

SK telecom Investor Presentation

February 2017



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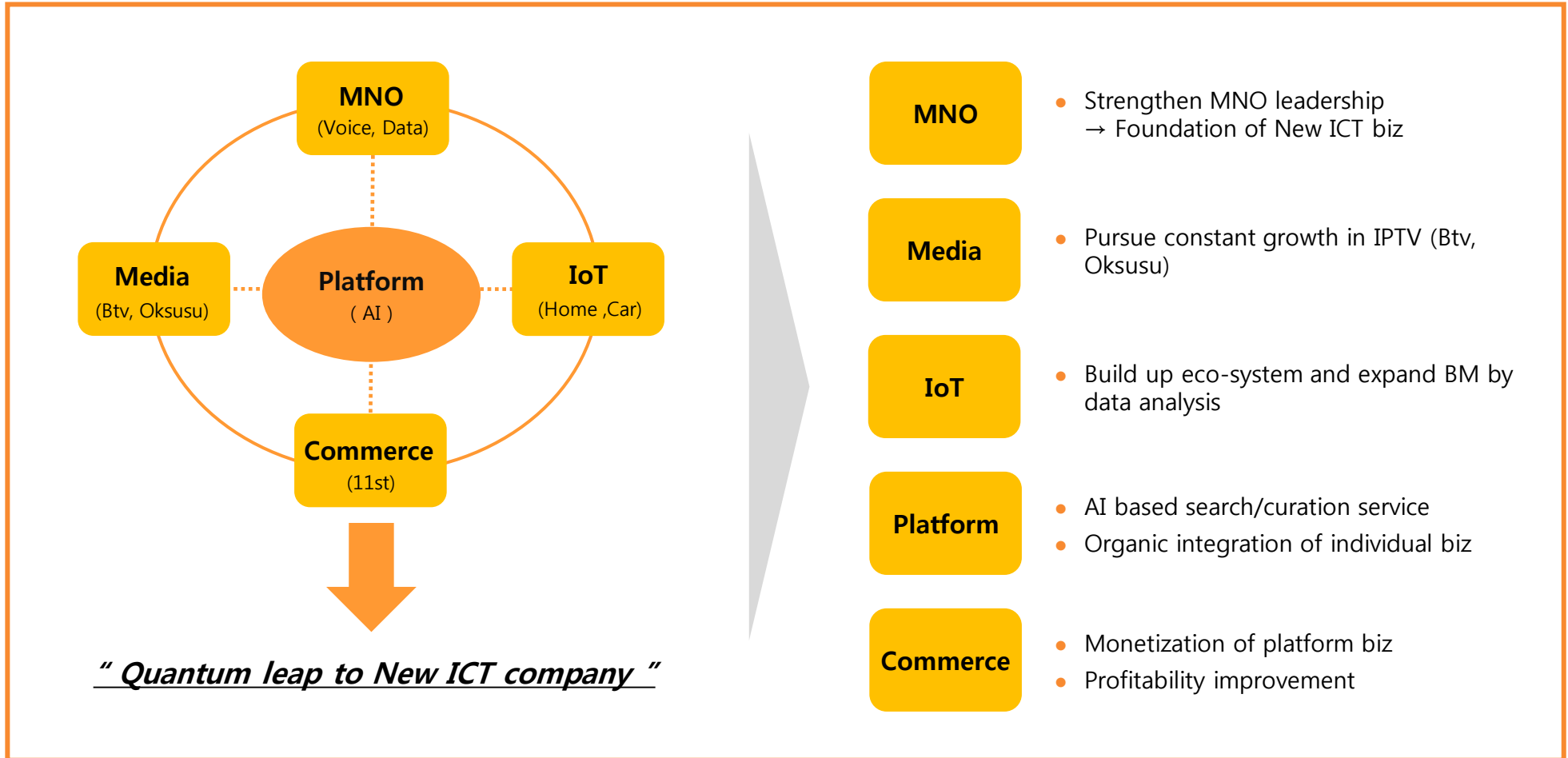
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I . Overall Strategy

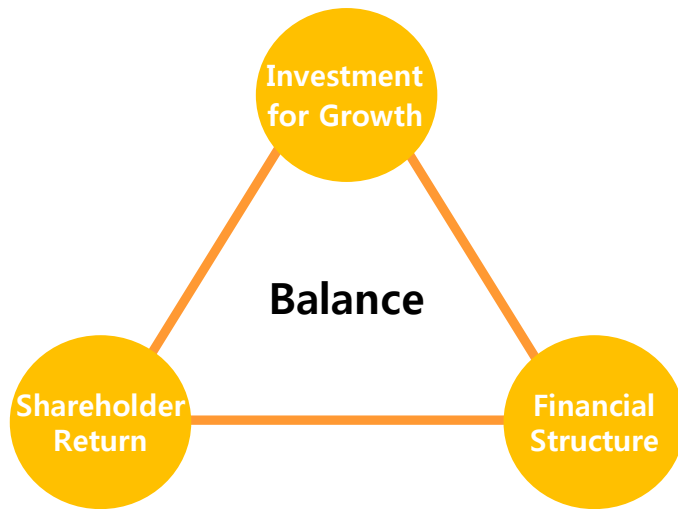
- Integrate major biz areas to make quantum leap to New ICT company



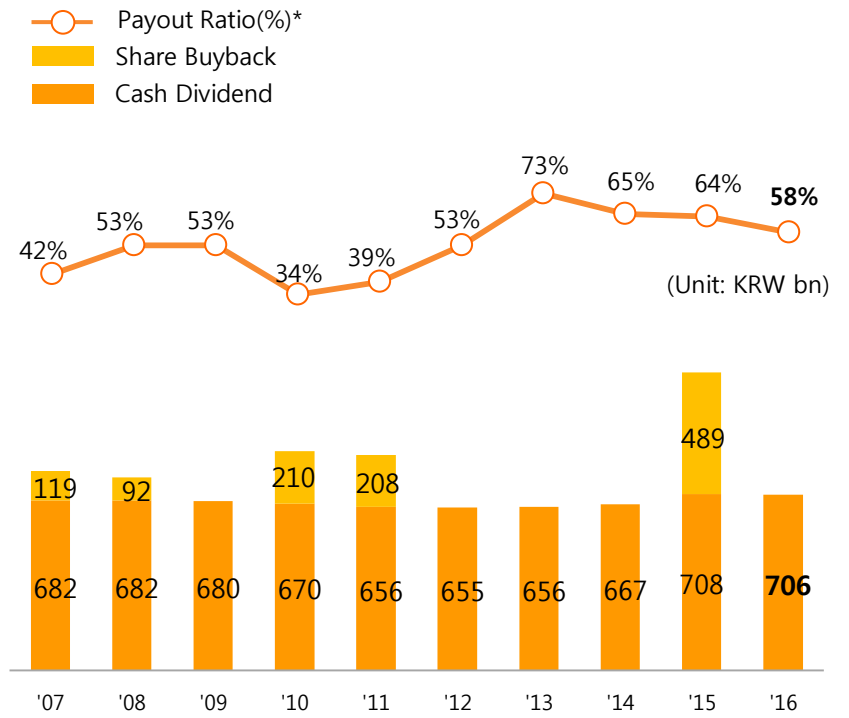
II. Capital Mgmt.

- Stable dividend payout to continue, while striving for the balance between growth investment and shareholder return

Basic Principles



Shareholder Return



* Standalone basis

III. Consolidated Results

◆ Summary of Income Statement (Consolidated)

(KRW bn)	2016	2015	YoY	4Q16	3Q16	QoQ
Operating revenues	17,092	17,137	-0.3%	4,352	4,244	2.6%
Operating expenses	15,556	15,429	0.8%	4,050	3,820	6.0%
Labor cost	1,870	1,894	-1.3%	478	449	6.6%
Commissions paid	5,377	5,207	3.3%	1,412	1,315	7.4%
Depreciation ¹⁾	3,068	2,993	2.5%	802	764	5.0%
Network Interconnection	954	958	-0.3%	170	264	-35.5%
Cost of goods sold	1,838	1,956	-6.0%	543	417	30.0%
Others	2,449	2,422	1.1%	645	610	5.7%
Operating income	1,536	1,708	-10.1%	302	424	-28.8%
<i>Operating margin</i>	<i>9.0%</i>	<i>10.0%</i>	<i>-1.0%p</i>	<i>6.9%</i>	<i>10.0%</i>	<i>-3.1%p</i>
Net profit or loss from non-operating items	560	327	71.2%	262	7	3714.4%
Income before taxes	2,096	2,035	3.0%	564	431	30.8%
Net income	1,660	1,516	9.5%	475	322	47.4%
EBITDA²⁾	4,603	4,701	-2.1%	1,104	1,189	-7.1%
<i>EBITDA margin</i>	<i>26.9%</i>	<i>27.4%</i>	<i>-0.5%p</i>	<i>25.4%</i>	<i>28.0%</i>	<i>-2.6%p</i>
Basic EPS(KRW)	23,497	20,988	12.0%	6,905	4,604	50.0%

1) Includes R&D related depreciation

2) EBITDA = Operating income + Depreciation (including R&D related depreciation)

● Operating revenues

- Decreased by 0.3% YoY as revenues declined at SK Telecom and PS&M
- Increased by 2.6% QoQ as revenues rose at SK Broadband and SK Planet

● Operating income

- Decreased by 10.1% YoY and 28.8% QoQ due to rise in commissions paid and depreciation expenses

● Net income

- Increased by 9.5% YoY from profits on sales of Loen and Posco stakes
- Increased by 47.4% QoQ from increase in SK Hynix equity gains and sale of Posco stake

III. Consolidated Results

◆ Summary of Balance Sheet (Consolidated)

(KRW bn)	2016	2015	YoY	3Q16	QoQ
Total assets	31,298	28,581	9.5%	29,556	5.9%
Current assets	5,997	5,160	16.2%	5,778	3.8%
<i>Cash & marketable securities</i>	<i>2,034</i>	<i>1,505</i>	<i>35.2%</i>	<i>1,537</i>	<i>32.3%</i>
Non-current assets	25,301	23,421	8.0%	23,778	6.4%
<i>Property & equipment</i>	<i>10,374</i>	<i>10,386</i>	<i>-0.1%</i>	<i>9,799</i>	<i>5.9%</i>
<i>Intangible asset</i>	<i>5,709</i>	<i>4,213</i>	<i>35.5%</i>	<i>5,101</i>	<i>11.9%</i>
Total liabilities	15,181	13,207	14.9%	14,012	8.3%
Current liabilities	6,444	5,256	22.2%	5,393	19.5%
Non-current liabilities	8,737	7,951	9.9%	8,618	1.4%
Total shareholders' equity	16,116	15,374	4.8%	15,544	3.7%
Interest bearing debt	7,370	7,524	-2.0%	7,173	2.7%
Net debt	5,336	6,019	-11.3%	5,635	-5.3%

- **Assets**

- Increased by 9.5% YoY from acquiring new spectrum

- **Shareholders' equity**

- Increased by 4.8% YoY due to rise in retained earnings

IV. Non-consolidated Results

◆ Operating Revenues (Non-consolidated)

(KRW bn)	2016	2015	YoY	4Q16	3Q16	QoQ
Total operating revenues	12,350	12,557	-1.6%	3,058	3,102	-1.4%
Mobile service revenues	10,811	10,914	-0.9%	2,708	2,696	0.4%
Interconnection revenues	656	749	-12.4%	103	181	-43.0%
Others ¹⁾	884	894	-1.2%	247	225	10.0%

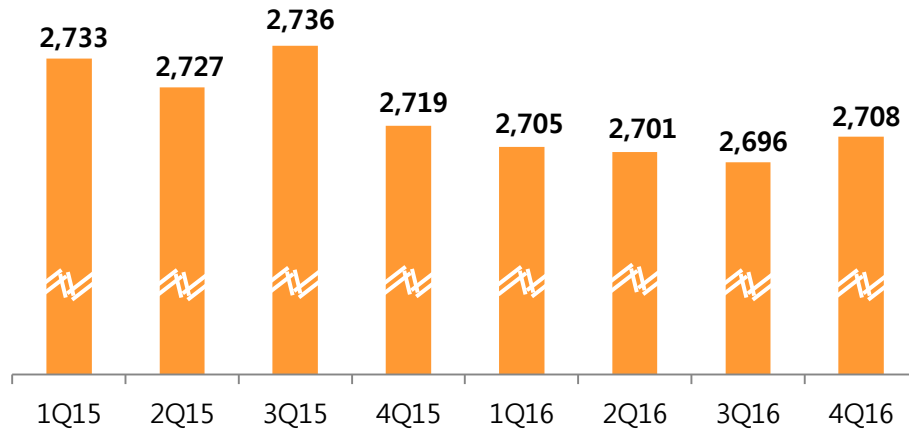
1) Includes revenues from leased line, fixed-line resale, solutions and other businesses

● Mobile service revenues

- Declined by 0.9% YoY from the effect of signup fee elimination and tariff discount plan subscriber growth
- Increased by 0.4% QoQ driven by rise in data revenue

■ Mobile service revenues

(KRW bn)



● Interconnection revenues

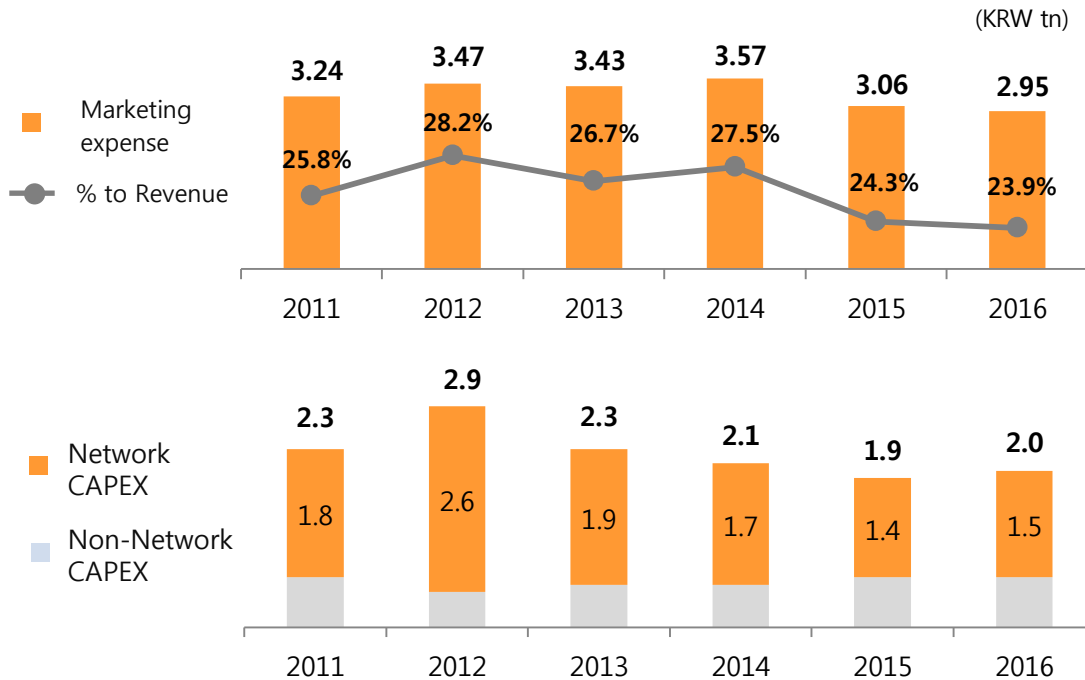
- Dropped by 12.4% YoY and 43.0% QoQ due to reduced interconnection rates

IV. Non-consolidated Results

◆ Marketing expense & CAPEX

(KRW bn)	2016	2015	YoY	4Q16	3Q16	QoQ
Marketing expense¹⁾	2,953	3,055	-3.3%	796	720	10.5%
<i>% of operating revenue</i>	<i>23.9%</i>	<i>24.3%</i>	<i>-0.4%p</i>	<i>26.0%</i>	<i>23.2%</i>	<i>+2.8%p</i>
Capital expenditure	1,964	1,891	3.8%	1,123	528	112.4%
<i>% of operating revenue</i>	<i>15.9%</i>	<i>15.1%</i>	<i>+0.8%p</i>	<i>36.7%</i>	<i>17.0%</i>	<i>+19.8%p</i>

1) Marketing expense = marketing related commission + advertising expenses



● Marketing expense

- Decreased by 3.3% YoY in line with stable market trends
- Increased by 10.5% QoQ from growth in market size and rise in advertising expenses

● CAPEX

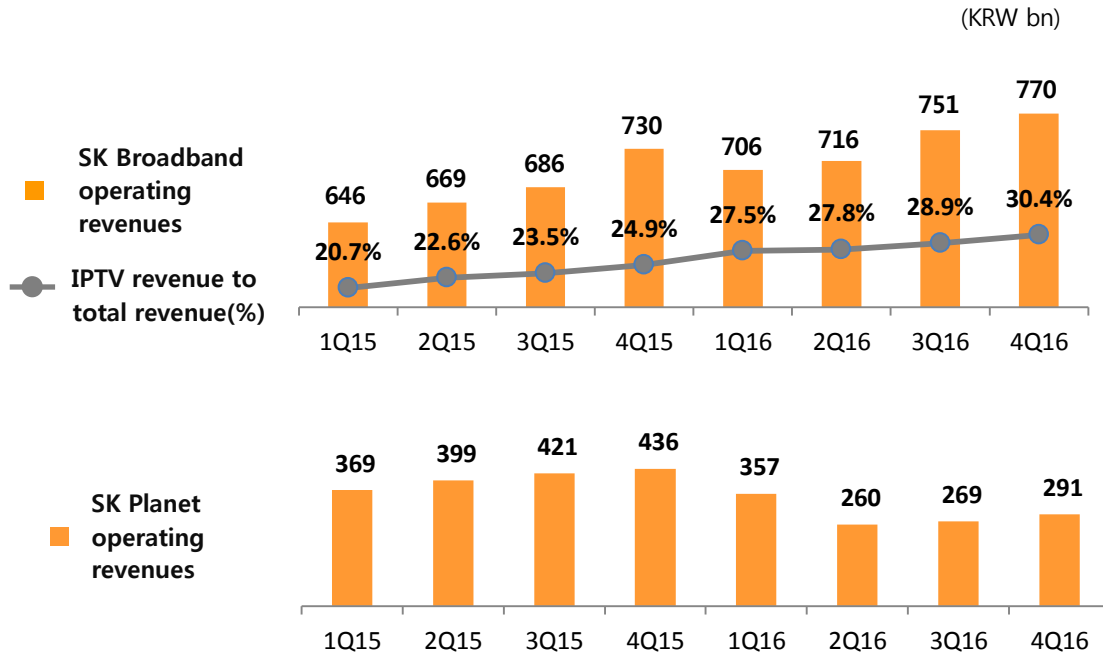
- Increased by 3.8% YoY from fulfilling network deployment requirements

V. Major Subsidiaries

◆ Operating Revenues – SK Broadband and SK Planet

(KRW bn)	2016	2015	YoY	4Q16	3Q16	QoQ
SK Broadband	2,943	2,731	7.7%	770	751	2.5%
<i>IPTV</i>	<i>844</i>	<i>633</i>	<i>33.3%</i>	<i>234</i>	<i>217</i>	<i>7.8%</i>
<i>Others¹⁾</i>	<i>2,099</i>	<i>2,098</i>	<i>0.0%</i>	<i>536</i>	<i>534</i>	<i>0.4%</i>
SK Planet	1,177	1,625	-27.6%	291	269	8.2%

1) Others : High speed internet, residential, B2B, others, etc.



● SK Broadband

- Total operating revenues rose by 7.7% YoY driven by IPTV subscriber growth and paid contents sales increase

● SK Planet

- Total operating revenues decreased by 27.6% YoY as a result of spin-offs* in 2016 (*LBS business, SK TechX, One Store)
- Increased by 8.2% QoQ in line with growth in e-commerce business

VI. Appendix

◆ Subscribers¹⁾

	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	YoY	QoQ
Subscribers ('000)	28,026	28,313	28,474	28,626	28,921	29,150	29,451	29,595	3.4%	0.5%
Net adds	(253)	287	162	152	295	229	301	144	-5.2%	-52.0%
Activations	1,872	1,431	1,373	1,317	1,552	1,536	1,503	1,504	14.2%	0.0%
Deactivations	2,125	1,145	1,211	1,165	1,257	1,307	1,203	1,360	16.7%	13.1%
<i>Monthly churn rate (%)</i>	<i>2.0%</i>	<i>1.4%</i>	<i>1.4%</i>	<i>1.4%</i>	<i>1.5%</i>	<i>1.5%</i>	<i>1.4%</i>	<i>1.5%</i>	<i>0.1%p</i>	<i>0.1%p</i>
Smartphone Subscribers ('000)	19,753	19,977	20,323	20,622	20,985	21,308	21,662	21,877	6.1%	1.0%
LTE Subscribers ('000)	17,447	17,937	18,465	18,980	19,526	20,028	20,545	21,078	11.1%	2.6%
LTE Penetration	62.3%	63.4%	64.8%	66.3%	67.5%	68.7%	69.8%	71.2%	4.9%p	1.4%p
High speed internet ('000)	4,891	4,943	4,995	5,036	5,092	5,145	5,181	5,207	3.4%	0.5%
IPTV ('000)	3,021	3,190	3,341	3,482	3,624	3,760	3,872	3,962	13.8%	2.3%

1) Includes MVNO connections, excludes other connections such as facility-monitoring lines

◆ ARPU

(KRW)	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	YoY	QoQ
Billing ARPU ¹⁾	35,898	36,128	36,226	36,221	35,959	35,764	35,471	35,355	-2.4%	-0.3%
ARPU including MVNO	33,163	33,218	33,136	32,967	32,611	32,324	32,010	31,788	-3.6%	-0.7%

1) Calculated from SK Telecom mobile service revenue (2G/3G/LTE and IoT) : Includes voice, data, and other revenue (Excludes activation fee and interconnection revenue).
Reflects sales discount from contract and bundling, etc. Excludes MVNO related revenue.

Calculated from SK Telecom mobile service subscribers (2G/3G/LTE and IoT) : From MSIP subscriber statistics (avg. number of billed connections for the quarter)

VI. Appendix - Consolidated Income Statement

(in KRW bn)	1Q15	2Q15	3Q15	4Q15	2015	1Q16	2Q16	3Q16	4Q16	2016
Operating revenues	4,240.3	4,255.7	4,261.4	4,379.3	17,136.7	4,228.5	4,267.3	4,243.8	4,352.3	17,091.8
Operating expenses	3,837.6	3,842.9	3,770.7	3,977.5	15,428.7	3,826.3	3,859.9	3,819.5	4,050.3	15,556.1
Labor cost	475.0	543.9	426.4	448.5	1,893.7	476.9	465.7	448.8	478.4	1,869.8
Commissions paid	1,347.1	1,262.2	1,274.5	1,323.2	5,207.0	1,323.4	1,327.0	1,314.6	1,411.7	5,376.7
Advertising	77.0	120.5	92.9	114.6	405.0	87.5	108.1	103.9	139.0	438.5
Depreciation ¹⁾	729.3	738.5	754.6	770.4	2,992.9	748.9	752.2	764.3	802.3	3,067.7
Network interconnection	234.3	239.9	236.0	247.5	957.6	263.9	255.5	264.5	170.5	954.3
Leased line	49.4	51.0	50.5	49.1	200.0	54.2	59.4	44.8	49.3	207.7
Frequency usage fees	53.6	42.4	46.8	47.1	189.8	47.9	49.5	46.7	42.7	186.8
Cost of goods sold	90.9	449.9	477.4	537.6	1,955.9	426.6	451.6	417.4	542.8	1,838.4
Others	381.0	394.7	411.6	439.5	1,626.9	397.1	390.9	414.6	413.8	1,616.4
Operating income	402.6	412.9	490.6	401.9	1,708.0	402.1	407.4	424.3	301.9	1,535.7
<i>EBITDA</i>	1,132.0	1,151.4	1,245.2	1,172.3	4,700.9	1,151.0	1,159.6	1,188.6	1,104.2	4,603.4
<i>EBITDA margin</i>	26.7%	27.1%	29.2%	26.8%	27.4%	27.2%	27.2%	28.0%	25.4%	26.9%
Net profit or loss from non-operating items	157.4	102.7	64.2	3.1	327.4	334.0	(42.6)	6.9	262.1	560.4
Interest income	12.8	12.4	11.3	9.4	45.9	12.0	12.3	14.6	15.3	54.4
Interest expenses	75.5	74.7	73.9	73.6	297.7	72.4	70.0	74.7	73.4	290.5
Profit or loss in other non-operating items	220.1	165.0	126.8	67.3	579.1	394.3	15.1	66.9	320.2	796.5
Income before tax	560.0	515.6	554.8	404.9	2,035.4	736.1	364.8	431.2	564.1	2,096.1
Consolidated net income	442.7	397.9	381.8	293.5	1,515.9	572.3	291.0	322.1	474.7	1,660.1
Majority interests	444.5	395.8	382.3	296.0	1,518.6	571.8	290.1	325.1	488.9	1,676.0
Minority interests	(1.7)	2.0	(0.5)	(2.6)	(2.7)	0.5	0.9	(3.0)	(14.2)	(15.9)
Basic earnings per share(KRW)	6,266	5,266	5,263	4,304	20,988	8,099	3,990	4,604	6,905	23,497

1) Includes R&D related depreciation

VI. Appendix - SK Telecom Non-consolidated Income Statement

(in KRW bn)	1Q15	2Q15	3Q15	4Q15	2015	1Q16	2Q16	3Q16	4Q16	2016
Operating revenues	3,133.5	3,143.8	3,141.8	3,138.0	12,557.0	3,098.3	3,092.0	3,101.8	3,058.4	12,350.5
Operating expenses	2,725.6	2,747.7	2,675.6	2,749.3	10,898.2	2,668.4	2,613.8	2,624.7	2,661.4	10,568.3
Labor cost	173.3	249.7	130.3	141.3	694.7	173.0	161.8	148.6	151.3	634.8
Commissions paid	1,343.1	1,228.0	1,259.7	1,271.9	5,102.7	1,218.3	1,140.0	1,144.7	1,213.5	4,716.6
Marketing commissions	812.9	681.1	707.4	677.4	2,878.9	689.5	672.3	680.4	736.5	2,778.7
Other commissions	530.1	546.9	552.3	594.5	2,223.9	528.7	467.7	464.3	477.0	1,937.8
Advertising	32.6	58.4	41.2	43.5	175.8	27.1	48.5	39.4	59.2	174.2
Depreciation ¹⁾	552.8	561.1	575.4	590.5	2,279.9	570.8	576.0	585.2	622.9	2,354.8
Network interconnection	169.9	182.4	179.4	189.1	720.9	193.3	189.2	193.0	111.6	687.0
Leased line	42.6	43.0	41.6	41.0	168.2	40.8	42.4	40.0	37.0	160.3
Frequency usage fees	53.6	42.4	46.8	47.1	189.8	47.9	49.5	46.7	42.7	186.8
Others	357.6	382.6	401.0	425.0	1,566.2	397.4	406.3	427.0	423.3	1,654.0
Operating income	407.8	396.1	466.2	388.7	1,658.8	429.9	478.2	477.1	397.0	1,782.2
<i>EBITDA</i>	960.7	957.2	1,041.6	979.1	3,938.7	1,000.6	1,054.2	1,062.3	1,019.9	4,136.9
<i>EBITDA margin</i>	30.7%	30.4%	33.2%	31.2%	31.4%	32.3%	34.1%	34.2%	33.3%	33.5%
Net profit or loss from non-operating items	(29.1)	(76.7)	24.6	(108.2)	(189.3)	35.8	(97.8)	(71.1)	(86.4)	(219.4)
Interest income	5.7	5.5	4.8	4.6	20.6	6.4	5.8	9.6	9.5	31.4
Interest expenses	61.2	59.9	60.1	60.3	241.6	59.5	57.2	62.0	60.7	239.4
Net profit or loss from other non-operating items	26.5	(22.3)	80.0	(52.5)	31.7	88.9	(46.4)	(18.7)	(35.2)	(11.3)
Income before tax	378.8	319.4	490.8	280.5	1,469.4	465.7	380.5	406.0	310.6	1,562.8
Net income	295.8	232.0	361.6	217.4	1,106.8	382.2	284.1	324.6	226.3	1,217.3

1) Includes R&D related depreciation

VI. Appendix - Consolidated Balance Sheet

(in KRW bn)	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
Total assets	27,824.4	28,041.5	28,558.7	28,581.4	28,490.4	28,529.4	29,555.7	31,297.7
Current assets	5,228.5	5,180.5	5,573.2	5,160.2	5,805.8	6,118.6	5,777.7	5,996.6
Cash and marketable securities ¹⁾	1,264.4	1,335.2	1,643.5	1,505.0	1,621.6	1,983.9	1,537.5	2,034.0
Accounts receivable	3,045.5	3,140.6	3,281.2	3,018.6	3,522.7	3,473.4	3,580.7	3,362.4
Short-term loans	78.2	32.2	40.2	53.9	66.2	66.2	65.7	59.0
Inventories	295.0	282.9	272.0	273.6	278.4	270.9	274.0	259.8
Other current assets	545.3	389.6	336.3	309.2	317.0	324.2	319.8	281.4
Non-current assets	22,595.9	22,861.0	22,985.5	23,421.1	22,684.6	22,410.8	23,778.0	25,301.0
Property & equipment	10,420.0	10,268.6	10,185.7	10,386.3	9,931.6	9,724.3	9,798.7	10,374.2
Intangible assets	4,304.8	4,228.8	4,131.9	4,213.4	4,094.8	3,982.3	5,101.3	5,708.8
Investment assets	7,226.1	7,731.7	7,917.2	8,114.1	8,007.4	7,986.4	8,046.8	8,233.8
Other non-current assets	645.0	631.8	750.7	707.3	650.9	717.9	831.2	984.2
Total liabilities	12,747.3	12,723.9	12,924.9	13,207.3	13,375.2	13,161.9	14,011.5	15,181.2
Current liabilities	5,323.7	5,308.4	5,233.8	5,256.5	5,355.1	5,220.0	5,393.2	6,444.1
Short-term borrowings	392.4	939.3	395.0	260.0	84.9	85.0	0.8	2.6
Accounts payable	1,579.8	1,584.7	1,633.4	1,985.8	1,775.4	1,734.0	1,843.4	2,646.1
Current portion of long-term debt	675.7	671.5	850.7	823.8	652.2	1,012.2	898.7	1,190.7
Other current liabilities	2,675.9	2,112.8	2,354.7	2,186.9	2,842.6	2,388.8	2,650.3	2,604.7
Non-current liabilities	7,423.5	7,415.5	7,691.1	7,950.8	8,020.1	7,941.9	8,618.3	8,737.1
Bonds payable & long-term borrowings	6,042.3	6,019.1	6,303.7	6,560.7	6,776.1	6,672.0	6,489.5	6,478.6
Long-term payables - other	566.4	577.4	579.9	581.7	468.7	470.5	1,302.3	1,624.6
Post-employment benefit obligation	127.8	121.7	143.3	98.9	134.7	149.4	150.8	70.7
Other non-current liabilities	687.1	697.3	664.2	709.5	640.6	650.0	675.8	563.2
Total shareholders' equity	15,077.2	15,317.6	15,633.8	15,374.1	15,115.2	15,367.5	15,544.2	16,116.4
Capital stock	44.6	44.6	44.6	44.6	44.6	44.6	44.6	44.6
Capital surplus	3,323.2	3,348.1	3,327.1	3,319.5	3,313.6	3,324.7	3,314.4	3,314.4
Retained earnings	14,029.7	14,421.0	14,727.0	15,007.6	14,941.4	15,214.2	15,469.4	15,953.2
Capital adjustments	(3,045.5)	(2,685.6)	(2,650.8)	(3,130.0)	(3,118.3)	(3,133.0)	(3,122.3)	(3,114.6)
Other comprehensive income/loss ²⁾	(6.5)	59.4	55.7	9.3	(180.5)	(232.4)	(328.7)	(226.2)
Minority interests	731.6	130.1	130.2	123.0	114.3	149.4	166.7	145.0

1) Cash & marketable securities includes cash & cash equivalent, marketable securities & short-term financial instruments

2) Other comprehensive income/loss include gains or losses on valuation of investment securities and derivatives

VI. Appendix - SK Telecom Non-Consolidated Balance Sheet

(in KRW bn)	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
Total assets	22,464.6	22,863.4	23,144.7	23,146.9	23,120.0	23,181.8	24,247.6	25,448.6
Current assets	2,854.1	2,685.9	3,133.1	2,713.5	3,144.4	3,560.0	3,255.5	3,661.1
Cash and marketable securities ¹⁾	496.3	508.7	736.8	598.2	593.1	1,028.7	588.4	1,019.4
Accounts receivable	1,858.7	1,897.0	2,100.5	1,793.5	2,222.8	2,218.4	2,345.4	2,367.1
Short-term loans	70.6	21.8	31.8	47.7	59.1	59.0	59.1	54.1
Inventories	25.7	34.4	38.9	46.0	43.7	36.5	35.3	32.5
Other current assets	402.7	224.0	225.0	228.1	225.7	217.4	227.4	188.1
Non-current assets	19,610.5	20,177.6	20,011.6	20,433.4	19,975.5	19,621.8	20,992.2	21,787.5
Property & equipment	7,555.2	7,423.3	7,308.4	7,442.3	7,038.7	6,802.1	6,844.3	7,298.5
Intangible assets	3,149.5	3,062.1	2,977.1	3,072.3	2,974.6	2,891.6	4,037.2	4,581.9
Investment assets	8,606.6	9,405.6	9,333.3	9,547.1	9,634.2	9,525.7	9,605.2	9,287.6
Other non-current assets	299.2	286.6	392.9	371.7	328.0	402.5	505.4	619.4
Total liabilities	9,240.2	9,057.1	9,100.2	9,367.5	9,565.1	9,379.0	10,149.6	11,191.6
Current liabilities	3,558.3	3,456.0	3,355.4	3,491.3	3,466.9	3,370.8	3,460.4	4,464.2
Short-term borrowings	250.0	770.0	260.0	230.0	-	-	-	-
Accounts payable	1,073.7	1,064.3	1,051.4	1,299.1	1,168.1	1,277.0	1,252.3	2,005.0
Current portion of long-term debt	400.5	401.3	602.6	712.8	438.2	795.2	678.3	930.6
Other current liabilities	1,834.1	1,220.5	1,441.4	1,249.4	1,860.6	1,298.5	1,529.8	1,528.5
Non-current liabilities	5,681.8	5,601.0	5,744.8	5,876.2	6,098.2	6,008.2	6,689.2	6,727.5
Bonds payable & long-term borrowings	4,769.5	4,762.2	4,967.0	5,106.0	5,431.7	5,348.6	5,190.8	5,052.5
Long-term payables	542.1	545.0	548.0	551.0	438.5	440.8	1,268.6	1,602.9
Post-employment benefit obligation	28.3	12.9	23.8	4.0	22.5	23.8	25.7	0.0
Other non-current liabilities	341.9	281.0	206.0	215.2	205.5	195.0	204.1	72.0
Total shareholders' equity	13,224.4	13,806.4	14,044.6	13,779.5	13,554.8	13,802.8	14,098.0	14,257.0
Capital stock	44.6	44.6	44.6	44.6	44.6	44.6	44.6	44.6
Capital surplus	3,319.4	3,344.2	3,357.8	3,357.8	3,357.8	3,357.8	3,357.8	3,357.8
Retained earnings	12,694.7	12,917.8	13,204.2	13,418.6	13,158.4	13,432.0	13,686.0	13,902.6
Capital adjustments	(2,885.5)	(2,498.2)	(2,498.2)	(2,988.4)	(2,988.4)	(2,986.3)	(2,986.3)	(2,986.3)
Other comprehensive income/loss ²⁾	51.2	(2.1)	(63.9)	(53.2)	(17.7)	(45.3)	(4.0)	(61.8)

1) Cash & marketable securities includes cash & cash equivalent, marketable securities & short-term financial instruments

2) Other comprehensive income/loss include gains or losses on valuation of investment securities and derivatives