

2017 Annual Report

**SOVEREIGN WEALTH FUND
OF KOREA**

KIC

*Planting Hope
Planning for Prosperity*



Contents

- 04 Global Reach
- 06 Investment Highlights
- 10 Milestones
- 12 Message From the CEO
- 14 Vision & Mission
- 15 Our Future & Strategy

Investment & Risk Management

- 18 Investment Policy and Process
- 21 Traditional Investments
- 24 Alternative Investments
- 25 Securities Lending
- 26 Risk Management

Organization & Management

- 30 Corporate Governance
- 32 Steering Committee
- 34 Executive Management
- 36 Organization Chart
- 37 Ethical Management
- 39 Global Network
- 41 Talent Development
- 43 Social Contribution

Financial Statements

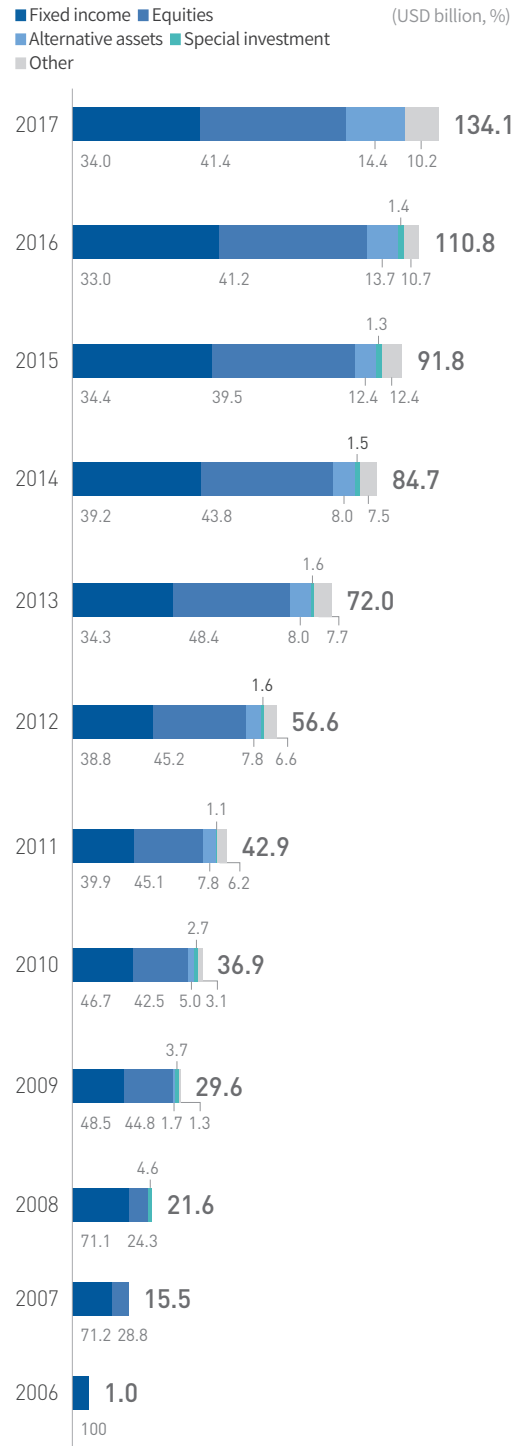
- 47 Independent Auditors' Report
 - 48 Financial Statements
-





Global Reach

Total assets and asset allocation by year



Investing in **64** countries

35 currencies

19,385 equities

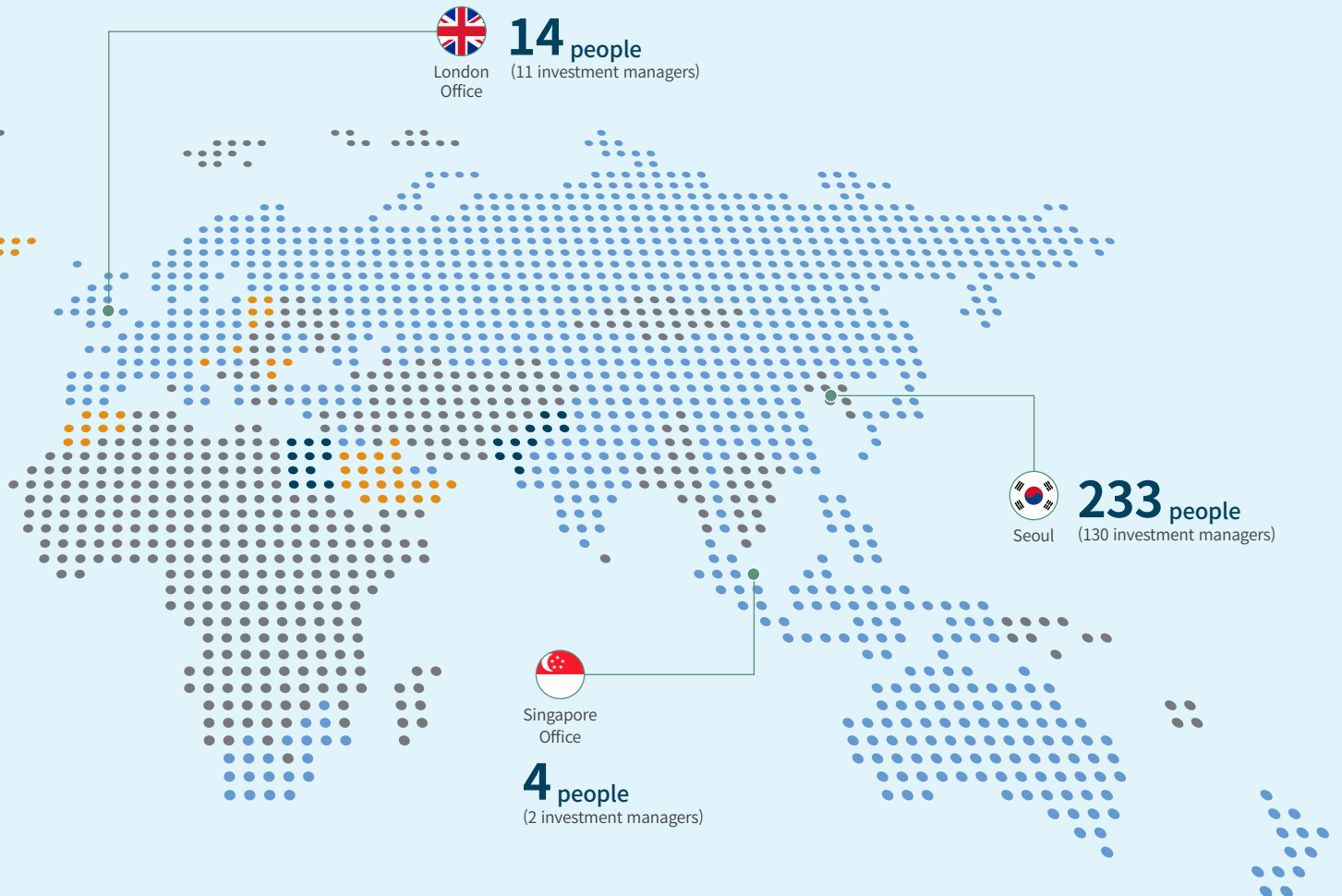
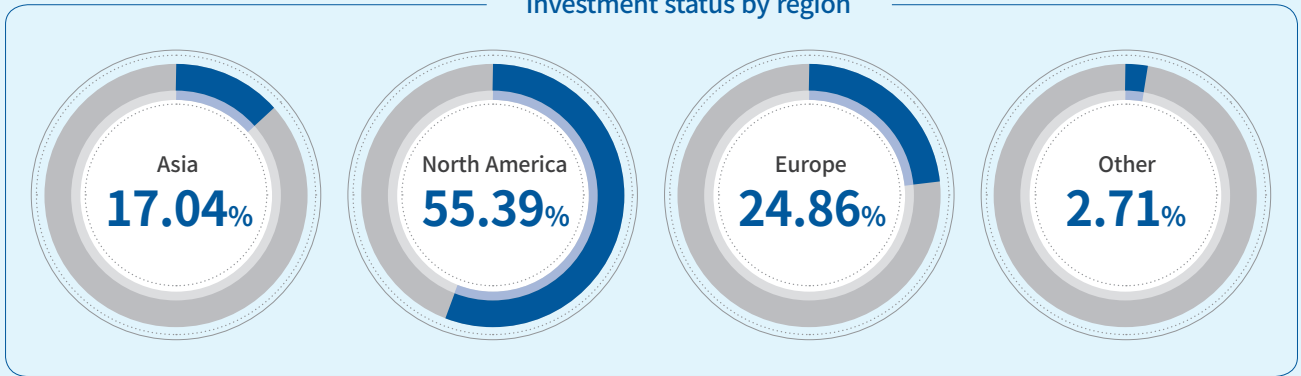
9,607 fixed-income instruments

296 funds



* As of the end of December 2017

Investment status by region



Investment Highlights

The Korea Investment Corporation (KIC) was entrusted with USD 100 billion following its establishment in 2005. Our net asset value had increased by USD 34.1 billion, to USD 134.1 billion, as of the end of 2017. Following a principle of diversification, we manage a portfolio that comprises 85.6% traditional assets and 14.4% alternative assets, including hedge funds, private equity, real estate and infrastructure.

Asset allocation (2017)

USD billion, %

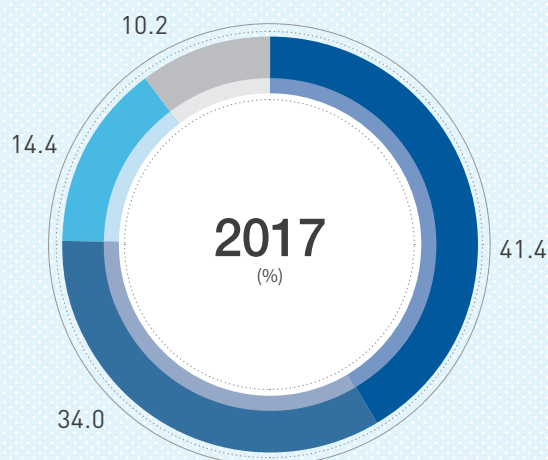
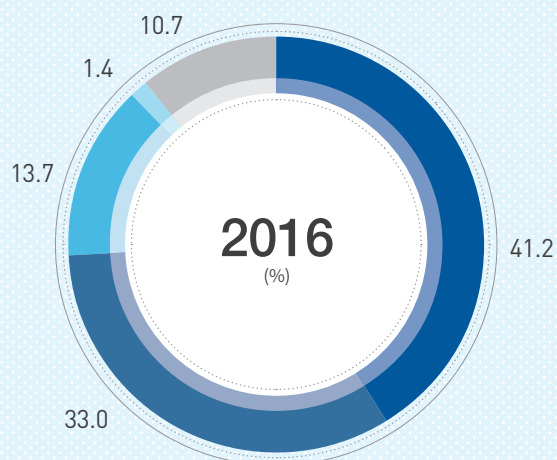
Category		NAV	Asset allocation**
Traditional assets	Equities	55.5	41.4
	Fixed income	45.6	34.0
	Other*	13.7	10.2
	Subtotal	114.8	85.6
Alternative assets	Hedge funds	4.7	3.5
	Private equity	6.5	4.9
	Real estate and infrastructure	7.8	5.8
	Cash equivalents	0.3	0.2
	Subtotal	19.3	14.4
Total		134.1	100.0

* "Other" refers to inflation-linked bonds, commodities, cash, etc.

** NAV basis

Asset allocation by year

Equities Fixed income Alternative assets Special investment Other



With a strategy of gradually expanding our alternative assets, which have a low correlation with traditional assets and can capture illiquid risk premiums that tend to pursue relatively higher returns, we increased the proportion of alternative investments in our portfolio from 13.7% at the end of 2016 to 14.4% in 2017.

KIC's return on total assets in 2017 reached 16.42%, with the annualized return for the past five years being 5.99%. We have expanded our investment competencies based on principles of long-term investing and diversification since our establishment and recorded an annualized return since inception of 4.45% despite the global financial crisis and low interest rates.

Thanks to the strong performance of equities markets in developed and emerging markets as well as stable interest rate patterns in global fixed-income markets in 2017, the MSCI All Country World Index (equities) soared by 23.97%, and the Barclays Capital Global Aggregate Index (fixed income) rose by 7.39%. The S&P GSCI Light Energy Total Return Index increased by 5.15%, as associated assets reported mixed performance.

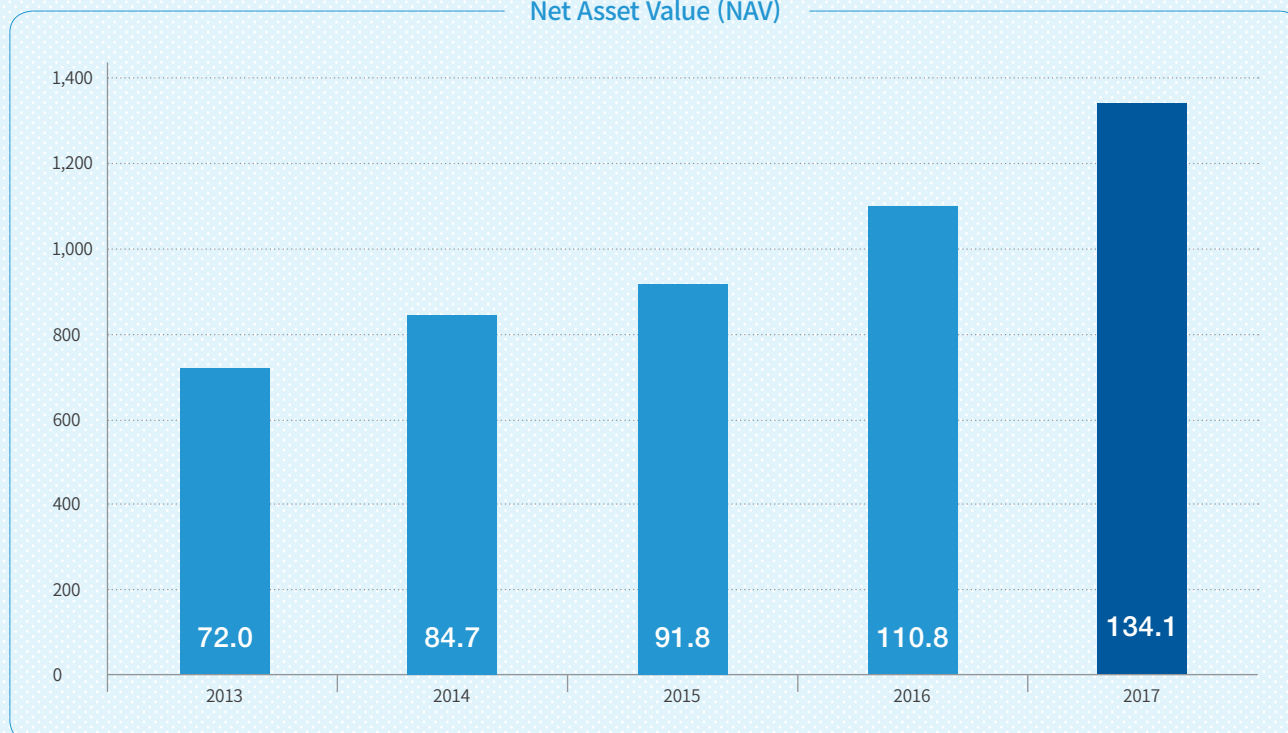
Assets under management by year

USD billion

Category	2013	2014	2015	2016	2017
Cumulative investment*	66.6	82.0	94.7	106.8	115.8
NAV	72.0	84.7	91.8	110.8	134.1
Accumulated gains	12.0	14.7	11.8	15.8	34.1

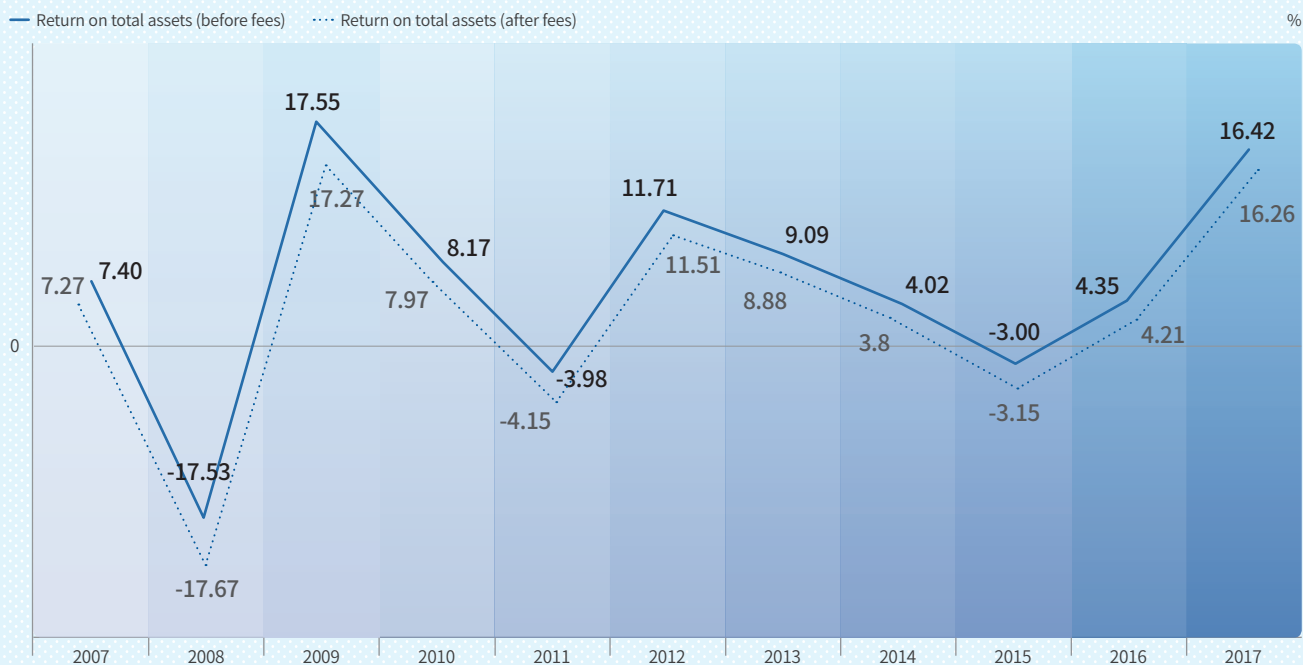
* Sum of NAV and annual investment amount

Net Asset Value (NAV)



Return on total assets

KIC's return on total assets in 2017 stood at 16.42%, with a five-year annualized return of 5.99% and an annualized return since inception of 4.45%.



Return on traditional assets

The return on traditional assets in 2017 was 16.71%, 129 bps higher than the benchmark.

%, bp

Category		2013	2014	2015	2016	2017	Annualized return for the past five years	Annualized return since inception
Total	Return	8.67	3.52	-3.15	3.96	16.71	5.74	4.95
	Excess return	108	131	68	-95	129	67	26
Equities	Return	18.61	4.82	-1.82	5.85	25.50	10.15	4.07
	Excess return	102	112	153	-232	122	51	-9
Fixed income	Return	-1.63	2.73	-3.57	1.46	8.00	1.32	4.14
	Excess return	2	128	5	29	72	46	29

Return on special investment

KIC fully divested from its special investment (Bank of America Merrill Lynch) in 2017. The final return was 0.38%.

USD billion, %

Investment start date	Initial amount invested	Recovered amount	Accumulated gains	Annual return on investment*
2008. 02. 01	2.0	2.1	0.1	0.38

* IRR basis

Return on alternative assets

Annualized return since inception is 7.37%.

%

Category	Inception	Annualized return since inception
Hedge funds	2010. 01. 29	5.65
Private equity	2009. 09. 16	7.11
Real estate and infrastructure	2010. 03. 15	8.07
Alternative asset total*		7.37

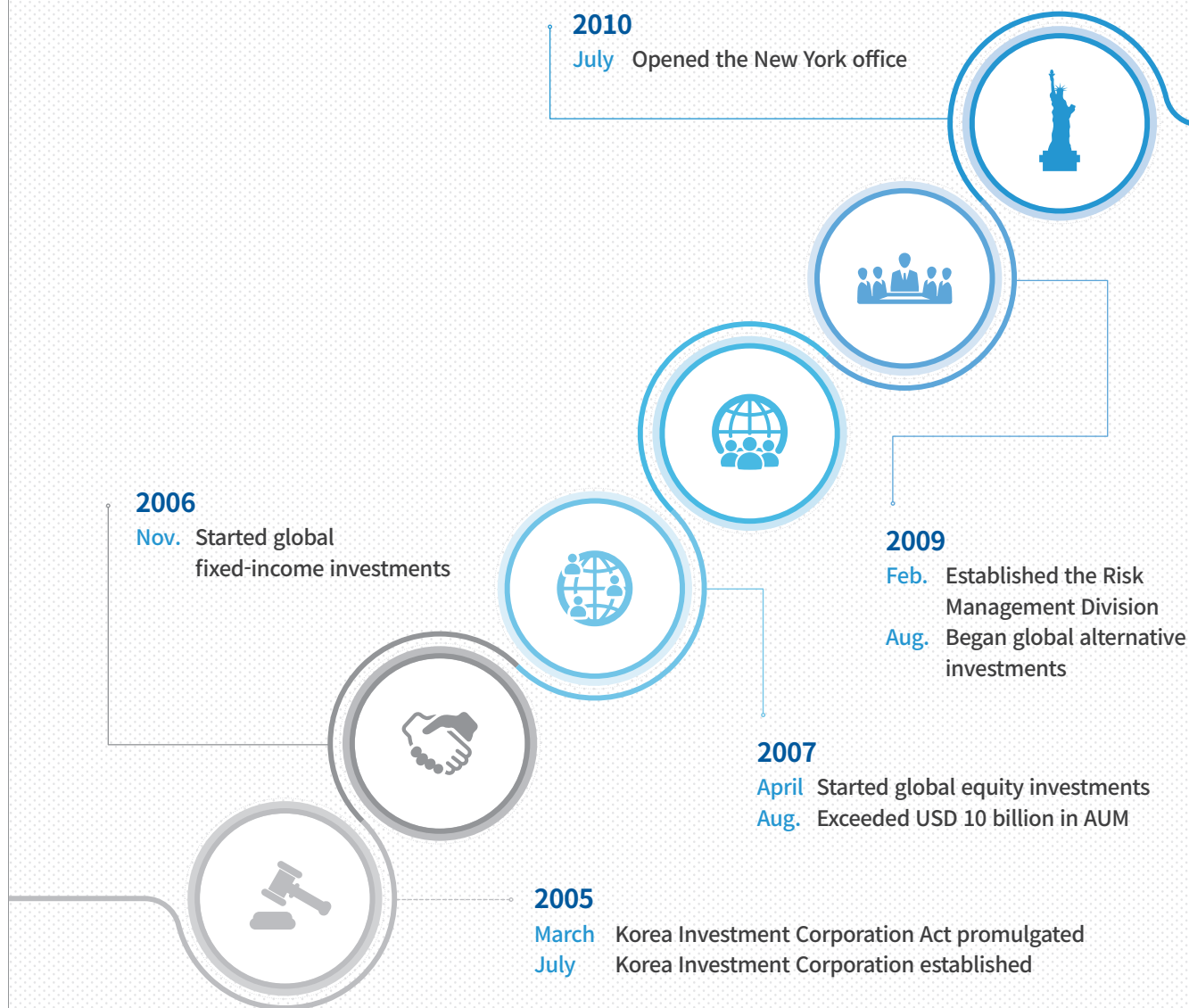
* Total includes commodities (categorized as traditional assets since April 2011)

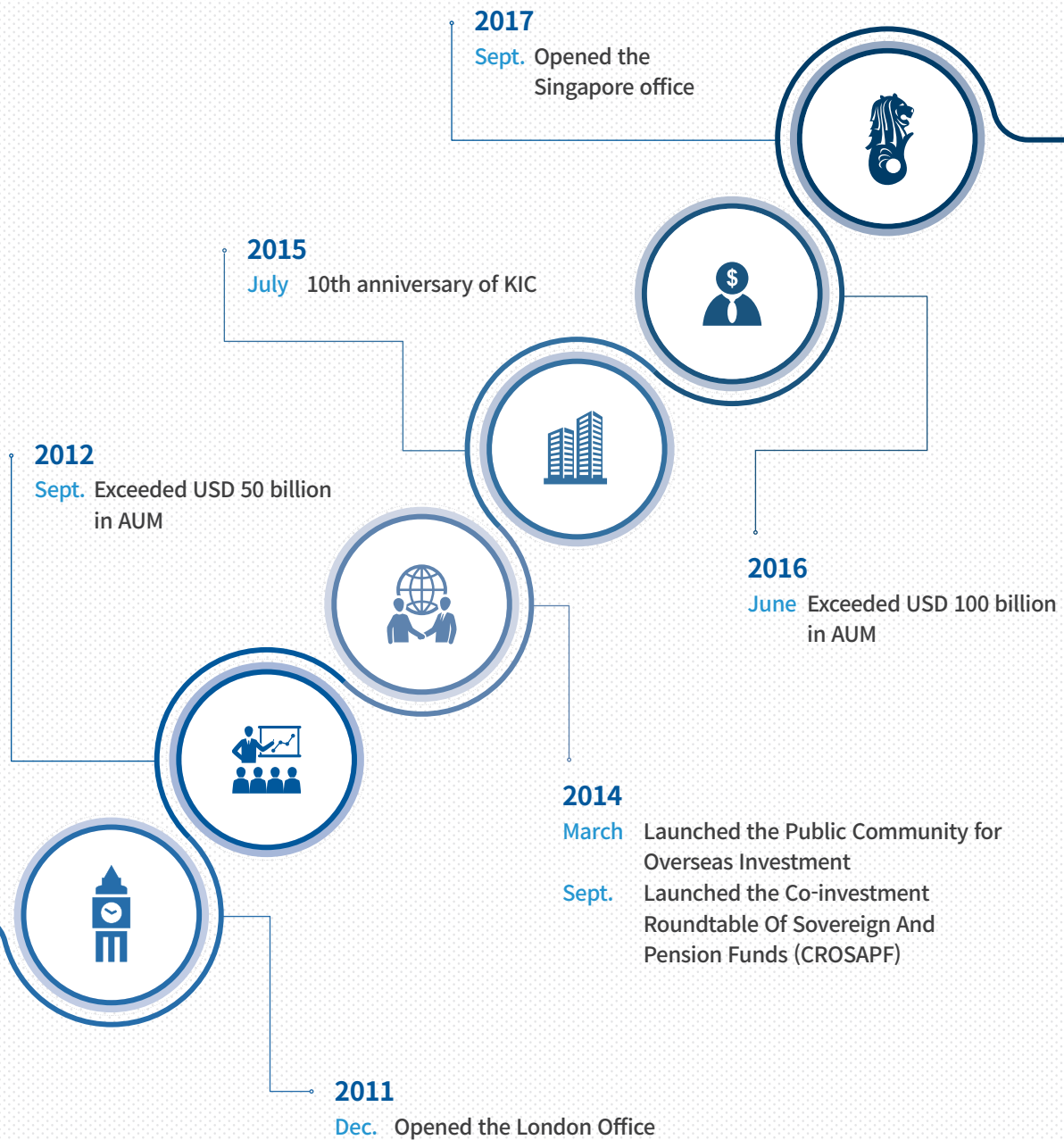
Benchmarks for each asset class

Type	Asset class	Benchmark
Traditional assets	Equities	Morgan Stanley Capital International All Country World Index ex Korea (unhedged)
	Fixed income	Barclays Capital Global Aggregate Index ex KRW ex Korea (unhedged)
	Commodities	S&P GSCI Light Energy Total Return Commodity Index
	Inflation-linked bonds	Barclays Capital Global Inflation-linked Bond Index
	Cash	BofA Merrill Lynch 3-Month U.S. Treasury Bill
Alternative assets	Private equity	Morgan Stanley Capital International All Country World Index ex Korea (unhedged) + 2%, 3 months lagged
	Real estate and infrastructure	G7 inflation rate + 4%, 3 months lagged
	Hedge funds	BofA Merrill Lynch 3-Month U.S. Treasury Bill + 3.5%, 1 month lagged

Milestones

KIC was established in 2005 to preserve and increase the long-term purchasing power of the nation's sovereign wealth by managing public funds in international financial markets.





Message From the CEO



Dear Readers,

As I present this year's Annual Report, I am reminded that what we do at the Korea Investment Corporation (KIC) is about much more than numbers.

It's about a shared journey of growth, one that wouldn't be possible without your support.

The global economy last year saw increased consumer spending and investments in developed economies, and stronger growth on the back of brisk exports in emerging economies.

Against this backdrop, KIC took advantage of a bullish global equities market and stable bond interest rates to invest proactively and exceed performance expectations, achieving a return on total assets of 16.42%. With annualized return for the past five years of 5.99% and a return on investment of \$18.3 billion in 2017, our assets under management have risen to \$134.1 billion.

We see these figures as the fruit of our commitment to generating stable and high returns through long-term, diversified investing, even amid financial crises and low interest rates.

Going forward, global economic growth is expected to continue in 2018, propelled by an improved financial environment and increased industrial output. U.S. tax reforms and monetary policy are having a positive impact globally. Emerging economies including Latin America and India are showing high potential for growth.

But risk factors remain: the U.S.-China trade conflict, spread of protectionism, monetary policy normalization in major countries, slowed growth in China and Brexit-related uncertainties.

To overcome risk factors that could trigger market volatility and achieve strong results, KIC will focus on expanding its excess return base through diversifying our fund management strategy.

We will respond quickly to changes in the equities and fixed-income markets through employing big data, strengthening our corporate valuation capabilities, using absolute return strategies in the face of rising interest rates and through other new and diverse strategies.

For alternative assets, we aim to forge partnerships with qualified external fund managers to secure promising investment opportunities. We will implement strategies differentiated by asset type, including private equity, real estate, infrastructure and hedge funds.

We will also strengthen our risk management system and continually upgrade our investment operations systems – everything from our research data to performance analysis – to generate stable returns in the mid-to-long term.

With a decade of overseas investment experience and our global network, we aim to lead the globalization and mutual growth of the domestic finance industry by co-investing with local institutional investors, supporting Korean companies expanding overseas and increasing our scale of entrustments to domestic managers.

We also plan to establish a KIC Stewardship Code and incorporate environmental, social and governance factors into our investment practices. We are committed to strengthening our fiduciary duty, investing responsibly and always meeting the public's expectations.

Our goal is to be a globally leading sovereign wealth fund through the transparent management of entrusted assets and performance management that generates high returns and contributes to national wealth.

Each of us at KIC is proud to be managing Korea's sovereign wealth and aware of the responsibility this entails. As Team KIC, we remain dedicated to pursuing continued growth for the prosperity of the nation.

Thank you.

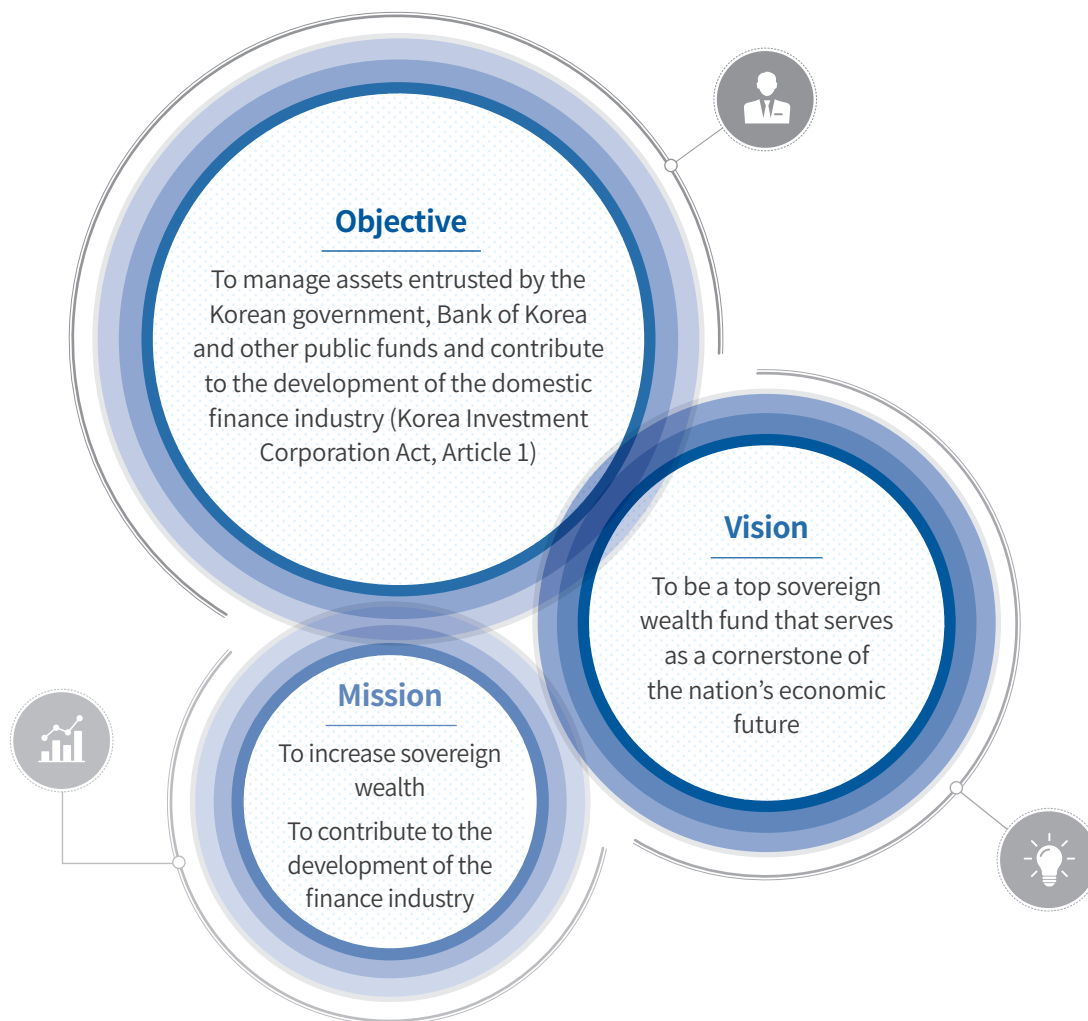
Heenam Choi

CEO / Chairman of the Board of Directors

May 2018

Vision & Mission

Vision

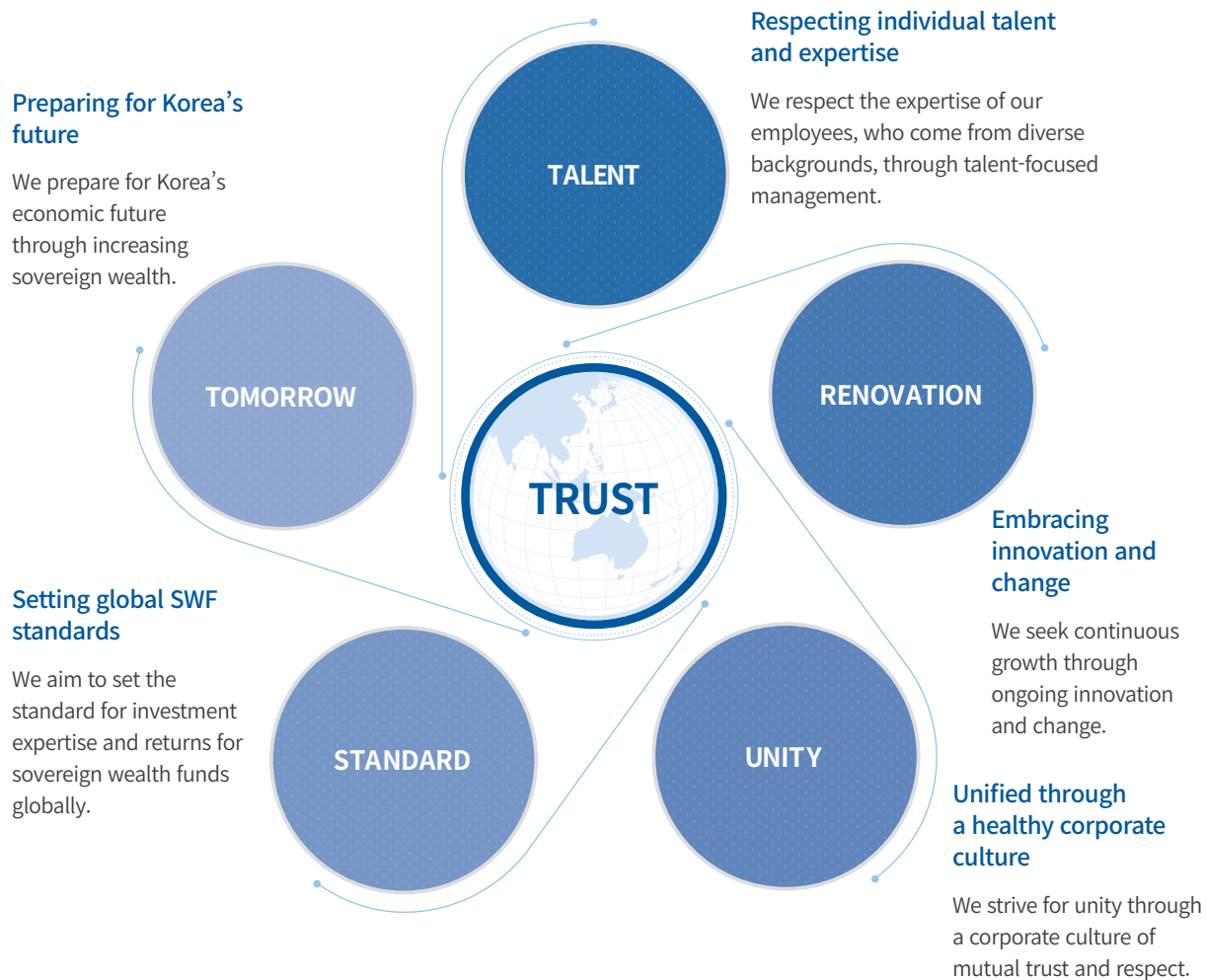


Mission

To increase sovereign wealth	To contribute to the development of the finance industry
<ul style="list-style-type: none"> To preserve the international purchasing power of sovereign assets by generating returns 	<ul style="list-style-type: none"> To promote the globalization of the domestic finance industry To expand our global investment network and foster overseas investment professionals

Our Future & Strategy

Our Future



Strategy

Practice responsible management	Increase returns	Contribute to the public
<ul style="list-style-type: none"> Strengthen organizational and performance management to boost investment expertise Enhance internal controls and transparent management 	<ul style="list-style-type: none"> Strengthen asset allocation competency Boost investment competency for each asset group Enhance risk management 	<ul style="list-style-type: none"> Increase collaboration with domestic industries and organizations Engage in ongoing community service

Investment & Risk Management

- 18 Investment Policy and Process
- 21 Traditional Investments
- 24 Alternative Investments
- 25 Securities Lending
- 26 Risk Management

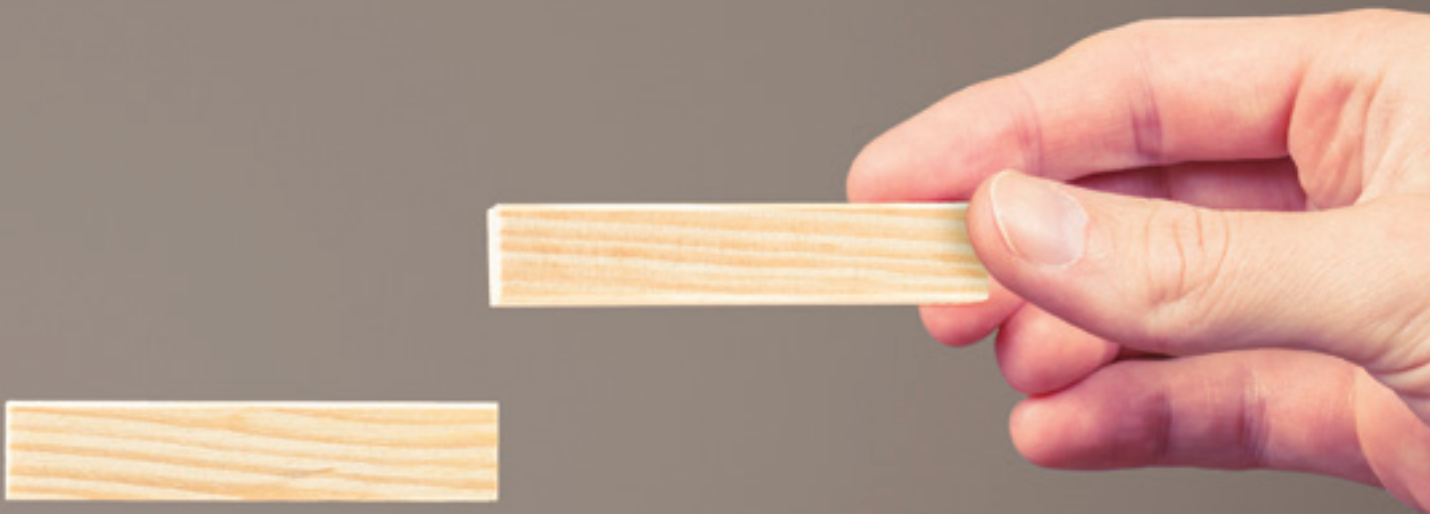


Long-term investing

Investing with a long-term perspective to achieve high returns amid short-term market volatility

Investing based on intrinsic value

Identifying undervalued opportunities through systematic valuation



01

Investment Policy and Process

Investment Objectives

KIC aims to generate consistent and stable investment returns within an appropriate level of risk to preserve and increase the value of Korea's sovereign wealth.

Investment Principles

Based on principles of prudent and responsible investing, we minimize overall portfolio risk by diversifying investments across asset classes and regions, and aim to increase returns in a sustainable manner.

Asset Classes

We invest in traditional and alternative assets. Traditional assets include listed or highly liquid financial assets such as equities, fixed-income investments and commodities. Alternative assets, which can capture risk premiums associated with illiquid investments, include private equity, real estate, infrastructure and hedge funds.

Investment Guidelines

Our investment guidelines stipulate the objectives, benchmarks, risk range and other key guidelines for mandated investments. The guidelines have been set for KIC's overall portfolio and individual funds, as well as by asset class, such as equity and fixed income. The investment guidelines provided by our sponsors serve as the basis for all investments, risk management and performance assessments at KIC.

Asset Allocation

We use diverse asset allocation strategies based on financial market and asset class forecasts and time horizons. Our strategies include

strategic asset allocation, strategic tilting, tactical asset allocation and asset class-specified investment. Over a long-term investment horizon, strategic asset allocation defines the role and function of each asset class and sets the policy benchmark based on expected returns and risks and optimal asset allocation. To prevent significant deviations from the policy benchmark, we rebalance the portfolio on a semi-annual or quarterly basis. Strategic tilting, which entails a mid-term investment horizon, aims to increase investment returns by adjusting the asset allocation against the policy benchmark based on macro research for each asset class and country. Tactical asset allocation seeks investment opportunities stemming from relatively short-term market volatility.



Direct and Indirect Management

KIC manages traditional assets directly by trading in financial markets and indirectly through external managers. For direct investments, we pursue stable returns with relatively low risk and marginal excess returns compared to the benchmark. For indirect investments, we hire external managers with a proven track record in a region, strategy or asset to generate greater excess returns. With growing internal investment capabilities, KIC is gradually raising its level of risk tolerance and target returns for direct investment while reducing the proportion of external mandates.

Risk Management

KIC minimizes unnecessary risks and controls downside risk through preemptive and systematic risk management. Risk management policies are reviewed by the Risk Management and Audit Subcommittee and approved by the Steering Committee. The responsible departments set the appropriate risk level within the policy and guideline framework and monitor risk limit compliance.

Investment Process

KIC's investment decision-making process aims to generate long-term investment returns based on thorough research.



Investment Process

01 Set investment goals and analyze investment conditions for each sponsor institution

- Set long-term investment goals to preserve and increase the value of sovereign wealth
- Analyze risk/return profiles and investment constraints for each sponsor

02 Macro-economic and capital market analysis

- Conduct mid- and long-term macroeconomic research
- Analyze expected returns for each investment asset

03 Strategic asset allocation

- Research and designate benchmarks for each investment asset
- Establish optimal asset allocation to achieve benchmarks for each sponsor

04 Establish investment management plans

- Analyze and forecast mid/short-term financial markets
- Establish mid-term/annual management plans, taking into account market forecasts and additional entrustments

05 Implement investment strategies

- Preemptively analyze risks depending on financial market circumstances and reflect them in the overall portfolio
- Establish and implement investment strategies within risk limits for each asset class and fund

06 Monitor and analyze performance

- Analyze ex-post risks and performance factors for the entire portfolio and individual investments
- Correct setbacks and reflect improvements based on performance and process monitoring

Investment-Related Committees

The following investment-related committees at KIC ensure prudent and responsible investment decision-making.

Investment Committee

Chaired by the CEO and made up of the Chief Investment Officer, Chief Risk Officer and Chief Operating Officer, this committee is responsible for deliberation and decisions regarding investments.

Investment Working Committee

Chaired by the Chief Investment Officer and made up of the heads of the investment and risk management divisions, this committee is responsible for the overall review of expected investment returns and risks.

Risk Management Working Committee

Chaired by the Chief Risk Officer and made up of the heads of the investment and risk management divisions, this committee deliberates and assesses the major risks related to investments.



02

Traditional Investments

Traditional investments aim to maximize returns in excess of the policy benchmark, and are composed of global equities, global fixed income and commodity indices.

Global equity indices rose by more than 20% in 2017 thanks to strong performance in the United States and emerging markets. The equity index in the United States, where regional asset allocation is higher than anywhere else, maintained an upward trend throughout the year due to strong economic indicators and improved corporate profits. Equity indices in emerging markets also played their part in leading the global upward trend by rising more than 30% due to improved fundamentals, the mitigation of political uncertainties and high liquidity.

KIC's equity investments reported outstanding performance by surpassing the benchmark thanks to efforts to expand investments in leading sectors and strategically selected investment targets. Interest rates continued declining until August due to concerns about ongoing low inflation in the global fixed-income market, and then turned around to finish the year with no significant change. Despite market uncertainties, KIC reported outstanding results against the benchmark by overweighting relatively attractive sectors, such as emerging market debt and U.S. credit debt.

KIC's total return on traditional assets in 2017 reached 16.71%, which contributed to increasing sovereign wealth by outperforming the benchmark by 1.29% – primarily through asset allocation, relative weight adjustment among sectors and the strategic selection of targets. KIC's aim as a sovereign wealth fund is to enhance investment returns while maintaining its long-term perspective.

As of the end of 2017, its annualized return for the past five years (2013-2017) stood at 5.74%, i.e., 67 bps in excess of the benchmark.

Macroeconomic Research

KIC conducts global macroeconomic and market research, including analyses of major countries and regional economies, to support investments. Through in-depth analyses of events and political/economic issues in key financial markets as well, we continue to strengthen our ability to respond to changes in the investment environment.

KIC is building a strategy-oriented research system to ensure that our macroeconomic analyses help generate higher returns. We are also devising thematic strategies to respond to macroeconomic changes and developing investment strategies for a variety of asset groups. Based on analyses and forecasts of the global economy and financial markets in 2017, KIC continued its strategy of allocating a higher portion of investments to equities than fixed-income instruments. This strategy, along with the improved performance of companies due to the ongoing global economic turnaround, advent of the "Fourth Industrial Revolution" and continued strong performance in the equities market, contributed to higher returns in 2017.

Equities

Under principles of long-term investing and research-based value investing, KIC reviews and executes investments in a broad range of equity markets in 71 countries. Taking various risk factors into account and adhering to our investment guidelines, we manage our portfolio to continue generating high returns that exceed the relevant benchmarks.

We began making direct investments in equities in 2008 with a passive strategy, and currently manage the portfolio according to two approaches – quantitative and fundamental.

Based on an independently developed internal quantitative management platform, our quantitative strategy consists of using advanced and diverse investment models to deliver stable and excess returns while maintaining a low degree of volatility. KIC seeks to diversify its strategies by introducing new approaches while striving to develop a variety of new strategies, including a platform that applies big data and artificial intelligence, technologies that have led recent innovations and social change.

Our fundamental investment strategy aims to generate excess returns by analyzing the intrinsic value of industries and companies. We manage our region-specific portfolios by strengthening our localized management competencies through equity specialists at our New York and London offices. KIC built a global sector-based model portfolio by integrating our Research Center into our Equity Management Team in 2016, which let us manage global fundamental funds with greater stability.

For direct investments in equities in 2017, we generated excess returns in a stable manner by strengthening our research capabilities and introducing diverse quantitative strategies. We also laid the groundwork for new and innovative strategies.

For the external management of equities, we rebalanced our portfolio to improve performance and better respond to market changes. We strengthened our ability to manage the portfolio

in a more balanced way by upgrading the style analysis of each fund. We also strengthened the ability of our New York investment managers to select asset managers, as well as their associated monitoring role, to boost local management capability.

Fixed Income

KIC invests in bonds and currencies from various countries and sectors, including sovereign bonds, bonds issued by state-run agencies, corporate bonds and securitized bonds. We manage risk factors inherent in the global fixed-income market, including credit and liquidity risk, and strictly adhere to pre-determined investment guidelines in our pursuit of optimal portfolio management.

For the directly invested fixed-income portfolio, we use regional and sector-specific expertise derived through organic collaboration between headquarters and our overseas branches to systematically manage a broad global portfolio, diversify risk and pursue stable excess returns.

In 2017, we outperformed the benchmark by enhancing our credit analysis capabilities and diversifying macro strategies based on mid- to long-term macroeconomic research and policy outlooks.

For external fixed-income management, we strengthened portfolio management and our ability to generate excess returns by upgrading our manager analysis system, including the means to analyze each risk and performance factor. We also diversified our management strategies and conducted active rebalancing to improve performance.

Commodities

KIC invests in commodity indices in energy, metals and agriculture in consideration of the Korean economy's reliance on overseas resources, the possibility of prolonged inflation and efficient asset allocation. For commodity investments, we invest in commodity-linked derivatives to diversify risk and generate excess returns through diverse strategies.

In 2017, crude oil and industrial metal prices rose rapidly due to supply-side controls and resilient global growth, while gold and other precious metals also rose due to a weak U.S. dollar. KIC's commodity portfolio outperformed the benchmark with active sector allocation and diversified investment strategies.

Tactical Asset Allocation

KIC's tactical asset allocation strategy is to flexibly adjust allocation levels among asset groups and the relative investment weight within each group based on global macroeconomic flows and short-term financial market trends to generate stable excess returns.

In 2017, through an upgrade of KIC's strategy-oriented research system, our macro-economic and market environment analyses led to better investment performance. These efforts helped generate diverse investment strategies for each asset group as well. We also maintained portfolio stability through upgrading our risk management and analysis system.



03

Alternative Investments

Our objective with alternative investments is to increase absolute returns as a long-term investor by securing illiquidity premiums. With their low correlation with traditional investments, alternative investments can also increase risk-adjusted returns and diversify risk in the overall portfolio.

We started investing in alternative assets in 2009, with private equity, and have since steadily broadened our investment spectrum to include real estate, infrastructure and hedge funds, thereby building a balanced alternative portfolio. As of the end of 2017, KIC had recorded an annualized investment return since inception of 7.37% for alternative investments. We continue to strengthen our alternative investment capabilities by expanding our network with global sovereign wealth funds, pension funds and GPs to explore promising investment opportunities, including co-investments.

Private Equity

Private equity is categorized as an illiquid, growth-oriented long-term investment within the alternative asset portfolio, and thus seeks higher risk premiums than other asset groups. KIC established the alternative investment division in 2009 and started investing in private equity funds immediately following the global financial crisis. We began making direct private equity investments in 2010 and co-investments with GPs in 2011. In doing so, we have diversified our private equity investment portfolio and minimized market correlations, while seeking higher absolute returns.

We implemented various new strategic investments, including a sector strategy in 2017, and entered into additional agreements with a select group of outstanding management firms for subsequent funds. We strived to increase our portfolio returns

by continuously finding opportunities for joint and direct investment.

We also strengthened the management of portfolio concentration risk by rebalancing our portfolio and are building a private equity data management platform to manage and monitor investment assets more effectively.

Following the opening of KIC's Singapore office in September of 2017, we dispatched a private equity manager there to strengthen our Asia network and find investment opportunities in the region, which is noted for its high-growth potential.

Real Estate & Infrastructure

Real estate and infrastructure are leading tangible assets that are ideal for hedging against inflation. They are optimal for long-term investments due to their large investment scale and the value-added opportunities they provide in accordance with economic growth. Demand for these assets from global institutional investors continues to grow because of their suitability for long-term investment.

KIC pursues solid growth in its real estate and infrastructure portfolio by strengthening portfolio management and pursuing the regional and strategy-specific diversification of new investments.

For real estate investments, we proactively made diverse direct and indirect investments as well as joint investments in North America, Europe and Asia. We expanded investments further in such sectors as residential properties for rent and logistics facilities based on market conditions. For infrastructure investments, we pursued balanced investment between advanced markets and emerging markets, as the portfolio has continued growing due to multiple new investments.

Hedge Funds

Hedge funds, due to their relatively low correlation with economic cycles and financial market volatility, deliver absolute returns, offer a wide range of investment strategies and techniques and exhibit high capital efficiency.

Hedge fund investments adopt a variety of tactics and strategies, which can be classified largely as equity long-short, global macro, commodity trading advisors, fixed-income and event-driven strategies. We aim to diversify our investments across multiple hedge fund strategies to achieve sustainable long-term profitability.

Despite the relative underperformance of the overall hedge fund industry in 2015-2016, we generated solid returns centered on global equities and risky assets, such as emerging market currencies, as the global economy exhibited a clear turnaround in 2017. Our equity-related event-driven strategy, in particular, reported outstanding performance from continued strength in global equity markets and an active M&A market. The global macro strategy

also benefitted from the recovery of asset values in emerging markets. On the other hand, CTA performance was weak due to rapid fluctuations in the prices of oil and other commodities.

In mid-2017, we spun-off hedge fund investments from the External Management Team and created an independent hedge fund section to further strengthen KIC's presence in the global hedge fund market. With this new section, we reestablished our mid- to long-term hedge fund management plan and strategy to enhance the overall portfolio's stability and profitability in a fast-changing macro environment. We also carried out portfolio rebalancing based on a thorough assessment of existing managers and continued seeking new outstanding managers to improve the long-term profitability of our portfolio. Hedge fund investments, with their low correlation to not only traditional assets but to other alternative assets such as private equity and real estate, deliver complementary return streams to other assets and, in the long term, enhance KIC's sustainable profitability.

04

Securities Lending

KIC started its securities lending operations in May of 2007. We lend securities to institutions with high credit ratings through external agents. Cash collateral received through

securities lending is managed independently, in compliance with KIC's investment guidelines, and invested in assets with high liquidity and stability.

05

Risk Management



KIC aims to manage the investment risks of its portfolio within a given range and control downside risk. The Steering Committee reviews and deliberates on risk management policy, while the Board of Directors (BOD) proposes risk management policies to the Steering Committee and oversees policy execution, including the setting of risk limits.

The Risk Management Subcommittee (under the Steering Committee) and the Risk Management Working Committee (under the BOD) draw up risk management guidelines on individual portfolio management through in-depth discussions. The Risk Management Division is strictly separated from the Investment Management Division to ensure the independence and autonomy of the risk assessment and post-investment monitoring processes.

KIC classifies risks into market risk, credit risk, derivatives risk, operational risk and legal risk. Quantitative indicators and limits are adopted to measure each type of risk. During the actual investment process, each risk indicator is assessed and monitored. In the event that key risks exceed limits, the Risk Management Working Committee examines the

issue and discusses possible solutions. We also perform various types of qualitative analysis to complement the limitations of quantitative analysis.

Market Risk

KIC manages traditional assets based on the benchmarks designated by our sponsors. As such, traditional asset market risk is defined as the volatility of excess returns against the benchmark, and we measure, monitor and set limits using ex-ante tracking error methodology. As of 2017, the ex-ante tracking error for our portfolio was 55-80 bps for the total portfolio, 40-70 bps for equity and 30-60 bps for fixed income.

Other measures such as VaR, stress tests and tail risk management are also used to preemptively and actively manage downside risk from potential volatility spikes in the global financial market. To supplement the quantitative model, KIC also designates investment-eligible products in advance and sets limits on the allocation weightings for each asset class, country, currency and sector. We set limits on maximum outsourcing size for individual external asset managers to control concentration

risk. If the return for each fund underperforms the benchmark to a certain level, we review the underlying reason and come up with a resolution. We also have traditional investment restrictions in certain countries and products with liquidity constraints and regularly monitor portfolio liquidity.

For alternative investments, the risk management department conducts due diligence on major investments to analyze risk factors alongside the investment team. KIC sets limits on maximum outsourcing size for individual alternative asset managers to manage concentration risk. We also operate an early-warning system to monitor poorly performing investments. We continue to improve our quantitative risk analysis capabilities based on public market equivalent analysis, analysis of alternative portfolio concentrations for each vintage and the use of risk factors for investments in private equity and real estate.

Credit Risk

KIC classifies credit risks into credit risk from securities and counterparty credit risk. To manage credit risks from securities, we designate the lowest grade eligible for investments based on credit ratings by Moody's, S&P and Fitch Ratings, and set investment ceilings by issuers of corporate credit. To manage counterparty credit risk, KIC sets a minimum credit rating for counterparties, designates and manages eligible counterparties and sets exposure limits based on the counterparty's credit rating. KIC established its own internal counterparty evaluation system, which incorporates various quantitative and qualitative factors. This lets us preemptively manage counterparty risk by using various types of credit risk information.

Derivatives Risk

Derivatives are restrictively invested to enhance returns and make portfolio adjustments. To prevent excessive leverage transactions, we manage relevant risks by designating investment-eligible derivative products and setting position limits.

Operational Risk

Operational risk management aims to prevent KIC from incurring financial losses arising from risks associated with inappropriate internal processes, employees, systems and external factors. KIC has developed and conducts employee self-check surveys to better control operational risk. In terms of organizational structure, we have separated the front, middle and back offices to maintain an effective system of checks and balances. Operational processes for the settlement of accounts and accounting related to the management of entrusted assets, as well as our IT systems, are designed to ensure effective operational risk control. The Chief Compliance Officer oversees all matters related to operational risk management activities independently, to protect the interests of sponsors and prevent financial mishaps.

Legal Risk

All contracts and investment-related documents are reviewed by the Legal & Compliance Team before investments are carried out to prevent legal disputes due to non-compliance with regulations, agreements and guidelines, as well as to prevent unfair trades. The Legal & Compliance Team is also responsible for analyzing legal risk, reviewing investment agreements related to entrusted assets and monitoring compliance by fund managers with legal and agreement terms.

Organization & Management

- 30 Corporate Governance
- 32 Steering Committee
- 34 Executive Management
- 36 Organization Chart
- 37 Ethical Management
- 39 Global Network
- 41 Talent Development
- 43 Social Contribution



A hand is shown from the top right, holding a single wooden block horizontally. Below the hand are two stacks of three wooden blocks each, arranged on a light-colored wooden surface. The background is a plain, light grey wall. The lighting is soft and even.

Performance Management

To build an organizational system that helps employees excel and achieve a standard of performance that meets the expectations of the Korean people, respects individual expertise in the decision-making process and gives performance-based rewards

Ethical Management

To manage entrusted assets with integrity, honesty and transparency, as an organization our sponsors and the Korean people can trust

Integrated Management

To establish a positive corporate culture by encouraging teamwork and close cooperation among individuals as well as teams

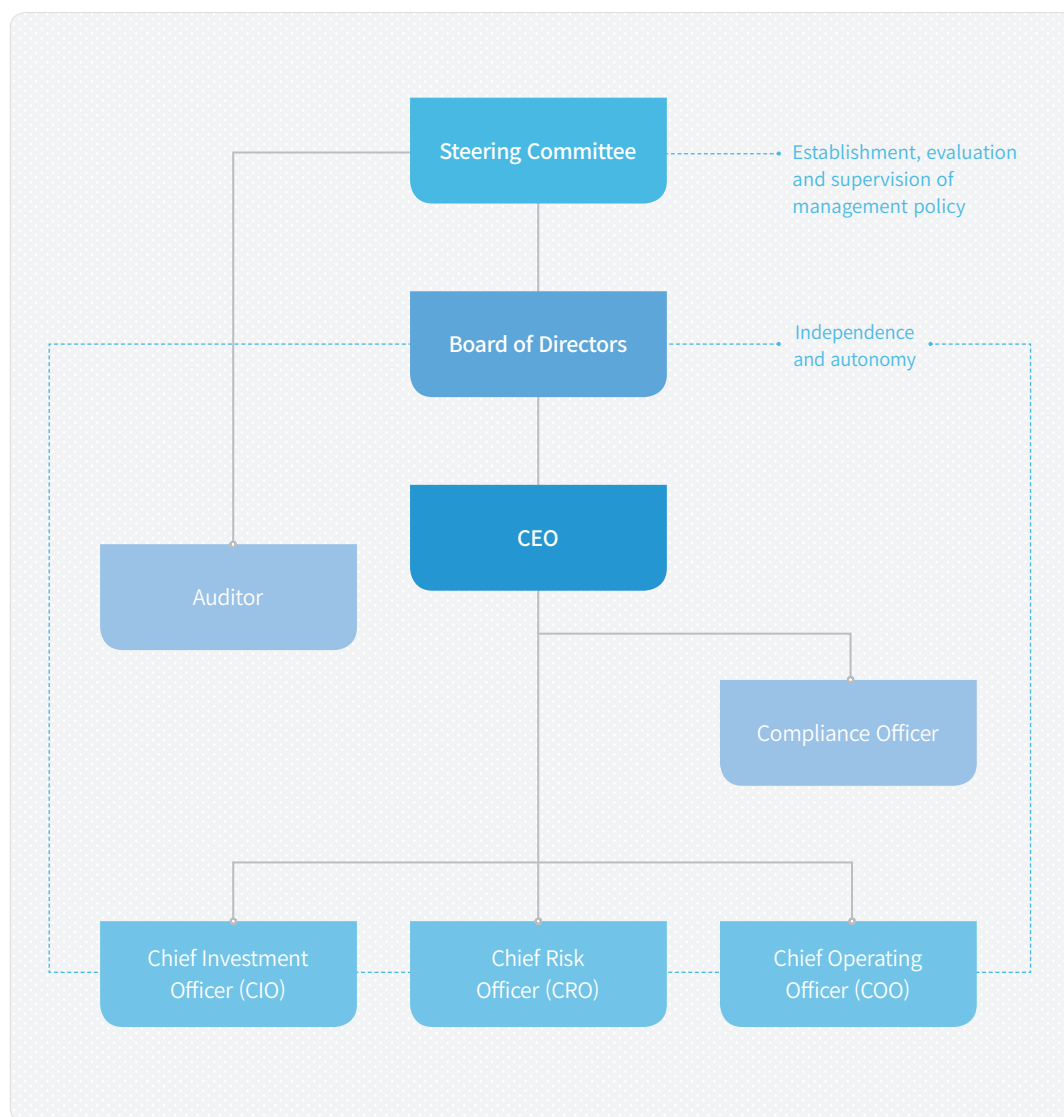
01

Corporate Governance

Governance Assuring Autonomy & Investment Independence

The Korea Investment Corporation Act stipulates that KIC shall have a corporate governance structure that ensures investment independence and operational autonomy from the government and its sponsors (Articles 24, 35, Korea Investment Corporation Act).

KIC's Governance Structure



Steering Committee

The Steering Committee deliberates on and resolves the following matters: revision of regulations, mid- and long-term investment policies, management and operational policies, changes to financial status, entrustment of assets to KIC, appointment and dismissal of executives, approval of budgets and financial results, evaluation of management performance and inspections and audits of KIC's business (Article 9, Korea Investment Corporation Act).

Under the Steering Committee are various subcommittees in the form of standing subcommittees and ad-hoc subcommittees. The standing subcommittees consist of the Investment Subcommittee, which reviews issues related to investment policies, and the Risk Management and Audit Subcommittee, which reviews risk management policies and the adequacy of risk management, as well as periodically manages and monitors KIC's operations.

The ad-hoc subcommittees deliberate on matters delegated to them by the Steering Committee and conduct investigations and produce reports to assist the decision-making activities of the

Steering Committee. These include the Evaluation Remuneration Subcommittee, which reviews KIC's management performance evaluation, and the Budget Review Subcommittee, which reviews budgets and the settlement of accounts.

Board of Directors

The Board of Directors is composed of the CEO and directors. The Board resolves matters related to the following, in compliance with KIC's internal regulations: management of the company, management of entrusted assets, risk management, legal affairs and compliance, human resources and accounting.

Chief Executive Officer

Under Article 18 of the Korea Investment Corporation Act, KIC's CEO is appointed by the President of the Republic of Korea, upon recommendation by the Minister of Strategy and Finance, through the President (CEO) Recommendation Committee and deliberation by the Steering Committee. The CEO represents KIC, presides over its business, convenes meetings of the Board of Directors and serves as Chairman of the Board.



02 Steering Committee



Steering Committee

The Steering Committee comprises six professionals from the private sector and three ex-officio members. The ex-officio members are the Minister of Strategy and Finance and the Governor of the Bank of Korea as representatives of institutions that have entrusted KIC with assets exceeding a set amount, and the CEO of KIC. Private sector members are nominated by the Civil Member Candidate Nomination Committee, appointed by the President of the Republic of Korea and serve a two-year term. The chairman of the Steering Committee is elected from among the private sector members.

Steering Committee members

	Deputy Prime Minister / Minister of Strategy and Finance	Governor of the Bank of Korea	CEO of KIC	Members from the private sector	
Category	Steering Committee	Investment Subcommittee	Risk Management and Audit Subcommittee	Budget Review Subcommittee	Evaluation Remuneration Subcommittee
DaeSik Kim	Chairman				
Seok Jung Kim	Member	Member	Member		
Cheon Woong Park	Member	Member	Subcommittee Chairman		
Yeongseop Rhee	Member			Member	Subcommittee Chairman
Kyung Soo Chung	Member	Subcommittee Chairman			Member
Myeong Hyeon (Mike) Cho	Member		Member	Subcommittee Chairman	
Ministry of Strategy and Finance (Minister)	Member			Member	Member
Bank of Korea (Governor)	Member			Member	Member
CEO of KIC	Member	Member	Member		

Members From the Private Sector



DaeSik Kim, Chairman
 Professor, School of Management,
 Hanyang University



Seok Jung Kim
 Head, Asset Management Division,
 Hyundai Insurance



Cheon Woong Park
 CEO, East Spring Asset Management



Yeongseop Rhee
 Professor, Graduate School of
 International Studies, Seoul National
 University



Kyung Soo Chung
 Vice President, DB Insurance Co., Ltd.
 (Head of Asset Management Division)



Myeong Hyeon (Mike) Cho
 Professor, Department of Business
 Administration and Management, Korea
 University

03

Executive Management



<p>Chairman & CEO Heenam Choi</p>	<ul style="list-style-type: none"> · B.A., Economics, Hanyang University · M.A., Economics, Hanyang University · Ph.D., Economics, University of Pittsburgh 	<ul style="list-style-type: none"> · Executive Director, International Monetary Fund · Ministry of Strategy and Finance <ul style="list-style-type: none"> - Deputy Minister for International Affairs - Director General, International Financial Policy Bureau · Acting Director, International Monetary Fund · Ministry of Strategy and Finance <ul style="list-style-type: none"> - Director, G20 Planning Group - Director, Foreign Fund Department and the International Finance Department
<p>Chief Investment Officer Shinwoo Kang</p>	<ul style="list-style-type: none"> · B.A., Law, Seoul National University 	<ul style="list-style-type: none"> · President and CEO, Hanhwa Asset Management · CIO (Vice President), Korea Investment Management · CIO (Managing Director), PCA Asset Management · Fund Manager, Hyundai Investment Trust Management
<p>Chief Risk Officer Seung Je Hong</p>	<ul style="list-style-type: none"> · B.A., Economics, Korea University · M.A., Economics, University of California, Santa Barbara 	<ul style="list-style-type: none"> · Bank of Korea <ul style="list-style-type: none"> - Director of International Bureau - Member, Foreign Asset Risk Committee of the Foreign Exchange Reserve · Director, International Cooperation Division · Dispatched to government agencies (Presidential Committee on Northeast Asian Cooperation Initiative, National Economic Advisory Council): Special advisor on planning of Northeast Asian financial hub strategies and macro-economy · Economic advisor, South East Asian Central Banks (SEACEN)
<p>Chief Operating Officer Sangjoon Kim</p>	<ul style="list-style-type: none"> · B.A., International Economics, Seoul National University 	<ul style="list-style-type: none"> · Korea Investment Corporation <ul style="list-style-type: none"> - Head of London Office - Head of Equity Investments Team - Head of Investment Strategy Team · Managing Director, Barclays Global Investors · Samsung Life Insurance <ul style="list-style-type: none"> - Head of Corporate Pension Investment Team - Deputy General Manager, Overseas Investment Team

* As of April 2018



Heenam Choi
Chairman & CEO



Shinwoo Kang
Chief Investment Officer

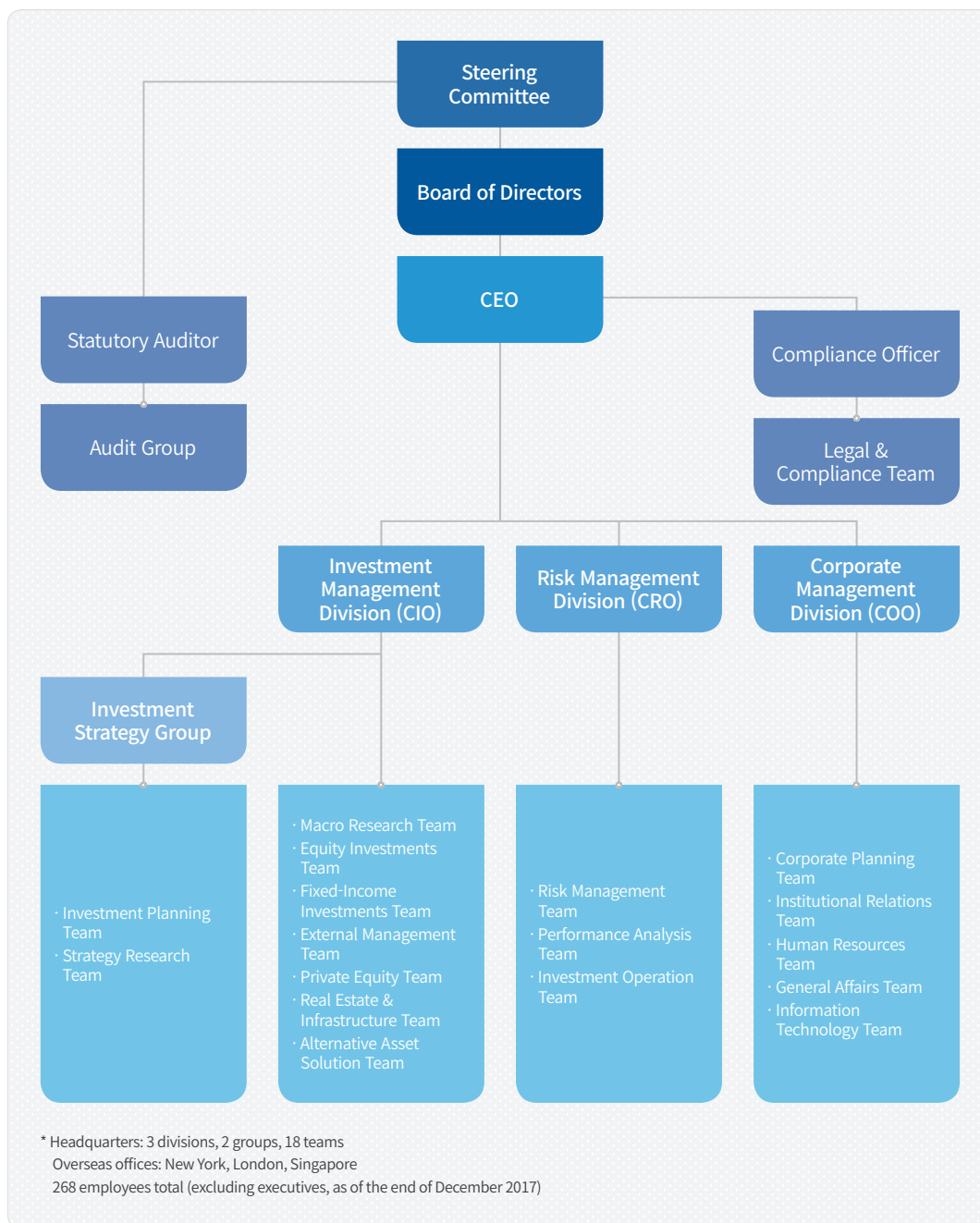


Seung Je Hong
Chief Risk Officer



Sangjoon Kim
Chief Operating Officer

04 Organization Chart



05

Ethical Management

A Transparent & Fair System Based on Ethical Awareness & National Pride

KIC was established to efficiently manage assets entrusted by the government, the Bank of Korea and other sponsors and contribute to the development of Korea's finance industry. We are proactively taking steps to ensure ethical and transparent management by adopting this as the basic principle for corporate management, raising ethical awareness among all employees and boosting transparent management.



Internal Control

KIC's internal control standards stipulate that employees should abide by the KIC Act, manage entrusted assets with integrity and comply with procedures and standards to protect the interests of sponsors. KIC's Compliance Officer oversees all matters related to internal controls. Independent from executives, this officer is responsible for establishing internal control policies and monitoring adherence to relevant regulations and KIC's Compliance Standards.

KIC conducts self-diagnosis tests for employees on a quarterly basis. Employees submit relevant reports each month when seeking to trade financial investment products that require reporting. The Legal & Compliance Team intensifies compliance monitoring by additionally implementing independent monitoring activities for self-diagnosis, including reviews of emails and trading transactions.

The Compliance Officer reviews whether investment guidelines for entrusted assets are adhered to, and monitors actual trading records based on counterparty evaluation. In this way, we verify the legal compliance of investment activities.

The Compliance Officer also runs an internal whistleblowing and reporting system accessible through various channels for seamless internal control. We offer training to promote higher ethical awareness and legal compliance among employees.

Transparent Governance

Public Disclosure

In accordance with the Korea Investment Corporation Act, KIC discloses corporate information, including the items below, to ensure transparency and accountability.

- Total assets under management
- Return on total assets
- Asset allocation and investment returns by asset class
- Mid- to long-term investment policy
- Financial statements and accounting standards
- Audit reports
- Changes in portfolio managers

External Audits

KIC's annual financial statements are audited by an external auditor and are compliant with international audit standards. The external auditor is selected by KIC's Statutory Auditor.

Audit by the National Assembly

Under the National Assembly Act and the Act on the Inspection and Investigation of State Administration, KIC submits reports on major activities to the National Assembly and is subject to the National Assembly's annual audit.

Disclosure of Management Information

In accordance with the Act on the Management of Public Institutions, KIC discloses management information on ALIO, the website for disclosures of the operation of public institutions, including the following details:

- New employment
- Compensation for executives / Average employee wages
- Results of the National Assembly audit
- Results of the Board of Audit and Inspection
- Minutes of Board of Directors meetings
- Internal audit results
- Employee benefits
- Tax payments



06

Global Network

KIC continues to grow a large and tightknit network with sovereign wealth funds, pension funds and other financial institutions around the world. This network is at the heart of our ability to garner valuable investment information, access promising investment opportunities and secure an advantage in investment negotiations.

Global Network With Sovereign Wealth Funds & Public Funds

KIC is expanding its international network to strengthen collaborations with global sovereign wealth funds. It has signed MOUs for cooperation with multiple funds since 2009 to share investment information and engage in other types of exchange. In September of 2014, KIC launched the Co-investment Roundtable Of Sovereign and Pension Funds (CROSAPF)

as a sustainable and practical platform for collaboration and co-investment. CROSAPF's 20 member institutions gather at annual meetings to find investment opportunities, discuss possibilities for collaboration and strengthen their network.

International Forum of Sovereign Wealth Funds (IFSWF)

We have been an active member of the International Forum of Sovereign Wealth Funds (IFSWF) since the group's inception in 2009 and are committed to adhering to the Santiago Principles. As a member of the IFSWF's Investment and Risk Management Sub-Committee, KIC has proposed various methods of promoting investment and risk management best practices among sovereign wealth funds.



Public Community for Overseas Investment

KIC established the Public Community for Overseas Investment in April of 2014 to support the growth of the local finance industry, which is part of its mission and objective. The Community is a platform for its 18 member institutions to actively share investment knowledge and information about overseas investment. Through five meetings in 2017, participants exchanged information and views on investments in leading markets, including global financial market forecasts and investment trends, risk management, back office operations and topics of mutual interest. KIC aims to cooperate with and support member institutions to help boost overseas investment performance in the public sector.

Highlights of the Public Community for Overseas Investment in 2017

Date	Meeting Agenda
Feb. 17, 2017	2017 financial market update and investment strategy for each asset group, such as equities, fixed income and GTAA
May 19, 2017	Investment strategies and opportunities in infrastructure, foreign currency hedge strategy for the National Pension Fund, infrastructure investment using trade insurance and foreign infrastructure investment through collaboration with IFC
July 21, 2017	Real estate investment strategy and opportunities
Oct. 27, 2017	Trends in alternative investment asset management by foreign pension funds and a review of joint investment laws
Dec. 22, 2017	Hedge fund investment strategy, along with 2017 financial market review and 2018 forecast



07 Talent Development

Key Attributes of KIC Employees

KIC seeks to nurture global financial experts who can contribute to growing the nation’s sovereign wealth and finance industry. Our goal is to ensure that all employees embody KIC’s five main attributes: professionalism, integrity, loyalty, accountability and respect.

Training programs

KIC offers various training programs to equip employees with the skills they need to manage Korea’s sovereign wealth and support the nation’s finance industry. Our domestic and overseas training programs cover subjects related to asset management, including asset



allocation, investment management and risk management, and aim to nurture experts in these fields. We also offer courses customized by job, study groups and language courses. We encourage employees to obtain relevant certificates by subsidizing the process.

Entry-level, first-year employees can experience working in various business units at KIC and explore their area of interest through a rotation program. They can also take advantage of diverse mentoring programs during this period.

Our internship program is another great way to experience KIC's diverse business areas and get on-the-job training. We also sponsor domestic and overseas scholarship programs to support employee self-development. Going forward,

we plan to strengthen and expand our training platform to cultivate internal talents and, ultimately, leaders.

Recruitment

We recruit both entry-level and experienced employees who have a pioneering attitude and creative mindset about exploring the future at KIC, are accountable and are ethically aware. We use a fair and transparent recruitment process to find individuals with the major attributes of KIC employees as well as specialists in areas including equity, fixed income, alternative investment and risk management. Through strengthening local investment management at our overseas offices, we also continue to bolster local investment expertise.



08

Social Contribution

KIC carries out various social contribution programs to give back to the public, fulfill its social responsibilities as a public institution and create a better world for the next generation. Our keywords in this regard for 2017 were “volunteering,” “sharing” and “job creation.” We have implemented practical community service programs in the areas of emergency relief support, human resource development, future infrastructure building and talent sharing.

KIC holds quarterly Social Contribution Committee meetings to plan and carry out volunteer programs that conform to KIC’s mission.

Emergency Relief Support

Together with the Korean Open Doctors Society, KIC offers medical services and support for foreigners working in Korea and multicultural families. About 3,600 people have benefited as of 2017, and KIC continues to help those with limited access to good medical care. KIC employees volunteer each quarter to work with the Seongbuk Welfare Center for the Disabled, to upgrade the living conditions of senior citizens living alone and those with severe disabilities.

We also take part in programs focused on medical subsidies for patients with rare and untreatable conditions and child cancer patients, lunch deliveries and visits to senior citizens. In particular, we also contributed relief funds to earthquake victims in Pohang last year.

Human Resource Development

As an overseas investor, KIC works with the Good Neighbors program to match our employees with children in need in Asia, Africa, South America and other regions. We provide scholarships for college students experiencing financial difficulty. We also sponsor children of multicultural families in the metropolitan area so they can remain devoted to their studies. These programs aim to nurture talented human resources who will lead the nation’s future.

Future Infrastructure Building

KIC has sponsored educational and cultural activities related to filial piety to support the public. We also supported the Chaem Art School at a center for the homeless in Seoul. We actively search for regions in need of assistance and work with our foreign offices to be of service.

Talent Sharing

KIC offers financial education and career counseling to college students every year through holding a campus seminar. We also participate on various deliberation and evaluation committees, to share our expertise and contribute to the public good. In particular, we cooperate with a career experience center for youths in Mapo to teach teens about financial investing, so that the next generation can discover their unique individual aptitude.

KIC plans to continue its social contribution programs and fulfill its responsibilities as a public institution.



Volunteering and donating to promote self-sufficiency and stability among low-income families, those with disabilities, senior citizens living alone, patients with rare conditions, foreign workers, multicultural families, victims of natural and social disasters and others



Supporting diverse programs that help children overseas, sponsoring college tuitions for students from low-income families, subsidizing the education expenses of children from multicultural families and more





Supporting a variety of public programs and social contribution activities by overseas staff



Sharing time and expertise through campus seminars, participating on evaluation committees, educating teenagers and more to nurture future leaders of finance





Financial Statements

47 Independent Auditors' Report

48 Financial Statements

Independent Auditors' Report

Based on a report originally issued in Korean

To the Board of Directors

Korea Investment Corporation:

We have audited the accompanying financial statements of the Korea Investment Corporation (the "Corporation"), which comprise the statements of financial position as of December 31, 2017 and 2016, the statements of income, changes in equity and cash flows for the years then ended, and notes, including a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Accounting Standards for Non-Public Entities in the Republic of Korea, and for such internal control as management determines necessary to enable the preparation of 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 audits. We conducted our audits in accordance with the 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including assessments of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Corporation's preparation and fair presentation of the 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 Corporation's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2017 and December 31, 2016 and its financial performance and cash flows for the years then ended in accordance with generally accepted accounting principles in the Republic of Korea.

Other Matters

Accounting principles, auditing standards and their application vary among countries. The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those knowledgeable about Korean accounting procedures and auditing standards and their application.



Seoul, Korea
March 28, 2018

This audit report is effective as of March 28, 2018, the report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time this report is read, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, readers should understand that this audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

Statements of Financial Positions

As of December 31, 2017 and 2016

Korea Investment Corporation

(KRW thousand)

	Notes	2017	2016
Assets			
Cash and due from banks	4,11	₩ 156,733,615	146,946,991
Securities	5,6	48,214,068	43,393,508
Loans, less allowance for doubtful accounts of ₩ 25 in 2017		4,975	-
Property and equipment	7,8	2,346,854	1,879,225
Accounts receivable		1,065	50
Accrued incomes, less allowance for doubtful accounts of ₩ 284,244 in 2017 and ₩ 245,257 in 2016	11,16	56,365,170	48,806,138
Investments		3,403,298	3,339,988
Intangible assets	9	1,360,602	1,605,771
Deferred tax assets	15	2,798,921	2,155,381
Other assets	11	79,738	61,269
Total assets		₩ 271,308,306	248,188,321
Liabilities			
Withholdings		₩ 861,762	753,364
Accounts payable	11	781,681	574,387
Accrued expenses	11	35,286,464	31,039,625
Income tax payable		7,584,704	5,440,133
Provision for retirement and severance benefits	10	10,009,904	8,006,113
Pension plan assets		(8,697,628)	(7,376,942)
Total liabilities		45,826,887	38,436,680
Equity			
Capital	1,13	100,000,000	100,000,000
Retained earnings	14	125,481,419	109,751,641
Total equity		225,481,419	209,751,641
Total liabilities and equity		₩ 271,308,306	248,188,321

See accompanying notes to the financial statements.

Statements of Income

For the years ended December 31, 2017 and 2016

Korea Investment Corporation

(KRW thousand)

	Notes	2017	2016
Operating revenue			
Investment management fees	16	₩ 200,610,399	165,012,964
Gain on foreign exchange	11	3,892,558	7,468,500
Interest income		2,440,030	2,347,738
Dividend income		846,552	1,029,477
Reversal of allowance for bad debt		766	27,518
		207,790,305	175,886,197
Operating expenses			
Fee expenses		(97,120,618)	(84,554,436)
Loss on foreign exchange	11	(8,008,022)	(7,282,308)
Loss on financial assets at fair value through profit or loss		(286,208)	(341,952)
General and administrative expenses	17,18	(59,750,435)	(55,306,718)
		(165,165,283)	(147,485,414)
Operating income		42,625,022	28,400,783
Non-operating revenue			
Income from pension plan assets		121,952	110,719
Equity income on investments	6	819,696	627,105
Other income		15,380	34
		957,028	737,858
Non-operating expenses			
Donations		(134,958)	(121,229)
		(134,958)	(121,229)
Income before income tax		43,447,092	29,017,412
Income tax expense	15	(10,108,254)	(7,006,088)
Net income		₩ 33,338,838	22,011,324

See accompanying notes to the financial statements.

Statements of Changes in Equity

For the years ended December 31, 2017 and 2016

Korea Investment Corporation

(KRW thousand)

	Notes	Capital	Retained earnings	Total equity
Balance on January 1, 2016		₩ 100,000,000	102,722,199	202,722,199
Dividends		-	(14,981,882)	(14,981,882)
Net income for the year		-	22,011,324	22,011,324
Balance on December 31, 2016		₩ 100,000,000	109,751,641	209,751,641
Balance on January 1, 2017		₩ 100,000,000	109,751,641	209,751,641
Dividends		-	(17,609,060)	(17,609,060)
Net income for the year		-	33,338,838	33,338,838
Balance on December 31, 2017		₩ 100,000,000	125,481,419	225,481,419

See accompanying notes to the financial statements.

Statements of Cash Flows

For the years ended December 31, 2017 and 2016

Korea Investment Corporation

(KRW thousand)

	Notes	2017	2016
Cash flows from operating activities			
Net income		₩ 33,338,838	22,011,324
Adjustments for:			
Severance benefits		3,178,776	2,228,712
Depreciation		841,639	839,604
Amortization		589,471	583,691
Loss on foreign currency translation		1,631,998	936,452
Provision for allowance for doubtful accounts		39,777	1,215
Loss on financial assets at fair value through profit or loss		286,208	341,952
Gain on foreign currency translation		(793,246)	(1,957,814)
Reversal of allowance for bad debt		(766)	(27,518)
Income from pension plan assets		(121,952)	(110,719)
Equity income on investments		(819,696)	(627,105)
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable		(1,015)	85
Decrease (increase) in accrued income		(9,187,758)	7,209,443
Decrease (increase) in other assets		(19,011)	3,475
Decrease (increase) in deferred tax assets		(643,541)	3,624
Increase (decrease) in accounts payable		217,650	(47,517)
Increase (decrease) in withholdings		108,399	130,278
Increase (decrease) in accrued expenses		5,029,727	(284,037)
Increase (decrease) in income tax payable		2,144,571	(252,704)
Payments to severance benefits		(1,174,985)	(676,583)
Increase (decrease) in pension plan assets		(1,198,734)	(2,396,858)
Net cash provided by operating activities		33,446,350	27,909,000

Statements of Cash Flows

For the years ended December 31, 2017 and 2016

Korea Investment Corporation

(KRW thousand)

	Notes	2017	2016
Cash flows from investing activities			
Decrease in time deposits included in cash and due from banks		89,318,661	136,937,604
Decrease in certificate of deposits included in cash and due from banks		67,261,752	-
Decrease in investments in associates and subsidiaries		712,928	685,103
Refund of leasehold deposits		67,093	587,902
Increase in time deposits included in cash and due from banks		(70,318,661)	(103,437,604)
Increase in certificate of deposits included in cash and due from banks		(85,261,752)	(49,000,000)
Increase in financial assets at fair value through profit or loss		(5,000,000)	-
Increase in loans		(5,000)	-
Acquisition of property and equipment		(1,309,267)	(518,086)
Acquisition of intangible assets		(344,301)	(622,489)
Payment for leasehold deposits		(172,119)	(54,635)
Acquisition of other investment assets		-	(196,938)
Net cash used in investing activities		(5,050,666)	(15,619,143)
Cash flows from financing activities			
Dividends paid		(17,609,060)	(14,981,883)
Net cash used in financing activities		(17,609,060)	(14,981,883)
Net increase (decrease) in cash and cash equivalents		10,786,624	(2,692,026)
Cash and cash equivalents at beginning of year	4	4,946,991	7,639,017
Cash and cash equivalents at end of year		₩ 15,733,615	4,946,991

See accompanying notes to the financial statements.

Notes to the Financial Statements

For the years ended December 31, 2017 and 2016

1. Reporting Entity

The Korea Investment Corporation (the "Corporation") was incorporated on July 1, 2005 under the Korea Investment Corporation Act, and is engaged in the investing of assets entrusted by the Korean government (the "Government") and the Bank of Korea. As of December 31, 2017, the Corporation is wholly owned by the Government, and the paid-in capital of the Corporation amounted to ₩100 billion.

The primary business of the Corporation is the management of assets entrusted by the trust institutions, and related survey and research activities. In addition, the Corporation exchanges and cooperates with other domestic or overseas institutions carrying on similar business. The Corporation also conducts other incidental business based on the decisions of the Steering Committee. It is located at #100, Toegy-ro, Jung-gu, Seoul, Korea. The Capital and investor as of December 31, 2017 is summarized as follows.

(KRW thousand)

Investor	Capital	Percentage of shareholding
Ministry of Strategy and Finance	₩ 100,000,000	100%

2. Basis of Preparation

(1) Statement of compliance

The financial statements of the Corporation are prepared in accordance with the Accounting Standards for Non-Public Entities in the Republic of Korea ("K-GAAP for Non-Public Entities"), which have been effective since the fiscal year beginning January 1, 2011.

(2) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the financial instruments measured at fair value.

(3) Use of estimates and judgments

Preparation of the financial statements in conformity with K-GAAP for Non-Public Entities requires that management 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.

3. Significant Accounting Policies

The significant accounting policies applied by the Corporation in preparation of its financial statements are included below.

(1) 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 subject to an insignificant risk of changes in value. The Corporation considers investments with maturities of three months or less on the acquisition date to be cash and cash equivalents.

(2) Financial instruments

Upon acquisition, the Corporation classifies debt and equity securities (excluding investments in subsidiaries, associates, and joint ventures) into the following categories: held-to-maturity, available-for-sale, and trading securities. The Corporation reviews their classification at the end of each reporting period.

Investments in debt securities that the Corporation has the positive intent and ability to hold to maturity are classified as held-to-maturity. Securities acquired principally for the purpose of selling in the short term are classified as trading securities. Investments not classified as either held-to-maturity or trading securities are classified as available-for-sale securities.

Notes to the Financial Statements

For the years ended December 31, 2017 and 2016

Upon initial recognition, non-derivative financial instruments (other than financial instruments at fair value through profit or loss) are measured at their fair value; plus (less) transaction costs that are directly attributable to the acquisition of a financial asset or issuance of a financial instrument. Trading securities and available-for-sale securities are subsequently carried at fair value. Available-for-sale equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognized at cost.

For equity securities that have a quoted market price, their market price is considered to be fair value and the market price is the closing price on the reporting date. For debt securities that do not have a quoted market price in an active market, fair value is measured at discounted estimated future cash flows. The discount rate used is the corresponding rate reflecting the debt securities' credit rating as quoted by a credit rating agency, if any. For investment funds that do not have a quoted market price in an active market, their fair value is the standard selling price as reported by the fund management agent.

Gains and losses arising from changes in the fair value of trading securities are included in the statement of income in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale securities (net of tax) are recognized as other comprehensive income directly in equity. Accumulated other comprehensive income is recognized as profit or loss when the investments are impaired or sold. Subsequently, held-to-maturity investments are carried at amortized cost and interest income is recognized in profit or loss using the effective interest method.

At each reporting date, the Corporation reviews whether events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable. Impairment losses are recognized when the reliably estimated recoverable amounts are less than the carrying amount and it is not obviously evidenced that impairment is unnecessary. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss is recorded and the reversal of an impairment loss does not exceed the carrying amount that would have been determined without having recognized an impairment loss in prior years. The reversal is recognized in profit or loss.

(3) Financial assets at fair value through profit or loss

The Corporation may designate equity securities as financial assets at fair value through profit or loss upon initial recognition. Upon initial recognition, financial assets at fair value through profit or loss are measured at their fair value; plus (less) transaction costs that are directly attributable to acquisition. For financial assets that have a quoted market price, their market price is considered to be fair value and the market price is the closing price on the reporting date. Gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in the statement of income in the period in which they arise.

(4) Investments in associates and subsidiaries

Investments in associates and subsidiaries in which the Corporation has the ability to significantly influence financial and operating policies are accounted for using the equity method and are initially recognized at cost. The Corporation's share of its post-acquisition profits or losses in investments in associates and subsidiaries is recognized in the statement of income, and its share of post-acquisition movements in equity is recognized in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of each investment. When the Corporation's share of losses in an associate or subsidiary equals or exceeds its interest in the associate or subsidiary, including preferred stock or other long-term loans and receivables issued by the associate or subsidiary, the Corporation does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate or subsidiary.

Unrealized gains on transactions between the Corporation and its investees using the equity method ("associates") that are not subsidiaries are eliminated to the extent of the Corporation's interest in each associate.

If an associate or a subsidiary uses accounting policies or estimates other than those of the Corporation for like transactions and events in similar circumstances, the Corporation makes appropriate adjustments to conform the associate's or subsidiary's accounting policies to those of the Corporation when they are accounted for by the Corporation using the equity method. However, in the event that accounting policies and estimates differ due to the application of Article 31 of the Exceptions to Accounting for Small and Medium-Sized Entities or K-IFRS, no adjustments are made.

(5) Property and equipment

Property and equipment are initially measured at cost. 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. Assets acquired through investment in kind or donations are recorded at their fair value upon acquisition. For assets acquired in exchange for a non-monetary asset, the fair value of the asset given up is used to measure the cost of the asset received unless the fair value of the asset received is more clearly evident.

Significant expenditures or improvements extending the useful life of assets are capitalized. Normal maintenance and repairs are charged to expense as incurred.

Subsequent to initial recognition, an item of property and equipment is carried at its cost less accumulated depreciation and accumulated impairment losses, if any. The estimated useful lives and depreciation method for the current and comparative years are as follows:

	Useful lives	Depreciation method
Computer equipment	4 - 5 years	Straight-line method
Office equipment	5 years	Straight-line method
Leasehold assets	5 years	Straight-line method

(6) Intangible assets

Cost of intangible assets except for goodwill includes expenditures arising directly from the construction or acquisition of the asset and 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.

Subsequent to initial recognition, the intangible assets are measured at cost less any accumulated amortization. Intangible assets are amortized using the straight-line method over the estimated useful lives of five years (residual value is presumed to be zero).

(7) Revenue recognition

The Corporation's revenue primarily consists of investment management fees. The Corporation recognizes the revenue in the statement of income when all of the following conditions are met:

- The amount of revenue can be measured reliably, and
- It is probable that the economic benefits associated with the transaction will flow into the Corporation.

(8) Allowance for doubtful accounts

The Corporation provides an allowance for bad debts based on the estimated collectability of the receivable in accordance with the Regulation on Financial Investment Services. As of December 31, 2017, the percentage of loss by risk classification applied in order to determine the allowance for bad debts are as follows:

Notes to the Financial Statements

For the years ended December 31, 2017 and 2016

Classification	Percentage of loss
Normal	0.5%
Precautionary	2%
Substandard	20%
Doubtful	75%
Estimated loss	100%

(9) Retirement and severance benefits

The Corporation selectively operates a defined benefit pension plan and a defined contribution pension plan for employees who have been with the Corporation for more than one year.

Based on the defined benefit pension plan, each eligible employee receives a fixed amount of pension after retirement. Until employees retire, the Corporation's estimated liability under the plan, which would be payable if all employees left at the end of the reporting period, is accrued in the accompanying statements of financial position. If an employee selected the pension plan upon retirement, the Corporation accrues estimated benefits based on actuarial assumptions measured at the end of the reporting period at the discounted present value. The asset managed by the retirement pension plan is reflected in the accompanying statements of financial position as a reduction of the liability for retirement and severance benefits.

Meanwhile, the Corporation recognizes the contribution payable to a defined contribution plan in exchange for that service as an expense.

(10) Income taxes

Income tax on the income or loss for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using enacted tax rates. Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

Changes in deferred taxes due to a change in the tax rate, except for those related to items initially recognized outside profit or loss, are recognized as profit or loss in the current year.

(11) Foreign currency transactions

① Functional and presentation currency

These financial statements are presented in Korean won, which is the Corporation's functional currency and the currency of the primary economic environment in which the Corporation operates.

② Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Corporation at exchange rates at the dates of the transactions. Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are retranslated to the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date, and resulting translation gains or losses are recognized in profit and loss.

4. Cash and Due From Banks

Cash and due from banks as of December 31, 2017 and 2016 were as follows:

(KRW thousand)

	Annual interest rate (%)		2017	2016
Cash and cash equivalents				
Money market deposit accounts	0.10~0.30	₩	59,532	69,854
Money market trust	1.49~1.90		7,108,594	681,805
Money market wrap	1.95		5,000,000	-
Ordinary deposits	0.10		48,209	49,156
Foreign currency deposits	0.00~0.04		3,517,280	4,146,176
			15,733,615	4,946,991
Time deposits	1.73~2.24		74,000,000	93,000,000
Certificate of deposit	1.70~1.79		67,000,000	49,000,000
			141,000,000	142,000,000
		₩	156,733,615	146,946,991

5. Financial Assets at Fair Value Through Profit or Loss Included in Securities Account

Financial assets at fair value through profit or loss as of December 31, 2017 and 2016 are summarized as follows:

(KRW thousand)

	2017			2016
	Acquisition cost	Fair value	Book value	Book value
IGIS No. 43	₩ 27,400,000	26,888,168	26,888,168	27,085,996
KB No. 2017-440	5,000,000	4,911,620	4,911,620	-
	₩ 32,400,000	31,799,788	31,799,788	27,085,996

Notes to the Financial Statements

For the years ended December 31, 2017 and 2016

6. Investments in Associates and Subsidiaries Included in Securities Account

Investments in companies accounted for using the equity method as of December 31, 2017 and 2016 are summarized as follows:

(KRW thousand)

	2017		
	Percentage of Ownership	Acquisition cost	Book value
K-REALTY VI	₩ 40%	16,000,000	16,414,280

(KRW thousand)

	2016		
	Percentage of Ownership	Acquisition cost	Book value
K-REALTY VI	₩ 40%	16,000,000	16,307,512

Changes in the balances of investments in companies accounted for using the equity method of accounting for the year ended December 31, 2017 and 2016 were as follows:

(KRW thousand)

	2017			
	Beginning balance	Equity gain	Collection	Book value
K-REALTY VI	₩ 16,307,512	819,696	(712,928)	16,414,280

(KRW thousand)

	2016			
	Beginning balance	Equity gain	Collection	Book value
K-REALTY VI	₩ 16,365,511	627,104	(685,103)	16,307,512

The financial information of equity-accounted investments, which represent 100% of the entities' balances as of and for the year ended December 31, 2017 and 2016, are summarized as follows:

(KRW thousand)

	2017			
	Total assets	Total liabilities	Operating revenue	Net income
K-REALTY VI	₩ 95,857,011	56,795,661	4,884,862	1,064,911

(KRW thousand)

	2016			
	Total assets	Total liabilities	Operating revenue	Net income
K-REALTY VI	₩ 96,339,204	56,961,468	4,659,714	693,454

7. Property and Equipment

Changes in property and equipment for the years ended December 31, 2017 and 2016 were as follows:

(KRW thousand)

	2017				
	Beginning balance	Acquisition	Disposal (*)	Depreciation	Ending balance
Computer equipment	₩ 1,319,489	1,015,191	-	(604,538)	1,730,142
Office equipment	437,761	84,836	-	(184,771)	337,826
Leasehold assets	121,975	209,240	-	(52,329)	278,886
	₩ 1,879,225	1,309,267	-	(841,638)	2,346,854

(*) Fully-depreciated office equipment was disposed for the year ended December 31, 2017. Its acquisition costs was ₩32,116 thousand.

(KRW thousand)

	2016				
	Beginning balance	Acquisition	Disposal (*)	Depreciation	Ending balance
Computer equipment	₩ 1,453,140	463,127	-	(596,778)	1,319,489
Office equipment	590,735	54,959	-	(207,933)	437,761
Leasehold assets	156,868	-	-	(34,893)	121,975
	₩ 2,200,743	518,086	-	(839,604)	1,879,225

(*) Fully-depreciated computer equipment and office equipment were disposed for the year ended December 31, 2016. Its acquisition costs were ₩35,669 thousand and ₩42,749 thousand.

8. Insured Assets

Insurance contracts maintained by the Corporation as of December 31, 2017 were as follows:

(KRW thousand)

Category of insurance	Classification	Insured assets	Book value	Insured amount	Insurance company
Movables comprehensive insurance	Korea	Computer equipment	₩ 1,526,301	6,615,761	HeungKuk Fire & Marine Insurance
		Office equipment	141,199		
	New York	Computer equipment	65,483	USD 600,000	The Hartford
		Office equipment	115,825		
		Leasehold assets	87,083		
	London	Computer equipment	34,714	GBP 210,000	AXA Insurance
		Office equipment	28,178		
	Singapore	Computer equipment	103,644	SGD 300,000	AXA Insurance
		Office equipment	52,623		
Leasehold assets		191,803			

Notes to the Financial Statements

For the years ended December 31, 2017 and 2016

9. Intangible Assets

Changes in intangible assets for the years ended December 31, 2017 and 2016 were as follows:

(KRW thousand)

	Development costs	Other intangible assets	Total
Net balance at the beginning of 2017	₩ 651,960	953,812	1,605,771
Additions	153,868	190,433	344,301
Amortization (*)	(237,813)	(351,658)	(589,471)
Net balance at the end of 2017	₩ 568,015	792,587	1,360,602
Net balance at the beginning of 2016	₩ 608,811	958,163	1,566,974
Additions	255,020	367,468	622,488
Amortization (*)	(211,871)	(371,820)	(583,691)
Net balance at the end of 2016	₩ 651,960	953,812	1,605,771

(*) Amortization costs are reflected in the general and administrative expenses of the statements of income.

10. Retirement and Severance Benefits

Changes in retirement and severance benefits for the years ended December 31, 2017 and 2016 were as follows:

(KRW thousand)

	2017	2016
Provision for retirement and severance benefits at beginning of year	₩ 8,006,113	6,453,983
Payments	(1,174,985)	(676,583)
Accrual for retirement and severance benefits	3,178,776	2,228,713
Provision for retirement and severance benefits at end of year	₩ 10,009,904	8,006,113

Pension plan assets as of December 31, 2017 and 2016 were as follows:

(KRW thousand)

	2017	2016
Available-for-sale securities	₩ 7,583,083	6,355,374
Other	1,114,545	1,021,568
	₩ 8,697,628	7,376,942

Changes in pension plan assets for the years ended December 31, 2017 and 2016 were as follows:

(KRW thousand)

	2017	2016
Beginning balance	₩ 7,376,942	4,869,365
Increase	2,461,682	3,095,941
Decrease	(1,140,996)	(588,364)
Ending balance	₩ 8,697,628	7,376,942

Expenses related to defined contribution plans recognized for the years ended December 31, 2017 and 2016 were ₩152,748 thousand and ₩172,208 thousand, respectively.

11. Assets and Liabilities Denominated in Foreign Currencies

Assets and liabilities denominated in foreign currencies as of December 31, 2017 were as follows:

(KRW thousand)

		Foreign currency	Exchange rate	Translated into won
Assets				
Deposits	USD	2,845,717.57	₩ 1,071.40	₩ 3,048,902
	GBP	278,181.09	1,439.53	400,450
	SGD	84,844.05	800.63	67,929
Accrued income	USD	51,557,378.16	1,071.40	55,238,575
Other assets	USD	303,143.00	1,071.40	324,787
	GBP	233,386.30	1,439.53	335,967
	SGD	117,362.20	800.63	93,963
				₩ 59,510,573
Liabilities				
Accounts payable	USD	387,958.17	1,071.40	₩ 415,658
	GBP	104,544.23	1,439.53	150,495
	EUR	2,566.81	1,279.25	3,284
	SGD	13,289.16	800.63	10,640
Accrued expenses	USD	23,111,385.08	1,071.40	24,761,538
	GBP	5,459.11	1,439.53	7,858
	SGD	6,955.23	800.63	5,568
				₩ 25,355,041

Regarding foreign currency translations, the Corporation recognized operating revenue of ₩793,246 thousand and operating expenses of ₩1,745,527 thousand for the year ended December 31, 2017.

Notes to the Financial Statements

For the years ended December 31, 2017 and 2016

Assets and liabilities denominated in foreign currencies as of December 31, 2016 were as follows:

(KRW thousand)

		Foreign currency	Exchange rate	Translated into won
Assets				
Deposits	USD	3,259,046.33	₩ 1,208.50	₩ 3,938,557
	GBP	140,266.78	1,480.17	207,619
Accrued income	USD	39,294,542.01	1,208.50	47,487,454
Other assets	USD	304,800.82	1,208.50	368,352
	GBP	209,205.98	1,480.17	309,660
				₩ 52,311,642
Liabilities				
Accounts payable	USD	257,366.36	1,208.50	₩ 311,027
	GBP	104,431.68	1,480.17	154,577
Accrued expenses	USD	18,348,227.29	1,208.50	22,173,833
	GBP	6,058.28	1,480.17	8,967
				₩ 22,648,404

12. Commitments and Contingencies

As of December 31, 2017, the Corporation maintains investment management agreements with the Bank of Korea and Ministry of Strategy and Finance, and sub-investment management agreements with BlackRock International Limited and others. Total entrusted assets related to these agreements amounted to USD 134,144,125,744.81 as of December 31, 2017.

There were no pending litigations as of December 31, 2017.

Seoul Guarantee Insurance has provided the Company with 11 million won for contract guarantee.

13. Capital

Capital as of December 31, 2017 and 2016 were as follows:

(KRW thousand)

	2017	2016
Authorized capital	₩ 1,000,000,000	1,000,000,000
Capital issued	100,000,000	100,000,000

According to the Korea Investment Corporation Act, the authorized capital of the Corporation is ₩1 trillion and the Government is to invest the full amount. The time and investment method of the capital contribution will be decided by the Minister of Strategy and Finance.

14. Retained Earnings

Retained earnings as of December 31, 2017 and 2016 were as follows:

(KRW thousand)

	2017	2016
Earning reserve (*)	₩ 24,069,988	21,868,856
Voluntary reserve	68,072,593	65,871,461
Unappropriated retained earnings	33,338,838	22,011,324
Total retained earnings	₩ 125,481,419	109,751,641

(*) According to Article 41 of the articles of incorporation, the Corporation is required to reserve at least 10% of net income for each period until the reserve equals half of its capital.

Statements of appropriation of retained earnings for the years ended December 31, 2017 and 2016 were as follows:

(KRW thousand)

	2017	2016
Unappropriated retained earnings		
Balance at beginning of year	₩ -	-
Net income for the year	33,338,838	22,011,324
Balance at end of year before appropriation	₩ 33,338,838	22,011,324
Appropriation of retained earnings		
Earning reserve	₩ 3,333,884	2,201,132
Voluntary reserve	3,333,884	2,201,133
Dividends (*)	26,671,070	17,609,059
Unappropriated retained earnings to be carried over to subsequent year	₩ -	-

(*) The Corporation's dividend ratio for the years ended December 31, 2017 and 2016 are 80.00% and 80.00%, respectively.

15. Income Taxes

The components of income tax expense for the years ended December 31, 2017 and 2016 were as follows:

(KRW thousand)

	2017	2016
Current tax expense	₩ 10,697,502	6,558,416
Changes in deferred tax from temporary differences	(643,541)	3,624
Supplementary payment of income taxes	54,293	444,048
Income tax expense	₩ 10,108,254	7,006,088

Notes to the Financial Statements

For the years ended December 31, 2017 and 2016

The income tax expense calculated by applying statutory tax rates to the Corporation's income before income taxes for the year differs from the actual tax expense in the statements of income for the years ended December 31, 2017 and 2016 for the following reasons:

(KRW thousand)

		2017	2016
Income before income tax	₩	43,447,091	29,017,412
Income tax expense at statutory tax rates		10,052,196	6,560,214
Tax effects of permanent differences		1,716	1,499
Tax credit		(20)	(1,348)
Other adjustments		54,362	445,723
Income tax expense	₩	10,108,254	7,006,088
Effective tax rate		23.27%	24.14%

Changes in temporary differences for the year ended December 31, 2017 and deferred tax assets as of December 31, 2017 were as follows:

(KRW thousand)

	Beginning balance	Increase	Decrease	Ending balance	Deferred tax assets
Appropriation for retirement	₩ 146,436	886,806	-	1,033,242	250,045
Accrued expenses	8,525,853	10,130,407	(8,525,853)	10,130,407	2,451,559
Securities under equity method	(307,512)	(414,280)	307,512	(414,280)	(100,256)
Financial assets at fair value through profit or loss	314,004	600,212	(314,004)	600,212	145,251
Property and equipment	227,750	68,817	(80,358)	216,209	52,322
	₩ 8,906,531	11,271,962	(8,612,703)	11,565,790	2,798,921

Changes in temporary differences for the year ended December 31, 2016 and deferred tax assets as of December 31, 2016 were as follows:

(KRW thousand)

	Beginning balance	Increase	Decrease	Ending balance	Deferred tax assets
Appropriation for retirement	₩ 1,132,449	(867,229)	(118,784)	146,436	35,438
Accrued expenses	7,930,845	8,525,853	(7,930,845)	8,525,853	2,063,257
Securities under equity method	(365,511)	(307,512)	365,511	(307,512)	(74,418)
Financial assets at fair value through profit or loss	(27,948)	314,004	27,948	314,004	75,989
Property and equipment	251,672	66,849	(90,771)	227,750	55,115
	₩ 8,921,507	7,731,965	(7,746,941)	8,906,531	2,155,381

Deferred tax assets have been recognized, as the Corporation has determined it is probable that future profits, against which it can use related benefits, will be available.

16. Related Party Transactions

Details of related party as of December 31, 2017 were as follows:

Related party	Relationship
Ministry of Strategy and Finance	Investor

Account balances with a related party as of December 31, 2017 and 2016 were as follows:

(KRW thousand)

	Account	2017	2016
Ministry of Strategy and Finance	Accrued income	₩ 40,817,058	33,918,378

Significant transactions that occurred in the normal course of business with the related party for the years ended December 31, 2017 and 2016 were as follows:

(KRW thousand)

	Account	2017	2016
Ministry of Strategy and Finance	Investment management fees	₩ 145,498,662	120,156,992

17. General and Administrative Expenses

Details of general and administrative expenses for the years ended December 31, 2017 and 2016 were as follows:

(KRW thousand)

	2017	2016
Salaries and wages	₩ 28,977,524	27,493,789
Accrual for retirement and severance benefits	3,407,380	2,400,920
Other employee benefits	6,952,647	5,794,534
Advertising	49,521	81,760
Travel	1,578,656	1,784,901
Communications	219,569	195,817
Computer system operation expenses	1,308,385	1,176,253
Taxes and dues	261,677	248,068
Rental expenses	4,043,532	3,784,112
Other service fees	857,079	1,001,825
Depreciation	841,639	839,604
Amortization	589,471	583,691
Business development expenses	125,958	132,270
Business meetings	326,058	300,239
Printing	66,202	63,696
Vehicle maintenance expenses	148,816	154,585
Supplies	111,897	137,461

Notes to the Financial Statements

For the years ended December 31, 2017 and 2016

	2017	2016
Repairs and maintenance	90,425	96,619
Utilities	1,321,949	1,277,688
Insurance	59,897	61,618
Legal expenses	76	3,163
Event expenses	114,036	95,098
Research expenses	7,726,066	7,078,092
Training	493,995	481,534
Books and periodicals	33,453	34,377
Prize	4,750	3,789
Bad debt expenses	39,777	1,215
	₩ 59,750,435	55,306,718

18. Value Added Information

Details of accounts included in the computation of value added for the years ended December 31, 2017 and 2016 were as follows:

(KRW thousand)

	2017	2016
Salaries and wages	₩ 28,977,524	27,493,789
Accrual for retirement and severance benefits	3,407,380	2,400,920
Other employee benefits	6,952,647	5,794,534
Taxes and dues	261,677	248,068
Rental expenses	4,043,532	3,784,112
Depreciation	841,639	839,604
Amortization	589,471	583,691

19. Date of Authorization for Issue

The Corporation's financial statements were authorized for issue on March 28, 2018, at the Board of Directors meeting. These financial statements are scheduled to be submitted for approval to the Steering Committee on March 29, 2018.

Contact Information

Head Office

17-19F State Tower Namsan 100 Toegye-ro, Jung-gu, Seoul 04631, Korea
TEL : +82-2-2179-1000 FAX : 82-2-2179-1065

New York Office

250 West 55th St., 15th Fl., New York, NY 10019, USA
TEL : +1-212-644-0925 FAX : +1-212-644-0929

London Office

1 Bartholomew Lane, London EC2N 2AX, United Kingdom
TEL : +44-20-7562-0060 FAX : +44-20-7374-4843

Singapore Office

#14-08 Asia Square Tower 1, 8 Marina View, Singapore 018960
TEL : +65-6202-9690 FAX : +65-6202-9699

KIC Korea Investment
Corporation

17-19F State Tower Namsan 100 Toegye-ro, Jung-gu, Seoul 04631, Korea

TEL +82-2-2179-1000 / FAX +82-2-2179-1065

www.kic.kr