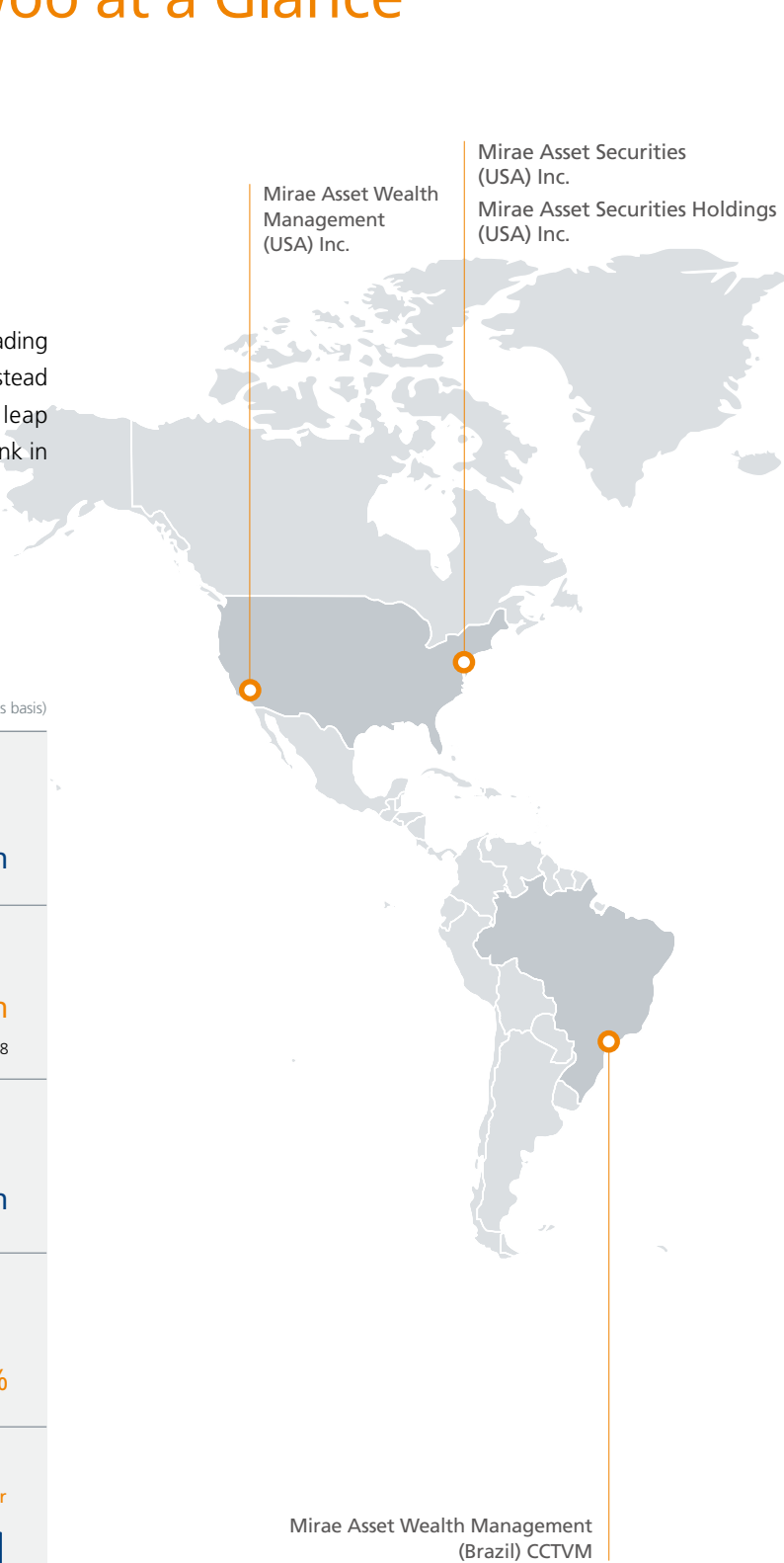
Commercial Paper

A1

Korea Ratings, NICE Information Service

Baa2

Moody's



Global Network
(As of the end of March, 2018)

Domestic network

162
(including IWCs)

Representative offices

3

Overseas subsidiaries

12

Shareholder Composition¹⁾

(As of December 31, 2017)

Shareholder Name	Number of shares	Ownership (%)
Mirae Asset Capital Co., Ltd.	124,096,307	18.62
National Pension Service	65,867,371	9.89
NAVER	47,393,364	7.11
Employee Stock Ownership Plan	2,077,291	0.31
Treasury Stock	110,377,511	16.57
Others	316,504,564	47.50
Total	666,316,408	100.00

¹⁾ Based on ordinary shares

CEO Message

**Dear clients, shareholders and other stakeholders of Mirae Asset Daewoo,
I would like to express my sincere appreciation for your unwavering support
and encouragement which has made possible our continued growth.**

It is my great pleasure to share with you the achievements we made in 2017 in creating economic, social and environmental values as well as our vision for the future through this Integrated Report.

The year 2017 marked a first year in which Mirae Asset Daewoo conducted its business as a newly integrated company. In the business year one, we have established a stable income structure based on the stable growth performance we had achieved in all business areas and swiftly integrated the corporate cultures and operating systems, thus laying the foundation to grow into a global investment bank.

Now, Mirae Asset Daewoo sets its sight on the global market. Looking beyond being the No. 1 financial investment company in Korea, we aim to become a top-tier investment bank in Asia by 2020 through investment. In addition, we will contribute to customer happiness and societal wellbeing also through investment.

Mirae Asset Daewoo's decision-making standard is 'for the client', and if any quality asset meets this standard, we will offer it to our clients regardless of its market base. In fact, we have strengthened global equity investment services and been offering clients opportunities to invest in overseas assets of high quality since last year as part of our business strategy.

In particular, by expanding our pension business and diversifying investment in global assets, we will make continued efforts to help our clients plan their financially secured post-retirement lives through stable wealth aggrandizement. For, in the era of ageing society, it is our vital social responsibility as a global investment specialist to grow the assets of clients who have worked as hard as anyone else for their economic and financial security.

Also will be continued are investment efforts at helping create opportunities for the younger generation to develop their dreams, solve local community problems, and deal with environmental issues affecting all stakeholders. A fund has already been set up to support start-ups, and investment projects are well under way to plant a Korean Silicon Valley on the outskirts of Seoul. Furthermore, we will contribute to creating a pleasant environment for all to live in by investing in new renewable energy projects through diverse investment banking.

We will further expand our social contribution activities. Together with the Mirae Asset Park Hyeon Joo Foundation, which oversees Mirae Asset Group's CSR operations, we have been conducting scholarship, social welfare and programs to share our success with local communities. In particular, 'I Love You' donation, 'Mirae Asset 1% Donation', and regular community service programs are organized and conducted by voluntary and active participation of our employees.

In addition, by implementing the one-company-one-school program organized by the Financial Supervisory Service in a consistent and sincere manner, we have formed sisterhood relationships with 386 schools nation-wide; and for these efforts, in 2016 and 2017 we received the FSS Commissioner award. While continuing to carry out community service activities, Mirae Asset Daewoo will further bolster its social contributions by leveraging its financial expertise to develop programs for educating youths and counseling military service personnel on finance.

Dear client, shareholders and stakeholders,
Mirae Asset Daewoo never forgets the priceless truth that clients' and shareholders' interests come before the company's. As mentioned earlier, the main reasons why we seek to become a global investment bank are to achieve an optimal asset diversification, to grow clients' investments and thus help secure a better retired life for clients by offering outstanding products and services. Moreover, by sharing with shareholders the fruit produced from these processes, we aim to enhance shareholder value.

Through the ceaseless 'Permanent Innovation and Investment', Mirae Asset Daewoo will prepare itself for the coming of a new era and create a new road to national prosperity. In addition, we will double our efforts and passion to become a more transparent, ethical, and socially responsible corporate citizen.

Your continued support and encouragement would be most appreciated.
Thank you.

Choi Hyun Man

Executive Vice Chairman,
Mirae Asset Daewoo



Company Profile

Mirae Asset Daewoo has been taking a step forward with sincerity to grow into a global IB

As a global investment expert and based on its global network, Mirae Asset Daewoo has been taking the lead in providing products with distinctive values by proactively identifying assets of high quality all around the world and actively pursuing overseas investment opportunities.



Company Overview

Company name	Mirae Asset Daewoo Co., Ltd.
Headquarters	Mirae Asset CENTER 1 Bldg., 26, Eulji-ro 5-gil, Jung-gu, Seoul 04539, Korea
CEOs	Choi Hyun Man, Cho Woong Kee
Business type	Financial investment
Number of employees	4,659
Global network	U.S., UK, Brazil, China, Hong Kong, Singapore, Indonesia, Vietnam, etc.

(As of December 31, 2017)

Philosophy

[BUSINESS PHILOSOPHY]

We value our people and embrace the future with an open mind.

Putting our clients’ needs first, we aspire to be a consistent partner. Business philosophy is what guides us and is a never-changing value of Mirae Asset.

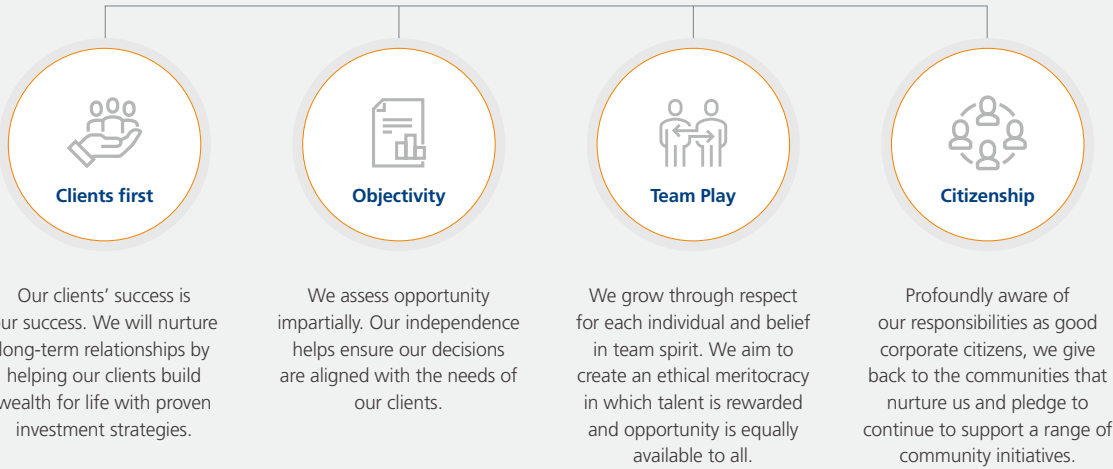
[VISION]

As emerging market experts with a global perspective, we pursue excellence in investment management to help our clients achieve their long-term objectives.

We strive for our clients’ lifetime well-being. Our Group Vision presents Mirae Asset’s evolving role and strategy as a global investment company working towards our clients’ lifetime well-being.

[CORE VALUES]

Our four core values – Clients First, Objectivity, Team Play and Citizenship – should be the key decision making criteria for all Mirae Asset employees.



Subsidiaries

Name	Location	Capital stock	Main business	Ownership
Mirae Asset Venture Investments	Korea	KRW 24.9 billion	SME start-up investments	77.5%
Mirae Asset Life Insurance Co., Ltd.	Korea	KRW 831.5 billion	Insurance business	19.9%
Mirae Asset Securities (UK) Ltd.	UK	USD 78,364,700	Brokerage, investment and investment advisory	100%
Mirae Asset Securities (USA) Inc.	U.S.	USD 261,999,480	Brokerage and investment	100%
Mirae Asset Securities (HK) Ltd.	Hong Kong	USD 553,670,968	Brokerage and investment	100%
Mirae Asset Realty (Singapore) Pte.	Singapore	USD 180,000	Real estate investment and leasing	100%

(As of December 31, 2017)

Investment Principles


As Korea’s leading financial institution, our investment activities are firmly based on solid investment principles and know-how accumulated with our professional experiences. Furthermore, we strive to provide our clients with greater value and contribute to creating a vibrant society through investment.



Mirae Asset identifies the sustainable competitiveness of companies.

Companies with “sustainable competitiveness” refer to those companies with a competitive advantage in market share, business model, corporate governance and earnings growth. It is the Mirae Asset belief that share prices eventually converge with earnings growth and subsequent cash flow.

Thus, our efforts to identify companies with sustainable competitiveness are a search for high quality factors in a company that will lead to stable earnings growth.



Mirae Asset invests with a long-term perspective.

A long-term perspective is needed when determining whether a company's competitiveness is sustainable. Though share prices may be volatile over the short-term, earnings growth is the main driver behind long-term price movements.


Investing in individual company's intrinsic competitiveness and generating stable cash flow is the very essence of long-term investment.



Mirae Asset assesses investment risks with expected return.

Investment risks should always be simultaneously assessed with expected return. Key factors such as valuation, corporate governance and liquidity should be constantly monitored for any potential damage on the long-term competitiveness of a company.

Exposure to assets that may incur too much risk should be limited while the Risk Management Division should constantly monitor whether actual investment adheres to our investment principles.



Mirae Asset values a team-based approach in decision-making.

Successful investment management at Mirae Asset is not based on an individual's decision-making but rather on a team's decision to firmly adhere to our investment principles and process.

Mirae Asset does not rely on star managers. Portfolios in accordance with our investment principles are created through extensive discussions and teamwork among division members.

Value Chain

Mirae Asset Daewoo is committed to doing our business in a sustainable way throughout the entire business lifecycle from product development to sales, customer care, investment, and asset management. This enables us to maximize our business performance, while providing clients with long-term and systematic asset management services.

	APPROACH	MAJOR ISSUES
Product development	We develop products from long-term perspective aimed at protecting financial consumers. In particular, we take a comprehensive approach encompassing customer, product, and channel, and thus develop products that meet customer needs.	<ul style="list-style-type: none">• Develop products to meet societal needs and changes such as aging society• Develop eco-friendly products such as a product responding to climate change
Sales	We make sure that clients can enjoy our products and services more conveniently and access to our diversified sales channels more easily. In particular, we are compliant with our sales practices and pursue complete selling.	<ul style="list-style-type: none">• Operate diverse sales channel platforms• Comply with ethics and compliance
Customer management	We offer customized wealth management services as well as a variety of services specific to online and mobile channels, which in turn, leads to differentiated customer experience.	<ul style="list-style-type: none">• Provide customers with customized products• Promote communication with customers• Protect private and financial information of customers
Investment and asset management	We enhance the value of client asset through successful asset management from long-term perspective. In particular, we are committed to fulfilling our social responsibility by engaging in socially responsible investment such as new and renewable energy.	<ul style="list-style-type: none">• Generate stable cash flow• Pursue sound asset management• Expand socially responsible investment

G.I.D.P Innovation

The Permanent Innovator

We are forward-looking and never stop innovating – this is the core of our strengths. Innovator’s DNA runs in our vein based on which we continue to expand our business to include global brokerage, investment into the industry 4.0, digital finance, pension and other new business areas.



GLOBAL

Expand global management to build a base for growing into a global IB

INNOVATIVE ACHIEVEMENTS IN 2017

- Launched online and mobile trading systems in Vietnam and Brazil
- Obtained derivatives sales license and expand limited partnership (LP) business in Hong Kong
- Gained approval for establishing a subsidiary in India and executed establishment capital (USD 300 million)

PLAN FOR INNOVATION IN 2018

We will increase the global asset allocation for our clients and the company while strengthening the competitiveness of our overseas subsidiaries through capital increase and other measures. We will also expand our global IB business in an effort to globalize our business structure

G



INVESTMENT

Differentiate our investment business by expanding investment capabilities

INNOVATIVE ACHIEVEMENTS IN 2017

- Secured prime investment asset
- Discovered and invested in companies with new growth potential in the era of Industry 4.0

PLAN FOR INNOVATION IN 2018

We will continue to grow through investment by bolstering our investment business through full use of our total equity secured by increased net revenue and paid-in capital increase.

I



DIGITAL

Establish a base for innovative growth through digitalization

INNOVATIVE ACHIEVEMENTS IN 2017

- Formed a partnership with NAVER for the Fourth Industrial Revolution
- Improved customer convenience and established a base for online customer management
 - Launched non-face-to-face account opening service which is available 24/7 and introduced mobile OTP for the first time in the industry
 - Launched ‘m.Club’ – a big data-based service to provide investment information and recommend products

PLAN FOR INNOVATION IN 2018

We will stay focused on laying the foundation for future growth through digitalization by expanding our digital customer base to be more than 300,000 and strengthening digital asset management products and services.

D



PENSION

Strengthen our comprehensive marketing as a life financial planner to support clients with stable retirement financing

INNOVATIVE ACHIEVEMENTS IN 2017

- Became the first in the industry to achieve KRW 10 trillion in pension assets by strengthening pension asset management services and investor services
- Improved infrastructure to enhance convenience of pension customers

PLAN FOR INNOVATION IN 2018

We will promote the total marketing activities for pension channel, one of our future growth engine. In particular, we will expand upsell opportunities within our corporate pension clients, make our pension to be WM clients as well, and strengthen activities to enhance the stability of clients’ return.

P

“ We will continue to change and innovate in G.I.D.P – global, investment, digital and pension. ”



SUSTAINABILITY ISSUE



16	Materiality Test
18	Protecting Financial Consumers
22	Developing Sustainable Society through Finance
26	Leading Digital Finance



Materiality Test

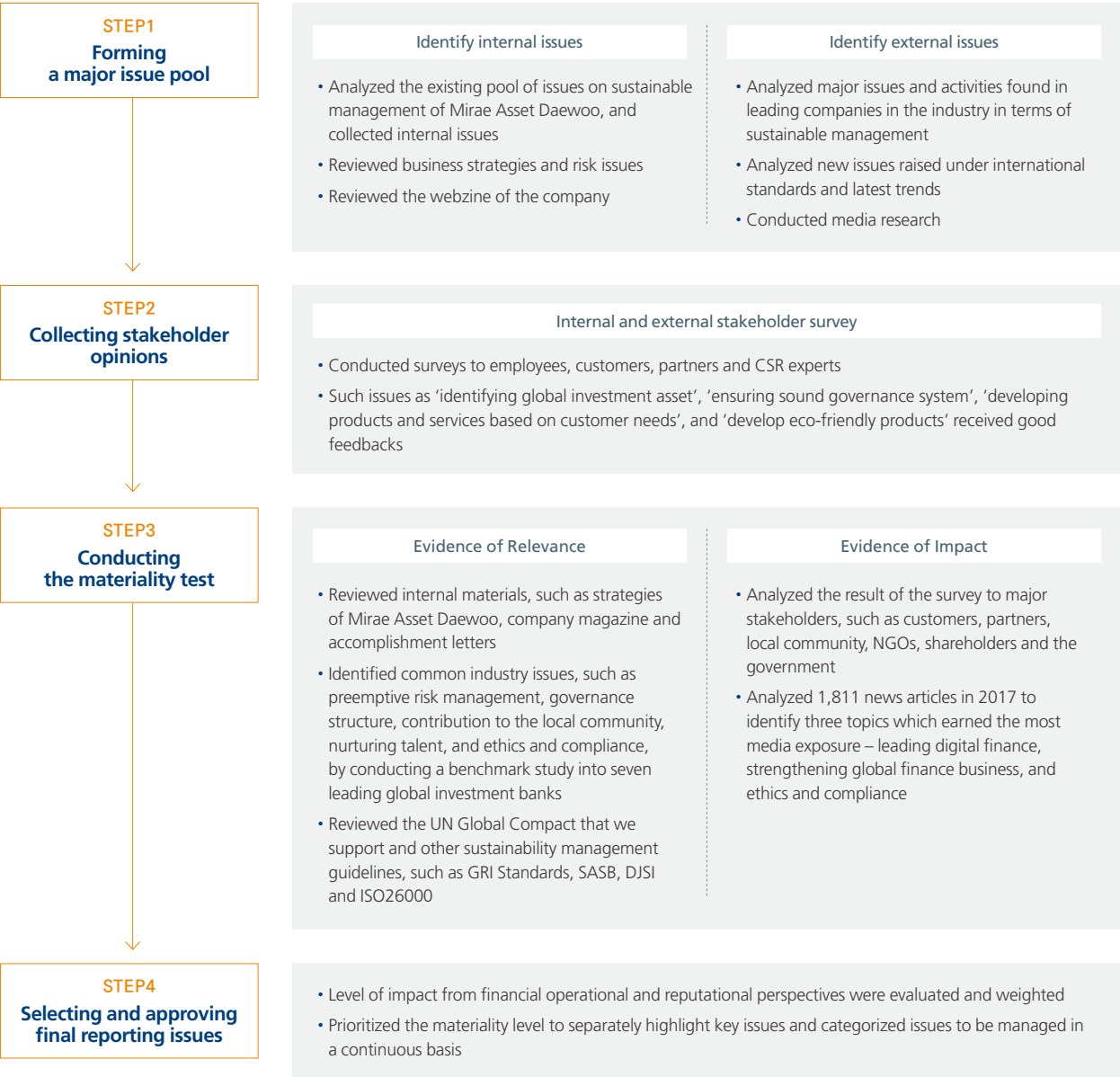
Mirae Asset Daewoo selects issues of keen interest to our business and stakeholders through the materiality test, and reports them in a balanced manner.

Conducting the Materiality Test

We carried out the materiality test based on various standards, such as Five-Part Materialist Test by AccountAbility and Global Reporting Initiative (GRI) guidelines. We analyzed our corporate vision and strategies, global IB and other industry issues, global standards and media exposure in a comprehensive manner. In addition, a survey was conducted to internal and external stakeholders, with an aim to listen to their voices.

Materiality Test Process

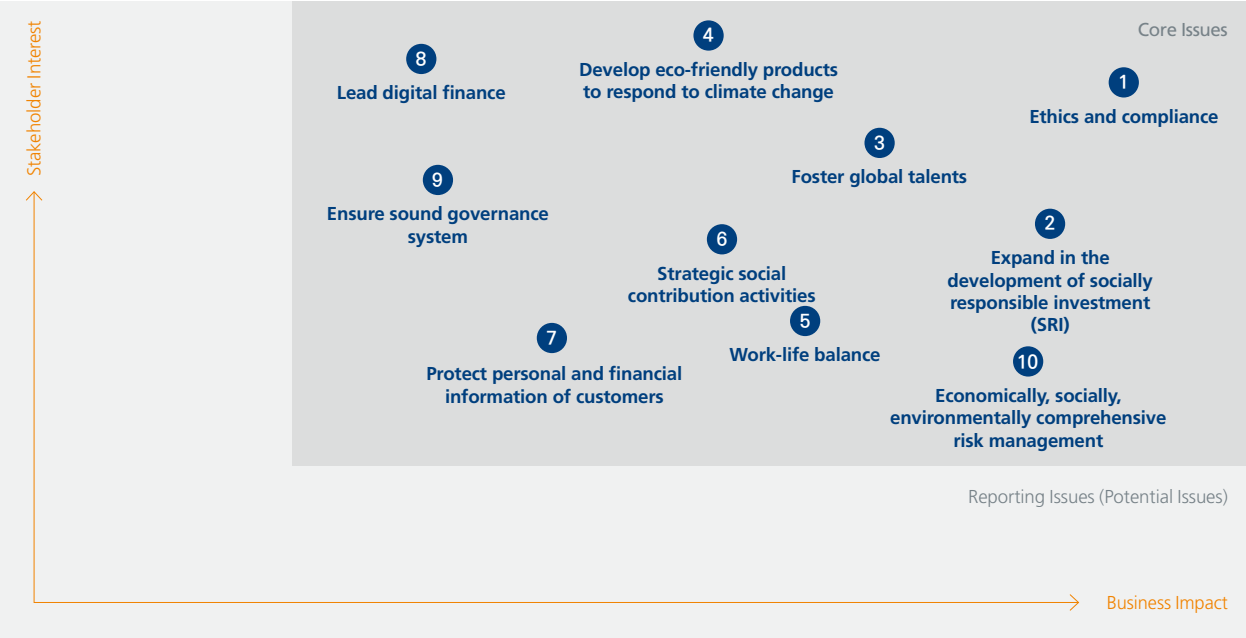
To determine areas for materiality test, a total of 43 issues were identified as a result of analysis into international standards, global benchmark studies, review on internal materials, stakeholder survey, and media research.



Selecting Core Sustainability Issues

We conducted the materiality test in comprehensive consideration of business relevance and impact on the company’s direct and indirect stakeholders. As a result of the test, 10 out of 43 issues were selected as having materiality and our business activities related to such issues are outlined in pages marked in below table.

Materiality Map



No.	Core Issues	Impact Evaluation	Page	Major Stakeholders	Business Case
1	Protect personal and financial information of customers	Operation	P.18 Protecting financial consumers	Customer, Shareholder/Investor	Marketing Communications; Product and service labeling; and Customer privacy
2	Expand in the development of socially responsible investment (SRI)	Finance	P.22 Developing sustainable society through finance	Customer, Shareholder/Investor, Local Community	Economic performance; Product portfolio; and Assurance
3	Develop eco-friendly products to respond to climate change	Finance		Customer, Shareholder/Investor, Local Community	
4	Lead digital finance	Finance	P.26 Leading digital finance	Customer, Shareholder/Investor, Local Community	-
5	Ensure sound governance system	Operation	P.32 Transparent and efficient operation of the BOD	Shareholder/Investor, Employee	-
6	Ethics and compliance	Operation	P.37 Strengthening ethical management	Shareholder/Investor, Employee	Anti-corruption
7	Economically, socially, environmentally comprehensive risk management	Finance	P.39 Advancing risk management	Customer, Shareholder/Investor, Employee	-
8	Foster global talents	Operation	P.60 Human resources management	Employee	Training and education
9	Work-life balance	Operation		Employee	-
10	Strategic social contribution activities	Operation	P.70 Social contributions	Local Community	Local Communities

Protecting Financial Consumers



KEY PERFORMANCE

8,505
persons
(accumulated figure)

Education on financial consumer protection (As of 2017)

100%

VOC handling rate



Why it matters?

There have been inappropriate sales practices of financial institutions, which in turn bring about financial consumers' damage and privacy infringement, such as leakage of personal data. Financial authorities, on the other hand, are expanding measures to protect consumers' interest by strengthening regulations aimed at reinforcing customer value and reducing complaints. Against this backdrop, financial institutions ought to establish a healthy business environment based on autonomous regulations and execute business operations with consumer-centric mindset which focuses on principles and foundations.

Major issues

- **Strengthen policies to protect financial consumers** Financial authorities are bolstering measures and systems to protect consumer rights in order to stabilize financial systems and protect financial consumers.
- **Ensure customer trust** Prevent mis-selling, provide services for the financial minority, and expand a culture of financial consumer protection, in order to solidify customers' trust, thus improving the corporate sustainability.

Our responses

Selling financial products according to the right process and helping customers make appropriate investment decisions are the foundation for financial company's sustainability. In particular, Mirae Asset Daewoo is focused on enhancing consumers' rights and interests throughout the entire sales process from product development to sales and after-sales customer management. We do our utmost to protect financial consumers by establishing a stringent internal control system, operating an IT system to prevent customer data leakage and hacking attacks, and proactively rolling out campaign activities to eliminate mis-selling.

Governance to Protect Financial Consumers

Under the guiding principle of 'Customer First', Mirae Asset Daewoo has established a system to protect financial consumers. Chief Customer Officer (CCO) is appointed directly under the CEO and is commissioned to lead a team dedicated to policies, trainings, evaluation, and compensation to protect financial consumers. In addition, we have integrated the complaint handling team and the VOC team with the consumer protection policy organization so as to cohesively reflect customers' complaints and voices from the field throughout the product planning and development stage.

Furthermore, Financial Consumer Protection Council meetings are held on a quarterly basis to identify issues related to consumer protection and evaluate and improve related cases and our response status. A total of four council meetings were convened in 2017 and carried out reporting and discussion activities on 38 items such as 'Review on how to operate a process to reflect financial consumer's opinions' and 'Ways to protect professional individual investors'.

Complete Selling throughout Product Lifecycle

We have a complete selling process in place for financial investment products throughout the product lifecycle in order to strengthen protection of consumers and investors, and thus earn their trust.

Conducting On-site Inspection

Mystery shopping system has been established to ensure complete selling with a goal of protecting our customers. In 2017, on-site inspection was conducted against all sales offices to evaluate whether product sales procedures and investment advertisement materials are appropriate. Once areas for improvement are identified, immediate actions and trainings were taken on the spot and the findings are reflected into the comprehensive evaluation of sales offices. Similar on-site inspection will be conducted in 2018 as well against all sales offices with reinforced evaluation criteria including protection of marginalized investors such as the senior and fulfillment of complete selling, in a bid to strengthen our consumer protection efforts.

Strengthening Self-inspection

There are five risk indicators which will enable us detect exposure to mis-selling, such as appropriateness principles and non-compliance of obligatory explanation. Frontline sales offices refer to these indicators to conduct self-evaluation whether they are abiding by the complete selling criteria for early detection and prevention of mis-selling.

Complete Selling throughout Product Lifecycle



Promote to Listen to VOCs

Customer Complaints Management

In an effort to efficiently and promptly handle customer complaints and protect the rights and interests of financial consumers, we have consolidated our complaints management system. There are a number of programs in place to settle a company-wide culture of consumer protections including ‘visiting complaints handling service’, a consulting training service to prevent complaints conducted year-round, special lectures to prevent complaints delivered by external lecturers from Financial Supervisory Service, and online training for entire workforce. In addition, critical complaints of each month are disclosed via ‘complaint detail disclosure’ system and ‘complaints early warning’ system.



Integrated customer complaint management system



Education on financial consumer protection

Customer Service Improvement Council

‘Customer Service Improvement Council’ has set in place to enable prompt response to various customers’ opinions collected via customer contact points, such as our VOC system. The council meetings take place each month where responsible employees from related departments discuss and analyze customers’ suggestions and complaints and the outcome of the meeting is reflected in our business processes. In particular, we targeted to adopt 40% of customer opinions and incorporated them into our business processes in 2017 and the adoption rate turned out to be 54% – 1,367 out of 2,533 opinions – demonstrating the council’s contribution to enhancing consumer rights and interests.

Culture of Financial Consumer Protection

Education to Prevent Mis-selling

Mirae Asset Daewoo is actively rolling out internal trainings aimed at consumer protection, such as on-site training, in-class training and online training. To promote complete selling, in-class training, sales office training, online training take place around the year, complemented by internal mystery shopping and role-playing activities for sales offices to ensure all the trainings provided to reinforce standard sales processes will be firmly adhered to.

Furthermore, new hires are required to attend financial consumer protection courses as part of their onboarding training, and existing employees are also required to attend trainings customized for their level of jobs. There are also lectures provided by external experts for an update on latest trend in consumer protection and major issues, all in an effort to change employee’s mindset fundamentally and enhance their competency level.

In particular, when such critical issues as customer complaints take place, we provide mandatory trainings to prevent customer complaints, and training results are reflected in the evaluation to make sure consumer protection activities are properly carried out. We plan to expand the training in 2018 to include standard sales process, prevention of complaints, and support for financially marginalized people alongside a variety of programs to fully establish a culture of consumer protection.

Financial Consumer Protection Day

Every Wednesday on the first week of each quarter is designated as ‘Financial Consumer Protection Day’ to diffuse the culture of financial consumer protection across the company. All such efforts indicate our management’s strong will to boost the consumer protection mindset among the entire workforce and dedication to customer protection.



‘Financial Consumer Protection Day’ Letter

BUSINESS CASE

Opening the New VOC System

“ The new VOC system has been set in place to enhance customer trust and expand their rights and interests, based on faithful response, trustworthy handling and prompt response. ”

Staying attentive to our customers’ voice is our first step towards customer satisfaction. The new VOC system was launched in 2017, for in-depth analysis of how VOCs are received, assigned, handled, and responded so that the new system can be run with efficiency. Departments in charge assigned with handling specific customer inquiries, suggestions, and complaints carry the obligation to offer answers directly to the customer. The new VOC system was run to enhance customer trust and expand their rights and interests, under three criteria of quality, trustworthiness and promptness of the response.



Expanding a Culture of Financial Consumer Protection

Classification		Unit	2015	2016	2017
Education on complete selling process and financial consumer protection	Education hour	Hour	16	13	13
	Q1		99	98	87
Result of mystery shopping	Q2	Point	97	97	95
	Q3		99	99	95
	Q4		94	87	94
Receiving and handling of VOCs	VOC handling rate	%	100	100	100

Developing Sustainable Society through Finance



KEY PERFORMANCE

KRW **36** billion

Amount of socially responsible investment

10 times
(510 persons)

Financial education for financial minorities



Why it matters?

Our society is faced with a multitude of problems, such as marginalization due to information gap, low birth rate and aging population, and environmental pollution. Social issues call for corporates' greater responsibility, and at the same time, present new opportunities. In particular, socially responsible investment (SRI) has emerged as a global keyword and is a major means of fulfilling the social responsibility of corporates and financial institutions, an area highlighted by the current Korean government.

Major issues

- **Various investment risks** There are risks against eco-friendly investment due to issues caused by licensing and national risks, credit uncertainty of business counterparts, and expanding market volatility, while investment opportunities are decreasing owing to reduced number of large-scale SOC business.
- **Reinforced legislations and systems** Develop and adopt Stewardship Code which is focused on active SRI participation and corporate involvement by public pension fund; and promote government activities to support and ease the burden of the financially marginalized.

Our responses

When making investment decisions, we are not only considering our return on investment but also pursuing to execute investments with positive social impact. We strive to make eco-friendly investments, for example on the area of new and renewable energy, develop products and services to deal with the aging population, and provide funding for small medium enterprises (SMEs). In particular, in order to enable those without proper access to information, such as the disabled and senior to have easy access to financial services and financial information, we carry out activities to enhance financial accessibility and provide financial education programs.

SRI Fund and Investment Principles

Mirae Asset Daewoo plans products, while making direct and indirect investments in eco-friendly industries, in order to consider the future generation and customers and also to create new business opportunities.

Eco-Friendly Investment

A number of financial products such as SRI, clean energy funds, donation-type funds are under review for the interest of our customers and stakeholders. We are also involved in new and renewable energy generation not only to secure new growth engine but also to respond to global climate change.

Investment into New and Renewable Energy

Shinan Solar Power Plant Project We are providing financial advisory and brokerage services to the Shinan solar power plant project located in the salt fields of Shinan, South Jeolla province, which is an energy business for residents of Jeungdo, an island off the coast of Shinan, based on the feed-in tariff (FIT) program. We expect this project to contribute to expanding new and renewable energy and generating local revenue.

Jeju Gimnyung Wind Power Generation Project We are involved in a wind power generation project in Gimnyung coast, Jeju Island by providing financial advisory, brokerage, and agent services. This project is about operating 30 MW on-land wind power generation and GS EPS is in charge of design, construction, and procurement of the project.

Geogum Island Solar Power Generation Project A 25MW solar power generator operated in Geogum Island is constructed and run by KEPCO KPS and Mirae Asset Daewoo is also providing financial advisory, brokerage, and agent services.

New and Renewable Energy Funds

The 'Multi Asset S&P Clean Energy Fund' invests in the S&P Global Clean Energy Index consisting of new and renewable energy players, and customers can make various investments through Mirae Asset Daewoo including general fund purchase, retirement pension, and tax-exempt overseas stock investment fund. In addition, we also provide financial advisory and brokerage services in Floating Solar Power Blind Fund which primarily invests in domestic floating solar power generation business.

Sustainable Value Investment



We are fulfilling our social responsibilities through SRI funds, such as the Mirae Asset Green Index Fund and Allianz Corporate Value Enhancement Fund.



We support companies holding green technologies with paid-in capital increase and initial public offering (IPO), and make direct investments in them.



We strive to create new values by enhancing the society's capability to respond to environmental risks and climate change and invigorating the green business.

Joint Growth through Finance

As a financial investment company, Mirae Asset Daewoo strives to contribute to the establishment of a sustainable society through finance. As part of these efforts, we have developed ESG (Environment, Social, Governance)-related financial products that reflect social issues, such as response to aging society and funding support for SMEs.

Developing Products for Aging Society

The population has been aging worldwide, and we are facing challenges in caring for our life after retirement, accordingly, it has become important to supply long-term investment products that prepare customers for old age. Mirae Asset Daewoo therefore has been diversifying customer choices by offering investment products to prepare for life after retirement based on our unique investment know-how. A good example of this is a target date fund (TDF), which changes asset allocation proportions with the passage of time. It is designed for investors with a specific long-term objective, such as to set aside retirement savings or tuition by a specific target date.

By supplying TDF with diverse target dates (Year 2020-2045) and strategies (asset allocation, strategic allocation, etc.), we are fulfilling our mission as a financial investment company by helping customers prepare for their senior years in Korea, a quickly aging society. We also established various monthly paid funds and derivatives-linked product line-up, such as ELS and DLS, that help those retired pay for living expenses. For example, there is the monthly paid Brazil bond trust, which pays monthly interests for high-interest Brazil bonds, and the Mirae Asset Daewoo Golden Age WRAP, which makes monthly yield payments and makes distributed investments in various assets.

Providing Financial Products Customized for SMEs and Small Giants

We are offering financial services that are specialized for SMEs and small giants, thereby making contributions to the policy of joint growth through finance. In particular, through Partners Club, a collaborative business model between SMEs and Mirae Asset Daewoo, we are providing total financial services that are specialized for SMEs so that senior management at SMEs can focus more on management. Various seminars and gatherings of the Partners Club will equip SMEs with new knowledge that helps their respective business and taking advantage of opportunities to widen their network by industry and region.



Partners Club

Services for Financial Minorities

Increasing Accessibility to Finance

We are exerting our best efforts to ensure financial minorities, including the disabled and senior, can receive financial services in any circumstances by obtaining web accessibility certification for our website and operating ARS services, voice recognition service, and chatting service for the visually impaired. In addition, guidelines on protecting financial consumers were specially printed for the visually impaired and distributed to all sales branches. Given the rising number of foreigners residing in Korea, we have located English- and Chinese-speaking employees in the customer center, to provide services dedicated to the foreign consumers. Our plan for 2018 is to diversify financial accessibility by rolling out a 'Visual ARS Service'.

Increasing Accessibility to Our Website for the Visually Impaired

Mirae Asset Daewoo is the first in the Korean financial investment industry to apply the web standards and web accessibility to its web trading system (WTS) and all of the company's websites, which entitled the company to the 'Web Accessibility (WA)' certification. The websites have a screen reader program for the visually impaired, and are also designed to help investors with color blindness or weakness easily check the web contents. Since gaining the initial certification, we have managed to renew the certification consecutively until February 2018 and plan to renew the certification for the recruitment website in June 2018.

Offering Fee Discounts for the Visually Impaired

Customers who are financially marginalized, such as the visually impaired, are experiencing inconveniences when trading via online channel. To eliminate such difficulties, we are offering a special service to allow online commission fee when they are making Korean stock purchases in offline channels, such as branch offices or customer centers.

Financial Education for the Financial Minorities

Fraudulent practices have been becoming increasingly sophisticated and diversified. We therefore offer education programs to the financial minorities, such as the disabled, homeless, low-income class, and the senior to raise their financial understanding and prevent financial frauds. Furthermore, we are providing guides on how to make use of financial services reasonably to enhance their right to knowledge. There are special trainings provided to the youth, financial consumers of tomorrow, to help them build right understanding and make career decisions.

BUSINESS CASE

Education Programs to Prevent People with Poor Accessibility to Information from Financial Fraud

“ Mirae Asset Daewoo provides education programs for those with poor accessibility to financial information, in order to minimize damages caused by financial frauds and thus establish a healthy financial environment. ”



One of our core values lies at acknowledging and fulfilling the company's social responsibility. As part of this effort, we visited 10 welfare facilities across the nation in 2017 and delivered lectures on how to prevent financial frauds by introducing types of fraud incidents such as voice phishing and smishing, and how to prevent and respond to such incidents. Lectures were given by our Financial Consumer Protection Team to the disabled, seniors and other people with a lack of accessibility to information.

Mirae Asset New Growth Venture Investment Association Trust



In collaboration with Mirae Asset Venture Investments, we have released the Mirae Asset New Growth Venture Investment Association Trust in 2017. Mirae Asset Group makes joint investment with customers with strong reliability as Mirae Asset Venture Investment, with over 300 accumulated investment experiences for 20 years as a dedicated investment house, will tolerate losses to a certain extent.

In addition, we provide individual customers with investment opportunities into medium-sized enterprises and small giants with high growth potential while helping SMEs raise their funds. In 2018, we plan to expand the products included in the 'Mirae Asset New Growth Venture Investment Association Trust' along with KOSDAQ venture funds and will actively communicate the investment result of the trust with customers.

Leading Digital Finance



KEY PERFORMANCE

92 persons

Number of digital finance personnel
(As of June 7, 2018; excluding the Client Care Department)



Why it matters?

In the era of the Fourth Industrial Revolution, fintech, big data, artificial intelligence (AI) and other emerging digital technologies are expected to become sources of core competitiveness as well as survival strategies for financial institutions. To respond to upcoming changes, financial companies at home and abroad digitally transforming themselves in terms of customer service, provision of digital products/services/information, and the establishment of digital platforms. Recently, they have focused on building digital ecosystem by developing start-ups and strengthening organization-wide capabilities to plan and execute digital transformation.

Major issues

- **Intensifying competition in digital finance** Changes in the business landscape are accelerating, such as digital finance technologies emerging as key competitiveness. The convergence of industries has been further intensifying competition in the digital financial market.
- **Positive changes in the external environment** The development of advanced digital technology and deregulation is creating an environment conducive to promoting diverse innovation in terms of products, channels and services.

Our responses

As the largest securities company in Korea, Mirae Asset Daewoo is exerting all of its capabilities to lead the fast-changing digital finance business. In particular, we are developing and serving digital based platforms under the mission “to provide easy and quick online transactions anytime, anywhere” and fostering talents with digital expertise.

Building Framework for Digital Finance

Strategy to Lead Digital Finance

We are implementing three execution strategies to fulfill the vision of becoming the leading player in the digital finance market. This will help us become better equipped to changes in the digital environment and ensure continuity and consistency in promoting digital finance.

Digital Finance Organization

In 2017, we became the first securities firm in Korea to establish and run a digital finance unit. The unit consists of four directly-run digital innovation teams – identifying new business, combining fintech, analyzing big data, and building platforms; the Digital Biz Department – promoting existing business in domestic and overseas stocks, financial products, and asset management as well as providing customer services, such as m.Club; and the Client Care Department which is responsible for identifying customer needs and fulfilling communication at customer contact points.

In particular, the Innovation Lab Team studies and identifies potential areas in securities business to apply fintech, while the Big Data Team performs analysis and leverages various customer data. All sources of measurable data, including internal customer data, external market and social data, are analyzed and processed by the Big Data Team to provide customers with customized product recommendation services, and we also plan to offer a stock price forecast service.

Fostering Talents with Expertise in Digital

Mirae Asset Daewoo focuses on fostering digital talent to strengthen our leadership in digital finance. In January 2018, we signed an agreement to collaborate with Korea University in running a Digital Finance Talent Development Program, where attendees can learn various issues related to digital finance. The agreement will serve as an opportunity for our employees to participate in master courses in engineering such as digital technology management, data science and artificial intelligence and for the company to identify and secure talents to strengthen future growth engine.

Digital Finance Strategy

Vision

No.1 in the digital finance market

Mission

Make easy and quick online transactions available anytime, anywhere

Digitalize the way of work

Financial services customized to customers

Digital, new technology innovation

3 Strategic Directions

- Develop systems that enable account opening and immediate transactions 24 hours a day, seven days a week
- Continually improve non-face-to-face work process to enhance customer convenience

- Conduct big data analysis on investment areas and transaction attributes of customers to provide tailored investment information
- Provide customized asset management services to customers such as AI-based robo-advisor

- Leverage the Mirae Asset Fintech Hub to explore ideas for digital innovation
- Build platforms for digital innovation in partnership with fintech companies
- Provide financial services to which diverse digital technologies, such as AI, block chain and big data, are applied

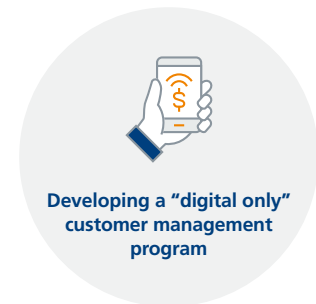
Strengthening Digital Services and Infrastructure

As Korea's leading securities firm, we are focusing our capabilities in leading the rapidly changing digital finance business. We are utilizing non-face-to-face accounts to attract new customers and expanding digital customer management programs and asset management services to provide better convenience for our customers.



Building a non-face-to-face system for "all" account for the first time in the industry

- In 2017, we have built a system that enables account installation and immediate transactions through non-face-to-face channels across the full range of customer accounts, including personal pensions, IRP and overseas derivatives. We also introduced mobile one time password (OTP) and improved the authentication process for account opening (small amount transfers) for better customer convenience.
- In 2018, we will improve service convenience by automating ID authenticity and providing wider options for self-authentication services (physical OTP, credit card, etc.) and multiple corporate accounts. Such new functions will strengthen our ability to provide convenient services 24 hours a day, seven days a week.



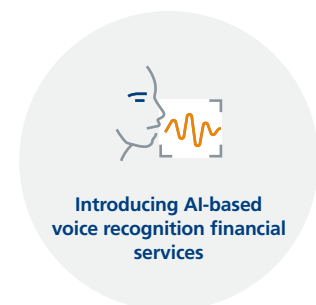
Developing a "digital only" customer management program

- In 2017, we have developed a 'digital only' customer management program, which identifies customer attributes by customer lifecycle (new, active, dormant) and transaction types (heavy trader, online VIP, and pension).
- In 2018, we will expand the 'digital only' customer management program by digitizing our operations by streamlining the processes and introducing new technologies to enable all business functionalities to be conducted online. In addition, digitization will take place in the customer care perspective by introducing digital channels (kiosk), expanding chat service across all channels, and introducing visual ARS service.



Expanding digital asset management services

- In 2017, we have expanded global portfolio solution (GPS) towards individual pensions, released online-only ELS, expanded online-only fund lineup, and allowed IRP accounts for ETF investment, in a bid to further bolster digital asset management services.
- In 2018, we will launch m.Robo, an integrated platform for global stock recommendation and investment advisory, consisting of Robo Pick, which provides stock and fund recommendations and investment information, Robo Port, an investment advisory service, Robo Auto, delegated investment advisory service, and Asset Management GPS.



Introducing AI-based voice recognition financial services

- Mirae Asset Daewoo has formed a partnership with KT for its voice-activated AI service, 'TV Giga Gini' and NAVER for its voice-activated 'Clova' speaker service, to deliver innovative financial services. Once financial services based on voice recognition matures and are in full-throttle, customers can search for stock price and index, receive information on market conditions, and ask for stock buy and financial product recommendation all through a voice recognition system.
- Our plan for 2018 is to consolidate customer database by creating voice data asset, establish a process to promptly respond to issues as they emerge, and expand financial services tailored to each customer in conjunction with big data analysis.



Academic-industrial cooperation regarding big data



Fintech Idea Contest

Fintech Idea Contest

From September to November in 2017, we hosted a fintech idea contest for non-professional investors including college students to discover creative ideas that can be applied for digital finance businesses. This event was as part of our endeavor to build a new business model to pioneer financial innovation based on fintech and offer new values to the customers. Outstanding ideas with high business potential and viability will be commercialized.

Promoting Cooperation to Implement Digital Finance

Academic-Industrial Cooperation

Mirae Asset Daewoo has signed an MOU with Seoul National University Statistical Research Institute in January 2017 to develop stock price forecast model based on big data. Since then, efforts are under way to develop a service to recommend personalized products based on individual customer's areas of interest and preferences and the stock price forecast model based on corporate performance, major economic index, stock price trend, and social big data. Forecasting information of domestic and international stock prices derived by the forecast model will be disclosed on our online channels and any other quality services developed will be commercialized promptly. In 2018, we plan to sign a design academia-industry MOU with Hongik University to launch activities to innovate digital finance designs in our website, HTS and MTS.

Mirae Asset Daewoo Big Data Festival

In June 2017, we hosted the first 'Mirae Asset Daewoo Big Data Festival', the first of its kind in the Korean financial industry. This festival is a competition to provide college students with an opportunity to analyze financial data and nurture big data experts of the future. Undergraduate students and graduate students were qualified to participate in this event consisting of two leagues of stock buy recommendation and index prediction where 164 teams from 57 schools participated in an intensive competition. Participants have demonstrated their exceptional skills not only in developing new ideas but also expert-level analytical skills by writing algorithms based on big data.

BUSINESS CASE

Launched m.Club, an Online Financial Service Platform



m.Club is a new online financial service platform that helps customers assess their investment habit and offers investment advices based on big data analysis.

Financial institutions, including securities firms, have been focusing on the importance of mobile platform business, and thus making efforts to boost the platform business that cater to the needs of the fourth industrial revolution. To meet such trends, Mirae Asset Daewoo launched the m.Club platform in November 2017. The most popular functions of this service are Investment Guru's Best Buys, which share stock buys of high-yield individual investors, and My Transaction Patterns, where users can check their monthly investment patterns. Thanks to these functions, customers now can conduct a self-check of their investment habit and make investment decisions based on big data analysis.



GOVERNANCE

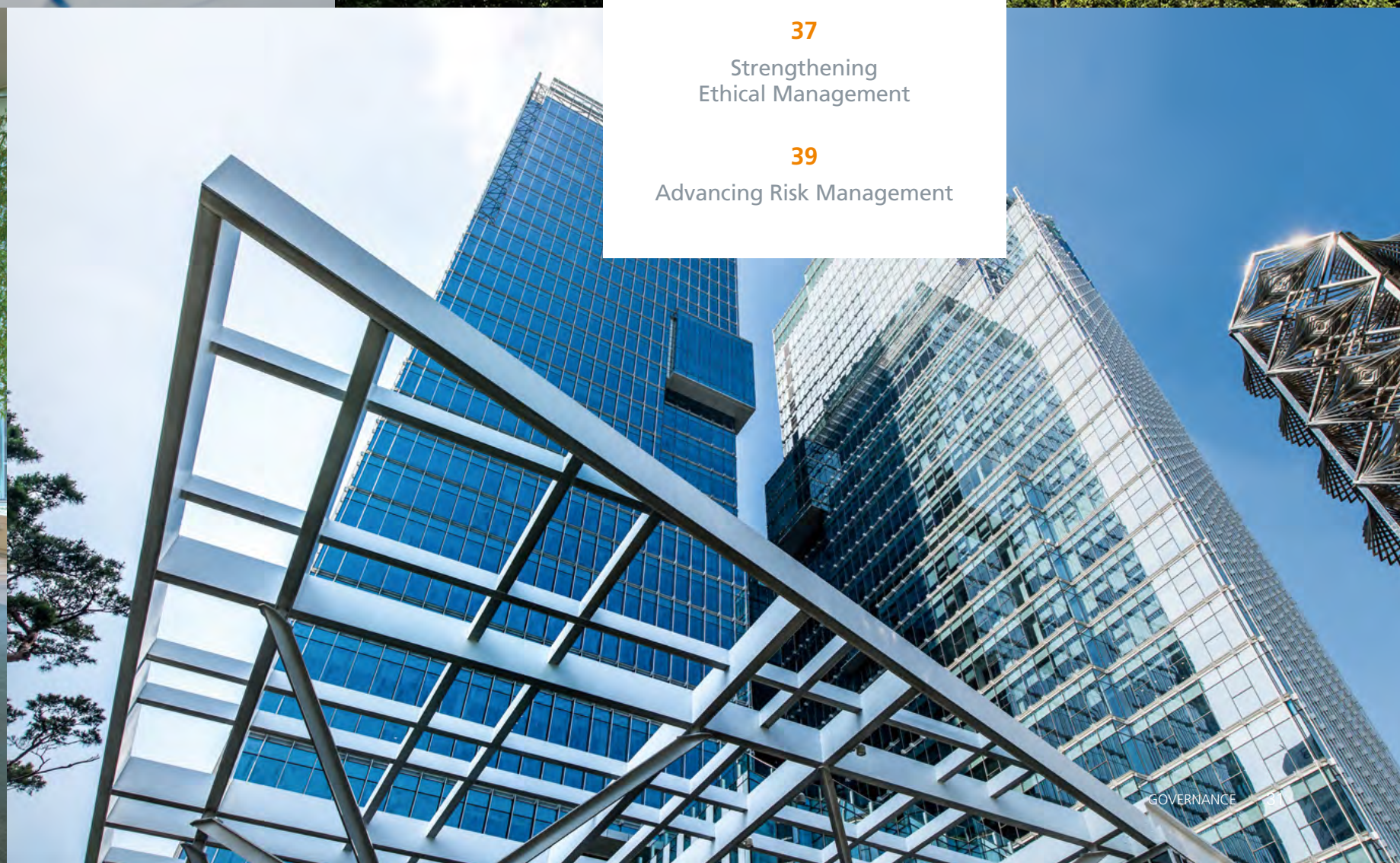


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Transparent and Efficient Operation of BOD

Role and Status of BOD

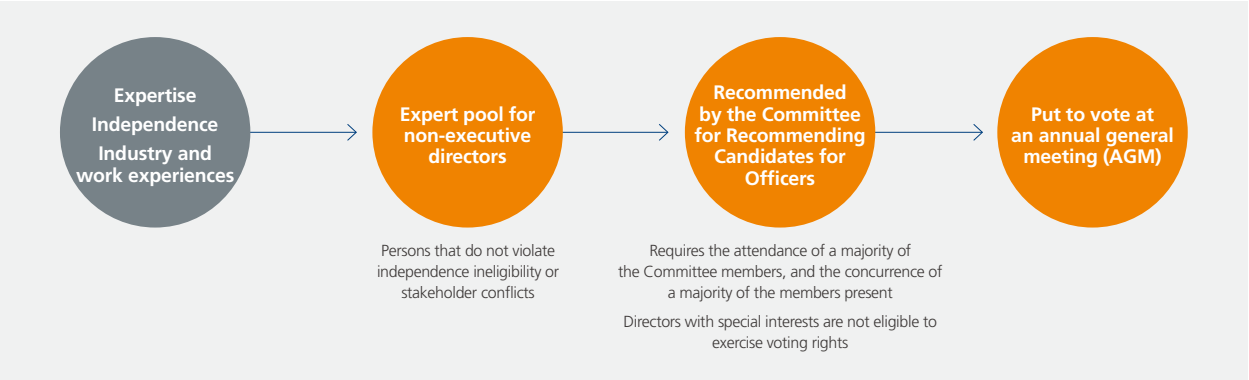
Mirae Asset Daewoo has built sound and transparent corporate governance structure in order to promote long-term growth and protect the interest of shareholders, financial consumers and other stakeholders. In addition, we have made continued efforts to improve transparency in management and build a robust framework for responsible business management. The Board of Directors (BOD) consists of seven directors – three executive directors and four non-executive directors. We maintain the independence of the BOD from management by composing a majority of directors with qualified non-executive directors.

Appointment and Expertise of Directors

The BOD at Mirae Asset Daewoo ensures its integrity and expertise. In particular, industry and other professional experiences of candidates are taken into consideration during the appointment process to secure expertise and diversity in our decision-making process. In compliance with Article 5 of the company's Internal Corporate Governance rules, we have strengthened qualification requirements of non-executive directors, such as expertise, fairness, integrity, accountability and faithfulness, to ensure a fair and transparent appointment. Candidates referred by the Committee for Recommending Candidates for Officers are also scrutinized for qualification. As of April 2018, the Board consists of five directors with expertise in finance, business and management, and two directors with background in law, public administration, tax and government, ensuring a balanced representation of career background, gender and professional expertise.

Board of Directors				
(As of April 30, 2018)				
Classification	Name	Expertise	Key Profile	Tenure
Executive directors	Choi Hyun Man	Financial investment Economics and business administration	• Executive Vice Chairman, Mirae Asset Life Insurance • Currently Executive Vice Chairman & CEO, Mirae Asset Daewoo	13 years 11 months
	Cho Woong Kee	Financial investment Economics and business administration	• President & CEO, Mirae Asset Securities • Currently President & CEO, Mirae Asset Daewoo	6 years 11 months
	Kim Sang Tae	Financial investment	• Managing Director in Charge of Corporate Finance, Eugene Investment • Currently Head of IB Division1, Executive Vice President, Mirae Asset Daewoo	1 month
Non-executive directors	Hwang Kun Ho	Financial investment Economics and business administration	• Chairman, Korea Financial Investment Association • Currently Visiting Professor, Sogang Business School	3 years 1 month
	Kim Byeong Il	Law and administration Accounting and tax	• Administrative Chief Official & Secretary, Ministry of Finance and Economy • Currently Professor, Tax Economics Department, Kangnam University	2 years 2 months
	Kwon Tae Kyun	Economics and business administration Government authority	• Deputy Minister of Trade Investment, Ministry of Knowledge Economy • Currently Advisor, Yulchon LLC	1 year 1 month
	Park Chan Soo	Financial investment Government authority	• Assistant Superintendent, Financial Supervisory Service • Currently CEO, Pinestone	1 month

Non-executive Director Appointment Process



Efficient Operation of BOD

“Based on expertise, the BOD of Mirae Asset Daewoo is faithfully fulfilling its role of providing advices and keeping checks and balance to promote the company's growth and protect financial consumers' interest.”

The BOD and subcommittees under the board are Mirae Asset Daewoo's key decision-making entity and are fully executing their roles and responsibilities. Five subcommittees are in place, such as Committee for Recommending Candidates for Officers, Audit Committee, Risk Management Committee, Compensation Committee and Steering Committee. In particular, the Steering Committee has been established within the BOD to deliberate

and decide key management and operational affairs. This is to ensure that major decisions of the company go through internal deliberation of the Steering Committee, established based on the Commercial Act and Articles of Incorporation, to enhance the adequacy and legitimacy of managerial decisions as well as transparency and fairness of the decision-making process. This also allows us to deliver values of sound corporate governance and responsible management.

In 2017, a total of 14 board meetings were held, with an average 98% attendance rate. Meeting agenda was distributed prior to the meetings, allowing the directors to review items in advance and if necessary, obtain details from working-level staff to enhance their understanding of the issues at hand. Directors from various professional backgrounds have actively taken part in the BOD meetings last year. As a result, all of the agenda have been approved without modified votes, deferrals or other abnormalities.

Subcommittees under the BOD

Classification	Roles & Responsibilities	Composition	Number of Meetings Held in 2017 (Handled Agenda)
Committee for Recommending Candidates for Officers	• Recommend candidates for non-executive directors, members of the Audit Committee and CEO	Executive director: 1 Non-executive directors: 2	1 time (3 agenda)
Compensation Committee	• Determine compensation amount and payment method • Develop and disclose an annual report on compensation payment	Executive director: 1 Non-executive directors: 2	2 times (5 agenda)
Risk Management Committee	• Supervise comprehensively and create control environment to enable efficient risk management and build internal control framework • Build integrated risk management policies, and assign roles and responsibilities for supervising	Executive director: 1 Non-executive directors: 2	5 times (22 agenda)
Audit Committee	• Build propriety of the overall internal control system • Establish and execute internal audit plans to evaluate and improve the company's business performance	Non-executive directors: 3	9 times (26 agenda)
Steering Committee	• Deliberate and vote on matters delegated by the BOD, including overall corporate affairs and related matters	Executive directors: 3	11 times (15 agenda)

Key Agenda for 2017 Board Meetings

1st	Finalized 2017 business plans and budget proposal; and reported audit results for 2016	8th	Proposals of paid-in capital increase for overseas subsidiaries in Hong Kong and the U.S. (LA), and approval on transaction with key shareholders
2nd	Decided appointment of chairman of annual general meeting (AGM) and delegation order of duties; and enacted internal control guidelines	9th	Proposal of the appointment of core business execution officers
3rd	Proposals of the appointment of chairman of the BOD and CEO, and composition of committees under the BOD	10th	Proposal of paid-in capital increase for overseas subsidiary in UK; and reported evaluation results regarding financial consumer protection in 2016
4th	Proposals of granting retirement benefits for executives and treatment for outside directors	11th	Proposal of the approval on shareholder agreement of Mirae Asset Life Insurance
5th	Proposals of granting retirement benefits for staff and delegation of BOD roles to the CEO	12th	Proposals of the appointment and dismissal of core business execution officers and risk management officer
6th	Proposals of the acquisition of NHN Corporation shares following strategic alliance and disposal of treasury stock	13th	Proposal of the approval on large-volume internal transaction according to the Fair Trade Act
7th	Proposal of dismissal and appointment of Compliance Officer	14th	Proposal of the approval on special incentive payout system for executive directors' and reported regarding the inspection results of internal control system and its operation status

Audit Committee

The Audit Committee supervises the propriety and legitimacy of the management’s actions to help deliver rational management decisions. Comprised of three non-executive directors qualified in terms of independence, the Committee members have professional backgrounds in financial investment, financial supervisory, and accounting and finance. There are grounds to leverage advisory from external experts, if necessary. To reinforce independence and fairness, of particular note, the Committee members are appointed and dismissed by an AGM, and they execute duties in a stance independent from the BOD or execution bodies. Resolutions made by the Audit Committee cannot be objected by the BOD.

Independence and Diversity of BOD

To build sound corporate governance system, Mirae Asset Daewoo adheres to the principle of appointing independent and professional non-executive directors. Qualifications for appointing competent candidates are as follows: We comply with the appointment procedures and principles, and thus secure independence.

- I. Person with sufficient job experience or professional expertise in such fields as finance, economy, business management, accounting and law, required to perform duties as the company’s non-executive director or audit committee member
- II. Person capable of performing duties without being restricted by certain interests for the interests of all shareholders or financial consumers as the company’s non-executive director or audit committee member
- III. Person with appropriate sense of ethics and responsibility to perform duties as the company’s non-executive director or audit committee member

In addition, we leverage strategic decision-making to review candidates from various fields to contribute to flexible and efficient management.

- I. Appoint a person with relevant experience with business management, law, administration and other fields that may comprehensively contribute to the business, despite lack of direct relevance in the financial and securities industries
- II. Build a dedicated team that consistently provides training and business support to non-executive directors to support expertise in financial industry, and hold regular and irregular meetings to encourage and complement individual expertise

Criteria for Determining Independency of Non-executive Directors (Disqualification of Independence, Article 382 of the Commercial Act)

- 01 Directors, executive directors and employees who are engaged in the regular business of the relevant company; or directors, auditors, executive directors and employees who have engaged in the regular business of the relevant company within the latest two years
- 02 The largest shareholder, his or her spouse, lineal ascendants and lineal descendants
- 03 Directors, auditors, executive directors and employees of the corporation, in cases where the largest shareholder is a corporation
- 04 Spouse, lineal ascendants and lineal descendants of directors, auditors and executive directors
- 05 Directors, auditors, executive directors and employees of a parent company or a subsidiary company of the relevant company
- 06 Directors, auditors, executive directors and employees of a corporation which has a significant interest in the relevant company, such as business transactional relationship
- 07 Directors, auditors, executive directors and employees of another company where directors, executive directors and employees of the relevant company serve as directors and executive directors

Preventing Conflict of Interest

Directors who wish to leverage business opportunities that benefit or may benefit the company’s interests are required to obtain prior approval. Activities related to conflict of interest are managed and monitored in compliance with Article 398 and 397 of the Commercial Act. Accordingly, the 2nd, 3rd, 8th and 14th board meetings in 2017 deliberated on the fairness of transactions and unanimously voted on the ‘Comprehensive Approval of the Transactions with Key Shareholders, etc.’ The Fair Trade Act mandates prior approval from the BOD if affiliates or conglomerates banned from doing cross-investment among affiliates engage in transactions exceeding KRW 5 billion or 5% of the larger between total capital and capital with a person with a special relationship. In line with the regulation, we have obtained approval from the 2nd, 5th, 6th, 8th, 9th, 11th, 13th and 14th board meetings in 2017 on large-scale internal transactions of affiliates in accordance with the Fair Trade Act.

Evaluation and Compensation of BOD

Mirae Asset Daewoo reviews the composition and operation of the BOD and its internal committees prior to an AGM every year. A comprehensive evaluation is carried out, assessing whether the BOD has adequately performed its roles to contribute to the interests of internal and external stakeholders, as well as their expertise, understanding of work duties, ethical and social responsibilities and demonstrated fairness in conflict of interests. This is initiated by the BOD, but specific duties are commissioned and independently performed by supporting divisions. In addition, the Compensation Committee has set in place under the BOD to build and run a fair compensation framework. The Committee is responsible for reviewing whether the compensation framework for management and specific positions are reasonably developed against risk structure, and monitors the connection among the compensation framework, the company’s financial position and risks on a regular basis. The Committee also runs an independent probe to monitor whether governance best practices of a financial company are adequately complied, thus strengths the objectivity of evaluation.

Compensation of Directors

Classification	Headcount ¹⁾ (Person)	Total amount paid ²⁾ (KRW million)	Per capita (KRW million)
Executive Director	3	3,365	1,121
Non-executive Director	1	72	72
Audit Committee Member	3	184	61
Total	7	3,621	517

¹⁾ Headcount: Number of registered directors as of December 31, 2017

²⁾ Total amount paid: Total compensation amount paid to directors of the BOD during 2017

Employee Compensation against Highest Paid Director

Highest paid director (KRW million)	Average employee compensation (KRW million)	Ratio (%)	Year-on-year change (%)
1,688	93	5.5%	-4.5%

Stakeholder Engagement

Definition of Stakeholders

Mirae Asset Daewoo defines its key stakeholders as the individuals or groups that have a direct or indirect influence on the company and vice versa. This also includes shareholders, group institutions with legal, financial and operational responsibilities, the media, labor union, NGOs, social organizations, local community, competitors, opinion leaders and the academic.

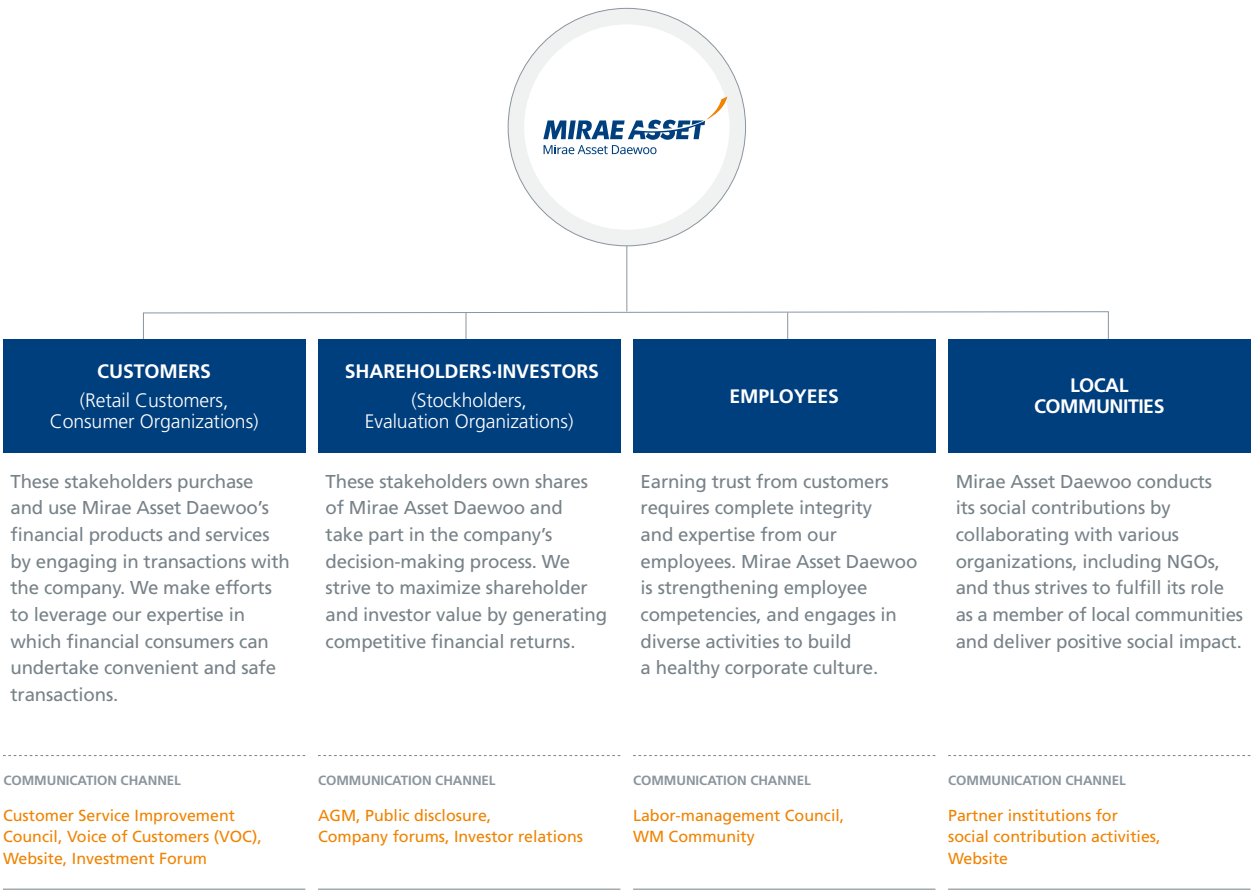
Classification of Stakeholders

Stakeholders of Mirae Asset Daewoo are categorized based on their role, level of impact, and relations. We have designated customers, shareholders and investors, employees, and local community as four key stakeholders, and then manage them in a systematic manner. We identify key issues and events for each stakeholder group and this is reflected on our business activities.

Stakeholder Communication Channel

Mirae Asset Daewoo has established various communication channels to listen to stakeholder opinions and expectations. In particular, the company undertakes stakeholder interviews and surveys to establish what they believe is important, and uses the results to determine major issues. Information on these is also disclosed in our integrated report.

Stakeholder Communication Channels and Key Issues



Strengthening Ethical Management

Ethical Management System

Amendment of Code of Ethics

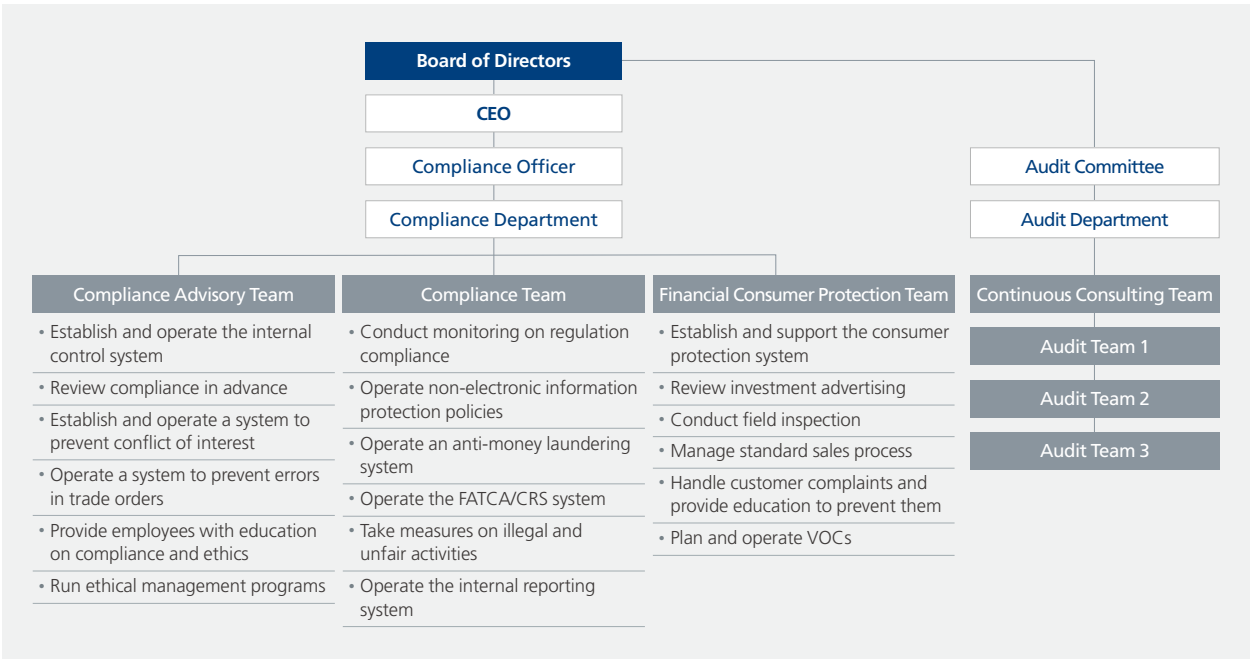
Mirae Asset Daewoo upholds ethical management as the first and foremost priority of the financial industry and pursues ethical practices to take a firm root in employees' business activities through the Code of Ethics. In 2017, Mirae Asset Daewoo has revisited its Code of Ethics, the foundation for practicing ethical management and Code of Conduct, which details the criteria for ethical business, in order to present a clear vision and judgment guidelines on ethical management for the company and its employees. The Code of Ethics takes its firm root on principles and trust and sets the standard on which employees can make ethical decisions and act properly.

Code of Ethics	Code of Conduct
We have overhauled our Code of Ethics to declare the ethical responsibilities and obligations we hold for our customers, shareholders and investors, employees and the company, as well as the nation and society as a socially responsible corporation.	We have newly enacted Code of Conduct to present detailed guidelines to practice ethical management, such as fair execution of job duties, prohibition on obtaining unfair benefits and fostering a healthy corporate culture.

Organization for Ethical Management

A Compliance Officer has been appointed to independently supervise corporate-wide ethics and compliance. The Compliance Department is in charge of ethical management of the company, and it manages rules on ethics and compliance, policies and conformity with procedures.

Ethical Management Organization



Culture of Ethics and Compliance

Mirae Asset Daewoo strives to enhance the value of employees’ integrity and spread a culture of ethics and compliance through continuous training and self-evaluation.

Internal Control System

We have established a corporate-wide internal control system in order to manage the ethical and compliance process, as part of our endeavor to create value of fairness and transparency. Employees are banned from engaging in political activities during business hours, and all company premises are assessed for exposure to corruption to further grow the company into one that fulfills its ethical responsibilities.

2017 PERFORMANCE

Strengthened Anti-Money Laundering (AML) Activities

- Improved AML system (improvements to blacklist filtering and high volume cash transaction report system)
- Conducted AML trainings (customized by position, such as executives, staff, customer-facing staff)
- Conducted self-inspection of ‘actual owner verification system’, one of the top ten key inspection area of FSS
- Made amendment to internal regulations to prevent money-laundering and fund-raising for terrorism
- Conducted security inspection of AML system
- Evaluated AML obligation fulfillment status of overseas subsidiaries and distributed relevant manuals
- Earned 60 scores from 2017 evaluation on comprehensive AML implementation (grade system abolished)

2018 PLAN

Upgrade the AML and establish the Risk Based Approach (RBA)

- Enhance internal AML system and procedures (first half of 2018)
- Establish the RBA system (third quarter of 2018)



Transaction Monitoring System		
Customer verification and DB integration	Anti-money laundering solution	Interface with internal and external systems
KYC	Data extraction	Internal
• Customer management, risk evaluation and management, watch list management, CTR report, etc.	Behavior detection engine	• Suspicious Transaction Report (STR) program
	• Scenario management, behavior detection engine, each scenario’s extraction threshold management	External
	Investigate suspicious transactions	• Receive report template from KoFIU and provides feedback on result
	• Suspicious transaction management and alert management	
ETL	STR status management	
• KYC data, transaction data, and account data in Data Warehouse		
	• Report and related information management, online report to Korea Financial Intelligence Unit (KoFIU), encryption of reports	

Advancing Risk Management

Strengthening Risk Management System

Risk Management Governance

Mirae Asset Daewoo has set the Risk Management Committee in place under the Board of Directors. The Committee, consisting more than three directors of which a majority is outside directors, is the prime decision-making entity on the company’s risks and is in charge of formulating risk management strategy in line with the company’s management strategy and supervising whether risk management operations are properly carried out. Major matters deliberated and decided by the Committee include establishing a basic risk management direction and strategies and inspecting implemented matters; establishing, amending, and abolishing general regulations related to risk management; setting the company’s risk-adjusted capital and minimum line of asset soundness; establishing the company-wide risk appetite and loss limits and approving excess limits; approving and monitoring stress tests; and handling other significant issues related to the company’s risk management system. The Committee members are appointed and dismissed by the BOD, with one non-executive director chairing the Committee. In an effort to assist the effective operation of the Committee, we have established two steering committees – the Investment Review Committee and the Risk Management Steering Committee.

Risk Management System

Integrated Risk Management System Mirae Asset Daewoo has established an integrated risk management system to meet ‘Minimal Requirements for Risk Management at Brokerage Firms’ recommended by the financial supervisory authorities, and to

strengthen total risk management system. By doing so, we have built the foundation for calculating total capital at risk, managing risk, the risk adjusted performance measurement (RAPM) and stress test. We have also formulated a long-term plan for integrating and improving risk management systems to flexibly respond to changes in the net operating capital ratio (NCR) system, to increase collaboration efficiencies between business departments and Risk Management Department personnel, and to enhance our overall risk management competencies. Based on this plan, we have been overhauling and improving our risk management systems in a phased manner.

Integrated Crisis Management System Mirae Asset Daewoo has a total crisis management system in place to preemptively and actively respond to crisis situations, including the spread of risks and market shocks. We have classified crisis situations into four categories – attention, caution, deterioration and emergency – based on ‘financial market stability indicators’ and ‘internal soundness indicators’, and set detailed execution plan for each level, in order to prepare for crisis situations. In addition, we closely monitor financial markets for any sign of instability by applying specific indicators that reflect the characteristics of each department, and regularly report to senior management. To prevent risks that arise from natural disasters, such as fire, floods and earthquakes, as well as risks that are caused by IT system failure, we have developed a Business Continuity Plan (BCP) and share it company-wide. As for risks related to an IT system failure, we have created an emergency IT manual centering on seamless provision of IT services, to ensure the continuity and stability of business activities.



Risk Management Framework

In order to systematically manage risks faced by the company, we have categorized risks to be managed into market risk, credit risk, liquidity risk, and operation risk. In addition, management system and guidelines are established that are appropriate for the characteristics of each risk to execute appropriate recognition, analysis, evaluation, and control of risks.

Market Risk	Credit Risk
<ul style="list-style-type: none">• We use standardized methods set in the Financial Investment Industry Regulations to measure market risks.• We calculate market value at risk (VaR) by using an internal model based on the market risk-measuring system of SAS.	<ul style="list-style-type: none">• We set acceptable exposure limits by counterparty type or credit rating. We also maintain an appropriate level of capital adequacy by controlling credit VaR limits based on standard models.• In addition, we identify and closely manage counterparties in the high risk category through regular monitoring of our credit risk status.
Liquidity Risk	Operational Risk
<ul style="list-style-type: none">• We use liquidity gaps and ratios as key indicators to measure liquidity risks. Also, departments related to risk management or funds regularly monitor risks and report them to senior management.• In addition to general liquidity risk management, we formulate contingency plans to deal with any liquidity crises that may arise. We classify crisis situations into four levels – attention, caution, deterioration and emergency–depending on the condition of the company's liquidity and the level of stability in financial markets. Specific action plans are established for each level to prepare for crisis situations.	<ul style="list-style-type: none">• We manage and control operational risks through risk & control self assessment (RCSA), key risk indicator (KRI) management, loss data management, establishment of countermeasures, and calculation of operational VaR based on internal models.• Regular RSCAs are carried out to gauge the level of risks of concern facing each department. If an indication of risk is found, countermeasures are established to control it preemptively.• There is growing importance in risk management that is related to protection of a financial company's personal information and countermeasures against IT-related infringements. In response, we established an organization that is dedicated to information security and responses to infringements, and thus strengthened our response system.

BUSINESS CASE

Managing Emerging Risks

“Mirae Asset Daewoo analyzes social and environmental changes on a regular basis, and thus establishes and executes measures that allow us to effectively respond to long-term risk factors that influence our overall business.”

Potential Risk	Business and Social Environment	Impact from Risk	Countermeasures
Expanding investment into overseas asset and venture capital	<ul style="list-style-type: none">• Due to the limited growth potential of traditional investment asset (such as domestic stock and low interest rate), the need arises to continuously expand investment into new growth industry such as the fourth industry and overseas asset (stock, bond, and alternative assets)	<ul style="list-style-type: none">• Although overseas assets and new growth industries can present appealing profit opportunity, they also involve risks such as sovereign risk, exchange risk, and individual company's default risk• Possible risks are increased investment loss caused by expanding investment asset exposure and deteriorating capital adequacy ratio	<ul style="list-style-type: none">• Abide by deliberation process prior to investment according to the policies• Follow-up monitoring and formulation of exit plan to maximize risk-adjusted profit ratio• Expand relevant pool of professional reviewers and risk management personnel
Financial market fluctuation	<ul style="list-style-type: none">• The financial investment industry is considerably influenced by the market environment, so that there are severe fluctuations in profits depending on the environment• Compared with other brokerage companies, the company has the highest fixed income balance and fixed income issued offshore which means that our business portfolio is very sensitive to interest rate fluctuations• Rapidly aging population – greater importance in building a portfolio that preserves investors' assets after retirement and increases profitability	<ul style="list-style-type: none">• Lower asset market fluctuations result in the loss of investment opportunities. Also, the coupling of asset prices has reduced traditional effects of asset allocation• On the other hand, extreme market fluctuations cause greater fluctuations in customer assets and the company's profits and losses• There is a dire need for alternative investments owing to the loss of investment opportunities• Increasing uncertainties in the global investment environment due to recent exchange rate fluctuations and changing political landscape–there are concerns over a global interest rate hike and a downward trend in the domestic real estate market	<ul style="list-style-type: none">• Making efforts to continually generate stable profits by diversifying profit structure• Enhancing employee capabilities by providing the industry's best internal training• Leading the money move and increasing market dominance through thorough preparation and bold execution, ranging from entering into new markets to developing innovative products and services and creative thinking beyond conventional financial framework• Preemptively reducing bond assets that are sensitive to interest rates

MANAGEMENT DISCUSSION & ANALYSIS

Financial MD&A

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Performance Analysis

2017 Market Review and 2018 Outlook

Securities Market

Korea's stock market grew significantly in 2017 backed by enhanced fundamentals in terms of global economic environment and domestic corporate performance. KOSPI hit a record high level in seven years by rising by 21.8%, and net income for KOSPI recorded KRW 136.3 trillion, a year-on-year increase of 42.9%, also reaching an unprecedented level.

Such growth momentum for the Korean's stock market is projected to persist in 2018 with the global economy expected to grow by 3.9%, an increase from previous year's 3.7%, and KOSPI net income is forecast to record KRW 157.2 trillion. However, continued interest rate increase in the U.S. and the possibility of growing political and economic uncertainty between U.S. and China may become destabilizing factors to increase volatility of the stock market.

Bond Market

The long-term market interest rate has only shown narrow fluctuation until the third quarter of 2017 and turned highly volatile in the fourth quarter. Since the second half of 2017, foreign investors started to reduce the balance level of Korean Won denominated bonds, which is deemed to be the result of not only external factors such as the burden following the Federal Reserve Bank's base interest rate raise, but also internal factors such as concern for base interest rate rise by Bank of Korea in approximately seven years and geopolitical risks in relation to North Korea.

Korea's bond interest rate for 2018 is projected to show a trajectory of high-start and low-end throughout the year. Concerns for the four-time base interest rate raises by the FRB

is likely to persist in the first half while the burden posed by BOK's additional base interest rate raise will prolong the window of interest rate volatility. However, Korea's domestic economic momentum, which is likely to decline in the second half triggered by downturn in facility and construction investment, and concern for potentially sluggish export and inflation due to strong Korean Won and possibility of prolonged quantitative easing by the ECB will drive down and stabilize the interest rate in the second half.

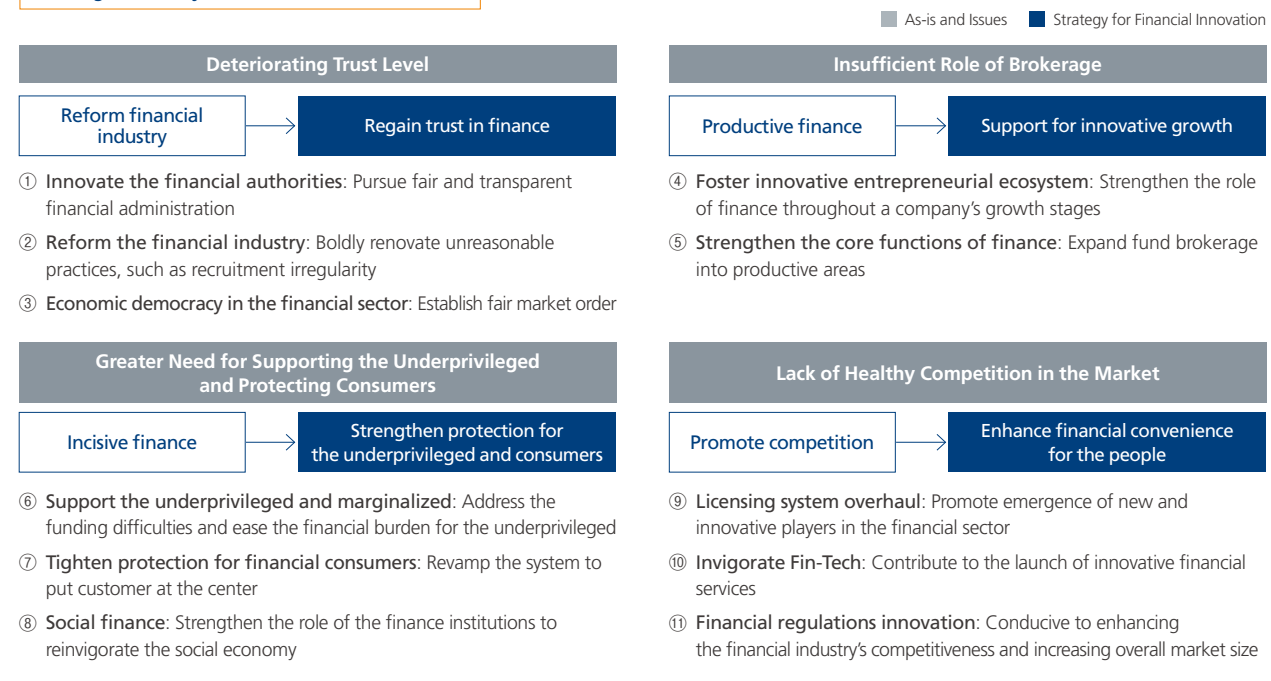
Changes in Laws and Regulations for the Financial Market in 2017

Strategy for Financial Innovation

The importance of trust is far greater in the financial services industry than any other industries, but the industry has failed to live up to the public expectation in terms of support for the underprivileged and consumer support. The government, therefore, has determined that the people's level of trust across the financial industry including the government authorities and financial institutions has dropped considerably to the level of hitting the limit in terms of competitiveness of the industry and has come up with and is executing four financial industry innovation execution strategies.

In order to regain people's confidence in finance, the strategy outlines major tasks such as financial authorities' innovation, financial industry's reform, and pursuing economic democracy to establish a fair market order. The four financial industry innovation execution strategies include financial industry's reform, productive finance, inclusive finance, promotion of competition, and they are now in full swing.

Strategies and Key Tasks for Financial Innovation



Generating Economic Values

Business Performance and Plan

2017 marks the first year of the newly established Mirae Asset Daewoo after the merger and witnessed a record-high performance in 10 years with KRW 664.7 billion in pre-tax income in consolidated basis and KRW 504.9 billion in net income. We managed to achieve a balanced performance increase across all business units, such as brokerage, wealth management, IB, trading, and interest profit or loss, and thus laid the foundation to grow into a global investment bank.

In 2018, we will continue to focus on expanding our global business and doing our utmost to move beyond a leading investment company in Korea towards a top-tier investment bank in Asia. In doing so, we have set four areas of innovation – Global, Investment, Digitalization and Pension.

Operation Review

As of December 31, 2017, there were 164 branches (including IWCs), three overseas representative offices and 11 overseas subsidiaries (excluding the ones subject to liquidation or sales). In addition, we are striving to provide shareholders and investors with successful asset management performance and best services. The merger between Mirae Asset Securities and Mirae Asset Daewoo has enabled us to become the No. 1 brokerage company in Korea. Total client assets reached KRW 245 trillion in 2017. WM assets grew steadily to record KRW 111 trillion, and the number of high net worth individuals (HNWI) with investments of KRW 100 million or more exceeded 140,000 at the end of 2017.

Credit Rating

In 2017, we received AA grade from Korea Ratings, the Korea Investors Service, and NICE Information Service for our non-guaranteed corporate bonds. We also received Baa2 grade for foreign currency-denominated long-term fixed income from Moody's, an overseas credit rating agency, and are maintaining that rating.

Distribution of Economic Value in 2017

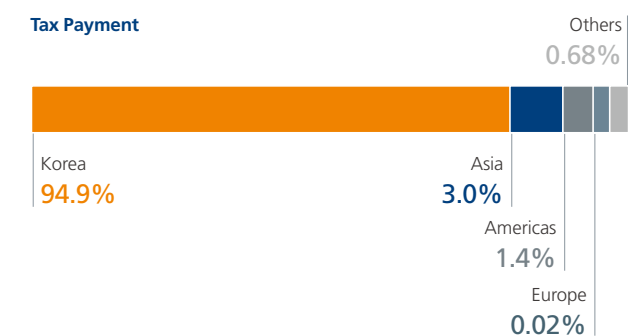


Distributing Economic Values

Mirae Asset Daewoo pursues a fair and transparent distribution of values we have generated to enhance customer value and promote sound social growth. In 2017, a total of KRW 1,517 billion was spend to be distributed to key stakeholders, such as customers, shareholders, investors, executives and employees, and local community, while supporting their values.

Fulfillment of Tax Payment Obligations

Mirae Asset Daewoo complies with our tax payment obligations for domestic business sites as well as our overseas business sites based on criteria set forth by the respective local government. When tax laws are unclear to us, we receive help from external professional organizations to satisfy legal standards. We disclose income tax-related information through an audit report that is made available on the Financial Supervisory Service's electronic official notice system. Financial statement and footnote information on the audit report includes the criteria for calculating income tax expenses, deferred tax assets and liabilities. We manage risks that may arise in relation to taxation, and prevent tax-related risks by fulfilling our tax payment obligations in a fair and transparent way. For international transactions with overseas subsidiaries, we observe domestic tax laws as well as the OECD Transfer Pricing Guidelines, and execute tax payment obligations based on local laws. We have overseas subsidiaries in the US, Brazil, Hong Kong, and other countries, and we transparently disclose the amount of taxes we pay in each region.



Business Review

Wealth Management

Overview

We provide top-tier wealth management services that are well suited for customer’s purpose and propensity of investment, backed by our global network – largest among Korean brokerage companies.

Providing convenient and customized integrated consulting services

Mirae Asset Daewoo leads the wealth management market based on customer-oriented, advanced business models. As of end of December 2017, number of our branches stood at 164, largest among Korean brokerage firms which enable us to offer enhanced customer accessibility and convenience. We not only provide customers with tailored portfolio suited for their investment propensity and purpose but also provide a comprehensive consulting services incorporating tax, real estate, and legal services along with inheritance/gift and succession of family business.

Enhancing global consulting capabilities

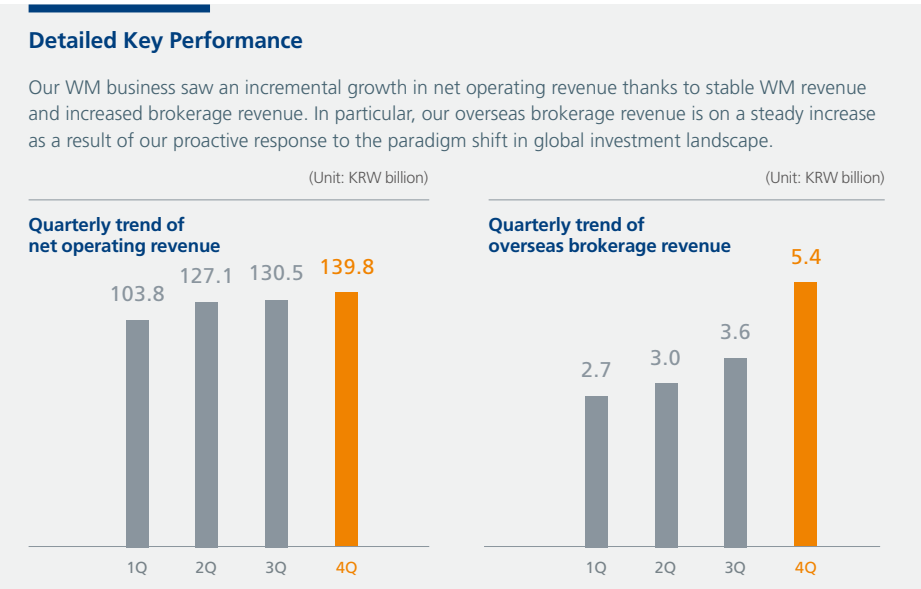
We run a program to nurture global investment professionals to fortify our advisory competences on global stocks from a long-term perspective. Backed by differentiated investment information based on our leading research center and global network, we are able to support our customers with high quality global brokerage services. In addition, all branches of Mirae Asset Daewoo provide customers with asset allocation recommendation suited for their investment propensity and financial plan and professional advisory services on overseas prime stocks.

Making lager-size branches

2017 was the first year after the completion of the merger between two companies, so that we integrated 15 adjacent branches and expanded them into larger-size branches. This enabled us to prevent customer’s confusion and enhance the level of our comprehensive consulting services. Three new WM branches opened up in Gangneung, Central Post Office, and Bundang Post Office in 2017 in order to efficiently expand customer contact points.

2017 Performance

In 2017, we endeavored to build a foundation for growth through post-merger integration. Stable WM revenue, an area where we have long been strong at, was combined with gradually increasing brokerage revenue to achieve KRW 501.3 billion in net operating revenue. By promptly responding to global market changes, total customer assets under management grew by KRW 24.8 trillion, and the growth of pension and global brokerage asset under management was notable at KRW 3 trillion, solidifying our relationship with customers.



WM CUSTOMER ASSETS

Total WM customer assets grew KRW 24.8 trillion year-on-year to record KRW 124 trillion. The net growth of brokerage assets was KRW 24.5 trillion, totaling KRW 88.8 trillion in brokerage asset under management, further solidifying our stature as the industry-leading brokerage house. In particular, our overseas stock asset, which remained around KRW 700 billion at the beginning of the year grew by KRW 1.8 billion, to rank top in the industry in terms of overseas stock asset and contracts.

Asset under management for pension and global brokerage, our strategic assets to strengthen ties with customers, grew by KRW 3 trillion, of which pension asset grew by KRW 470.1 billion, enhancing the value of customer’s retirement asset, and global asset grew by KRW 2,535.5 billion, successfully allocating customer’s asset across the global channel.

(Unit: KRW trillion)

	Classification	Beginning of the Year	End of the Year	Change
WM	Funds	7.8	8.3	0.5
	Others	27.5	27.2	△0.3
	Sub Total	35.3	35.5	0.2
Global Securities	Domestic Brokerage	63.6	86.3	22.8
	Overseas Brokerage	0.7	2.5	1.8
	Sub Total	64.3	88.8	24.6
Total Customer Assets		99.6	124.3	24.8
Strategic Assets	Pension Assets	2.7	3.2	0.5
	Global Assets	2.5	5.0	2.5
	Total	5.2	8.2	3.0

2018 Plan and Strategy

Our top three initiatives for 2018 are strengthening WM competitiveness, expanding tangible asset, and securing long-term growth potential, and these will help us further solidify our leading position in asset management.

Business Strategy

Strengthen Competitiveness in WM	Expand Tangible Assets	Ensure Long-term Growth
<ul style="list-style-type: none">Improve efficiency of the organization (channel)Enhance competitiveness of WM (staff)<ul style="list-style-type: none">Provide one-stop services through the strengthening of consulting capabilityProvide differentiated products	<ul style="list-style-type: none">Expand investment in global assets with a focus on global equity<ul style="list-style-type: none">Improve customer's profitability by accelerating 'account restructuring' focused on global assetsDiversify asset groups to include overseas bonds, overseas funds and global wrap accountsAccumulate long-term yield asset focused on pension asset<ul style="list-style-type: none">Individual Pension: Strengthen fee-based revenue by focusing on attracting new and transferred customersRetirement Pension: Attract new DC and IRP customers and related VIP customersEstablish a foundation for mid-to long-term growth by attracting new VIP customers	<ul style="list-style-type: none">Solidify an absolute position in wealth managementIncrease quality in assets and profitsImprove organizational productivity by focusing on HNWI business

Investment Wealth-management Center

Overview

Investment Wealth-management Center (IWC) is a mega-scale financial complex located in major cities all across Korea, and offers distinctive, one-stop financial services to corporate and individual customers.

Comprehensive financial solution services

IWC is a brand-new concept envisioned and realized by Mirae Asset Daewoo, offering comprehensive financial services through the convergence of retirement pensions, wealth management and corporate finance in seven locations around the nation in Pangyo, Yeouido, Gangnam, Busan, Daegu, Daejeon and Gwangju. In 2017, we expanded our IWC organization to become seven IWCs, seven WM Departments, 15 RM Departments and 35 Teams, and increased professional staff from 375 to 459 persons.

Corporate client services

We provide consulting services and efficient policy operation in terms of human resources, labor affairs, finance and accounting related to the retirement pension policy. A number of corporate financial services are provided aimed at boosting corporate value such as corporate financing, investment and M&A.

Private client services

We offer comprehensive one-stop wealth management consulting services through which pension assets and financial assets of individuals can be comprehensively managed. Our own specialized retirement asset consulting services such as integrated consulting for public and private pensions are provided as well.

2017 Performance

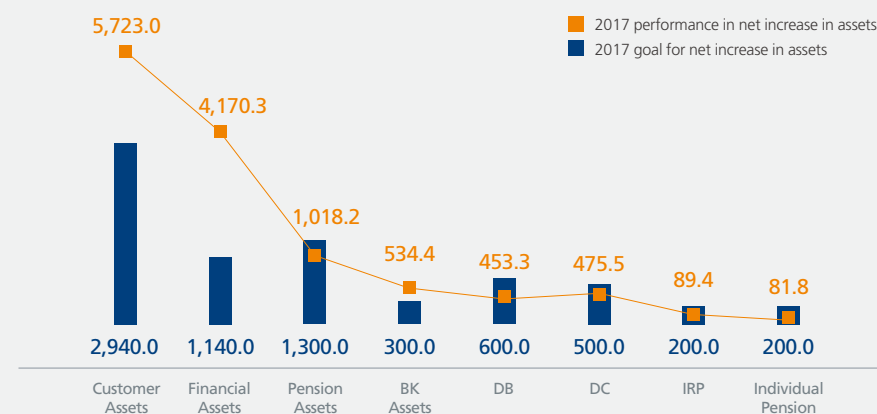
Launched in 2017, our IWC (Investment Wealth-Management Center) successfully attracted retirement pension assets of KRW 1 trillion in the first year of its operation, which enabled the company to expand its pension assets to KRW 10 trillion. IWC also made significant contributions to improving the company's profitability by successfully expanding VIP client base and creating synergy with IB business in its joint sales performance of private and corporate clients which is based on retirement pension customers.

Detailed Key Performance

NET INCREASE IN FINANCIAL/PENSION ASSETS UNDER MANAGEMENT

- 1) Financial assets: Net increase of KRW 4,170.3 billion
- 2) Retirement pension assets: Net increase of KRW 1,018.2 billion
 - DC (Corporate level +KRW 498.8 billion, IWC +KRW 475.5 billion): 66% increase compared with the net increase of balance in FY 2016 (KRW 300.8 billion)
 - DB (Corporate level +KRW 447.5 billion, IWC +KRW 453.3 billion): 9% increase compared with the net increase of balance in FY 2016 (KRW 412.3 billion)
 - IRP (Corporate level +KRW 183.1 billion, IWC +KRW 89.4 billion): Approximately 87% compared with the net increase of balance in FY 2016 (KRW 209.7 billion)
 - Performance-based Products (Corporate level +KRW 624.1 billion, IWC +KRW 490 billion): Increase in balance through the sales of DB performance-based products and the rebalancing of DC plan subscribers

(Unit: KRW billion)



SYNERGY CREATION BY LINKING PRIVATE CLIENT SERVICES AND IB

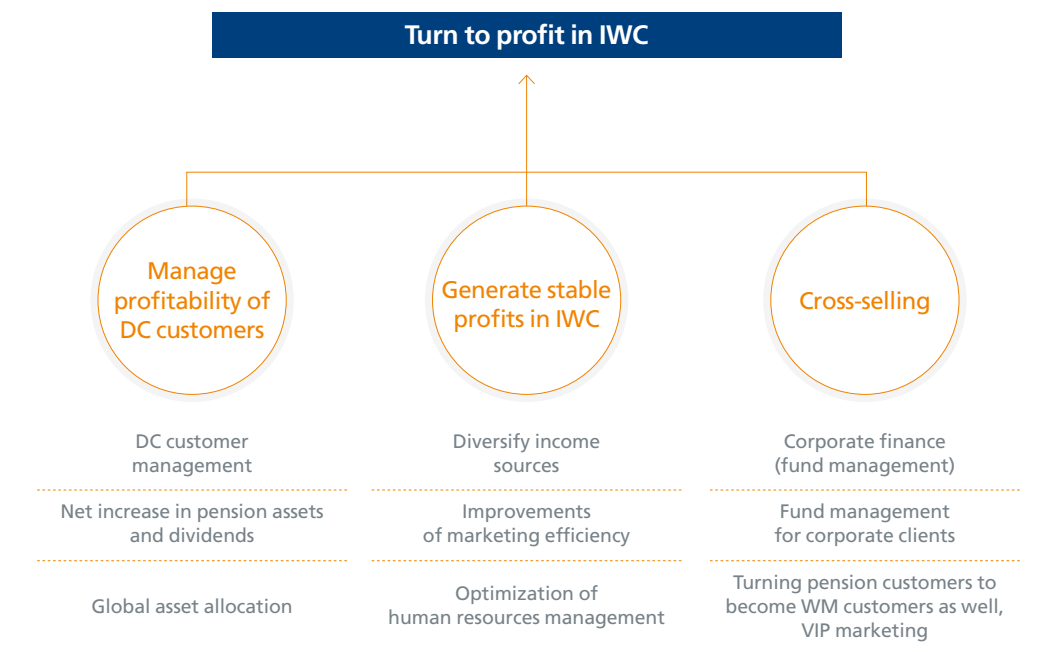
- 1) Increase in VIP customers who have more than KRW 100 million in customer assets: 1,650
- 2) Increase in WM customers: 4,952
- 3) Generate synergy by linking to IB: 89 cases – achieved 178% compared with the target of 50 cases and contributed KRW 3.12 billion in the company's profits

Synergy in private client services	Performance
Increase in VIP customers	1,650 persons
Increase in WM customers	4,952 persons
Synergy by linking to IB	Contribution to the company's profits
89 cases	KRW 3.12 billion

2018 Plan and Strategy

In 2018, we will focus on enhancing integrated marketing based on cross-selling pensions, strengthening client alliance by managing returns for DC plan subscribers and stabilizing IWC profits and losses.

Business Plan



Mid-to Long-term Business Strategy

INTRODUCTION STAGE (2018)	GROWTH STAGE (2020)	MATURITY STAGE (2022)
<ul style="list-style-type: none"> Expand IWC business Generate stable profits 	<ul style="list-style-type: none"> Become one of Big 5 in retirement pension Contribute to profit diversification of the company through total marketing activities based on pension 	<ul style="list-style-type: none"> Contribute to the establishment of the company's position as a top-tier investment bank in Asia

Pension

We help our customers manage their assets to prepare for a stable post-retirement life through the efficient management of their retirement and individual pensions based on our distinctive global market asset allocation capabilities.

Overview

Competitive product offerings and distinctive consulting services

On the back of competitive product offerings and distinctive consulting services, Mirae Asset Daewoo has grown into a top-tier pension management company with KRW 10.4 trillion in pension assets under management. Our competitive product offerings and distinctive consulting services have built a solid foundation, thereby enabling seamless client solutions to expand our retirement pension business in conjunction with other related services. Supported by a pool of experts with diverse specialties, including certified labor attorneys, tax attorneys and CFA license holders, and the next-generation retirement pension system, we efficiently manage pension assets on behalf of our clients, while providing a full scope of retirement planning services and diverse retirement pension education programs such as online training, group sessions and dedicated seminars.

Strengthening global asset allocation

We provide well-diversified products leveraging our outstanding global asset allocation capabilities. By pursuing both stability and profitability, we help our customers create and manage pension assets that will ensure their comfortable retirement.

2017 Performance

In 2017, Mirae Asset Daewoo maximized synergy effects between its Wealth Management (WM) and IWC channels, and proactively coped with regulatory changes. We promptly adapted to changing market landscape by enhancing our customized consulting services for personally-managed pension programs, such as DC, IRP and other individual pension plans. Thanks to these efforts, the value of our cumulative retirement pension reserves reached KRW 7,691.1 billion as of December 31, 2017. According to the annual return disclosures, Mirae Asset Daewoo was ranked first among the top ten retirement pension managers (measured by the size of cumulative retirement pension reserves under management) with an annual return of 4.93% for defined contribution (DC) products and 3.90% for individual retirement pension (IRP) products.

Detailed Key Performance

PENSION ASSETS

- 1) As of December 31, 2017, the company's pension assets stood at KRW 10.4 trillion (KRW 7.7 trillion for retirement pension plans and KRW 2.7 trillion for individual pension plans), which is the largest among retirement pension managers (based on the figure excluding reserves attributable to affiliates)
- 2) Achieved the highest returns for pension plans (DC/IRP) among top ten retirement pension managers in 2017

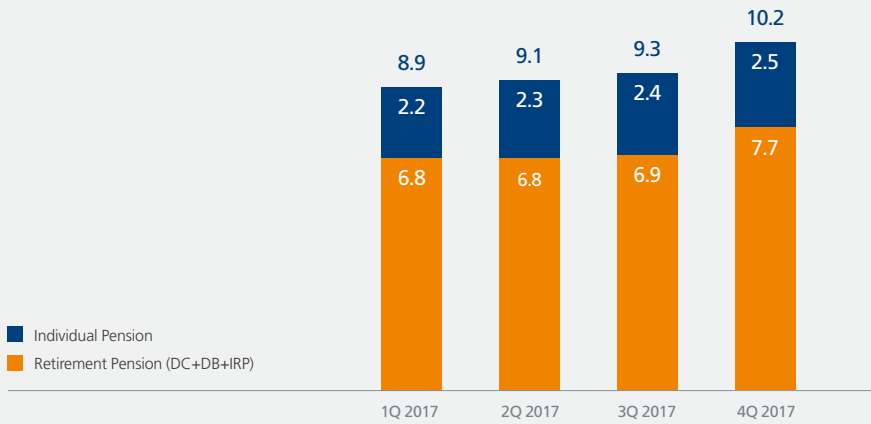
Balance of Retirement Pension Assets for Past 3 Years

(Unit: KRW billion)

Classification	2015	2016	2017
Retirement Pension	5,638.8	6,561.0	7,691.1
Individual Pension	1,832.6	2,039.2	2,794.3
Total	7,471.4	8,600.2	10,485.4

Pension Assets as of 2017

(Unit: KRW trillion)



- 3) Received awards for retirement pension by media (The Korea Economic Daily, Maeil Business Newspaper, Money Today)
- 4) Largest product line-up which include deposits, ELS, domestic funds and overseas funds
- 5) Provide automatic rebalancing services through the Global Asset Allocation Retirement Pension Wrap
 - 23,503 subscribers and KRW 790.4 billion of assets under management as of the end of 2017

2018 Plan and Strategy

In Korea, the needs for pensions to prepare for retirement has been increasing. According to the Mirae Asset Retirement Research Institute, the size of the Korean pension market will rapidly grow from KRW 168 trillion at the end of 2017 to KRW 430 trillion (KRW 275 trillion for DC plans/IRPs and KRW 155 trillion for DB plans) by 2024. The focus of this growth will be pinpointed by a movement from DB plans to DC plans, and performance-based products will take up an increasing proportion of the product portfolio.

Mirae Asset Daewoo will therefore proactively adapt to changing market landscape by maximizing synergy effects between our WM and IWC channels, proactively coping with regulatory changes and enhancing our customized consulting services for personally-managed pension programs, such as DC, IRP and individual pension plans.

In addition, we will fully leverage our stable asset management capabilities and comprehensive consulting expertise to solidify our position as a leading pension management company and stay fully committed to providing top-tier pension services to contribute to comfortable retirement of our clients.

Business Strategy



Investment Banking

Overview

Our Investment Banking (IB) business offers financial solutions catered to a client’s financing needs and seeks various investment opportunities as an investment partner to pursue mutual growth with our clients. We will establish a business model where a growth of a company is translated into benefits for investors and share the with our clients.

Customer-centric and expertise-based operations

Our IB business consists of three divisions according to their target customer base and area of expertise

IB Division1 It provides full services for corporate initial public offerings (IPO) and various corporate financing solutions, such as pre-IPO investments, paid-in capital increase and issuance of equity-linked notes and corporate bonds. It also offers such diverse financial services as structured finance and credit exposure.

IB Division2 It undertakes onshore and offshore real estate projects in various forms that require large-scale financing. In addition, it conducts diverse alternative investments including aviation and ship finances, and also provides financial advisory and funding services for power & energy and infrastructure projects.

IB Division3 It leverages its domestic and overseas networks to participate in the acquisition finance market and provides M&A advisory services. It invests in oversea real estate and SOC financings through global investments, and also provides top-tier PEF management services as a general partner (GP).

2017 Performance

In 2017, the first year of integrating IB services of the company, Mirae Asset Daewoo made impressive performance across all IB segments. In the ECM, we delivered solid performances for overall ECM operations, making it to the top IPO league with total deal volumes of KRW 1.7 trillion and a 22% market share. In the M&A market, we were ranked first by arranging a total of 18 deals valued at KRW 1.8 trillion. In other areas such as real estate and alternative investments, we successfully led a number of landmark projects, exhibiting our strength as the most well-capitalized securities house of Korea.

Detailed Key Performance

IPO

In addition to the IPO of Celtrion Healthcare, a landmark listing of the year at more than KRW 1 trillion, we successfully listed JinAir, Studio Dragon and Samyang Optics to be recognized as a true IPO leader.

M&A

We became the No. 1 in the M&A financing by arranging a total of 18 deals, including acquisition finance and refinancing, such as deals for Coway (valued at KRW 1.25 trillion), Netmarble Games and Halla Cement Corporation.

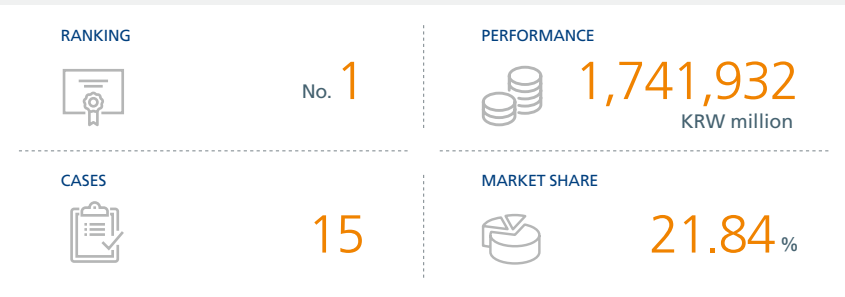
ECM/DCM

We consolidated our market position by serving as a lead arranger for paid-in capital increase of Hanwha General Insurance as well as corporate bond offerings of high-grade issuers such as Hyundai Steel. Our market presence was further solidified by successfully executing a number of landmark transactions, such as issuance of hybrid securities of Hanwha Life insurance and bonds with warrants of Doosan Infracore.

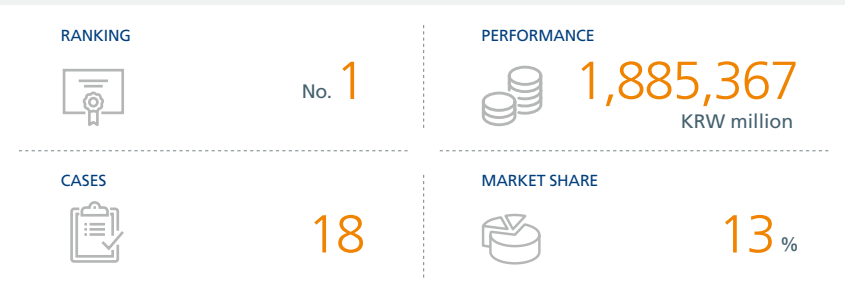
STRUCTURED FINANCE, REAL ESTATE PF, ALTERNATIVE INVESTMENT

We undertook a number of transactions in various forms, including structure finance products such as RCPS for POSCO Energy and TRS for SK E&S, real estate projects such as construction of public rental housing complex in Mapo, Seoul and various alternative investment projects.

IPO Performance in 2017



Underwriting/Refinancing Performance in 2017



2018 Plan and Strategy

In 2018, Mirae Asset Daewoo will strive to enhance its total financial solution capabilities as a leading global IB, while also establishing a differentiated global business model to proactively address and lead rapidly-changing market trends.

Business Strategy

IB Division1

We will expand our coverage for new-growth companies and improve less-developed coverages to achieve market competitiveness and will diversify our profit sources by offering financing plans utilizing company-owned assets and corporate restructuring schemes. We will expand our IPO efforts into outstanding overseas corporations and the Industry 4.0 companies and promote pre-IPO sales, as well as expanding our position in high-grade assets to improve returns centering on mezzanine and alternative investments.

IB Division2

We will participate in diverse markets including investment development projects and policy/public/municipal projects to continuously identify potential deals and maximize our returns centering on new projects at home and abroad. We will also strive to source diverse deals by interrelating our sales efforts with existing investment projects and through our vest network of customers, construction companies and developers.

IB Division3

In relation to acquisition finance, we will expand collaboration with Korean commercial banks and securities companies, while establishing pipelines for oversea deals based on our global network. By enhancing our global IB capabilities through cross-border deals, we will work with global leading GPs in global project tenders. As a newly launched business unit, we will also put our priority on building up high-grade assets to ensure stable returns.

Trading

Our trading business is equipped with globally competitive human network and financial infrastructure. Our bonds, derivatives and multi-strategy management is empowered by our team-oriented approach and strategic decision making, and based on which we develop financial products with an aim to improve our profitability while also increasing customer's assets.

Overview

Organizational realignment to ensure distinctive competitiveness

Mirae Asset Daewoo undertook organizational realignment in 2018 to enhance responsible management of the trading business and distinguish the group's expertise and capabilities. Accordingly, our trading business has been reorganized from previous one division for eight departments and one office for 26 teams to two divisions, five departments and 17 teams. Trading Division is in charge of derivatives and multi-strategy trading, and Trading Division2 is in charge of bond trading.

Trading Division Trading Division consists of the Global Market Strategy Department, FICC Derivatives Department and Equity Derivatives Department. On the back of the state-of-the-art financial engineering methodologies and expertise accumulated for over a decade, Trading Division develops in-house models, and monitors and analyzes derivatives-related positions. In addition, it provides full support for the derivative product system and internal IT system to upgrade product offerings and trading process.

Trading Division2 Trading Division2 is composed of the Fixed Income Trading & Product Department, Fixed Income Distribution Department and Global Fixed Income Team. Based on distinguished management process, Trading Division2 carries out product-linked trading for bonds dominated in KRW and foreign currencies along with proprietary trading. It also supplies bonds dominated in Korean won and foreign currencies to retail customers.

Product-linked trading

We offer diverse investment opportunities with our in-house developed equity-linked securities (ELS), derivative-linked securities (DLS) and exchange-traded notes (ETN) with such various underlying assets as stocks, indices, foreign currencies, credit and commodities, to meet client needs for medium-risk medium-return investments in the current low interest rate environment. These financial products are linked to our hedging investments as well. Furthermore, we operate repurchase agreement (RP) in a stable manner which has enabled us to provide our clients with short-term fixed interest directly or through cash management accounts (CMA).

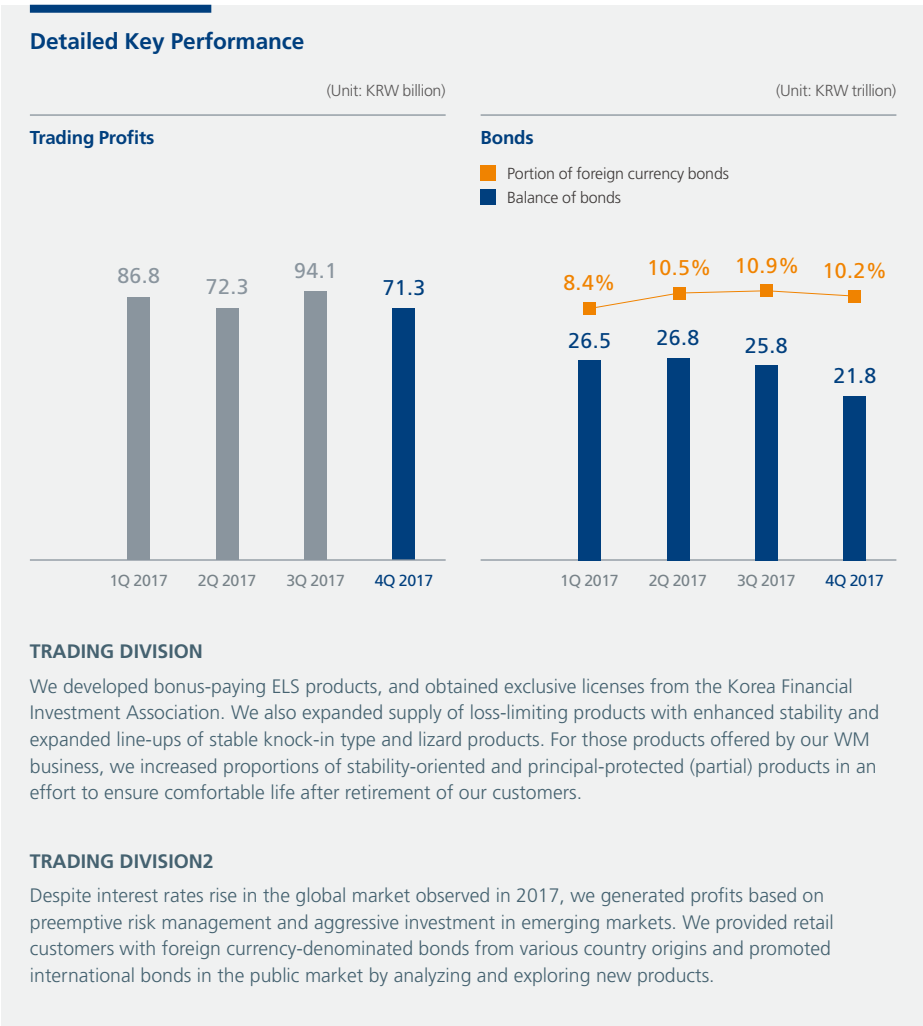
Principal investments

We are making investments in global companies with high competitiveness at home and abroad, from mid-to long-term perspectives, based on our global network, largest among Korean brokerage firms. A thorough risk management system has been in place to pursue stable profitability and generate return on capital. A number of advanced trading methodologies are applied to the management of bond, foreign exchange and derivatives products, pursuing proprietary trading which generates stable and consistent return on capital.

Performance Analysis	Business Review							
	WM	IWC	Pension	IB	Trading	Wholesale	Global	Digital Finance

2017 Performance

In 2017, we delivered a solid performance driven by proactive trading. Equity trading, in particular, was focused on domestic IT stocks and overseas equity portfolios. For derivatives trading, the redemption of KRW 24.2 trillion in 2017 contributed to higher returns and strategic hedging in preparation of increasing volatility enabled extra returns. In the meantime, bond trading was maintained conservatively amid an increase in domestic interest rates, with a heavy focus on overseas bond trading.



2018 Plan and Strategy

Trading Division will focus on creating stable profits from derivatives and multi-strategy trading, and it also plans to provide innovative products to the sales channel. Considering that trading business may significantly affect profitability of the company, we will optimally and prudently manage our profit/loss volatility. Additionally, to diversify profit sources, we will continue our efforts to expand our portfolios to cover derivatives linked to overseas ETFs, ETNs and hybrid products combining commodity, FX, or two and/or more FICCs as underlying assets. Lastly, to enhance product-supply capability, we will develop and introduce overseas equity-paying global ELS products and create in-house indices.

Amid global interest hikes expected in 2018, Trading Division2 will focus on stable trading on KRW- and foreign currency-denominated bonds, and will expand its global investments and customer assets. In particular, by upgrading and systemizing trading processes, we will ensure our trading to be carried out in organized manners and will explore new investment targets by analyzing sales environments and new markets.

Wholesale

Overview

We provide institutional investors and corporations with a series of products and solutions, including equity, bonds as well as futures and options, suited to their institution-level financial management.

Securities and brokerage services

For Korean institutional investors covering both Korean and foreign corporations, rich research contents and services are provided to optimize their decision-making and investment execution processes. Furthermore, we offer foreign fund brokerage services to overseas central banks and institutional investors and provide clear guides on local and overseas interest rates to help both of our Korean and foreign investor clients diversify their bond investment portfolios and achieve higher returns.

Derivatives-linked products

We offer top-tier service in brokering domestic and foreign equities and derivatives, creating and redeeming exchange-traded funds (ETF), and serving as a liquidity provider for ETFs and derivatives-linked products.

Financial products sales

For Korean institutional investors and legal entities, we offer customized investment solutions including trusts, wrap accounts, collective investment securities, derivatives-linked securities, such as ELS and DLS, and real estate and aircraft funds.

2017 Performance

In 2017, we have newly established a dedicated team for overseas brokerage to reinforce our expertise in overseas stock trade, developed additional overseas platform for futures and option, and implemented an integrated over-the-counter (OTC) derivatives system. In the meanwhile, we were marked with highest grade in terms of stock brokerage from major pension funds and asset managers in Korea and became the No.1 arranger for financial bonds, further solidifying our stature as Korea's leading securities company. In the alternative investment market, we have expanded our sales activities for alternative products to reaffirm our market-leading position.

Detailed Key Performance

EQUITY SALES DEPARTMENT

- 1) Received top grades from public pension funds, such as Korea's National Pension Service and Korea Post, in their biannual or quarterly brokerage house ratings
 - Remarkable growth in block deals for corporations and trading of non-listed stocks
 - A promotion to the Outbound Equity Sales Team paved a way for developing into global equity brokerage house
- 2) Parallel sales efforts for overseas ETFs, such as Horizons and BetaShares, to create company-wide synergy
 - Focused sales efforts to earn trust from institutional clients
 - Pursuing new business opportunities by developing new overseas futures, option platforms, etc.

PASSIVE SOLUTION DEPARTMENT

- 1) Laid a foundation to advance into the ETF market of Hong Kong
- 2) Successfully launched the Delta One business

FIXED INCOME SALES DEPARTMENT

- 1) Ranked first in the arrangement of financial bonds
- 2) Successful sales of KDB Global Bonds which enhanced Mirae Asset Daewoo's position in the global bond market

MULTI SOLUTION DEPARTMENT

- 1) Solidified the company's position as a market leader by offering competitive products to institutional clients through foreign asset managers and deal sourcing
- 2) Continued to sell derivatives to build a foundation for future profit sources
- 3) Continued to build a leading reputation in the industry by expanding the sales of alternative investment products
 - InterContinental Hanoi Landmark72, overseas office buildings (Vodafone, T8 in Frankfurt, etc.), Bundang Square

Arrangement of financial bonds by the Fixed-income Sales Department

AMOUNT OF ISSUANCE



10,267.3
KRW billion

Balance of financial products

Classification

Multi Solution Department

Performance

KRW 48 trillion

2018 Plan and Strategy

In 2018, we will focus on entering into the ETF market of Hong Kong, which will pave a way to launch arbitration transactions based on overseas ETFs and expand our global business. Furthermore, we will promote oversea alternative investment business by leveraging our global networks of foreign asset managers and foreign real estate projects, thereby responding to ever-increasing needs for foreign alternative investment products.

Business Strategy

Equity Sales Department



- Expand cooperation with IB, WM IWC and multi solution businesses to develop new deals
- Explore new business opportunities with newly established private equity firms and investment advisory companies
- Substantially increase foreign equity sales trading counterparties

Passive Solution Department



- Initiate arbitration transactions based on foreign (onshore, offshore) ETFs
- Expand the Delta One business by leveraging our global network
- Develop a swap platform for flow trading

Fixed Income Sales Department



- Promote trading of international bonds issued by key pension funds and institutions, such as the Bank of Korea
- Strengthen sales for the offering of international bonds issued by public and financial institutions
- Enhance profitability by providing FX hedge total services for trading of KRW-denominated bonds by non-Korean institutions

Multi Solution Department



- Continue to expand new transaction counterparties; and develop and sell differentiated new products
- Continue to expand business with placement agents of foreign asset managers
- Strengthen efforts to attract assets for the global wrap services

Global

Based on our competitive global network, we are determined to proactively find prime assets distributed across the globe while pursuing localization, and thus grow into an IB which has an exclusive global network.

Overview

Customization strategy for local markets

We strive to earn a stature as a full-service securities firm by achieving a high level of localization. In advanced nations, we are rolling out our own internal investment products and differentiated global products by discovering and structuring globally healthy assets in order to focus on core business areas and thus secure a firm profit model. In emerging markets, on the other hand, we are expanding our presence into the IB and trading based on brokerage for local retail and institutional investors, while establishing a well-balanced income structure based on thorough localization.

Mirae Asset Daewoo globally operates 12 subsidiaries and three representative offices in ten countries across Asia, Europe and the U.S. with 700 employees engaged in IB, global brokerage, trading, WB, and prime brokerage businesses. We have set up specialization strategies customized to the unique regional characteristics to sharpen our competitive edge in the global market.

2017 Performance

As a specialist in the emerging market, we continue to make investments in overseas business from a long-term perspective. As of May 31, 2018, there were 12 overseas subsidiaries (in ten countries, including the U.S., Hong Kong, Brazil, Vietnam, Indonesia and India) and three representative offices (Beijing, Shanghai and Ho Chi Minh City). Thanks to our competitive product portfolio for the local customer base and stable growth of the emerging market, the pre-tax income for overseas subsidiaries in 2017 grew approximately 300% year-over-year, with the income from the IB sector grew by over 30%, accounting for 20% of the total income generated by overseas subsidiaries.

Detailed Key Performance

1) Improve profitability of overseas subsidiaries and expand IB assets

- In FY 2017, the pre-tax income for overseas subsidiaries grew more than 300% over the previous year, in particular IB business income grew over 30%, accounting for 20% of the total income generated by overseas subsidiaries
- Achieved more than 70% growth in the local brokerage thanks to localization strategy
- Diversified revenues by fully launching the PBS business and expanding local IB deals, such as IPO in emerging markets

2) Ensure capital strength and advance into new markets to enhance business drivers

- Established a subsidiary in India in October 2017
- Completed capital increase of subsidiaries in LA, Vietnam and Indonesia, in order to expand IB and trading businesses

3) Create global synergy among headquarters, overseas subsidiaries and the Group

- Expand collaboration on IB deals and global stock business, such as alternative investment, acquisition and investment finance

4) Diversify profit sources by expanding new businesses

- Rolled out derivatives product brokerage in Hong Kong, obtained license for fund trust in Brazil, and obtained fund sales license in Indonesia and Singapore

Global presence

Mirae Asset Daewoo operates its business, such as IB, trading, PI, PBS and WM, in 10 countries around the world, including the U.S., Hong Kong, UK and Brazil.



2018 Plan and Strategy

Our strategic business directions for 2018 are as follows:

Increase profitability by growing into a global IB

Backed by our accumulated deal execution experiences in advanced countries, we will expand our investment into and product offering in prime assets. In particular, we will strengthen our IB business in the U.S. to create synergy between IB and WM by offering competitive investment products targeting local customers. In addition, we will expand our local IB business in emerging markets in Asia, such as India, Indonesia and Vietnam.

Grow into a local top-tier securities company through localization

In Asia and Latin America, we will focus on respective local retail market to pursue stable growth consistently while growing into a top-tier securities firm in the market by ramping up talented IB and WM resources to secure high level of localization and stable income structure.

Strengthen digitalization and identify businesses to secure new profit sources

By adopting advanced IT infrastructure for emerging markets, we will intensify digitalization efforts while aggressively expanding derivative brokerage business and pursuing local IB business in the emerging markets in full swing.

Business Strategy

Expand synergy among Group affiliates and identify new businesses

- Generate more synergy in such diverse business areas as brokerage, trading and IB, through cooperating between different divisions and among Group affiliates
- Advance into a local PBS business in the U.S.; and complete the establishment of overseas securities trading platform for investors in Korea and began to offer products

Pursue internal innovation

- Break away from a linear matrix and instead promote cooperation like a spider web in IB, investment, bond and brokerage
- Continue to provide structured products suited to customers' needs through innovation

Digital Finance

Equipped with competitive investment solution platforms such as the home trading system (HTS) and mobile trading system (MTS), we provide differentiated customer services by analyzing big data.

Overview

Competitive investment solutions

Mirae Asset Daewoo was the first in the industry to launch an online asset management system of global portfolio solution (GPS) as well as other investment solutions, such as HTS and MTS, in order to offer a variety of functionalities to boost convenience and provide investment contents so that customers can have an easy access to the financial services anywhere anytime. Our MTS received the iF Design Award for outstanding design for user convenience.

Differentiated customer services

Scientific customer analysis based on big data enables in-depth understanding of customer asset and characteristics to provide customers with high quality investment information in various investment areas such as global investment, financial products, and pension products. In particular, investment information tailored to customers are provided to expand financial services optimized for individual investor's lifecycle.

Leading the innovation of digital finance

Amid fast-changing financial environment, we are offering customers a new level of financial experience backed by innovative digital financial solutions. In particular, partnership with fin-tech companies and ICT companies allow us to pioneer into discovering innovative digital finance technologies and develop differentiated financial services, such as digital advisory service.

2017 Performance

By introducing a mobile OTP system and improving the authentication method, we have established an environment for non-face-to-face account opening and real-time transaction services available 24 hours a day, seven days a week. The number of new non-face-to-face direct accounts reached 277,000 in 2017 alone, and the m.Club, our online financial service platform based on big data analysis has attracted over 60,000 subscribers within first six months after its launch. We have strengthened our digital asset management service line-ups, such as global asset allocation service, GPS, and realized a voice-activated investment based on AI-based financial services.

2018 Plan and Strategy

Our efforts to spearhead the fast-changing digital financial environment will continue throughout 2018. We will establish Mirae Asset Daewoo's digital innovation platform on which a fin-tech hub will be created with fin-tech players both at home and abroad, in order to develop and introduce new fin-tech ideas and technologies. We will also launch m.Robo, an integrated platform for global stock recommendation and investment advisory, to expand our digital asset management services. We will also execute digitalization of customer advisory services by introducing digital kiosks, expanding chat-based counseling throughout the entire customer-facing channels, and introducing a visual ARS system.

Business Strategy

Vision
Mission
3 Strategies

No. 1 in Digital Finance Market

Enable quick and easy online transaction anytime, anywhere



Digitalize the way of work
Attract new customers through non face-to-face or face-to-face digital channels; and pursues customer management innovation



Provide customized financial services
Enhance customers' convenience in asset allocation by strengthening global asset allocation solutions



Innovate a new digital technology
Overhaul global investment process and strengthen contents in order to expand the base

MANAGEMENT DISCUSSION & ANALYSIS

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Human Resources Management

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Customer Satisfaction Management

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Social Contributions

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Environmental Management

Human Resources Management



It is most important for Mirae Asset Daewoo to secure outstanding talent to develop into a global IB. To this end, we are providing systematic training programs to pursue employee diversity and strengthen their financial expertise and global competitiveness. We are also working on building a flexible, creative organizational culture, in addition to providing a safe work environment to employees and helping them enjoy a healthy life.

KEY ACHIEVEMENT

Fostering internal experts and develop them into the best in class (IB, global asset management, global securities, financial data analysis)





Continued increase in number of employees with professional certificates in asset management, such as CFP and FP

Recruiting Outstanding Talents based on Fairness

Principles of fair employment

We hold blind interviews during public recruitment as part of open recruitment that does not place a restriction on academic background, gender, age, etc. We created an interview process that evaluates only the job skills and competencies of applicants which form the basis of executing work. We are implementing a strategy that involves measuring factors that are adequate for the characteristics of each duty and recruiting talent with job competency.

Pursuing employee diversify through overseas recruiting

We strive to recruit talent with global capabilities to develop various investment opportunities overseas. We place priority on recruiting outstanding local personnel with global investment experience in Vietnam, India, Singapore, Hong Kong and other countries. Our plan is to operate extensive expert recruitment channels by preparing a global talent screening process and overseas job fairs.

Strengthening the Financial Expertise of Staff

Strengthening professional expertise

Mirae Asset Daewoo is dedicated to offering high-quality and well-structured training programs suited for employee's job to enable them to boost their own job expertise on a regular basis. Our training courses and support programs – aimed at ensuring the best talent and continuously nurturing their skills from three perspectives of global, innovation, and investment – have settled as the source of our competitive edge.

Strengthening capabilities in global securities

Global Equity Start-up Program We provided the Global Brokerage Start-up Program to 329 applicants among WM staff, aiming to publicize and raise awareness across the company on the need and usefulness of foreign equity investment as a tool of global asset allocation. Through this training, staff were able to gain insight on new growth industries in Korea and promising global companies. Also, the training enhanced the global brokerage competencies of WM staff who manage customer assets.

Expert Status			
(Unit: Person)			
Classification	2015	2016	2017
AFPK ¹⁾	1,789	1,802	1,805
CFP ²⁾	327	328	329
FP ³⁾	1,480	1,495	1,499

* 2015 and 2016 figures are based on the figures of Mirae Asset Daewoo after the merger
¹⁾ AFPK: Associate Financial Planner Korea
²⁾ CFP: Chartered Financial Planner
³⁾ FP: Financial Planner

Global Equity Expert Fostering Course We provided a course to foster global brokerage experts on two occasions to build a pool of global brokerage experts from a long-term perspective and to enhance competitive WM competencies. Research and case learnings were carried out on various equities of the U.S., China, advanced countries, and emerging markets. Professional competency training was provided on eight occasions for a total of 120 hours in 2017. This resulted in the fostering of 63 global brokerage experts.

Fostering experts in global asset management

Wealth Manager Master We provide the WM Master course to foster global top class WM who will lead the area of comprehensive asset management services and thus strengthen customer partnerships. Employees with excellent skills apply for the WM Master course, after which a selection process is implemented to choose staff who will receive the training. Trainees studied various cases related to tax affairs, real estate,

and financial products, and enhanced their competencies through role-playing that was based on actual cases. The WM Master course was provided on seven occasions in 2017 and 18 staff members completed the training. This was followed by a Global Innovation & Culture course (understanding global auction and real estate) for staff who completed the training.

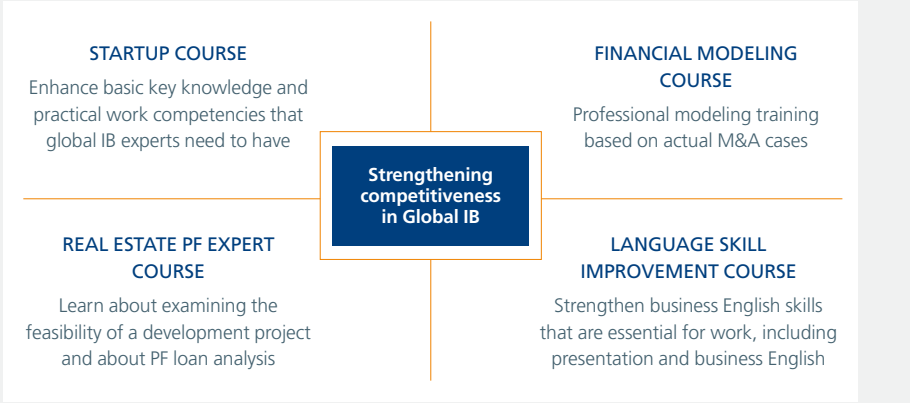
WM Academy WM Academy is an intensive training program specialized for improving customer counseling competencies and was conducted on specific topics, such as 'corporate analysis based on financial statement', 'analysis of global companies', and 'asset management consulting'. These courses are open for application on a voluntary basis. The WM Academy course was provided three times in 2017, with 11 themes covered each time the course was offered, including the global market and retirement consulting, with the participation of around 2,000 staff members. We will continually help staff strengthen their asset allocation and management competency.

BUSINESS CASE

Fostering Talent to Strengthen Competitiveness in Global IB

“ We operate various training programs to strengthen competency in professional goal IB. ”

To enhance global professional IB competency, we provided competency-strengthening training by making a categorization into different sessions – startup, financial modeling, and real estate PF expert course. The curriculum was designed to provide training that is based on actual cases so that staff can immediately apply what they learned in their actual work. We promoted effective training through case studies, such as directly designing a valuation model for an actual investment case. Around 270 IB staff completed 15 hours of training per session. Also, a language competency-improvement course was provided, covering the theme of financial and global issues, to enhance global communication skills. Through this course, staff were able to strengthen global business skills that are essential for work, including email writing, business speaking, and presentation. It was participated in by 12 staff members on two occasions for a total of 34 hours.



Fully Establishing an Innovative Corporate Culture

Sharing a culture of innovation

Mirae Asset Daewoo has in place a number of programs aimed at establishing a corporate culture of innovation and investment and share the culture at the corporate-level.

Mind-Changing Thursday

Special lectures are provided to enhance corporate-wide digital competency with the emergence of the need for innovative ideas on digitalization. In 2017, 480 staff members attended a total of six special lectures. Through dialogue with digital experts, staff members learned about cases of business innovation in the era of Fourth Industrial Revolution.

Trend Academy

A special lecture under the topic of ‘Art and Innovation’ was held to diversify the viewpoint and broaden the perception of our employees. A workshop named ‘Design Thinking Process’ was held to boost the ability to form consensus with customers based on integrated thinking. We chose 40 employees out of 264 who attended the special sessions to run a workshop where prototype was created based on actual customer advisory and then validated by the customer, in an attempt to differentiate our internal training to bring a real customer satisfaction.

Staff Idea Contest

We gathered the ideas of staff for our digital finance business. A contest was held for corporate-wide staff for two weeks from June 30 through July 14. Around 280 ideas were submitted, from which ideas with high business potential were chosen and will be implemented.

Customized Competency Building Training

In order to enhance core work competencies for each business area, we are crafting customized training courses in coordination with the corresponding business unit. These programs have designated detailed curriculum and lecturers based on the actual needs of the training recipients and the HRD PMO is in charge of day-to-day exchange of opinions and discussion for course openings.

Book Meeting & Book Square

Regular book meetings are held to share new insights and ideas and encourage employees to read and discuss. Book Square is a venue to enhance self-motivated reading. In 2017, a collection of employees’ book reviews, titled ‘Knowledge Library’, was published.

BUSINESS CASE

Adopting a ‘Smart Working Zone’ for Enhanced Work Efficiency

“ By operating a smart working zone, we are making the work environment flexible and enhancing sales autonomy and efficiency. ”

In response to the spread of non-face-to-face channels, we adopted the smart working zone in the Investment Wealth Management Center (IWC). A smart working zone means to build an IT system that allows staff to handle work using smartphones or tablet PCs outside the office, rather than assigning seats to staff. This had made the work environment flexible, resulting in increased sales autonomy for sales employees, who frequently work outside the office, and reduced fixed costs for branches. We plan to expand the smart working zone with focus on the IWC to increase work efficiency.



Promoting labor-management communication

Labor-Management Council Representing all staff, the Labor-Management Council is in charge of engaging in discussions with top management on major issues related to staff. In 2017, several labor-management discussions were held, including the Labor-Management Council, and included discussions on adopting a new HR system (position system, promotion, evaluation, etc.). We respect staff members’ decision to become a labor union member and their union activities. As of the end of 2017, there are 2,096 members of the labor union on the basis of check off.

Improving communication culture To foster a vibrant and engaging meeting culture which can contribute to enhanced team performance, we have conducted specialized facilitation courses targeting team managers at headquarter office. 2017 was a pilot stage when eight team managers were designated and assigned the role of evangelist to promote productive meeting style and we also received feedback from the employees to bring a tangible change to the way meetings are held.

Programs to promote team activities ‘Separately and Together’ is a program that promotes the team-level organization, which is the source of an organization. Through this program, we have created an arena for communication and harmony, and are looking for ways to generate synergy of the entire organization. In 2017, a total 12 teams and branches took part in the program on eight occasions. By taking part in team assessment and team-building activities, organizational members were able to increase mutual understanding and strengthen relations.

Work-life Balance

Maternity protection system

To encourage childbirth and protect mothers’ rights against the backdrop of a low birthrate in Korea, we guarantee maternity and childcare leaves that are stipulated in laws. In 2017, the number of employees who took a childcare leave reached 242, and the retention rate after childcare leave was 89.7%. Also, we have been operating child care centers since 2011 to help employees feel less burdened from childbirth and childcare and help them achieve balance between work and personal life.

Establishment of healthy work conditions

By adopting the concentrated work system, minimizing overtime work, and promoting the use of vacations, we are enhancing work efficiency and helping staff achieve balance between work and personal life. In particular, we designated the second Friday and last Wednesday of each month as ‘Family Day’ and encourage staff to leave work on time to increase concentration on work during work hours and to reduce unnecessary overtime.

Retention rate after childcare leave



89.7 %

Healthy work conditions



Family Day

Second Friday and last Wednesday of every month

Fair Performance Evaluation and Compensation

Performance Evaluation Principle

Mirae Asset Daewoo pursues to become a “company that evaluates according to performance and provides compensation according to performance”. By adopting a new HR system in 2017, we innovated the past ‘evaluation practice of providing high evaluation scores based on long service’ and are impartially evaluating staff achievement and competency based on a transparent process and reasonable grounds. Performance evaluations are conducted on all staff, excluding staff on leave, staff planned to leave the company, and staff who have been with the company for less than six months. We directly/indirectly differentiate staff’s salaries and bonuses based on the evaluation outcome. We strictly abide by domestic legal standards on salary and do not discriminate based on gender, etc. In this way, we are motivating staff and increasing work efficiency.

Fostering-type performance evaluation process We conduct ‘fostering-type evaluations’ by facilitating communication between team heads and staff. In 2017, we held an official mid-term feedback session and a year-end final evaluation session on two occasions (April, September) to provide comprehensive feedback. In addition to the official mid-term feedback session, we are recommending our team heads to provide staff with coaching and feedback on a regular basis. A computer screen is provided to enter online memos on regular feedback.

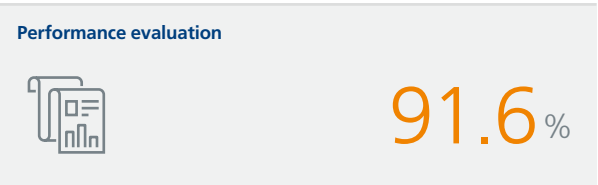
Promotion system based on job competency Mirae Asset Daewoo previously had ‘graduation-type promotion’, in which employees were qualified to move up to the respective higher position after a certain number of years of continuous service. Our current promotion system is a ‘selection-type promotion’ approach where employees who can perform higher roles are chosen from among employees with outstanding achievements and competencies. We have thus institutionalized a structure that evaluate employees’ performance only by their achievements regardless of backgrounds, gender and age, so that capabilities of those who continuously generate performance are recognized. In addition, our efforts to foster female employees have been increasing, and the percentage of female managers as of 2017 stood at 33.3%.

Employee Safety and Health

Health management programs for employees

We make continued efforts to protect staff from grievance and psychological stress that may occur in the process of handling work. We launched the Employee Assistance Program (EAP) in 2010 to provide professional psychological counseling and coaching services for resolution of various issues that staff come across inside and outside of work. We also offered ‘TodakTodak’, a psychological counseling program, and ‘Inside Out’, a self-reflection program, for staff who provide customer services. By providing the ‘Begin Again’ program, which is an arena for understanding and communication, we encouraged staff to enjoy a positive, enterprising life.

In 2017, we held HR interviews and interviews of staff on the promotion list per organization to encourage staff. We also listened to staff on their grievances and improvement suggestions, and reflected them in our systems and culture. Our plan for 2018 is to implement such programs as ‘Separately and Together’, an organization facilitation program, and provide regular counseling on staff grievance to actively manage grievance and stress of staff.



Emotion Management Programs

Staff Interviews
<ul style="list-style-type: none">• Held interviews with promoted employees at each sub-organization, meetings on the HR system, etc.• More than 30 times in 2017, with participation of more than 500 people
Inside Out
<ul style="list-style-type: none">• Healing therapy and meditation yoga help staff control their emotions and promote introspection• Total of 14 times in 2017, with participation of more than 259 people

TodakTodak
<ul style="list-style-type: none">• This psychological counseling program helps staff understand and control their emotions and develop a sense of pride in their work• Once in 2017, with participation of 46 people
Begin Again
<ul style="list-style-type: none">• Designed to enable staff restore their passion and original resolution towards their work by identifying and communicating with colleagues• Total of 19 times in 2017, with participation of 829 people

Human Rights Management

Human rights management principle

Mirae Asset Daewoo supports the human rights principles presented by the ‘UN Universal Declaration of Human Rights’ and the ‘UN Guiding Principles on Business and Human Rights’ of the United Nations Commission on Human Rights. After joining the UNGC: UN Global Compact in June 2006, we have been observing the ten major principles on human rights, labor, the environment, and anti-corruption, thereby fulfilling social responsibilities that are in line with global standards. By establishing and distributing human rights protection principles, we seek to protect the human rights of all stakeholders, including all staff.

- I. Mirae Asset Daewoo believes that protecting human rights is its most basic responsibility in running its business, and has adopted, as its basic principles for running its business, respect for comprehensive human rights principles, including prohibition of child labor and forced labor, and prohibition of discrimination.
- II. Mirae Asset Daewoo’s principle on protecting human rights applies equally to staff at our business sites, shareholders, investors, customers, trading organizations, collaborative organizations, and local communities.
- III. Mirae Asset Daewoo does not discriminate customers based on gender, religion, race, political leaning, etc., and strives to protect customers’ information and to achieve stable revenue generation.
- IV. Mirae Asset Daewoo respects the basic rights of individual employees, and strives to provide a work environment that strikes balance between work and personal life.
- V. Mirae Asset Daewoo examines compliance with the human rights protection principle, and in the event of a human rights violation and discrimination, the company implements a process that resolves the issue in accordance with a set procedure.

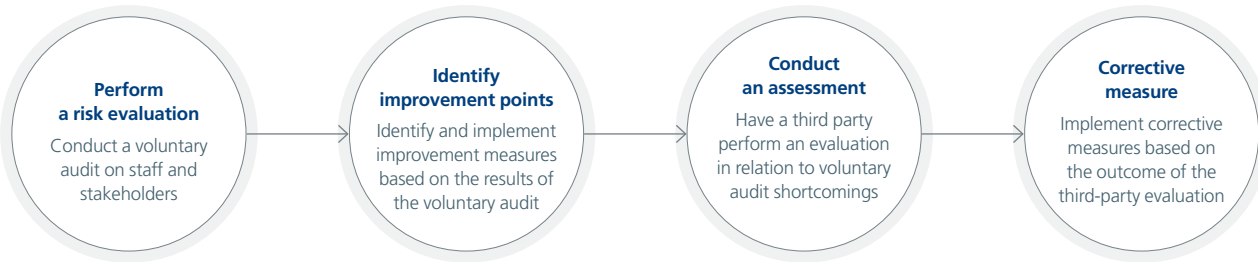
Process to identify human rights risks and improvement measures

We identify potential human rights issues throughout our business activities and take corrective measures for identified issues. We identify the issues by comprehensively considering whether human rights issues occurred in the past, their frequency, as well as financial and non-financial seriousness. We continually manage vulnerabilities for each identified issue, and designate a division to continually manage relevant matters.

Outcome of a human rights audit

We conduct voluntary audits on staff and stakeholders, and regular audits through an outside, third-party organization. In case of voluntary audits, we comprehensively evaluate compliance with the Labor Standards Act, salary, and non-discrimination principle. In case of regular audits by a third-party organization, actual implementation of labor/human rights rules is examined. Results of the voluntary audit and regular third-party organization audit conducted in 2017 indicated shortcomings in relation to compliance with operation of the grievance handling process. We completed 100% corrective measures for these shortcomings. We are particularly making efforts to improve work conditions for service counseling employees, which has recently become a social issue. We will strengthen the human rights protection system for service counseling employees by continually strengthening such programs as mental health diagnosis and stress management for service counseling employees.

Risk Analysis Process



Customer Satisfaction Management



It has been becoming increasingly important to develop products that are adequate for customer and market trends and to provide higher profitability as a result of fiercer circumstances in the domestic financial market and increased customer interest in asset management and preparation for old age due to the rapidly aging population. Setting enhancement of customer profitability as our top-priority goal, we continue to implement customer-centered management activities, such as continually communicating with customers, developing diverse products that satisfy customer needs, and providing distinctive financial services.

KEY ACHIEVEMENT

Establishing a CS evaluation system based on customer satisfaction survey



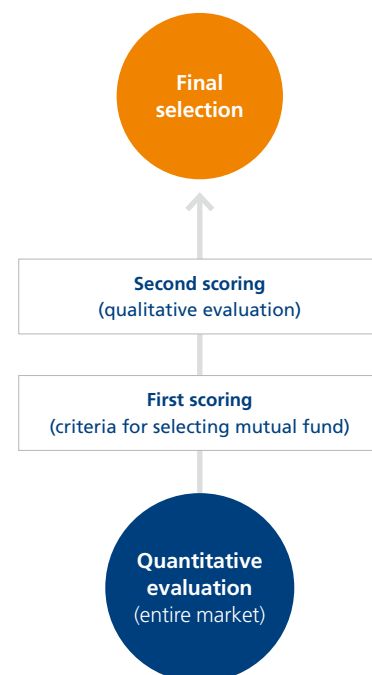
Improving a customer service mindset of employees through CS leaders

Developing Customer-centric Products

Product development process

Mirae Asset Daewoo has a product selection process in place to build an excellent product line-up that is suited for the long-term future, customer needs, and the global investment environment. First of all, we perform a quantitative evaluation on funds in the entire market, and implement the first scoring by applying our internal selection criteria on upper-tier funds in the quantitative evaluation. We then conduct the second scoring based on the internal qualitative evaluation criteria, and choose the final new product and recommended product line-up. In 2017, we engaged in regular communication with a product advisory group that consisted of customers to reflect customer opinions in the product selection process.

Process



Customer profitability improvement committee

The Customer Profitability Improvement Committee is a council that was voluntarily formed so that team heads of 16 relevant departments, including product solution, sales and marketing, come together to analyze the status of customer products and to manage customers' asset portfolio in a more stable manner. A Customer Profitability Improvement Committee meeting has been held every month since 2017 through which we have been analyzing low-profitability products and strengthening the intensity of rebalancing. The Committee also examines customer profitability-related issues and presents an asset management direction for WM to improve customer profitability, and shares meeting content with branches to increase product policy transparency and to use as a means for communication.

Public equity fund of private equity fund

We released the 'Mirae Asset Smart Hedge Fund Selection Fund', which is the first public equity fund of private equity fund in Korea that allows diversified investments in specialty private equity funds. This public equity-type fund allows anybody to invest in private equity hedge funds, which presented a subscription hurdle due to a minimum subscription amount of KRW 100 million or KRW 300 million. It enables diversified investments in Korea-type hedge funds with diverse strategies with a small amount (minimum subscription amount of KRW 5 million), without any restriction on the number of subscribers. Based on synergy with affiliate asset management companies, we have developed the portfolio to consist of carefully-selected hedge funds and diversified investment targets to ensure stable performance even amid diverse market circumstances.

Customer Satisfaction Management

Advancing the CS system

For customer-centered management, we established service standardization criteria and built a CS infrastructure by integrating our CS systems. We are improving our customer service levels by diversifying CS assessment methods and expanding CS programs to improve branches' CS capabilities. The result of survey conducted to customers who visited our branches in 2017 stood at 94.2%, indicating high level of customer satisfaction. Our plan for 2018 is to expand the CS motivation program and implement other various approaches that can enhance the service mindset of staff.

Operation of a customer panel

We operate the Membership Idea Supporters, an offline customer panel, to actively incorporate financial consumer needs in the planning and development phase of products and services. An offline customer panel consisting of 41 members from across the nation was formed in 2017. The panel evaluated and monitored our financial products and shared opinions on improvements and suggestions. Of the 48 opinions submitted by the panel, 26 were adopted for the actual product development process and were thus used as a resource for a virtuous cycle of business.

In addition, an online panel survey was conducted to collect the opinions of a wider variety of customers. We received a total 257 customer suggestions, after which customer opinions were delivered to relevant divisions and feedback was provided on whether the opinions were reflected. In this way, we actively communicated with our customers. We will continually operate the customer panel system in 2018 as part of our efforts to reflect various customer opinions in our product and service adoption process.



Customer panel – Membership Idea Supporters



Providing customer satisfaction services

Mobile asset management services We launched the ‘Robo-Port’ and ‘Robo-Pick’ services, which are mobile communication-only asset management services, for small investors. The ‘Robo-Port’ service provides qualitative and quantitative online advisory services as well as a convenient order function to small investors. The ‘Robo-Pick’ service discovers promising stocks for investment through an algorithm that is based on a robot engine. Through these services, we expect to provide services that satisfy diverse investment styles and needs.

Future planning education support service The future planning education support service is a customized financial education service that is provided to employees of corporations that have subscribed to retirement pensions. It consists of tax-saving guidelines for workers, essential financial knowledge for those who have recently joined the working population, and ways to use individual retirement pension (IRP) for prospective retirees. Our consulting personnel, including tax accountants, accountants, and Chartered Financial Analysts (CFAs) who have experience with providing pension consulting to various customers, suggest ways to expand retirement assets and ways to reduce tax payments for year-end tax adjustments and early retirement packages. We plan to continually offer diverse retirement education services so that our customers can prepare for a happy and peaceful post-retirement life.

Robo-Port Service
Investment advisory service
<ul style="list-style-type: none">• Provide real-time portfolio advisory services (Mobile push notifications)• Instant order is available via mobile devices
Robo-Pick Service
Recommendations for stock and fund, and investment information
<ul style="list-style-type: none">• Provide six stock-related services• Bolio – a fund-related service (Change client fund asset every month in a proactive manner)

BUSINESS CASE

MTS Integration for Enhanced Customer Convenience

Mirae Asset Daewoo launched the ‘m.Stock’, a new integrated mobile trading system (MTS) to offer customers with convenient, stable services after the merger between Mirae Asset Securities and Daewoo Securities. The upgraded m.Stock is a domestic market-only trading system that has applied the high level of convenience and convenient content of the previous MTSs, which are m.Stock (Mirae Asset Securities) and Smart Neo (Daewoo Securities). As a result, Mirae Asset Daewoo won the Excellence Award in the customer service category at the ‘5th Best MTS Awards’ held by Moneytoday in 2017. Through industry-academia cooperation with Hongik University, we will determine a direction for improvements to the HTS and MTS design as part of our continued efforts to promote customer convenience.

Key feature of the integrated ‘m.Stock’ system

Convenient screen search enabled by the organization of screens that are seamlessly connected according to useful financial information
Customer-tailored trading content (Current price display setting, order screen style setting, order-only keypad setting, etc.)
Reformed the security/futures asking price order screen to enhance satisfaction of customers who place importance on quick speed and accuracy
Various functions, including the ‘automatic order change by time slot’ and ‘chart news’, which provides information on causes for stock price changes



Protecting Customer Information

Strengthening information protection infrastructure

Customers’ personal information is more than a means to identify a customer in that it is a part of customer assets that companies should protect with a sense of responsibility. To strengthen the safety of customer information protection, we received ISO 27001 certification, which is an international information protection management system standard, and Information Security Management System (ISMS) certification, which is a domestic certification system. We also encrypt resident registration numbers in accordance with the Personal Information Protection Act, and make other efforts to protect information and prevent leakage of personal information.

Spreading a culture of information protection

Mirae Asset Daewoo implements diverse activities to spread a culture of information protection at the corporate-wide level, including protecting information and preventing risks of leakage incidents.

Information protection training	Customized information protection training is provided for each type of trainee, including general staff, IT staff, information protection managers, executives, and partner companies
Share security issues	Built a system for quick review and sharing of the latest security issues through 24/365 internal control by an information protection-specializing company and external control through the Financial Security Institute
Enhanced security awareness	We designated a ‘Day of Information Security Inspection’ to have all staff members conduct a security inspection and independently enhance their awareness of the importance of security

Measure to Manage Stakeholder Information

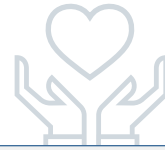
Customers
<ul style="list-style-type: none">• Encouraging change into OPT tokens to prevent the exposure and leakage of security cards• Detecting and analyzing customers’ login information in real time by establishing the FDS for e-financial transactions. Identifying the truth by immediately contacting customers, if deemed fraudulent. Establishing a system for the registration of incidences linked with the internal information protection unit, Customer Support Center, and other financial institutions
Partners
<ul style="list-style-type: none">• Conducting training on information protection for staff as well as major partner company employees to enhance awareness of information protection• Presenting a guideline for outsourced companies entrusted with personal information, and taking actions against companies failing to meet minimum standards for correction or their replacement



Mirae Asset Daewoo
<ul style="list-style-type: none">• Operating prevention measures against DDOS attacks and intrusion detection systems to safeguard our internal IT system against intrusion and hacking attacks, and adopting high level of data encryption to prevent data leakage• Strengthening countermeasures against external hacking and internal information leakage incidents by separating the IT Center and the entire work network and Internet network of headquarters and branches• Establishing the Data Loss Prevention (DLP) system to prevent external breaches of any document containing personal information and encrypting automatically (Digital Rights Management) if any document is breached to block external viewing of information• Categorizing trainees into general staff, IT staff, information protection managers, executives, and partner companies, and conducting information protection training that is adequate for each group• Obtaining and maintaining both international standard (ISO27001) and domestic standard (ISMS) for information protection and management system as part of our continued endeavor for data protection• Operating an anti-APT system to block malicious attacks, such as ransomware, and to prevent subsequent loss of data



Social Contributions



Mirae Asset aspires to go beyond our role to contribute to raising the wealth of customers as a Korea's representative financial institution, and create a greater social value by practicing 'warm-hearted, caring capitalism'. We therefore carry out various social contribution activities based on three pillars of 'Nurturing Talent', 'Social Welfare', and 'Culture of Sharing'.

KEY ACHIEVEMENT

Accumulated number of Mirae Asset scholarship

Exceeded **7,800**



Number of participants in talent development programs



Exceeded **220,000**

Social Contribution Strategies

CSR Directions

With the 'Mirae Asset Park Hyeon Joo Foundation' performing central roles, Mirae Asset is rolling out CSR activities through cohesive cooperation among affiliates. Three main areas of the company's CSR activities are nurturing talent, social welfare, and culture of sharing. We are systematically and continually executing scholarship and education support programs based on the slogan, 'Mirae Asset will serve as hope for the youth'. We will return the profits earned through our business activities to the society, and strive to build a healthy and sound society where we stand by the side of the underprivileged through volunteering.

Nurturing Talent

Developing global talents of the future through scholarship programs



Social Welfare

Supporting social welfare with a sincere interest



Culture of Sharing

Making employee donations and participating in the volunteer group



CSR Milestones of Mirae Asset Group

We are continuously practicing sharing of values from long-term perspective to promote hope in the young generation and the society as a whole.



Mirae Asset's overseas exchange program

Nurturing Talent

Enabling bigger dreams on the world stage – Mirae Asset's overseas exchange program

Our talent development program began based on the belief that education opportunity should be granted to anyone regardless of one's economic circumstances. Mirae Asset Overseas Exchange Student program, our core CSR activity, began in 2007 and has ever since supported 4,517 university students to study abroad in 45 countries in the U.S., Europe, Middle East, and Asia. A total of 500 scholarship recipients are chosen twice a year with up to KRW 7 million granted per person. From the autumn semester 2018, the number of students will grow to 600 a year so that help more Korean young adults grow into a global talent in the future.

Furthermore, our scholarship recipients are making their own contributions in return for what they have received. 84 students in seven classes of 'Mirae Asset Global Correspondents' were selected so far and have shared on a dedicated blog their unique experiences and knowhow on overseas life with students preparing for exchange programs. 'Scholarship Recipient Sharing Day' is an event where students who have received the grant serve as mentors for prospective exchange students about to start their overseas adventure and also carry out voluntary activities on their local communities.

Mirae Asset will stand by the side of youths at all times, encouraging them to develop a flexible way of thinking and insight into the future by gaining diverse knowledge and cultural experiences.

VOICE OF STAKEHOLDERS

“ Being chosen for Mirae Asset's global exchange scholarship program gave me the confidence that someone was giving me a supporting hand because of their belief in my dream and my potential. I was able to grow thanks to the scholarship. ”

Mirae Asset's overseas exchange student program was my wings to fly into the broader world and gave me the courage and confidence. The program enabled me to continue my study in Poland without giving up on my dream as well as broaden my perspective by getting to know friends from around the world and open my eyes into different cultures and languages. As the slogan for the Park Hyeon Joo Foundation which is 'Mirae Asset will serve as hope for the youth', I hope more students can receive their own wings from the foundation just as I did.

Seyup Kim
(selected in June 2017 as the 20th Class to study in Poland)

Thanks to Mirae Asset's overseas exchange student program, I was able to concentrate on my study and experience the greater world without any financial burden. The fact that there was someone who believed in my dream and potential has boosted my self-confidence. Throughout the remaining days of my exchange student period, I will live up to my plan and commitments detailed in my application form and do my best learning and trying new things with courage. I also wish there are more students like myself who are given an opportunity to broaden their limitless possibilities into the world.

Yeonjae Choi
(selected in December 2017 as the 21st Class to study in Sweden)

Social Welfare

Global cultural experience

The Global Cultural Exchange Program, launched in 2007, offers opportunities for the youth to broaden their view and grow into global leaders through visits to Shanghai, China. In particular, the focus of the program in 2018 will be Industry 4.0 where participants can have a hands-on experience of the emerging technologies and changing world environment in their daily lives.

Youth vision project

The Youth Vision Project is one that helps students turn their ideas into products to enhance creative thinking and professionalism. In 2017 the project conducted coding training and physical computing activities applying the learned coding knowledge and in 2018 finance-related coding training and 3D printing experience will be provided.

Book project

Under the Book Project, participants are presented with books which suit their areas of interest in order to give them a chance to learn and experience the greater world and diverse values so that they can construct a sound sense of values and improve thinking power. In addition, we also provide reading training workshops to professionals in social welfare facilities so that they can conduct a much more efficient reading programs and create a quality reading environment.

Bilingual learning materials

Children from multicultural families where parents are from different national backgrounds are given bilingual learning textbooks through which they can learn the different languages and culture of their parents and grow into talents with greater communication capabilities. We have recently added Indonesian materials and multicultural families can enjoy the program through 217 multicultural family support centers around the nation.

Culture of Sharing

One Company One School financial education

Mirae Asset Daewoo appreciates the adolescent as the financial consumers of the future and thus is carrying out various financial education programs to help them choose their career path. In particular, we have expanded the 'One Company, One School' financial education by the Financial Supervisory Service (FSS) into 'One Company, Three Schools' program under which we have signed sisterhood ties with 382 schools around the nation. This sisterhood is the largest scale in the financial industry and contributed to invigorating the financial education for the youth, and earned the recognition by winning the FSS Governor Award in 2017.



In addition, we have devised and conducted many participation-based hands-on programs such as inviting elementary and middle school students to Mirae Asset headquarters for financial education and career counseling program jointly conducted with FSS for the young people serving their military duties. All these activities demonstrate our commitment to fulfilling our



**Received the FSS Governor Award
at the One Company, One School Category**

social responsibility as a financial institution.

Employee donation and volunteering activities

Our CSR activities are firmly grounded upon the mind-sharing and voluntary participation of our employees. 'Mirae Asset 1% Donation' is a campaign where executives donate 1% of their salary and 'I Love You' is a campaign where employees donate on a regular basis and the company offers one-on-one matching grant. Funds raised through these programs are used to help the underprivileged in forms of support for the youth cultural experiences, support for the socially marginalized people during national holidays and year-end holiday season, and sponsorship for social welfare facilities. Furthermore, our volunteer group, consisting of executives and employees, was formed to carry out regular volunteering activities in connection with facilities for children, the disabled, and seniors and to conduct various themed voluntary activities such as baking, wall-painting, helping hands for the famers, and giving packages.

Education environment improvement projects

Mirae Asset Daewoo pursues to become a global finance group and perceives the entire world as our regional community. It is in this regard that we are pursuing many programs to improve the education environments for overseas children in need of help. Together with the Korea International Cooperation Agency (KOICA) and Plan Korea, an NGO for international aid, we have conducted 'Safe School' program under which elementary schools were repaired and middle schools are expanded or newly established in Indonesia and the Philippines, nations prone to natural disasters such as earthquakes and typhoons. For three years from 2015 through 2017, 15 schools in Indonesia and four schools in the Philippines received our support to help create a safe school environment for the young generation. Additionally, we conducted information-sharing workshops with school students, faculty members, and local community to increase their ability to respond to and cope with natural disasters and thus minimize damages.

Environmental Management



Continued international efforts are being made to counter environmental and climate change issues, such as an increase in wastes and abnormal climate. Companies in the financial sector are fulfilling their social responsibilities in relation to environmental issues by implementing diverse policies, such as green financing and the carbon emission trading scheme. We seek to create new business opportunities by adopting and executing environmental policies. Based on our eco-friendly management system, we do our utmost to fulfill our environmental responsibilities by reducing greenhouse gas emissions, energy consumption, and waste discharge.

KEY ACHIEVEMENT

GHG emissions intensity

3.81 tonCO₂eq/FTE



GHG emissions

17,715 tonCO₂eq

Environmental management

We are enhancing environmental awareness among staff through corporate-wide eco-friendly management, and engaging in activities that reduce environmental impact for sustainable development. We systematically manage diverse environmental data, such as greenhouse gas emissions, waste discharge, and energy consumption, and report our status on countering climate change to the Carbon Disclosure Project (CDP). By doing so, we actively take part in the global effort to counter climate change.

Management of GHG and energy

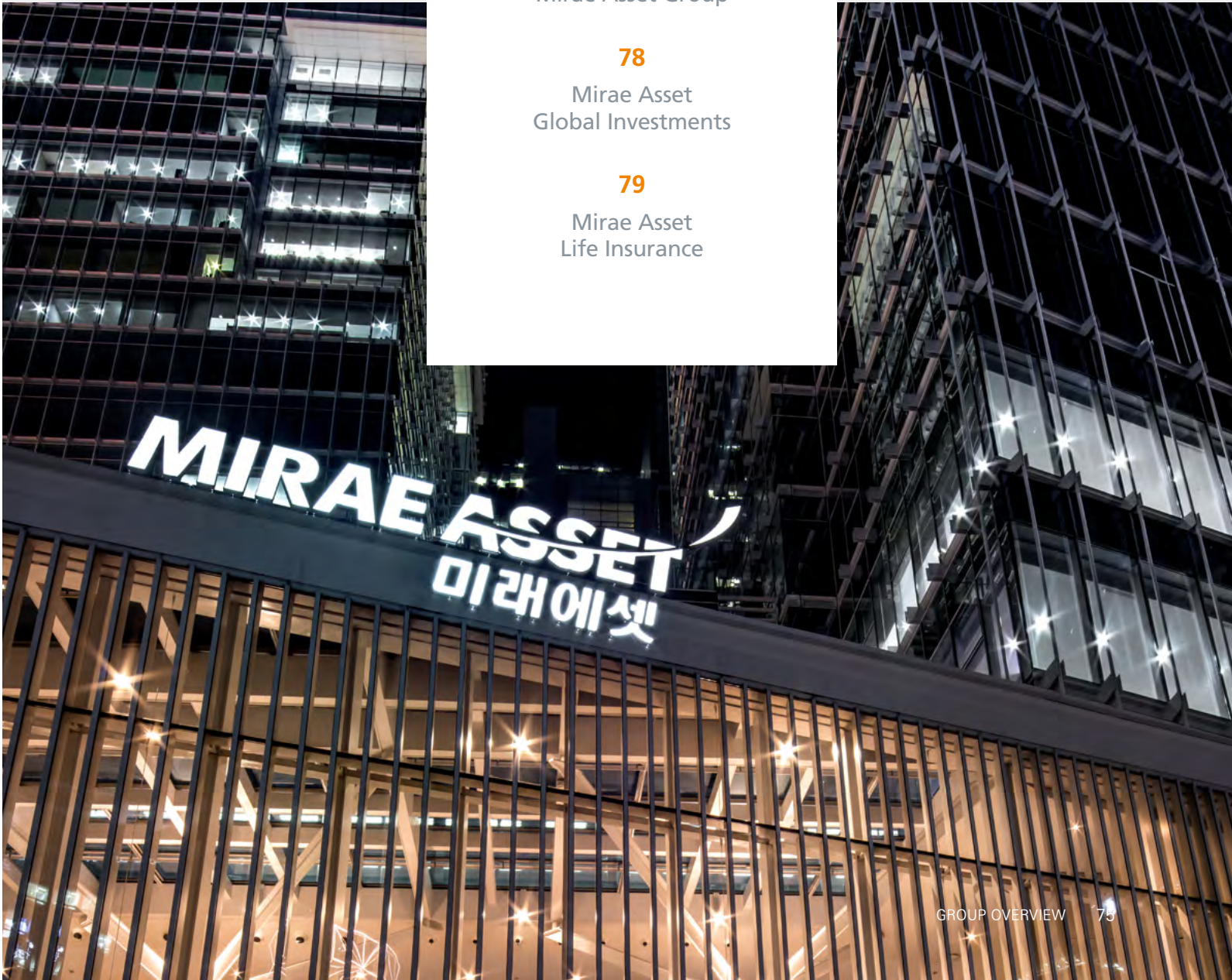
To reduce energy consumption and greenhouse gas emissions, Mirae Asset Daewoo has been reducing unnecessary energy consumption and continually managing energy use. There is almost zero direct GHG emission caused by energy sources directly owned or managed by Mirae Asset Daewoo, given the nature of the financial industry. We mainly manage Scope 2, which refers to indirect emissions. We also manage Scope 3 by reducing paper use and wastes and increasing business trip efficiency. We encourage employees to take part in GHG emissions reduction activities in their daily work, including when they commute, carry out work, and provide customer service. In addition to conducting corporate-wide campaigns, such as turning off lights during off hours and refraining the use of air-conditioning units and heating devices, we are replacing outdoor advertisements with LED lighting and carrying out other such measures to reduce energy consumption. We will expand the scope of eco-friendly management to cover branches in addition to headquarters, thereby preventing potential environmental risks and strengthening the fulfillment of environmental responsibilities.

Management of water, resources and waste

Mirae Asset Daewoo has a system in place for using greywater and rainwater. Clean water that is used once as rainwater are purified for reuse in bathrooms and for landscaping, and thus saving water. There is a sewage treatment facility inside the Mirae Asset CENTER 1 Building that handles internal purification to minimize our impact on the environment. In addition, we are refraining from unnecessary printing and using an electronic reporting system to reduce paper use. Given the nature of the financial industry, all the waste discharged is domestic waste, which is treated by an outsourced company. Wastewater is batch treated at a sewage treatment plant of Seoul Metropolitan Government, and the environmental impact is minimized through thorough separation of garbage disposal and recycling.

GROUP OVERVIEW

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Mirae Asset Group

Group Profile

Mirae Asset has always pursued strong entrepreneurship, unwavering principle, and relentless innovation to grow into Asia’s representative investment group ever since its establishment in 1997 as a venture capital. Mirae Asset was the first financial institution that brought such new products to Korea as mutual fund, real estate fund, and PEF and now have increased its size into a global financial group with over 20 subsidiaries and offices in 15 countries as of the end of 2017. Mirae Asset has established high level of trust with clients upholding the principle of ‘Client First’ based on our insight into the Korean and global financial market.

Asset under Management

(As of March 31, 2018; based on net assets)

Asset management	KRW 135,238.0 billion
Investment banking	KRW 258,138.7 billion
Insurance	KRW 40,403.9 billion

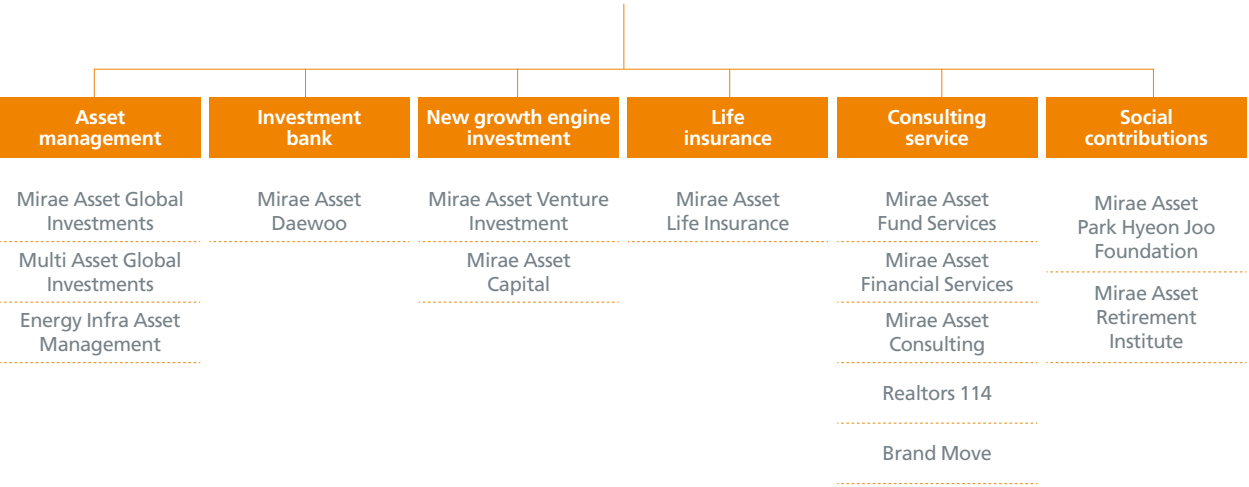
Subsidiaries

Mirae Asset is an independent investment group consisting of asset management, securities, and life insurance.

- **Mirae Asset Global Investments** Korea, Australia, Brazil, Canada, China, Colombia, Hong Kong, India, Taiwan, UK, U.S., Vietnam
- **Mirae Asset Daewoo** Korea, Brazil, China, Hong Kong, India, Indonesia, Mongolia, Singapore, UK, U.S., Vietnam
- **Mirae Asset Life Insurance**
- **Strategic Subsidiaries** Multi Asset Global Investments, Energy Infra Asset Management, Mirae Asset Financial Services, Mirae Asset Mobile, Mirae Asset Venture Investment, Mirae Asset Capital, Mirae Asset Consulting, Mirae Asset Fund Services
- **Institute/Foundation** Mirae Asset Retirement Institute, Mirae Asset Park Hyeon Joo Foundation

Mirae Asset Organization

Mirae Asset is composed of around 20 affiliates with 7,600 investment experts mainly operating in asset management, comprehensive financial investment, investment into new growth industries, and life insurance. Mirae Asset affiliates ensure to obtain their own competitive advantages through stringent risk management while cooperating closely on behalf of clients’ interest thus creating synergy.



Business Milestones

Our mission is to develop a long-term, stable source of revenue for a happy and stable life after retirement of our clients, making a difference not only to Korea’s capital market but also to the society as a whole. It is in this regard that we are actively discovering high-quality assets across the world. In 2003, we became the first Korean financial institution to establish a subsidiary in Hong Kong and have expanded ever since to operate in 15 countries with KRW 433 trillion in total asset under management at the end of March 2018.

- 2017**
DEC. Mirae Asset Life Insurance received the final approval on the merger with PCA Life Insurance (Financial Services Commission)
NOV. Mirae Asset Daewoo was designated as a mega-sized IB – with over KRW 4 trillion in total equity) (Financial Services Commission)
OCT. Mirae Asset Capital Markets (India) Private Limited was established
SEP. Mirae Asset’s disruptive innovation story was covered by a global academic institution ‘The Case Centre’
JUL. Mirae Asset Daewoo signed an MOU with Navor
Mirae Asset life Insurance signed to buy stake in Prevoir Vietnam Life Insurance
- 2016**
DEC. Merger between Mirae Asset Daewoo and Mirae Asset Securities to launch the integrated Mirae Asset Daewoo
SEP. Purchase of the Hyatt Regency Waikiki Beach Resort and Spa
- 2015**
DEC. Purchase of San Francisco’s landmark hotel, the Fairmont San Francisco
JUL. Mirae Asset Life Insurance’s IPO on the Korean Composite Stock Price Index
MAY Acquisition of the Fairmont Orchid resort hotel in Hawaii
- 2014**
DEC. Purchase of an office building, 1801 K Street, where the U.S. Federal Reserve Board is a tenant, in Washington D.C.
APR. Establishment of a financial product sales specialist company – Mirae Asset Financial Service
- 2013**
SEP. Participation in the consortium to invest in the U.S. Headquarters of the coffee brand Coffee Bean & Tea Leaf
Acquisition of the world’s leading hotel brand, Four Seasons Hotel Sydney
JAN. Launch of Mirae Asset Retirement Institute
- 2012**
JUL. Launch of Mirae Asset Huachen Fund Management (China) as the first Korea-China joint venture asset manager
MAR. Mirae Asset Global Investments acquired Mirae Asset MAPS Global Investments
- 2011**
NOV. Mirae Asset Global Investments acquired Canada’s leading ETF operator, Horizons ETFs
AUG. Acquisition of the world’s top golf brand, Titleist
JUN. Launch of Mirae Asset Global Investments (Taiwan)
- 2010**
SEP. Mirae Asset Global Investments (U.S.) launched Korea’s first mutual fund company in the American market
AUG. Establishment of Mirae Asset Wealth Management (Brazil)
Mirae Asset Global Investments became the first to introduce SICAV, an open-ended collective investment fund, to the Korean market
- 2009**
SEP. Mirae Asset Global Investments signed an agreement for a joint venture with a Chinese partner

In 2017, which marked the 20th anniversary of Mirae Asset, Mirae Asset Daewoo was designated as a mega-sized investment bank by Korea’s financial authorities and signed strategic business partnership with Naver, further strengthening its global competitiveness. Our global success story was honored to be covered by a global academic institution, ‘The Case Centre’. Moving forward, Mirae Asset will remain committed to managing various assets, such as PEF and tangible assets as well as stock and bond in a stable manner through continued innovation.

- 2008**
OCT. Establishment of Mirae Asset Securities (UK)
AUG. Establishment of Mirae Asset Wealth Management (U.S.)
Establishment of Mirae Asset (Shanghai) Investment Consulting Co., Ltd.
APR. Establishment of Mirae Asset Global Investments (U.S.)
Establishment of Mirae Asset Global Investments (Brazil)
FEB. Establishment of Mirae Asset YiCai Investment Consulting (China)
JAN. Acquisition of the online real estate information portal Realtors 114
- 2007**
DEC. Establishment of Mirae Asset Wealth Management Securities (Vietnam)
JUL. Opening of the Beijing Representative Office of Mirae Asset Securities
MAR. Establishment of Mirae Asset Global Investments (UK)
JAN. Establishment of Mirae Asset Wealth Management (HK)
- 2006**
NOV. Establishment of Mirae Asset Global Investments (India)
SEP. Opening of the Hanoi Office of Mirae Asset MAPS Global Investment
MAY Korea’s first investment in Mainland China with its investment in Mirae Asset Shanghai Tower
FEB. Mirae Asset Securities’ IPO on the Korea Composite Stock Price Index
- 2005**
DEC. Establishment of the Mirae Asset Retirement Pension Institute
JUN. Launch of Mirae Asset Life Insurance
- 2004**
FEB. Establishment of the Mirae Asset Investment Education Institute
- 2003**
DEC. Establishment of Mirae Asset Global Investments (Hong Kong), the first overseas subsidiary by any Korean financial institution
- 2001**
JUL. Launch of Korea’s first front-end loading mutual fund, the Mirae Asset Discovery Equity-type Fund
FEB. Launch of Korea’s first opened mutual fund, the Mirae Asset Independence Equity-type Fund
- 2000**
MAR. Establishment of the Mirae Asset Park Hyeon Joo Foundation
- 1999**
DEC. Establishment of Mirae Asset Securities
- 1998**
DEC. Establishment and registration of Korea’s first asset management company, Mirae Asset Global Investments
Mirae Asset Global Investments launched Korea’s first mutual fund product, the Park Hyeon Joo No. 1 Fund
- 1997**
AUG. Establishment of Korea’s first specialized asset management company, Mirae Asset Investment Advisory
JUL. Establishment of Mirae Asset Venture Capital

We pursue investment by principal.

Mirae Asset Global Investments

Mirae Asset Global Investments is dedicated to providing innovative financial products, including equity, fixed income, ETF, and alternative investment, such as real estate, PEF, and SOC, to clients at home and abroad. The company operates its business in 30 countries across the globe, including Canada, U.S., and European nations as well as Korea. It provides over 1,600 financial products, and formulates 216 fund products in the global market with KRW 21 trillion under management. In addition, Mirae Asset Global Investments is the only Korean investment company that directly sells funds and manages assets in the overseas market.

MAJOR BUSINESS AREAS

Equity-type fund, Bond-type fund, Hybrid fund, Real-estate fund, SOC fund, Index fund, Financial engineering fund, PEF, ETF

Leader in Pensions Management

Mirae Asset Global Investments is the largest pension management business ranked No. 1 in Korea in terms of assets under management (AUM) for individual pension and retirement pension with over 20% share of the pension fund market. As of December 2017, its total AUM for pension fund stood at KRW 5.25 trillion, placing the company into No. 1 in the industry. In particular, its portfolio consisting of various products enables globally distributed investment while its product line-up enables asset allocation across investment region as well as investment assets. In addition, the company established marketing organizations dedicated to individual pension and retirement pension respectively for the first time in the industry, to align the organization structure with professional pension business.

Pioneer in Korea's Alternative Investment Market

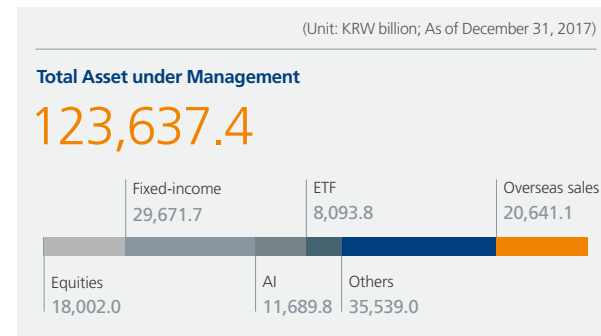
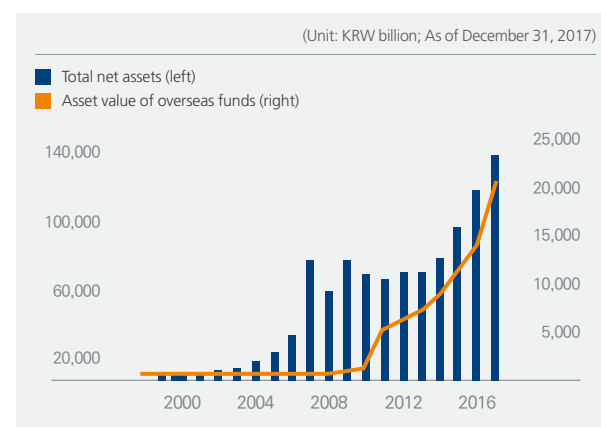
Mirae Asset Global Investments stands out in the alternative investment business, which emerged as the next investment destination in the low-interest rate era. In 2004, the company became first Korean financial institution to launch PEF and real estate fund, and in 2009 it also launched an overseas SOC fund for the first time in the industry, thereby leading the market.

In terms of real estate fund business, the company has been taking the lead in domestic investments, while also making active investments in overseas real estates. Starting with the purchase in 2006 of the Mirae Asset Tower in Shanghai, China, the company has rolled out aggressive investments into global real estates in Brazil, U.S., and Australia, in order to diversify its revenue source. In addition, the company has opened up overseas real estate, which had been dominated by institutional investors, to individual investors in the form of public offering fund, expanding individual client's investment opportunities. In 2018, Mirae Asset Global Investments plans to invest in mega-sized construction of building complex featuring Industry 4.0 with the aim of establishing an innovation platform where creative talent and innovative companies can coexist.

Mirae Asset global ETF

– Innovator in the overseas market

The company operates the Mirae Asset Global ETF (Exchange Traded Funds) in six countries – Korea, Canada, Australia, Hong Kong, U.S. and Columbia – with KRW 20 billion in AUM backed by 237 ETF line-ups. Mirae Asset Global ETF has a diverse line-up ranging from sector ETF to global index, leverage, inverse, and active ETF and is evaluated to have broadened the client's choice. Furthermore, the company has launched an AI ETF, that invests in the global market, for the first time in the world and other innovative products, and thus takes the lead in pioneering the market.



We strive to make your future happier.

Mirae Asset Life Insurance

Mirae Asset Life Insurance is a company that lays the ground for clients' happy life after retirement. All investments are made in line with the principle of protecting client's base asset, and the company makes diversified investment to flexibly adapt to market volatility. In addition, it provides a comprehensive and professional retirement planning service based on pensions for happy life after retirement, coverage for healthy life after retirement, and additional asset management service for a prosperous future.

MAJOR BUSINESS AREAS

Insurance, Fund, Trust, Retirement pension, Real estate service, VIP consulting

Providing stable asset management and professional services

Mirae Asset Life Insurance does its utmost to help clients increase their profits and enhance shareholder values through high-quality products and full-hearted customer services. To adhere to the investment principles and strengthen competency to respond to changing market situation, the company is engaged in distributed investment for a stable asset management. At the same time, it offers professional advisory service on areas, such as taxation, law and real estate, in order to provide clients with a comprehensive and professional retirement planning service. In additional, Mirae Asset Life Insurance provides various financial products including not only life insurance products but also variable insurance, fund, trust and IRP, and makes sure that insurance benefits are paid in a prompt and accurate manner.

Two-track-based distinctive business strategy

Mirae Asset Life Insurance implements a "two-track" strategy with protection-type insurance and variable insurance as two pillars, in order to grow the company's tangible values while also ensuring long-term stability. This strategy aims to increase the sales of high-margin protection-type insurance products while expanding the sales of variable and retirement pension, major sources of its fee-based revenue. By executing such strategy, the company was able to record an increase of 48.8% growth in annual premium equivalent (APE) for its variable savings in 2017 and the total asset of fee-based business, mostly generated from variable insurance and retirement pension, exceeded KRW 10 trillion. In addition, investment for 33% of general account asset was distributed across U.S. investment grade corporate bond, U.S. government bond, and real estate, and investment for 66% of variable insurance asset was allocated across mid-to long-term global asset, to expand the portion of overseas investment. In terms of new policies by product, the company managed to boldly reduce the portion of savings-type products while increasing the portion of protection-type

and variable insurances, leading to an overall increase of total number of new policies. Revenue generated based on the two-track strategy now accounts for 97% of total revenue. As demonstrated in the number of new policies, this strategy has improved the fundamentals of the company, solidifying its revenue sources to respond to future changes such as the adoption of IFRS 17.

Pursuing to become a 'Permanent Innovator'

Based on its commitment to enhancing value-oriented business efficiency, Mirae Asset Life Insurance has achieved qualitative growth as shown in the improvement of indices, such as value of new business (VNB), pre-tax profit and loss, APE, and premium income. In particular, the company firmly settled its position as top 5 life insurers in Korea with KRW 35 trillion in total asset after the merger with PCA Life Insurance. The business landscape of today calls for the sales strategy to adapt in agile manner to external changes, such as introduction of IFRS 17 and K-ICS, emergence of digital finance with the Fourth Industrial Revolution, and different work environment for special staff, such as financial planners while showing signs of recovery in the global and domestic economy. Mirae Asset Life Insurance will continue to pursue the value-oriented business strategy and the two-track strategy focused on protection-type insurance, variable insurance, and retirement pension to create synergy with PCA Life Insurance. At the same time, the company will introduce insure-technologies such as chatbot and smart healthcare with an aim to improve its work efficiency and profitability. By doing so, Mirae Asset Life Insurance will achieve both qualitative and quantitative growth, and thus grow into a Permanent Innovator which leads the insurance market.

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Consolidated Financial Statements Independent Auditors' Report

Based on a report originally issued in Korean

The Board of Directors and Shareholder
Mirae Asset Daewoo Co., Ltd.

We have audited the accompanying consolidated financial statements of Mirae Asset Daewoo Co., Ltd. and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as of December 31, 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of Mirae Asset Daewoo Co., Ltd. as of December 31, 2017, and its financial performance and separate cash flows for the year then ended in accordance with Korean International Financial Reporting Standards.

Emphasis of Matters

Without qualifying our opinion, we draw attention to Note No. 50 to the separate financial statements of the Company regarding the merger between Mirae Asset Securities Co., Ltd. and Mirae Asset Daewoo Co., Ltd. that was completed on December 29, 2016 pursuant to the resolution of the shareholders meeting on November 4, 2016. While Mirae Asset Daewoo Corporation, a surviving company, legally absorbed Mirae Asset Securities Co., Ltd, a non-surviving company, in accounting, the acquisition of Mirae Asset Securities Co., Ltd by Mirae Asset Daewoo Corporation was treated as a reverse acquisition where Mirae Asset Securities Co., Ltd was the accounting acquirer while Mirae Asset Daewoo Co., Ltd. was the accounting acquiree.

Other Matters

The accompanying separate statements of financial position of Mirae Asset Daewoo Co., Ltd. as of December 31, 2016, and the related separate statements of comprehensive income, changes in equity and cash flows for the year ended, were audited by other auditors in accordance with Korean Standard on Auditing, whose report thereon dated March 15, 2017, expressed an unqualified opinion.

The procedures and practices utilized in the Republic of Korea to audit such separate financial statements may differ from those generally accepted and applied in other countries.

KPMG Samjong Accounting Corp.
Seoul, Korea
March 7, 2018

This report is effective as of March 7, 2018, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

Consolidated Financial Statements

As of December 31, 2017 and 2016

Consolidated Statements of Financial Position

Mirae Asset Daewoo Co., Ltd. and its subsidiaries

(In Korean won)

	2017	2016
Assets		
Cash and cash equivalents	₩ 1,374,448,969,904	2,006,028,721,163
Financial assets at fair value through profit or loss	30,267,532,823,491	33,187,791,804,858
Available-for-sale financial assets	8,838,520,107,354	8,739,716,750,682
Loans and receivables	46,923,425,478,459	10,080,235,049,571
Investments in associates	673,055,861,630	415,153,973,382
Property and equipment, net	198,576,441,900	347,756,015,529
Investment properties, net	1,140,599,627,851	1,115,086,366,329
Intangible assets, net	650,053,632,828	655,881,350,831
Other assets	113,910,623,579	120,706,828,457
Income tax receivable	1,785,334,715	121,631,480,207
Deferred tax asset	444,690,399,842	477,787,620,118
Total assets	₩ 90,626,599,301,553	57,267,775,961,127
Liabilities		
Financial liabilities at fair value through profit or loss	₩ 17,432,460,637,775	22,049,093,636,416
Deposits due to customers	5,118,877,230,489	4,125,075,297,990
Borrowings	49,390,196,184,989	18,946,893,914,201
Debentures	3,085,496,672,057	2,725,625,017,560
Provisions	20,377,052,332	15,152,116,522
Other liabilities	8,171,135,639,184	2,737,601,397,324
Income tax payable	22,782,013,768	2,569,874,200
Deferred tax liabilities	768,141,323	-
Total liabilities	83,242,093,571,917	50,602,011,254,213
Equity		
Capital stock	3,401,960,790,000	3,401,960,790,000
Capital surplus	2,164,649,228,172	1,813,265,000,459
Retained earnings	1,874,982,489,194	1,397,747,543,513
(Regulatory reserve for credit losses of ₩50,848,967,579 and ₩82,105,710,218 as of December 31, 2017 and 2016 respectively)		
(Provision for (reversal of) regulatory reserve for credit losses amounted to ₩37,732,034,291 and ₩(-)31,256,742,639 as of December 31, 2017 and 2016 respectively)		
Capital adjustment	(7,714,262,282)	(103,038,495,934)
Accumulated other comprehensive income	(77,205,546,703)	128,929,761,111
Non-controlling interests	27,833,031,255	26,900,107,765
Total equity	7,384,505,729,636	6,665,764,706,914
Total liabilities and equity	₩ 90,626,599,301,553	57,267,775,961,127

For the years ended December 31, 2017 and 2016

Consolidated Statements of Comprehensive Income

Mirae Asset Daewoo Co., Ltd. and its subsidiaries

(In Korean won)

	2017	2016
Operating revenue		
Commissions received	₩ 895,239,308,614	671,222,415,974
Gains on financial instruments at fair value through profit or loss	7,002,686,182,399	5,389,594,262,532
Gains on available-for-sale financial assets	114,486,993,943	70,376,854,980
Interest income	1,152,767,665,404	925,526,978,508
Gains on loans and receivables	5,031,242,135	8,747,892,954
Gains on foreign currency transactions	742,658,913,994	576,584,477,540
Others	385,779,522,179	191,968,918,195
	10,298,649,828,668	7,834,021,800,683
Operating expenses		
Commissions expense	161,043,126,453	127,067,469,462
Losses on financial instruments at fair value through profit or loss	6,856,852,969,311	6,037,776,179,123
Losses on available-for-sale financial assets	52,226,218,053	80,282,269,808
Interest expense	581,452,620,235	382,955,584,133
Losses on loans and receivables	2,141,545,956	20,205,744,278
Losses on foreign currency transactions	898,308,939,487	373,253,646,009
Salaries	647,272,403,418	459,943,075,143
Selling and administrative expense	436,918,970,835	332,930,441,260
Others	34,680,464,383	16,436,704,006
	9,670,897,258,131	7,830,851,113,222
Operating income	627,752,570,536	3,170,687,461
Non-operating income, net		
Non-operating income	111,624,182,081	47,747,862,361
Non-operating expense	74,627,745,824	29,977,608,799
	36,996,436,257	17,770,253,562
Profit before income tax expense	664,749,006,794	20,940,941,023
Income tax expense	159,815,280,306	5,240,039,881
Profit for the year		
Equity holder of the Company	503,175,503,631	39,291,499,005
Non-controlling interests	1,758,222,857	(23,590,597,863)
	₩ 504,933,726,488	15,700,901,142
Other comprehensive income (loss) for the year, net of tax		
Items that are or may be reclassified subsequently to profit or loss:		
Net change in unrealized valuation of available-for-sale financial assets	₩ (24,346,294,579)	22,268,817,392
Equity in other comprehensive income of associates	(8,193,453,933)	(2,301,018,762)
Hedges of a Net Investment in Foreign Operations	12,599,573,133	-
Gain or loss on translation of foreign operations	(186,417,906,574)	34,691,575,000
	(206,358,081,953)	54,659,373,630
Total comprehensive income for the period		
Equity holder of the Company	297,040,195,817	100,011,677,589
Non-controlling interests	1,535,448,718	(29,651,402,817)
	₩ 298,575,644,535	70,360,274,772
Earnings per share		
Basic and diluted earnings per share	₩ 944	116

Consolidated Statements of Changes in Equity

Mirae Asset Daewoo Co., Ltd. and its subsidiaries (In Korean won)								
	Attributable to equity holders of the Group					Total	Non-controlling interests	Total equity
	Capital stock	Capital surplus	Capital adjustment	Accumulated other comprehensive income	Retained earnings			
Balance at January 1, 2016	₩ 1,698,077,585,000	321,046,945,146	(56,924,982,587)	68,209,582,527	1,398,258,400,458	3,428,667,530,544	23,369,739,335	3,452,037,269,879
Total comprehensive income for the year:								
Profit for the year	-	-	-	-	39,291,499,005	39,291,499,005	(23,590,597,863)	15,700,901,142
Net changes in unrealized valuation of AFS financial assets	-	-	-	37,523,131,837	-	37,523,131,837	(15,254,314,445)	22,268,817,392
Equity in other comprehensive income of associates	-	-	-	(2,865,511,399)	-	(2,865,511,399)	564,492,637	(2,301,018,762)
Gain or loss on translation of foreign operations	-	-	-	26,062,558,146	-	26,062,558,146	8,629,016,854	34,691,575,000
Transaction with owners, etc.:								
Dividends paid	-	-	-	-	(39,802,355,950)	(39,802,355,950)	-	(39,802,355,950)
Adjustment due to business combination	1,703,883,205,000	1,491,689,033,227	(2,427,845,006)	-	-	3,193,144,393,221	26,107,929,134	3,219,252,322,355
Increase in treasury stocks	-	-	(43,730,328,254)	-	-	(43,730,328,254)	-	(43,730,328,254)
Stock option	-	-	44,659,913	-	-	44,659,913	7,073,842,113	7,118,502,026
Changes in scope of consolidation	-	529,022,086	-	-	-	529,022,086	-	529,022,086
Balance at December 31, 2016	₩ 3,401,960,790,000	1,813,265,000,459	(103,038,495,934)	128,929,761,111	1,397,747,543,513	6,638,864,599,149	26,900,107,765	6,665,764,706,914
Balance at January 1, 2017	₩ 3,401,960,790,000	1,813,265,000,459	(103,038,495,934)	128,929,761,111	1,397,747,543,513	6,638,864,599,149	26,900,107,765	6,665,764,706,914
Total comprehensive income for the year:								
Profit for the year	-	-	-	-	503,175,503,631	503,175,503,631	1,758,222,857	504,933,726,488
Net changes in unrealized valuation of AFS financial assets	-	-	-	(24,123,520,440)	-	(24,123,520,440)	(222,774,139)	(24,346,294,579)
Equity in other comprehensive income of associates	-	-	-	(8,193,453,933)	-	(8,193,453,933)	-	(8,193,453,933)
Hedges of a net investment in foreign operations	-	-	-	12,599,573,133	-	12,599,573,133	-	12,599,573,133
Gain or loss on translation of foreign operations	-	-	-	(186,417,906,574)	-	(186,417,906,574)	-	(186,417,906,574)
Transaction with owners, etc.:								
Dividends paid	-	-	-	-	(25,940,557,950)	(25,940,557,950)	-	(25,940,557,950)
Increase in treasury stocks	-	351,445,658,768	33,096,916,634	-	-	384,542,575,402	-	384,542,575,402
Stock option	-	-	(83,572,665)	-	-	(83,572,665)	-	(83,572,665)
Others	-	(61,431,055)	62,310,889,683	-	-	62,249,458,628	(602,525,228)	61,646,933,400
Balance at December 31, 2017	₩ 3,401,960,790,000	2,164,649,228,172	(7,714,262,282)	(77,205,546,703)	1,874,982,489,194	7,356,672,698,381	27,833,031,255	7,384,505,729,636

Consolidated Statements of Cash Flows

Mirae Asset Daewoo Co., Ltd. and its subsidiaries (In Korean won)		
	2017	2016
Cash flows from operating activities		
Profit for the year	₩ 504,933,726,488	15,700,901,142
Adjustments:		
Interest income	(1,152,767,665,404)	(925,526,978,508)
Dividend income	(220,313,095,925)	(144,722,341,564)
Interest expense	581,452,620,235	382,955,584,133
Income tax expense	159,815,280,306	5,240,039,881
Loss on valuation of financial assets held for trading	111,300,620,278	88,231,372,221
Loss on valuation of financial liabilities held for trading	21,511,487,771	3,457,877,316
Loss on valuation of financial assets designated at fair value through profit or loss	52,623,031,178	33,014,236,142
Loss on valuation of financial liabilities designated at fair value through profit or loss	468,735,340,889	1,422,926,326,505
Loss on valuation of derivatives	1,128,513,534,990	822,368,876,680
Loss on disposal of available-for-sale financial assets	25,058,425,258	29,679,888,491
Impairment loss on available-for-sale financial assets	27,167,792,795	50,602,381,317
Loss on valuation of investments in associates	3,224,192,264	4,409,546,241
Loss on disposal of investments in associates	28,132,093	-
Loss on disposal of investments in subsidiaries	6,791,201,528	2,315,271,024
Depreciation	22,718,086,404	15,060,921,324
Depreciation on investment properties	29,115,730,988	10,249,307,773
Loss on disposal of property and equipment	289,046,322	338,400,738
Amortization	42,901,954,200	25,225,622,493
Loss on disposal of intangible assets	17,431,920	124,633,823
Impairment loss on intangible assets	152,715,509	-
Stock option expense	7,365,438,269	9,347,331,314
Rent expense	2,912,487,630	2,095,215,856
Bad debt expense	1,966,765,028	20,205,744,278
Other bad debt expense	1,653,079,039	8,236,491,778
Loss on foreign currency translation	235,981,266,357	1,779,280,995
Provision of allowances for litigation	12,402,576,548	61,901,690
Loss on restoration	-	68,938,720
Other operating expenses	7,226,595,543	261,042,894
Gain on valuation of financial assets held for trading	(161,133,276,663)	(73,404,560,555)
Gain on valuation of financial liabilities held for trading	(7,955,205,898)	(17,415,437,489)
Gain on valuation of financial assets designated at fair value through profit or loss	(58,874,322,184)	(288,924,940,449)
Gain on valuation of financial liabilities designated at fair value through profit or loss	(376,139,857,576)	(214,849,432,766)
Gain on valuation of derivatives	(1,364,624,758,347)	(1,514,798,801,902)
Gain on disposal of available-for-sale financial assets	(114,486,993,943)	(70,376,854,980)
Gain on disposal of investments in associates	(79,734,357)	(19,274,121)
Gain on valuation of investments in associates	(50,787,176,636)	(21,381,903,905)
Gain on disposal of investments in subsidiaries	(8,403,873,610)	(677,484,890)

Mirae Asset Daewoo Co., Ltd. and its subsidiaries

(In Korean won)

	2017	2016
Gain on disposal of property and equipment	₩ (1,805,011,499)	(34,694,084)
Gain on disposal of intangible assets	(89,178,000)	(1,060,170,000)
Reversal of bad debt allowances	(1,477,834,881)	(8,543,118,353)
Reversal of other bad debt allowances	(715,261,956)	(358,000,324)
Gain on foreign currency translation	(67,477,826,955)	(162,897,368,395)
Gain on restoration	-	(15,486,485)
Reversal of allowances for litigation	(3,404,459,429)	(8,517,281,396)
	(639,610,699,921)	(515,267,896,539)
Changes in:		
Due from financial institutions for customer accounts	(470,479,042,077)	515,304,469,637
Financial assets held for trading	333,741,534,637	4,982,193,623,957
Financial assets designated at fair value through profit or loss	2,737,051,329,492	1,923,208,686,498
Loans and receivables	(8,902,982,471,849)	(413,620,061,840)
Other assets	18,607,768,190	2,827,280,836,818
Deposits due to customers	996,338,089,654	330,501,028,503
Financial liabilities held for trading	192,076,848,963	119,950,030,491
Financial liabilities designated at fair value through profit or loss	(4,908,975,621,420)	(2,765,402,576,730)
Other liabilities	5,288,053,347,849	(2,634,354,284,800)
Provisions	(4,263,116,089)	(4,479,310,781)
	(4,720,831,332,650)	4,880,582,441,753
Interest received	1,101,197,090,473	937,532,222,818
Interest paid	(572,210,250,197)	(368,853,150,370)
Dividends received	216,004,048,640	144,366,200,578
Income tax paid	(34,063,456,901)	(79,433,561,030)
Net cash provided by (used in) operating activities	(4,144,580,874,068)	5,014,627,158,352
Cash flows from investing activities		
Proceeds from disposal of available-for-sale financial assets	7,229,759,117,774	14,240,820,947,161
Proceeds from disposal of investments in associates	46,829,663,293	2,418,228,562
Proceeds from disposal of property and equipment	10,476,407,369	236,618,953
Proceeds from disposal of intangible assets	1,912,359,980	1,293,171,676
Decrease in deposits	9,770,782,962	1,900,381,282
Increase in withdrawals	5,542,232,310	-
Acquisition of available-for-sale financial assets	(7,391,671,283,378)	(12,336,928,887,777)
Acquisition of investments in associates	(272,295,013,851)	(18,621,054,000)
Acquisition of investments in subsidiaries	-	(950,326,444,746)
Acquisition of property and equipment	(46,562,286,746)	(52,619,976,979)
Acquisition of investment properties	-	(913,116,553,799)
Acquisition of intangible assets	(41,657,356,373)	(20,832,905,175)
Increase in deposits	(8,191,373,473)	(8,214,600,916)
Decrease from withdrawals	(2,498,930,000)	-
Net cash used in investing activities	(458,585,680,133)	(53,991,075,758)

Mirae Asset Daewoo Co., Ltd. and its subsidiaries

(In Korean won)

	2017	2016
Cash flows from financing activities		
Proceeds from borrowings, net	₩ 3,040,699,405,955	-
Proceeds from debentures, net	382,541,028,869	-
Proceeds from disposal of treasury stock	498,499,990,230	-
Increase in other liabilities	179,520,346,595	16,057,382,706
Decrease of borrowings, net	-	(2,759,279,173,110)
Decrease of debentures, net	-	(313,892,096,130)
Acquisition of treasury stock	(25,940,557,950)	(150,824,057,784)
Dividends paid	(172,801,387)	(113,805,572,290)
Decrease in other liabilities	(24,545,342,752)	(41,774,538,582)
Decrease in non-controlling interests	(602,525,228)	-
Net cash provided by (used in) financing activities	4,049,999,544,332	(3,363,518,055,190)
Effect of exchange rate fluctuations on cash and cash equivalents held	(78,412,741,390)	17,889,869,376
Net increase (decrease) in cash and cash equivalents	(631,579,751,259)	1,615,007,896,780
Cash and cash equivalents at beginning of year	2,006,028,721,163	391,020,824,383
Cash and cash equivalents at end of year	₩ 1,374,448,969,904	2,006,028,721,163

Separate Financial Statements

Independent Auditors’ Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders
Mirae Asset Daewoo Co., Ltd.

We have audited the accompanying separate financial statements of Mirae Asset Daewoo Co., Ltd., which comprise the separate statement of financial position as of December 31, 2017, the separate statement of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for
the Separate Financial Statements

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with Korean International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of Mirae Asset Daewoo Co., Ltd. as of December 31, 2017, and its financial performance and separate cash flows for the year then ended in accordance with Korean International Financial Reporting Standards.

Emphasis of Matters

Without qualifying our opinion, we draw attention to Note No. 50 to the separate financial statements of the Company regarding the merger between Mirae Asset Securities Co., Ltd. and Mirae Asset Daewoo Co., Ltd. that was completed on December 29, 2016 pursuant to the resolution of the shareholders meeting on November 4, 2016. While Mirae Asset Daewoo Corporation, a surviving company, legally absorbed Mirae Asset Securities Co., Ltd, a non-surviving company, in accounting, the acquisition of Mirae Asset Securities Co., Ltd by Mirae Asset Daewoo Corporation was treated as a reverse acquisition where Mirae Asset Securities Co., Ltd was the accounting acquirer while Mirae Asset Daewoo Co., Ltd. was the accounting acquiree.

Other Matters

The accompanying separate statements of financial position of Mirae Asset Daewoo Co., Ltd. as of December 31, 2016, and the related separate statements of comprehensive income, changes in equity and cash flows for the year ended, were audited by other auditors in accordance with Korean Standard on Auditing, whose report thereon dated March 15, 2017, expressed an unqualified opinion.

The procedures and practices utilized in the Republic of Korea to audit such separate financial statements may differ from those generally accepted and applied in other countries.

KPMG Samjong Accounting Corp.
Seoul, Korea
March 7, 2018

This report is effective as of March 7, 2018, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

Separate Financial Statements

As of December 31, 2017 and 2016

Separate Statements of Financial Position

Mirae Asset Daewoo Co., Ltd.

(In Korean won)

	2017	2016
Assets		
Cash and cash equivalents	₩ 848,986,514,634	658,906,021,573
Financial assets at fair value through profit or loss	27,791,775,259,746	30,727,665,843,798
Available-for-sale financial assets	8,040,524,984,525	8,081,368,566,383
Loans and receivables	14,053,568,958,115	9,042,789,486,372
Investments in subsidiaries	4,724,056,202,313	5,320,900,371,576
Investments in associates	362,271,349,884	338,589,431,766
Property and equipment	167,809,205,230	314,037,234,747
Investment properties	256,276,723,969	94,134,544,289
Intangible assets	638,283,576,844	654,131,645,048
Other assets	92,704,533,504	110,447,713,603
Income tax receivable	-	120,447,761,640
Deferred tax assets	441,028,324,626	485,280,589,860
Total assets	₩ 57,417,285,633,390	55,948,699,210,655
Liabilities		
Financial liabilities at fair value through profit or loss	₩ 17,462,103,172,600	22,354,042,352,353
Deposits due to customers	5,083,222,114,515	4,102,699,771,303
Borrowings	18,612,446,620,185	18,334,736,892,206
Debentures	2,880,759,775,243	2,243,898,419,518
Provisions	20,377,052,332	15,152,116,522
Other liabilities	5,931,767,122,084	2,302,711,919,448
Income tax payable	19,766,660,800	-
Total liabilities	50,010,442,517,759	49,353,241,471,350
Equity		
Capital stock	3,401,960,790,000	3,401,960,790,000
Capital surplus	2,163,224,953,445	1,811,898,689,162
Retained earnings	1,765,094,658,016	1,366,607,094,836
(Regulatory reserve for credit losses of ₩50,848,967,579 and ₩82,105,710,218 as of December 31, 2017 and 2016, respectively)		
(Provision for (reversal of) regulatory reserve for credit losses amounted to ₩(-)37,732,034,291 and ₩31,256,742,639 as of December 31, 2017 and 2016, respectively)		
Capital adjustment	1,364,758,700	(93,647,213,914)
Accumulated other comprehensive income	75,197,955,470	108,638,379,221
Total equity	7,406,843,115,631	6,595,457,739,305
Total liabilities and equity	₩ 57,417,285,633,390	55,948,699,210,655

Separate Statements of Comprehensive Income

Mirae Asset Daewoo Co., Ltd.

(In Korean won)

	2017	2016
Operating revenue		
Commissions received	₩ 845,768,008,497	304,467,907,890
Gains on financial instruments at fair value through profit or loss	6,844,214,618,543	3,036,883,348,108
Gains on Available-for-sale financial assets	90,996,846,426	17,852,459,317
Interest income	864,032,115,384	495,850,664,054
Gains on loans and receivables	1,477,834,881	5,268,940,545
Gains on foreign currency transactions	551,737,696,441	171,958,969,202
Others	266,579,373,122	113,174,640,399
	9,464,806,493,294	4,145,456,929,515
Operating expenses		
Commissions expense	129,973,748,618	62,288,264,061
Losses on financial instruments at fair value through profit or loss	6,737,147,149,262	3,342,726,631,340
Losses on Available-for-sale financial assets	40,535,714,825	44,724,532,240
Interest expense	327,800,628,351	189,376,707,748
Losses on loans and receivables	1,875,572,707	17,513,949,467
Losses on foreign currency transactions	750,400,228,238	133,559,548,326
Salaries	585,645,625,576	175,147,873,901
Selling and administrative expenses	315,390,428,942	127,128,979,845
Others	22,818,148,109	9,698,006,898
	8,911,587,244,628	4,102,164,493,826
Operating income	553,219,248,666	43,292,435,689
Non-operating income, net		
Non-operating income	15,651,415,111	2,734,070,155
Non-operating expense	14,584,563,476	8,968,247,976
	1,066,851,635	(6,234,177,821)
Profit before income tax expense	554,286,100,301	37,058,257,868
Income tax expense	129,857,979,171	9,235,995,389
Profit for the year	424,428,121,130	27,822,262,479
Other comprehensive income (loss) for the year, net of tax		
Items that are or may be reclassified subsequently to profit or loss:		
Net change in unrealized valuation of Available-for-sale financial	(33,440,423,751)	20,768,099,746
	(33,440,423,751)	20,768,099,746
Total comprehensive income for the year	₩ 390,987,697,379	48,590,362,225
Earnings per share		
Basic and diluted earnings per share	₩ 797	82

Separate Statements of Changes in Equity

Mirae Asset Daewoo Co., Ltd.

(In Korean won)

	Capital stock	Capital surplus	Capital adjustment	Accumulated other comprehensive income (loss)	Retained earnings	Total
Balance at January 1, 2016	₩ 1,698,077,585,000	320,815,318,724	(49,954,604,089)	83,480,254,271	1,378,587,188,307	3,431,005,742,213
Total comprehensive income for the year:						
Profit for the year	-	-	-	-	27,822,262,479	27,822,262,479
Net changes in unrealized valuation of AFS financial assets	-	-	-	20,768,099,746	-	20,768,099,746
Transaction with owners, etc.:						
Dividends paid	-	-	-	-	(39,802,355,950)	(39,802,355,950)
Adjustments due to merger	1,703,883,205,000	1,491,083,370,438	-	4,390,025,204	-	3,199,356,600,642
Acquisition of treasury stock	-	-	(43,730,328,254)	-	-	(43,730,328,254)
Stock option	-	-	44,659,913	-	-	44,659,913
Others	-	-	(6,941,484)	-	-	(6,941,484)
Balance at December 31, 2016	₩ 3,401,960,790,000	1,811,898,689,162	(93,647,213,914)	108,638,379,221	1,366,607,094,836	6,595,457,739,305
Balance at January 1, 2017	₩ 3,401,960,790,000	1,811,898,689,162	(93,647,213,914)	108,638,379,221	1,366,607,094,836	6,595,457,739,305
Total comprehensive income for the year:						
Profit for the year	-	-	-	-	424,428,121,130	424,428,121,130
Net changes in unrealized valuation of AFS financial assets	-	-	-	(33,440,423,751)	-	(33,440,423,751)
Transaction with owners, etc.:						
Dividends paid	-	-	-	-	(25,940,557,950)	(25,940,557,950)
Disposal of treasury stock	-	351,445,658,768	33,096,916,634	-	-	384,542,575,402
Stock option	-	-	(83,572,665)	-	-	(83,572,665)
Others	-	(119,394,485)	61,998,628,645	-	-	61,879,234,160
Balance at December 31, 2017	₩ 3,401,960,790,000	2,163,224,953,445	1,364,758,700	75,197,955,470	1,765,094,658,016	7,406,843,115,631

Separate Statements of Cash Flows

Mirae Asset Daewoo Co., Ltd.

(In Korean won)

	2017	2016
Cash flows from operating activities		
Profit for the year	₩ 424,428,121,130	27,822,262,479
Adjustments:		
Interest income	(864,032,115,384)	(495,850,664,054)
Dividend income	(248,072,020,048)	(110,895,398,673)
Interest expense	327,800,628,351	189,376,707,748
Income tax expense	129,857,979,171	9,235,995,389
Loss on valuation of financial assets held for trading	104,100,355,278	36,943,143,960
Loss on valuation of financial liabilities held for trading	21,511,487,771	4,429,658,925
Loss on valuation of financial assets designated at fair value through profit or loss	52,169,130,340	35,014,989,539
Loss on valuation of financial liabilities designated at fair value through profit or loss	471,132,045,371	615,057,666,649
Loss on valuation of derivatives	1,096,823,832,808	659,612,250,116
Loss on disposal of available-for-sale financial assets	21,534,331,722	7,159,780,426
Impairment loss on available-for-sale financial assets	19,001,383,103	37,564,751,814
Impairment loss on investments in associates	-	5,432,350,157
Impairment loss on investments in subsidiaries	1,787,864,769	-
Loss on disposal of investments in subsidiaries	3,895,552,019	291,672,210
Loss on disposal of investments in associates	28,290,432	-
Depreciation	20,675,859,565	4,220,342,523
Depreciation of Investment properties	1,960,505,148	-
Loss on disposal of property and equipment	231,743,312	128,038,232
Amortization	34,799,754,176	3,153,570,031
Loss on disposal of intangible assets	17,431,920	24,224,600
Stock option expense	7,198,180,951	58,918,091
Rent expense	2,912,487,630	834,820,510
Bad debt expense	1,703,859,058	17,513,949,467
Other bad debt expense	1,187,123,666	7,357,731,930
Loss on foreign currency translation	221,429,052,415	20,161,808,342
Provisions	12,402,576,548	-
Loss on restoration	-	68,938,720
Other operating expenses	14,003,087,583	35,557,894
Gain on valuation of financial assets held for trading	(136,510,645,302)	(20,625,235,761)
Gain on valuation of financial liabilities held for trading	(7,955,205,898)	(9,880,065,282)
Gain on valuation of financial assets designated at fair value through profit or loss	(57,065,693,331)	(109,673,437,209)
Gain on valuation of financial liabilities designated at fair value through profit or loss	(378,557,718,228)	(159,511,090,814)
Gain on disposal of financial assets designated at fair value through profit or loss	-	(1,751,750,000)
Gain on valuation of derivatives	(1,353,102,535,643)	(977,050,657,370)
Gain on disposal of available-for-sale financial assets	(90,996,846,426)	(17,852,459,317)
Gain on disposal of investments in subsidiaries	(1,377,809,078)	(1,879,485,989)

Mirae Asset Daewoo Co., Ltd.

(In Korean won)

	2017	2016
Gain on disposal of investments in associates	₩ (3,600,840,649)	-
Gain on disposal of property and equipment	(1,805,011,499)	(21,580,000)
Gain on disposal of intangible assets	(89,178,000)	-
Reversal of bad debt allowances	(1,477,834,881)	(5,268,940,545)
Reversal of other bad debt allowances	(715,261,956)	(346,552,268)
Gain on foreign currency translation	(57,497,748,418)	(43,936,853,359)
Reversal of provisions	(3,404,459,429)	-
Gain on restoration	-	(15,486,485)
	(638,096,381,063)	(300,882,789,853)
Changes in:		
Deposits	(566,947,941,182)	127,491,157,861
Financial assets held for trading	(1,996,800,576,199)	668,089,711,811
Financial assets designated at fair value through profit or loss	5,239,846,407,690	1,455,176,268,054
Loans and receivables	(4,600,503,059,590)	(141,836,649,276)
Other assets	25,291,522,868	1,870,908,740,673
Deposits due to customers	979,205,524,161	384,829,249,292
Financial liabilities held for trading	(133,542,972,385)	(9,897,757,785)
Financial liabilities designated at fair value through profit or loss	(4,864,503,533,393)	(462,912,748,469)
Other liabilities	3,622,489,884,381	(1,841,990,340,943)
Provisions	(4,263,116,089)	(125,854,000)
	(2,299,727,859,738)	2,049,731,777,218
Interest received	861,027,600,847	496,125,070,609
Interest paid	(326,178,088,833)	(189,187,398,626)
Dividends received	247,733,456,249	109,607,408,673
Income tax paid	(15,811,306,318)	(52,181,841,254)
Net cash provided by (used in) operating activities	(1,746,624,457,726)	2,141,034,489,246

APPENDIX I

Mirae Asset Daewoo Co., Ltd.

(In Korean won)

	2017	2016
Cash flows from investing activities		
Decrease in available-for-sale financial assets	₩ 7,371,258,317,903	728,622,674,504
Decrease in investments in subsidiaries	1,411,114,982,972	233,073,284,297
Decrease in investments in associates	10,119,674,452	-
Proceeds from disposal of property and equipment	6,508,388,535	24,449,000
Proceeds from disposal of intangible assets	1,912,360,000	85,000,000
Decrease in deposits for rent	9,745,436,981	2,488,766,834
Increase in guarantee for rent	6,106,932,310	-
Increase in cash due to merger	-	549,782,422,094
Acquisition of available-for-sale financial assets	(7,348,343,030,410)	(633,250,868,405)
Acquisition of investments in subsidiaries	(825,723,310,274)	(2,498,957,357,051)
Acquisition of investments in associates	(30,290,844,028)	(9,014,000,000)
Acquisition of property and equipment	(43,342,200,444)	(3,356,299,440)
Acquisition of intangible assets	(20,792,299,892)	(15,072,359,405)
Increase in deposits for rent	(7,702,796,898)	(3,545,589,071)
Decrease in guarantee for rent	(3,063,630,000)	-
Net cash provided by (used in) investing activities	537,507,981,207	(1,649,119,876,643)
Cash flows from financing activities		
Increase in borrowings, net	289,962,247,791	604,878,981,469
Increase in debentures, net	639,799,380,000	-
Disposal of treasury stock	498,499,990,230	-
Decrease of debentures, net	-	(520,278,600,000)
Dividends paid	(25,940,557,950)	(39,802,355,950)
Acquisition of treasury stock	(172,801,387)	(43,720,938,977)
Decrease of other capital adjustment	-	(6,941,484)
Net cash provided by financing activities	1,402,148,258,684	1,070,145,058
Effect of exchange rate fluctuations on cash and cash equivalents held	(2,951,289,104)	28,517,001
Net increase in cash and cash equivalents	190,080,493,061	493,013,274,662
Cash and cash equivalents at beginning of year	658,906,021,573	165,892,746,911
Cash and cash equivalents at end of year	₩ 848,986,514,634	658,906,021,573

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Independent Assurance Statement

Introduction

Mirae Asset Daewoo Co., Ltd. (“Mirae Asset Daewoo”) commissioned DNV GL Business Assurance Korea, Ltd. (“DNV GL”), part of DNV GL Group, to undertake independent assurance of 2018 Mirae Asset Daewoo Integrated Report (the “Report”). DNV GL’s assurance engagement is based on the assumption that the data and information provided by the client to us as part of our review have been prepared in good faith.

Scope of assurance

The scope of assurance includes a review of sustainability activities and non-financial performance data over the reporting period from 1st January to 31st December 2017. This also includes:

- Evaluation of the Report on the adherence to the principles for defining the sustainability report content set forth in the Global Reporting Initiative Sustainability Reporting Standards 2016 (“GRI Standards”)
- Evaluation of the process for determining material topics for reporting and the management approach to material topics and the process for generating, gathering and managing the quantitative and qualitative data in the Report.

Basis of our opinion

The assurance engagement was planned and carried out using DNV GL’s assurance methodology VeriSustain^{TM1)}, which is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements 3000 (ISAE 3000). We provided the limited level of assurance. The audit was carried out in June 2018 and the site visits were made to Mirae Asset Daewoo’s headquarters in Seoul. We undertook the following activities as part of the assurance process:

- challenged the sustainability-related statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls;
- interviewed representatives from the various departments;
- reviewed the materiality assessment report.

Limitations

The assurance engagement excludes the sustainability management, performance and reporting practices of Mirae Asset Daewoo’s subsidiaries, associated companies, suppliers and any third-parties mentioned in the Report. DNV GL did not interview external stakeholders as part of this Assurance Engagement. Financial statements of Mirae Asset Daewoo, data announced on DART system of the Financial Supervisory Service (<http://dart.fss.or.kr>) and data on the website of Mirae Asset Daewoo (www.miraeassetdaewoo.com) are not included in the scope of assurance. Data assurance was conducted by checking the basis in a limited scope, including inquiry, analysis, and limited sampling method, on the data collected by Mirae Asset Daewoo. Economic performances including financial data has been verified against the internal documents of Mirae Asset Daewoo and the consolidated financial statements audited by certified public accountant and the aggregation and calculation process for building economic performances was reviewed by the assurance team. Also, the environmental and social data were verified using the aggregated data. The directors of Mirae Asset Daewoo have sole responsibility for the preparation of the Report. The responsibility of DNV GL in performing the assurance work is to the management of Mirae Asset Daewoo in accordance with the terms of reference. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

Conclusion

On the basis of the work undertaken, nothing comes to our attention to suggest that the Report is not prepared ‘in accordance’ with GRI Standards - Core option. Further opinions with regards to the adherence to the following Principles in the GRI Standards are made below;

Stakeholder Inclusiveness Mirae Asset Daewoo has identified 4 internal and external stakeholder groups such as Customers, Shareholders and Investors, Employees and Local communities and engages with them regularly and periodically to understand their expectations and interests through various communication channels. Major communication channels and interests of each stakeholder is described in the Report.

Sustainability Context The Report shows that Mirae Asset Daewoo defines ‘Social responsibility’ as one of its core values. Mirae Asset Daewoo adheres to the its investment principles and implements approaches in which stakeholders’ sustainability is taken intoaccount when it passes through the value chain. The 10 material topics determined from the materiality assessment and the key sustainability performances achieved in 2017 are presented in the Report, which would help the stakeholder understand the management approaches toward the material topics.

Materiality Mirae Asset Daewoo has conducted the materiality assessment to prepare the Report. The issue pool with relevant 43 topics are formed by analysing the key topics from the global sustainability standards, the topics which industry peer group consider material and the subjects covered by journalist reports and stakeholder’s survey was used to rate the level of impacts on its financial situation, operation and reputation. Finally, 10 material topics were prioritized and Mirae Asset Daewoo has mapped the material topics out with the disclosures as defined in GRI Standards. Management approaches on the respective material topics are addressed in the Report. The assurance team has reviewed the materiality assessment process. Nothing comes to our attention that would cause us to believe that material topics determined from the materiality assessment are not reported.

Completeness The Report covers the sustainability strategy, management approach and sustainability performances of Mirae Asset Daewoo for the reporting period. The reporting boundary is set to include headquarters, customer support center, IT center, domestic branches as well as overseas subsidiaries and offices over which Mirae Asset Daewoo has business control. In case of overseas subsidiaries and offices, only economic performance is included in the reporting scope due to the limitation of data gathering. Nothing comes to our attention that would cause us to believe that the performance results of material topics within the reporting boundary were not complete .

Further opinions on the report quality is as follows;

Accuracy and Reliability The data presented in the report were gathered and processed by the teams responsible for data control in Mirae Asset Daewoo headquarters to meet the purpose. The assurance team interviewed the data owner, reviewed the process of gathering and processing data and information, and the supporting documents and records. The depth of data verification is limited to the aggregated level of data. Based on sampling verification, nothing comes to our attention that would cause us to believe that the data and information presented in the Report have any intentional error or material misstatement.

Any errors or misstatements identified during the assurance engagement were communicated and corrected prior to the Report being published. Mirae Asset Daewoo could get raw data generated by respective teams to be verified in order to improve accuracy and reliability of the data handling process.

Competence and Independence

DNV GL applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2011 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the DNV GL Code of Conduct² during the assurance engagement and maintain independence where required by relevant ethical requirements. DNV GL was not involved in the preparation of statements or data included in the report except for this Assurance Statement. DNV GL maintains complete impartiality toward stakeholders interviewed during the assurance process. DNV GL certifies Mirae Asset Daewoo to ISO/IEC 27001:2013 - Information Security Management System. In our opinion, this does not affect the independence or impartiality of our work.

June 2018
Seoul, Korea



In Kyo Ahn

Country Representative
DNV GL Business Assurance Korea, Ltd.

¹⁾ The VeriSustain protocol is available upon request at DNV GL Website (www.dnvgl.com)

Verification of GHG Emissions Data Reports

Introduction

Korea Productivity Center was required to verify ‘2017 Greenhouse Gas (GHG) emissions Statements (hereinafter ‘Statement’), of which reporting years was defined as January 1, 2017 to December 31, 2017, by Mirae Asset Daewoo.

Levels of Assurance

A reasonable level of assurance was agreed.

Verification Scope

In 2017 GreenHouse Gas emissions throughout domestic 13 company buildings of Mirae Asset Daewoo’s own

Verification Criteria

- GHG Energy Target Management Guideline
- IPCC Guideline: 2006, WRI/WBCSD GHG Protocol: 2004
- ISO14064-3: 2006 standard

Limitation

Having investigated by sampling method, the Statement might have errors and uncertainties. Final GHG estimates may contain uncertainty for the reasons such as unspecified standard and method, although no exceptional factors has been reported.

Conclusion

- The verification team confirmed that the ‘Statements (2017)’ was being reported in accordance with self-inspection guideline based on GHG Energy Target Management Guideline and IPCC Guideline.
- Appropriate corrective action was taken by Mirae Asset Daewoo in accordance with investigation results from the verification team.
- The verification team confirms that the ‘Statements (2017)’ was being reporting ‘appropriately’ in accordance with relevant standards.

Classification	Greenhouse Gas (GHG) Emissions
Direct Emissions(Scope 1)	1,075 ton CO ₂ e
Indirect Emissions(Scope 2)	16,640 ton CO ₂ e
Other Indirect Emissions(Scope 3)	681 ton CO ₂ e
Total Emissions	18,395 ton CO ₂ e

7th June 2018

Korea Productivity Center,
Sustainability Management Center
Director Dong-Soo, Kim

D. S. Kim

GRI Index

1. General Disclosures

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	102-2	Activities, brands, products, and services	8, 9, 44-58	
	102-3	Location of headquarters	4, 5, 8	
	102-4	Location of operations	4, 5	
	102-5	Ownership and legal form	Refer to page 527-534 in the business report	
	102-6	Markets served	4, 5, 44-58	
	102-7	Scale of the organization	4, 5, 8, 42-58	
	102-8	Information on employees and other workers	Refer to page 538 in the business report	
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	102-48	Restatements of information	-	Stated separately at the related content
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2. Topic-specific Disclosures

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Economic performance	MA			
	201-2	Financial implications and other risks and opportunities due to climate change	23	-
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	205-3	Confirmed incidents of corruption and actions taken	Refer to page 567-570 in the business report	
Training and education	MA		60	
	404-1	Average hours of training per year per employee	105	
	404-2	Programs for upgrading employee skills and transition assistance programs	60, 61	
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	413-2	Operations with significant actual and potential negative impacts on local communities	4, 5, 23	
	FS14	Initiatives to improve access to financial services for disadvantaged people	24, 25	
Marketing and labeling	MA		18, 20	
	417-2	Incidents of non-compliance concerning product and service information and labeling	-	No violation
	417-3	Incidents of non-compliance concerning marketing communications	-	No violation
	FS15	Policies for the fair design and sale of financial products and services	21	
	FS16	Initiatives to enhance financial literacy	24, 25	
Customer privacy	MA		18, 20	
	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	-	No violation
Product portfolio	MA	Policies with specific environmental and social components, assessing, monitoring, improving staff competency, and environmental and social risks and opportunities, applied to business lines (FS1, FS2, FS3, FS4, FS5)	22	
	FS7	Monetary value of products and services designed to deliver social benefits for each business line	23-25	
	FS8	Monetary value of products and services designed to deliver environmental benefits for each business line	23	
Audit	MA		22, 39	
	FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	23, 39, 40	Review is underway by the Risk Management Committee

3. Diclosures for Non-material Issues

Classification	Disclosure	Indicators	Page	Note
Economic Performance				
Economic performance	201-1	Direct economic value generated and distributed	42, 43	
	201-3	Defined benefit plan obligations and other retirement plans	Refer to page 247 in the business report	
Market presence	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Refer to page 538 in the business report	
Indirect economic impacts	203-1	Infrastructure investments and services supported	70-73, 102	
	203-2	Significant indirect economic impacts	23	
Anti-corruption	205-1	Operations assessed for risks related to corruption	37, 38	
	205-2	Communication and training about anti-corruption policies and procedures	Refer to page 34, 37, 38 in the business report, 523-526	
Anti-competitive behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	-	No such case
Environmental Performance				
Energy	302-1	Energy consumption within the organization	106	
	302-2	Energy consumption outside of the organization	106	
	302-3	Energy intensity	106	
	302-4	Reduction of energy consumption	106	
Water	303-1	Water withdrawal by source	106	
	303-2	Water sources significantly affected by withdrawal of water	-	All from tap water and sewage
Emissions	305-1	Direct (Scope 1) GHG emissions	106	
	305-2	Energy indirect (Scope 2) GHG emissions	106	
	305-3	Other indirect (Scope 3) GHG emissions	106	
	305-4	GHG emissions intensity	106	
	305-5	Reduction of GHG emissions	106	
Effluents and waste	306-1	Water discharge by quality and destination	106	Wastewater is treated by a wastewater treatment plant operated by a local autonomous entity
	306-2	Waste by type and disposal method	106	
Environmental compliance	307-1	Non-compliance with environmental laws and regulations	-	No violation

UNGC & UN SDGs

Classification	Disclosure	Indicators	Page	Note
Social Performance (GRI 400)				
Employment	401-1	New employee hires and employee turnover	104	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	63	
	401-3	Parental leave	104	
Occupational health and safety	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	104	
Diversity and equal opportunity	405-1	Diversity of governance bodies and employees	104, Refer to page 535-538 in the business report	
	405-2	Ratio of basic salary and remuneration of women to men	Refer to page 538 in the business report	
Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	-	No violation
Freedom of association and collective bargaining	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	104	
Child labor	408-1	Operations and suppliers at significant risk for incidents of child labor	-	No violation
Forced or compulsory labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	-	No violation
Rights of indigenous peoples	411-1	Incidents of violations involving rights of indigenous peoples	-	No violation
Human rights assessment	412-1	Operations that have been subject to human rights reviews or impact assessments	65, 105	
	412-2	Employee training on human rights policies or procedures	65, 105	
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	65, 105	
Socioeconomic compliance	419-1	Non-compliance with laws and regulations in the social and economic area	-	No violation

UNGC

Mirae Asset Daewoo joined the UN Global Compact (UNGC), a voluntary corporate initiative that calls for corporations to assume social responsibility, in October 2006. By abiding by its ten principles concerning human rights, labor, the environment, and anti-corruption, we are taking part in global standards on corporate social responsibility and declaring our strong determination to practice sustainability management. We will continue to abide by the ten principles of UNGC to fulfill our social responsibilities as a global financial investment company.

Classification	Principles	Activities of Mirae Asset Daewoo	Page
Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and	We establish human rights protection principles, and provide training on preventing various human rights violations, including sexual harassment.	65
	Principle 2: make sure that they are not complicit in human rights abuses.		
Labour Standards	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	We operate the Labor-Management Council based on communication.	61-64
	Principle 4: the elimination of all forms of forced and compulsory labour;	We establish principles on protecting human rights concerning the eradication of child labor and forced labor, and implement the principles throughout our business activities.	
	Principle 5: the effective abolition of child labour; and		
	Principle 6: the elimination of discrimination in respect of employment and occupation.	Prohibition on discrimination based on gender, age, religious belief, social status, region of origin, school, childbirth, medical history, etc. is specified on the Rules of Employment.	
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges;	We develop alternative energy through the Green Index Fund and Clean Energy Fund, participate in new & renewable energy power generation projects, including the floating photovoltaic on Hapcheon Dam, as part of efforts to save energy, and build a green office.	74, 106
	Principle 8: undertake initiatives to promote greater environmental responsibility; and		
	Principle 9: encourage the development and diffusion of environmentally friendly technologies.		
Anti-Corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	We conduct compliance and ethical management activities, such as blocking the inflow of illegal funds.	37-38

UN SDGs

Mirae Asset Daewoo is conducting activities to achieve the Sustainable Development Goals (SDGs) that were established by the UN for the sustainable development of the international community. The following lists the activities we perform for each goal. Details concerning the goals are available at <http://sustainabledevelopment.un.org>.

Classification	Goals	Activities of Mirae Asset Daewoo	Page
Goal 4.	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	Social contributions (Scholarship)	71
Goal 5.	Achieve gender equality and empower all women and girls	Career development of female employees	61, 63, 64
Goal 7.	Ensure access to affordable, reliable, sustainable and modern energy for all	Participating in new & renewable energy power generation projects	74
Goal 8.	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Socially responsible finance and fund management; and leading digital finance	23, 27-29, 60
Goal 9.	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	Providing financial services customized to medium-sized enterprises and small giants	24
Goal 10.	Reduce inequality within and among countries	Increasing financial accessibility for minorities	25
Goal 13.	Take urgent action to combat climate change and its impacts	Energy saving efforts	74
Goal 16.	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	Protecting personal information	69

Social Performance

Classification		Unit	2015	2016	2017
Total number of employees ¹⁾		Person	2,995	4,818	4,659
By region	Domestic	Person	2,955	4,782	4,642
	Overseas		40	36	17
By position ²⁾	Executives	Person	40	201	280
	Head manager		423	439	760
	Senior manager		902	1,840	1,534
	Manager		1,258	848	695
	Assistant manager		78	896	807
	Staff level		216	527	543
By type	Others (Stock consultants, etc.)	Person	78	67	40
	Full-time		2,430	4,063	3,953
	Part-time		565	755	706
	Number of employees converted from part-time to full-time		66	118	139
Recruitment and retirement	New hires	Person	290	306	259
	Female new hires		147	177	120
	Turnover rate	%	9.5	6.5	7.8
	Voluntary turnover rate		7.6	4.2	6.2
By gender	Male	Person	1,784	2,722	2,614
	Female		1,211	2,096	2,045
Minorities	Disabled people	Person	34	24	23
	Foreigners		20	26	24
Parental leave	Number of people returning to work after parental leave	Person	105	307	201
	Number of people staying at work for 12 months since returning to work after parental leave	%	89.6	94.9	93.9
Labor union membership percentage		%	70	44	45
Occupational injury	Number of absentees due to injuries or illness	Person	18	134	12
	Lost work days	Day	683	8,133	271
	Number of injuries	Person	0	0	0

* 2015 figures are based on the data of Mirae Asset Daewoo (former Daewoo Securities); and figures since 2016 are based on the data of Mirae Asset Daewoo after the merger

¹⁾ Number of employees including registered executives

²⁾ Corrections made due to the change in employee position classification standards

Classification		Unit	2015	2016	2017
Employee Training					
Total training hours		Hour	102,675	181,309	198,542
Number of employees received training		Person	4,978	12,463	16,584
Total training expenses		KRW billion	2.6	6.6	6.6
Education on Human Rights and Ethics					
Training hours for education programs on human rights and ethics		Hour/ Person	167	126	165
Number of people who participate in education programs on human rights and ethics			4,857	4,818	4,659
Number of people who participate in education programs on prevention of sexual harassment		Person	2,903	4,304	4,592
Number of people who participate in education programs on information protection			2,854	2,882	4,421
Social Contribution Expenditures and Participants					
Expenditures in social contributions ¹⁾		KRW billion	3.7	6.3	4.0
Hours for volunteer activities		Hour	6,731	8,166	428
Participants in volunteer activities ²⁾		Person	2,096	2,836	140

* 2015 figures are based on the data of Mirae Asset Daewoo (former Daewoo Securities); and figures since 2016 are based on the data of Mirae Asset Daewoo after the merger

¹⁾ CSR expenditures consist of 79% in cash donation and 16% in goods donation, and include operating expenses for voluntary activities; Expenses for voluntary activities per employee = Total hours of participation x average hourly wage per person

²⁾ Data prior to 2016 is an aggregation of both weekend and weekday volunteers and from 2017 the data is based on the number of weekday volunteers.

Major Association Expenses in 2017*							(Unit: KRW million)
Korea Financial Investment Association	Financial Security Agency	Korea Capital Market Institute	Korea Financial Telecommunications & Clearings Institute	Korea Chamber of Commerce and Industry	Others	Total	
4,205	740	247	167	57	361	5,777	

* Mirae Asset Daewoo strictly bans any forms of donation or aid towards political campaigns and election funds, political parties/political entities/politicians, and lobbying organizations/lobbyists.

Environmental Performance

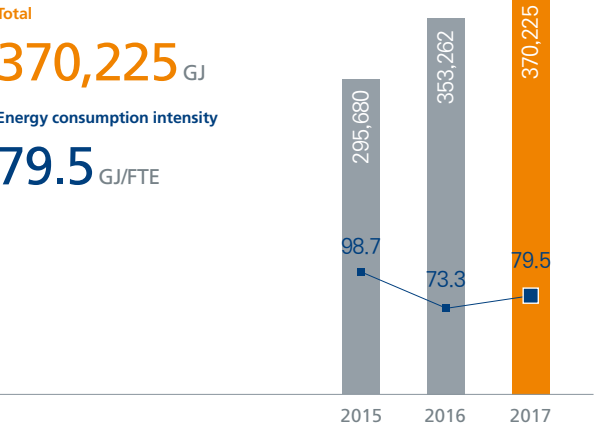
Classification	Unit	2015	2016	2017
Energy Consumption				
LNG	GJ	10,513	13,426	20,401
Gasoline, diesel		337	216	143
Kerosene		308	340	442
Electricity		278,233	332,680	342,610
District heating		6,289	6,600	6,629
GHG Emissions				
Direct GHG emissions (Scope 1)	tonCO ₂ eq	578	719	1,075
Indirect GHG emissions (Scope 2)		13,750	16,402	16,640
Other indirect GHG emissions (Scope 3)		543	502	681
Water Consumption				
Tap water and sewage	m ³	117,776	105,101	97,545
Weight of Waste				
General wastes	kg	111,900	63,750	39,848

* 2015 figures are based on the data of Mirae Asset Daewoo (former Daewoo Securities); and figures since 2016 are based on the data of Mirae Asset Daewoo after the merger

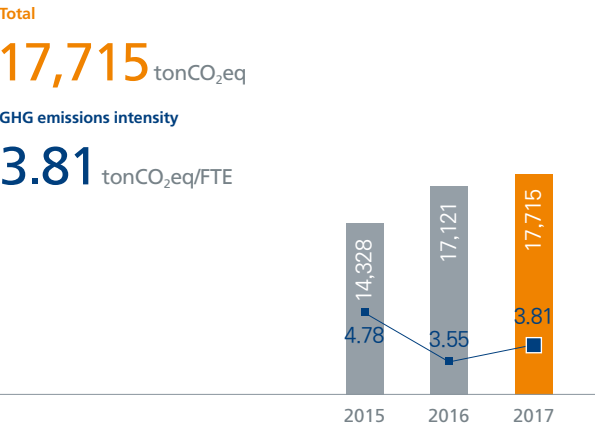
2018 Target

Total energy consumption intensity	GHG emissions intensity (Including Scope 1 and Scope 2)	Water consumption intensity
83.8 GJ/FTE	4.04 tonCO ₂ eq/FTE	24.9 m ³ /FTE

Energy Consumption



GHG Emissions



* Total GHG emissions and GHG emissions intensity are based on Scope 1 and Scope 2

Tax Policy

Governing Message

Mirae Asset Daewoo understands that compliance with tax laws and responsible, transparent tax payments that go beyond observance of laws is an important factor in contributing to national finance, enhancing shareholder value, and maximizing stakeholder profits, and that it is a fundamental condition that needs to be met for the company's long-term growth. We have therefore established tax rules and policy, and pursue cooperative, constructive relations with taxation authorities for faithful implementation of our tax policy. We make transparent tax payments and disclose relevant information according to the following rules.

Principles on Tax

- We recognize that compliance with tax laws and transparent tax payments are important parts of management.
- We faithfully report and pay taxes in accordance with responsible tax rules.
- We do not abuse differences in tax laws among countries to avoid taxes.
- We evaluate the adequacy of transfer price in accordance with the arm's length principle.
- We do not manage a legal entity for the purpose of avoiding taxes at a tax haven where sharing of tax information is impossible and where we do not have any economic activity.
- We make utmost efforts to fulfill cooperation obligations that are stipulated in tax laws to maintain constructive and cooperative relations with taxation authorities.
- We conduct preemptive management and monitoring to reduce tax risks.
- We document and store tax reports, documentary evidence, and materials related to decision-making on accounting issues.
- We perform regular monitoring of tax issues.

Disclosure of Tax Payment Information

In Korea, we responsibly disclose income tax-related details through an audit report which is available on the Financial Supervisory Service's electronic official notice system (Dart.fss.or.kr). Disclosed content includes the following.

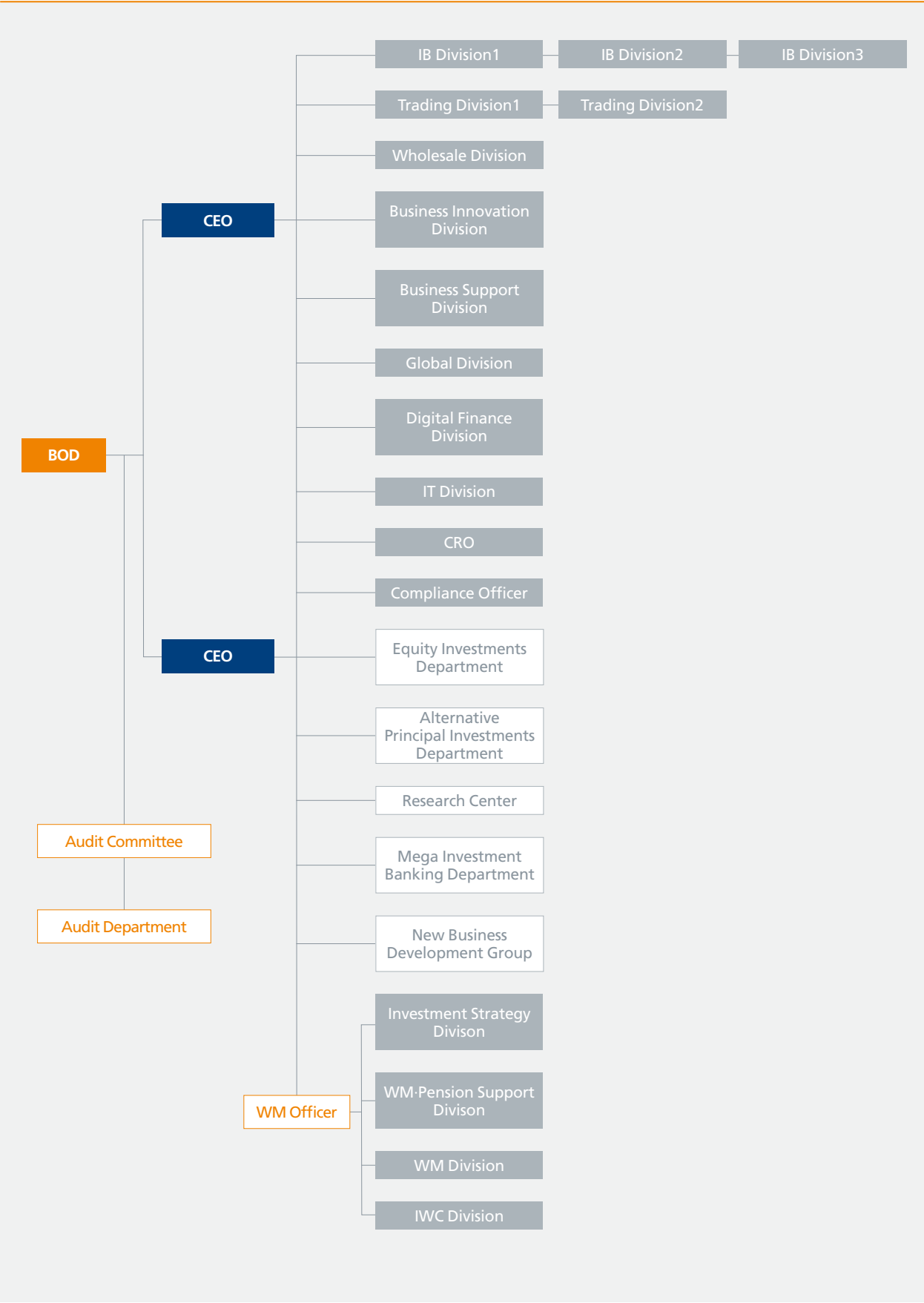
1. Accounting criteria for calculating income taxes
2. Deferred tax asset and liability details
3. Composition details regarding temporary differences
4. Income tax expense composition details and tax rate information

In addition, through our annual Sustainability Report and Audit Report, we disclose revenue and tax payment amount information by country, the difference between the valid tax rate and statutory tax rate of income taxes, and the reason for this difference.

Base Erosion and Profit Shifting

Taxation authorities have made it mandatory to submit a report by country, which is Action 13 (Transfer Pricing Documentation) of the Base Erosion and Profit Shifting (BEPS) Project, for multinational companies through the Adjustment of International Taxes Act. Parties obligated to submit a report, such as a controlling entity in Korea of a multinational company with sales exceeding KRW 1 trillion based on consolidated financial statements of the preceding tax year, is obligated to submit a report by country that includes revenue details, pre-tax profits and losses, and other such information by country for affiliated companies within the multinational company group. Mirae Asset Daewoo is faithfully fulfilling this obligation.

Organization Chart



Membership in Associations

Name of organization		
Asia Society Korea Center	ISDA	Korea Management Association
Association of Compliance Officers	K-OTC	Korea Money and Finance Association
Capital Market Association of Securities Companies	Korea Association of Real Estate Investment Trusts	Korea Options, Swaps & Derivative Association
Center for Financial Law of Seoul National University	Korea Capital Market Institute	Korean Pension Association
Committee on Financial Informatization Promotion	Korea Center for International Finance	Korean Securities Association
Financial Information Business	Korea Chamber of Commerce and Industry	Korean Securities Law Association
Financial Information Security Council	Korea Economic Research Institute	National Strategy Institute
Financial Law Center, Sogang University	Korea Employers Federation	Seoul IB Forum
Financial Security Forum	Korea Federation of Banks	The Institute of Internal Auditors
Financial Security Institute	Korea Financial Investment Association	UN Global Compact
Global Finance Society	Korea Financial Telecommunications & Clearings Institute	
Institute for Global Economies	Korea Listed Companies Association	

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

Listed on the DJSI World for 6 consecutive years

CDP
DISCLOSURE INSIGHT ACTION

Participated in the CDP for 9 consecutive years

2018
Mirae Asset Daewoo
Integrated Report

Mirae Asset CENTER 1 Bldg., 26, Eulji-ro 5-gil, Jung-gu, Seoul, Korea
www.miraeassetdaewoo.com

1. Reporting Entity

(1) Parent company

Mirae Asset Daewoo Co., Ltd. (the “Company”) was originally incorporated on September 23, 1970, under the name of Dong yang Securities Co., Ltd. and changed its name to Daewoo Securities Co., Ltd. on October 20, 1983. The Company merged with Sambo Securities Co., Ltd. on December 19, 1983, and changed its name to Mirae Asset Daewoo Co., Ltd. on May 13, 2016. In addition, the Company merged with Mirae Asset Securities Co., Ltd. on December 29, 2016.

The Company is headquartered in Suha-dong, Jung-gu, Seoul and also operates a network of 164 domestic branches, 3 overseas liaison offices, 14 overseas subsidiaries and 1 overseas investment consulting company as of December 31, 2017.

The shares of the Company were listed on the Korea Exchange in September 1975, and the Company has increased its capital by issuing new paid-in shares, bonus issue, stock dividend, etc. The Company’s outstanding capital (including preferred shares) as of December 31, 2017, amounted to ₩3,401,961 million, and major shareholders of the Company as of December 31, 2017, are as follows:

Name of shareholder	Number of Shares	Percentage of ownership (%)
Mirae Asset Capital Co., Ltd.	124,096,307	18.62
Treasury stock	110,377,511	16.57
Employee stock ownership association	2,077,291	0.31
Others	429,765,299	64.50
Total	666,316,408	100.00

(2) Subsidiaries

1) Mirae Asset Venture Investment

Mirae Asset Venture Investment Co., Ltd. was founded on June 8, 1999, to primarily support the establishment of smaller businesses and registered as a small investment business company with the Small and Medium Business Administration on June 28, 1999. The entity is mostly engaged in projects regarding investments and venture capital fund managements for small businesses. The Company’s headquarter is located at Seongnam City, Gyeonggi Province. The entity had ₩10,000 million as capital at the time of establishment, and with issuances of new stocks, the entity has ₩24,362 million of common stocks and ₩500 million of preferred stocks of paid-in capital, as of December 31, 2017.

2) Mirae Asset Securities (UK) Ltd.

Mirae Asset Securities (UK) Ltd. (Daewoo Securities (Europe) Ltd.) was founded by the Company’s contribution, established on May 3, 1991, and it is engaged in securities brokerage, sale, acquisition and arrangement of proprietary assets, etc. The company changed its name from Daewoo Securities (Europe) Ltd. to Mirae Asset Securities (UK) Ltd. on November 28, 2016.

3) Mirae Asset Securities (USA) Inc.

Mirae Asset Securities (USA) Inc. (Daewoo Securities (America) Inc.) was founded by the parent company’s contribution, established on July 7, 1992, and it is engaged in securities brokerage, sale of proprietary assets, etc. The company changed its name from Daewoo Securities (America) Inc. to Mirae Asset Securities (USA) Inc. on November 28, 2016.

4) Mirae Asset Securities (HK) Limited

Mirae Asset Securities (HK) Limited was founded by the Company’s contribution, and it gained a permissions for operation from Hong Kong relevant authorities on January 11, 2007. It is engaged in securities brokerage, sale of proprietary assets, corporate finance consulting, and asset management

etc. Due to the merge with Daewoo Securities (Hong Kong) Ltd., the company changed its name from Mirae Asset Wealth Management (HK) Limited to Mirae Asset Securities (HK) Limited.

5) Mirae Asset Wealth Management (Brazil) CCTVM

Mirae Asset Brazil Holdings was established with the invested capital from Mirae Asset Securities Hong Kong Limited, a 100% owned subsidiary of the Company. Mirae Asset Securities (Brazil) CCTVM LTDA. was established with 100% of capital from Mirae Asset Securities (Brazil), and received local business authorization on August 26, 2010. Mirae Asset Brazil Holdings and Mirae Asset Securities (Brazil) CCTVM LTDA were merged to improve management efficiency on February 25th, 2014. The company name, Mirae Asset Securities (Brazil) CCTVM LTDA, was changed to Mirae Asset Wealth Management (Brazil) CCTVM on February 9, 2015.

6) PT. Mirae Asset Sekuritas Indonesia

PT. Mirae Asset Sekuritas Indonesia (PT. Daewoo Securities Indonesia) was established by the Daewoo Securities (Hong Kong) Ltd.'s contribution on May 3, 1991, and it is engaged in securities brokerage, sale, acquisition and arrangement of proprietary assets, consulting, etc. The company is renamed from PT. Daewoo Securities Indonesia to PT. Mirae Asset Sekuritas Indonesia on December 26, 2016.

7) Mirae Asset MAPS Frontier US Private Real Estate Investment Trust 6-2

It is a beneficiary securities granted in order to invest in Fairmont Hotel located in San Francisco, USA. The parent company holds its equity on the amount of ₩141,500 million (book value) which is correspond to 99.92% from its total prortion as of December 31, 2017.

8) Mirae Asset Maps Frontier US Private Real Estate Investment Trust 7

It is a beneficiary securities granted in order to invest in Hyatt Regency Waikiki Hotel located Oahu Waikiki beach in Hawaii, USA. The Company holds its equity in the amount of ₩338,135 million (book value) which is correspond to 99.83% of its total shares as of December 31, 2017.

2. Basis of preparation

(1) Application of international accounting standard

The Company and its subsidiaries ("the Group") have prepared the consolidated financial statements in accordance with the Korean International Financial Reporting Standards ("K-IFRS"), as prescribed in the Act on External Audits of Stock Companies in Republic of Korea.

The consolidated financial statements were authorized for issue by the Board of Directors on January 31, 2018, which will be submitted for approval to the shareholders' meeting to be held on March 27, 2018.

The accompanying consolidated financial statements have been translated into English from the Korean language financial statements. In the event of any differences in interpreting the financial statements the Korean version, which is used for regulatory reporting purposes, shall prevail.

(2) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the consolidated statement of financial position:

- Derivative financial instruments are measured at fair value
- Non-derivative Financial instruments at fair value through profit or loss ("FVTPL") are measured at fair value
- Available-for-sale ("AFS") financial instruments are measured at fair value
- Liabilities for cash-settled share-based payment arrangements are measured at fair value
- Share-based payments are measured at fair value

(3) Functional and presentation currency

The Group's consolidated financial statements are presented in the currency of the primary economic environment in which the Company operates (its functional currency). The Group's consolidated financial statements are presented in Korean won ("₩"), which is also the Company's functional and presentation currency.

(4) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with K-IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are evaluated on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

1) Management's judgement

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 3. (7) - Non-derivative financial assets
- Note 3. (8) - Derivative financial assets
- Note 3. (9) - Fair value of financial instruments
- Note 3. (10) - Impairment of financial assets
- Note 3. (13) - Investment property
- Note 3. (17) - Hybrid financial instruments
- Note 3. (21) - Provisions
- Note 3. (27) - Income tax

2) Uncertainty of assumptions and estimations

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 3. (27): Income tax
- Note 11: Loans and receivables
- Note 12: Fair value of financial asset and liability
- Note 24, 46: Provisions, commitments and contingencies
- Note 47: Share-based payments

3. Significant accounting policies

The significant accounting policies applied by the Group in preparation of its consolidated financial statements are included below. The accounting policies set out below have been applied consistently to all periods in these separate financial statements.

(1) Basis of consolidation

The consolidated financial statements integrate the financial statements of the parent and those of its subsidiaries. The Group controls an investee if the Group has 1) Power over the investee 2) Exposure, or rights, to variable returns from its involvement with the investee, and 3) The ability to use its power over the investee to affect its returns. The Group reevaluates whether or not it controls over an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The Group with less than a majority of the voting rights has rights that are sufficient to give it power when the investor has the practical ability to direct the relevant activities unilaterally. When assessing whether the Group's voting rights are sufficient to give it power, the Group considers all facts and circumstances, including:

- The size of the investor’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders.
- Potential voting rights held by the investor, other vote holders or other parties.
- Rights arising from other contractual arrangements, and
- Any additional facts and circumstances that indicate the investor has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders’ meetings.

Income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary. The carrying amount of the non-controlling interests is proportionate share of the recognized amount of the identifiable net assets at the acquisition date and the amount of change in equity related to non-controlling interest thereafter. The Group shall also attribute total comprehensive income to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If a subsidiary of the Group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to the subsidiary’s financial statements in preparing the consolidated financial statements.

Every transactions between the group members and its relevant assets, liabilities, revenues and costs are eliminated when the consolidated financial statements are made.

The transaction of the change in the Group’s ownership interest that do not result in a loss of control are accounted for as equity transactions. The carrying amount of controlling interest form the Group and non-controlling interest are adjusted by reflecting changes in the relative change of the equity from the subsidiary. The differences between the adjusted amount of the non-controlling interest and the fair value of the considerations are directly recognized to equity and it is attributable to the parent.

If a parent loses control of a subsidiary it will recognize the gains or losses from the disposal of its subsidiaries to the differences of the book value between (i) the fair value of the considerations received and (ii) the carrying amounts of the assets (including any goodwill), a liabilities of the subsidiary and non-controlling interests at the date when control is lost. If a parent loses control of a subsidiary, the parent shall account for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. The fair value of investment assets of the subsidiaries before the date of losing control is deemed to recognize the fair value of the initial recognition of the assets by “IAS 39 Financial Instruments: Recognition and Measurements” or, if possible, recognize its initial investment cost of associates and joint ventures

(2) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the fair values of the assets transferred by the Group at the acquisition date, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with K-IFRS 1012, Income Taxes, and K-IFRS 1019, *Employee Benefits*, respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with K-IFRS 1102, *Share-based Payment*, at the acquisition date; and

Goodwill is measured as the excess of the sum of a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree and c) the fair value of the acquirer’s previously held equity interest in the acquiree (if any), over the

net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree and c) the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are current ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests’ proportionate share of the recognized amounts of the acquiree’s identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another K-IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and is included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement-period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement-period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement-period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with K-IFRS No. 1039, Financial Instruments: Recognition and Measurement, or K-IFRS No. 1037, Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e., the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

(3) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with K-IFRS 1105 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group’s share of the profit or loss and other comprehensive

income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate or a joint venture recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and it undergoes impairment test as a part of the investment assets. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Upon disposal of an associate or a joint venture that results in the Group losing significant influence over that associate or joint venture, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with K-IFRS 1039 Financial Instruments: Recognition and Measurement. The difference between the previous carrying amount of the associate or joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis we would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as reclassification adjustment) when it loses significant influence over that associate or joint venture.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities. In addition, the Group applies K-IFRS 1105 Non-current Assets Held for Sale and Discontinued Operations to a portion of investment in an associate or a joint venture that meets the criteria to be classified as held for sale.

The requirements of K-IFRS 1039 Financial Instruments: Recognition and Measurement are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with K-IFRS 1036 Impairment of Assets by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount; any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with K-IFRS 1036 Impairment of Assets to the extent that the recoverable amount of the investment subsequently increases.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate reversely. There is no remeasurement to fair value upon such changes in ownership interests.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

(4) Goodwill

Goodwill resulting from an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(5) Foreign currency transactions

1) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency using the report date's exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognized in profit or loss, except for differences arising on the translation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or in a qualifying cash flow hedge, which are recognized in other comprehensive income. Translation differences on Non-monetary items whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively.

2) Foreign operations

If the presentation currency of the Group is different from a foreign operation's functional currency, the financial statements of the foreign operation are translated into the presentation currency using the following methods.

Unless the functional currency of foreign operations is in a state of hyperinflation, assets and liabilities of foreign operations are translated at the closing exchange rate at the end of the reporting period. Revenues and expenses on the statement of comprehensive income are translated at average rate for the accounting period. Foreign currency differences that arise from translation are recognized as other comprehensive income, and recategorized as profit or loss when foreign operations are disposed and the disposal profit or loss is recognized.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation is treated as assets and liabilities of the foreign operation. Thus, they are expressed in the functional currency of the foreign operation and translated at the closing rate.

When a foreign operation is disposed of, the relevant amount in the translation is transferred to profit or loss as part of the profit or loss on disposal. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

3) Translation of net investment in the foreign operation

Monetary items receivable from or payable to a foreign operation, with none or little possibility of being settled in the foreseeable future, are considered a part of the net investment in the foreign operation. Therefore, the exchange difference is recognized as comprehensive profit or loss in the financial statement, and recategorized to profit or loss as of the disposal of the related net investment.

(6) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Equity investments are excluded from cash equivalents unless they are, in substance, cash equivalents, for example, in the case of preferred shares when it has a short maturity with a specified redemption date.

(7) Non-derivative financial assets

The Group recognizes and measures non-derivative financial assets by the following four categories: financial assets at FVTPL, held-to-maturity (“HTM”) investments, loans and receivables and AFS financial assets. The Group recognizes financial assets in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Upon initial recognition, non-derivative financial assets are measured at their fair value plus, except for a financial asset at FVTPL, transaction costs that are directly attributable to the asset’s acquisition or issuance.

1) Financial assets at FVTPL

Financial assets are classified as of FVTPL when the financial asset is either held for trading or is designated at FVTPL. Financial assets at FVTPL are measured at fair value upon initial recognition and changes therein are recognized in profit or loss. Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group’s documented Risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives and K-IFRS No. 1039, *Financial Instruments: Recognition and Measurement*, permits the entire combined contract (asset or liability) to be designated at FVTPL.

2) HTM investments

If the non-derivative assets have a fixed maturity with fixed or determinable payments, and the Group has the positive intent and ability to hold them until maturity, then such financial assets are classified as HTM. Subsequent to initial recognition, HTM financial assets are measured at amortized cost using the effective interest rate method.

3) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method.

4) AFS financial assets

AFS financial assets are those non-derivative financial assets that are designated as AFS or are not classified as financial assets at FVTPL, HTM investments or loans and receivables. Subsequent to initial recognition, they are measured at fair value, with changes in fair value, net of any tax effect, recorded in other comprehensive income in equity. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably

measured and derivatives those are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in other comprehensive income is reclassified to profit or loss. Dividends on AFS equity instruments are recognized in profit or loss when the Group’s right to receive the dividends is established.

5) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows of the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a consolidated asset or liability.

If the Group retains substantially all the risks and rewards of ownership of the transferred financial assets, the Group continues to recognize the transferred financial assets and recognizes financial liabilities for the consideration received.

6) Offsetting between financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Group currently has a legally enforceable right to offset the recognized amounts, and there is the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

(8) Derivative financial instruments

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

1) Hedge accounting

Derivative instruments are accounted for differently depending on whether hedge accounting is applied, and therefore, are classified into trading purpose derivatives and hedging purpose derivatives. A fair value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. A cash flow hedge is a hedge of the exposure to variability in cash flows that (i) is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecasted transaction and (ii) could affect profit or loss. For trading purpose derivatives transactions, changes in the fair value of derivatives are recognized in profit or loss.

The Group does not hold any derivatives designated as hedging derivatives as of December 31, 2017.

2) Embedded derivative instruments

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not clearly and closely related to those of the host contract and the host contract is not itself held for trading or designated at FVTPL, unless the Group aggregately designates the host contract and embedded derivative as a financial instrument at FVTPL. These embedded derivatives are separated from the host contract and are carried at fair value, with changes in their fair value recognized in profit or loss.

3) Other derivative financial instruments

Changes in the fair value of other derivative financial instrument not designated as a hedging instrument are recognized immediately in profit or loss.

(9) Fair value of financial instruments

The fair values of financial instruments not actively traded in markets (e.g., OTC derivatives) are determined by using valuation techniques. The Group determines valuation methods and assumptions based on significant market conditions at the end of each reporting period. Diverse valuation techniques are used to determine the fair value of financial instruments, from general market accepted valuation models to internally developed valuation models that incorporate various types of assumptions and variables.

- The Group classifies and discloses fair value of the financial instruments into following three-level hierarchy.
- Level 1 : Financial instruments measured at quoted prices from active markets are classified as fair value level 1.
 - Level 2 : Financial instruments measured using valuation techniques where all significant inputs are observable market data are classified as level 2.
 - Level 3 : Financial instruments measured using valuation techniques where one or more significant inputs are not based on observable market data are classified as level 3.

The method of measuring fair value of financial instruments are as follows:

Type	Fair value measurement method
Deposits	The carrying amount and fair value is the same for cash, and the carrying amount is determined to be the fair value for deposits.
Financial instruments held for trading	The quoted prices are applied to financial instruments held for trading traded in active markets, like listed stocks.
Financial instruments designated at FVTPL	The active market prices are applied to financial instruments traded in active markets, while hybrid financial instruments apply the fair values determined by valuation techniques.
Derivatives	The quoted prices are applied to in-market derivatives, and as of off-market derivatives, fair values determined by external evaluation specialized agency are applied.
AFS financial assets	The quoted prices are applied to securities traded in active markets, like listed stocks, and if quoted prices are not available, fair values determined by external evaluation specialized agency are applied.
Loans	The carrying amount is determined to be the fair value.
Deposits due to customers	The carrying amount is determined to be the fair value.
Borrowings	The carrying amount is determined to be the fair value.
Debentures	The fair value is calculated using discounted cash flow model.
Other financial assets and liabilities	The carrying amount is determined to be the fair value for other financial assets and liabilities that are derived from various transactions, since they are relatively short term.

(10) Impairment of financial assets

A financial asset not carried at FVTPL is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. However, losses expected as a result of future events, regardless of likelihood, are not recognized.

- Objective evidence that a financial asset is impaired includes, but is not limited to, the following events:
- Significant financial difficulty of the issuer or obligor
 - A breach of contract, such as a default or delinquency in interest or principal payments
 - The lender, for economic or legal reasons relating to the borrower’s financial difficulty, granting to the borrower a concession that the lender would not otherwise consider
 - It becoming probable that the borrower will enter bankruptcy or other financial reorganization
 - The disappearance of an active market for that financial asset because of financial difficulties
 - Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If financial assets have objective evidence that they are impaired, impairment losses are measured and recognized.

- 1) Loans and receivables**
- Loans and receivables are measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate.

The Group first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Impairment losses on loans reduces the carrying amount of the assets through the use of an allowances account, and when a loan becomes uncollectable, it is written off against the related allowances account. If, in a subsequent recognition of impairment, the previously recognized impairment loss is reversed by adjusting an allowance account, the amount of the reversal is recognized in profit or loss.

Individual assessment of impairment losses are calculated by discounting the expected future cash flows of a loan at its original effective interest rate and comparing the resultant present value with the loan’s current carrying amount. This process normally encompasses management’s best estimate, such as estimating the operating cash flows of the borrower, and the net realizable value of any collateral held, and the timing of anticipated receipts.

For the purpose of a collective assessment of impairment, loans are analyzed on the basis of the Group’s internal credit rating system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows of the loans collectively assessed are estimated on the basis of historical loss experience for loans with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that no longer exists. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status or other factors that are indicative of incurred loss in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

- 2) AFS financial assets**
- When a decline in the fair value of an AFS financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

Impairment losses recognized in profit or loss for an investment in an equity instrument classified as AFS shall not be reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

(11) Day 1 profit or loss recognition

In cases where fair value is determined using data which is not observable in the market, the difference between the transaction price and initial value is amortized in the statement of comprehensive income by using the straight line method over an appropriate period.

(12) Property and equipment

Property and equipment are initially measured at cost and after initial recognition, are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of property and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent to initial recognition, an item of property and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of property, plant and equipment at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

Property and equipment, except for land, are depreciated on a straight-line basis over estimated useful lives that appropriately reflect the pattern in which the asset’s future economic benefits are expected to be consumed. A component that is significant compared to the total cost of property and equipment is depreciated over its separate useful life.

The estimated useful lives of the Group’s assets by categories are as follows:

Descriptions	Useful lives (years)
Structures	20, 40
Vehicles	4
Furniture and fixtures	4
Data processing equipment	4

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item are depreciated separately. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized in profit or loss.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. The change is accounted for as a change in an accounting estimate.

Property and equipment is impaired when its carrying amount exceeds the recoverable amount. The Company assesses residual value and economic life of its assets at each reporting date and makes adjustments to its useful life when necessary. Any gain or loss arising from the disposal of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in profit or loss.

(13) Investment property

Property held for the purpose of earning rentals or benefiting from capital appreciation is classified as investment property. Investment property is measured initially at its cost. Transaction costs are included in the initial measurement. Subsequently, investment property is carried at depreciated cost less any accumulated impairment losses.

Investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) is included in profit or loss in the period in which the property is derecognized.

Depreciation of investment property is calculated using the straight-line method over their estimated useful lives as follow:

Descriptions	Useful lives (years)
Buildings	20, 40, 50

(14) Intangible assets

Intangible assets are measured initially at cost and after initial recognition are carried at cost less accumulated amortization and accumulated impairment losses.

Amortization of intangible assets is calculated on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The residual value of intangible assets is zero. However, as there are no foreseeable limits to the periods over which memberships and settlement system right of use are expected to be available for use, these intangible assets are determined as having indefinite useful lives and not amortized.

Descriptions	Useful lives (years)
Goodwill	Indefinite useful lives
Development cost	4
Software	4
Memberships	Indefinite useful lives
Settlement system right of use	Indefinite useful lives
Others	7

Amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period. The useful lives of intangible assets that are not being amortized are reviewed at the end of each reporting period to determine whether events and circumstances continue to support indefinite useful life assessments for those assets. Changes are accounted for as changes in accounting estimates.

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss as incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.

(15) Impairment of non-financial assets

The carrying amounts of the Group’s non-financial assets, other than assets from employee benefits and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. Goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

The Group estimates the recoverable amount of an individual asset. If it is impossible to measure the individual recoverable amount of an asset, then the Group estimates the recoverable amount of each cash-generating unit (“CGU”). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(16) Non-derivative financial liabilities

The Group classifies non-derivative financial liabilities into financial liabilities at FVTPL or other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities. The Group recognizes financial liabilities in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the financial liability.

1) Financial liabilities at FVTPL

Financial liabilities are classified as of FVTPL when the financial liability is either held for trading or is designated as FVTPL. A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented Risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives and K-IFRS No. 1039, *Financial Instruments: Recognition and Measurement*, permits the entire combined contract (asset or liability) to be designated at FVTPL.

2) Financial liabilities measured at amortized costs

Financial liabilities that are not classified as of FVTPL are measured at amortized costs. Deposits, borrowings and debentures that are not designated at FVTPL are classified as financial liabilities measured at amortized costs. Financial liabilities measured at amortized cost are recognized initially at fair value, net of transaction costs incurred. They are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the other financial liabilities using the effective interest rate method.

3) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

(17) Hybrid financial instruments

The hybrid financial instrument issued by the Group is classified as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

The liability component of a convertible bond shall be recognized as the fair value of a similar liability on initial recognition and be measured in amortized cost by the effective interest method until it is extinguished. The equity component is determined by deducting the fair value of the financial liability from the fair value of the hybrid financial instrument as a whole on initial recognition. The tax effect shall be reflected and the instrument is not remeasured afterward. Transaction costs that relate to the issuance of a hybrid financial instrument are allocated to the liability and equity components of the instrument in proportion to the allocation of proceeds.

(18) Financial guarantee contract liabilities

A financial guarantee contract refers to a contract that requires the issuer to pay the specified amounts to reimburse the holder for a loss because the specified debtor fails to make payment when due under original or revised contractual terms

of debt instruments. Financial guarantee contract liabilities are initially measured at their fair values and amortized during the contractual term.

Financial guarantee contract liabilities are subsequently measured at the higher of:

- The amount determined in accordance with K-IFRS No. 1037, *Provisions, Contingent Liabilities and Contingent Assets*, and
- The initial amount less amortization of fees recognized in accordance with K-IFRS No. 1018, Revenue

(19) Employee benefits

1) Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service. When an employee has rendered service to the Group during an accounting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

2) Retirement benefits

The Group operates defined contribution plans for the qualified employees and defined benefit plans for the qualified executives, directors, part timers, etc.

When an employee has rendered service to the Group during a period, the Group recognizes the contribution payable to a defined contribution plan in exchange for that service as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the Group recognizes that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

3) Termination benefits

Termination benefits are recognized as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(20) Share-based payments

The Group has granted shares or share options to its employees and other parties. For equity-settled share-based payment transactions, the Group measures the goods or services received, and the corresponding increase in equity as a capital adjustment at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the Group cannot reliably estimate the fair value of the goods or services received, the Group measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

For cash-settled share-based payment transactions, the Group measures the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Group remeasures the fair value of the liability at each reporting date and at the date of settlement, with changes in fair value recognized in profit or loss for the period.

(21) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, provisions are determined at the present value of the expected future cash flows.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. Provisions are used only in the expenditures related to initial recognition.

(22) Regular way trades

Equity securities, debt securities and derivatives, which are traded in Korea Exchange or qualified foreign exchange markets, are treated as regular way trades. The Company’s accounting policies about regular way trades are described below.

1) Proprietary Trading

As a proprietary trading, purchases or sales of asset that require delivery of asset within a time frame established by regulation or convention in the marketplace are recognized or derecognized on the trading date.

2) Brokerage

For a brokerage, the Company serves a customer who trades listed stocks and other securities and recognizes the brokerage fee on the trading date. Until the settlement date of the trading on consignment, the Company does not offset the receivables and payables to customers and offsets the receivables and payables to Korea Exchange.

(23) Interest income and expense

Effective interest method is the way of calculating amortized cost of financial assets and liabilities and allocating interest income and expenses through relevant period. If expected duration of the financial instrument is appropriate, the effective interest rate makes present value of future expected cash outflows and inflows exactly equal to net carrying amount of financial assets and liabilities.

When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. The calculation of the effective interest rate includes all fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issuance of a financial asset or liability. Exceptional case of where the cash flow or expected lifetime of the financial instruments is not reliably estimated, the interest rate is calculated by its contractual cash flows from contractual period.

If financial instruments or the group of relevant financial instruments are reduced by recognizing impairment, the interest income is measured using interest rate on measuring impairment of discounting future cash flows.

(24) Fees and commission income

Fees and commission income and expense are classified as follows according to related regulations:

1) Fees and commission from financial instruments

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. It includes those related to evaluations of the borrowers’ financial status, guarantees, collateral, other agreements and related evaluations as well as business transactions, rewards for activities, document preparation and recording and setup fees incurred during issuance of financial

liabilities. When financial instruments are classified as financial instruments at FVTPL, fees and commission are recognized as revenue upon initial recognition.

2) Fees and commission from services

Fees and commission income charged in exchange for services to be performed during a certain period of time such as underwriting commissions, underwriting commissions on debentures and asset management fees are recognized as the related services are performed.

3) Fees and commission from significant transaction

Fees and commission from significant transactions, such as trading stocks and other securities, negotiation and mediation activities for third parties, for instance business transfer and takeover, are recognized when the transactions are completed.

(25) Net gains (losses) on financial instruments at FVTPL

Net gains (losses) on financial instruments at FVTPL include the following profit and loss (including changes in fair value, interest rate, dividends, and profit and loss from translation of foreign currency).

- Net gains and losses related to financial assets and liabilities at FVTPL
- Net gains and losses related to derivative financial instruments held for trading (including derivative financial instruments that are held for Risk management objectives, but do not meet the criteria as a fair value hedge)

(26) Dividends

Dividend income is recognized when the right to receive income is established.

(27) Income tax

Income tax expense comprises current and deferred tax. Current and deferred taxes are recognized in profit or loss, except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

1) Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years. The taxable profit is different from the accounting profit for the period since the taxable profit is calculated excluding the temporary differences, which will be taxable or deductible in determining taxable profit (tax loss) of future periods, and non-taxable or non-deductible items from the accounting profit.

2) Deferred tax

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The Group recognizes deferred tax liabilities for all taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Group recognizes deferred tax assets for all deductible temporary differences arising from investments in subsidiaries and associates, to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset

is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets, and they relate to income tax levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis.

Additional income taxes arising from dividend payments are recognized when expenses related to dividend payments are recognized.

(28) Operating segments

An operating segment is a component of the Group whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(29) Earnings per share

The Group calculates basic earnings per share and diluted earnings per share for profit or loss and discloses them at the comprehensive income statements. Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary equity holders of the Group by the weighted-average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted earnings per share are determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

(30) Accounting for trust accounts

The Group manages trust accounts and its own account separately in accordance with the Financial Investment Services and Capital Market Act. The Company recognizes trust fees earned from the trust accounts as income from trust operations.

(31) Regulatory reserve for loan loss

In the case that the total sum of allowance for loan losses does not meet the amount prescribed in the regulations on financial investment business, the Group is required to compensate the difference, if any, at the reporting date – during the interim periods when the year-end reserve amount is not determined, the regulatory reserve for loan losses are projected – as a regulatory reserve for loan losses.

In case the amount of existing regulatory reserve for possible loan losses exceeds the amount needed to be laid aside as of the current period, the difference, if any, shall be reversed. If there is undisposed deficit, the Group can accumulate reserves for possible loan losses after disposing deficit.

(32) Treasury stocks

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognized in other capital surplus or capital adjustment.

4. Change in accounting policies

(1) New standards and interpretations adopted

The Group is applying the following new accounting standards as from January 1, 2017.

1) K-IFRS No. 1007 'Cash Flow Statements' (Amended)

The amendments require that changes in liabilities arising from financial activities are disclosed. This amendment has no material impact on the Group's financial statements.

2) K-IFRS No. 1012 'Income tax' (Amended)

The amendments clarify that unrealized losses on fixed-rate debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the holder expects to recover the carrying amount of the debt instrument by sale or by use and that the estimate of probable future taxable profit may include the recovery of some of assets for more than their carrying amount. When the Group assesses whether there will be sufficient taxable profit, the Group should compare the deductible temporary differences with future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences. This amendment has no material impact on the Group's financial statements.

(2) New standards and interpretations not yet adopted

The following new standards have been published and are mandatory for the Group for annual periods beginning after January 1, 2017, and the Group has not early adopted them.

1) K-IFRS No. 1109 'Financial Instruments'

K-IFRS No. 1109, Financial Instruments which was published on September 25, 2016, is effective for periods beginning on or after January 1, 2018, with early adoption permitted. K-IFRS No. 1109 will replace the current K-IFRS No. 1039, Financial Instruments: recognition and measurement. The Group plans to adopt K-IFRS 1109 for the year beginning on January 1, 2018.

In principle, K-IFRS 1109 should be applied retrospectively. However, there are clauses that exempt restating comparable information with respect to classification, measurement and impairment of financial instruments. For hedge accounting, the new standard will be applied prospectively except for certain cases such as accounting for the time value of options.

Main characteristics of K-IFRS No. 1109 are the classification and measurements of financial assets in accordance with the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, impairment model of financial instruments based on expected credit losses, expansion of hedged item and the hedging instrument qualifies for hedge accounting and changes to the methods for assessing hedge effectiveness. For smooth implementation of K-IFRS No. 1109, it generally requires preparation processes such as analysis of financial effect and establishment of accounting policies, establishment of accounting system, system stabilization and others. Aside from the accounting policies and judgments, the impact of this standard on the financial statements for the accounting period for the first time of application depends on the accounting policy chosen and judgments made related to financial instruments owned by the Group, economic conditions and others.

For the application of K-IFRS No.1109, the Group implemented changes in its accounting processes and internal controls related to financial instruments. The Group assessed the potential financial impact of the initial adoption of K-IFRS 1109 based on the circumstances and available information as of December 31, 2017 as follows:

i) Classification and measurement of financial assets

The Group shall classify financial assets as measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the Bank’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset as shown in the below table when the new standard K-IFRS No. 1109 is adopted. Furthermore, if a hybrid contract contains a host that is an asset within the scope of this standard, an embedded derivative shall not be separated from the host and accounted for as financial assets.

Business model objectives	Contractual cash flow characteristics	
	Principal and interest	Others
To collect the contractual cash flows	Measured at amortised cost(AC)(*1)	
To collect the contractual cash flows and to sell	Measured at fair value through other comprehensive income(FVOCI)(*1)	Fair value through profit or loss(*2)
To sell and others	Measured at fair value through profit or loss(FVPL)	

(*1) The Group may irrevocably designate a financial asset as measured at fair value through profit or loss to eliminate or significantly reduce accounting mismatch.
(*2) The Group may make an irrevocable election for equity instruments that are not held for trading as measured at fair value through other comprehensive income.

Conditions to measure financial assets at amortised cost or fair value through other comprehensive income under K-IFRS No. 1109 are more stringent than the conditions under K-IFRS No. 1039. As a result, the portion of financial assets measured at fair value through profit or loss will increase which may lead to increase in volatility of profit or loss.

The expected impacts on the classification and measurement of financial assets as of December 31, 2017 based on the information from the revised accounting system are as follows:

Classification under K-IFRS 1039	Classification under K-IFRS 1109	Amount measured under K-IFRS 1039	Amount measured under K-IFRS 1109
Loans and receivables			
Cash and cash equivalents	Financial instruments measured at amortized cost	₩ 1,374,449	1,374,449
Loans and receivables	Financial instruments measured at fair value through profit or loss	-	313,623
	Financial instruments measured at amortized cost	46,923,425	46,609,802
Other financial assets	Financial instruments measured at amortized cost	56,203	56,203
		48,354,077	48,354,077
Financial assets at FVTPL			
Financial assets held for trading	Financial instruments measured at fair value through profit or loss	28,199,027	28,199,027
Financial assets designated at fair value through profit or loss	Financial instruments measured at fair value through profit or loss	-	2,019,294
	Financial instruments designated at fair value through profit or loss	2,068,506	49,212
		30,267,533	30,267,533
Available-for-sale financial assets			
Available-for-sale financial assets	Financial instruments measured at fair value through profit or loss	-	2,975,857
	Fair value through other comprehensive income	8,838,520	5,862,663
		8,838,520	8,838,520
Total		₩ 87,460,130	87,460,130

Based on management’s evaluation to date, upon adoption of K-IFRS No. 1109 as of January 1, 2018, financial assets amounting to ₩313,623 million among loans and receivables and held-to-maturity securities, ₩2,975,857 million

among available-for-sale securities are expected to be classified as assets measured at fair value through profit or loss. The portion of assets measured at fair value through profit or loss is expected to increase to 38.37% under K-IFRS No. 1109 as of January 1, 2018 from 34.61% under K-IFRS No. 1039 as of December 31, 2017; and the volatility of profit or loss is expected to increase due to the changes in classification of financial assets.

ii) Classification and measurement of financial liabilities

In accordance with the new standard K-IFRS No. 1109, the amount of change in the fair value of the financial liability designated as measured at fair value through profit or loss that is attributable to changes in the credit risk of that liability will be presented in other comprehensive income, not profit or loss. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss. However, when the treatment of the effects of changes in the liability’s credit risk would create or enlarge an accounting mismatch, the related change in the fair value can be presented in profit or loss.

As some portion of the changes in fair value of the financial liability that is designated at fair value through profit or loss, which was recognized as profit or loss under K-IFRS No. 1039, will be presented as other comprehensive income, the profit or loss related to fair value of financial liability may decrease.

The Group designated financial liabilities amounting to ₩15,295,424 million from the total financial liabilities of ₩81,579,605 million as measured at fair value through profit or loss as of December 31, 2017. On the date of initial application of K-IFRS No. 1109, the loss recorded in opening retained earnings for these financial liabilities will be changed by ₩3,427 million related to the change in fair value as a result of change in credit risk of the financial liabilities.

iii) Impairment: Financial assets and contract assets

Under the current standard K-IFRS No. 1039, impairment is recognized based on incurred loss model only when there is an objective evidence of impairment. However, under the new standard K-IFRS No. 1109, impairment is recognized based on expected credit loss impairment model for the debt instruments, lease receivable, contract assets, loan commitments, and financial guarantee contracts measured at amortized cost or financial assets that are measured at fair value through other comprehensive income.

Unlike the current standard K-IFRS No. 1039 which is based on incurred loss model, credit losses may be recognized earlier under K-IFRS No. 1109. As shown below, this standard requires to measure the amount for loss allowance in 3 stages based on the 12-month expected credit losses or lifetime expected credit losses depending on the degree of increase in credit risk of the financial assets since initial recognition.

Description		Expected Credit Loss
Stage 1	No significant increase in credit risk since their initial recognition	12-month ECL: 12-month expected credit losses: the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.
Stage 2	Significant increase in credit risk since their initial recognition	Lifetime ECLs: the expected credit losses that result from all possible default events over the expected life of a financial instrument.
Stage 3	Assets are non-performing and therefore considered as credit-impaired	

(*) The Group may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the credit risk is low at the reporting date.

According to K-IFRS No.1109, the Group will only recognize the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance for financial assets impaired at its initial recognition.

Based on management’s evaluation to date using the information from the revised accounting system as of December 31, 2017, the expected impacts on the allowance for loan losses are as follows:

Classification under K-IFRS 1039	Classification under K-IFRS 1109	Amount measured under K-IFRS 1039	Amount measured under K-IFRS 1109
Loans and receivables			
Deposits	Financial instruments measured at amortized cost	₩ -	-
Loans and receivables	Financial instruments measured at amortized cost	108,388	90,788
Other financial assets	Financial instruments measured at amortized cost	-	-
Available-for-sale financial assets			
Bonds	Fair value through other comprehensive income	-	2,018
Total (Provision loss allowances)		108,388	92,806
Financial guarantee contract			
Financial guarantee contract	Financial guarantee contract	83,663	91,903
Total		₩ 83,663	91,903

iv) Hedge accounting

New standard K-IFRS 1109 retains the mechanics of hedge accounting: fair value hedge, cash flow hedge, and hedge of a net investment in a foreign operation) of current standard K-IFRS No. 1039. However, this standard mitigated K-IFRS No. 1039 by amending the complex and rule-based requirements related to hedge accounting under K-IFRS No. 1039 to principle-based requirements to align hedge accounting more closely with risk management. Furthermore, this standard expanded the eligible hedged item and the hedging instrument and eased the requirement for the hedge accounting by removing quantitative threshold (80~125%) and changing hedge effectiveness test method.

When applying hedge accounting under K-IFRS No. 1109, the hedge accounting can be applied to certain transactions that do not meet the requirements for hedge accounting under K-IFRS No. 1039 and volatility of the profit or loss can be decreased.

As December 31, 2017, no hedge accounting is applied under K-IFRS No. 1109 for risk management activities for which no hedge accounting has been applied under the existing K-IFRS No. 1039.

2) K-IFRS No. 1115, ‘Revenue from Contracts with Customers’

K-IFRS No.1115, published on November 6, 2015, is a new accounting standard about revenue recognition, is effective for annual reporting periods beginning on or after January 1, 2018, with earlier application permitted.

It replaces existing revenue recognition standards, including K-IFRS No.1018, ‘Revenue’, K-IFRS No.1011, ‘Construction Contracts’, K-IFRS No.2031, ‘Revenue-Barter Transactions Involving Advertising Services’, K-IFRS No.2113, ‘Customer Loyalty Programmes’. K-IFRS No.2115, ‘Agreements for the Construction of Real Estate’ and K-IFRS No.2118, ‘Transfers of Assets from Customers’.

The Group plans to adopt K-IFRS No. 1115 from January 1, 2018 using the cumulative effect method and the effect of initially applying this standard is recognised at the date of initial application (i.e. January 1, 2018). As a result, the Group will not restate the comparative period presented upon adoption of K-IFRS No. 1115.

The existing standards suggest revenue recognition guidance by type of transactions such as sale of goods, rendering of services, interest revenue, royalty revenue, dividends revenue and construction contracts. However, according to K-IFRS No.1115, all types of contracts recognize revenue through five-step revenue recognition model (① ‘Identifying the contract’ → ② ‘Identifying performance obligations’ → ③ ‘Determining the transaction price’ → ④ ‘Allocating the transaction price to performance obligations’ → ⑤ ‘Recognizing the revenue by satisfying performance obligations’).

The Group has prepared for the adoption of K-IFRS No. 1115 and set up the relating accounting policies and processes. As a result of the analysis of financial impact based on the current situation and available information as of December 31, 2017, the Group does not expect the application of K-IFRS No.1115 will have a material impact on the consolidated

financial statements.

3) K-IFRS No. 1116, ‘Lease’

K-IFRS No. 1116, ‘Leases’ which was published on May 25, 2017, is effective for periods beginning on or after January 1, 2019, with early adoption permitted. K-IFRS No. 1116 will replace the current K-IFRS No. 1017, ‘Leases’, K-IFRS Interpretations No. 2104, ‘Determining whether an Arrangement Contains a Lease’. Companies applying the K-IFRS No. 1115 ‘Revenue from Contracts with Customers’ can adopt K-IFRS No. 1116 early.

K-IFRS No. 1116 suggests principle of recognition, measurement, presentation and disclosure of leases and requires a lessee to recognize for all leases similar to financing lease accounting under K-IFRS No. 1017. The lessee may elect not to apply the requirements to short-term lease of which has a term of 12 months or less at the commencement date and low value assets. The lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. As a consequence, the lessee required to recognise depreciation of the right-of-use asset and interest on the lease liability.

Accounting treatment for lessor is similar to the existing standard which classifies lease into finance and operating lease. The Standard is effective for annual reporting periods beginning on or after January 1, 2019, with early adoption permitted for a Group which has adopted to the K-IFRS No. 1115.

As of December 31, 2017, the total amount of minimum lease payment is ₩132,069 thousand and the amount discounted by the lessee’s incremental borrowing rate is ₩124,696 thousand for operating leases of the Group.

The Group is in the process of evaluation impacts from K-IFRS No. 1116 and may choose as its accounting policy not to reassess all the contracts before the date of initial application, as a practical expedient.

4) K-IFRS No. 1102, ‘Share-based Payment’

The amendments include: 1) when measuring the fair value of share-based payment, the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payment should be consistent with the measurement of equity-settled share-based payment, 2) Share-based payment transaction in which the Group settles the share-based payment arrangement net by withholding a specified portion of the equity instruments per statutory tax withholding requirements would be classified as equity-settled in its entirety, if otherwise would be classified as equity-settled without the net settlement feature, and 3) when a cash-settled share-based payment changes to an equity-settled share-based payment because of modifications of the terms and conditions, the original liability recognized is derecognized and the equity-settled share-based payment is recognized at the modification date fair value. Any difference between the carrying amount of the liability at the modification date and the amount recognized in equity at the same date would be recognized in profit and loss immediately. The amendments are effective for annual periods beginning on or after January 1, 2018. The Group does not expect the application of K-IFRS No.1102 will have a material impact on the consolidated financial statements.

5. Risk management

(1) Risk management organizations and its policies

The Group maintains a comprehensive Groupwide risk management system through specific internal regulations (e.g. Risk Management Regulations, Risk Management Committee Regulations, Market Risk Management Guidelines, Credit Risk Management Guidelines, Liquidity Risk Management Guidelines, Operational Risk Management, Overseas Network Risk Management and Trust Asset Management Guidelines etc.). In addition, the Group has drawn up a set of Assessment Regulations, Investment Review Committee Regulations, Principal Investment Management Guidelines, Acquisition Review Guidelines, NPL Management Guidelines and Real Estate Project Financing Risk Management Guidelines to enhance stability of investment and credit support business, and efficiency of post-investment monitoring.

Risk Management Regulations set members, conference and resolutions of the Risk Management Committee which

functions as the highest authority in the hierarchy of the risk management structure, and also set members, process and business details of Proprietary Asset Risk Management Council and Trust Asset Risk Management Council which are installed to treat details about Risk Management Committee’s decisions and items delegated by the committee.

The Group sets its own risk management standards in order to achieve capital adequacy and stable risk management via the efficient management of risks and distribution of available investment resources.

Assessment Regulations is developed to manage the Group’s investment position consistently by setting up detail monitoring procedures for proprietary investment and credit support business. Investment Review Committee Regulations describe member, conference protocol and resolution items of Investment Review Committee.

The Group established detailed guidelines to effectively manage risk according to the type of asset management and risk exposure. The guidelines include Market Risk Management Guidelines, Credit Risk Management Guidelines, Liquidity Risk Management Guidelines, Operational Risk Management Guidelines, Overseas Network Risk Management Guidelines and Trust Asset Management Guidelines. In addition, Principal Investment Management Guidelines, Acquisition Review Guidelines, NPL Management Guidelines and Real Estate Project Financing Risk Management Guidelines manage steadily the Group’s investment position by providing detailed assessment procedures and monitoring procedures.

1) Risk Management Committee

The Committee, comprised of three registered directors including at least two outside directors, heads the Group’s risk management structure. The Committee prepares risk management strategies that correspond to the Group’s strategies and supervises the risk management process. Major topics that the Committee resolves include enacting and revising Risk Management Regulations and Guidelines, setting adequate capital ratio level and mandating total risk limits by year and quarter. The Committee is held regularly once per quarter (if necessary, on a spot basis). Nomination and dismissal of the Committee members is determined by the Board of Directors (“BOD”) and the Committee chair is selected from among outside directors of the Committee members. The chair presides over the meetings on behalf of the Committee and in the event of a risk-related urgent situation, is entitled to authorize appropriate actions to the pertinent department.

2) Proprietary Asset Risk Management Council & Trust Asset Risk Management Council

The Proprietary Asset Risk Management Council and the Trust Asset Risk Management Council deal with details and the delegated items determined by the Committee and report the results to the Committee. The Council is held quarterly (if necessary, on an as-needed basis). The chairman of Proprietary Asset Risk Management Council and Trust Asset Risk Management Council is Chief Risk Officer and the Council members are appointed by the Committee.

3) Investment Review Committee

The Investment Review Committee is the body responsible for conducting reviews of the Group’s investments and is composed of executive officers. The Investment Review Committee convenes irregularly to facilitate investment decision. The chairman of Proprietary Asset Risk Management Council and Trust Asset Risk Management Council is Chief Risk Officer and the Council members are appointed by the Committee.

4) Chief Risk Officer (“CRO”)

The CRO serves as chair of the Proprietary Asset Risk Management Council and Trust Asset Risk Management Council and presides over the meetings of the two bodies and has authority over the risk management organization. The CRO is also entitled to take appropriate measures in the event of an urgent situation in relation to the Group’s risk management.

5) Risk Management Department

The Risk Management Department operates independently from other departments, executes the risk management policies determined by the Risk Management Committee or the Proprietary and Trust Asset Risk Management Council through appropriate procedures and systems, plans and controls all risk management-related issues and supports the operation of the Risk Management Committee or the Proprietary Asset Risk Management Council. The department also reports the current status of the Group’s asset management and overall risk management issues to the executive management.

(2) Credit risk

Credit risk refers to the possibility losses that would incur if a counter party or an issuer of financial instruments fails to fulfil its contractual obligations, or is deteriorated in the credit quality. The Group measures credit exposure and credit risk amount by utilizing the standard model provided by Financial Investment Regulation. To manage appropriate level of credit risk, the Group assign exposure limits by each quarter and year. Total limit of credit risk of the Group is finally set through approval of the Committee.

Proprietary Asset Risk Management Council resolves the credit risk amount allocated to each front department. In addition, Proprietary Asset Risk Management Council sets appropriate level of credit exposure limit considering counterparty’s credit rate depending on the type of business. Investment & Credit Assessment Department manages credit risk of each investment position by operating pre-assessment process on investment transactions.

The Risk Management Department reports total exposure of the Group’s credit risk to the management on a regular basis and reports the analysis of credit risk exposure to executive management. In addition, credit risk Stress-Testing is performed on a regular basis based on various scenarios for the financial market. Enhanced monitoring is carried out to the significant counterparties.

1) Maximum exposure to credit risk

The Group’s maximum exposure to credit risk refers to the net book value of its financial assets, net of provisions, which shows the uncertainties of maximum changes in the net value of financial assets attributable to a particular risk without considering collateral and other credit enhancements obtained.

The maximum exposure to credit risk as of December 31, 2017 and 2016 is as follows:

		2017	2016
Financial assets at fair value through profit or loss	Held for trading (*)	₩ 18,537,249	22,779,721
	Designated at FVTPL (*)	1,922,396	3,696,778
	Derivative assets	1,125,230	1,451,471
		21,584,875	27,927,970
AFS financial assets	AFS financial assets (*)	5,431,865	6,656,667
Loans and receivables	Deposits	3,580,259	3,133,175
	Loans	35,744,986	4,421,643
	Other loans and receivables	7,598,180	2,525,417
		46,923,425	10,080,235
		73,940,165	44,664,872
Guarantees and commitments	Asset-backed commercial paper and asset backed short-term bond purchase commitments	1,438,500	746,000
	Guarantees	1,769,876	1,380,240
	Unused line of credit	86,027	-
		3,294,403	2,126,240
		₩ 77,234,568	46,791,112

(*) Equity securities are excluded.

2) Credit risk of loans and receivables

i) The credit risk of loans and receivables by loan conditions as of December 31, 2017 and 2016 is as follows:

	2017					
	Loans neither overdue nor impaired	Loans overdue but not impaired	Impaired loans	Total	Allowances for credit losses	Carrying amount
Loans						
Call loans	₩ 1,280	-	-	1,280	-	1,280
Broker's loans	6,473,333	-	1,189	6,474,522	(1,189)	6,473,333
Loans receivable(*)	898,444	-	-	898,444	-	898,444
Securities purchased under resale agreements	28,104,834	-	-	28,104,834	-	28,104,834
Loans to employees	52,679	-	18	52,697	-18	52,679
Purchased loans(*)	121,655	-	88,265	209,920	(61,326)	148,594
Advances for customers	-	-	1,340	1,340	(1,340)	-
Privately placed bonds	55,994	-	29,758	85,752	(19,931)	65,821
Dishonored bills receivable	-	-	122	122	(121)	1
	35,708,219	-	120,692	35,828,911	(83,925)	35,744,986
Other loans and receivables						
Accounts receivable(*)	7,227,630	-	13,716	7,241,346	(13,048)	7,228,298
Accrued income	242,040	-	11,212	253,252	(10,254)	242,998
Guarantee deposits(*)	126,075	-	1,970	128,045	(1,161)	126,884
	7,595,745	-	26,898	7,622,643	(24,463)	7,598,180
	₩ 43,303,964	-	147,590	43,451,554	(108,388)	43,343,166

(*) Deferred loan originated costs/ fees and present value discounts are considered.

	2016					
	Loans neither overdue nor impaired	Loans overdue but not impaired	Impaired loans	Total	Allowances for credit losses	Carrying amount
Loans						
Call loans	₩ 340	-	-	340	-	340
Broker's loans	3,115,633	-	37	3,115,670	(37)	3,115,633
Loans receivable(*)	310,755	-	-	310,755	-	310,755
Securities purchased under resale agreements	666,746	-	-	666,746	-	666,746
Loans to employees	30,279	-	2	30,281	(2)	30,279
Purchased loans(*)	134,741	-	105,809	240,550	(68,510)	172,040
Advances for customers	-	-	1,310	1,310	(1,310)	-
Privately placed bonds	116,132	-	32,306	148,438	(22,589)	125,849
Dishonored bills receivable	-	-	122	122	(121)	1
	4,374,626	-	139,586	4,514,212	(92,569)	4,421,643
Other loans and receivables						
Accounts receivable(*)	2,126,704	-	13,601	2,140,305	(12,941)	2,127,364
Accrued income	262,298	-	9,631	271,929	(9,649)	262,280
Guarantee deposits(*)	134,942	-	1,970	136,912	(1,139)	135,773
	2,523,944	-	25,202	2,549,146	(23,729)	2,525,417
	₩ 6,898,570	-	164,788	7,063,358	(116,298)	6,947,060

(*) Deferred loan originated costs/ fees and present value discounts are considered.

ii) The Group manages its loans and receivables that are neither overdue nor impaired through an internal system. Loans and receivables with appropriate level of collateral and credit enhancements are classified to investment grade and subordinated loans and receivables without collateral and credit enhancements and are highly risky are classified to non-investment grade. Credit quality of loans and other receivables that are neither overdue nor impaired as of December 31, 2017 and 2016 is as follows:

	2017		
	Investment grade	Non-investment grade	Total
Loans			
Call loans	₩ 1,280	-	1,280
Broker's loans	6,473,333	-	6,473,333
Securities purchased under resale agreements	898,444	-	898,444
Loans receivable	28,104,834	-	28,104,834
Loans to employees	52,679	-	52,679
Purchased loans	121,655	-	121,655
Privately placed bonds	55,994	-	55,994
	35,708,219	-	35,708,219
Other loans and receivables			
Accounts receivable	7,227,630	-	7,227,630
Accrued income	242,040	-	242,040
Guarantee deposits	126,075	-	126,075
	7,595,745	-	7,595,745
	₩ 43,303,964	-	43,303,964

	2016		
	Investment grade	Non-investment grade	Total
Loans			
Call loans	₩ 340	-	340
Broker's loans	3,115,633	-	3,115,633
Securities purchased under resale agreements	310,755	-	310,755
Loans receivable	666,746	-	666,746
Loans to employees	30,279	-	30,279
Purchased loans	134,741	-	134,741
Privately placed bonds	116,132	-	116,132
	4,374,626	-	4,374,626
Other loans and receivables			
Accounts receivable	2,126,704	-	2,126,704
Accrued income	262,298	-	262,298
Guarantee deposits	134,942	-	134,942
	2,523,944	-	2,523,944
	₩ 6,898,570	-	6,898,570

iii) Individually impaired loans and receivables as of December 31, 2017 and 2016 are as follows:

	2017	2016
Loans		
Broker's loans	₩ 1,189	37
Loans to employees	18	2
Purchased loans	88,265	105,809
Advances for customers	1,340	1,310
Privately placed bonds	29,758	32,306
Dishonored bills receivable	122	122
	120,692	139,586
Other loans and receivables		
Accounts receivable	13,716	13,601
Accrued income	11,212	9,631
Guarantee deposits	1,970	1,970
	26,898	25,202
	₩ 147,590	164,788

3) Credit quality of debt securities

i) The Group manages debt securities based on the external credit rating. Credit soundness of debt securities on the basis of External Credit Assessment Institution's rating as of December 31, 2017 and 2016 is as follows:

Grade	2017			
	Financial assets at FVTPL		AFS financial assets	Total
	Held for trading	Designated at FVTPL		
(1) AAA ~ BBB-	₩ 18,158,468	370,131	5,258,197	23,786,796
(2) BB+ ~ B	5,169	1,417	36,179	42,765
(3) Lower than B-	665	-	-	665
(4) Unrated	372,947	558,266	137,489	1,068,702
	₩ 18,537,249	929,814	5,431,865	24,898,928

Grade	2016			
	Financial assets at FVTPL		AFS financial assets	Total
	Held for trading	Designated at FVTPL		
(1) AAA ~ BBB-	₩ 22,533,913	1,571,224	6,404,184	30,509,321
(2) Unrated	245,808	-	252,483	498,291
	₩ 22,779,721	1,571,224	6,656,667	31,007,612

ii) The carrying amounts of debt securities impaired as of December 31, 2017 and 2016 are ₩461 million and ₩1,877 million, and the Group recognized provisions of ₩2,873 million for impairment loss in debt securities as of December 31, 2017.

(3) Market risk

Market risk is the risk of changes in the fair value or future cash flows of the financial instruments arising from trading activities in the volatility of market factors, such as interest rates, stock prices and foreign exchange rates.

1) Market risk management

Market risk refers to the possibility of losses that may incur in proprietary investments and short-term management of idle money due to changes of market price (e.g. equity price, interest rate and exchange rate and other). The Group monitors the standard market Value at Risk (VaR), measured according to Financial Investment Regulations set by Financial Supervisory Service ("FSS"). VaR represents the maximum loss expected on an investment, over a given time

period and given a specified degree of confidence level when the market price moves in an adverse direction under normal market conditions. The Company has implemented and operates SAS's system which can calculate the internal market VaR.

The Group has set a limit of market risk on a quarterly and yearly basis to manage appropriate level of market risk. The total limit of market risk of the Company is decided by the Risk Management Committee. Proprietary Asset Risk Management Council also sets reasonably the limit for market risk exposure by considering the type of business.

The Company produces assessment and analysis reports on current market risk on a weekly, monthly, and quarterly basis for brief to the executive management. In addition, market risk Stress-Testing is performed on a regular basis based on various scenarios for the financial market.

The details of the risk factor VaR as of December 31, 2017 and 2016 are as follows:

Factors	2017	2016
Foreign currencies	₩ 129,529	75,189
Interest rates	364,790	447,721
Stock prices	509,621	250,161
Commodities	2,739	9,863
Collective investment securities	656,458	370,604
Options	153,590	82,059
Total risk	₩ 1,816,727	1,235,597

The correlation and diversification effect between each risk factor causes the differences between the total risk above and the sum of each risk factor VaR.

(4) Liquidity risk

Liquidity risk refers to the "Market Liquidity Risk" that would incur when a firm is unable to offset or settle a position without significantly affecting the market price because of inadequate market depth or market disruption. Also, it refers to the "Prudential Liquidity Risk" that would incur when a firm is unable to meet the minimum requirement rate of liquidity.

To measure liquidity risks, the Company operates a liquidity risk management system and uses liquidity gap and liquidity ratios as key indicators. The Company reports the liquidity risk status on a weekly and monthly basis to the executive management while the treasury department also reports the current liquidity situation to the management regularly.

1) Maturity analysis of financial liabilities

i) The Group's non-derivative financial liabilities by residual contractual maturity as of December 31, 2017 and 2016 are classified as follows:

		2017						Total
		Within 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 5 years	Over 5 years	
Financial liabilities at FVTPL	₩	816,883	–	–	–	–	–	816,883
Deposits due to customers		5,118,877	–	–	–	–	–	5,118,877
Borrowings(*1)		48,684,061	122,624	6,221	15,678	629,617	2,035	49,460,236
Debentures(*1)		971,115	267,676	216,394	14,344	1,841,892	–	3,311,421
Other financial liabilities(*2)		6,452,965	2,700	1,090	2,675	6,319	3,424	6,469,173
	₩	62,043,901	393,000	223,705	32,697	2,477,828	5,459	65,176,590

		2016						Total
		Within 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 5 years	Over 5 years	
Financial liabilities at FVTPL	₩	615,896	–	–	–	–	–	615,896
Deposits due to customers		4,125,075	–	–	–	–	–	4,125,075
Borrowings(*1)		16,859,992	622,960	9,717	38,586	683,000	779,603	18,993,858
Debentures(*1)		659,039	14,188	14,188	163,657	1,492,991	407,383	2,751,446
Other financial liabilities(*2)		2,372,358	4,313	1,387	3,566	2,774	57,199	2,441,597
	₩	24,632,360	641,461	25,292	205,809	2,178,765	1,244,185	28,927,872

(*1) Amounts with maturity of more than three months from the date of acquisition include cash flows of both the principal and interests.

(*2) Amounts of financial guarantee contract liabilities are excluded in other financial liabilities.

ii) The Group's guarantees and commitments by residual contractual maturity as of December 31, 2017 and 2016 are classified as follows:

		2017		Total
		Within 3 months	Over 3 months	
Asset-backed commercial paper and asset backed short-term bond purchase commitments	₩	1,438,500	–	1,438,500
Guarantees		1,769,876	–	1,769,876
Unused line of credit		369,713	–	369,713
	₩	3,578,089	–	3,578,089

		2016		Total
		Within 3 months	Over 3 months	
Asset-backed commercial paper and asset backed short-term bond purchase commitments	₩	746,000	–	746,000
Guarantees		1,380,240	–	1,380,240
	₩	2,126,240	–	2,126,240

The balances of purchase commitments, guarantees and commitments on loans that are potentially prone to liquidity risks are reclassified to balances with less than three months' maturity from the date of acquisition, which is the earliest possible for repayment. The guarantees are the maximum amount, which the financial institution must pay under the guarantee contracts when the counterparty defaults and principal debtor demands the amount guaranteed. Commitments on loans includes loan commitments and purchase commitments that are related to asset securitizations.

Asset-backed commercial paper ("ABCP") is issued or refinanced based on the underlying assets for securitization that are purchased by SPEs, including SPEs under the Asset-Backed Securitization Act and companies under the Commercial Law. In this case, ABCP purchase commitments guarantee the Group's purchase of ABCP when all or a portion of ABCP are not sold in the market.

iii) Expected maturity cash flows of the derivative financial liabilities as of December 31, 2017 and 2016 are as follows:

		2017						Total
		Within 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 5 years	Over 5 years	
Stock	₩	36,767	10,722	9,087	16,840	73,318	–	146,734
Interest rate		5,483	9,695	11,720	28,648	105,425	219,763	380,734
Currency		244,165	88,187	54,695	42,930	52,029	–	482,006
Credit		–	–	–	48	13,459	–	13,507
Commodity		9,169	354	–	–	67	–	9,590
Others		–	23	36	–	19,676	–	19,735
Derivative-linked securities in short position		570,203	1,768,668	282,410	4,305,492	6,483,271	1,692,763	15,102,807
	₩	865,787	1,877,649	357,948	4,393,958	6,747,245	1,912,526	16,155,113

		2016						Total
		Within 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 5 years	Over 5 years	
Stock	₩	68,624	260,802	31,250	34,165	214,022	466	609,329
Interest rate		9,173	11,210	8,383	14,079	260,066	299,105	602,016
Currency		154,917	30,376	93,001	29,163	182,963	–	490,420
Credit		57	–	–	–	2,911	–	2,968
Commodity		9,958	27,322	7,764	321	833	–	46,198
Others		160	9,559	17,095	560	5,435	–	32,809
Derivative-linked securities in short position		1,137,094	1,187,084	666,357	3,328,572	11,637,946	1,350,529	19,307,582
	₩	1,379,983	1,526,353	823,850	3,406,860	12,304,176	1,650,100	21,091,322

(*) Derivatives traded in the Exchange are excluded because the settlement of the transactions takes place by means of the trading margins within a few days.

(5) Operating Risk Management

Operational risk is the possibility of losses arising from shortcomings or failures in internal processes, people or systems, and from external events. The Company manages operational risk through Risk & Control Self Assessment ("RCSA"), Key Risk Indicator ("KRI") management, loss data management, management of countermeasures and calculation of operational VaR using internal model.

By performing RCSA on a regular basis, the Company checks the level of risk of each department, develops countermeasures in advance collects the financial loss data. In addition, the Company implements and operates operational risk management system to work out operational VaR using internal model. The Company has a future plan to expand the target of operational risk management to the parent company and foreign subsidiaries to measure and manage enterprise-wide operational risk.

(6) Capital management

The Company evaluates the capital adequacy by calculating net capital ratio ("NCR") in accordance with the Financial Investments Regulations and Guidelines in order to maintain adequate capital and comply with supervisory regulation.

The Group's Net Capital Ratio (NCR) as of December 31, 2017 and 2016 are 2,386.6% and 2,391.5%, respectively.

(7) Offsetting financial assets and financial liabilities

The Controlling Company applies offsetting agreements to derivatives and repurchase agreement transactions.

1) Categories of financial assets that offsetting agreements and other similar agreements apply to as of December 31, 2017 and 2016 are as follows:

Types of financial assets	2017					
	Total amount of recognized financial assets	Total amount of offsetting financial liabilities	Net amount of financial assets in the statement of financial position	Related amount not offset in the statement of financial position (*1)		Net amount
				Financial liabilities	Financial collaterals received (cash collateral included)	
Derivative assets (*2)	₩ 956,837	–	956,837	596,437	36,508	323,892
Accounts receivable (*3)	7,472,214	3,467,824	4,004,390	–	–	4,004,390
Securities sold under repurchase agreements (*4)	17,258,879	–	17,258,879	15,662,447	–	1,596,432
Securities purchased under repurchase agreements (*4)	66,901,248	38,796,414	28,104,834	268,800	27,310,876	525,158
Assets pledged as collateral for securities lending and borrowing (*4)	8,981,091	–	8,981,091	498,428	2,096,834	6,385,829
	₩ 101,570,269	42,264,238	59,306,031	17,026,112	29,444,218	12,835,701

2016						
Types of financial assets	Total amount of recognized financial assets	Total amount of offsetting financial liabilities	Net amount of financial assets in the statement of financial position	Related amount not offset in the statement of financial position (*1)		Net amount
				Financial liabilities	Financial collaterals received (cash collateral included)	
Derivative assets (*2)	₩ 1,334,519	–	1,334,519	822,700	43,215	468,604
Accounts receivable (*3)	3,521,816	1,618,297	1,903,519	–	–	1,903,519
Securities sold under repurchase agreements (*4)	16,886,150	–	16,886,150	14,924,737	–	1,961,413
Assets pledged as collateral for securities lending and borrowing (*4)	1,444,697	–	1,444,697	615,895	–	828,802
	₩ 23,187,182	1,618,297	21,568,885	16,363,332	43,215	5,162,338

2) Categories of financial liabilities that offsetting agreements and other similar agreements apply to as of December 31, 2017 and 2016 are as follows:

2017						
Types of financial liabilities	Total amount of recognized financial liabilities	Total amount of offsetting financial assets	Net amount of financial liabilities in the statement of financial position	Related amount not offset in the statement of financial position(*1)		Net amount
				Financial assets	Financial collaterals received (cash collateral included)	
Derivative financial liabilities (*2)	₩ 1,052,305	–	1,052,305	596,437	189,137	266,731
Accounts payables (*3)	7,209,376	3,467,824	3,741,552	–	–	3,741,552
Securities sold under repurchase agreements (*4)	81,929,274	38,796,414	43,132,860	15,662,447	18,241,131	9,229,282
Securities sold (*4)	816,883	–	816,883	498,428	318,455	–
	₩ 91,007,838	42,264,238	48,743,600	16,757,312	18,748,723	13,237,565

2016						
Types of financial liabilities	Total amount of recognized financial liabilities	Total amount of offsetting financial assets	Net amount of financial liabilities in the statement of financial position	Related amount not offset in the statement of financial position(*1)		Net amount
				Financial assets	Financial collaterals received (cash collateral included)	
Derivative financial liabilities (*2)	₩ 1,759,973	–	1,759,973	822,700	105,268	832,005
Accounts payables (*3)	3,505,115	1,618,297	1,886,818	–	–	1,886,818
Securities sold under repurchase agreements (*4)	14,924,737	–	14,924,737	14,924,737	–	–
Securities sold (*4)	615,895	–	615,895	615,895	–	–
	₩ 20,805,720	1,618,297	19,187,423	16,363,332	105,268	2,718,823

(*1) Only for cases of default, insolvency and bankruptcy are eligible to be offset, and all other transactions are considered to have not met the offsetting standards, and therefore are not offset on the statement of financial position, but instead stated separately.

(*2) Some of the Controlling Company's OTC derivatives are traded in accordance to agreements of the ISDA. In accordance to this agreement, in case the counterparty is bankrupt or has credit issues, all derivative transactions are settled. At the point of settlement, the trading partners receive payments for each transaction, or may offset payments with each other and offer a single payment to one trading partner.

(*3) Transactions between exchanges, customers and other financial institutions regarding bonds and liabilities are included in the statement of financial position as total amounts in regard to the receivables and payables accounts. Receivables and payables occurring in relation to exchanges and from trading same types of items are eligible to be offset and are disclosed as net amounts on the statement of financial position, according to accounting policies

(*4) Those are in accordance with the offsetting agreements, which is similar to ISDA offsetting agreements.

6. Transfers of financial assets

Transfers of financial assets that are not derecognized in their entirely as of December 31, 2017 and 2016 are as follows:

		2017	2016
Transferred financial assets			
Financial assets at fair value through profit or loss	₩	14,810,014	14,263,536
AFS financial assets		2,448,865	2,622,614
	₩	17,258,879	16,886,150
Related liabilities			
Bonds sold under repurchase agreements	₩	15,662,447	14,924,737

7. Operating segments

(1) Reportable segments

The Group's segment information is prepared for the purpose of resource allocation and assessment of each segment's performance and is focused on the services provided.

Reportable segment	Services provided
WM	Providing securities brokerage to individual customers and non-professional investors, offering products of wealth management and financial consulting services
IB	Conducting corporate finance businesses such as various funding and M&A advisory, etc.
Sales & Trading	Bond dealing and brokerage, supplying derivatives, hedge fund management and sales, principal investment and proprietary trading
Wholesale	Sales of various financial instruments to corporate customers, providing domestic equity and derivatives brokerage and related services to domestic institutional investors
PI(Principal Investment) & Others	Conducting principal investment and supporting parts of headquarters and providing other operating activities aside from the above mentioned activities

(2) Operating results of reportable segments

Details of the operating results of reportable segments for the years ended December 31, 2017 are as follows:

	2017						
	WM	IB	Sales & Trading	Wholesale	PI & others	Intersegment eliminations	Total
Operating revenue	₩ 826,895	300,781	8,111,227	941,280	115,305	3,162	10,298,650
Interest revenue	244,435	34,947	1,152,334	23,598	(299,744)	(2,802)	1,152,768
Non-interest revenue	582,460	265,834	6,958,893	917,682	415,049	5,964	9,145,882
Operating expense	(752,775)	(114,632)	(7,873,800)	(903,818)	37,384	(63,256)	(9,670,897)
Interest expense	(95,817)	(19,341)	(798,296)	(28,159)	351,613	8,547	(581,453)
Non-interest expense	(656,958)	(95,291)	(7,075,504)	(875,659)	(314,229)	(71,803)	(9,089,444)
Operating income (loss)	74,120	186,149	237,427	37,462	152,689	(60,094)	627,753
Non-operating income (loss)	(386)	3,624	5,831	25	(16,391)	44,293	36,996
Income (Loss) before tax expense	73,734	189,773	243,258	37,487	136,298	(15,801)	664,749
Income tax expense	(17,102)	(43,795)	(55,828)	(8,722)	(21,146)	(13,222)	(159,815)
Profit (Loss) for the period	₩ 56,632	145,978	187,430	28,765	115,152	(29,023)	504,934

Details of the operating results of reportable segments for the years ended December 31, 2016 are as follows:

	2016						
	WM	IB	Sales & Trading	Wholesale	PI & others	Intersegment eliminations	Total
Operating revenue	₩ 603,788	141,864	5,637,713	408,198	861,603	180,856	7,834,022
Interest revenue	108,706	13,598	693,210	23,290	102,662	(15,939)	925,527
Non-interest revenue	495,082	128,266	4,944,503	384,908	758,941	196,795	6,908,495
Operating expense	(526,376)	(106,522)	(5,692,080)	(367,024)	(846,135)	(292,714)	(7,830,851)
Interest expense	(29,382)	(6,666)	(297,802)	(11,278)	(40,759)	2,931	(382,956)
Non-interest expense	(496,994)	(99,856)	(5,394,278)	(355,746)	(805,376)	(295,645)	(7,447,895)
Operating income (loss)	77,412	35,342	(54,367)	41,174	15,468	(111,858)	3,171
Non-operating income (loss)	486	3	197	147	2,072	14,865	17,770
Income (Loss) before tax expense	77,898	35,345	(54,170)	41,321	17,540	(96,993)	20,941
Income tax expense	(20,002)	(9,215)	19,038	(11,110)	(5,904)	21,953	(5,240)
Profit (Loss) for the period	₩ 57,896	26,130	(35,132)	30,211	11,636	(75,040)	15,701

(3) Assets and liabilities of reportable segments

Details of the assets and liabilities of reportable segments as of December 31, 2017 and 2016 are as follows:

	2017						
	WM	IB	Sales & Trading	Wholesale	PI & others	Intersegment eliminations	Total
Assets	₩ 4,632,273	1,636,338	57,980,932	2,535,938	29,558,095	(5,716,977)	90,626,599
Liabilities	4,715,896	130,777	57,945,772	1,052,545	19,687,377	(290,273)	83,242,094

	2016						
	WM	IB	Sales & Trading	Wholesale	PI & others	Intersegment eliminations	Total
Assets	₩ 1,978,754	467,949	33,942,951	3,546,874	20,117,358	(2,786,110)	57,267,776
Liabilities	2,352,221	35,483	37,289,623	1,522,981	10,054,565	(652,862)	50,602,011

(4) Information on products, services and key customers

The Group's products are classified as interest, non-interest and other goods; however, since this classification has already been reflected in the component of the operating segments above, revenue from external customers by service type is not separately disclosed. The Group does not have any key customers who account for more than 10% of the Group's sales for the years ended December 31, 2017 or 2016.

(5) Geographical information

Of the Group's revenue (interest income and non-interest income) from external services, revenue from domestic customers for the years ended December 31, 2017 and 2016 amounted to ₩9,819,013 million and ₩7,573,612 million, respectively, and revenue from foreign customers amounted to ₩479,637 million and ₩260,401 million, respectively. The Group's non-current assets (investment in associates, investment properties, property and equipment and intangible assets) as of December 31, 2017 and 2016 are ₩1,617,886 million and ₩1,577,049 million, respectively, for the Company and domestic subsidiaries, and ₩1,044,400 million and ₩956,829 million, respectively, for foreign subsidiaries.

8. Restricted use of financial assets

Details of restricted use of deposits as of December 31, 2017 and 2016 are as follows:

	2017	2016	Descriptions
Financial assets at FVTPL			
Reserve for claims of customers' deposits (trust) (*)	₩ 3,871,503	3,183,086	Regulation on Financial Investment Business
Loans and receivables			
Reserve for claims of customers' deposits (*)	702,334	563,164	Regulation on Financial Investment Business
Deposits for exchange- traded derivatives	567,766	843,603	Collateral on derivative transaction and others, etc.
Guarantee deposit for account opening	52	73	Guarantee deposit for account opening
Time deposit	1,996,130	1,006,244	Derivatives and collateral on payment and settlement, etc.
Other deposits	60,783	42,120	Customer deposits, guarantee deposits for leases, and others
	3,327,065	2,455,204	
	₩ 7,198,568	5,638,290	

(*) Pursuant to the Financial Investment Services and Capital Markets Act and Regulation on Financial Investment Business, the Group is required to deposit with the Korean Securities Finance Corporation for the payment of its customers' deposits and those amounts are restricted for use.

9. Financial assets at FVTPL

The Group’s financial assets at FVTPL as of December 31, 2017 and 2016 are classified as financial assets held for trading and financial assets designated at FVTPL.

(1) Details of financial assets held for trading as of December 31, 2017 and 2016 are as follows:

		2017	2016
Reserve for claims of customers’ deposits (trust)	₩	3,871,503	3,183,086
Equity securities		1,313,794	494,206
Government and public bonds		2,658,169	3,055,531
Special bonds		6,942,767	11,870,874
Corporate bonds		5,298,446	4,305,027
Collective investment securities		1,963,865	777,863
Corporate commercial papers		2,076,104	2,616,064
Securities in foreign currencies		2,845,103	1,114,704
Asset backed short-term bond		89,762	10,204
Others		14,284	23,534
Derivative assets		1,125,230	1,451,471
	₩	28,199,027	28,902,564

(2) Financial assets designated at FVTPL as of December 31, 2017 and 2016 are as follows:

		2017	2016
Reducing accounting mismatch			
Equity securities	₩	19,230	186,226
Government bonds		100,620	405,399
Special bonds		9,955	109,793
Corporate bonds		147,176	277,408
Securities in foreign currencies		539,730	603,232
Exchange traded fund		122,556	401,555
Time deposit		-	50,405
		939,267	2,034,018
Hybrid financial instruments			
Redeemable convertible preference shares		1,000	500
Convertible bond		135,657	125,156
Equity-linked securities		525,854	1,657,736
Other derivative-linked securities		466,728	467,818
		1,129,239	2,251,210
	₩	2,068,506	4,285,228

10. AFS financial assets

(1) Details of AFS financial assets as of December 31, 2017 and 2016 are as follows:

		2017	2016
Equity securities(*)	₩	854,679	294,327
Investments in partnerships(*)		199,374	191,860
Government and public bonds		39,689	431,881
Special bonds		1,898,472	2,809,584
Corporate bonds		2,705,849	2,419,894
Collective investment securities		1,881,044	1,102,241
Securities in foreign currencies(*)		1,249,116	1,479,630
Others(*)		10,297	10,300
	₩	8,838,520	8,739,717

(*) Equity securities with no quoted market prices in active market and for which the fair value cannot be measured reliably due to lack of basic data and experience used to predict future cash flows are recorded at cost. Carrying amount of AFS equity securities’ evaluated cost is ₩104,463 million as of December 31, 2017, and ₩103,018 million as of December 31, 2016.

(2) Maturity analysis of AFS debt securities as of December 31, 2017 and 2016 are as follows:

		2017				
		Within 1 year	1 to 5 years	5 to 10 years	More Than 10 years	Total
Government and public bonds	₩	-	39,689	-	-	39,689
Special bonds		946,862	865,087	86,523	-	1,898,472
Corporation bonds		793,676	1,818,574	53,635	39,964	2,705,849
Securities in foreign currencies		151,740	523,801	53,012	59,302	787,855
	₩	1,892,278	3,247,151	193,170	99,266	5,431,865

		2016				
		Within 1 year	1 to 5 years	5 to 10 years	More Than 10 years	Total
Government and public bonds	₩	20,012	411,869	-	-	431,881
Special bonds		496,390	2,225,002	88,192	-	2,809,584
Corporation bonds		334,621	2,003,351	60,996	20,926	2,419,894
Securities in foreign currencies		33,177	636,358	202,051	123,722	995,308
	₩	884,200	5,276,580	351,239	144,648	6,656,667

(3) Changes in valuation profit and loss of AFS financial assets for the years ended December 31, 2017 and 2016 are as follows:

	2017				
	Beginning balance	Gain (Loss) on valuation	Disposal	Tax effect	Ending balance
Equity securities	₩ 6,717	1,707	12,802	(6,168)	15,058
Investments in partnerships	11,926	8,226	(9,486)	1,510	12,176
Government and public bonds	(2,225)	(170)	3,357	(1,517)	(555)
Special bonds	(6,091)	1,117	(1,313)	(1,352)	(7,639)
Corporate bonds	(3,400)	(3,504)	3,377	(1,166)	(4,693)
Collective investment securities	108,606	2,543	(31,960)	(3,033)	76,156
Securities in foreign currencies	20,401	(10,145)	5,254	5,797	21,307
	₩ 135,934	(226)	(17,969)	(5,929)	111,810

	2016				
	Beginning balance	Gain (Loss) on valuation	Disposal	Tax effect	Ending balance
Equity securities	₩ 6,859	3,124	(3,312)	46	6,717
Investments in partnerships	19,210	14,759	(24,368)	2,325	11,926
Government and public bonds	–	(516)	(2,420)	711	(2,225)
Special bonds	2,094	(2,700)	(8,098)	2,613	(6,091)
Corporate bonds	7,753	(658)	(14,056)	3,561	(3,400)
Collective investment securities	55,285	53,027	17,318	(17,024)	108,606
Securities in foreign currencies	7,210	16,915	489	(4,213)	20,401
	₩ 98,411	83,951	(34,447)	(11,981)	135,934

(4) Changes in accumulated impairment loss of AFS financial assets for the years ended December 31, 2017 and 2016 are as follows:

	2017			
	Beginning balance	Increases	Disposal	Ending balance
Equity securities	₩ 32,944	17,201	(595)	49,550
Investments in partnerships	10	–	–	10
Corporate bond	9,071	138	–	9,209
Collective investment securities	80,471	9,773	(40,548)	49,696
Securities in foreign currencies	2,854	56	–	2,910
	₩ 125,350	27,168	(41,143)	111,375

	2016			
	Beginning balance	Increases	Disposal	Ending balance
Equity securities	₩ 32,087	1,107	(250)	32,944
Investments in partnerships	10	–	–	10
Corporate bond	6,095	2,976	–	9,071
Collective investment securities	42,989	43,797	(6,315)	80,471
Securities in foreign currencies	132	2,722	–	2,854
	₩ 81,313	50,602	(6,565)	125,350

11. Loans and receivables

(1) Details of loans and receivables as of December 31, 2017 and 2016 are as follows:

	2017	2016
Deposit	₩ 3,580,259	3,133,175
Loans	35,830,812	4,514,317
Deferred loan origination cost and fee	(1,901)	(105)
Allowance for doubtful accounts	(83,925)	(92,569)
	39,325,245	7,554,818
Other loans and receivables	7,622,643	2,549,146
Allowance for doubtful accounts	(24,463)	(23,729)
	7,598,180	2,525,417
	₩ 46,923,425	10,080,235

(2) Details of deposits as of December 31, 2017 and 2016 are as follows:

	2017	2016
Reserve for claims of customers' deposits	₩ 702,334	563,164
Trading margin of derivatives	567,766	843,603
Long-term deposits	1,884,491	1,490,439
Restricted deposits and others	52	73
Others	425,616	235,896
	₩ 3,580,259	3,133,175

(3) Details of loans as of December 31, 2017 and 2016 are as follows:

	2017	2016
Call loans	₩ 1,280	340
Broker's loan	6,474,522	3,115,670
Securities purchased under resale agreements	28,104,834	666,746
Loans receivable	900,648	310,980
Loans to employees	52,697	30,281
Loans purchased	209,617	240,430
Advances for customers	1,340	1,310
Privately placed bonds	85,752	148,438
Dishonored bills receivable	122	122
Deferred loan origination cost and fee	(1,901)	(105)
Allowance for doubtful accounts	(83,925)	(92,569)
	₩ 35,744,986	4,421,643

(4) Details of the other loans and receivables as of December 31, 2017 and 2016 are as follows:

		2017	2016
Accounts receivable	₩	7,249,676	2,146,222
Accrued income		253,252	271,929
Deposits provided		131,673	140,939
Present value discount		(11,958)	(9,944)
Allowance for doubtful accounts		(24,463)	(23,729)
	₩	7,598,180	2,525,417

(5) Changes in allowance for doubtful accounts for the years ended December 31, 2017 and 2016 are as follows:

		2017	2016
Beginning balance	₩	(116,298)	(94,734)
Bad debt expenses		(1,427)	(19,541)
Write-off		-	1,235
Others		9,337	(3,258)
Ending balance	₩	(108,388)	(116,298)

(6) Changes in net deferred loan origination costs and fees for the years ended December 31, 2017 and 2016 are as follows:

		2017	2016
Beginning balance	₩	(105)	(20)
Increases		(5,916)	(7,129)
Amortization		4,120	7,094
Adjustment due to merger		-	(50)
Ending balance	₩	(1,901)	(105)

12. The fair value of financial assets and liabilities

(1) The carrying amount and fair value of the Group’s financial assets and liabilities as of December 31, 2017 and 2016 are as follows:

		2017		2016	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Deposits	₩	3,580,259	3,580,259	3,133,175	3,133,175
Financial assets held for trading(*1)		28,199,027	28,199,027	28,902,564	28,902,564
Financial assets designated at FVTPL (*1)		2,068,506	2,068,506	4,285,228	4,285,228
AFS financial assets(*2)		8,838,520	8,838,520	8,739,717	8,739,717
Loans(*3)		35,744,986	35,744,986	4,421,643	4,421,643
Other financial assets(*4)		7,598,180	7,598,180	2,525,417	2,525,417
	₩	86,029,478	86,029,478	52,007,744	52,007,744
Financial liabilities					
Financial liabilities held for trading(*1)	₩	2,137,037	2,137,037	2,669,424	2,669,424
Financial liabilities designated at FVTPL(*1)		15,295,424	15,295,424	19,379,670	19,379,670
Deposits due to customers		5,118,877	5,118,877	4,125,075	4,125,075
Borrowings(*3)		49,390,196	49,390,196	18,946,894	18,946,894
Debentures		3,085,497	3,071,069	2,725,625	2,718,608
Other financial liabilities(*4)		6,552,574	6,552,574	2,260,905	2,260,905
	₩	81,579,605	81,565,177	50,107,593	50,100,576

(*1) The fair value of derivatives, etc., is the sum of book value and day 1 profit and loss.
(*2) Included in financial assets classified as AFS are non-marketable equity securities that have been measured at cost.
(*3) As loans, borrowings and debentures are due in one year as of December 31, 2017, and due to other reasons, the Group regards book value is similar to the fair value.
(*4) Other assets and liabilities in the statement of financial position that do not meet the definition of financial instruments, such as advances, advance received and income in advance, are excluded.

(2) Fair value hierarchy of financial instruments measured at fair value

1) Fair value hierarchy of financial instruments measured at fair value as of December 31, 2017 and 2016 is as follows:

		2017			
		Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets held for trading	₩	14,567,513	13,486,593	144,921	28,199,027
Financial assets designated at FVTPL		255,685	880,065	932,756	2,068,506
AFS financial assets		933,099	7,153,499	751,922	8,838,520
	₩	15,756,297	21,520,157	1,829,599	39,106,053
Financial liabilities					
Financial liabilities held for trading	₩	1,135,876	881,479	119,682	2,137,037
Financial liabilities designated at FVTPL		11,425	6,223,166	9,060,833	15,295,424
	₩	1,147,301	7,104,645	9,180,515	17,432,461

	2016				
	Level 1	Level 2	Level 3	Total	
Financial assets					
Financial assets held for trading	₩ 12,101,765	16,652,765	148,034	28,902,564	
Financial assets designated at FVTPL	993,849	1,615,523	1,675,856	4,285,228	
AFS financial assets(*)	1,470,852	6,557,373	711,492	8,739,717	
	₩ 14,566,466	24,825,661	2,535,382	41,927,509	
Financial liabilities					
Financial liabilities held for trading	₩ 908,381	1,306,695	454,348	2,669,424	
Financial liabilities designated at FVTPL	11,038	6,745,969	12,622,663	19,379,670	
	₩ 919,419	8,052,664	13,077,011	22,049,094	

(*) Equity securities of ₩2,402 million were transferred from Level 3 to Level 1 for the year ended December 31, 2016. These equity securities, which were convertible preferred stocks before the conversion occurred this year, are transacted in an active market. The Group recognizes the transfer between fair value levels, when an event or a change of circumstances that causes the transfer between fair value levels occurs.

2) Changes in financial assets and liabilities classified into Level 3 for the years ended December 31, 2017 and 2016 are as follows:

2017						
	Beginning balance	Profit (Loss)	Other comprehens-ive income	Purchases/issuances	Disposals/settlements	Ending balance
Financial assets:						
Financial assets held for trading	₩ 148,034	248,819	-	13,137	(265,069)	144,921
Financial assets designated at FVTPL	1,675,856	57,198	-	474,834	(1,275,132)	932,756
AFS financial assets	711,492	(5,212)	(39,429)	138,485	(53,414)	751,922
	₩ 2,535,382	300,805	(39,429)	626,456	(1,593,615)	1,829,599
Financial liabilities:						
Financial liabilities held for trading	₩ 454,348	(153,060)	-	144,290	(325,896)	119,682
Financial liabilities designated at FVTPL	12,622,663	577,860	-	8,451,922	(12,591,612)	9,060,833
	₩13,077,011	424,800	-	8,596,212	(12,917,508)	9,180,515

2016							
	Beginning balance	Profit (Loss)	Other comprehen-sive income	Purchases/Issuances	Disposals/settlements	Changes in scope of consolidati-on, etc.	Ending balance
Financial assets:							
Financial assets held for trading	₩ 164,370	338,060	-	18,416	(311,580)	(61,232)	148,034
Financial assets designated at FVTPL	1,128,707	287,562	-	1,453,465	(2,008,556)	814,678	1,675,856
AFS financial assets	541,478	(3,839)	(14,404)	174,441	(403,861)	417,677	711,492
	₩ 1,834,555	621,783	(14,404)	1,646,322	(2,723,997)	1,171,123	2,535,382
Financial liabilities:							
Financial liabilities held for trading	₩ 648,055	(221,069)	-	459,946	(972,229)	539,645	454,348
Financial liabilities designated at FVTPL	8,099,632	1,134,899	-	10,363,426	(12,056,091)	5,080,797	12,622,663
	₩ 8,747,687	913,830	-	10,823,372	(13,028,320)	5,620,442	13,077,011

3) Valuation techniques and inputs for financial assets and liabilities classified into Level 2 as of December 31, 2017 and 2016 are as follows:

	2017	2016	Valuation techniques	Inputs
Financial assets				
Financial assets held for trading	₩ 13,486,593	16,652,765	DCF, net asset value, Black-Scholes	Discount rates, interest rates, volatility
Financial assets designated at FVTPL	880,065	1,615,523	DCF, net asset value	Discount rates, stock prices, exchange rates
AFS financial assets	7,153,499	6,557,373	DCF, net asset value	Discount rates, exchange rates
	₩ 21,520,157	24,825,661		
Financial liabilities				
Financial liabilities at FVTPL	₩ 881,479	1,306,695	Black-Scholes, DCF	Interest rates, volatility, discount rates
Financial liabilities designated at FVTPL	6,223,166	6,745,969	Black-Scholes, DCF	Interest rates, volatility, discount rates
	₩ 7,104,645	8,052,664		

4) Quantitative details regarding the valuation techniques and unobservable inputs for financial assets and liabilities classified into Level 3 as of December 31, 2017 and 2016 are as follows:

	2017	Valuation techniques	Inputs	Range
Financial assets				
Financial assets held for trading	₩ 144,921	Black-Scholes, DCF, probability model	Volatility, correlation coefficient	Volatility: 0.03% ~ 54.61% Correlation coefficient: -66.21% ~ 99.97% Other correlation coefficient: -44.86% ~ 96.22%
Financial assets designated at FVTPL	932,756	Black-Scholes, DCF, probability model	Volatility, correlation coefficient	Volatility: 0.03% ~ 54.61% Correlation coefficient: -66.21% ~ 99.97% Other correlation coefficient: -44.86% ~ 96.22%
AFS financial assets	751,922	Black-Scholes, DCF	Discount rates	Discount rates: 7.41% ~ 17.62%
	₩ 1,829,599			
Financial liabilities				
Financial liabilities held for trading	₩ 119,682	Black-Scholes, DCF, probability model	Volatility, correlation coefficient	Volatility: 0.03% ~ 54.61% Correlation coefficient: -66.21% ~ 99.97% Other correlation coefficient: -44.86% ~ 96.22%
Financial liabilities designated at FVTPL	9,060,883	Black-Scholes, DCF, probability model	Volatility, correlation coefficient	Volatility: 0.03% ~ 54.61% Correlation coefficient: -66.21% ~ 99.97% Other correlation coefficient: -44.86% ~ 96.22%
	₩ 9,180,515			

	2016	Valuation techniques	Inputs	Range
Financial assets				
Financial assets held for trading	₩ 148,034	Black-Scholes, DCF, probability model	Volatility	Volatility: 0.09% ~ 329.68% Correlation coefficient: -30.74% ~ 97.03% Other correlation coefficient: 4.41% ~ 13.72%
Financial assets designated at FVTPL	1,675,856	Black-Scholes, DCF, probability model	Volatility, correlation coefficient	Volatility: 0.09% ~ 329.68% Correlation coefficient: -30.74% ~ 97.03% Other correlation coefficient: 4.41% ~ 13.72%
AFS financial assets	711,492	Black-Scholes, DCF	Volatility, discount rates	Discount rates: 4.94% ~ 14.9%
	₩ 2,535,382			
Financial liabilities				
Financial liabilities held for trading	₩ 454,348	Black-Scholes, DCF, probability model	Volatility	Volatility: 0.09% ~ 329.68% Correlation coefficient: -30.74% ~ 97.03% Other correlation coefficient: 4.41% ~ 13.72%
Financial liabilities designated at FVTPL	12,622,663	Black-Scholes, DCF, probability model	Volatility, correlation coefficient	Volatility: 0.09% ~ 329.68% Correlation coefficient: -30.74% ~ 97.03% Other correlation coefficient: 4.41% ~ 13.72%
	₩ 13,077,011			

5) Sensitivity analysis on changes in unobservable inputs

Sensitivity analysis of financial instruments is separately estimated as favorable and adverse changes based on the changes in value of financial instruments coming from the changes in unobservable inputs using statistical techniques. And sensitivity analysis is calculated based on the most favorable and adverse amount in the case that the fair value is affected by more than two inputs.

Sensitivity analysis on changes in inputs of the Controlling Company’s financial assets and liabilities classified into Level 3 as of December 31, 2017 and 2016 is as follows:

	2017			
	Profit (Loss)		Other comprehensive income (loss)	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Derivatives linked securities sold and related hedging assets(*1)	₩ 26,609	(27,945)	-	-
Equity security(*2)	-	-	24,466	(12,915)

	2016			
	Profit (Loss)		Other comprehensive income (loss)	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Derivatives linked securities sold and related hedging assets(*1)	₩ 70,003	(138,170)	-	-
Equity security(*2)	-	-	34,006	(16,431)

(*1) Change in fair value is calculated by increasing or decreasing the volatility of the underlying asset by 10%, an input that is impossible to observe.
(*2) Change in fair value is calculated by adjusting the growth rate and discount rate each by -1~1%, inputs that are impossible to observe.

6) Changes in deferred day 1 profit or loss for the years ended December 31, 2017 and 2016 are as follows:

Description(*)	2017	2016
Beginning balance	₩ (71,207)	(31,890)
New transactions	(165,984)	(203,936)
Recognized in current profit or loss	128,755	164,619
Ending balance	₩ (108,436)	(71,207)

(*) The deferred day 1 profit or loss arose from derivative financial instruments at Level 3 fair value hierarchy.

(3) Fair value hierarchy of financial instruments disclosed by fair value

1) Fair value hierarchy of financial instruments disclosed by fair value as of December 31, 2017 and 2016 is as follows:

2017					
		Level 1	Level 2	Level 3	Total
Financial assets					
Deposits	₩	–	–	3,580,259	3,580,259
Loans		–	1,280	35,743,706	35,744,986
Other financial assets		632,974	–	6,965,206	7,598,180
	₩	632,974	1,280	46,289,171	46,923,425
Financial liabilities					
Deposits due to customers	₩	–	–	5,118,877	5,118,877
Borrowings		–	600,000	48,790,196	49,390,196
Debentures		–	3,071,069	–	3,071,069
Other financial liabilities		632,949	–	5,919,625	6,552,574
	₩	632,949	3,671,069	59,828,698	64,132,716

2016					
		Level 1	Level 2	Level 3	Total
Financial assets					
Deposits	₩	–	–	3,133,175	3,133,175
Loans		–	–	4,421,643	4,421,643
Other financial assets		1,319	–	2,524,098	2,525,417
	₩	1,319	–	10,078,916	10,080,235
Financial liabilities					
Deposits due to customers	₩	–	–	4,125,075	4,125,075
Borrowings		–	807,300	18,139,594	18,946,894
Debentures		–	2,718,608	–	2,718,608
Other financial liabilities		1,361	–	2,259,544	2,260,905
	₩	1,361	3,525,908	24,524,213	28,051,482

2) Valuation techniques and inputs for financial assets and liabilities disclosed by fair values classified into Level 2 as of December 31, 2017 and 2016 are as follows:

	2017	2016	Valuation techniques	Inputs
Financial assets				
Loans receivable	₩	1,280	DCF	Discount rates
Financial liabilities				
Borrowings		807,300	DCF	Discount rates
Debentures		2,718,608	DCF	Discount rates
	₩	3,525,908		

13. The Group’s subsidiaries

(1) The Group’s subsidiaries

Details of subsidiaries as of December 31, 2017 and 2016 are as follows:

Investor	Subsidiaries	Main business	Location	Reporting date	Percentage of ownership and voting rights (%)	
					2017	2016
Domestic subsidiaries:						
Mirae Asset Daewoo Co., Ltd.	Mirae Asset Venture Investment	Small- and medium-sized enterprise venture capital	Korea	December 31	77.53	76.79
	Mirae Asset MAPS India Frontier Private Real Estate Investment Trust 1st	Collective investment	Korea	December 31	62.50	62.50
	School Infrastructure Private Investment Trust	Collective investment	Korea	December 31	100.00	100.00
	Mirae Asset Securities PEF I Green Growth 2009 (*1)	Investment	Korea	December 31	11.76	11.76
	KDB Private Future Site Special Asset	Collective investment	Korea	December 31	–	68.01
	Hyundai CVC CLO Private Equity Investment Trust 2nd	Collective investment	Korea	December 31	100.00	100.00
	DB Together Private Equity Investment Trust 67th	Collective investment	Korea	December 31	100.00	100.00
	Hyundai ING CLO Private Special Asset Investment Trust 1st	Collective investment	Korea	December 31	100.00	100.00
	Multiasset DW – 2nd Fund	Collective investment	Korea	December 31	100.00	100.00
	Hyundai Private Real Estate Investment Trust 13th	Collective investment	Korea	December 31	100.00	100.00
	Hyundai Private Real Estate Investment Trust 17th	Collective investment	Korea	December 31	100.00	100.00
	Richmond Private Multiflex Real Estate Investment Trust 1st	Collective investment	Korea	December 31	100.00	100.00
	Richmond Private Multiflex Real Estate Investment Trust 3rd	Collective investment	Korea	December 31	99.28	99.28
	Richmond Private Multiflex Real Estate Investment Trust 4th	Collective investment	Korea	December 31	98.43	98.43
	Hana Landchip Private Real Estate Investment Trust No.67	Collective investment	Korea	December 31	81.91	81.91
	Richmond Private Multiflex Real Estate Investment Trust 5th	Collective investment	Korea	December 31	98.04	98.04
	Mirae Asset Daewoo Global K Growth Private Equity Fund(*1)	Collective investment	Korea	December 31	30.30	30.30
	Mirae Asset MAPS Frontier US Private Real Estate Investment Trust 6–2	Collective investment	Korea	December 31	99.92	99.92
	Mirae Asset Dividend High Equity Focus 30 Private Balanced Investment Trust 1	Collective investment	Korea	December 31	99.99	99.99
	INMARK US Professional Private Investment Trust 2nd	Collective investment	Korea	December 31	–	70.91
	Samchully Dream High Professional Private Equity Investment Trust 2nd	Collective investment	Korea	December 31	–	75.00
	Mirae Asset Maps Frontier US Private Real Estate Investment Trust 7	Collective investment	Korea	December 31	99.83	99.83
	Multi Asset Gateway Global Prime Convertible Bond Professional Private Investment Trust 1st	Collective investment	Korea	December 31	79.59	78.31

Investor	Subsidiaries	Main business	Location	Reporting date	Percentage of ownership and voting rights (%)	
					2017	2016
Mirae Asset Daewoo Co., Ltd.	Multi Asset The Way Multi Strategy Professional Private Investment Trust 1st	Collective investment	Korea	December 31	-	86.89
	Multi Asset Always Global Macro Professional Private Investment Trust 1st	Collective investment	Korea	December 31	-	81.12
	MAPS US Professional Investment Private Real Estate Investment Trust 9-1	Collective investment	Korea	December 31	98.33	98.33
	Richmond Private Gangnam Hotel Investment Trust	Collective investment	Korea	December 31	99.60	99.60
	Samsung H Club Global Muti-Strategy Professional Investment Private Investment Trust 1st	Collective investment	Korea	December 31	77.37	77.88
	INMARK US Professional Private Investment Trust 8	Collective investment	Korea	December 31	99.04	-
	Multi Asset Foreign Real Estate Investment Trust 3	Collective investment	Korea	December 31	54.73	-
	Heungkuk Balance Investment Private Investment Trust 1st	Collective investment	Korea	December 31	54.61	-
	My First Asset First Gift Professional Investment Private Investment Trust 3rd	Collective investment	Korea	December 31	62.60	-
	LK GHC Specialized Privately Placed Investment Trust No.1	Collective investment	Korea	December 31	78.90	-
	MiraeAsset Solomon Short-Term Gov't and Agency Bond Investment Trust (Fixed Income) Class I	Collective investment	Korea	December 31	57.64	-
	MiraeAsset Corporate Emerging Dollar Prime Gov't and Agency Bond Monthly Payment Investment Trust	Collective investment	Korea	December 31	50.74	-
	Mirae Asset Global Bio Investment Fund I	Investment	Korea	December 31	96.31	-
	MADW EP Co. Ltd.(*2)	Other financial service	Korea	December 31	-	-
	Good Aiming 1st Co., Ltd. (*2)	Other financial service	Korea	December 31	-	-
	Good Aiming 2nd Co., Ltd. (*2)	Other financial service	Korea	December 31	-	-
	Good Chance 1st Co., Ltd. (*2)	Other financial service	Korea	December 31	-	-
	Good Chance 2nd Co., Ltd. (*2)	Other financial service	Korea	December 31	-	-
	Deogi Dream M.S. Co.,Ltd. (*2)	Other financial service	Korea	December 31	-	-
	Good Chance 4th Co., Ltd. (*2)	Other financial service	Korea	December 31	-	-
	Good Chance 5th Co., Ltd. (*2)	Other financial service	Korea	December 31	-	-
	Good Chance 6th Co., Ltd. (*2)	Other financial service	Korea	December 31	-	-
	Money Market Trust (2017: 32, 2016: 43)	Trust asset management	Korea	December 31	100.00	100.00
Mirae Asset Venture Investment	MAF-Mirae Asset Agri-energy Investment Fund 4th (*1)	Investment	Korea	December 31	-	10.00
	2010 KIF-Mirae Asset IT Investment Fund (*1)	Investment	Korea	December 31	29.83	29.83
	Mirae Asset Social Corporate Investment Fund (*1)	Investment	Korea	December 31	16.66	16.66
	Mirae Asset Agro Project Fund (*1)	Investment	Korea	December 31	10.00	10.00
	KoFC-Mirae Asset Pioneer Champ 2011-3rd Investment Fund (*1)	Investment	Korea	December 31	21.82	21.82

Investor	Subsidiaries	Main business	Location	Reporting date	Percentage of ownership and voting rights (%)	
					2017	2016
Mirae Asset Venture Investment	Mirae Asset Social Corporate Investment Fund 2nd (*1)	Investment	Korea	December 31	5.00	5.00
	Noroo-Mirae Asset Agrostar Project Venture Fund (*1)	Investment	Korea	December 31	10.00	10.00
	Mirae Asset Good Corporate Secondary Investment Fund	Investment	Korea	December 31	51.11	51.11
	MAVI Good Company Investment Fund #1	Investment	Korea	December 31	60.00	60.00
	MAVI Good Company Investment Fund #2	Investment	Korea	December 31	67.14	67.14
	MIRAE ASSET Global Investment Fund (*1)	Investment	Korea	December 31	37.50	37.50
	Koscom-Mirae Asset Fintech Company Investment Fund #1	Investment	Korea	December 31	60.00	60.00
	MIRAE ASSET Young Start-Up Investment Fund(*1)	Investment	Korea	December 31	17.86	17.86
	Mirae Asset Good Corporate Secondary Investment Fund #2(*1)	Investment	Korea	December 31	44.5	44.5
	2016 KIF-MIRAE ASSET ICT Venture Fund(*1)	Investment	Korea	December 31	30.00	30.00
	MIRAE ASSET Good Company Investment Fund#16-1(*1)	Investment	Korea	December 31	10.40	10.40
	MIRAE ASSET Good Company Investment Fund#17-1(*1)	Investment	Korea	December 31	9.13	-
	Mirae Asset Hi-Tech Frontier Investment Fund (*1)	Investment	Korea	December 31	24.00	-
	MIRAE ASSET Young Start-Up Investment Fund #2(*1)	Investment	Korea	December 31	28.00	-
Overseas subsidiaries:						
Mirae Asset Daewoo Co., Ltd.	Mirae Asset Securities (UK) Ltd.	Securities brokerage and investment, investment consulting	UK	December 31	100.00	100.00
	Mirae Asset Securities (USA) Inc.	Securities brokerage and investment	USA	December 31	100.00	100.00
	Mirae Asset Securities (HK) Limited(*3)	Securities brokerage and investment	Hong Kong	December 31	100.00	100.00
	Daewoo Securities (Hong Kong) Ltd.(*3)	Securities brokerage and investment, investment consulting	Hong Kong	December 31	-	100.00
	Mirae Asset Realty (Singapore) PTE.	Real estate investment and rent	Singapore	December 31	100.00	100.00
	Asia Opportunity Arbitrage Fund	Collective investment	Cayman Islands	December 31	84.38	67.98
	Asia Opportunity Long Short Equity Fund	Collective investment	Cayman Islands	December 31	-	58.45
	Mirae Asset China Growth Equity Fund	Collective investment	Luxembourg	December 31	71.87	-
	Mirae Asset Securities (Vietnam) LLC	Securities brokerage and investment	Vietnam	December 31	100.00	100.00
	Mirae Asset Wealth Management (Brazil) CCTVM	Securities brokerage and investment	Brazil	December 31	100.00	100.00
	Mirae Asset Securities (UK) Ltd.	General	UK	December 31	100.00	100.00

Investor	Subsidiaries	Main business	Location	Reporting date	Percentage of ownership and voting rights (%)	
					2017	2016
Mirae Asset Securities(HK) Limited	Mirae Asset Wealth Management (USA) Inc.	Securities brokerage and investment	USA	December 31	100.00	100.00
	Mirae Asset (Shanghai) Investment Consulting Co. Ltd.	Investment consulting	China	December 31	100.00	100.00
	Mirae Asset Investment Advisory (BEIJING) Co., Ltd.	Investment and investment consulting	China	December 31	100.00	100.00
	Mirae Asset Securities (Singapore) Pte. Ltd.	Securities brokerage	Singapore	December 31	100.00	100.00
	Mirae Asset Securities Mongolia UTsK LLC	Investment and investment consulting	Mongolia	December 31	83.16	83.16
	PT. Mirae Asset Sekuritas Indonesia	Securities brokerage	Indonesia	December 31	99.00	99.00
	Mirae Asset Investment Asia Limited	investment	Hong Kong	December 31	100.00	100.00
	South Mountain Asset Management Ltd.	Collective investment	Hong Kong	December 31	100.00	100.00
	Mirae Asset Capital Markets (India) Private Limited	Securities brokerage and investment	India	December 31	100.00	–
	Daewoo Alpha Trust	Collective investment	Hong Kong	December 31	–	100.00
Mirae Asset Maps Frontier US Private Real Estate Investment Trust 7	MAPS HAWAII TWO, LLC.	Real estate investment and rent	USA	December 31	100.00	100.00
	MAPS WAIKIKI HOTEL, LLC.	Real estate investment and rent	USA	December 31	100.00	100.00
	MAPS HOTELS AND RESORTS HAWAII 2, LLC.	Real estate investment and rent	USA	December 31	100.00	100.00
	MAPS ROYAL GROVE, LLC.	Real estate investment and rent	USA	December 31	100.00	100.00
Mirae Asset Global Bio Investment Fund I	MAGBI Fund Limited	Investment	Hong Kong	December 31	100.00	–
LK GHC Specialized Privately Placed Investment Trust No.1	Super Delta Pte. Ltd.	Investment	Singapore	December 31	99.12	–

(*1) Although the Group’s ownership is less than 50 percent, the Group has substantial power to influence related decisions of the entity and is exposed to significant changes in profit in which the Group can also influence, and therefore, the entity was classified as a subsidiary.

(*2) The entity is a structured entity for assets securitization and although the Group’s ownership is less than 50 percent, the Group has substantial power to influence related decisions of the entity, and is exposed to significant changes in profit in which the Group can also influence, and therefore, the entity was classified as a subsidiary.

(*3) Daewoo Securities (Hong Kong) Ltd. Merged with Mirae Asset Securities (HK) Limited in March 1, 2017.

(*4) Nine of the collective investment securities that the Group has substantial power are excluded because they are not material to the Group’s consolidated financial information. The Group recognized the collective investment securities in the amount of W 18,771 million as available-for-sale financial assets.

(2) Changes in subsidiaries

1) Subsidiaries newly included in the scope of consolidation for the year ended December 31, 2017

Subsidiaries	Reason
Multi Asset GlobalMezzanineDebt Professional Investment Private Investment Trust 1st	They are newly acquired investment trust and fund for the year ended December 31, 2017, on which the Group has control.
Good Chance 5th Co., Ltd.	
MIRAE ASSET Good Company Investment Fund#17-1	
Mirae Asset Global Bio Investment Fund I	
Mirae Asset Hi-Tech Frontier Investment Fund	
Multi Asset Foreign Real Estate Investment Trust 4	
Good Chance 6th Co., Ltd.	
MIRAE ASSET Young Start-Up Investment Fund #2	
INMARK US Professional Private Investment Trust 8	
Multi Asset Foreign Real Estate Investment Trust 3	
Heungkuk Balance Investment Private Investment Trust 1st	
My First Asset First Gift Professional Investment Private Investment Trust 3rd	
LK GHC Specialized Privately Placed Investment Trust No.1	
MiraeAsset Solomon Short-Term Gov’t and Agency Bond Investment Trust (Fixed Income) Class I	
MiraeAsset Corporate Emerging Dollar Prime Gov’t and Agency Bond Monthly Payment Investment Trust	
Mirae Asset China Growth Equity Fund	
Mirae Asset Capital Markets (India) Private Limited	
MAGBI Fund Limited	
Super Delta Pte. Ltd.	

2) Subsidiaries excluded from the scope of consolidation for the year ended December 31, 2017

Subsidiaries	Reason
Daewoo Securities (Hong Kong) Ltd.	Entity deconsolidated due to merger with Mirae Asset Securities (HK) Limited
Multi Asset Always Global Macro Professional Private Investment Trust 1st	Lost control due to the disposal of all shares in the current period
Daewoo Alpha Trust	
Samchully Dream High Professional Private Equity Investment Trust 2nd	
Multi Asset Foreign Real Estate Investment Trust 4	
INMARK US Professional Private Investment Trust 2nd	
MAF-Mirae Asset Agri-energy Investment Fund 4th	
Asia Opportunity Long Short Equity Fund	
KDB Private Future Site Special Asset	Reclassified as AFS financial assets as a result of losing control after partial disposal of interest in subsidiary
Multi Asset GlobalMezzanineDebt Professional Investment Private Investment Trust 1st	
Multi Asset The Way Multi Strategy Professional Private Investment Trust 1st	

(3) Financial information of subsidiaries

1) Financial information of subsidiaries as of and for the year ended December 31, 2017, is as follows:

	2017						
	Assets	Liabilities	Equity	Revenue	Net income (loss)	Net comprehensive gain (loss)	
Mirae Asset Venture Investment	₩ 97,928	6,362	91,566	18,033	6,774	5,486	
Mirae Asset MAPS India Frontier Private Real Estate Investment Trust 1st	54,813	411	54,402	-	(22)	(3,037)	
School Infrastructure Private Investment Trust	21,075	23	21,052	895	559	559	
Mirae Asset Securities PEF I Green Growth 2009	71	7	64	-	(25)	(296)	
Hyundai CVC CLO Private Equity Investment Trust 2nd	5,735	2	5,733	382	(431)	(1,595)	
DB Together Private Equity Investment Trust 67th	22,141	2	22,139	945	534	496	
Hyundai ING CLO Private Special Asset Investment Trust 1st	6,241	3	6,238	1,262	350	(556)	
Multiasset DW - 2nd Fund	53	-	53	4	4	4	
Hyundai Private Real Estate Investment Trust 13th	15,547	12,667	2,880	1,214	467	467	
Hyundai Private Real Estate Investment Trust 17th	22,265	14,648	7,617	1,409	480	480	
Richmond Private Multiflex Real Estate Investment Trust 1st	5,819	3,022	2,797	479	252	252	
Richmond Private Multiflex Real Estate Investment Trust 3rd	14,493	7,900	6,593	963	304	304	
Richmond Private Multiflex Real Estate Investment Trust 4th	9,952	5,130	4,822	723	356	356	
Hana Landchip Private Real Estate Investment Trust No.67	42,455	30,755	11,700	2,522	749	749	
Richmond Private Multiflex Real Estate Investment Trust 5th	7,160	4,165	2,995	508	221	221	
Mirae Asset Daewoo Global K Growth Private Equity Fund	35,107	448	34,659	2,974	1,882	1,882	
Mirae Asset MAPS Frontier US Private Real Estate Investment Trust 6-2	141,099	2,662	138,437	31,362	17,581	3,928	
Mirae Asset Dividend High Equity Focus 30 Private Balanced Investment Trust 1	6,823	4	6,819	543	427	427	
Mirae Asset Maps Frontier US Private Real Estate Investment Trust 7	366,465	22	366,443	71,708	14,084	33,150	
Multi Asset Gateway Global Prime Convertible Bond Professional Private Investment Trust 1st	70,439	265	70,174	23,239	3,599	3,599	
MAPS US Professional Investment Private Real Estate Investment Trust 9-1	118,949	5	118,944	27,756	13,202	13,202	
Richmond Private Gangnam Hotel Investment Trust	25,468	526	24,942	464	495	495	
Samsung H Club Global Muti-Strategy Professional Investment Private Investment Trust 1st	10,306	-	10,306	874	414	115	
INMARK US Professional Private Investment Trust 8	104,692	7	104,685	-	-	-	
Multi Asset Foreign Real Estate Investment Trust 3	142,440	107	142,333	-	-	-	
Heungkuk Balance Investment Private Investment Trust 1st	6,495	1,020	5,475	-	-	-	
My First Asset First Gift Professional Investment Private Investment Trust 3rd	4,111	888	3,223	-	-	-	
LK GHC Specialized Privately Placed Investment Trust No.1	45,370	13	45,357	-	-	-	
MiraeAsset Solomon Short-Term Gov't and Agency Bond Investment Trust (Fixed Income) Class I	31,236	16	31,220	-	-	-	
MiraeAsset Corporate Emerging Dollar Prime Gov't and Agency Bond Monthly Payment Investment Trust	41,402	13	41,389	-	-	-	
Mirae Asset Global Bio Investment Fund I	83,318	228	83,090	4	(877)	(877)	
MADW EP Co. Ltd	3,546	1,286	2,260	7,061	4,306	1,476	
Good Aiming 1st Co., Ltd.	46,679	47,200	(521)	2,008	(14)	(14)	
Good Aiming 2nd Co., Ltd.	46,645	46,200	445	1,306	2,976	2,976	
Good Chance 1st Co., Ltd.	121,210	122,100	(890)	3,964	(578)	(578)	
Good Chance 2nd Co., Ltd.	107	-	107	4,189	393	393	
Deogi Dream M.S. Co.,Ltd.	30,945	31,454	(509)	-	-	-	

	2017						
	Assets	Liabilities	Equity	Revenue	Net income (loss)	Net comprehensive gain (loss)	
Good Chance 4th Co., Ltd.	₩ 27,373	27,000	373	4,438	565	565	
Good Chance 5th Co., Ltd.	100,813	101,800	(987)	-	(898)	(898)	
Good Chance 6th Co., Ltd.	50,093	50,301	(208)	-	-	-	
2010 KIF-Mirae Asset IT Investment Fund 4th	16,283	5	16,278	5,325	1,729	909	
Mirae Asset Social Corporate Investment Fund	1,827	14	1,813	80	(151)	(151)	
Mirae Asset Agro Project Fund	10,108	1,189	8,919	971	(844)	(3,151)	
KoFC-Mirae Asset Pioneer Champ 2011-3rd Investment Fund	22,362	2,118	20,244	2,061	(1,837)	(3,510)	
Mirae Asset Social Corporate Investment Fund 2nd	4,323	40	4,283	347	(132)	1,960	
Noroo-Mirae Asset Agrostar Project Venture Fund	13,252	244	13,008	1,475	(239)	1,530	
Mirae Asset Good Corporate Secondary Investment Fund	13,721	280	13,441	1,710	1,256	2,213	
MAVI Good Company Investment Fund #1	5,825	53	5,772	288	(361)	(711)	
MAVI Good Company Investment Fund #2	5,309	47	5,262	228	(280)	(777)	
MIRAE ASSET Global Investment Fund	35,328	251	35,077	2,030	(2,850)	(1,723)	
Koscom-Mirae Asset Fintech Company Investment Fund #1	1,961	15	1,946	79	16	217	
MIRAE ASSET Young Start-Up Investment Fund	10,249	94	10,155	158	(323)	(33)	
Mirae Asset Good Corporate Secondary Investment Fund #2	19,242	132	19,110	207	(762)	4,427	
2016 KIF-MIRAE ASSET ICT Venture Fund	11,380	155	11,225	218	(845)	(703)	
MIRAE ASSET Good Company Investment Fund #16-1	14,137	58	14,079	76	(581)	87	
MIRAE ASSET Good Company Investment Fund #17-1	16,696	68	16,628	31	(206)	128	
Mirae Asset Hi-Tech Frontier Investment Fund	4,986	160	4,826	7	(174)	(174)	
MIRAE ASSET Young Start-Up Investment Fund #2	5,000	7	4,993	-	(7)	(7)	
Mirae Asset Securities (UK) Ltd.	92,735	8,639	84,096	6,885	2,047	(8,573)	
Mirae Asset Securities (USA) Inc.	32,085,303	31,840,289	245,014	240,335	(22,776)	(55,693)	
Mirae Asset Securities	1,135,718	86,014	1,049,704	162,764	31,585	15,764	
Mirae Asset Realty (Singapore) PTE.	191	35	156	-	(8)	(8)	
Asia Opportunity Arbitrage Fund	112,595	67,486	45,109	12,749	(794)	(8,055)	
Mirae Asset China Growth Equity Fund	74,466	68	74,398	-	-	-	
Mirae Asset Securities (Vietnam) LLC	130,934	31,541	99,393	11,712	5,515	(2,673)	
Mirae Asset Wealth Management (Brazil) CCTVM	124,854	45,601	79,253	26,285	8,199	14,748	
Mirae Asset Securities (UK) Ltd.	-	-	-	-	-	-	
Mirae Asset Wealth Management (USA) Inc.	345,998	1,806	344,192	12,005	7,768	8,611	
Mirae Asset (Shanghai) Investment Consulting Co. Ltd.	930	-	930	6	(1)	19	
Mirae Asset Investment Advisory (BEIJING) Co., Ltd.	3,647	126	3,521	1,066	(59)	191	
Mirae Asset Securities (Singapore) Pte. Ltd.	7,482	849	6,633	1,629	328	906	
Mirae Asset Securities Mongolia UTsK LLC	1,595	10	1,585	253	26	158	
PT. Mirae Asset Sekuritas Indonesia	182,335	129,214	53,121	23,825	5,799	6,879	
Mirae Asset Investment Asia Limited	3,339	6	3,333	11,471	(497)	(651)	
South Mountain Asset Management Ltd.	970	9	961	9	(14)	(13)	
Mirae Asset Capital Markets (India) Private Limited	967	25	942	4	(153)	(153)	
MAPS HAWAII TWO, LLC.	419,757	158,046	261,711	-	(9,711)	(9,711)	
MAPS WAIKIKI HOTEL, LLC.	856,293	438,232	418,061	71,455	2,876	2,876	
MAPS HOTELS AND RESORTS HAWAII 2, LLC.	21,981	11,279	10,702	153,505	(1,014)	(1,014)	
MAPS ROYAL GROVE, LLC.	28	-	28	166	20	20	
MAGBI Fund Limited	80,699	-	80,699	-	-	-	
Super Delta Pte. Ltd.	44,634	-	44,634	-	-	-	
32 Money Market Trust	1,907,116	2,547	1,904,569	12,148	749	749	

(*) The financial statements of some subsidiaries are adjusted using the accounting method of the Controlling Company.

2) Financial information of subsidiaries as of and for the year ended December 31, 2016 is as follows:

	2016						
	Assets	Liabilities	Equity	Revenue	Net income (loss)	Net comprehensive gain (loss)	
Mirae Asset Venture Investment	₩ 90,380	4,623	85,757	15,931	4,737	6,708	
Mirae Asset MAPS India Frontier Private Real Estate Investment Trust 1st	57,828	388	57,440	-	(111)	1,545	
School Infrastructure Private Investment Trust	22,883	29	22,854	1,089	730	730	
Mirae Asset Securities PEF I Green Growth 2009	359	-	359	-	(20)	(181)	
KDB Private Future Site Special Asset	2,687	-	2,687	1	-		
Hyundai CVC CLO Private Equity Investment Trust 2nd	7,684	3	7,681	1,560	1,538	662	
DB Together Private Equity Investment Trust 67th	22,572	2	22,570	951	902	885	
Hyundai ING CLO Private Special Asset Investment Trust 1st	8,038	4	8,034	2,198	2,179	1,994	
Multiasset DW - 2nd Fund	50	-	50	4	1	1	
Hyundai Private Real Estate Investment Trust 13th	15,660	12,815	2,845	1,176	424	424	
Hyundai Private Real Estate Investment Trust 17th	22,538	14,801	7,737	1,502	542	542	
Richmond Private Multiflex Real Estate Investment Trust 1st	5,893	3,022	2,871	469	191	191	
Richmond Private Multiflex Real Estate Investment Trust 3rd	14,723	7,899	6,824	963	339	339	
Richmond Private Multiflex Real Estate Investment Trust 4th	10,062	5,129	4,933	715	349	349	
Hana Landchip Private Real Estate Investment Trust No.67	42,858	30,773	12,085	2,448	678	678	
Richmond Private Multiflex Real Estate Investment Trust 5th	7,245	4,169	3,076	502	216	216	
Mirae Asset Daewoo Global K Growth Private Equity Fund	26,156	409	25,747	261	(677)	(677)	
Mirae Asset MAPS Frontier US Private Real Estate Investment Trust 6-2	148,972	5,310	143,662	10,440	4,692	11,217	
Mirae Asset Dividend High Equity Focus 30 Private Balanced Investment Trust 1	12,199	7	12,192	126	(228)	(228)	
INMARK US Professional Private Investment Trust 2nd	65,429	1,406	64,023	6,276	3,019	3,019	
Samchully Dream High Professional Private Equity Investment Trust 2nd	11,685	40	11,645	536	(355)	(355)	
Mirae Asset Maps Frontier US Private Real Estate Investment Trust 7	361,331	10,967	350,364	37,315	7,042	7,042	
Multi Asset Gateway Global Prime Convertible Bond Professional Private Investment Trust 1st	67,804	206	67,598	2,288	(92)	(92)	
Multi Asset The Way Multi Strategy Professional Private Investment Trust 1st	61,813	2,362	59,451	7,241	(1,542)	(1,542)	
Multi Asset Always Global Macro Professional Private Investment Trust 1st	49,530	139	49,391	25,707	(4,711)	(4,711)	
MAPS US Professional Investment Private Real Estate Investment Trust 9-1	119,005	-	119,005	96	5	5	
Richmond Private Gangnam Hotel Investment Trust	10,497	109	10,388	-	-	-	
Samsung H Club Global Muti-Strategy Professional Investment Private Investment Trust 1st	10,123	-	10,123	-	-	-	
MADW EP Co. Ltd	28,057	27,273	784	1,011	(1,132)	(1,900)	
Good Aiming 1st Co., Ltd.	46,803	47,310	(507)	2,647	577	577	
Good Aiming 2nd Co., Ltd.	45,694	48,225	(2,531)	3,950	224	224	
Good Chance 1st Co., Ltd.	120,787	121,100	(313)	3,964	379	379	
Good Chance 2nd Co., Ltd.	92,715	93,000	(285)	2,500	207	207	
Deogi Dream M.S. Co.,Ltd.	32,475	32,984	(509)	-	-	-	
Good Chance 4th Co., Ltd.	53,009	53,200	(191)	580	(191)	(191)	
MAF-Mirae Asset Agri-energy Investment Fund 4th	3,583	28	3,555	3,856	3,262	4,042	
2010 KIF-Mirae Asset IT Investment Fund 4th	22,818	324	22,494	5,461	4,099	1,474	
Mirae Asset Social Corporate Investment Fund	1,983	20	1,963	48	(521)	(521)	

	2016						
	Assets	Liabilities	Equity	Revenue	Net income (loss)	Net comprehensive gain (loss)	
Mirae Asset Agro Project Fund	₩ 16,269	999	15,270	3,086	876	12	
KoFC-Mirae Asset Pioneer Champ 2011-3rd Investment Fund	25,873	2,119	23,754	11,697	9,980	1,887	
Mirae Asset Social Corporate Investment Fund 2nd	2,364	41	2,323	1,047	729	(322)	
Noroo-Mirae Asset Agrostar Project Venture Fund	11,775	297	11,478	11,987	10,337	10,956	
Mirae Asset Good Corporate Secondary Investment Fund	16,121	173	15,948	3,756	1,911	(1,269)	
MAVI Good Company Investment Fund #1	6,536	53	6,483	185	(175)	(857)	
MAVI Good Company Investment Fund #2	5,745	47	5,698	(181)	(489)	(580)	
MIRAE ASSET Global Investment Fund	29,040	241	28,799	1,035	(530)	(3,102)	
Koscom-Mirae Asset Fintech Company Investment Fund #1	1,744	15	1,729	63	10	(265)	
MIRAE ASSET Young Start-Up Investment Fund	6,734	46	6,688	43	(143)	(312)	
Mirae Asset Good Corporate Secondary Investment Fund #2	4,812	129	4,683	24	(246)	(317)	
2016 KIF-MIRAE ASSET ICT Venture Fund	6,004	76	5,928	4	(71)	(71)	
MIRAE ASSET Good Company Investment Fund#16-1	14,004	12	13,992	4	(9)	(9)	
Mirae Asset Securities (UK) Ltd.	94,277	1,608	92,669	5,939	1,275	(7,294)	
Mirae Asset Securities (USA) Inc.	302,700	1,994	300,706	2,882	(10,473)	(24,433)	
Mirae Asset Securities	373,669	4,344	369,325	8,831	2,078	36,420	
Daewoo Securities (Hong Kong) Ltd.	451,659	8,594	443,065	36,180	3,382	2,532	
Mirae Asset Realty (Singapore) PTE.	215	25	190	-	(9)	(9)	
Asia Opportunity Arbitrage Fund	134,122	83,666	50,456	90,876	1,388	2,243	
Asia Opportunity Long Short Equity Fund	46,200	11,510	34,690	2,242	(3,131)	(2,433)	
Mirae Asset Securities (Vietnam) LLC	40,309	3,694	36,615	4,500	1,485	2,594	
Mirae Asset Wealth Management (Brazil) CCTVM	102,114	22,264	79,850	17,480	8,868	18,977	
Mirae Asset Securities (UK) Ltd.	104	(30)	134	-	-	(23)	
Mirae Asset Wealth Management (USA) Inc.	16,058	263	15,795	460	(1,668)	(1,888)	
Mirae Asset (Shanghai) Investment Consulting Co. Ltd.	980	-	980	101	93	56	
Mirae Asset Investment Advisory (BEIJING) Co., Ltd.	3,866	86	3,780	1,317	74	(206)	
Mirae Asset Securities (Singapore) Pte. Ltd.	7,075	483	6,592	1,417	16	(451)	
Mirae Asset Securities Mongolia UTsK LLC	1,721	1	1,720	496	86	(260)	
PT. Mirae Asset Sekuritas Indonesia	147,647	105,314	42,333	20,393	6,997	6,251	
Mirae Asset Investment Asia Limited	212,753	10,117	202,636	26,447	5,989	10,165	
South Mountain Asset Management Ltd.	1,125	28	1,097	42	(52)	(51)	
Daewoo Alpha Trust	4	4	-	5,419	(524)	(524)	
MAPS HAWAII TWO, LLC.	503,441	175,757	327,684	-	(2,263)	(2,263)	
MAPS WAIKIKI HOTEL, LLC.	980,862	483,172	497,690	16,313	(2,533)	(2,533)	
MAPS HOTELS AND RESORTS HAWAII 2, LLC.	4,456	742	3,714	35,561	1,240	1,240	
MAPS ROYAL GROVE, LLC.	13	2	11	45	11	11	
Money Market Trust	3,117,781	3,623	3,114,158	24,415	10,970	10,970	

(*) The financial statements of some subsidiaries are adjusted to conform to the accounting policies of the Company.

14. Investments in associates

(1) Details of investments in associates as of December 31, 2017 and 2016 are as follows:

Associates	Main business	Location	2017		
			Percentage of ownership (%)	Acquisition cost	Carrying amount
Mirae Asset Life Insurance Co., Ltd (*1)	Insurance	Korea	19.87	₩ 320,296	394,770
SMC RMB Investors II Limited.	Investment	China	30.73	245	5,517
Cassava Investment Korea Pte. Ltd.	Investment	Singapore	24.53	280	-
Daewoo Global Development Pte. Ltd.	Investment	Singapore	-	-	-
Transwestern Corporate Properties I LLC	Investment	USA	26.88	120,745	106,610
Traphaco Joint Stock Company	Manufacturing	Vietnam	40.00	125,332	125,332
Mirae Asset-NAVER New Growth Fund I	Investment	Korea	45.00	18,000	17,601
Mirae Asset-GS Retail New Growth Fund I	Investment	Korea	50.00	10,000	9,685
Mirae Asset-Celltrion New Growth Fund I	Investment	Korea	45.00	11,250	10,764
Mirae Asset Partners PEF 4th (*2)	Investment	Korea	3.97	6,087	1,333
Renaissance 1st PEF(*2)	Investment	Korea	-	-	-
New Growth Engine Green Future PEF(*2)	Investment	Korea	9.99	1,223	1,259
Lotte KDB Mirae Asset Daewoo Global Investment Partnership PEF(*2)	Investment	Korea	11.00	10	8
Mirae Asset 3rd SPAC (*3)	SPAC	Korea	0.31	19	37
Mirae Asset 5th SPAC (*3)	SPAC	Korea	0.29	14	27
Daewoo SBI Special Purpose Acquisition 1 Co., Ltd(*3)	SPAC	Korea	-	-	-
Daewoo Special Purpose Acquisition 2 Co., Ltd(*3)	SPAC	Korea	-	-	-
Daewoo Special Purpose Acquisition 3 Co., Ltd(*3)	SPAC	Korea	0.37	39	39
Mirae Asset Daewoo 1st SPAC (*3)	SPAC	Korea	0.83	40	73
				₩ 613,580	673,055

Associates	Main business	Location	2016		
			Percentage of ownership (%)	Acquisition cost	Carrying amount
Mirae Asset Life Insurance Co., Ltd (*1)	Insurance	Korea	19.87	₩ 320,296	360,177
SMC RMB Investors II Limited.	Investment	China	30.73	245	6,368
Cassava Investment Korea Pte. Ltd.	Investment	Singapore	24.53	280	-
Daewoo Global Development Pte. Ltd.	Investment	Singapore	39.00	19,915	21,143
Transwestern Corporate Properties I LLC	Investment	USA	28.53	9,449	9,449
Traphaco Joint Stock Company	Manufacturing	Vietnam	-	-	-
Mirae Asset-NAVER New Growth Fund I	Investment	Korea	45.00	9,000	9,000
Mirae Asset-GS Retail New Growth Fund I	Investment	Korea	-	-	-
Mirae Asset-Celltrion New Growth Fund I	Investment	Korea	-	-	-
Mirae Asset Partners PEF 4th (*2)	Investment	Korea	3.97	6,087	1,072
Renaissance 1st PEF(*2)	Investment	Korea	16.61	5,498	5,498
New Growth Engine Green Future PEF(*2)	Investment	Korea	9.99	2,227	2,227
Lotte KDB Mirae Asset Daewoo Global Investment Partnership PEF(*2)	Investment	Korea	10.00	9	9
Mirae Asset 3rd SPAC (*3)	SPAC	Korea	0.31	19	37
Mirae Asset 5th SPAC (*3)	SPAC	Korea	0.29	14	27
Daewoo SBI Special Purpose Acquisition 1 Co., Ltd(*3)	SPAC	Korea	0.99	70	62
Daewoo Special Purpose Acquisition 2 Co., Ltd(*3)	SPAC	Korea	0.42	48	46
Daewoo Special Purpose Acquisition 3 Co., Ltd(*3)	SPAC	Korea	0.37	40	39
Mirae Asset Daewoo 1st SPAC (*3)	SPAC	Korea	-	-	-
				₩ 373,197	415,154

(*1) Although the Group’s ownership is less than 20 percent, the Controlling Company has significant influence because it has voting power over the financial and operating policies of the investee and thus was included as associate.

(*2) Since the Controlling Company is the General Partner, the Controlling Company has significant influence over those associates.

(*3) Although the Group’s ownership is less than 20 percent, the Group has determined that it has significant influence because it has participated in decision making by appointing executives.

(2) Changes in the carrying amounts of investments in associates for the years ended December 31, 2017 and 2016 are as follows:

	2017							
	Beginning balance	Acquisition	Disposal	Reclassification	Dividend received	Share of profits (losses)	Effect on change in equity	Ending balance
Mirae Asset Life Insurance Co., Ltd	₩360,177	-	-	-	(1,586)	37,427	(1,248)	394,770
SMC RMB Investors II Limited.	6,368	-	-	-	(2,671)	1,975	(155)	5,517
Daewoo Global Development Pte. Ltd.	21,143	-	(19,499)	-	-	-	(1,644)	-
Transwestern Corporate Properties I LLC	9,449	116,673	(1,283)	-	(10,058)	5,781	(13,952)	106,610
Traphaco Joint Stock Company	-	125,332	-	-	-	-	-	125,332
Mirae Asset-NAVER New Growth Fund I	9,000	9,000	-	-	-	(399)	-	17,601
Mirae Asset-GS Retail New Growth Fund I	-	10,000	-	-	-	(315)	-	9,685
Mirae Asset-Celltrion New Growth Fund I	-	11,250	-	-	-	(486)	-	10,764
Mirae Asset Partners PEF 4th	1,072	-	-	-	-	(2)	263	1,333
Renaissance 1st PEF	5,497	-	(8,942)	-	-	3,445	-	-
New Growth Engine Green Future PEF	2,227	-	(1,080)	-	-	112	-	1,259
Lotte KDB Mirae Asset Daewoo Global Investment Partnership PEF	10	-	-	-	-	(2)	-	8
Mirae Asset 3rd SPAC	37	-	-	-	-	-	-	37
Mirae Asset 5th SPAC	27	-	-	-	-	-	-	27
Daewoo SBI Special Purpose Acquisition 1 Co., Ltd	62	-	-	(62)	-	-	-	-
Daewoo Special Purpose Acquisition 2 Co., Ltd	46	-	(46)	-	-	-	-	-
Daewoo Special Purpose Acquisition 3 Co., Ltd	39	-	-	-	-	-	-	39
Mirae Asset Daewoo 1st SPAC	-	40	-	-	-	27	6	73
	₩415,154	272,295	(30,850)	(62)	(14,315)	47,563	(16,730)	673,055

	2016								
	Beginning balance	Changes in scope of consolidation	Acquisition	Disposal	Reclassification	Dividend received	Share of profits (losses)	Effect on change in equity	Ending balance
Mirae Asset Life Insurance Co., Ltd	₩344,348	-	-	-	-	(1,586)	20,811	(3,396)	360,177
SMC RMB Investors II Limited.	7,631	-	-	-	-	(477)	(138)	(648)	6,368
Daewoo Global Development Pte. Ltd.	-	19,915	-	-	-	-	265	963	21,143
Transwestern Corporate Properties I LLC	-	-	9,449	-	-	-	-	-	9,449
Mirae Asset-NAVER New Growth Fund I	-	-	9,000	-	-	-	-	-	9,000
Mirae Asset Partners PEF 4th	5,115	-	-	-	-	-	(4,084)	41	1,072
Renaissance 1st PEF	-	5,500	-	-	-	-	(3)	-	5,497
New Growth Engine Green Future PEF	-	2,286	-	(180)	-	-	121	-	2,227
Lotte KDB Mirae Asset Daewoo Global Investment Partnership PEF	-	10	-	-	-	-	-	-	10
Mirae Asset 3rd SPAC	37	-	-	-	-	-	-	-	37
Mirae Asset 4th SPAC	19	-	-	-	(17)	-	-	(2)	-
Mirae Asset 5th SPAC	-	-	14	-	-	-	(2)	15	27
Daewoo SBI Special Purpose Acquisition 1 Co., Ltd	-	-	70	-	-	-	-	(8)	62
Daewoo Special Purpose Acquisition 2 Co., Ltd	-	-	48	-	-	-	-	(2)	46
Daewoo Special Purpose Acquisition 3 Co., Ltd	-	-	40	-	-	-	1	(2)	39
	₩357,150	27,711	18,621	(180)	(17)	(2,063)	16,971	(3,039)	415,154

(3) Financial information of investments in associates as of December 31, 2017 and 2016 is as follows:

	2017					
	Assets	Liabilities	Equity	Operating income	Profit (loss) for the period	Total Com-prehensive income
Mirae Asset Life Insurance Co., Ltd	₩ 35,527,597	33,474,018	2,053,579	4,321,774	220,684	220,684
SMC RMB Investors II Limited.	19,611	1,657	17,954	7,009	6,428	5,923
Cassava Investment Korea Pte. Ltd.	2	11,295	(11,293)	-	-	-
Transwestern Corporate Properties I LLC	396,661	19	396,642	21,509	21,509	21,509
Traphaco Joint Stock Company	57,180	13,978	43,202	-	-	-
Mirae Asset-NAVER New Growth Fund I	39,368	254	39,114	141	(875)	(875)
Mirae Asset-GS Retail New Growth Fund I	19,623	254	19,369	136	(631)	(631)
Mirae Asset-Celltrion New Growth Fund I	24,299	379	23,920	58	(1,080)	(1,080)
Mirae Asset Partners PEF 4th	72,134	28	72,106	-	(57)	(57)
New Growth Engine Green Future PEF	12,605	-	12,605	365	1,456	1,456
Lotte KDB Mirae Asset Daewoo Global Investment Partnership PEF	84	-	84	1	(4)	(4)
Mirae Asset 3rd SPAC	12,995	1,206	11,789	-	14	14
Mirae Asset 5th SPAC	10,405	1,057	9,348	-	64	64
Daewoo Special Purpose Acquisition 2 Co., Ltd	12,067	1,541	10,526	-	5	5
Mirae Asset Daewoo 1st SPAC	9,900	1,077	8,823	-	19	19

	2016					
	Assets	Liabilities	Equity	Operating income	Profit (loss) for the period	Total Com-prehensive income
Mirae Asset Life Insurance Co., Ltd	₩ 28,303,976	26,430,265	1,873,711	4,005,851	24,193	26,918
SMC RMB Investors II Limited	21,722	1,001	20,721	382	(82)	(2,113)
Cassava Investment Korea Pte. Ltd.	2	11,295	(11,293)	-	-	-
Daewoo Global Development Pte. Ltd.	257,921	203,707	54,214	1,166	874	874
Transwestern Corporate Properties I LLC	33,121	-	33,121	-	-	-
Mirae Asset-NAVER New Growth Fund I	20,000	11	19,989	-	(11)	(11)
Mirae Asset Partners PEF 4th	72,136	72,993	(857)	-	(95,829)	(95,829)
Renaissance 1st PEF	34,367	1,267	33,100	3	(16)	(16)
New Growth Engine Green Future PEF	22,292	-	22,292	531	1,820	1,820
Lotte KDB Mirae Asset Daewoo Global Investment Partnership PEF	93	5	88	1	(7)	(7)
Mirae Asset 3rd SPAC	12,939	1,157	11,782	-	63	63
Mirae Asset 5th SPAC	10,253	1,016	9,237	-	(43)	(43)
Daewoo SBI Special Purpose Acquisition 1 Co., Ltd	6,923	680	6,243	-	(37)	(37)
Daewoo Special Purpose Acquisition 2 Co., Ltd	12,049	950	11,099	-	9	9
Daewoo Special Purpose Acquisition 3 Co., Ltd	12,067	1,546	10,521	-	85	85

15. Property and equipment

(1) Details of property and equipment as of December 31, 2017 and 2016 are as follows:

	2017							
	Land	Structure	Vehicles	Furniture and fixtures	Data processing equipment	Leasehold facilities	Construction in progress	Others
Acquisition cost	₩ 84,291	22,191	1,772	133,657	87,461	8,592	19,029	3,673
Accumulated depreciation	-	(2,778)	(1,498)	(81,401)	(68,441)	(6,631)	-	(1,341)
The carrying amount, net	₩ 84,291	19,413	274	52,256	19,020	1,961	19,029	2,332

	2016							
	Land	Structure	Vehicles	Furniture and fixtures	Data processing equipment	Leasehold facilities	Others	Total
Acquisition cost	₩ 228,262	49,657	1,947	121,008	102,651	8,849	2,058	514,432
Accumulated depreciation	-	(2,525)	(1,462)	(75,500)	(79,835)	(6,206)	(1,148)	(166,676)
The carrying amount, net	₩ 228,262	47,132	485	45,508	22,816	2,643	910	347,756

(2) The Group did not recognized any impairment loss in property and equipment as of December 31, 2017 and 2016.

(3) Changes in property and equipment for the years ended December 31, 2017 are as follows:

	2017						
	Beginning balance	Acquisition	Disposal	Depreciation	Reclassification(*1)	Fluctuation of foreign exchange rate	Ending balance
Land	₩ 228,262	-	(4,115)	-	(139,856)	-	84,291
Structure	47,132	-	(221)	(3,251)	(24,247)	-	19,413
Vehicles	485	-	(72)	(181)	-	42	274
Furniture and fixtures	45,508	20,435	(4,494)	(9,265)	(66)	138	52,256
Data processing equipment	22,816	5,058	(5)	(8,828)	61	(82)	19,020
Leasehold facilities(*)	2,643	808	-	(827)	(663)	-	1,961
Construction in progress	-	19,029	-	-	-	-	19,029
Others	910	2,025	(53)	(366)	-	(184)	2,332
	₩ 347,756	47,355	(8,960)	(22,718)	(164,771)	(86)	198,576

(*1) Reclassification to Investment properties by changes of leasable area.

(*2) ₩808 million acquired from leasehold facilities through a transfer of provision of restoration incurred in relation to new lease contract.

(3) Changes in property and equipment for the years ended December 31, 2016 are as follows:

	2016								
	Beginning balance	Acquisition	Disposal	Deprecia- tion	Reclassifi- cation(*1)	Fluctuation of foreign exchange rate	Changes in scope of consolida- tion	Ending balance	
Land	₩	-	-	-	(20,410)	-	248,672	228,262	
Structure		-	1	-	(2,420)	(8,093)	-	57,644	47,132
Vehicles		60	407	-	(25)	-	(195)	238	485
Furniture and fixtures		4,575	39,082	(306)	(4,684)	-	(4)	6,845	45,508
Data processing equipment		5,133	13,125	(233)	(6,772)	-	39	11,524	22,816
Leasehold facilities(*2)		808	2,153	(1)	(929)	-	3	609	2,643
Others		343	5	-	(231)	-	157	636	910
	₩	10,919	54,773	(540)	(15,061)	(28,503)	-	326,168	347,756

(*1) Reclassification to Investment properties by changes of leasable area.

(*2) ₩2,153 million acquired from leasehold facilities through a transfer of provision of restoration incurred in relation to new lease contract.

(4) The Group is leasing a portion of the buildings, including the Yeouido office building, etc., to Standard Chartered Bank Korea Limited, etc., and therefore, it established the right to collateral security of ₩17,077 million and the right to lease on a deposit basis of ₩3,989 million related to the lease.

16. Investment properties

(1) Details of investment properties as of December 31, 2017 and 2016 are as follows:

	2017		
	Land	Structures	Total
Acquisition cost	₩ 260,113	920,433	1,180,546
Accumulated depreciation	—	(39,946)	(39,946)
The carrying amount, net	₩ 260,113	880,487	1,140,600

	2016			
	Land	Structures	Total	
Acquisition cost	₩	120,257	1,006,577	1,126,834
Accumulated depreciation		—	(11,748)	(11,748)
The carrying amount, net	₩	120,257	994,829	1,115,086

(2) The Group has not recognized any impairment loss in investment properties as of December 31, 2017 and 2016.

(3) Changes in investment properties for the years ended December 31, 2017 and 2016 are as follows:

	2017				
	Beginning balance	Depreciation	Reclassification (*1)	Others(*2)	Ending balance
Land	₩ 120,257	–	139,856	–	260,113
Structures	994,829	(29,116)	24,247	(109,473)	880,487
	₩ 1,115,086	(29,116)	164,103	(109,473)	1,140,600

	2016						
	Beginning balance	Acquisition	Depreciation	Reclassification(*1)	Others(*2)	Ending balance	
Land	₩	56,145	–	–	20,410	43,702	120,257
Structures		60,385	913,117	(10,250)	8,093	23,484	994,829
	₩	116,530	913,117	(10,250)	28,503	67,186	1,115,086

(*1) Reclassification from properties by changes of leasable area.

(*2) Effects from changes of foreign currency exchange rates and scope of consolidation.

(4) Details of gain (loss) on investment properties for the years ended December 31, 2017 and 2016 are as follows:

	2017	2016
Rental income	₩ 147,303	14,803
Direct operating expenses for investment properties that generated rental income	(70,244)	(14,785)

(5) Fair value of investment properties as of December 31, 2017 and 2016 is as follows:

	2017	2016
Land	₩ 217,598	77,741
Structures	1,008,418	1,046,652
	₩ 1,226,016	1,124,393

(*) Valuation was conducted by professional independent appraisers who have evaluated similar properties in the past. Valuation was based on inputs used in valuation technique and fair values is classified to Level 3.

(6) Valuation methods of investment property and input factor are as follows:

Valuation technique		Inputs
Land	Transaction comparison approach	Transaction price
Structures	Discounted cash flow analysis	Future cash flows (deposits, rental income, expenses, vacancy rate and others), discount rates

17. Intangible assets

(1) Changes in intangible assets for the years ended December 31, 2017 and 2016 are as follows:

	2017				
	Goodwill	Development cost	Software	Others	Total
Beginning balance, net	₩ 397,777	23,330	12,102	222,672	655,881
Acquisition	-	18,946	1,922	20,789	41,657
Amortization	-	(13,228)	(4,720)	(24,954)	(42,902)
Impairment	-	-	-	(153)	(153)
Disposal	-	-	-	(1,841)	(1,841)
Fluctuation of foreign exchange rate	-	(116)	2	(2,474)	(2,588)
Transfers	-	1,061	(1,061)	-	-
Ending balance, net	₩ 397,777	29,993	8,245	214,039	650,054

	2016				
	Goodwill	Development cost	Software	Others	Total
Beginning balance, net	₩ -	1,471	1,692	23,479	26,642
Acquisition	-	13,507	6,811	515	20,833
Amortization	-	(8,430)	(3,706)	(13,090)	(25,226)
Disposal	-	(4)	(22)	(332)	(358)
Fluctuation of foreign exchange rate	-	1,374	11	(1,259)	126
Transfers(*)	-	1,484	-	-	1,484
Changes in scope of consolidation	397,777	13,928	7,316	213,359	632,380
Ending balance, net	₩ 397,777	23,330	12,102	222,672	655,881

(*) Prepayments were transferred to intangible assets for the year ended December 31, 2016.

(2) Impairment test of intangible assets

1) Details of intangible assets tested for impairment as of December 31, 2017 and 2016 are as follows:

	2017	2016
Goodwill	₩ 397,777	397,777
Brand	56,614	56,614
	₩ 454,391	454,391

2) The recoverable amount of the assets was evaluated based upon their respective value in use. The value was calculated by traditional DCF method with considering special aspects of financial institution.

- (i) Point of evaluation date and projection period
Measurement date for the calculation of recoverable amount is September 30, 2017 and its projection period for cash flow estimates is adjusted to 5.25 years. Terminal growth rate is measured beyond the forecast period.
- (ii) Discount rate and terminal growth rate
The required rates of return expected by shareholders were applied to the discount rates by calculating the cost of capital which comprises a risk-free interest rate, a market risk premium and a systemic risk(beta factor). Expected terminal growth rate after the projection period is decided to apply to 1%.
- (iii) The main assumptions use in estimating future cash flow are the rate of GDP growth and Consumer Price Index (CPI).

3) As a result of an impairment test, the recoverable amount of the intangible assets exceeds its book value to ₩511,904 million, therefore no impairment was recognized.

18. Other assets

Details of other assets as of December 31, 2017 and 2016 are as follows:

	2017	2016
Advance payments	₩ 80,693	99,672
Prepaid expenses	25,071	18,784
Others	8,147	2,251
	₩ 113,911	120,707

19. Pledged assets

Details of pledged assets as of December 31, 2017 and 2016 are as follows:

	2017	2016	Purpose
Cash and cash equivalent	₩ 394,487	-	Securities lending and borrowing
Financial assets at FVTPL	20,112,781	19,454,639	Securities sold under repurchase agreements(*1), securities borrowing, trading with collateral on derivatives(*2), etc.
Loans and receivables	31,489,442	898,324	Derivatives-linked securities, payments and settlements etc.
AFS financial assets	4,660,612	3,008,716	Securities sold under repurchase agreements(*1), BTL (Build-Transfer-Lease)(*3), etc.
	₩ 56,657,322	23,361,679	

(*1) The Group has a contract to repurchase the transferred assets at predetermined price or selling price, plus a certain rate of return, and therefore, financial assets derecognized are provided as collaterals and the transferee can sell or practice rehypothecation. After transfer, the Group recognizes securities sold under repurchase agreements as liabilities since the transferred asset is continuously recognized.

(*2) The Group provides securities or bonds as collateral that correspond to a certain percentage of amount of securities borrowed during loan transaction, and also provides collateral for the margin call arising due to the decline in valuation of derivative in OTC derivative transactions.

(*3) In connection with BTL business, 52,227 shares of Hawoon Education Corp., which is the operating company of the BTL business are provided to the National Federation of Fisheries Cooperatives as collateral.

20. Financial liabilities at FVTPL

The Group’s financial liabilities at FVTPL are classified as financial liabilities at FVTPL held for trading and financial liabilities designated at FVTPL.

(1) Details of the financial liabilities at FVTPL held for trading as of December 31, 2017 and 2016 are as follows:

		2017	2016
Securities in short position	₩	816,883	615,896
Derivative liabilities		1,320,154	2,053,528
	₩	2,137,037	2,669,424

(2) Details of the financial liabilities designated at FVTPL as of December 31, 2017 and 2016 are as follows:

		2017	2016
Hybrid financial instruments			
Equity-linked securities	₩	12,144,915	15,734,655
Other derivatives combine securities sold		3,150,509	3,645,015
	₩	15,295,424	19,379,670

(3) Details of the securities in short position as of December 31, 2017 and 2016 are as follows:

		2017	2016	Valuation
Equity securities	₩	598,486	272,489	Fair value
Bonds		218,314	342,100	Fair value
Others (ETF)		83	1,307	Fair value
	₩	816,883	615,896	

(*) The Controlling Company treats securities lending and borrowing, manages memorandum account for the securities borrowed from the Korea Securities Depository and recognizes them as financial liabilities at FVTPL when the Controlling Company sells securities borrowed. In addition, The Controlling Company also recognizes as financial liabilities at FVTPL for short selling of securities without performing securities lending and borrowing.

21. Deposits due to customers (“Deposits”)

Details of the deposits due to customers as of December 31, 2017 and 2016 are as follows:

		2017	2016
Customers’ deposits			
Customers’ deposits for brokerage	₩	3,859,830	2,976,902
Customers’ deposits for exchange traded derivatives trading		385,504	535,945
Customers’ deposits for savings		62,078	37,057
Customers’ deposits for beneficiary		167,238	244,840
Others		518,143	266,701
		4,992,793	4,061,445
Guarantee deposits			
Guarantee for broker loans		98,993	34,313
Guarantee for credit account		3,160	3,223
		102,153	37,536
Others		23,931	26,094
	₩	5,118,877	4,125,075

22. Borrowings

(1) Details of the borrowings as of December 31, 2017 and 2016 are as follows:

		2017		
	Lender	Interest rate (%)		Amount
Borrowings	Korea Securities Finance Corp.	1.50~1.73	₩	2,300,000
	Dongbu Insurance Co., Ltd. and others	3.40~5.50		69,231
	KDB Bank and others	1.75~6.80		842,866
Call money	Woori bank and others	1.62~1.72		600,000
Securities sold under repurchase agreements	Others	0.10~3.20		43,132,859
Others		0.10~1.75		2,445,240
			₩	49,390,196

		2016		
	Lender	Interest rate (%)		Amount
Borrowings	Korea Securities Finance Corp.	1.35~2.79	₩	2,158,391
	Dongbu Insurance Co., Ltd. and others	3.40~5.50		69,235
	Shinhan Bank and others	2.69~5.30		1,084,531
Call money	Woori bank and others	1.28~1.44		710,000
Securities sold under repurchase agreements	Others	0.90~1.50		14,924,737
			₩	18,946,894

(2) Changes in borrowings for the year ended December 31, 2017 and 2016 are as follow:

	2017	2016
Beginning balance	₩ 18,946,894	9,715,171
Changes from financing cash flow		
Changes of borrowings, net	3,040,699	(2,759,279)
Effect from fluctuations in exchange rate	(67,810)	13,793
Changes due to merger	–	11,977,209
Others	27,470,413	–
Ending balance	₩ 49,390,196	18,946,894

23. Debentures

Details of the debentures as of December 31, 2017 and 2016 are as follows:

(1) General bonds

	Issued date	Due date	Interest rate (%)	2017	2016
The 4th public offering subordinated Debenture	2013.02.21	2018.08.21	4.10	₩ 200,000	200,000
The 5th public offering subordinated Debenture	2016.07.28	2022.01.28	3.50	300,000	300,000
The 38~2nd public offering Debenture	2012.11.20	2017.11.20	3.21	–	150,000
The 38~3rd public offering Debenture	2012.11.20	2019.11.20	3.37	50,000	50,000
The 39~1st public offering Debenture	2015.05.28	2018.05.28	2.10	250,000	250,000
The 39~2nd public offering Debenture	2015.05.28	2020.05.28	2.39	50,000	50,000
The 40th public offering Debenture	2016.06.03	2019.06.03	1.86	250,000	250,000
The 41th public offering Debenture	2016.06.29	2021.06.29	1.83	80,000	80,000
The 42th public offering Debenture	2016.07.22	2021.07.22	1.77	170,000	170,000
The 43th public offering subordinated Debenture	2016.12.08	2022.06.08	4.00	40,000	40,000
The 44th public offering subordinated Debenture	2016.12.15	2022.06.15	4.00	210,000	210,000
The 45th public offering subordinated Debenture	2016.12.20	2022.06.20	4.00	150,000	150,000
The 46th public offering subordinated Debenture	2017.01.20	2022.07.20	3.70	220,000	–
MAPS HAWAII TWO LLC Mezzanine Loan	2016.09.12	2021.09.22	5.40	155,353	175,232
Face Value				2,125,353	2,075,232
Discount on Debentures				(157)	2,593
Book Value				₩ 2,125,196	2,077,825

(2) Asset backed short-term bond

2017				
	Lender	Interest rate (%)	Amount	
Asset backed short-term bond	Samsung Investment Trust Management Co., Ltd and others	1.70 ~ 2.07	₩	960,301

2016				
	Lender	Interest rate (%)	Amount	
Asset backed short-term bond	Samsung Investment Trust Management Co., Ltd and others	1.36 ~ 1.52	₩	647,800

(3) Changes in debentures for the years ended December 31, 2017 and 2016 are as follow:

	2017	2016
Beginning balance	₩ 2,725,625	1,496,066
Changes from financing cash flow		
Changes of borrowings, net	382,541	(313,892)
Amortization of discount on debentures	(2,937)	(1,470)
Effect from fluctuations in exchange rate	(19,732)	–
Changes due to merger	–	1,544,921
Ending balance	₩ 3,085,497	2,725,625

24. Provisions

(1) Details of provisions as of December 31, 2017 and 2016 are as follows:

	2017	2016
Provisions:		
Provision of restoration(*)	₩ 9,751	10,114
Provision of litigations	9,993	4,556
Others	633	482
	₩ 20,377	15,152

(*) Provision of restoration represents the estimated costs to restore the existing leased properties, which are discounted to the present value using the appropriate discount rate at the end of the reporting period. Disbursements of such costs are expected to occur at the end of the lease contract. Such costs are reasonably estimated using the average lease year from initial contract date to the end of the contract as of December 31, 2017. The average restoration expense is calculated based on the actual costs incurred for the past five years using the five-year average inflation rate.

(2) Changes in provisions for the years ended December 31, 2017 and 2016 are as follows:

	2017			
	Provision of restoration	Provision of litigations	Others	Total
Beginning balance	₩ 10,114	4,556	482	15,152
Provisions provided(*)	954	12,403	346	13,703
Reversal of unused amount	(668)	(2,736)	–	(3,404)
Provisions used	(649)	(4,230)	(195)	(5,074)
Ending balance	₩ 9,751	9,993	633	20,377

(*) Provisions provided for the year ended December 31, 2017, consist of provision of restoration of ₩792 million, which occurred in relation to new lease contracts and interest expenses of ₩162 million and reversal of provision of litigations ₩12,403 million, and provisions related to point provided to customers ₩346 million.

	2016			
	Provision of restoration	Provision of litigations	Others	Total
Beginning balance	₩ 4,900	–	119	5,019
Provisions provided(*)	2,283	62	487	2,832
Reversal of unused amount	(433)	(8,517)	(31)	(8,981)
Provisions used	(199)	(4,212)	(93)	(4,504)
Changes in scope of consolidation	3,563	17,223	–	20,786
Ending balance	₩ 10,114	4,556	482	15,152

(*) Provisions provided for the year ended December 31, 2016, consist of provision of restoration of ₩2,153 million, which occurred in relation to new lease contracts and interest expenses of ₩130 million and reversal of provision of litigations ₩62 million, and provisions related to point provided to customers ₩487 million.

25. Other liabilities

(1) Details of other liabilities as of December 31, 2017 and 2016 are as follows:

	2017	2016
Other financial liabilities:		
Accounts payable	₩ 6,173,968	2,014,341
Accrued expenses	272,232	158,092
Deposits received	22,709	19,621
Financial guarantee contract liabilities	83,663	68,849
Dividends payable	2	2
	6,552,574	2,260,905
Other liabilities:		
Deposits received	45,191	46,268
Advance received	140,668	4,531
Income in advance	16,807	15,312
Defined benefit liabilities	634	473
Others	1,415,262	410,112
	1,618,562	476,696
	₩ 8,171,136	2,737,601

(2) Defined benefit liabilities as of December 31, 2017 and 2016 are as follows:

	2017	2016
Defined benefit obligation	₩ 717	570
Transfer from national pension	(83)	(97)
Defined benefit liabilities	₩ 634	473

(3) Changes in defined benefit obligation for the years ended December 31, 2017 and 2016 are as follows:

	2017	2016
Beginning balance	₩ 570	-
Changes in scope of consolidation	-	5,573
Current service cost	297	722
Salaries paid	(99)	(1,417)
Conversion to defined contribution plan	-	(4,361)
Gain/loss on foreign exchange	(51)	53
Ending balance(*)	₩ 717	570

(*) The amount, which is for temporary employees was calculated using a simple method due to difficulty of reliable estimation.

(4) Changes in plan assets for the years ended December 31, 2017 and 2016 are as follows:

	2017	2016
Beginning Balance	97	-
Changes in scope of consolidation	₩ -	10,768
Expected return on plan assets	-	82
Benefits paid by the plan	(14)	(1,265)
Conversion to defined contribution plan	-	(9,488)
Ending balance	₩ 83	97

(5) Details of expenses recognized in profit and loss regarding retirement benefits for the years ended December 31, 2017 and 2016 are as follows:

	2017	2016
Defined contribution	₩ 34,821	22,903
Defined benefit	298	640
	₩ 35,119	23,543

26. Derivatives

(1) Details of derivatives for trading as of December 31, 2017 and 2016 are as follows:

	2017			2016		
	Contracts	Assets	Liabilities	Contracts	Assets	Liabilities
Equity:						
Futures	₩ 730,121	6,257	6,051	1,745,169	1,387	5,300
Option	18,371,016	161,338	360,723	8,318,954	151,172	289,606
Swaps	10,700,826	143,622	131,808	10,194,939	435,824	578,255
	29,801,963	311,217	498,582	20,259,062	588,383	873,161
Interest rate:						
Forwards	20,000	-	99	-	-	-
Futures	791,646	1,796	219	1,724,420	239	1,443
Option	2,102,619	22,226	75,159	2,062,324	20,842	96,375
Swaps	136,647,683	248,990	305,476	138,963,116	426,020	505,905
	139,561,948	273,012	380,953	142,749,860	447,101	603,723
Currency:						
Forwards	21,270,777	357,422	379,388	6,621,247	132,624	226,629
Futures	22,488	3,659	179	258,717	1	-
Option	77,034	1,766	-	121,515	6,512	-
Swaps	5,071,783	112,423	102,617	5,765,785	218,437	274,306
	26,442,082	475,270	482,184	12,767,264	357,574	500,935
Credit:						
Swaps	3,201,472	24,298	13,507	3,773,953	19,561	2,967
Commodity:						
Futures	25,866	670	768	42,455	2,019	119
Option	38,570	-	67	192	3	-
Swaps	152,940	1,547	9,590	214,323	3,239	46,198
	217,376	2,217	10,425	256,970	5,261	46,317
Others:						
Option	13,000	86	-	13,000	125	-
Swaps	417,925	1,150	19,735	528,131	5,083	32,650
ELW	-	-	11,648	-	-	17,381
Others	24,431	24,929	-	85,124	46,866	160
	455,356	26,165	31,383	626,255	52,074	50,191
Credit value adjustment	-	(5,019)	(2,319)	-	(6,359)	(8,079)
Day 1 profit or loss	-	3,466	(94,561)	-	(12,124)	(15,687)
	₩ 199,680,197	1,110,626	1,320,154	180,433,364	1,451,471	2,053,528

(2) Details of derivatives for fair value hedges as of December 31, 2017 and 2016 are as follows:

	2017			2016		
	Contracts	Assets	Liabilities	Contracts	Assets	Liabilities
Currency:						
Forwards	₩	498,061	14,604	-	-	-

(*) The Group designated derivatives as hedging instruments to hedge the risk of foreign currency risk of available-for-sale financial asset, etc.

(3) Gains or losses on valuation and transaction of derivatives for trading for the years ended December 31, 2017 and 2016 are as follows:

	2017		2016	
	Valuation	Transaction	Valuation	Transaction
Equity	₩	261,850	517,085	910,849
Interest rate		58,455	29,216	(74,070)
Currency		(31,109)	267,936	(178,591)
Credit		(4,452)	7,997	2,090
Commodity		30,524	(13,509)	5,558
Others		(17,993)	(19,413)	26,594
	₩	297,275	789,312	692,430

(4) Gains or losses on valuation and transaction of derivatives for fair value hedges for the years ended December 31, 2017 and 2016 are as follows:

	2017	2016
Hedging instruments	₩	5,758
Hedged Item		(5,758)

(5) The Group has not recognized in profit or loss on any ineffective portion of changes in net instrument in foreign operations for the years ended December 31, 2017 and 2016.

27. Capital stock

(1) Authorized shares of capital stock for the Company as of December 31, 2017 are 1,000,000,000 shares.

(2) Details of the capital stock for the Group as of December 31, 2017 and 2016 are as follows:

	2017	2016
Issued shares of capital stock	666,316,408 shares	666,316,408 shares
Issued shares of capital stock (preferred stock)	14,075,750 shares	14,075,750 shares
Par value per share (in Korean won)	5,000	5,000
Capital stock	₩	3,401,961

(3) In accordance with the board resolution on December 15, 2017 and January 4, 2018, the Group will issue participating and cumulative preferred stock of 140,000,000 shares on March 2018.

28. Capital surplus

Details of capital surplus as of December 31, 2017 and 2016 are as follows:

	2017	2016
Additional paid-in capital	₩	1,809,156
Gain on sales of treasury stocks		351,446
Consideration of convertible bonds		2,623
Others		1,424
	₩	2,164,649

29. Retained earnings and dividends

(1) The Group’s legal reserve and other reserves as of December 31, 2017 and 2016 are as follows:

	2017	2016
Legal reserve(*1)	₩	109,044
Reserve for loss on future transactions(*2)		67
Regulatory reserve for loan losses		50,849
Unappropriate retained earnings		1,715,023
	₩	1,874,983

(*1) The Commercial Law of the Republic of Korea requires the Company to appropriate an amount equal to a minimum of 10% of cash dividends paid as a legal reserve, until such reserve equals 50% of its issued capital stock. This reserve is not available for the payment of cash dividends, but may be transferred to capital stock, or used to reduce accumulated deficit, if any, with the ratification of the Company’s majority shareholders.

(*2) Pursuant to Article 50 of the Korean Futures Trading Act and Article 13-10 of the Enforcement Decree of the same Act, the Group reserved for loss on futures. The additional reserve for loss on futures transactions is not required according to enactment of the Act on Indirect Investment Asset Management Business and is classified as voluntary reserves.

(2) Changes in unappropriated retained earnings for the years ended December 31, 2017 and 2016 are as follows:

	2017	2016
Beginning balance	₩	1,284,667
Net income attributable to equity holder of the Controlling Company		503,176
Dividends		(25,941)
Provision for legal reserve		(78,136)
Provision for regulatory reserve for loan losses		31,257
Ending balance	₩	1,715,023

(3) Details of dividend for the year ended December 31, 2017, are as follows:

Description	Issued shares	Treasury stock (shares)	Shares outstanding	Cash dividend per share (in won)	Total cash dividend
Common stock	666,316,408	158,392,158	507,924,250	₩	50
Preferred stock	14,075,750	4,178,560	9,897,190		55
	680,392,158	162,570,718	517,821,440		₩

(4) Statements of appropriation of retained earnings of the Company for the years ended December 31, 2017 and 2016 are as follows:

	2017		2016	
		Expected date of appropriation: March 27, 2018	Determined date of appropriation: March 24, 2017	
I. Unappropriated retained earnings				
Unappropriated retained earning carried forward from the prior year	₩	1,180,736		1,225,734
Net income for the year		424,428		27,822
		1,605,164		1,253,556
II. Transfer from voluntary reserves, etc.				
Transfer form regulatory reserve for loan losses		-		31,257
		-		31,257
III. Appropriation of retained earnings				
Legal reserve(*)		12,469		78,136
Regulatory reserve for loan losses		37,732		-
Cash dividends				
Dividends per share in won				
Common stock				
Current year: ₩220 (4.4%)				
Previous year: ₩50 (1.0%)		124,692		25,941
Preferred stock				
Current year: ₩242(4.84%)				
Previous year: ₩55(1.1%)				
		174,893		104,077
IV. Unappropriated retained earnings to be carried over to subsequent year	₩	1,430,271		1,180,736

(*) Legal reserve to be appropriated for the year ended December 31, 2016, will include accumulated appropriated legal reserve of ₩75,542 million, which was appropriated by the former, Daewoo Securities Co., Ltd. before the business combination. (see note 51)

30. Capital adjustment and accumulated other comprehensive income

(1) Details of capital adjustment as of December 31, 2017 and 2016 are as follows:

	2017	2016
Treasury stock	₩ (62,463)	(89,431)
Loss on sales of treasury stock	-	(6,129)
Stock options	1,836	1,920
Others	52,913	(9,398)
	₩ (7,714)	(103,038)

(2) Details of accumulated other comprehensive income as of December 31, 2017 and 2016 are as follows:

	2017	2016
Gain on valuation of AFS financial assets	₩ 111,810	135,934
Gain on valuation of investments in associates	16,677	24,871
Loss on foreign currency translation adjustment	(218,293)	(31,875)
Gain on valuation of derivatives	12,600	-
	₩ (77,206)	128,930

31. Regulatory reserve for loan losses

(1) According to the Regulation on Financial Investment Business 3-8, if the allowances for loan losses reserved for the accounting purpose in accordance with K-IFRS are less than the amount of the allowances for loan losses reserving with the supervision purpose, the differences are disclosed as regulatory reserve for loan losses.

(2) Details of the ending balance of regulatory reserve for loan losses as of December 31, 2017 and 2016 are as follows:

	2017	2016
Regulatory reserve for loan losses	₩ 50,849	82,106
Estimated (transfer from) regulatory reserve for loan losses	37,732	(31,257)
	₩ 88,581	50,849

(3) Details of net income and earnings per share adjusted for regulatory reserve for the years ended December 31, 2017 and 2016 are as follows:

	2017	2016
Net income	₩ 503,176	39,291
Transfer from (provision for) regulatory reserve for loan losses(*1)	(37,732)	54,453
Net income adjusted for regulatory reserve	₩ 465,444	93,744
Earnings per share adjusted for regulatory reserve (in Korean won)	874	276

(*1) Amount related to Daewoo Securities Co., Ltd. is excluded from transfer form regulatory reserve for loan losses for the year ended December 31, 2017.

32. Fee income and expense

(1) Fee income incurred for the years ended December 31, 2017 and 2016 are as follows:

	2017	2016
Brokerage commissions	₩ 432,314	311,916
Underwriting commissions	85,335	35,628
Handling fee of collective investments	89,056	78,058
Management fee on asset management	26,795	30,192
Advisory fee	5,070	41,151
Trust fee	40,657	47,672
Others	216,012	126,605
	₩ 895,239	671,222

(2) Fee expenses incurred for the years ended December 31, 2017 and 2016 are as follows:

	2017	2016
Trading commissions	₩ 47,717	28,490
Investment solicitor fees	4,075	1,960
Others	109,251	96,617
	₩ 161,043	127,067

33. Gains (Losses) on financial instruments at FVTPL

(1) Details of gains on change in value of and disposal of financial instruments at FVTPL for the years ended December 31, 2017 and 2016 are as follows:

		2017	2016
Disposal of financial assets held for trading	₩	604,229	218,504
Change in value of financial assets held for trading		161,133	73,405
Disposal of financial liabilities held for trading		76,691	72,098
Change in value of financial liabilities held for trading		7,955	17,415
Derivative transactions		4,123,010	2,746,790
Changes in value of derivative instruments		1,349,772	1,514,799
Disposal of financial assets designated at FVTPL		187,104	210,368
Change in value of financial assets designated at FVTPL		57,235	287,173
Disposal of financial liabilities designated at FVTPL		226,576	34,193
Change in value of financial liabilities designated at FVTPL		208,981	214,849
	₩	7,002,686	5,389,594

(2) Details of losses on change in value of and disposal of financial instruments at FVTPL for the years ended December 31, 2017 and 2016 are as follows:

		2017	2016
Disposal of financial assets held for trading	₩	398,814	248,863
Change in value of financial assets held for trading		111,301	88,231
Disposal of financial liabilities held for trading		104,066	81,338
Change in value of financial liabilities held for trading		21,512	3,458
Derivative transactions		3,333,698	2,520,975
Changes in value of derivative instruments		1,052,497	822,369
Disposal of financial assets designated at FVTPL		45,346	168,974
Change in value of financial assets designated at FVTPL		47,561	33,014
Disposal of financial liabilities designated at FVTPL		1,306,255	647,628
Change in value of financial liabilities designated at FVTPL		435,803	1,422,926
	₩	6,856,853	6,037,776

34. Gains and losses on valuation and disposal of AFS financial assets

(1) Details of gains on AFS financial assets recognized for the years ended December 31, 2017 and 2016 are as follows:

		2017	2016
Disposal of AFS financial assets	₩	114,487	70,377

(2) Details of losses on AFS financial assets recognized for the years ended December 31, 2017 and 2016 are as follows:

		2017	2016
Disposal of AFS financial assets	₩	25,058	29,680
Impairment loss on AFS financial assets		27,168	50,602
	₩	52,226	80,282

35. Interest income and expense

(1) Details of interest income for the years ended December 31, 2017 and 2016 are as follows:

		2017	2016
Financial assets at FVTPL			
Interest on securities	₩	422,197	539,546
Interest on derivatives		4,944	1,615
		427,141	541,161
AFS financial assets			
Interest on securities		123,542	94,254
Loans and receivables			
Interest on deposits		76,510	59,058
Interest on loans		500,164	208,491
Interest on other assets		25,411	22,563
		602,085	290,112
	₩	1,152,768	925,527

(2) Details of interest expenses for the years ended December 31, 2017 and 2016 are as follows:

		2017	2016
Financial liabilities at FVTPL			
Interest on derivatives	₩	5,977	855
Interest on deposits due to customers		28,869	25,313
Interest on borrowings		436,522	277,034
Interest on debentures		70,975	55,400
Others		39,110	24,354
	₩	581,453	382,956

36. Gains and losses on loans

Gains and losses on loans for the years ended December 31, 2017 and 2016 is as follows:

	2017		2016	
Loans				
Gain on sales of loan	₩	3,553		205
Reversal of allowances for loan losses		1,478		8,543
Loss on sales of loan		(175)		-
Bad debt expense		(1,967)		(20,206)
	₩	2,889		(11,458)

37. Gains and losses on foreign transaction

(1) Details of the assets and liabilities denominated in foreign currency as of December 31, 2017 and 2016 are as follows:

(In thousands of dollar, in millions of won)	2017		2016	
	Foreign Currency	Won	Foreign Currency	Won
Assets				
Cash and cash equivalent	2,094,918	₩ 2,244,494	958,299	₩ 1,158,105
Financial assets at FVTPL	3,712,558	3,977,635	1,975,799	2,387,753
AFS financial assets	1,156,144	1,238,693	1,299,995	1,571,044
Loans and receivables	27,684,312	29,660,972	1,152,191	1,392,423
Other financial assets	2,914,710	3,122,820	225,163	272,109
	37,562,642	₩ 40,244,614	5,611,447	₩ 6,781,434
Liabilities				
Financial liabilities at FVTPL	2,333,147	₩ 2,499,734	1,279,979	₩ 1,546,854
Deposits due to customers	502,509	538,388	235,018	284,020
Borrowings	29,061,466	31,136,454	794,847	960,573
Other financial liabilities	3,036,420	3,253,221	243,741	294,561
	34,933,542	₩ 37,427,797	2,553,585	₩ 3,086,008

(2) Gains and losses on foreign currency transactions for the years ended December 31, 2017 and 2016 are as follows:

	2017		2016	
Gains on foreign currency transactions	₩	675,181		413,687
Gains on foreign currency translations		67,478		162,897
Losses on foreign currency transactions		(662,328)		(371,475)
Losses on foreign currency translations		(235,981)		(1,779)
	₩	(155,650)		203,330

38. Other operating income and expense

(1) Details of other operating income for the years ended December 31, 2017 and 2016 are as follows:

	2017		2016	
Dividend income	₩	165,327		103,986
Distribution income		54,986		40,736
Rental income from investment property		147,303		14,803
Reversal of other bad debt allowances		715		358
Gains on hedged item		1,569		-
Gains on hedging instrument		7,327		-
Others		8,553		32,086
	₩	385,780		191,969

(2) Details of other operating expenses for the years ended December 31, 2017 and 2016 are as follows:

	2017		2016	
Other bad debt expense	₩	1,653		8,236
Provision of allowances for litigation		12,403		62
Losses on hedged item		7,327		-
Losses on hedging instrument		1,569		-
Others		11,728		8,139
	₩	34,680		16,437

39. Classification of financial instruments by category

(1) Details of categories of financial assets as of December 31, 2017 and 2016 are as follows:

	2017				
	Loans and receivables	Financial assets held for trading	Financial assets designated at FVTPL	AFS financial assets	Total
Cash and cash equivalents	₩ 1,374,449	-	-	-	1,374,449
Financial assets held for trading	-	28,199,027	-	-	28,199,027
Financial assets designated at FVTPL	-	-	2,068,506	-	2,068,506
AFS financial assets	-	-	-	8,838,520	8,838,520
Loans and receivables	46,923,425	-	-	-	46,923,425
	₩ 48,297,874	28,199,027	2,068,506	8,830,520	87,403,927

	2016				
	Loans and receivables	Financial assets held for trading	Financial assets designated at FVTPL	AFS financial assets	Total
Cash and cash equivalents	₩ 2,006,029	-	-	-	2,006,029
Financial assets held for trading	-	28,902,564	-	-	28,902,564
Financial assets designated at FVTPL	-	-	4,285,228	-	4,285,228
AFS financial assets	-	-	-	8,739,717	8,739,717
Loans and receivables	10,080,235	-	-	-	10,080,235
	₩ 12,086,264	28,902,564	4,285,228	8,739,717	54,013,773

(2) Details of categories of financial liabilities as of December 31, 2017 and 2016 are as follows:

	2017			
	Financial liabilities held for trading	Financial liabilities designated at FVTPL	Other financial liabilities	Total
Financial liabilities held for trading	₩ 2,137,037	–	–	2,137,037
Financial liabilities designated at FVTPL	–	15,295,424	–	15,295,424
Deposits due to customers	–	–	5,118,877	5,118,877
Borrowings	–	–	49,390,196	49,390,196
Debentures	–	–	3,085,497	3,085,497
Other financial liabilities	–	–	6,552,574	6,552,574
	₩ 2,137,037	15,295,424	64,147,144	81,579,605

	2016			
	Financial liabilities held for trading	Financial liabilities designated at FVTPL	Other financial liabilities	Total
Financial liabilities held for trading	₩ 2,669,424	–	–	2,669,424
Financial liabilities designated at FVTPL	–	19,379,670	–	19,379,670
Deposits due to customers	–	–	4,125,075	4,125,075
Borrowings	–	–	18,946,894	18,946,894
Debentures	–	–	2,725,625	2,725,625
Other financial liabilities	–	–	2,260,905	2,260,905
	₩ 2,669,424	19,379,670	28,058,499	50,107,593

(3) Details of gains (losses) on the financial instruments classified into the categories above for the year ended December 31, 2017 and 2016 are as follows:

	2017						
	Dividend income	Interest income (loss)	Gain on valuation	Loss on valuation	Gain on transaction and redemption	Loss on transaction and redemption	Impairment loss
Financial assets:							
Financial assets held for trading (except for derivatives)	₩ 96,719	390,114	161,133	(111,301)	604,229	(398,814)	–
Financial assets designated at FVTPL	8,836	32,083	57,235	(47,561)	187,104	(45,346)	–
AFS financial assets	91,840	123,542	–	–	114,487	(25,058)	(27,168)
Loans and receivables	–	602,085	–	–	3,553	(175)	(1,427)
	197,395	1,147,824	218,368	(158,862)	909,373	(469,393)	(28,595)
Financial liabilities:							
Financial liabilities held for trading (except for derivatives)	–	–	7,955	(21,512)	76,691	(104,066)	–
Financial liabilities designated at FVTPL	–	–	208,981	(435,803)	226,576	(1,306,255)	–
Deposits due to customers	–	(28,869)	–	–	–	–	–
Borrowings	–	(436,522)	–	–	–	–	–
Debentures	–	(70,975)	–	–	–	–	–
Other financial liabilities	–	(39,110)	–	–	–	–	–
	–	(575,476)	216,936	(457,315)	303,267	(1,410,321)	–
Derivatives (*)	–	(1,033)	1,349,772	(1,052,497)	4,123,010	(3,333,698)	–
	₩ 197,395	571,315	1,785,076	(1,668,674)	5,335,650	(5,213,412)	(28,595)

(*) The Group's derivatives are classified as financial assets or liabilities held for trading except for derivatives that are designated at effective hedging instrument.

	2016						
	Dividend income	Interest income (loss)	Gain on valuation	Loss on valuation	Gain on transaction and redemption	Loss on transaction and redemption	Impairment loss
Financial assets:							
Financial assets held for trading (except for derivatives)	₩ 36,175	479,098	73,405	(88,231)	218,504	(248,863)	–
Financial assets designated at FVTPL	8,803	60,448	287,173	(33,014)	210,368	(168,974)	–
AFS financial assets	99,744	94,254	–	–	70,377	(29,680)	(50,602)
Loans and receivables	–	290,112	–	–	205	–	(19,541)
	144,722	923,912	360,578	(121,245)	499,454	(447,517)	(70,143)
Financial liabilities:							
Financial liabilities held for trading (except for derivatives)	–	–	17,415	(3,458)	72,098	(81,338)	–
Financial liabilities designated at FVTPL	–	–	214,849	(1,422,926)	34,193	(647,628)	–
Deposits due to customers	–	(25,313)	–	–	–	–	–
Borrowings	–	(277,034)	–	–	–	–	–
Debentures	–	(55,400)	–	–	–	–	–
Other financial liabilities	–	(24,354)	–	–	–	–	–
	–	(382,101)	232,264	(1,426,384)	106,291	(728,966)	–
Derivatives (*)	–	760	1,514,799	(822,369)	2,746,790	(2,520,975)	–
	₩ 144,722	542,571	2,107,641	(2,369,998)	3,352,535	(3,697,458)	(70,143)

(*) The Group's derivatives are classified as financial assets or liabilities held for trading except for derivatives that are not designated at effective hedging instrument.

40. Employee costs

Details of employee costs for the years ended December 31, 2017 and 2016 are as follows:

	2017	2016
Salaries	₩ 538,513	374,923
Severance benefits	35,119	23,543
Employee benefits	73,640	61,477
	₩ 647,272	459,943

41. Selling and administrative expenses

Details of selling and administrative expenses for the years ended December 31, 2017 and 2016 are as follows:

		2017	2016
Electronic data processing	₩	42,091	39,167
Rental		70,598	46,690
Commission		29,509	40,142
Entertainment		16,911	14,032
Advertisement		20,762	24,229
Depreciation		22,718	15,061
Depreciation on investment property		29,116	9,374
Training		6,426	6,667
Amortization		42,902	25,226
Taxes and dues		41,337	32,684
Others		114,549	79,658
	₩	436,919	332,930

42. Non-operating income

Details of non-operating income for the years ended December 31, 2017 and 2016 are as follows:

		2017	2016
Gain on disposal of property and equipment	₩	1,805	35
Gain on disposal of intangible assets		89	1,060
Gain on disposal of investments in subsidiaries		8,404	677
Gain on disposal of investments in associates		80	19
Gain on valuation of investments in associates		50,787	21,382
Others		50,459	24,575
	₩	111,624	47,748

43. Non-operating expense

Details of non-operating expense for the years ended December 31, 2017 and 2016 are as follows:

		2017	2016
Loss on disposal of property and equipment	₩	289	338
Loss on intangible assets		17	125
Impairment on intangible assets		153	–
Loss on disposal of investments in subsidiaries		6,791	2,315
Loss on disposal of investments in associates		28	–
Loss on valuation of investments in associates		3,224	4,410
Donations		4,033	4,097
Others		60,093	18,693
	₩	74,628	29,978

44. Income tax expense

(1) Details of income tax expense for the years ended December 31, 2017 and 2016 are as follows:

		2017	2016
Current income tax payable	₩	150,243	17,427
Changes in deferred income tax due to temporary differences		33,866	79,940
Changes in other prepaid income tax		28,901	(1,050)
Changes in deferred income tax due to business combination		–	(78,741)
Income tax expense regarding to items recognized as other comprehensive income		(53,195)	(12,336)
Income tax expense for the Group	₩	159,815	5,240

(2) Profit before income taxes and income tax expense for the years ended December 31, 2017 and 2016 is as follows:

		2017	2016
Profit before income tax	₩	664,749	20,941
Tax calculated at statutory tax rate		160,407	4,606
Adjustments:			
Non-deductible expense		3,910	6,347
Non-taxable income		(1,972)	(10)
Effects of change in tax rate and other		(2,530)	(4,840)
Additional income taxes and tax refund		–	(863)
Income tax expense for the Group	₩	159,815	5,240
Effective tax rate		24.04%	25.02%

(3) Changes in temporary differences and the deferred tax assets and liabilities for the years ended December 31, 2017 and 2016 are as follows:

	2017		
	Beginning balance	Addition (deduction)(*)	Ending balance
Financial assets at FVTPL	₩ (74,914)	158,583	83,669
Investment on subsidiaries and associates	(196,516)	132,663	(63,853)
Accrued interest receivable	(117,211)	6,517	(110,694)
Impairment loss on AFS financial assets	200,918	(23,109)	177,809
Gain (loss) on valuation of AFS financial assets	(335,194)	23,078	(312,116)
AFS financial assets	9,250	21,976	31,226
Gain (loss) on valuation of derivatives	116,678	(261,443)	(144,765)
Gain (loss) on valuation of derivative-linked securities	(71,555)	49,106	(22,449)
Gain (loss) on valuation of derivative-linked securities in short position	(72,148)	239,185	167,037
Gain (loss) on valuation of securities in short position	(13,994)	21,452	7,458
Incentive payables	15,772	109,899	125,671
Provision of payment guarantees	16,159	61,796	77,955
Restoration liabilities	5,293	4,458	9,751
Gain (loss) on foreign currency translation	8,354	(26,979)	(18,625)
Tangible assets	(72,421)	(2,701)	(75,122)
Intangible assets	(563,466)	13,089	(550,377)
Treasury stocks	2,529,296	(740,770)	1,788,526
Others	41,668	(29,000)	12,668
	1,425,969	(242,200)	1,183,769
Not recognized as deferred tax assets (liabilities)	(529,351)		(438,243)
Recognized as deferred tax assets (liabilities)	1,955,320		1,622,012
Tax rate	24.20%, etc.		27.50%, etc.
Deferred tax assets (liabilities)	₩ 477,788	(33,866)	443,922

	2016		
	Beginning balance	Addition (deduction)(*)	Ending balance
Financial assets at FVTPL	₩ (51,216)	(23,698)	(74,914)
Investment on subsidiaries and associates	(31,478)	(165,038)	(196,516)
Accrued interest receivable	(56,149)	(61,062)	(117,211)
Impairment loss on AFS financial assets	57,208	143,710	200,918
Gain (loss) on valuation of AFS financial assets	(109,567)	(225,627)	(335,194)
AFS financial assets	2,312	6,938	9,250
Gain (loss) on valuation of derivatives	541,920	(425,242)	116,678
Gain (loss) on valuation of derivative-linked securities	3,152	(74,707)	(71,555)
Gain (loss) on valuation of derivative-linked securities in short position	(595,665)	523,517	(72,148)
Gain (loss) on valuation of securities in short position	1,045	(15,039)	(13,994)
Incentive payables	22,220	(6,448)	15,772
Provision of payment guarantees	13,370	2,789	16,159
Restoration liabilities	4,900	393	5,293
Gain (loss) on foreign currency translation	2,018	6,336	8,354
Tangible assets	-	(72,421)	(72,421)
Intangible assets	-	(563,466)	(563,466)
Treasury stocks	-	2,529,296	2,529,296
Others	(31,534)	73,202	41,668
	(227,464)	1,653,433	1,425,969
Not recognized as deferred tax assets (liabilities)	4,980		(529,351)
Recognized as deferred tax assets (liabilities)	(232,444)		1,955,320
Tax rate	24.20%, etc.		24.20%, etc.
Deferred tax assets (liabilities)	₩ (54,362)	532,150	477,788

(*) The increase or decrease in the temporary differences includes the increase or decrease arose due to merger.

(4) Temporary differences that are not recognized as deferred tax liabilities as of December 31, 2017 and 2016 are as follows:

	2017	2016
Investment in subsidiaries	₩ 40,466	131,574
Goodwill	397,777	397,777
Total	₩ 438,243	529,351

(5) Details of deferred tax relating to items that are recognized directly in equity for the years ended December 31, 2017 and 2016 are as follows:

	2017	2016
Deferred tax:		
Gain (loss) on valuation of AFS financial assets	₩ 5,929	11,981
Changes in equity adjustments from equity-method valuation	(3,177)	-
Other	(65,300)	-
	(62,548)	11,981
Current income tax:		
Loss on disposition of treasury stock	114,160	9
Stock option	1,583	346
	115,743	355
Income tax expense directly charged or credited to equity	₩ 53,195	12,336

45. Earnings per share (“EPS”)

(1) Basic EPS

	2017	2016
Net profit attributable equity holder of the Controlling Company	₩ 503,176	39,291
Weighted-average number of common shares outstanding	532,783,826 shares	339,200,160 shares
Basic EPS (in won)	944	116

(2) Weighted-average number of shares of common stocks outstanding for the years ended December 31, 2017 and 2016 is as follows:

	2017		2016	
	Common stocks outstanding	Cumulative shares	Common stocks outstanding	Cumulative shares
Issued stock	666,316,408	243,205,488,920	666,316,408	125,279,381,895
Treasury stock	(110,377,511)	(48,739,392,365)	(158,392,158)	(1,132,123,167)
Shares outstanding	555,938,897	194,466,096,555	507,924,250	124,147,258,728
Days		365		366
Weighted-average number of shares of common stocks outstanding		532,783,826		339,200,160

(3) Diluted EPS

Diluted EPS is same as basic EPS for the years ended December 31, 2017 and 2016.

46. Commitments and contingencies

(1) The Group has entered into various agreements with various financial institutions as of December 31, 2017, and the details are as follows:

Description	Financial Institution	Contract amount	
Collateral financial support borrowings		₩	1,700,000
Agency operation borrowings		₩	1,000,000
Agency operation borrowings (Reserve for claims of customer’s deposits)	Korea Securities Finance Corp.	₩	within the range of amount of deposits
Notes discounting		₩	200,000
Notes discounting (Deposits for subscription)		₩	within the range of amount of deposits
Overdraft for operation (daily)		₩	200,000
Overdraft for operation (daily)	Shinhan Bank	₩	680,000
Term loan	Bank Julius Baer	USD	10,000,000
	Bank of China (Hong Kong) Limited	USD	3,870,968
Overdraft	Euroclear Bank SA/NV	USD	1,000,000
	BIDV	VND	195,000,000,000
	Bank of China (Hong Kong) Limited	USD	19,354,839
Overdraft for operation (daily)	The Bank of New York Mellon	USD	100,000,000
	Shinhan Bank	USD	100,000,000
	KDB(London Branch)	USD	10,000,000
	Shinhan Bank(London Branch)	USD	5,000,000
Overdraft for operation (Line of credit)	Shinhan Bank(Vietnam)	VND	200,000,000,000
	Indovinabank	VND	40,000,000,000
	Vietinbank	VND	200,000,000,000
	BMO Harris Bank	USD	130,000,000
	KDB(Singapore Branch)	USD	20,000,000
	UOB Indonesia	IDR	80,000,000,000
Revolving Credit Facility	J Trust Indonesia	IDR	100,000,000,000
	CIMB Indonesia	IDR	100,000,000,000
	KEB Hana Indonesia	IDR	100,000,000,000
	Permata Bank	IDR	50,000,000,000

(2) As of December 31, 2017, the Company is involved in 19 lawsuits as a defendant (lawsuit amount: ₩50,449 million) and in 8 lawsuits as a plaintiff (lawsuit amount: ₩155,065 million). The results of the litigations cannot be predicted at the moment.

(3) The Group has leased equipment under operating lease agreements, and lease expenses for year ended December 31, 2017, amounted to ₩514 million. Future lease payments by periods under operating lease agreements are as follows:

Period	Amount	
2018.01.01 – 2018.12.31	₩	143
2019.01.01 – 2019.12.31		101
2020.01.01 – 2020.12.31		28
2021.01.01 – 2021.12.31		4
	₩	276

(4) Details of liabilities related financial guarantee contracts as of December 31, 2017 and 2016 are as follows:

	Guarantee amount	Financial guarantee contract liabilities
Fiji Nabou Green Energy Co., LTD	₩ 31,300	2016.01.18~2018.04.18
Trophy Asset 1st. Co., LTD	20,000	2016.10.06~2021.04.06
DoubleSW Co., LTD	65,000	2015.06.15~2020.06.15
HC Hybrid 1st Co., LTD	20,100	2017.03.27~2022.03.27
Mirae Asset Daewoo 1st Co., LTD	50,000	2017.09.06~2018.09.06
HC Hybrid 2nd Co., LTD	10,100	2017.10.17~2022.10.17
Dws Gangnam Mice Co., Ltd.	65,000	2015.06.30~2018.06.29
Dwssia Co., Ltd.	13,000	2015.10.20~2023.10.11
Madw South Grand Co., Ltd.	34,700	2017.04.24~2022.04.09
Dws Munjeong City Co., Ltd.	25,500	2015.06.19~2018.09.19
Madw Lcp 2nd Co., Ltd.	53,570	2014.08.29~2018.06.29
Dws New Spring Co., Ltd.	30,000	2015.08.31~2018.10.31
Madw Dt5-1 Co., Ltd.	20,000	2016.09.09~2020.03.08
Madw Green City 1st Co., Ltd.	30,000	2016.09.12~2019.09.11
Th 3rd Co., Ltd.	50,000	2016.10.14~2018.04.14
Madw Seongsu Wcenter Co., Ltd.	30,000	2017.05.02~2020.08.02
Investship 1st Co., Ltd	22,700	2015.03.31~2021.07.03
Wingsky 1st Co., Ltd	24,700	2015.05.06~2021.05.06
Invest Farm Land 4th Co., Ltd	20,000	2017.02.24~2018.02.24
GSPJ10TH	9,000	2016.08.05~2019.10.05
JJ Build Up Co., Ltd	100,700	2017.03.21~2018.03.21
MD FLIGHT Co., Ltd	30,400	2017.04.07~2020.07.07
Island Ocean Co., Ltd	30,000	2017.04.14~2020.07.14
MDLD 2nd Co., Ltd	50,000	2017.04.28~2021.10.28
Onthecloud Co., Ltd.	19,600	2015.06.05~2018.06.05
Mapo Hangang One 2nd Co., Ltd.	18,800	2015.06.18~2018.06.18
Vision Blue Green 1st Co., Ltd.	20,000	2016.06.23~2019.06.24
Camicia 1st	11,700	2016.02.04~2019.03.04
Diaslandmark Co., Ltd.	21,300	2015.03.23~2018.03.23
Yong-in Forest City the 2nd Co., Ltd.	22,300	2015.09.23~2018.09.26
Fly High 1st Co., Ltd.	25,700	2017.02.08~2019.05.08
Kwangkyo Triton 1st Co., Ltd.	37,800	2017.04.07~2021.04.07
Fly High 2nd Co., Ltd.	30,600	2017.04.21~2020.01.21
Best Award 1st Co., Ltd.	25,000	2017.07.31~2020.07.31
MS Daejang 2nd Co.	15,200	2017.11.08~2018.11.27
Navey peer 1st Co.,Ltd.	17,000	2016.12.23~2018.12.23
Bredbury 1st Co., Ltd.	3,000	2016.05.31~2021.05.31
GuroJD 1st Co., Ltd.	4,000	2016.05.31~2019.01.31
Yeksam Trinity 3rd Co.,Ltd.	9,500	2016.07.20~2019.07.20
Gilson Park 1st Co.,Ltd.	5,000	2017.07.07~2021.07.07
Sangdomirae 1st Co.,Ltd.	30,000	2017.06.21~2021.09.23
Mirae SF 1st Co.,Ltd	25,000	2017.06.20~2020.02.20
MS Dongtan 1st Co.,Ltd	10,000	2016.04.28~2019.07.29
MS Yonghyun 1st Co.,Ltd	5,000	2016.12.16~2018.04.16
Yeksam Best 1st Co.,Ltd	13,000	2016.06.30~2019.08.30
MS Gunpo 1st Co.,Ltd	5,000	2016.07.01~2018.11.01
MS Songdo 2nd Co.,Ltd	40,000	2016.12.13~2020.12.13

	Guarantee amount	Financial guarantee contract liabilities
MS Dongtan Techno 3rd Co.,Ltd	₩ 10,000	2016.11.22~2019.07.22
MS Gwangjoo Moollyu 1st Co.,Ltd	44,000	2017.05.31~2028.05.31
MS Songdo Retail 1st Co.,Ltd	5,000	2017.06.01~2022.06.01
MS Songdo Retail 2nd Co.,Ltd	20,300	2017.06.01~2022.06.01
MS Daejang 1st Co.,Ltd	17,600	2017.11.08~2018.11.27
MS Daejang 3rd Co.,Ltd	15,200	2017.11.08~2018.11.27
MS Hogye 1ST Co.,Ltd	19,000	2017.11.30~2020.01.30
MD Sadang Retail 1ST Co.,Ltd	43,906	2017.11.28~2020.11.27
MD Samgakji Stay Co.,Ltd	50,000	2017.12.08~2021.06.08
MSSP 1st Co.,Ltd	27,500	2014.12.29~2020.12.29
Mscarsquare 1st Co.,Ltd	15,000	2015.05.08~2018.05.08
VLM 1st Co.,Ltd	6,700	2017.10.20~2018.05.03
HOPYEONGALFHEIM 3rd Co, Ltd	20,000	2017.06.30~2021.06.30
MS Highend 1st Co.,Ltd	35,000	2017.04.26~2019.04.26
MS Sejong 3rd Co.,Ltd	10,000	2017.08.24~2022.08.26
Lake Baekwoon 3rd Co., Ltd.	20,000	2016.11.04~2019.11.04
BL Enery 1st Co., Ltd.	109,000	2017.02.24~2020.02.25
CES 1st Co., Ltd.	30,200	2017.11.21~2019.11.20
Landfill Administration 1st Co., Ltd.	21,200	2017.12.19~2020.04.19
	₩ 1,769,876	

(5) As of December 31, 2017, the Group entered into an agreement to purchase a portion of the commercial paper and asset backed short-term bond when the commercial paper and asset backed short-term bond will not be purchased or paid until the issue date based on the purchase guarantee contract. The details of agreements are as follows:

Institution	Contract amount	Contract Period
Good Aiming 3rd Co., Ltd.	₩ 49,900	2015.09.23~2020.10.19
Good Aiming 4th Co., Ltd.	50,000	2016.04.25~2021.05.25
Good Aiming 5th Co., Ltd.	31,000	2016.09.29~2019.07.24
Able Maecheon 2nd Co., Ltd.	58,500	2016.08.30~2019.06.28
Investment Power 4th Co., Ltd.	31,200	2012.09.28~2018.12.27
Investment Power 5th Co., Ltd.	11,500	2012.09.28~2018.12.27
Investment Power 6th Co., Ltd.	6,700	2013.08.12~2018.12.27
M-Square Mia 3rd Co., Ltd.	17,300	2015.10.23~2019.02.24
MD Prime 1st Co., Ltd	412,300	2017.11.16~2022.09.16
Uiwang Parade Co., Ltd.	66,000	2016.12.26~2019.12.26
KDB Partners Co., Ltd.	20,200	2014.05.13~2019.05.13
Yongin Hansup City 2nd Co., Ltd.	12,200	2015.09.23~2018.09.23
Constellation 1st Co., Ltd.	30,100	2016.03.22~2020.12.21
Sangok The Seven Co., Ltd	23,000	2017.10.25~2021.01.26
Klass One 1st Inc.	33,500	2013.11.28~2018.12.21
DKO 1st Inc.	20,300	2013.07.29~2018.12.06
ECO Future 1st Inc.	30,000	2016.09.30~2019.09.30
KimpoHangangPark 1st Co.,Ltd.	29,800	2017.09.11~2022.10.11
MS GADI Co.,Ltd	49,000	2017.11.29~2022.08.29
MSSP 2nd Inc.	50,000	2014.12.29~2020.12.29
MSSP 3rd Inc.	45,000	2014.12.29~2020.12.29
MS Sejong 1st Inc.	60,000	2014.02.27~2020.08.26

Institution	Contract amount		Contract Period
MS Dangjin 1st Inc.	₩	34,000	2017.02.17~2019.02.18
MS Bonchon 1st Inc.		43,000	2017.03.23~2019.11.25
MS Misa 1st Inc.		40,000	2017.04.07~2020.10.07
MS Songjeong 1st Inc.		22,000	2017.10.25~2020.10.25
MS Beomeo 1st Inc.		62,000	2017.11.16~2021.02.16
Hyundai Card Co., Ltd.		50,000	2017.08.16~2020.08.14
Hyundai Capital Co., Ltd.		50,000	2017.08.18~2020.08.18
	₩	1,438,500	

(6) The balance of commitments on loans, etc. is ₩369,713 million as of December 31, 2017.

(7) As of December 31, 2017 and 2016 the securities in custody on behalf of the Group's customers are as follows:

	2017	2016	Valuation method
Trust or securities in custody	₩ 140,021,753	144,495,926	Fair value
Saver securities in custody	239,466	303,399	Fair value
Collective investment securities	35,874,883	30,885,648	Standard sold price
Others	9,988,379	283	Fair value
	₩ 186,124,481	175,685,256	

(8) Details of loaned securities as of December 31, 2017 and 2016 are as follows:

	2017	2016	Valuation method
Equity securities	₩ 985,955	1,103,744	Fair value
Others (ETF)	715,553	2,071	Fair value
	₩ 1,701,508	1,105,815	

(9) Details of borrowed securities as of December 31, 2017 and 2016 are as follows:

	2017	2016	Valuation method
Equity securities	₩ 1,653,019	1,873,845	Fair value
Bonds	3,795,507	1,411,165	Fair value
Others (ETF)	361,387	10,990	Fair value
	₩ 5,809,913	3,296,000	

(*) The Controlling Company treats securities lending and borrowing, manages memorandum account for the securities borrowed from the Korea Securities Depository and recognizes them as financial liabilities at FVTPL when the Controlling Company sells securities borrowed. In addition, the Controlling Company also recognizes financial liabilities at FVTPL for short selling of securities without performing securities lending and borrowing.

47. Share-based payments

(1) Stock options

1) Details of the Group's share-based compensation as of December 31, 2017, is as follows:

	Mirae Asset Daewoo Co., Ltd. (*)		Mirae Asset Wealth Management (HK) Limited	Mirae Asset Venture Investment Co., Ltd.
Granted to	Executives	Executives	Executives	Executives and employees
Grant date	2012.06.05	2014.07.15	2008.04.02	2015.03.31, 2015.07.08
Granted shares	310,000 shares	15,000 shares	74,700,000 shares	384,000 shares
Grant method	Issuance of treasury stock	Issuance of treasury stock	Issuance of treasury stock	Issuance of new shares
Vesting condition	2 years of service from grant date	2 years of service from grant date	3 months of service from grant date	2 years of service from grant date
Exercise period	2015.06.05~2020.06.04	2017.07.15~2022.07.14	2008.07.02~2018.04.01	2017.03.31~2024.03.31
Exercise price (in KRW)	Type 1: 37,463 Type 2: 47,680	39,192	HKD 1.09	13,000
Granted shares	Type 1: 230,000 shares Type 2: 80,000 shares	15,000 shares	74,700,000 shares	384,000 shares
Residual shares as of December 31, 2017	210,000 shares 8,000 shares	15,000 shares	49,800,000 shares	322,000 shares
Exercisable shares as of December 31, 2017	210,000 shares 8,000 shares	15,000 shares	49,800,000 shares	322,000 shares
〈Various factors for fair value measurements〉				
Option pricing model	Binomial tree	Black-Scholes option pricing model	Black-Scholes option pricing model	DCF, Binomial tree
Risk-free interest rate	3.6%, 3.34%	2.583%, 2.865%	1.90%	2.09%
Expected stock price volatility	46.19%, 39.59%, 48.11%	33.17%	46.38%	52.03%
Assumption for dividend	Assumed dividend payment of KRW 500 at the end of each year	Assumed dividend payment of KRW 350 at the end of each year	-	-
Stock price at grant date (in won)	30,850	49,450	-	12,102
Fair value of stock option (in won)	Type 1: 8,444 Type 2: 6,758	14,575	HKD 0.6047	7,134

2) The Group recognized costs and carrying amounts of equity related to share-based payments as follows:

	Mirae Asset Daewoo Co., Ltd.	Mirae Asset Wealth Management (HK) Limited	Mirae Asset Venture Investment Co., Ltd.
Estimated amount of shares vested at settlement date(*1)	305,000 shares	49,800,000 shares	322,000 shares
Total compensation cost	2,533	HKD 30,117,721.40	2,297
Amount recognized as stock option expenses during the year of 2017	-	-	187
Balances of Stock Option in December 31, 2017(*2)	1,836	-	-

(*1) The Group assumed that the stock options are fully vested at the end of the service period as the Group could not make a reasonable assumption of the retirement rate.

(*2) Mirae Asset Wealth Management (HK) Limited and Mirae Asset Venture Investment Co., Ltd. recognized capital adjustment related to share-based payments of HKD 30,117,721 and ₩1,958 million for the year ended December 31, 2017. These were adjusted and thus there is no balance of capital adjustment in the Controlling Company's consolidated statement of financial position as of December 31, 2017.

3) Change in granted shares for the year ended December 31, 2017 and 2016 are as follows:

		2017		
		Beginning	Expired	Ending
Mirae Asset Daewoo				
2012 Grant	Type 1	210,000	-	210,000
	Type 2	80,000	-	80,000
2014 Grant		15,000	-	15,000
		305,000	-	305,000
Mirae Asset Wealth Management (HK) Limited				
2008 Grant		49,800,000	-	49,800,000
Mirae Asset Venture Investment Co., Ltd.				
2015 Grant		384,000	(62,000)	322,000
		50,489,000	(62,000)	50,427,000

		2016		
		Beginning	Expired	Ending
Mirae Asset Daewoo				
2012 Grant	Type 1	210,000	-	210,000
	Type 2	80,000	-	80,000
2014 Grant		15,000	-	15,000
		305,000	-	305,000
Mirae Asset Wealth Management (HK) Limited				
2008 Grant		49,800,000	-	49,800,000
Mirae Asset Venture Investment Co., Ltd.				
2015 Grant		384,000	-	384,000
		50,489,000	-	50,489,000

(2) Share-based Payments

In conformity with the performance-based compensation system model for financial investment companies, the Controlling Company deferred portions of management incentives and divided payments across three years, and therefore recognized equity and liabilities are as follows:

	2017		2016
Accrued expenses	₩	5,632	6,558
Capital adjustment		4,947	-

48. Related-party transactions

(1) As of December 31, 2017, the Controlling Company is Mirae Asset Securities Co., Ltd. and the related parties are as follows:

Type	Name of the related parties
Associates	Mirae Asset Life Insurance Co., Ltd
	Mirae Asset 3rd SPAC
	Mirae Asset 5th SPAC
	Daewoo Special Purpose Acquisition 3 Co., Ltd
	Mirae Asset Daewoo 1st SPAC
	Mirae Asset Partners PEF 4th
	New Growth Engine Green Future PEF
	Lotte KDB Mirae Asset Daewoo Sparx Global Investment Partnership PEF
	Mirae Asset-NAVER New Growth Fund I
	Mirae Asset-GS Retail New Growth Fund I
	Mirae Asset-Celltrion New Growth Fund I
	SMC RMB Investors II Limited
	Cassava Investment Korea Pte. Ltd
	Transwestern Corporate Properties I LLC
	Traphaco Joint Stock Company
	Mirae Asset Capital Co., Ltd.
	Mirae Asset Wealth Management Co., Ltd.
Other related parties	Mirae Asset Consulting Co., Ltd.
	Miraeasset fund services Co.,Ltd, and member firm in a Large Business Group

(2) Significant assets and liabilities from transactions with related parties as of December 31, 2017 and 2016 are as follows:

	2017					
	Receivables			Payables		
	Loans	Guarantees	Others	Debentures	Others	
Associates						
Mirae Asset Life Insurance Co., Ltd.	₩	-	-	3	361,510	3,398
Cassava Investment Korea Pte. Ltd.(*1)		2,751	-	-	-	-
Mirae Asset 3rd SPAC		-	-	1,194	-	-
Mirae Asset 5th SPAC		-	-	700	-	-
Daewoo SBI Special Purpose Acquisition 1 Co., Ltd		-	-	-	-	-
Daewoo Special Purpose Acquisition 2 Co., Ltd		-	-	-	-	-
Daewoo Special Purpose Acquisition 3 Co., Ltd		980	-	-	-	-
Mirae Asset Daewoo 1st SPAC		760	-	-	-	-
Other related parties						
Mirae Asset Capital Co., Ltd., (*2)		-	-	-	50,220	71
Mirae Asset Global InvestmentsCo.,Ltd.		-	-	-	-	4,519
Others		-	15,085	8,134	-	15,542
	₩	4,491	15,085	10,031	411,730	23,530

	2016					
	Receivables			Payables		
	Loans	Guarantees	Others	Debentures	Others	
Associates						
Mirae Asset Life Insurance Co., Ltd.	₩	-	-	-	290,947	499
Cassava Investment Korea Pte. Ltd.(*1)		2,751	-	-	-	-
Mirae Asset 3rd SPAC		-	-	1,200	-	-
Mirae Asset 5th SPAC		-	-	700	-	-
Daewoo SBI Special Purpose Acquisition 1 Co., Ltd		715	-	-	-	-
Daewoo Special Purpose Acquisition 2 Co., Ltd		726	-	-	-	-
Daewoo Special Purpose Acquisition 3 Co., Ltd		980	-	-	-	-
Mirae Asset Daewoo 1st SPAC		-	-	-	-	-
Other related parties						
Mirae Asset Capital Co., Ltd.(*2)		-	-	-	40,139	4
Mirae Asset Global InvestmentsCo.,Ltd.		-	-	-	-	711
Others		-	12,790	807	-	7,606
	₩	5,172	12,790	2,707	331,086	8,820

(*1) Bad debt allowances set at 100% as of December 31, 2017 and 2016 due to business delays.
(*2) Mirae Asset Capital Co., Ltd has been changed to other related parties for the year ended December 31, 2017.

(3) Significant transactions with related parties for the years ended December 31, 2017 and 2016 are as follows:

	2017						
	Profit transaction			Loss transaction			
	Dividends	Commissions	Others	Rent	Commissions	Others	
Associates							
Mirae Asset Life Insurance Co., Ltd	₩	1,586	2,499	4,049	-	1,060	13,481
Mirae Asset Partners PEF 4th		-	-	-	-	-	-
SMC RMB Investors II Limited		1,531	-	-	-	-	-
New Growth Engine Green Future PEF		-	45	-	-	-	-
Mirae Asset 4th SPAC		-	-	-	-	-	-
Mirae Asset 5th SPAC		-	-	-	-	-	-
Daewoo SBI Special Purpose Acquisition 1 Co., Ltd		-	383	-	-	-	-
Mirae Asset Daewoo 1st SPAC		-	120	-	-	-	-
Other related parties							
Mirae Asset Capital Co., Ltd(*2)		-	22	14	-	10	2,481
Mirae Asset Global Investments Co.,Ltd.		-	4	118	-	11,257	-
Others		17,524	6,085	2,127	20,492	3,348	7,657
	₩	20,641	9,158	6,308	20,492	15,675	23,619

	2016						
	Profit transaction			Loss transaction			
	Dividends	Commissions	Others	Rent	Commissions	Others	
Associates							
Mirae Asset Life Insurance Co., Ltd.	₩	1,588	1,366	196	3	723	4,900
Mirae Asset Partners PEF 4th		-	-	4	-	-	-
SMC RMB Investors II Limited		1,617	-	-	-	-	-
New Growth Engine Green Future PEF		-	52	-	-	-	-
Mirae Asset 4th SPAC		-	200	-	-	-	-
Mirae Asset 5th SPAC		-	100	-	-	-	-
Daewoo SBI Special Purpose Acquisition 1 Co., Ltd		-	-	-	-	-	-
Mirae Asset Daewoo 1st SPAC		-	-	-	-	-	-
Others related parties							
Mirae Asset Capital Co., Ltd(*2)		-	1,291	42	-	1	321
Mirae Asset Global Investment Co., Ltd.		-	625	14	-	1,333	4,296
Others		57,600	3,263	22	26,522	1,203	7,702
	₩	60,805	6,897	278	26,525	3,260	17,219

(*1) Bad debt allowances set at 100% as of December 31, 2017 and 2016 due to business delays.
(*2) Mirae Asset Capital Co., Ltd has been changed to other related parties for the year ended December 31, 2017.

(4) Dividends paid by the Controlling Company to related parties for the years ended December 31, 2017 and 2016 are as follows:

	2017	2016
Mirae Asset Capital Co., Ltd.	₩	6,153
Mirae Asset Consulting Co., Ltd.		52
	₩	6,205
		14,494
		122
		14,616

(5) The Group has entered into the entrusted investment service agreement for the Group’s Wrap Account with Mirae Asset Global Investment Co., Ltd., a related party.

	2017	2016
Wrap Account		
Outstanding balance of the Wrap Account	₩ 162,587	68,044
Wrap Account		
Operating expenses	558	458

(6) Compensation for key management, which consists of officers and chief managers who have important duties and responsibilities over the planning, operating and control of the Controlling Company, is as follows:

	2017	2016
Short-term salaries	₩ 6,203	2,240
Severance benefits	1,455	562
Share-based payments	-	59
	₩ 7,658	2,861

49. Interests in unconsolidated structured entities

(1) Characteristics and scope of the interests in unconsolidated structured entities

Characteristics	Purpose	Main business	Financing method	Total Asset	
				2017	2016
Asset-backed SPC	Liquidity improvements for the asset holder through early liquidation of assets	- Execution of asset-backed plans - Transfer and collect liquidated assets - Issuance and redemption of ABS	Issuance of ABS	₩ 2,158,690	1,644,963
Project financing SPC	SOC, investing and financing for real estate development	- SOC for construction and real estate development	Investor investments and borrowing from financial institutions	5,384,534	4,130,966
Investment fund (*)	Generate revenue from investment in financial and non-financial instruments	- Managing and operating fund assets - Remuneration fund payment and distribution of operating revenue	- Sales of beneficiary certificates - General Partner and Limited Partner investments	20,390,024	9,732,623

(*) Beneficiary of certificate, PEF, etc.

(2) Carrying amounts of the interests related to unconsolidated structured entities and maximum exposure to loss as of December 31, 2017 and 2016 are as follows:

	2017			
	Asset-backed SPC	Project financing SPC	Investment fund	Total
Assets				
AFS financial assets	₩ 2	46,901	2,163,468	2,210,371
Associates	-	-	1,259	1,259
Loans	219,968	228,631	-	448,599
	219,970	275,532	2,164,727	2,660,229
Purchasing commitments and guarantees	1,835,100	1,295,276	283,686	3,414,062
Maximum exposure amount of loss	₩ 2,055,070	1,570,808	2,448,413	6,074,291

	2016			
	Asset-backed SPC	Project financing SPC	Investment fund	Total
Assets				
Financial assets designated at FVTPL	₩ 125,200	-	-	125,200
AFS financial assets	-	42,924	1,228,648	1,271,572
Associates	-	-	7,642	7,642
Loans	140,988	85,991	7,500	234,479
	266,188	128,915	1,243,790	1,638,893
Purchasing commitments and guarantees	1,271,200	802,068	-	2,073,268
Maximum exposure amount of loss	₩ 1,537,388	930,983	1,243,790	3,712,161

50. Supplemental cash flow information

Significant non-cash transactions liabilities for the years ended December 31, 2017 and 2016 are as follows:

	2017	2016
Gains on valuation of AFS financial assets	₩ (27,213)	49,504
Substitution of deposits receivable to advanced payment	(164,121)	-
Income tax effect of treasury stock disposal	(114,160)	-
Substitution of deposits receivable to advanced payment	5,027	-
Substitution of advanced payment to investment in subsidiary	-	119,265
Account reclassification of loans (debt for equity swap)	-	6,391

51. Business combination and merger

(1) Business combination

1) General information

On April 7, 2016, Mirae Asset Securities Co., Ltd. (“the Controlling Company”) obtained control over Mirae Asset Daewoo Co.,Ltd. by acquiring 140,481,383 common shares of Mirae Asset Daewoo Co.,Ltd. (43.0% of ownership) at ₩2,320,500 million (₩16,519 per share) from Korea Development Bank in order to maximize the profit of customers and shareholders and contribute to the development of capital market by raising corporate value and revitalizing global investment through the launch of a large financial investment company.

In accordance with the board resolution on November 4, 2016, the Controlling Company merged Mirae Asset Daewoo Co., Ltd. as a surviving company and Mirae Asset Securities Co., Ltd. as a company to be extinguished on December 29, 2016. This is a merger transaction between parent company and subsidiaries under common control.

2) As of April 7, 2016, the value of assets acquired and liabilities assumed due to business combination is as follows:

Classification	Amount
Consideration transferred(*5)	
Cash, etc.	₩ 2,320,546
Fair value of acquired assets(*1)	-
Cash and cash equivalent	1,122,657
Financial assets at FVTPL	19,411,801
AFS financial assets	7,998,609
Loans and receivables(*3)	7,539,894
Investments in associates	27,710
Property and equipment	326,168
Investment properties	67,186
Intangible assets(*4)	234,603
Others	124,194
Total assets	₩ 36,852,822
Fair value of liabilities assumed(*1)	-
Financial liabilities at FVTPL	₩ 13,365,762
Deposits due to customers	2,849,586
Borrowings	11,977,210
Debentures	1,544,922
Provisions	20,786
Others	2,499,481
Total liabilities	₩ 32,257,747
Fair value of identifiable net assets	4,595,075
Non-controlling interest(*2)	2,672,306
Goodwill	397,777
Total	₩ 2,320,546
Direct acquisition costs(*6)	₩ 1,491

(*1) Recognized at fair value of assets and liabilities of Mirae Asset Daewoo Co., Ltd. at the time of acquisition.
(*2) Non-controlling interests are measured by considering the fair value of the stock options based on fair value of identifiable net assets of subsidiaries and the percentage of ownership.

(*3) Details of loans and receivables acquired are as follows:

Classification	Amount
Fair value of loans and receivables	₩ 7,539,894
Contractual amount of loans and receivables	7,639,864
The best estimate on the acquisition date for the contractual cash flows not expected to be recovered	₩ (99,970)

(*4) Intangible assets recognized as a result of a business combination are as follows:

Classification	Amount	
Intangible assets of securities brokerage	₩ 109,179	Fair value of intangible assets of securities brokerage and securities bank deposits acquired are measured using.
Intangible assets of securities bank deposits	12,985	Multi-period Excess Earnings Method (MEEM) among various profit methods. Multi-period Excess Earnings Method is based on the theory that not only tangible assets but also intangible assets contribute to economic gains, and excess profit is calculated by deducting contributed asset costs, reflecting the market expected returns of all other assets that were used to generate the revenues, from estimated future revenues and expenses arising from the intangible assets
Brand	56,614	Fair value of intangible brand asset is measured using Relief-from-Royalty Method among various profit methods. The value of an intangible asset using Relief-from-Royalty Method is measured by present value of royalty exemptions based on corresponding asset-specific discount rate. The royalty exemption is calculated by applying the estimated royalty rate, which is estimated through royalty payments cases and qualitative indicators in the same industry, to the estimated profit.
	₩ 178,778	

(*5) Consideration transferred consists of:

Classification	Amount
Total amount of shares acquired	₩ 2,320,546
Security deposit for execution of stock trading paid in the previous year	(119,265)
Amount of shares acquired, paid in current year	₩ 2,201,281

(*6) Total of ₩1,491 million, including legal service fees and due diligence fees, was incurred as a result of the business combination and thus were recognized as commission expenses in the consolidated statement of comprehensive income.

3) Disclosure of information about the acquiree’s revenue and profit and loss after the business combination

Details of operating income and net income of Mirae Asset Daewoo Securities Co., Ltd. (formerly, Daewoo Securities Co., Ltd.) included in the consolidated statement of comprehensive income is as follows:

Classification	Operating income	Net income
Amount included in the consolidated statement of comprehensive income	₩ 3,135,641	42,407
Expected amount to be included at the time of consolidation, January 1, 2016	4,838,431	89,560

4) Disclosure of information about the cash flows

Details of cash flows related to business combinations are as follows:

Classification	Amount
Amount of shares acquired	₩ (2,320,546)
Security deposit for execution of stock trading paid in the previous year	119,265
Cash acquired from a subsidiary acquired	1,122,657
Net cash outflows	₩ (1,078,624)

(2) Merger

In accordance with the board resolution on May 13, 2016, the Group entered into a merger agreement with Mirae Asset Daewoo Co., Ltd. as a surviving company and Mirae Asset Securities Co., Ltd. as a company to be extinguished. The acquirer and acquiree resolved the merger agreement in extraordinary shareholders meeting on November 4, 2016, and therefore merged on December 29, 2016.

