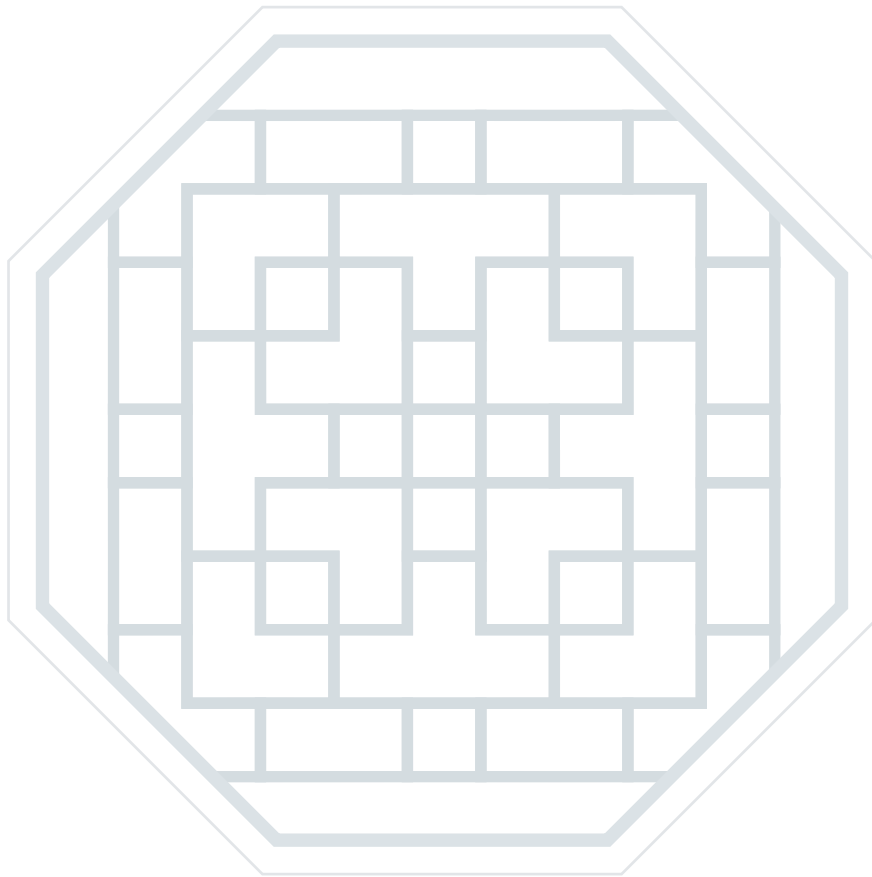
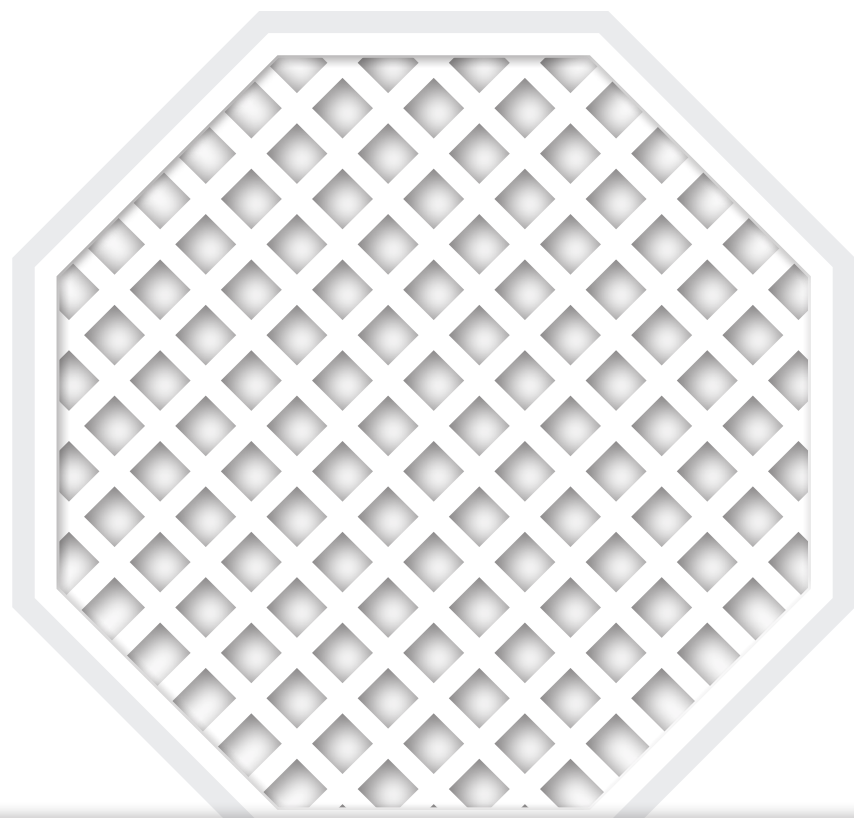


榮根則信



# SHINYOUNG PROFILE

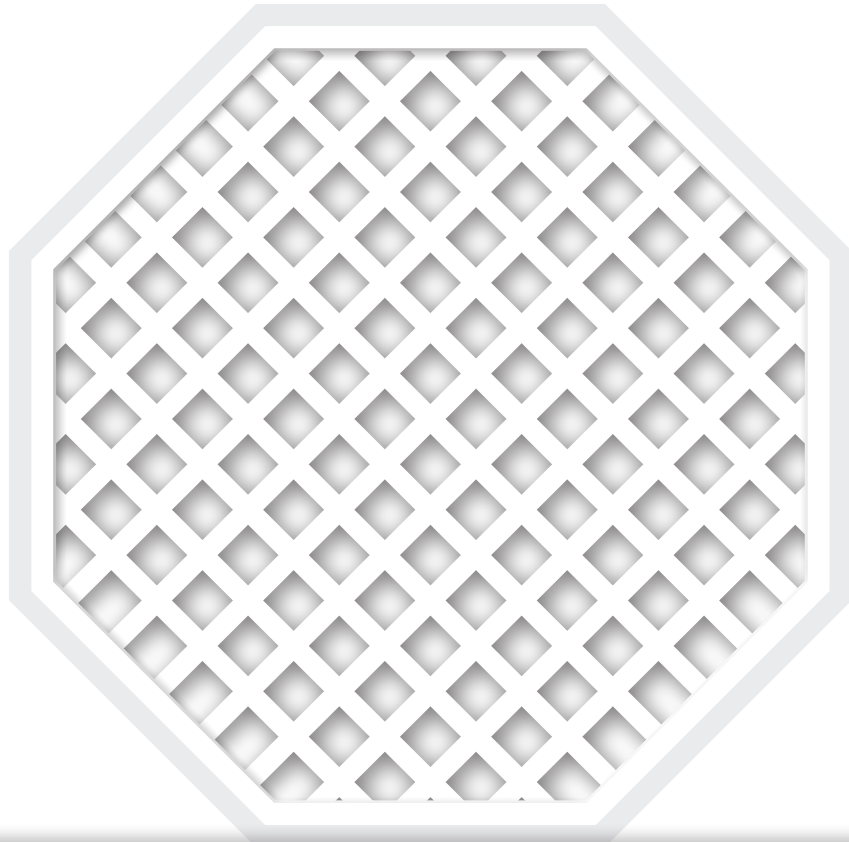


The elegant aesthetic appearance of the doors leading into traditional Korean-style houses has been achieved by adding vividly patterned ornamental decorations to them with their communicative function of connecting the inside with the outside.

In the same way that these doors have served for generations as testaments to the wisdom and far-sightedness of the Korean people’s ancestors, Shinyoung Securities strives to facilitate sincere and transparent communications with all its clients.

Our goal is to create life-long partnerships with them through building trust and empathy that will stand the test of time.

SHINYOUNG PROFILE



CORPORATE PHILOSOPHY  
Shin Jeuk Geun Young  
(信則根榮: “Trust is the Foundation for Prosperity.”)

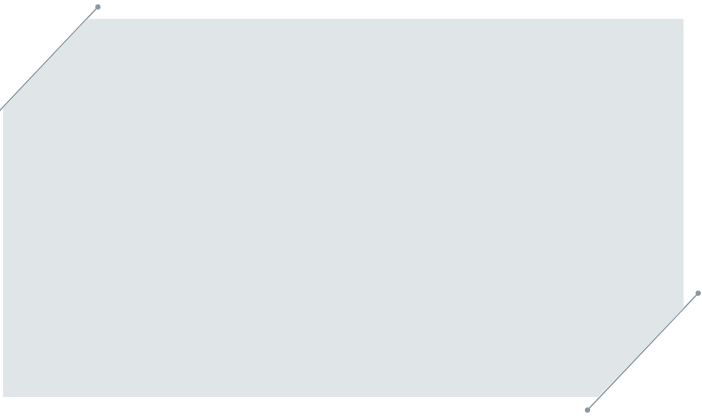
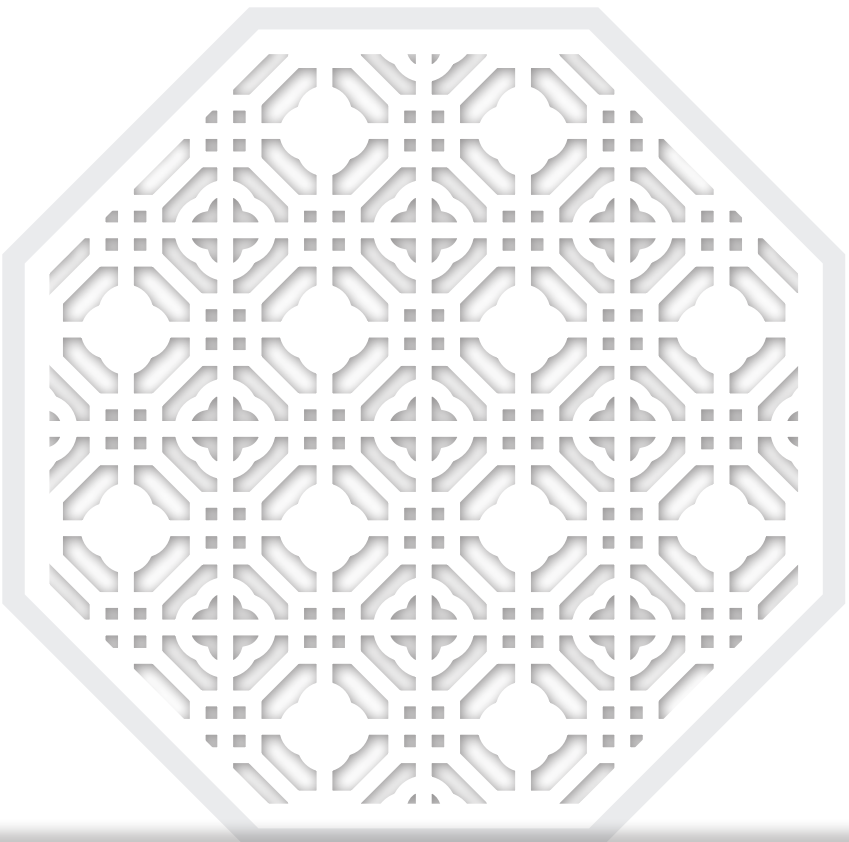
The corporate philosophy of Shinyoung Securities is based on the proverb, “Shin Jeuk Geun Young”. In English, this means “Trust is the core foundation of our corporate well-being.”

Sharing our prosperity with our clients has been the reason for our existence since our very inception. We have achieved this goal through our long history of caring for their welfare and winning their trust as a result. We are committed to continuing our history of solid, fundamental, high-quality growth by making even greater efforts to enhance the values of our clients and shareholders.

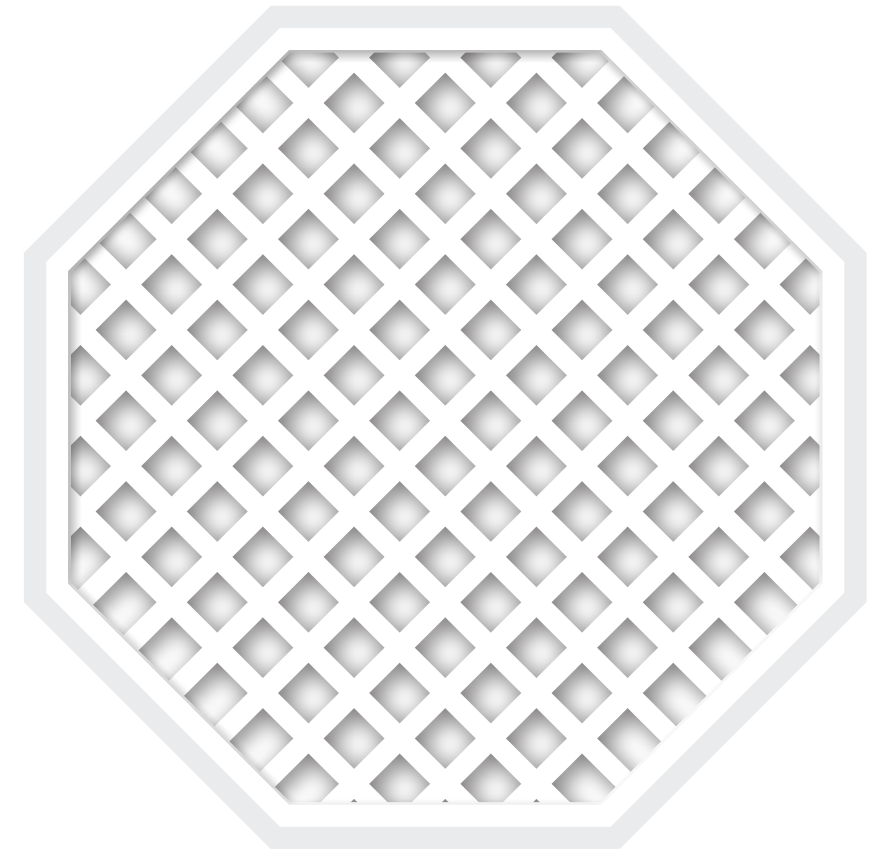
BRAND SLOGAN: SINCERELY YOURS

Shinyoung Securities believes that sincerity shines through in all our relationships. This belief forms the basis of our commitment to serving our clients with true sincerity, communicating with them wholeheartedly while always meeting their needs, and exceeding their expectations at all times.

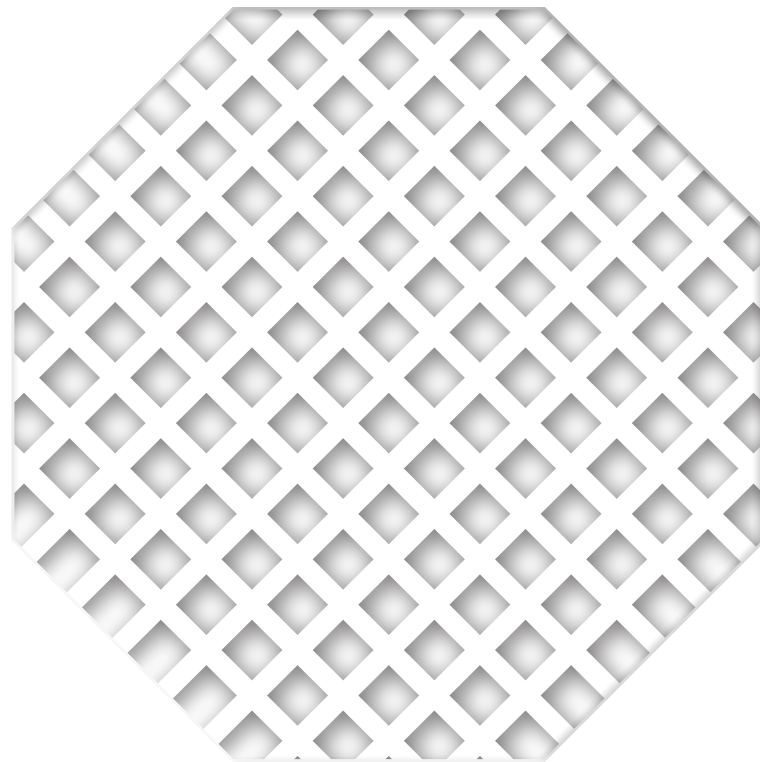
FINANCIAL REPORT



# SHINYOUNG PROFILE



## OPEN AND WARM RELATIONSHIPS



Shinyoung Securities has been an acknowledged leader of South Korea's financial industry since its establishment in 1956. We have achieved this reputation by carrying out our business dealings with open, honest, and principled management. Over the many decades that we have been in existence, we have continued to increase our clients' trust in us, while also growing our shareholder value by creating stable revenues through prudent, profitable, and practical management.



AN IDEAL HARMONY OF INTERNAL AND EXTERNAL GROWTH

We have gained a well-earned reputation as a South Korean financial industry powerhouse over the last sixty-plus years, seeking balanced growth through a judicious blending of internal and external factors.



*Kkotwanjamun*, a bright and beautiful flower blooming inside the house

*Kkotwanjamun* shows us how beauty can be created through the perfect harmony shared by these magnificently decorated flower-patterned lattices and the Wanja patterned lattices, carrying a desire for happiness with their ancient symbolism of divinity and spirituality.

NAKSEONJAE, JONGNO, SEOUL





KOREAN-STYLE HOUSES IN GUNJA VILLAGE, ANDONG, GYEONGSANGBUK-DO

UNDERSTANDING OUR CLIENTS' NEEDS

We provide ardent solutions based on our industry leading capabilities and fully diversified business lines to our clients by understanding their financial needs.

*Bulbalgimun*, the wisdom of using interior spaces well

*Bulbalgimun* is a Korean term describing doors built with latticed midsections that open into dimly-lighted rooms. This type of construction allows an interior space to be used more efficiently since it connects the bedroom with the living room once the door has been rolled up out of the way.



FORMING PARTNERSHIP TO BUILD BETTER TOMORROW TOGETHER

Our goal is to be a strong life-long companion to our clients, opening a better future with them by faithfully adhering to the principles of value investment and integrity management.

**Manwolmun, praying for peace and comfort**

The word *manwolmun* means "moon-gate". Shaped like a full moon, they were used to decorate the palaces of Korean kings, symbolizing and wishing for comfort and peace in a simple yet elegant atmosphere.



NAKSEONJAE, JONGNO, SEOUL





OCTAGONAL COMB-PATTERN DOORS, SEOSEOKJI, YEONGWANG, GYEONGSANGBUK-DO

## OPERATIONS REVIEW

### SEEKING HARMONY WITHIN A DIVERSIFIED BUSINESS STRUCTURE

We create value and realize stable returns for our clients through our unique investment philosophy of combining differentiated investment strategies with prudent yet profitable asset management techniques.

#### PRIVATE CLIENTS

Our Private Clients division offers both individual and general corporate clients a wide range of optimized asset management services. In our role as the first in the industry in South Korea to introduce a Team Asset Management Service, our branches provide clients with a broad choice of optimized investment solutions that meet their various needs. These solutions reflect our three underlying investment principles: long-term value investing, an appropriate risk-return profile, and providing diversified investment suggestions based on years of experience and expertise in the industry.

Unlike other firms that rely solely on individual advisors’ competencies and performances, our distinctive asset management service, provided by a team of financial investment specialists, is able to offer our clients more carefully-selected investment alternatives.

The Family Office refers to our fully-independent, family-oriented asset management service. It offers steward-type services that support the full range of its clients’ financial activities, ranging from financial and real estate asset management to asset succession and transfers and family legacies.

#### INSTITUTIONAL BUSINESS

Our Institutional Business Division provides various investment solutions for our clients to meet their financial objectives, both at home and abroad. Its activities include developing overseas investment products and alternative investment products, in addition to traditional stock, bond, and mutual funds. Acting in collaboration with our Research Center, it provides clients with a full range of state-of-the-art, diverse investment information and strategies, while recommending a wide choice of unique and bespoke financial products to meet their every need.

The Division also functions as a fully-qualified, highly trusted investment partner for institutional investors by providing them with a full suite of additional services, such as company visits, seminars, and investor relations opportunities. We will continue to enhance the efficiency of our brokerage business by offering our valued clients timely investment products and by developing alternative global offerings.

#### INVESTMENT BANKING

The Investment Banking Division offers clients a full suite of optimized, total investment solutions comprising a variety of financial tools and techniques. This is done by leveraging its extensive client networks and financial products, ranging from private equity funds and advice on M&As to AI, structured financing, real estate financing, and business consulting services, based on our long history of securities underwriting and other traditional IB operations.

In addition to strengthening its competencies in the area of IB operations, it will also continue to supply clients a full gamut of high-quality financial services by expanding its range of business opportunities, both across the nation and around the world.

#### TRADING

The Trading Division creates secure and stable earnings through the experience and expertise of an industry-leading team of investment professionals deploying state-of-the-art analysis and risk management systems to carry out our decades-long tradition of value investment. The Division’s Proprietary Trading Sector is tasked with implementing a variety of investment strategies, aided by a

wide-ranging investment spectrum, focusing on equities and bonds but also broadening our spectrum into commodities, currencies and mezzanine financing. Backed by highly motivated professionals working with optimized investment platforms, it is dedicated to the generation of continuous earnings.

The Investment Trading Division deals with the issuance and management of derivative-linked securities. It realizes safe and stable performances through hedge operations based on an in-depth knowledge of indexes, interest rates, and credit derivatives. It also specializes in offering investors best-in-class investment vehicles. This includes introducing new products combining innovative ideas with a long history of investment experience and expertise. It is especially focused on increasing the stability and efficiency of its investment returns through the establishment of quality-oriented investment processes and balanced platforms, rather than by entering into a competition for mere quantitative growth.

#### DISCRETIONARY ASSET MANAGEMENT

The Discretionary Asset Management Division enhances the financial well-being of its clients by merging the investment prowess of the Trading Division with the company’s long-held value investment philosophy in the areas of financial investment vehicles such as wraps and trusts. Its wrap accounts invest in a variety of financial products both at home and abroad, creating a wide choice of differentiated portfolios by using the company’s in-depth analysis capabilities and operational expertise. It is constantly engaged in adding to competencies to include the fullest possible array of services, presently ranging from individual product-centered Separate Managed Account (SMA) services to Unified Managed Account (UMA) services that allow the maximum in asset allocation and rebalancing options depending on a client’s investment preferences and overall market conditions.

The Trust Division responds to the ever-changing needs of its clients by developing new products, such as testamentary substitutes and inter-vivos (or living) trusts, all of them grounded upon its unique life-stage-based asset management strategies, as well as traditional products like real estate, bonds, and commercial paper. It is always engaged in identifying new and intriguing investment opportunities.

#### RISK MANAGEMENT

Shinyoung Securities places an extremely high priority on the maximization of its shareholders’ ROIs, the sustainable growth of its enterprise value, and the protection of its clients’ assets. It achieves this tripartite goal by managing both current and potential risks through the deployment of a state-of-the-art risk management system.

The system includes a series of processes that subdivide individual risks into measurable units that can be easily recognized, analyzed, assessed, reported on, and controlled for. We are also building a system that will be capable of making a fully-integrated recognition and management of each type of risk. Our top-tier personnel and these stable risk management systems give us the ability to respond to changes in the financial environment in a proactive and timely manner, ensuring the protection of our clients’ investments at all times.

We will continue to enhance the quality of our risk management operations going forward by maintaining the soundness of our company-wide asset allocation processes, maximizing the profitability of our capital at risk, and enhancing the performance of our already-robust, fully-comprehensive risk management system.



SHINYOUNG CULTURE

COMMITTED TO FULFILLING  
OUR CORPORATE SOCIAL RESPONSIBILITIES

We are committed to being a corporation that is trusted and respected by our clients and our society in general, creating a healthy, open, and ethical corporate culture and fulfilling all our corporate social responsibilities.

Shinyoung Securities carries out its corporate social responsibilities through many different activities. These include volunteer services, assisting organizations that are dedicated to helping the less fortunate, supporting culture and the arts, and engaging in in-house programs designed to boost our employees' happiness and well-being.



A NEW YEAR'S CONCERT AT  
THE SHINYOUNG CHAMBER HALL



SHARING TREKKING

SHARING AND CARING FOR THE LESS FORTUNATE

Our employees participate in a program called "Sharing Trekking" every autumn. They also raise funds to help the underprivileged, which are then donated to various social service organizations.

We have also donated to the Purme Foundation to help in the construction of a children's rehabilitation hospital. Some of our other caring and sharing activities include delivering charcoal briquettes to low-income, sole-support seniors, and a monthly lunch-sharing volunteer service organized by our in-house "Hope Sharing" volunteer group.

SHARING AND CARING THROUGH CULTURE AND THE ARTS

We support a number of cultural and arts activities every year. For example, we have assisted South Korea's most prestigious schools for young artists, such as the Korea National University of the Arts (KNUA) and the Universal Ballet Company. In addition, we have sponsored a number of global and contemporary art exhibits, including the Louvre Museum Exhibition in 2006 and others for the Musée d'Orsay and the Centre Pompidou.

The Shinyoung Culture Class, which was launched in 2010, offers its audiences lectures on culture and the arts, most of them given by professors at KNUA. We also opened the Shinyoung Chamber Hall in 2018, providing people with even more opportunities to experience high-quality arts and cultural programming.

SHARING AND CARING WITH OUR EMPLOYEES

We carry out a number of programs to assist in the creation of a happy and healthy in-house culture. We host a "Hof Day" every summer, "Sharing Trekking" in the autumn, and "Hiking on Mt. Odaesan" in the winter. In addition, we help our employees achieve a healthy and proper work-life balance by operating a number of in-house clubs. They include volunteer services, photography, reading, taxation, baseball, and soccer.

DELIVERING BRIQUETTES



HIKING ON MT. ODAESAN

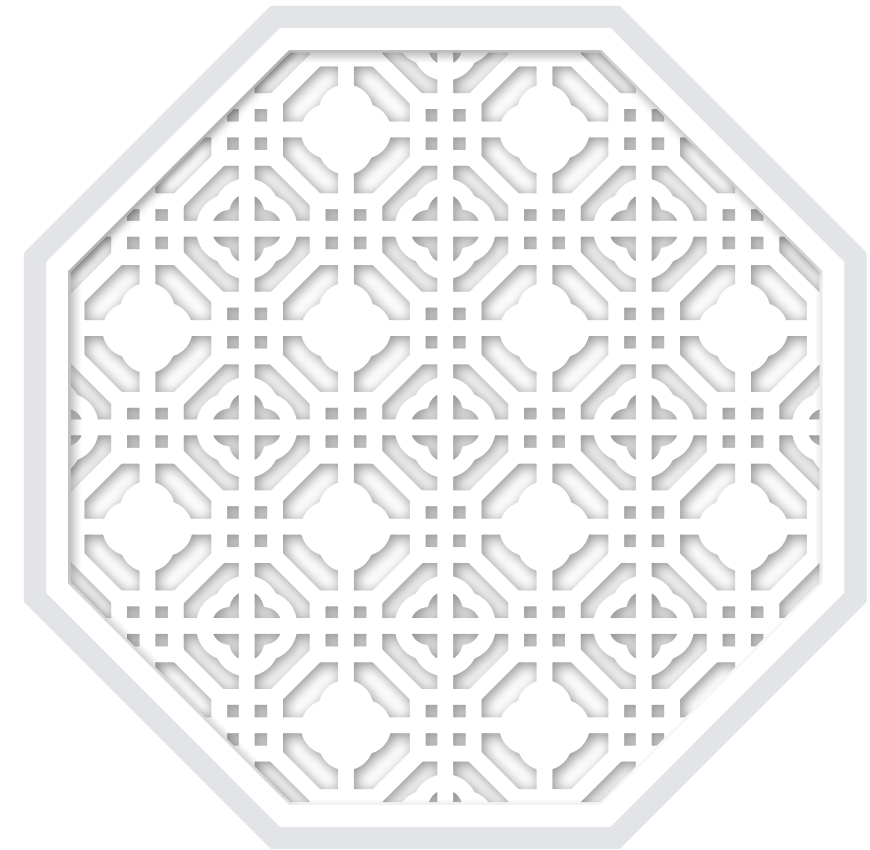




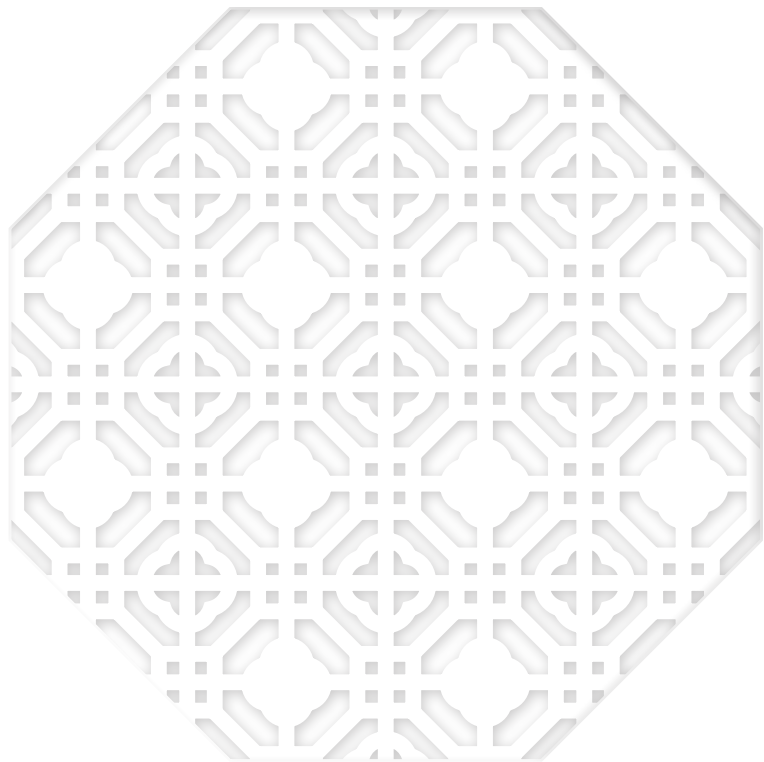


Shinyoung Securities is committed to building and celebrating its relationships with each and every one of its valued clients, creating a new and more prosperous future with them by opening the doors of communication as widely and as often as possible.

# FINANCIAL REPORT







Shinyoung Securities has become one of South Korea’s most trusted and reliable financial investment companies by always being prepared and able to respond to each and every change in its operating environment. This explains why we have been able to maintain an unprecedented record of continuous profits every year since 1971. Going forward, we will continue to take on new challenges and innovate even more to remain the nation’s leading financial investment company.

## INCOME AND EXPENSES

Fiscal 2018 was a year of many uncertainties in the global economy. They included trade disputes between the United States and China, an exceptionally high level of volatility in the area of international oil prices, dramatic shifts in the US Federal Reserve's monetary policies, and a series of global economic slowdowns.

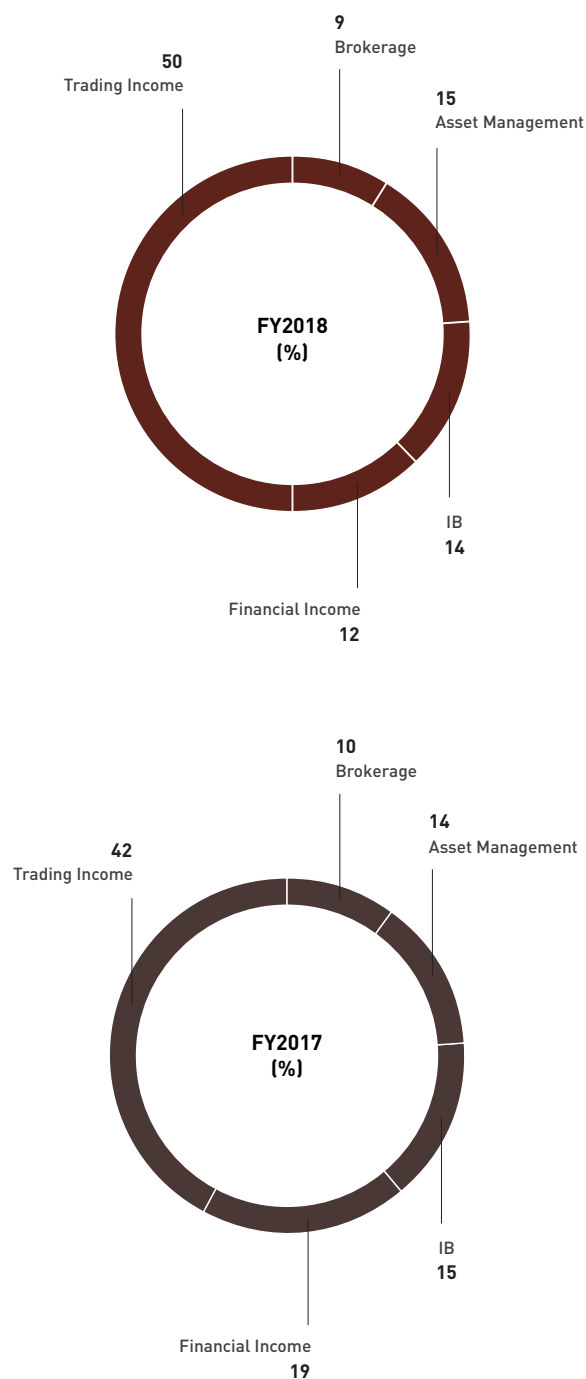
The South Korean economy likewise faced numerous difficulties, including a decline in employment growth, sluggish investments in facilities, shrinking exports, and geopolitical risks on the Korean Peninsula. In addition, the ongoing problem of polarization due to size had been intensifying within the securities industry with the introduction of super-sized investment banks. Competition in the industry had also become increasingly fierce due to ongoing market entries by other business types.

Our response to this ultra-competitive environment was to continue to strengthen and differentiate our revenue models. This enabled us to close our fiscal year by recording a pre-tax income of KRW 97.1 billion.

Operating revenue was KRW 1.6352 trillion, up 1% from the previous fiscal year, while our net operating revenue (minus direct costs) increased by 3% YoY to KRW 204.7 billion. Our operating profit, resulting from deducting general and administrative expenses of KRW 112.5 billion from our net operating revenue, was KRW 92.3 billion. When we added our non-operating revenues and losses to this, our net income before income taxes from our continuing operations amounted to KRW 97.1 billion, with a net income of KRW 73.1 billion.

Our net operating revenue consisted of brokerage (9%), asset management (15%), IB (14%), financial income (12%), and trading income (50%). In terms of net operating revenue by sales category, trading income and financial income amounted to KRW 126.7 billion, up KRW 6.6 billion from the previous year. Trading income grew by 23% to KRW 102.5 billion. The other categories of brokerage, asset management, and IB stood at KRW 78.1 billion, down KRW 0.1 billion YoY.

Composition of net operating revenue



Composition of net operating revenue

(Unit: in KRW 100 millions)

Description	FY 2018		FY 2017		Change (2017 → 2018)	
	Amount	Ratio	Amount	Ratio	Amount	Rate
Brokerage	182	9%	206	10%	[24]	-12%
Asset Management	303	15%	288	14%	15	5%
IB	296	14%	288	15%	8	3%
Financial Income	241	12%	370	19%	[128]	-35%
Trading Income	1,025	50%	831	42%	194	23%
Total	2,047	100%	1,982	100%	65	3%

## GENERAL AND ADMINISTRATIVE EXPENSES

Our general and administrative expenses for FY 2018 totaled KRW 112.5 billion, up KRW 12.7 billion from the previous year. They included an increase of KRW 7.7 billion in salaries and benefits and a rise of KRW 5.0 billion in amortization costs and other administrative expenses.

## FINANCIAL POSITION

### Total Assets

Our total assets were KRW 9.7401 trillion at the end of FY 2018, up about 12% from KRW 8.6729 trillion in the previous year. Cash and deposits surged by 74%, while an expansion in our amount of foreign-currency bond holdings caused our financial assets measured at fair value through profit or loss to increase by about 12% from the previous year.

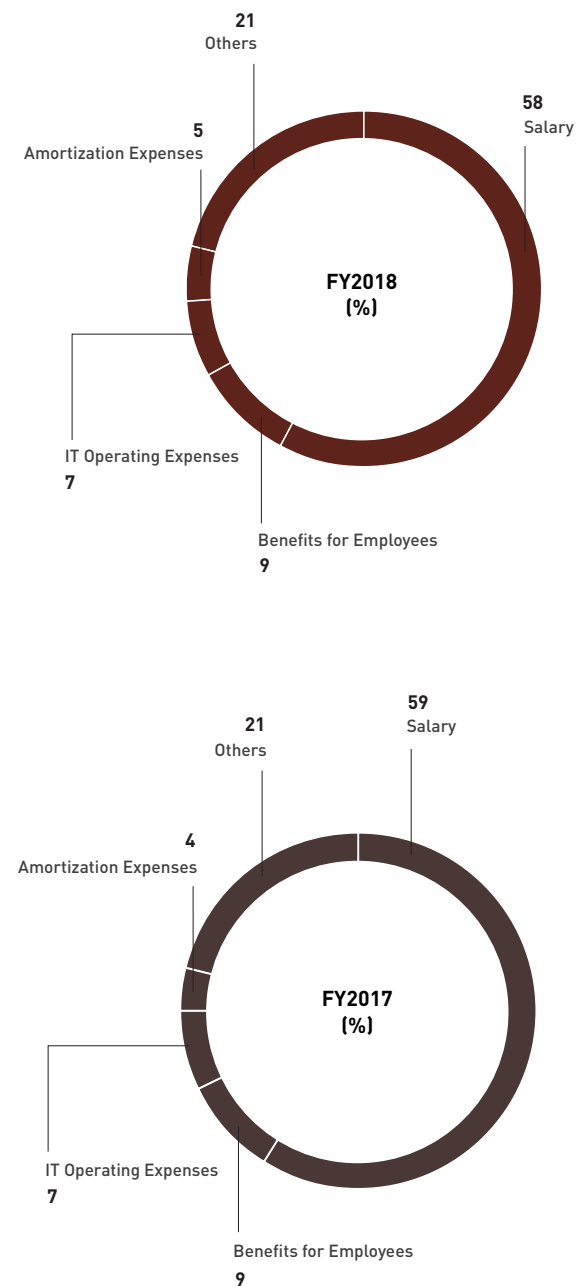
### Total Liabilities

Our total liabilities stood at KRW 8.6357 trillion at the end of FY 2018, up about 14% from KRW 7.6007 trillion in the previous term. Deposit liabilities ballooned by about 136% due to a rise in investor deposits, while financial liabilities measured at fair value through profit or loss climbed by about 26%. This was primarily led by an increase in derivatives-linked securities sold.

### Total Shareholders' Equity

Total shareholders' equity was KRW 1.1044 trillion, up about KRW 32.2 billion from KRW 1.0722 trillion the previous year. Major changes included an increase of KRW 66.4 billion in retained earnings, including the sum of our current-term net profit and previous-term dividends paid.

Trends in general and administrative expenses



Trends in general and administrative expenses

(Unit: in KRW 100 millions)

Description	FY 2018		FY 2017		Change (2017 → 2018)	
	Amount	Ratio	Amount	Ratio	Amount	Rate
Salary	647	58%	589	59%	59	10%
Benefits for Employees	104	9%	86	9%	18	21%
IT Operating Expenses	72	7%	74	7%	[3]	-3%
Amortization Expenses	61	5%	42	4%	19	45%
Others	240	21%	207	21%	34	16%
Total	1,125	100%	998	100%	127	13%



	(Unit: in KRW)	
	FY2018	FY2017
Assets	9,740,081,722,012	8,672,949,680,966
I . Cash and deposits	1,691,538,870,928	972,114,408,582
II . Financial assets measured at fair value through profit or loss	7,238,490,352,687	6,468,720,055,934
1. Securities	6,708,405,850,920	6,200,195,625,519
1) Stock	525,435,349,290	446,890,341,091
2) Stock warrants	319,519,469	2,785,267,692
3) State bonds, Local government bonds	1,420,910,044,684	668,398,718,974
4) Special bonds	1,341,232,661,587	1,578,934,495,203
5) Corporate bonds	2,536,503,053,162	3,340,640,363,874
6) Investments in partnerships	46,906,764,593	0
7) Collective investment securities	18,287,762,442	3,007,572,145
8) Commercial paper	167,734,461,892	0
9) Securities in foreign currency	615,985,281,336	99,485,881,296
10) Reserve for claims of customers' deposits (trust)	35,090,952,465	60,052,985,244
2. Derivatives-linked securities	357,344,451,922	194,902,129,627
3. Derivatives instruments assets	172,740,049,845	73,622,300,788
III -1. Available for sale financial assets	0	333,868,725,778
III -2. Financial assets measured at fair value through other comprehensive income	209,397,330,610	0
IV . Loans	49,685,195,142	42,698,796,251
V . Investments in associates, subsidiaries and joint ventures	69,760,947,168	75,506,680,080
VI .Tangible fixed assets	80,169,504,098	79,715,528,995
VII . Investment real estate	135,024,899,779	121,456,405,353
VIII. Intangible assets	16,771,191,639	15,391,456,091
IX . Accrued income taxes assets	8,476,540,802	0
X . Other financial assets	236,681,734,275	560,457,267,540
XI. Other assets	4,085,154,884	3,020,356,362
Liabilities	8,635,718,810,328	7,600,745,025,629
I . Financial liabilities measured at fair value through profit or loss	4,539,641,394,285	3,606,923,305,765
1. Securities sold	172,137,077,150	293,662,493,470
2. Derivatives-linked securities sold	4,248,842,194,898	3,087,426,419,055
3. Derivatives instruments liabilities	118,662,122,237	225,834,393,240
II . Deposits	232,285,137,665	98,236,993,301
III . Borrowings	3,507,135,438,730	3,303,488,241,744
1. Call money	170,000,000,000	0
2. Borrowings	50,000,000,000	60,000,000,000
3. Securities sold under reverse resale agreements	3,117,135,438,730	3,213,488,241,744
4. Bonds (discount on bonds payable)	170,000,000,000	30,000,000,000
IV . Allowance for Severance and Retirement Benefits	0	0
V . Reserve for contingent liabilities	401,015,401	302,393,401
VI . Accrued income taxes liabilities	0	10,021,031,212
VII . Deferred income tax liabilities	22,769,407,006	22,106,283,483
VIII. Other financial liabilities	315,600,937,775	548,913,707,969
IX . Other liabilities	17,885,479,466	10,753,068,754
Shareholder's equity	1,104,362,911,684	1,072,204,655,337
I . Capital Stock	82,200,000,000	82,200,000,000
II . Capital surplus	114,729,024,155	114,586,776,912
III . Others Capital	{131,113,500,717}	{116,148,217,497}
IV . Accumulated other comprehensive income (loss)	94,798,573,250	114,169,926,376
V . Retained earnings	943,748,814,996	877,396,169,546

	(Unit: in KRW)	
	FY2018	FY2017
I . Operating income	1,635,159,993,230	1,612,879,494,121
1. Commissions received	82,861,787,249	82,839,808,310
1) Brokerage commissions	20,506,947,487	22,947,354,680
2) Underwriting commissions	10,699,419,132	8,080,943,947
3) Brokerage commissions on collective investment securities	21,733,654,576	20,203,373,450
4) Management fee on wrap account and asset management	4,447,143,328	4,247,497,041
5) Fund management fee	680,778,062	547,801,499
6) Trust fees and commissions received from trust account	4,597,209,678	5,332,884,500
7) Commissions on debt guarantees	10,216,842,835	8,244,402,360
8) Others	9,979,792,151	13,235,550,833
2. Gain on valuation and disposal of financial instruments	375,974,405,559	448,848,455,325
1) Gain on valuation and disposal of securities measured at fair value through profit or loss	256,364,615,932	144,989,476,884
2) Gain on disposal of securities measured at fair value through other comprehensive income	0	22,910,656,352
3) Gain on valuation of trading securities sold	8,195,310,411	4,430,790,604
4) Gain on sales, valuation and redemption of derivatives-linked securities	45,182,523,689	102,402,643,589
5) Gain on valuation and redemption of derivatives-linked securities sold	65,172,965,508	173,150,269,622
6) Gain on valuation of reserve for claims of customers' deposits (trust)	1,058,990,019	964,618,274
3. Gain on valuation (sales) of derivatives	863,161,644,196	856,180,395,601
4. Interest income	170,890,111,500	149,538,506,081
5. Gain on foreign transactions	100,614,337,827	46,545,766,024
6. Others	41,657,706,899	28,926,562,780
II . Operating expenses	1,542,898,719,535	1,514,395,821,363
1. Commissions expense	5,113,804,663	4,844,511,703
2. Loss on valuation and disposal of financial instruments	600,585,901,863	624,728,801,618
3. Loss on valuation (sales) of derivatives	653,509,667,887	706,060,950,924
4. Interest expense	54,155,127,376	45,682,260,871
5. Loss on foreign transactions	117,052,601,621	33,315,920,257
6. General and administrative expenses	112,462,486,175	99,763,375,990
7. Others	19,129,950	0
III . Operating profit	92,261,273,695	98,483,672,758
IV . Non-operating income	5,833,755,919	4,156,064,834
V . Non-operating expenses	1,026,133,218	11,548,793,282
VI . Net income before income tax from continuing operations	97,068,896,396	91,090,944,310
VII . Income tax expense from continuing operations	23,974,897,877	21,912,161,004
VIII. Net income	73,093,998,519	69,178,783,306

Net asset per share			(Unit: in KRW, Shares)
Details of net asset per share as of the end of current and previous terms are as follows.			
	FY2018	FY2017	
Net asset (Total stockholder's equity)	1,104,362,911,684	1,072,204,655,337	
Intangible assets	16,771,191,639	15,391,456,091	
Number of shares issued	16,440,000	16,440,000	
Net asset per share	66,155	64,283	

Securities measured at fair value through other comprehensive income			(Unit: in KRW thousands)
Details of current-term and previous-term securities measured at fair value through other comprehensive income are as follows.			
	FY2018	FY2017	
Marketable securities	98,303,563	109,619,057	
Non-marketable securities	111,093,768	138,696,471	
Equity investment	-	39,075,108	
Collective investment securities	-	15,364,870	
Securities in foreign currency	-	31,113,220	
Others	-	-	
Total	209,397,331	333,868,726	

Investments in associates, subsidiaries and joint ventures						(Unit: in KRW thousands, %)
Details of the investments in associates, subsidiaries and joint ventures at the end of current term are as follows.						
	Ownership of company's equity holding	Acquired amount	Ledger amount at beginning of term	Variations in the amount	Ledger amount at end of term	
< Affiliated Companies >						
Shinyoung Asset Management Co., Ltd.	85.9	27,840,000	62,865,547	-	62,865,547	
Shinyoung Private Equity No. 1	-	-	3,899,333	{3,899,333}	-	
< Relational Companies >						
Shinyoung SKS Co-Investment 2017 Pravate Equity Fund	10.0	6,745,400	7,741,800	{996,400}	6,745,400	
Shinyoung Private Equity Fund No. 2	-	-	1,000,000	{1,000,000}	-	
Shinyoung Value New Technology Business Investment Fund 2	4.1	150,000	-	150,000	150,000	

Capital				(Unit: in KRW, Shares)
(1) Details of the company's capital stock at the end of current term are as follows.				
	Common stock	Preferred stock	Total	
Per share value	5,000	5,000	-	
Number of shares issued	9,386,237	7,053,763	16,440,000	
Capital stock	46,931,185,000	35,268,815,000	82,200,000,000	

(2) Details of acquired and reserved treasury stock as of the end of current and previous terms are as follows.					(Unit: in KRW thousands, Shares)
	FY2018		FY2017		
	Common stock	Preferred stock	Common stock	Preferred stock	
Number of treasury stocks	2,733,675	4,757,951	2,590,670	4,630,110	
Acquired amount	59,041,124	72,072,377	50,613,531	65,534,687	

Net income per share			(Unit: in KRW, Shares)
Calculations of net income per share for current and previous terms are as follows.			
	FY2018	FY2017	
Net income	73,093,998,519	69,178,783,306	
Net income for preferred stock	18,988,945,689	18,340,271,484	
Net income from common stock {1}	54,105,052,830	50,838,511,822	
Number of floating common shares {2}	6,704,948	6,852,086	
Net income per share {1/2}	8,069	7,419	

Dividends					(Unit: in KRW thousands, Shares, %)
{1} Details of dividends for current and previous terms are as follows.					
	FY2018		FY2017		
	Common stock	Preferred stock	Common stock	Preferred stock	
Number of shares issued	9,386,237	7,053,763	9,386,237	7,053,763	
Number of treasury stocks	2,733,675	4,757,951	2,590,670	4,630,110	
Number of dividend stocks	6,652,562	2,295,812	6,795,567	2,423,653	
Par value	5	5	5	5	
Capital for dividend equity	33,262,810	11,479,060	33,977,835	12,118,265	
Dividend rate	55	56	55	56	
Cash dividends	18,294,545	6,428,274	18,687,809	6,786,228	

{2} Dividend payout ratios for current and previous terms are as follows.					(Unit: in KRW thousands, %)
	FY2018		FY2017		
Dividend amount	24,722,819		25,474,038		
Net income for the year	73,093,999		69,178,783		
Dividend payout ratio	33.82		36.82		

{3} Dividend yield for current and previous terms are as follows.					(Unit: in KRW, %)
	FY2018		FY2017		
	Common stock	Preferred stock	Common stock	Preferred stock	
Dividend per share	2,750	2,800	2,750	2,800	
Share price on the closing rate	57,500	53,700	57,200	52,000	
Dividend yield	4.78	5.21	4.81	5.38	



## AUDITOR'S OPINION

We have audited the financial statements of Shinyoung Securities Co., Ltd. (hereinafter called "the Company"). The documentation from the Company that we have reviewed included its financial position as of March 31, 2019 and March 31, 2018, along with comprehensive statements of income, a statement of changes in capital surplus and retained earnings and cash flow as of the aforementioned dates, as well as notes to financial statements, including a summary of the Company's significant accounting principles.

In our opinion, the accompanying financial statements present fairly, in all material respects, the Company's financial position as of March 31, 2019 and March 31, 2018 respectively, the financial results and cash flows for the years then ended, all of which therefore conform to Korean International Financial Reporting Standards.

## GROUND'S FOR AUDITOR'S OPINION

We have conducted our audits in accordance with the Standards on Auditing of the Republic of Korea. Our responsibilities in accordance with these standards are described in the section entitled "Auditor's responsibility for auditing financial statements" in this Annual Report.

We are independent of the Company in accordance with the ethical requirements of the Republic of Korea relating to the audit of financial statements, and we have fulfilled other ethical responsibilities in accordance with such requirements. We believe that the audit evidence we have secured provides us with a sufficient and proper grounds for the opinion we present in our audit.

## KEY AUDIT MATTERS

The term "key audit matters" refers to the most significant matters in the audit of the Company's financial statements for fiscal year 2018, based on our professional judgment. These matters have been addressed in the formation of our opinions from the perspective of an audit of all the financial statements, and we have not provided separate opinions on these matters.

## FAIR VALUE EVALUATION OF DERIVATIVES-LINKED SECURITIES AND DERIVATIVES-LINKED SECURITIES SOLD THAT ARE CLASSIFIED AS FAIR VALUE LEVEL 3

## REASON FOR DECISIONS REGARDING KEY AUDIT MATTERS

As discussed in Note 3 to the Financial Statements, the Company classifies fair value levels into Level 1, Level 2, or Level 3, based on the observability of inputs used in measuring the fair value of financial instruments. If more

## TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF SHINYOUNG SECURITIES CO., LTD.

than one important element comes under unobservable information in the market, it is classified as Level 3.

As discussed in Note 3 to the Financial Statements, derivatives-linked securities and derivatives-linked securities sold that are classified as Fair Value Level 3 as of March 31, 2019 amounted to KRW 357.297 billion and KRW 4,248.406 billion, respectively. These make up the majority of the book value of the Company's derivatives-linked securities and derivatives-linked securities sold.

Financial instruments classified as Fair Value Level 3 use a variety of valuation techniques and variables as described in Note 3 to the Financial Statements. There is uncertainty about accounting estimates because the results of the measurements are subject to significant change, depending on how the Company's management determines the valuation techniques and unobservable inputs. The fair value of OTC derivatives classified as Fair Value Level 3 is calculated by the Company's in-house valuation system. This valuation has been selected as a key audit matter because its valuation techniques are complex. The management's estimates and judgments are included in our inputs and assumptions.

## HOW THESE KEY AUDIT MATTERS WERE HANDLED IN THIS AUDIT

In order to cope with these key audit matters, we have conducted an audit procedure that included the following procedures.

- Understand and evaluate internal controls relating to the fair value measurement process, including the use of outside experts by the Company's management;
- Review the eligibility and the independence of the outside experts hired by the Company;
- Test the accuracy of the external evaluation value interface and the Company's monitoring and control of external evaluation values;
- Confirm whether basic transaction information is accurately reflected by the management's self-evaluation system;
- Prove and verify transaction information, including transaction information and contracts used in the valuation of derivatives;
- Compare external valuations with the Company's in-house valuations, analyze significant differences, and verify and confirm accounting breakdowns;
- Confirm the completeness and reality of contracts, mainly by analyzing financial institution references forms and the Company's electronic disclosure system.

## MANAGEMENT'S AND GOVERNANCE BODY'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Company's management is responsible for preparing these financial statements according to international financial reporting standards generally accepted in the Republic of Korea, and to present them in a fair and open

manner. It is also responsible for any internal controls that it deems necessary to ensure that its preparation of the financial statements is free from major misstatements due to irregularities or errors.

When preparing its financial statements, the Company's management is responsible for evaluating the ability of the Company to continue as a going concern and disclosing related information about the Company, if applicable. It is also responsible for the use of accounting on the assumption that it is a going concern, unless the management has the intention of liquidating or discontinuing the business.

The governance body, in turn, is responsible for monitoring the Company's financial reporting procedures.

## AUDITOR'S RESPONSIBILITY FOR AUDITING FINANCIAL STATEMENTS

Our goal is to issue an audit report that includes our opinion, with a reasonable degree of assurance, as to whether the Company's financial statements are free from major misstatements due to irregularities or errors. Rational assurance means a high level of assurance, but it does not guarantee that audits performed in accordance with audit standards will always find any or every major misstatement. Major misstatements may arise from irregularities or errors. They are deemed to be significant if they can be reasonably expected to affect a user's economic decisions, either individually or collectively, based on the financial statements.

As part of audits performed in accordance with strict auditing standards, we use our professional judgment and maintain professional doubts throughout the audit process. In addition:

-We identify and assess the risk of major misstatements of financial statements resulting from irregularities or errors, and design and perform audit procedures in response to such risks. We also obtain sufficient and appropriate audit evidence as a basis for our audit opinion[s]. Because these irregularities can involve conspiracy, forgery, intentional omissions, misrepresentation, or internal control disruptions, the risk of failure in detecting major misstatements due to such irregularities is greater than risks arising from errors;

- Although we understand the internal controls related to auditing to design audit procedures that are appropriate for a situation, this is not intended to express an opinion on the effectiveness of such internal controls;

- We evaluate the appropriateness of the accounting policies applied by the Company's management and the rationality of

public disclosures relating to the accounting estimates derived by the management;

- We draw conclusions as to whether there exist important uncertainties related to incidents or situations that can give rise to significant questions about the appropriateness of the accounting used by the Company's management on the assumption that it is a going concern and the Company's ability to continue as a going concern. If we conclude that significant uncertainties exist, we are required to draw attention in the audit report about public disclosures related to the financial statements and to change our opinion if these disclosures are inappropriate. Our conclusions are based on audit evidence that we have obtained by the audit report date. Future events or circumstances could lead to the failure of the Company to continue as a going concern;

- We evaluate the overall presentation, structure, and content of all financial statements, including disclosures, and evaluate whether they present transactions and events on which they are based in a fair manner;

We communicate with the Company's governance body about significant audit findings. These include the scope of the planned audit and its timing, as well as significant internal control weaknesses that have been identified during the audit.

In addition, we provide the Company's governance body with a statement that we have complied with all independence-related ethical requirements. We also communicate with it about all relations and other matters that are deemed to be relevant to our independence issues and relevant institutional safety devices, when and where applicable.

We also determine the most significant matters in the current-term financial statements audit as key audit matters among the matters that we have communicated with the Company's governance body. We describe such matters in the audit report, unless there are laws and regulations that exclude public disclosure about relevant matters, or--in an extremely rare situation--when it can be reasonably expected that the negative consequences of describing relevant matters in the audit report will exceed the public benefit arising from such communications.

The audits that have become the basis for this audit report have been conducted by Gwon, Hyeok-jin, Operating Director and Certified Public Accountant.

Nexia Samduk  
Lee, Young-mo, Representative Partner  
May 28, 2019

\* This report is effective as of the reporting date of May 28, 2019. Any event or circumstance that might have significant influence on the Company's financial statements between the audit reporting date and the date of reading this report may result in alterations to it.

We have reviewed the enclosed report of Shinyoung Securities Co., Ltd. (hereinafter called “the Company”) on the implementation of its internal accounting control system as of March 31, 2019. It is the Company’s management’s responsibility to design and implement an internal accounting control system and to prepare reports regarding its actions. Our responsibility is to conduct reviews of the reports and to offer the results to the Company. The Company’s management has stated in the enclosed report on the implementation of its internal accounting control system that, “as a result of our evaluation of the Company’s implementation of its internal accounting control system as of March 31, 2019, we conclude that our internal accounting control system has been designed and implemented effectively from the perspective of materiality, while also meeting the requirements of a standard internal accounting control system.”

We have conducted our review in accordance with the review standards of the internal accounting control system. Those standards require that we plan and perform a review, the objective of which is to obtain a lower level of assurance than an audit, of the internal accounting control system presented by the Company’s management in all material aspects. A review involves obtaining an understanding of the company’s internal accounting control system, making enquiries regarding the management’s implementation report, and, when deemed necessary, performing a limited inspection of underlying documents and other limited procedures.

The Company’s internal accounting control system represents its internal accounting policies and an organization designed to manage and operate such policies in order to provide reasonable assurance regarding the reliability of financial statements prepared in accordance with generally accepted accounting principles in the Republic of Korea for the purpose of preparing and disclosing reliable accounting information. Because of its inherent limitations, however, an internal accounting control system may not prevent or detect material misstatements from appearing in financial statements. Furthermore, the projection of any evaluation of the effectiveness of an internal accounting control system into future periods is subject to the possibility that such controls may become inadequate in the future because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that causes us to believe that the Company’s management’s report referred to above is not fairly stated in all material respects, in accordance with a standard internal accounting control system.

Our review is based on the Company’s internal accounting control system, and is valid as of March 31, 2019. We did not review the internal accounting control system subsequent to March 31, 2019. This report has been prepared pursuant to the Act on External Audit of Stock Companies, etc. in the Republic of Korea, and may not be appropriate for other purposes or users.

Nexia Samduk  
Lee, Young-mo, Representative Partner  
May 28, 2019

\* Nexia Samduk is a South Korean member of Nexia International, which provides accounting and taxation services and business consulting services in more than ninety countries around the world.

TO THE REPRESENTATIVE DIRECTOR OF  
SHINYOUNG SECURITIES CO., LTD.



CORPORATE OVERVIEW	
Established	Feb. 25, 1956
Listed	Aug. 24, 1987
Capital Stock	KRW 82,200,000,000
Total Shareholders' Equity	KRW 1,104,362,911,684
Market Capitalization	KRW 918,495,700,600
Total Number of Shares Issued	16,440,000 shares
	Common Stocks: 9,386,237
	Preferred Stocks: 7,053,763
Domestic Network	13 (as of May 31, 2019)
Number of Employees	650 (as of May 31, 2019)

BOARD OF DIRECTORS		(As of June 7, 2019)
Won, Jong-Suk	Vice Chairman & CEO of Shinyoung Securities / Chairman of BOD	
Shin, Yo-Hwan	President & CEO of Shinyoung Securities	
Shin, Hyun-Gul	Independent Director / Prof. of Konkuk University	
Lee, Byung-Tae	Independent Director / Prof. of KAIST	
Jang, Se-Yang	Independent Director / Former Vice President of Shinyoung Securities	

AFFILIATED COMPANY		(Unit: in KRW millions)
Name	Shinyoung Asset Management	
Ownership	85.9%	
Capital Stock	32,000	
Total Shareholders' Equity	131,629	
Operating Income (FY2018)	46,949	
Net Income (FY2018)	24,051	



1956



2019

**Feb. 25, 1956**  
Shinyoung Securities  
founded

**July 31, 1971**  
Inauguration of  
present management

**Aug. 24, 1987**  
Initial Public Offering  
on KSE (Korea Stock Exchange)

**Aug. 01, 1996**  
Shinyoung Asset Management  
(formerly Shinyoung Investment  
Management) founded

**May 19, 1998**  
Selected as  
Best Securities Company by  
FSS for five straight years

**Nov. 04, 2003**  
Discretionary investment  
business registered

**Feb. 25, 2005**  
Received license to enter the OTC  
derivatives business

**Jan. 28, 2014**  
Awarded grand prize  
by Korea Exchange at Compliance

**Mar. 25, 2014**  
Selected as the Fund Sales Company of  
the Year at Korea WM Awards

**July 16, 2014**  
Licensed for Overseas Futures Trading

**Oct. 16, 2014**  
Registered for Real  
Estate Advisory Business

**Sep. 23, 2015**  
Received Most Trusted  
Companies Award in  
Korea  
(2005, 2009, 2014, 2015)

**Feb. 25, 2016**  
Celebrated the 60th anniversary  
of its corporate establishment

**Nov. 08, 2016**  
Registered as a hedge fund investment  
business company

**Jan. 25, 2006**  
Recognized by  
KRX(Korea Exchange) for  
‘Contributions to the Development of  
Stock and Futures Market’

**Mar. 24, 2006**  
Registered to enter  
retirement pension business

**July 25, 2008**  
Received authorization for  
trust business

**Apr. 23, 2009**  
Recorded the highest rating  
in customer service survey  
of financial companies  
by FSS (2007 & 2008)

**June 22, 2011**  
Awarded grand prize  
at the Korea’s Best  
Company Awards

**Dec. 31, 2012**  
Awarded top prize at Innovative  
Financial Products Awards by FSS

**Nov. 15, 2016**  
Registered as a new technology venture  
capital business company under the  
specialized credit finance business act

**Nov. 02, 2017**  
Reported as a brokerage entity for offshore  
investment advisory and asset management  
business targeting domestic professional  
investors

**May 02, 2018**  
Opened new company  
HQ building

**Nov. 26, 2018**  
Opened a next generation trust system

**Jan. 08, 2019**  
Selected as the best fund sales company by  
Korea Financial Investors Protection Foundation  
(2011, 2012, 2013, 2015, 2016, 2017, 2018)

**Mar. 03, 2019**  
Received preliminary authorization for  
real estate trust business

**Mar. 31, 2019**  
Recorded profits  
for 48th consecutive year

NETWORK

HEAD OFFICE

Head Office	Shinyoung Securities Bldg. 16 Gukjegeumyung-ro 8-gil, Yeongdeungpo-gu, Seoul	82-2-2004-9000
Customer Service Center	Shinyoung Securities Bldg. 16 Gukjegeumyung-ro 8-gil, Yeongdeungpo-gu, Seoul	82-2-788-7500

APEX FAMILY OFFICE

Seoul	Shinyoung Securities Bldg. 11F, 16 Gukjegeumyung-ro 8-gil, Yeongdeungpo-gu, Seoul	82-2-782-4460
Busan	Shinyoung Securities Bldg. 6F 143 Dalmaji-gil, Haeundae-gu, Busan	82-51-744-7772

BRANCHES

Private Clients	Shinyoung Securities Bldg. 3F, 16 Gukjegeumyung-ro 8-gil, Yeongdeungpo-gu, Seoul	82-2-2004-9200
Daechi Branch	Grandprixn 2F, 2912 Nambusunhwan-ro, Gangnam-gu, Seoul	82-2-567-0400
Myeongdong Branch	T-AVENUE Bldg. 6F, 60 Myeongdong-gil, Jung-gu, Seoul	82-2-773-7000
Banpo Branch	Banpo Xi Plaza Bldg. 3F, 24 Jamwon-ro, Seocho-gu, Seoul	82-2-534-5691
Songpa Branch	Star Class Bldg. 2F, 306 Ogeum-ro, Songpa-gu, Seoul	82-2-430-7000
Apgujeong Branch	Jeseong Bldg. 2F, 160 Apgujeong-ro, Gangnam-gu, Seoul	82-2-514-7000
Gwangju Branch	Samhwan Bldg. 5F, 164 Bongseon-ro, Nam-gu, Gwangju	82-62-251-6000
Daegu Branch	KB Insurance Bldg. 2F, 2397 Dalgubeol-daero, Suseong-gu, Daegu	82-53-587-7007
Daejeon Branch	Myeongdong Plaza 4F, 226 Daedeok-daero, Seo-gu, Daejeon	82-42-483-8100
Bucheon Branch	Shinyoung Securities Bldg. 6F, 161 Sinheung-ro, Wonmi-gu, Bucheon-si, Gyeonggi	82-32-326-2501
Bundang Branch	Taenam Plaza 3F, 234 Jeongjail-ro, Bundang-gu, Seongnam-si, Gyeonggi	82-31-718-1100
Seomyeon Branch	Daeho Bldg. 2F, 783-1 Gaya-daero, Busanjin-gu, Busan	82-51-808-7471
Haeundae Branch	Marina Center 2F, 154 Haeundaehaebyeon-ro, Haeundae-gu, Busan	82-51-753-7878