

EUGENE INVESTMENT & SECURITIES CO., LTD.

Financial Statements

December 31, 2020 and 2019

(With Independent Auditor's Report Thereon)

EUGENE INVESTMENTS & SECURITIES CO., LTD.

Financial Statements

December 31, 2020 and 2019

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
Eugene Investment & Securities Co., Ltd.

Opinion

We have audited the accompanying financial statements of Eugene Investment & Securities Co., Ltd. (the "Company"), which comprise the statement of financial position as at December 31, 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS").

We also have audited, in accordance with Korean Standards on Auditing, the Company's Internal Control over Financial Reporting as at December 31, 2020, based on the criteria established in *Conceptual Framework for Design and Operation of Internal Control over Financial Reporting*, and our report dated March 16, 2021 expressed an unqualified opinion.

Basis for Opinion

We conducted our audit in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Deferred Revenue Recognition of Commission Fee from Non-Standard Transactions

Why it is determined to be a key audit matter:

The Company recognized fee and commission income from underwriting, financial advisory, asset management and commitments, which are arising from non-standard transactions, in the amount of ₩27,924 million, ₩38,171 million, ₩7,705 million and ₩15,813 million, respectively, in the statement of comprehensive income for the year ended December 31, 2020. Such fees and commissions earned from non-standard transactions are vulnerable to risks resulting from management's incentives to recognize revenue in an accelerated manner in order to meet certain targets and other requirements and it is likely that management's judgment is involved in determining the timing and the amount of revenue to be recognized as payment terms vary on an individual contract basis from transactions with various types and complicated structures.

How our audit addressed the key audit matter:

We tested internal controls of the Company that management monitors whether revenue is recognized in accordance with Korean IFRS 1115 *Revenue from Contracts with Customers*, based on checklists and that management reviews accounting treatment of fee and commission income recognized whether it is subject to deferrals and also that appropriate level of

management approves such review procedures.

In addition, we selected samples from revenue recognized from non-standard transactions and inspected underlying documents including contracts and evidence of cash receipts and reviewed whether and when the performance obligations were satisfied to test the accuracy of the amount and the timing of revenue in accordance with Korean IFRS 1115.

2. Valuation of Derivatives, Derivative-Linked Securities Purchased and Derivative-Linked Securities Sold classified as Level 3 Fair Value Measurements

Why it is determined to be a key audit matter:

As disclosed in Note 6, the Company's derivatives and derivative-linked securities subject to Level 3 fair value measurements amount to derivative assets of ₩10,018 million and derivative liabilities of ₩9,112 million as well as financial assets at fair value through profit or loss (FVTPL) of ₩29,405 million and financial liabilities designated as being held at FVTPL of ₩548,451 million as of December 31, 2020.

For derivatives and derivative-linked securities classified as Level 3 fair value measurements, complicated valuation techniques are required, inputs and assumptions include management's estimates and judgments, and management decisions made for valuation techniques and unobservable inputs would result in significant changes in the fair value of the instruments.

How our audit addressed the key audit matter:

We tested internal controls of the Company that management examines whether underlying information of the derivatives transactions including the notional principal amounts, interest rates and maturities, is accurately reflected to the Company's information technology (IT) systems operated for the valuation of the instruments and we reconciled transaction evidence including trade information and contract documents used for the valuation of derivatives and derivative-linked securities in order to conclude whether the underlying information is maintained accurately.

We tested internal controls of the Company that management verifies the IT systems for the valuation of derivatives on a regular basis and that management reviews models and inputs applicable to new types of transactions are relevant and appropriate considering the features of the instruments.

In addition, we involved our valuation specialists to develop independent estimates on fair value of derivatives and derivative-linked securities with independent valuation models and inputs and assessed whether there were material differences between independent estimates and management's estimates.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 35 to the financial statements of the Company. Note 35 to the financial statements describes that management considers the potential impact and the uncertainty arising from Coronavirus Disease-19 ("Covid-19") on the Company's financial position and its financial performance.

Other Matters

Auditing standards and their application in practice vary among countries. 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.

The financial statements of the Company for the year ended December 31, 2019 were audited by KPMG Samjong Accounting Corp. who expressed an unqualified opinion on those financial statements on March 16, 2020.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is SooYeon Jeong, Certified Public Accountant.



Seoul, Korea

March 16, 2021

This report is effective as of March 16, 2021, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

EUGENE INVESTMENT & SECURITIES CO., LTD.

Statements of Financial Position

As of December 31, 2020 and 2019

<i>(In thousands of Korean won)</i>	Notes	2020	2019
Assets			
Cash and deposits			
Cash and cash equivalents	5,6,8,10	₩ 436,987,819	256,957,341
Deposits due from others		236,342,204	53,644,429
		<u>673,330,023</u>	<u>310,601,770</u>
Financial assets at fair value through profit or loss	5,6,8,11	5,970,550,518	5,403,549,124
Financial assets at fair value through other comprehensive income	5,6,8,12		
Stocks		160,297,584	139,594,747
Overseas stocks		1,754,529	1,709,984
		<u>162,052,113</u>	<u>141,304,731</u>
Investments in subsidiaries and associates	14		
Subsidiaries		72,956,172	66,358,838
Associates		15,426,629	15,426,629
		<u>88,382,801</u>	<u>81,785,467</u>
Derivative assets	5,6,8,15		
Options bought		29,809	-
Stock warrants		835,739	585,770
Over-the-counter derivative assets		16,033,199	33,764,396
		<u>16,898,747</u>	<u>34,350,166</u>
Loans and receivables at amortized cost	5,6,8		
Broker's loans, net	16	738,786,676	515,285,266
Securities purchased under agreements to resell		25,400,000	-
Loans	24	3,257,379	1,353,998
Loans purchased, net		56,335,462	55,466,210
Advances for customers, net	24	18,163	18,163
Other loans and receivables, net		21,556,372	3,914,623
		<u>845,354,052</u>	<u>576,038,260</u>
Property and equipment	17,19		
Land		10,527,308	11,097,308
Buildings, net		7,747,504	8,632,374
Vehicles, net		17,548	35,096
Furniture and equipment, net		8,866,552	5,658,057
Right-of-use assets, net		28,095,232	19,694,376
		<u>55,254,144</u>	<u>45,117,211</u>
Other assets			
Receivables for brokerage, net	5,6,8,30	5,621,677	2,482,178
Other receivables, net	5,6,8	1,485,715,382	574,666,092
Accrued income, net	5,6,8,30	47,987,784	47,122,951
Advance payments		116,689,736	103,911,315
Prepaid expenses		4,286,780	3,738,888
Income tax receivable		3,103,965	-
Leasehold deposits paid for rents	5,6,8,30	8,644,314	10,260,707
Investment properties	18	17,188,113	16,091,265
Other investment assets	5,6,8	126,000	65,000
Intangible assets	20	23,552,439	23,838,372
Finance lease receivables	34	2,331,708	2,746,093
		<u>1,715,247,898</u>	<u>784,922,861</u>
Total assets		₩ <u>9,527,070,296</u>	<u>7,377,669,590</u>

See accompanying notes to the financial statements

EUGENE INVESTMENT & SECURITIES CO., LTD.

Statements of Financial Position (Continued)

As of December 31, 2020 and 2019

<i>(In thousands of Korean won)</i>	Notes	2020	2019
Liabilities			
Deposits	5,6,8		
Customers' deposits	30	₩ 1,168,473,761	418,995,288
Guarantee deposits		5,709,229	2,987,381
Other deposits		1,883,886	1,351,862
		<u>1,176,066,876</u>	<u>423,334,531</u>
Financial liabilities at fair value through profit or loss	5,6,8,11		
Financial liabilities measured at fair value through profit or loss		1,544,320,758	1,459,331,586
Financial liabilities designated as being held at fair value through profit or loss		623,863,464	554,782,043
		<u>2,168,184,222</u>	<u>2,014,113,629</u>
Borrowed funds	5,6,8		
Call money	21,31	120,000,000	10,000,000
Borrowings	21,31	1,315,997,858	1,030,085,580
Securities sold under agreements to repurchase	21	2,355,308,891	2,309,902,691
Subordinated bonds issued, net	22,30	50,000,000	30,000,000
		<u>3,841,306,749</u>	<u>3,379,988,271</u>
Derivative liabilities	5,6,8,15		
Options sold		47,586	-
Over-the-counter derivative liabilities		20,719,681	96,706,980
		<u>20,767,267</u>	<u>96,706,980</u>
Other liabilities			
Provisions	25	3,553,444	4,220,873
Dividends payable	5,6,8,31	1,391	1,391
Accounts payable	5,6,8,30	1,264,993,209	539,400,982
Accrued expenses	5,6,8,30	93,892,732	58,727,741
Income tax payable	28	-	18,504,659
Leasehold deposits received for rents	5,6,8,30,31	1,220,247	1,061,625
Unearned revenue		1,978,160	7,372,489
Taxes withheld	5,6,8	4,123,790	3,833,620
Deferred tax liabilities	28	23,333,879	631,389
Financial guarantees	25	34,196,136	22,984,780
Lease liabilities	5,6,8,31,34	30,545,463	22,245,173
		<u>1,457,838,451</u>	<u>678,984,722</u>
Total liabilities		₩ <u>8,664,163,565</u>	<u>6,593,128,133</u>

See accompanying notes to the financial statements

EUGENE INVESTMENT & SECURITIES CO., LTD.

Statements of Financial Position (Continued)

As of December 31, 2020 and 2019

<i>(In thousands of Korean won)</i>	Notes	2020	2019
Equity			
Share capital	26		
Common stock		₩ 537,592,090	537,592,090
Capital surplus			
Other surplus from capital transactions		1,327,431	1,327,431
Capital adjustments			
Treasury stock		(5,682,926)	(299,114)
Others		-	-
		<u>(5,682,926)</u>	<u>(299,114)</u>
Accumulated other comprehensive income			
<i>Items that will never be reclassified to profit or loss:</i>	12		
Gain on valuation of financial assets			
at fair value through other comprehensive income	11	85,920,013	76,727,866
Change in fair value attributable to change in the credit risk of financial liabilities designated as being held at fair value through profit or loss		1,225,787	731,348
		<u>87,145,800</u>	<u>77,459,214</u>
Retained earnings			
Earned surplus reserve		1,258,909	581,035
Voluntary reserves		1,000,000	1,000,000
Regulatory reserve for credit losses	33	3,898,840	2,138,575
(Provision for regulatory reserve for credit losses; ₩9,890,970 and ₩1,760,265 as of December 31, 2020 and 2019, respectively)			
Retained earnings before appropriation	27	236,366,587	164,742,226
		<u>242,524,336</u>	<u>168,461,836</u>
Total equity		<u>862,906,731</u>	<u>784,541,457</u>
Total liabilities and equity		<u>₩ 9,527,070,296</u>	<u>7,377,669,590</u>

See accompanying notes to the financial statements

EUGENE INVESTMENT & SECURITIES CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

<i>(In thousands of Korean won)</i>	Notes	2020	2019
Operating revenue			
Fee and commission income	30		
Brokerage		₩ 82,715,840	41,145,181
Underwriting		27,923,540	9,068,026
Brokerage on collective investment securities		6,063,230	5,631,953
Derivative-linked securities sales		615,357	1,203,857
Financial advisory		38,170,720	32,017,918
Asset management		7,705,246	3,276,217
Commitment		15,813,352	21,272,290
Others		18,275,554	14,252,755
		<u>197,282,839</u>	<u>127,868,197</u>
Gain on disposal and valuation of financial instruments at fair value through profit or loss	9,11		
Gain on disposal of financial assets		534,319,695	221,563,184
Gain on valuation of financial assets		58,203,565	48,355,854
Gain on redemption of financial liabilities		71,324,217	45,343,875
Gain on valuation of financial liabilities		27,541,041	13,599,587
Gain on redemption of financial liabilities designated as being held at fair value through profit or loss		405,781	2,059,761
Gain on valuation of financial liabilities designated as being held at fair value through profit or loss		14,252,750	12,858,779
		<u>706,047,049</u>	<u>343,781,040</u>
Gain on derivatives transactions	9		
Gain on futures transactions		162,253,261	100,150,887
Gain on exchange-traded options transactions		1,226,186	-
Gain on over-the-counter derivatives transactions		82,844,507	149,190,628
		<u>246,323,954</u>	<u>249,341,515</u>
Interest income	9,30		
Interest on margin loans		19,397,977	17,368,324
Interest on loans		15,344,360	18,871,640
Interest on bonds		88,905,596	82,448,238
Interest on corporate commercial papers		5,744,504	5,369,526
Interest on deposits at Korea Securities Finance Corp.		181,987	376,723
Interest on certificate of deposits		1,405,951	2,448,534
Interest on securities purchased under agreements to resell		291,377	1,098,805
Interest on electronic short-term bonds		1,193,054	727,057
Other interest income		11,374,806	13,341,342
		<u>143,839,612</u>	<u>142,050,189</u>
Gain on loans and receivables at amortized cost	9		
Gain on sale of loans		3,765,619	-
Reversal of loss allowance on loans and receivables		42,785	-
		<u>3,808,404</u>	<u>-</u>
Gain on foreign currencies	9		
Gain on foreign currency transactions		10,325,468	3,370,013
Gain on foreign currency translation		1,087,142	2,179,172
		<u>11,412,610</u>	<u>5,549,185</u>
Other operating income			
Dividends income	9	6,022,219	5,474,346
Distribution income	9	2,509,645	3,449,625
Reversal of allowance for asset retirement obligations	25	159,435	5,159
Others		452,752	28,487
		<u>9,144,051</u>	<u>8,957,617</u>
Total operating revenue		<u>₩ 1,317,858,519</u>	<u>877,547,743</u>

See accompanying notes to the financial statements

EUGENE INVESTMENT & SECURITIES CO., LTD.

Statements of Comprehensive Income (Continued)

For the years ended December 31, 2020 and 2019

<i>(In thousands of Korean won)</i>	Notes	2020	2019
Operating expenses			
Fee and commission expense	30		
Trading commissions		₩ 9,010,438	5,828,786
Other fees and commissions		13,422,094	4,560,475
		<u>22,432,532</u>	<u>10,389,261</u>
Loss on disposal and valuation of financial instruments at fair value through profit or loss	9,11		
Loss on disposal of financial assets		311,331,455	150,295,619
Loss on valuation of financial assets		55,989,780	22,021,863
Loss on redemption of financial liabilities		113,759,600	82,135,796
Loss on valuation of financial liabilities		33,190,842	17,030,093
Loss on redemption of financial liabilities designated as being held at fair value through profit or loss		16,119,264	26,974,801
Loss on valuation of financial liabilities designated as being held at fair value through profit or loss		15,353,485	22,671,972
		<u>545,744,426</u>	<u>321,130,144</u>
Loss on derivatives transactions	9		
Loss on futures transactions		300,488,582	144,697,529
Loss on exchange-traded options transactions		1,540,376	-
Loss on over-the-counter derivatives transactions		64,845,278	125,697,163
		<u>366,874,236</u>	<u>270,394,692</u>
Interest expenses	9,30		
Interest on borrowings from Korea Securities Finance Corp.		8,458,128	12,397,706
Interest on customers' deposits		1,385,599	1,460,030
Interest on securities sold under agreements to repurchase		18,269,095	36,270,593
Interest on call money		809,048	1,678,061
Interest on subordinated bonds issued		2,138,618	1,529,860
Other interest expenses		12,334,319	5,982,250
		<u>43,394,807</u>	<u>59,318,500</u>
Loss on loans and receivables at amortized cost	5,9		
Provision for credit losses on loans and receivables		-	944,849
Loss on sale of loans		-	-
		<u>-</u>	<u>944,849</u>
Loss on foreign currencies	9		
Loss on foreign currency transactions		9,461,315	2,132,465
Loss on foreign currency translation		9,307,533	1,814,745
		<u>18,768,848</u>	<u>3,947,210</u>
General and administrative expenses	30,32	211,039,149	161,370,400
Other operating expenses			
Provision for credit losses on other assets	5,9	410,262	740,388
Provision for guarantees provided	25	1,259,211	569,482
Provision for asset retirement obligations	25	52,348	46,513
Provision for litigation liabilities	25	-	2,194,726
Others		49,500	-
		<u>1,771,321</u>	<u>3,551,109</u>
Total operating expenses		₩ <u>1,210,025,319</u>	<u>831,046,165</u>

See accompanying notes to the financial statements

EUGENE INVESTMENT & SECURITIES CO., LTD.

Statements of Comprehensive Income (Continued)

For the years ended December 31, 2020 and 2019

<i>(In thousands of Korean won)</i>	Notes	2020	2019
Operating profit		₩ 107,833,200	46,501,578
Non-operating income			
Gain on disposal of property and equipment		2,974	348
Gain on disposal of intangible assets		182,500	368,390
Reversal of impairment loss on intangible assets		810,208	-
Rental income	30	950,831	1,363,096
Miscellaneous income		443,652	444,013
Total non-operating income		<u>2,390,165</u>	<u>2,175,847</u>
Non-operating expenses			
Loss on disposal of property and equipment		79,483	38
Loss on disposal of intangible assets		26,433	-
Impairment loss on intangible assets	20	56,667	655,800
Donations		1,025,516	614,739
Loss on redemption of bonds issued		965,022	-
Depreciation of investment properties	18	125,008	98,364
Miscellaneous expenses		420,938	1,009,775
Total non-operating expenses		<u>2,699,067</u>	<u>2,378,716</u>
Profit before income tax		<u>107,524,298</u>	<u>46,298,709</u>
Income tax expense	28	26,683,058	12,535,514
Profit for the year	27,33	<u>₩ 80,841,240</u>	<u>33,763,195</u>
<i>(Adjusted profit for the year with provision for regulatory credit losses; ₩70,950,271 and ₩32,002,929 for the years ended December 31, 2020 and 2019, respectively)</i>			
Other comprehensive income, net of tax	12		
<i>Items that will never be reclassified to profit or loss:</i>			
Gain on valuation of financial assets at fair value through other comprehensive income	9,31	₩ 9,192,147	1,290,838
Change in fair value attributable to change in the credit risk of financial liabilities designated as being held at fair value through profit or loss	9,31	494,438	417,691
Total other comprehensive income for the year, net of tax		<u>9,686,585</u>	<u>1,708,529</u>
Total comprehensive income for the year		<u>₩ 90,527,825</u>	<u>35,471,724</u>
Earnings per share (in Korean won)	29		
Basic earnings per share		₩ 854	349
Diluted earnings per share		₩ 854	349

See accompanying notes to the financial statements

EUGENE INVESTMENT & SECURITIES CO., LTD.

Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

	Share capital	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total equity
<i>(In thousands of Korean won)</i>						
Balance at January 1, 2019	₩ 537,592,090	1,327,431	(67,490,022)	75,750,685	207,699,898	754,880,082
Profit for the year	-	-	-	-	33,763,195	33,763,195
Gain on valuation of financial assets at fair value through other comprehensive income	-	-	-	1,290,838	-	1,290,838
Change in fair value attributable to change in the credit risk of financial liabilities designated as being held at fair value through profit or loss	-	-	-	417,691	-	417,691
Disposal of discount on stock issuance	-	-	67,190,907	-	(67,190,907)	-
Dividends paid	-	-	-	-	(5,810,349)	(5,810,349)
Balance at December 31, 2019	₩ 537,592,090	1,327,431	(299,115)	77,459,214	168,461,837	784,541,457
Balance at January 1, 2020	₩ 537,592,090	1,327,431	(299,115)	77,459,214	168,461,837	784,541,457
Profit for the year	-	-	-	-	80,841,240	80,841,240
Gain on valuation of financial assets at fair value through other comprehensive income	-	-	-	9,192,147	-	9,192,147
Change in fair value attributable to change in the credit risk of financial liabilities designated as being held at fair value through profit or loss	-	-	-	494,438	-	494,438
Acquisition of treasury shares	-	-	(5,383,811)	-	-	(5,383,811)
Dividends paid	-	-	-	-	(6,778,740)	(6,778,740)
Balance at December 31, 2020	₩ 537,592,090	1,327,431	(5,682,926)	87,145,799	242,524,337	862,906,731

See accompanying notes to the financial statements

EUGENE INVESTMENT & SECURITIES CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

<i>(In thousands of Korean won)</i>		2020	2019
Cash flows from operating activities			
Profit for the year	₩	80,841,240	33,763,195
Adjustments to reconcile net income			
to net cash provided from operating activities			
Gain on valuation of financial assets at fair value through profit or loss		(58,203,565)	(48,355,854)
Gain on valuation of financial liabilities			
measured at fair value through profit or loss		(27,541,041)	(13,599,587)
Gain on valuation of financial liabilities designated			
as being held at fair value through profit or loss		(14,252,750)	(12,858,779)
Gain on disposal of securities at fair value through profit or loss		(3,011,299)	-
Gain on derivatives transactions		(25,608,165)	(38,273,610)
Interest income		(143,839,612)	(142,050,189)
Reversal of loss allowance on loans and receivables		(42,785)	-
Gain on foreign currency translation		(1,087,142)	(2,179,172)
Dividends and distribution income		(8,531,864)	(5,474,346)
Reversal of allowance for asset retirement obligations		(159,435)	(5,159)
Financial guarantee fee income		(8,496,058)	(531,703)
Gain on disposal of property and equipment		(2,974)	(348)
Gain on disposal of Intangible assets		(182,500)	(368,390)
Reversal of impairment loss on intangible assets		(810,208)	-
Loss on valuation of financial assets at fair value through profit or loss		55,989,780	22,021,863
Loss on valuation of financial liabilities			
measured at fair value through profit or loss		33,190,842	17,030,093
Loss on valuation of financial liabilities designated			
as being held at fair value through profit or loss		15,353,485	22,671,972
Loss on disposal of securities at fair value through profit or loss		2,695,133	-
Loss on derivatives transactions		20,628,638	106,359,482
Interest expenses		43,394,807	59,318,500
Loss on foreign currency translation		9,307,533	1,814,745
Provision for credit losses on loans and receivables		-	944,849
Provision for credit losses on other assets		410,261	740,388
Depreciation		8,503,818	7,897,485
Amortization of intangible assets		4,123,608	4,073,502
Provision for asset retirement obligations		52,348	46,513
Provision for guarantees provided		1,259,211	569,482
Provision for litigation liabilities		-	2,194,726
Loss on disposal of property and equipment		79,483	38
Loss on disposal of intangible assets		26,433	-
Impairment loss on intangible assets		56,667	655,800
Loss on redemption of bonds issued		965,022	-
Depreciation of investment properties		125,008	98,364
Income tax expense		26,683,058	12,535,514
	₩	(68,924,263)	(4,723,821)

See accompanying notes to the financial statements

EUGENE INVESTMENT & SECURITIES CO., LTD.

Statements of Cash Flows (Continued)

For the years ended December 31, 2020 and 2019

(In thousands of Korean won)

	2020	2019
Cash flows from operating activities		
Changes in operating assets and liabilities		
Deposits	₩ (187,736,576)	5,855,531
Financial assets at fair value through profit or loss	(543,344,590)	(1,126,408,612)
Derivative assets	27,390,648	17,587,607
Broker's loans	(223,557,782)	96,841,117
Securities purchased under agreements to resell	(25,400,000)	140,500,000
Loans	(2,040,029)	404,620
Advances for customers	(3,626,522)	(1,231,053)
Loans purchased	3,938,683	-
Other loans and receivables	(19,546,432)	-
Receivables for brokerage	(3,148,375)	(300,936)
Other receivables	(891,348,438)	(19,647,062)
Accrued income	(1,884,058)	108,512
Advance payments	(14,331,881)	(31,085,994)
Prepaid expenses	108,704	(120,677)
Finance lease receivables	464,620	459,609
Customers' deposits	749,478,473	(43,470,554)
Guarantee deposits	2,721,848	(4,086,130)
Other deposits	532,024	(124,961)
Financial liabilities measured at fair value through profit or loss	79,339,370	248,689,502
Financial liabilities designated as being held at fair value through profit or loss	68,713,987	(289,846,931)
Securities sold under agreements to repurchase	11,606,200	601,232,440
Derivative liabilities	(96,365,616)	(26,585,798)
Provisions	(2,194,726)	-
Financial guarantee liabilities	-	(9,673,034)
Accounts payable	725,592,227	60,199,193
Accrued expenses	34,927,881	8,989,721
Unearned revenue	(1,628,806)	(1,027,438)
Taxes withheld	290,171	(760,501)
	<u>(311,048,995)</u>	<u>(373,501,829)</u>
Income taxes paid	(34,617,221)	(21,376,911)
Interest received	132,306,753	124,158,174
Interest paid	(43,014,440)	(58,251,658)
Dividends received	8,531,864	5,474,346
Net cash outflow from operating activities	₩ (235,925,062)	(294,458,504)

See accompanying notes to the financial statements

EUGENE INVESTMENT & SECURITIES CO., LTD.

Statements of Cash Flows (Continued)

For the years ended December 31, 2020 and 2019

(In thousands of Korean won)

	2020	2019
Cash flows from investing activities		
Proceeds from disposal of vehicles	₩ 1,200	-
Proceeds from disposal of furniture and equipment	2,440	575
Proceeds from collection of leasehold deposits paid	3,190,260	-
Proceeds from disposal of other investment assets	40,000	-
Proceeds from disposal of intangible assets	878,090	1,298,000
Payments for acquisition of securities at fair value through other comprehensive income	(2,766,069)	-
Payments for acquisition of investment in associates	-	(11,622,300)
Payments for acquisition of investment in subsidiaries	(6,597,334)	-
Payments for acquisition of furniture and equipment	(6,174,344)	(1,346,148)
Payments for acquisition of right-of-use assets	(500,000)	-
Payments for leasehold deposits paid	(2,258,364)	(74,683)
Payments for acquisition of other investment assets	(101,000)	(63,000)
Payments for acquisition of intangible assets	(1,347,626)	(1,613,658)
Net cash outflow from investing activities	(15,632,747)	(13,421,214)
Cash flows from financing activities		
Increase in call money	110,000,000	-
Proceeds from borrowings	1,037,712,278	1,030,085,580
Increase in leasehold deposits received for rents	204,517	-
Proceeds from issuance of subordinated bonds	40,000,000	-
Decrease in call money	-	(130,000,000)
Repayments of principal of borrowings	(718,000,000)	(721,099,579)
Repayments of principal of subordinated bonds issued	(20,965,022)	-
Decrease in leasehold deposits paid for rents	-	(38,994)
Repayments of lease liabilities	(5,200,935)	(4,845,301)
Purchase of treasury shares	(5,383,811)	-
Dividends paid to shareholders	(6,778,740)	(5,810,349)
Net cash inflow from financing activities	431,588,287	168,291,357
Effect of exchange rate fluctuations on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	180,030,478	(139,588,361)
Cash and cash equivalents at January 1	256,957,341	396,545,702
Cash and cash equivalents at December 31	₩ 436,987,819	256,957,341

See accompanying notes to the financial statements

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

1. Reporting Entity

Eugene Investment & Securities Co., Ltd. (the "Company") was established in May 1954 under the name of Seoul Securities Co., Ltd. The address of the Company's registered office is Gukjegeumyung-Ro 24 (Yeouido-dong), Yeongdungpo-Gu, Seoul.

The Company's shares have been listed on the Korea Exchange since August 1987 and as of December 31, 2020, its total capital stock amounts to ₩537,592 million.

The Company's major stockholders consist of Eugene Corporation and its related parties, who collectively own 27.25% of interest in the Company.

On December 26, 2007, as approved by the shareholders, the Company changed its name to Eugene Investment & Securities Co., Ltd.

2. Basis of Accounting

2.1 Statement of compliance

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with Korean International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS"). The accompanying financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, financial performance or cash flows, is not presented in the accompanying financial statements.

The financial statements have been prepared in accordance with Korean IFRS, as prescribed in the Act on External Audits of Corporations in the Republic of Korea. These are the standards, subsequent amendments and related interpretations issued by International Accounting Standards Board ("IASB") that have been adopted by the Republic of Korea.

These financial statements are separate statements prepared in accordance with Korean IFRS 1027, *Separate Financial Statements*, presented by a parent, an investor with joint control of, or significant influence over, an investee, in which the investments are accounted for at cost on the basis of the direct equity interest.

The financial statements were authorized for issue by the Board of Directors on March 8, 2021, which will be submitted for approval at the shareholders' meeting to be held on March 25, 2021.

2.2 Basis of measurement

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

- derivative financial instruments measured at fair value
- financial instruments at fair value through profit or loss
- financial instruments at fair value through other comprehensive income

2.3 Functional and presentation currency

The financial statements of the Company are prepared in functional currency, which is the currency of the primary economic environment in which the Company operates. The Company's financial statements are presented in Korean won, which is the Company's functional currency and the presentation currency.

2.4 Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

(1) Assumptions and estimation uncertainties

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

- Note 5 – Loss allowance : maximum exposure to credit risks and impairment of financial instruments; and
- Note 25 – Measurement of defined benefit obligations: key actuarial assumptions

(2) Measurement of fair value

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Company has established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer.

The valuation department regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation department assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of Korean IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting year during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following note:

- Note 6 – Fair value of financial instruments.

3. Changes in Accounting Policies and Disclosures

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2020.

(1) Amendments to Korean IFRS 1001, *Presentation of Financial Statements* and Korean IFRS 1008, *Accounting policies, changes in accounting estimates and errors* – Definition of Materiality

The amendments clarify the definition of material. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments do not have a significant impact on the financial statements.

(2) Amendments to Korean IFRS 1103, *Business Combinations* – Definition of a Business

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs and the definition of output excludes the returns in the form of lower costs and other economic benefits. If substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, an entity may elect to apply an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments do not have a significant impact on the financial statements.

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

- (3) Amendments to Korean IFRS 1109, *Financial Instruments*, Korean IFRS 1039, *Financial Instruments: Recognition and Measurement* and Korean IFRS 1107, *Financial Instruments: Disclosures* – Interest Rate Benchmark Reform

The amendments allow to apply the exceptions in relation the application of hedge accounting while uncertainties arising from interest rate benchmark reform exist. The exceptions require the Company assumes that the interest rate benchmark on which the hedged items and the hedging instruments are based on is not altered as a result of interest rate benchmark reform, when determining whether the expected cash flows are highly probable, whether an economic relationship between the hedged item and the hedging instrument exists, and when assessing the hedging relationship is highly effective. The amendments do not have a significant impact on the financial statements.

The following new accounting standards and interpretations have been published that are not mandatory for December 31, 2020 reporting periods and have not been early adopted by the Company.

- (1) Amendments to Korean IFRS 1116, *Leases* – Practical expedient for COVID-19 Related Rent Exemption, Concessions and Suspension

As a practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification, and the amounts recognized in profit or loss as a result of applying this exemption should be disclosed. The amendments should be applied for annual periods beginning on or after June 1, 2020, and earlier application of permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

- (2) Amendments to Korean IFRS 1109, *Financial Instruments*, Korean IFRS 1039, *Financial Instruments: Recognition and Measurement*, Korean IFRS 1107, *Financial Instruments: Disclosures*, Korean IFRS 1104, *Insurance Contracts* and Korean IFRS 1116, *Leases* – Interest Rate Benchmark Reform

In relation to interest rate benchmark reform, the amendments provide exceptions including adjust effective interest rate instead of book amounts when interest rate benchmark of financial instruments at amortized costs is replaced, and apply hedge accounting without discontinuance although the interest rate benchmark is replaced in hedging relationship. The amendments should be applied for annual periods beginning on or after January 1, 2021, and earlier application of permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

- (3) Amendments to Korean IFRS 1103, *Business Combinations* – Reference to the Conceptual Framework

The amendments update a reference of definition of assets and liabilities qualify for recognition in revised *Conceptual Framework for Financial Reporting*. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korean IFRS 1037, *Provisions, Contingent Liabilities and Contingent Assets*, and Korean IFRS 2121, *Levies*. The amendments also confirm that contingent assets should not be recognized at the acquisition date. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application of permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

- (4) Amendments to Korean IFRS 1016, *Property, Plant and Equipment* – Proceeds before Intended Use

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application of permitted. The Company is in review for the impact of these amendments on the financial statements.

- (5) Amendments to Korean IFRS 1037, *Provisions, Contingent Liabilities and Contingent Assets* – Onerous Contracts: Cost of Fulfilling a Contract

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application of permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

(6) Annual improvements to Korean IFRS 2018–2020

Annual improvements of Korean IFRS 2018–2020 Cycle should be applied for annual periods beginning on or after January 1, 2022, and earlier application of permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

- Korean IFRS 1101, *First time Adoption of Korean International Financial Reporting Standards* – Subsidiaries that are first-time adopters
- Korean IFRS 1109, *Financial Instruments* – Fees related to the 10% test for derecognition of financial liabilities
- Korean IFRS 1116, *Leases* – Lease incentives
- Korean IFRS 1041, *Agriculture* – Measuring fair value

(7) Amendments to Korean IFRS 1001, *Presentation of Financial Statements* – Classification of Liabilities as Current or Non-current

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability includes the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application of permitted. The Company is in review for the impact of these amendments on the financial statements.

4. Significant Accounting Policies

The significant accounting policies applied by the Company in preparation of its financial statements are included below. The accounting policies set out below have been applied consistently to all the years presented in these financial statements except for the changes in accounting policies as explained Note 3.

4.1. Investments in subsidiaries and associates

These financial statements are separate statements prepared in accordance with Korean IFRS 1027, *Separate Financial Statements*. The Company elected to account for investments in subsidiaries and associates at cost in accordance with Korean IFRS 1027. The Company recognizes dividend income from subsidiaries and associates in profit or loss when its right to receive the dividend is established.

4.2. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments. Equity investments are excluded from cash equivalents unless they are, in substance, cash equivalents, for example in the case of preferred shares when it has a short maturity with a specified redemption date.

4.3. Non-derivative financial assets

(1) Recognition and initial measurement

Financial instruments and financial liabilities are recognized only when the Company becomes a party to the contract for the financial instrument. At initial recognition, financial assets or financial liabilities are measured at fair value, and transaction costs directly related to the acquisition of the financial assets or the issue of the financial liabilities are added to fair value unless they are measured at fair value through profit or loss.

Regular way purchases and sales of financial assets are recognized or derecognized on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

If a transfer does not result in derecognition because the Company has retained substantially all the risks and rewards of ownership of the transferred asset, the Company continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The Company classified the financial liability as "borrowings" in the statement of financial position.

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

(2) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortized cost ("AC"); fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or fair value through profit or loss ("FVTPL"). When, the Company changes its business model for managing financial assets, it shall reclassify all affected financial assets at the first day of the Company's next reporting period.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

(3) Business model

The Company assesses the objective of the business model held at the portfolio level of financial assets because it best reflects the way the business is managed and information is provided to management. Such information takes into account the following:

- The accounting policies and objectives specified for the portfolio and the actual operation of these policies. This includes management's strategy focused on obtaining contractual interest revenue, maintaining the level of interest revenue, and financing the debt financing and matching the duration of the financial asset's duration and on the outflow or realization of expected cash flows through the sale of the asset;
- Assessing the performance of financial assets held in a business model and reporting the assessment to key management personnel;
- The risks affecting the performance of the business model (and the financial assets held in the business model) and how they are managed;
- Compensation for management (e.g., compensation based on the fair value of the managed asset or on the contractual cash flows received);
- The frequency, amount, timing, reasons and expectations of future sales activities of financial assets in prior periods.

For this purpose, transfers of financial assets from transactions that do not meet the derecognition requirements to third parties are not considered sales.

A portfolio of financial assets that meets the definition of trading or whose performance is valued on a fair value basis is measured at fair value through profit or loss.

(4) Contractual cash flows are solely payments of principal and interest on the principal amount outstanding

The principal amount is defined as the fair value at initial recognition of the financial asset. Interest consists of profit as well as consideration for the time value of money, consideration for the credit risk associated with the principal balance in a particular period, and consideration for other basic loan risks and costs (such as liquidity risk and operating costs).

In assessing whether contractual cash flows consist solely of principal and interest payments, the Company considers the terms and conditions of the instrument. If a financial asset contains a contractual term that changes the timing or amount of contractual cash flows, the entity must determine whether the contractual cash flows that may arise over the life of the financial instrument are solely payments of principal and interest.

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

To assess this, the Company considers the following:

- Contractual terms that change the timing or amount of contractual cash flows;
- Terms that adjust the contractual interest rate, including variable interest rate features;
- Prepayment features and extension features;
- Terms and conditions that limit our claims on cash flows arising from specific assets.

If the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for the early termination of the contract, then the early repayment characteristics are consistent with the terms of paying principal and interest on a specified date.

In addition, for financial assets acquired at significant discounts or premiums to the contractual par amounts, the prepayment amount effectively represents the contractual principal and the contractual interest accrued and the prepayment feature meets this condition when the fair value of the feature is insignificant at initial recognition of the financial asset.

(5) Financial asset: subsequent measurement and profit or loss

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Financial assets at AC

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign currency gains and losses, impairment and any gain or loss on derecognition are recognized in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign currency gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

(6) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

When the Company enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognized.

(7) Offsetting

Financial assets and liabilities are offset only when the Company has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

4.4. Derivative financial instruments

If the host contract is not a financial asset and meets certain requirements, the embedded derivative is accounted for separately and separated from the host contract. Derivatives are measured at fair value on initial recognition and subsequently measured at fair value and changes are generally recognized in profit or loss.

Embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately only if the following criteria has been met:

- the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract,
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and
- the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss.

Separable embedded derivatives are measured at fair value, with all changes in fair value recognized in profit or loss.

Other derivative financial instruments

Changes in the fair value of any derivative financial instruments except for derivatives designated as hedging instruments in qualifying hedging relationships are recognized in profit or loss.

4.5. Day One gains and losses

The best estimate of fair value of a financial instrument at initial recognition is its transaction price (the fair value of consideration given or received). However, if there exist fair values that are determined in whole or in part using a valuation technique based on assumptions that are supported by price from observable current market transaction in the same instrument, without modification or repackaging, or those proven by comparison with observable current market transactions, the best estimate of a fair value is not the transaction price at initial recognition.

Fair value of a financial instrument at initial recognition may be determined to be price or rates with assumptions that are not observable in current market transactions. In such cases, the difference between the transaction price and fair value from a valuation technique is not recognized in profit or loss, but deferred and amortized on a straight-line basis over the life of the financial instrument, or recognized in profit or loss when the variables of the valuation technique become observable in the market.

4.6. Impairment of financial assets

(1) Financial instruments and contract assets

The Company recognizes a loss allowance for expected credit losses on the following assets:

- Financial assets measured at amortized cost
- Debt investments at FVOCI
- Contract assets recognized on adoption of Korean IFRS No.1115

The Company measures loss allowances at an amount equal to lifetime expected credit losses ("ECLs"), except for the following, which are measured as 12-month ECLs:

- Debt security that are determined to have low credit risk at the reporting date; and
- Debt security for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Lifetime ECLs are ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are ECLs that result from possible default events within the 12 months (a shorter period if the expected life of a financial instrument is less than 12 months) after reporting date and it is part of the lifetime ECLs.

When estimating ECLs, the maximum period is the maximum contractual period over which the Company is exposed to credit risk.

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

(2) Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

(3) Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt investments at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that financial assets impaired includes the following observable information.

- Significant financial difficulty of the borrower or issuer
- A breach of contract such as a default or being more than 90 days past due
- Restructuring of a loan or a concession granted by the Company, which the Company would not otherwise consider
- Indications that a borrower or issuer will enter bankruptcy or other financial reorganization
- The disappearance of an active market for a security because of financial difficulties

(4) Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in OCI, instead of reducing the carrying amount of the asset.

(5) Write-off

Financial assets are written off when there is no reasonable expectation of recovering all or some of the contractual cash flows of the financial asset. The Company does not expect significant amounts that are previously written off to be recovered. However, each financial asset that is written off could still be subject to enforcement activities in accordance with the Company's procedures for recovery of amounts due.

4.7. Property and equipment

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

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

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

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized in profit or loss.

The estimated useful lives of the Company's property and equipment are as follows:

- | | |
|---------------------------|---------------|
| • Buildings | 50 years |
| • Vehicles | 4 years |
| • Furniture and equipment | 4 to 10 years |

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

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

4.8. Intangible assets

Intangible assets are measured initially at cost and, subsequently, are carried at cost less accumulated amortization and accumulated impairment losses.

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

- Software & Development costs 4 to 10 years
- Club memberships Indefinite

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

(1) Research and development

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

(2) Subsequent expenditures

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated goodwill and brands, are recognized in profit or loss as incurred.

4.9. Investment property

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

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

Investment property except for land, is depreciated on a straight-line basis over 50 years as estimated useful lives.

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

4.10. Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets, other than contract assets arising from contracts with customers, costs incurred in fulfilling contracts with customers, assets arising from employee benefits, deferred tax assets and non-current assets held for sale to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

The Company estimates the recoverable amount of an individual asset, if it is impossible to measure the individual recoverable amount of an asset, then the Company estimates the recoverable amount of cash-generating unit ("CGU"). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. The value in use is estimated by applying a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGU.

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

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

4.11. Lease

(1) The Company as a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset of the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by analyzing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'Other liabilities' in the statement of financial position.

Leases of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets, including leases of photocopiers. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Company additionally considers the following as a lessee:

In determining the lease term, management consider all relevant facts and circumstances that create an economic incentive for the Company to exercise the option to extend the lease, or not to exercise the option to terminate the lease. In determining the enforceable period of the lease (i.e. the maximum lease term), the Company considers whether both it and the lessor has a right to terminate the lease without permission from the other party and all economic penalties that might arise from termination.

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

(2) The Company as a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operation lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operation lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

If an arrangement contains lease and non-lease components, then the Company applies Korean IFRS 1115 to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements in Korean IFRS 1109 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue.'

The Company classified certain sublease contracts entered into during the year ended December 31, 2020 as finance leases.

4.12. Non-derivative financial liabilities

Financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of a financial liability. Financial liabilities are recognized in the financial statements when the Company becomes a party to the contractual provisions of the instrument.

(1) Financial liabilities at fair value through profit or loss

A financial liability is classified at fair value through profit or loss if it is classified as held for trading or designated as such upon initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Attributable transaction costs are recognized in profit or loss as incurred.

(2) Other financial liabilities

The financial liabilities that are not classified as at fair value through profit or loss are classified into other financial liabilities. The liabilities are measured at fair value less transaction costs that are directly attributable to the issuance upon initial recognition. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

(3) Derecognition of financial liabilities

The Company removes a financial liability from its statement of financial position only when it is extinguished – i.e. when its contractual obligations are discharged, cancelled or expired.

The Company derecognizes an existing financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value.

The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

4.13. Employee benefits

(1) Short-term employee benefits

Short-term employee benefits that are expected to be settled before twelve months after the end of the reporting period in which the employees render the related services are expensed as the related services are provided. Short-term employee benefits are measured at the undiscounted amount.

(2) Retirement benefits

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

4.14. Provisions

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

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

Where some or all of the expenditures required to settle a provision are expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset.

Provisions are reviewed at the end of each reporting year and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

A provision shall be used only for expenditures for which the provision was originally recognized.

4.15. Securities sold under agreements to repurchase

When the Company enters into sale-and-repurchase transactions, liabilities are recognized as "securities sold under agreements to repurchase" at sales price, and the difference between the repurchase price and the sales price is recognized as "interest on securities sold under agreements to repurchase".

4.16. Foreign currencies

Transactions in foreign currencies are translated into the functional currency of the Company at the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the exchange rate when the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign currency differences arising from settlements of monetary items and arising on translation of monetary items are recognized in profit or loss. Translation differences arising on non-monetary items are recognized in either other comprehensive income or profit or loss as part of the gain or loss on changes in fair value of non-monetary items.

4.17. Equity capital

Ordinary shares are classified as equity. Incremental costs, net of any tax effects that are directly attributable to the issuance of an equity instruments are deducted from the initial measurement of the equity instruments.

When the Company repurchases its share capital, the amount of the consideration paid is recognized as a deduction from equity and classified as treasury shares. Gains or losses arising from purchase, disposal, reissuance, or retirement of treasury shares are not recognized as profit or loss. If the Company acquires and retains treasury shares, the consideration paid or received is directly recognized in equity.

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

4.18. Revenue from contracts with customers

The Company recognizes revenues in accordance with Korean IFRS 1115, *Revenue from Contracts with Customers* to all contracts with customers that are within the scope of the standard. The Company applies the “5-step model” as summarized below:

- Step 1: Identifying contract(s) with customer
- Step 2: Identifying separate performance obligations in the contract(s)
- Step 3: Determining the transaction price
- Step 4: Allocating the transaction price to distinct performance obligation(s)
- Step 5: Recognizing revenue when the performance obligation is satisfied

4.19. Recognition of finance income and expense

(1) Finance income and expense

The Company's finance income and expense consist of:

- Interest income
- Interest expense
- Dividend income
- Distribution income
- Net gain or loss on disposal of debt instruments at FVOCI
- Net gain or loss on financial assets at fair value through profit or loss
- Net gain or loss on foreign currency transactions
- Impairment losses or reversal of impairment losses on financial assets amortized cost or debt instruments at FVOCI

Interest income and expense are recognized using the effective interest method. Dividend income is recognized when the right to receive income is established.

(2) Interest income and expense

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability.

When calculating interest income or interest expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the financial asset is no longer credit-impaired, then the calculation of the interest income reverts to the gross basis.

4.20. Income taxes

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

Uncertain tax positions arise from tax treatments applied by the Company which may be challenged by the tax authorities due to the complexity of the transaction or different interpretation of the tax laws, a claim for rectification brought by the Company, an appeal for a refund claimed from the tax authorities related to additional assessments or a tax investigation by the tax authorities. The Company recognizes its uncertain tax positions in the financial statements in accordance with Korean IFRS 2123, *Uncertainty over Income Tax Treatments*. The income tax asset is recognized if a tax refund is probable for taxes paid and levied by the tax authority, and the amount to be paid as a result of the tax investigation and others is recognized as the current tax payable.

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

(1) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The taxable income or loss is different from profit as reported in the statement of comprehensive income since the taxable income or loss is calculated by adjusting the temporary differences, which will be taxable or deductible in determining taxable income or loss of future years, and non-taxable or non-deductible items from profit before income tax as reported in the statement of comprehensive income. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and current tax liabilities are offset only if all of the following conditions are met:

- The Company has a legally enforceable right to set off the recognized amounts; and
- It intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(2) Deferred tax

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. A deferred liability is all recognized except for the temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future. A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which they can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting year. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting year to recover or settle the carrying amount of its assets and liabilities.

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

The Company recognizes any income tax consequences of dividends when it recognizes a liability to pay a dividend.

4.21. Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

4.22. Regulatory reserve for credit losses

Under Regulations on Financial Investment Business (the "Regulation"), the Company is required to maintain regulatory reserve for credit losses for the differences between the regulatory reserve for credit losses calculated by the Regulation and the allowance for credit losses recorded in accordance with Korean IFRS. The regulatory reserve for credit losses is a voluntary equity reserve in retained earnings that may be released if the reserve at the end of the year is greater than the amount to be reserved. If any undisposed deficit exists, the reserve is required to be provided after all deficits are disposed of.

4.23. Trust accounts

The Company have received approvals from the Financial Services Commission for trust business and operate trust accounts. According to Regulations on Financial Investment Business, trust assets are required to be accounted for separately from the Company (as trustee)'s own assets. The Company recognizes any fees received in relation to operation, management and disposition of the trust assets as trust fees and commissions in operating revenue.

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

5. Financial Risk Management

The Company has exposure to the following risks from financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and procedures for assessing and managing risks, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

(1) Risk management policy

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has established the Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(2) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and in debt securities.

1) Credit risk management

The purpose of credit risk management is to secure revenue and enhance asset soundness by setting limitations to operations bearing credit risks to mitigate the risks of incurring excessive losses and by operating an optimal credit portfolio to minimize the possibility of the incurrence of credit risks.

Credit risk management of the Company is as follows:

- Credit limits are primarily based on credit exposure, counterparty risk amount and concentration of credit risk, and Risk Management Division may operate credit limits with setting up sub-limits
- Measurement of credit risks for credit limits
 - Credit risk limits: based on Net Capital Ratio (NCR) Limit per Regulations on Financial Investment Business
 - Concentration of credit risk limits: based on counterparties, groups of corporations, credit ratings, and countries
- Credit risks of each class of assets are measured on a daily basis and reported to the Risk Management Committee

The Company has Risk Management Division under the Risk Management Committee to manage credit risks. The Risk Management Division monitors transaction limits of each division and provides guidance to mitigate credit risks, and is responsible for reporting to the Risk Management Committee about the current status of credit risks including the following items:

- Establishing credit policy and organizing approval body
- Maintaining and developing credit rating framework
- Controlling concentration of risk exposures
- Review of credit risk exposure limits and review and evaluation of credit risks

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

2) Maximum exposure to credit risks

The Company's maximum exposure to credit risks of financial instruments as of December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>		2020	2019
Financial assets at FVTPL (*1)	₩	5,427,268,893	4,874,532,914
Derivative assets		16,898,747	34,350,166
Financial assets at AC			
Cash and deposits		673,330,023	310,601,770
Loans and receivables at AC		845,354,052	576,038,260
Other assets (*2)		1,548,095,158	634,596,928
		<u>3,066,779,233</u>	<u>1,521,236,958</u>
Finance lease receivables		2,331,708	2,746,093
Off-balance sheet arrangements			
Payment guarantees		75,121	75,121
Purchase commitments		519,500,000	485,900,000
Investment commitments		59,600,000	26,300,000
		<u>579,175,121</u>	<u>512,275,121</u>
Total	₩	<u>9,092,453,702</u>	<u>6,945,141,252</u>

(*1) Equity securities are excluded from financial assets at FVTPL above and financial assets at FVOCI are wholly composed of equity securities.

(*2) Other assets include receivables for brokerage, other receivables, accrued income, leasehold deposits paid for rents, and other investment assets.

3) Credit risk exposure

(a) Gross carrying amount of financial assets at AC categorized by measurement basis of loss allowance for ECLs of loans and receivables and finance lease receivables as of December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>		2020		
		12-month ECLs	Credit impaired	Total
Cash and deposits				
Grade 1	₩	673,330,023	-	673,330,023
		<u>673,330,023</u>	<u>-</u>	<u>673,330,023</u>
Loans and receivables at AC				
Grade 1		766,737,612	-	766,737,612
Grade 3		-	144,885,664	144,885,664
Loss allowance		-	(66,269,224)	(66,269,224)
		<u>766,737,612</u>	<u>78,616,440</u>	<u>845,354,052</u>
Other assets				
Grade 1		1,548,095,158	-	1,548,095,158
Grade 3		-	6,010,821	6,010,821
Loss allowance		-	(6,010,821)	(6,010,821)
		<u>1,548,095,158</u>	<u>-</u>	<u>1,548,095,158</u>
Finance lease receivables				
Grade 1		2,331,708	-	2,331,708
		<u>2,331,708</u>	<u>-</u>	<u>2,331,708</u>
Total	₩	<u>2,990,494,501</u>	<u>78,616,440</u>	<u>3,069,110,941</u>

The Company's classification above is based on the criteria below:

- Grade 1: loans and receivables with low non-performance risk or investments with rating of "A" or above (by external rating agencies)
- Grade 2: assets more than 30 days past due
- Grade 3: assets determined to be credit-impaired due to breaches of contractual obligations such as non-payment or past due

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

<i>(In thousands of Korean won)</i>		2019		
		12-month ECLs	Credit impaired	Total
Cash and deposits				
Grade 1	₩	310,601,770	-	310,601,770
		310,601,770	-	310,601,770
Loans and receivables at AC				
Grade 1		518,750,129	-	518,750,129
Grade 3		-	128,544,497	128,544,497
Loss allowance		-	(71,256,366)	(71,256,366)
		518,750,129	57,288,131	576,038,260
Other assets				
Grade 1		637,343,021	-	637,343,021
Grade 3		-	5,600,560	5,600,560
Loss allowance		-	(5,600,560)	(5,600,560)
		637,343,021	-	637,343,021
Total	₩	1,466,694,920	57,288,131	1,523,983,051

(b) Financial impact of credit risk mitigated by collateral held and other credit enhancements as of December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>		2020		
		Financial assets for individual assessment of impairment	Financial assets for collective assessment of impairment	Total
Loans and receivables at AC	₩	77,891,834	-	77,891,834

The Company did not recognize loss allowance for financial assets of ₩21,556,372 thousand considering the impact of collaterals held and other credit enhancements as of December 31, 2020.

<i>(In thousands of Korean won)</i>		2019		
		Financial assets for individual assessment of impairment	Financial assets for collective assessment of impairment	Total
Loans and receivables at AC	₩	65,484,791	-	65,484,791

The Company had no financial assets for which it did not recognize loss allowance considering the impact of collaterals held and other credit enhancements as of December 31, 2019.

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

(d) Exposures of off-balance sheet arrangements categorized by measurement basis of loss allowance for ECLs and internal credit ratings as of December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>		2020		
		12-month ECLs	Lifetime ECLs	Total
Payment guarantees				
Grade 2	₩	-	75,121	75,121
Purchase commitments				
Grade 1		519,500,000	-	519,500,000
Investment commitments				
Grade 1		59,600,000	-	59,600,000
Total	₩	579,100,000	75,121	579,175,121

<i>(In thousands of Korean won)</i>		2019		
		12-month ECLs	Lifetime ECLs	Total
Payment guarantees				
Grade 2	₩	-	75,121	75,121
Purchase commitments				
Grade 1		485,900,000	-	485,900,000
Investment commitments				
Grade 1		26,300,000	-	26,300,000
Total	₩	512,200,000	75,121	512,275,121

(e) The following tables present roll-forwards of loss allowance for the years ended December 31, 2020 and 2019:

<i>(In thousands of Korean won)</i>		2020					
		Loans and receivables at AC			Other assets		
		12-month ECLs	Credit impaired	Total	12-month ECLs	Credit impaired	Total
Loss allowance at January 1	₩	-	(71,256,366)	(71,256,366)	-	(5,600,560)	(5,600,560)
Reversal of loss allowance (provision for credit losses)		-	42,785	42,785	-	(410,261)	(410,261)
Unwinding of interests		-	4,847,256	4,847,256	-	-	-
Disposals, etc.		-	97,101	97,101	-	-	-
Loss allowance at December 31	₩	-	(66,269,224)	(66,269,224)	-	(6,010,821)	(6,010,821)

<i>(In thousands of Korean won)</i>		2019					
		Loans and receivables at AC			Other assets		
		12-month ECLs	Credit impaired	Total	12-month ECLs	Credit impaired	Total
Loss allowance at January 1	₩	-	(74,538,175)	(74,538,175)	-	(4,860,173)	(4,860,173)
Provision for credit losses		-	(944,849)	(944,849)	-	(740,387)	(740,387)
Unwinding of interests		-	4,226,658	4,226,658	-	-	-
Loss allowance at December 31	₩	-	(71,256,366)	(71,256,366)	-	(5,600,560)	(5,600,560)

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

4) Credit risk analysis of debt securities

- (a) Credit analysis of debt securities as of December 31, 2020 and 2019 are based on credit ratings quoted by external rating agencies as follows:

Domestic		Foreign		
NICE P&I	FnPricing	S&P	Fitch	Moody's
AAA	AAA	AAA	AAA	Aaa
AA- to AA+	AA- to AA+	AA- to AA+	AA- to AA+	Aa3 to Aa1
A- to A+	A- to A+	A- to A+	A- to A+	A3 to A1
Lower than A-	Lower than A-	Lower than A-	Lower than A-	Lower than A-

Credit analysis is classified using the lowest credit rating among credit rating agencies for debt securities.

- (b) The Company's debt securities summarized by credit ratings as of December 31, 2020 and 2019 are as follows:

		2020	
		Financial assets at FVPL (*1)	Total
<i>(In thousands of Korean won)</i>			
AAA	₩	1,876,224,623	1,876,224,623
AA- to AA+		1,310,336,679	1,310,336,679
A- to A+		187,142,582	187,142,582
Lower than A-		60,285,348	60,285,348
Risk-free (government and municipal bonds)		1,963,873,868	1,963,873,868
Total	₩	5,397,863,100	5,397,863,100

(*1) Equity-Linked-Securities are excluded.

		2019	
		Financial assets at FVPL (*1)	Total
<i>(In thousands of Korean won)</i>			
AAA	₩	1,908,851,211	1,908,851,211
AA- to AA+		1,124,718,590	1,124,718,590
A- to A+		461,116,420	461,116,420
Lower than A-		79,968,057	79,968,057
Risk-free (government and municipal bonds)		1,287,913,197	1,287,913,197
Total	₩	4,862,567,475	4,862,567,475

(*1) Equity-Linked-Securities are excluded.

(3) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The principal tool for measuring market risk is VaR ("Value at Risk"), which represents the maximum estimated loss that can arise with a specified probability (confidence level) in the portfolio over a specified period of time (holding period) from an adverse market movement.

The Company's Risk Management Committee is responsible for certain key decisions, such as setting limits and establishing policies on market risk limits. Risk Management Division manages overall market risk management of departments incurring risks and takes the middle office functions.

The basis of market risk management is to market risk limit management to control maximum potential loss from market risks within a certain level. The Risk Management Committee and Risk Management Board sets limits for operating, maximum VaR, maximum loss, maximum sensitivity, and maximum loss under stresses by each product and department. Also, the Risk Management Division operates independently from operation functions to analyze the status of operations and reports directly to the management.

The Company measures VaR under the variance-covariance method, and measures market risk based on a 99% confidence level. Transactional data subject to market risk measurements, such as stocks, debentures, derivatives and foreign currencies, are input and automatically interfaced to the market risk management system for risk management and limit management. Risk measurement is performed on a daily basis, considering characteristics of each product. In order to support risk measurement under the statistical methods and to manage the impacts of dynamic market changes and loss volume, the Company also performs stress tests on a daily basis.

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

1) Methods to measure market risk

(a) VaR

In order to measure market risk of the Company's positions held, VaR is measured based on numerous assumptions about diverse changes arising from market conditions.

VaR is based on a valuation of potential losses on current positions from market conditions. It represents the maximum potential loss that is possible to be incurred to the Company at a 99% confidence level. Therefore, there is a 1% possibility that actual losses could exceed the VaR measured. The VaR model assumes a 1-day holding period until the positions are hedged or disposed.

In order to validate the effectiveness of the VaR measured, the Company monitors whether actual losses incurred exceed the VaR measured, and the result is reported to the Risk Management Committee.

(b) Stress Test

The stress test is a method to measure potential losses that are probable to be incurred in an unusual market condition or a crisis. The Company assumes a variety of crisis scenarios and measures the losses that are possible to be incurred on a daily basis, and reports the results to the management.

2) Market risk measurements

VaR as of December 31, 2020 and 2019 are as follows:

		2020			
<i>(In thousands of Korean won)</i>		Maximum	Minimum	Average	Ending
Interest rate risk	₩	4,421,121	893,597	1,920,479	2,264,670
Stock price risk		13,602,881	1,025,201	2,321,337	2,119,480
Beneficiary of certificate price risk		480,714	98,931	220,579	186,217
Foreign exchange risk		932,203	242	227,920	129,244
Overall risk		4,023,045	1,300,000	2,414,665	3,397,179

		2019			
<i>(In thousands of Korean won)</i>		Maximum	Minimum	Average	Ending
Interest rate risk	₩	2,900,061	1,136,431	1,937,190	1,939,139
Stock price risk		2,844,994	501,674	1,117,010	2,439,329
Beneficiary of certificate price risk		133,014	81,777	113,392	107,449
Foreign exchange risk		390,294	9,900	190,030	201,347
Overall risk		3,609,519	906,618	1,848,359	1,788,557

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

3) Assets and liabilities denominated in foreign currency

The Company's assets and liabilities denominated in foreign currencies as of December 31, 2020 and 2019 are as follows:

(In thousands of Korean won,
except foreign exchange rates
shown in won and amounts in
foreign currency shown
in currency units)

	Currency	2020			2019		
		Foreign exchange rate	Amounts in foreign currency	Amounts translated into won	Foreign exchange rate	Amounts in foreign currency	Amounts translated into won
<i>Assets denominated in foreign currencies:</i>							
Deposits in foreign currency	HKD	140.35	8,607,914 ₩	1,208,121	148.66	5,017,373.77 ₩	745,883
due from others	USD	1,088.00	29,710,544	32,325,071	1,157.80	6,243,405.07	7,228,614
	CNH	166.96	16,624,041	2,775,550	165.74	17,676,977.42	2,929,782
	JPY	10.54	22,199,657	234,042	10.63	42,272,807.27	449,559
				36,542,784			11,353,838
Other deposits	HKD	140.35	6,289,952	882,795	148.66	8,997,100.81	1,337,509
due from others	USD	1,088.00	4,417,735	4,806,495	1,157.80	9,575,421.49	11,086,423
	IDR	-	-	-	0.08	30,290,388,998.00	2,517,132
	CNH	166.96	13,934,380	2,326,484	165.74	20,929,366.97	3,468,834
	JPY	10.54	94,157,743	992,667	10.63	301,250,646.00	3,203,710
	VND	0.05	13,511,106,314	636,373	0.05	13,549,249,386.00	677,462
	SGD	822.22	4,013,491	3,299,973	858.55	115,920.23	99,523
				12,944,787			22,390,593
Margin deposits for exchange traded	HKD	140.35	9,685,070	1,359,300	148.66	15,810,290.16	2,350,359
derivatives -	JPY	10.54	25,076,000	264,366	10.63	16,487,000.00	175,334
proprietary trading	USD	1,088.00	7,458,648	8,115,009	1,157.80	7,821,921.18	9,056,220
	EUR	1,338.24	548,144	733,548	1,297.43	548,144.00	711,178
				10,472,223			12,293,091
Margin deposits for OTC derivatives trading	USD	1,088.00	19,037,440	20,712,735	-	-	-
				20,712,735			-
Deposits for CFD - CIMB	USD	1,088.00	85,307,356	92,814,403	-	-	-
				92,814,403			-
Securities in foreign currency	USD	1,088.00	42,493,483	46,232,910	1,157.80	69,256,395.26	80,185,055
	JPY	10.54	198,525,886	2,092,980	10.63	191,307,925.56	2,034,503
	VND	0.05	44,393,500,980	2,090,934	0.05	80,408,583,800.00	4,020,429
	SGD	-	-	-	858.55	6,195,442.50	5,319,097
				50,416,824			91,559,084
				₩ 223,903,756			₩ 137,596,606
<i>Liabilities denominated in foreign currencies:</i>							
Deposits in foreign currency	HKD	140.35	8,559,432 ₩	1,201,316	148.66	5,010,021.31 ₩	744,789
	JPY	10.54	22,178,379	233,818	10.63	42,272,807.27	449,559
	USD	1,088.00	29,566,844	32,168,727	1,157.80	6,237,272.10	7,221,514
	CNH	166.96	16,512,250	2,756,885	165.74	17,629,818.62	2,921,966
				₩ 36,360,746			₩ 11,337,828

(4) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The liquidity risk will not be able to trade in the previous price or price similar to the previous price due to depression or obstacles, or the risk that the Company will default from increased demand of funds or tight money markets. Liquidity risk arises when redemption of liabilities is requested earlier than expected or when a fund is not able to raise sufficient money as demanded due to the deterioration in the capital markets.

1) Liquidity risk management

The objective of liquidity risk management is to set standards and procedures in relation to assets, liabilities and cash flow management of the Company, and to put it into action to secure the Company's stability and liquidity in relation to funding and operating.

The Risk Management Committee manages liquidity risks. The Risk Management Division sets and manages limits in relation to the liquidity risks, monitors, reviews reasonableness of the limits, and reports the current status of the liquidity risk to the Risk Management Committee. Current Ratio and Liquidity Gap are applied as a basis for the liquidity limits.

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

The following tables set out the remaining contractual maturities of the Company's financial liabilities and off-balance sheet arrangements as of December 31, 2020 and 2019:

<i>(In thousands of Korean won)</i>	2020					
	Up to 1 month	1-3 months	3-12 months	1-3 years	Over 3 years	Total
Financial liabilities (*1):						
Deposits	₩ 1,176,066,876	-	-	-	-	1,176,066,876
Financial liabilities at FVTPL (*4)	231,080,273	174,740,391	1,579,943,959	95,327,735	91,214,951	2,172,307,309
Borrowed funds	2,097,206,691	744,258,532	319,483,210	10,951,647	669,406,669	3,841,306,749
Derivative liabilities	2,433,660	327,049	1,043,930	3,569,985	4,360,031	11,734,655
Lease liabilities	510,887	1,023,675	4,297,529	10,707,142	15,716,817	32,256,050
Other liabilities (*2)	1,272,988,664	1,077,760	2,390,792	460,000	1,278,545	1,278,195,761
	₩ 4,780,287,051	921,427,407	1,907,159,420	121,016,509	781,977,013	8,511,867,400
Off-balance sheet arrangements (*3):						
Payment guarantees	₩ 75,121	-	-	-	-	75,121
Purchase commitments	519,500,000	-	-	-	-	519,500,000
Investment commitments	59,600,000	-	-	-	-	59,600,000
	₩ 579,175,121	-	-	-	-	579,175,121

(*1) Related estimated interest payments are excluded except for lease liabilities.

(*2) Including dividends payable, accounts payable, accrued expenses, leasehold deposits received for rents (excluding present value discounts), but excluding provisions for payment guarantee and financial guarantees liability.

(*3) For off-balance sheet arrangements, the maximum amount of the guarantees or commitments are allocated to the earliest period in which the arrangements could be called.

(*4) Maturities of derivative-linked securities, hybrid (combined) instruments which include one or more embedded derivatives, could change based on certain specific conditions.

<i>(In thousands of Korean won)</i>	2019					
	Up to 1 month	1-3 months	3-12 months	1-3 years	Over 3 years	Total
Financial liabilities (*1):						
Deposits	₩ 419,987,341	2,359,833	293,228	13,282	680,847	423,334,531
Financial liabilities at FVTPL	115,793,339	139,116,814	1,437,661,340	93,310,827	228,231,309	2,014,113,629
Borrowed funds	1,980,256,428	443,106,140	303,847,034	2,076,651	650,702,018	3,379,988,271
Derivative liabilities	292,439	522,673	2,966,250	70,882,669	22,042,949	96,706,980
Lease liabilities	415,774	793,811	3,405,497	7,774,590	11,144,831	23,534,503
Other liabilities (*2)	547,528,794	7,177,210	47,939,445	410,000	1,391	603,056,840
	₩ 3,064,274,115	593,076,481	1,796,112,794	174,468,019	912,803,345	6,540,734,754
Off-balance sheet arrangements:						
Payment guarantees	₩ -	-	-	75,121	-	75,121
Purchase commitments	47,700,000	-	188,200,000	210,000,000	40,000,000	485,900,000
Investment commitments	-	-	-	4,300,000	22,000,000	26,300,000
	₩ 47,700,000	-	188,200,000	214,375,121	62,000,000	512,275,121

(*1) Related estimated interest payments are excluded except for lease liabilities.

(*2) Including dividends payable, accounts payable, accrued expenses, deposit for rent (excluding present value discounts), and withholding taxes.

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Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

(5) Transferred financial assets that are not derecognized

The following tables set out the carrying amounts of financial assets transferred that are not derecognized in their entirety and associate liabilities as of December 31, 2020 and 2019:

<i>(In thousands of Korean won)</i>		Financial assets at FVTPL (*1)	
		2020	2019
Carrying amount of assets	₩	2,427,244,296	2,288,395,144
Carrying amount of associated liabilities		2,319,408,891	2,168,402,691
Net position	₩	107,835,405	119,992,453

(*1) Assets transferred in relation to 'sale-and-repurchase agreements', transactions in which the Company sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. The Company continues to recognize the securities in their entirety in the statement of financial position because it retains substantially all of the risks and rewards of ownership. The cash consideration received is recognized as a financial asset and a financial liability is recognized for the obligation to pay the repurchase price. Because the Company sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred assets during the term of the arrangement.

(6) Offsetting financial assets and financial liabilities

The Company has financial instruments which are subject to an enforceable master netting arrangement or similar agreements. The similar agreements include derivative clearing agreements, repurchase agreements, and other agreements, etc.

1) Financial assets

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>		2020					
		Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position		
					Securities	Cash collateral	Net amount
Derivative assets	₩	13,443,673	-	13,443,673	3,002,411	-	10,441,262
Securities purchased under agreements to resell		25,400,000	-	25,400,000	25,400,000	-	-
Other receivables (*1)		2,694,578,618	1,267,651,834	1,426,926,784	-	-	1,426,926,784
Total	₩	2,733,422,291	1,267,651,834	1,465,770,457	28,402,411	-	1,437,368,046

(*1) Other receivables include accounts receivable due from customers and exchanges and accounts receivables on remittances and settlements.

<i>(In thousands of Korean won)</i>		2019					
		Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position		
					Financial instruments	Securities	Cash
Derivative assets	₩	28,472,612	-	28,472,612	2,692,072	-	25,780,540
Other receivables		370,589,593	300,045,456	70,544,137	33,374,002	-	37,170,135
Total	₩	399,062,205	300,045,456	99,016,749	36,066,074	-	62,950,675

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Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

2) Financial liabilities

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2020 and 2019 are as follows:

(In thousands of Korean won)	2020					
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				Financial instruments	Cash collateral	
Derivative liabilities	₩ 11,651,823	-	11,651,823	3,002,411	-	8,649,412
Securities sold under agreements to repurchase	2,319,408,891	-	2,319,408,891	2,319,408,891	-	-
Other payables (*1)	2,504,447,835	1,267,651,834	1,236,796,001	-	-	1,236,796,001
Securities sold	1,544,320,758	-	1,544,320,758	1,544,320,758	-	-
Total	₩ 6,379,829,307	1,267,651,834	5,112,177,473	3,866,732,060	-	1,245,445,413

(*1) Other payables include accounts payable due to customers and exchanges and accounts payables on remittances and settlements.

(In thousands of Korean won)	2019						
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position			Net amount
				Financial instruments	Collateral pledged		
Derivative liabilities	₩ 83,041,701	-	83,041,701	2,692,072	-	-	80,349,629
Securities sold under agreements to repurchase	2,168,402,691	-	2,168,402,691	2,168,402,691	-	-	-
Other payables	357,951,833	300,045,456	57,906,377	33,374,002	-	-	24,532,375
Securities sold	1,459,331,586	-	1,459,331,586	-	1,457,929,586	1,402,000	-
Total	₩ 4,068,727,811	300,045,456	3,768,682,355	2,204,468,765	1,457,929,586	1,402,000	104,882,004

(7) Capital management

The Company actively maintains a strong capital base so as not to incur losses to the assets of investors, clients and interested parties, and to mitigate inherent risks in the operation of the Company's business. Capital adequacy of securities companies is measured in conformity with Net Capital Ratio ("NCR", hereafter) per Regulations on Financial Investment Business enacted by the Financial Supervisory Services ("FSS", hereafter), and the Company measures NCR and reports to the FSS on a monthly basis.

1) Capital management

The Company's primary purpose of capital management is to maximize value to its shareholders, and to maintain competitive credit ratings for its on-going operation as a going concern. Also, in order to fulfill required capital maintenance imposed externally, the Company is actively carrying out its capital management.

The Company manages and adjusts its capital structure to meet the changes in market and in characteristics of risks in relation to the operating activities. The Company may adjust amount of dividends paid to the shareholders, increase or decrease capital to maintain and adjust its capital structure.

2) Regulatory capital

In order to maintain capital adequacy of financial investment businesses, the FSS regulates to maintain NCR of 100% or above, and securities companies which do not maintain a certain level of NCR are subject to improvement in their business management. FSS's actions on business management by NCR levels are as follows:

- NCR of 50% or above ~ below 100%: Recommendations to improve business management
- NCR of 0% or above ~ below 50%: Demands to improve business management
- NCR below 0%: Orders to improve business management

The Company's NCR as of December 31, 2020 is in compliance with the FSS regulations.

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

6. Fair Value of Financial Instruments

(1) Fair value measurement

Fair values of financial instruments traded in active markets are measured based on market prices as of the reporting date. Fair values of the Company's financial assets are based on dealer price quotations.

Fair values of financial instruments that are not traded in active markets, such as over-the-counter ("OTC") derivative instruments, are measured using valuation techniques or by independent valuation service providers. The Company applies various valuation models and establishes reasonable assumptions based on current market conditions as of the reporting date.

Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

(2) Fair values of financial instruments measured at amortized cost and finance lease receivables

Valuation techniques to measure fair values of financial instruments measured at amortized costs and finance lease receivables are as follows:

Cash and deposits

Fair value of cash is equal to its carrying amount. The carrying amounts of deposits that bear contractual interest rates that are not materially different from market yields are reasonable approximation of fair values.

Loans and receivables at AC

Fair values of loans and receivables are measured by discounting estimated future cash flows at appropriate discount rates that reflect market yields and credit risks of debtors. However, the carrying amounts of short-term loans and receivables that mature within 90 days and credit-impaired loans and receivables are reasonable approximation of fair values.

Finance lease receivables

Fair values of finance lease receivables are measured by discounting contractual cash flows at appropriate discount rates that reflect credit risks, etc.

Deposits and borrowed funds

The carrying amounts of deposits including customers deposits and short-term borrowings, such as call money and securities sold under agreements to repurchase, are reasonable approximation of fair values. Fair values of other borrowings are based on prices in active markets, and if such prices are not available, the carrying amounts are used as reasonable approximation of fair values.

Other assets and liabilities

Fair value of other financial assets and liabilities are measured by discounting contractual cash flows at appropriate discount rates that reflect credit risks, etc. Form, however, short-term financial assets and liabilities, the carrying amounts are reasonable approximation of fair values.

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Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

The carrying amounts and fair values of financial instruments measured at amortized cost and finance lease receivables as of December 31, 2020 and 2019 are as follows:

		2020			
<i>(In thousands of Korean won)</i>		Gross carrying amount	Present value discounts and loss allowance	Net carrying amount	Fair value
Cash and deposits	₩	673,330,023	-	673,330,023	673,330,023
Loans and receivables at AC (*1)		911,852,844	(66,498,792)	845,354,052	845,344,293
Other assets (*1)		1,554,710,634	(6,615,476)	1,548,095,158	1,548,087,905
Finance lease receivables (*1)		2,448,726	(117,018)	2,331,708	2,357,025
Assets total	₩	<u>3,142,342,227</u>	<u>(73,231,286)</u>	<u>3,069,110,941</u>	<u>3,069,119,246</u>
Deposits (*1)	₩	1,176,066,876	-	1,176,066,876	1,176,066,876
Borrowed funds (*2)		3,841,306,749	-	3,841,306,749	3,841,737,399
Other liabilities (*1)		1,314,255,190	(77,377)	1,314,177,813	1,314,176,985
Liabilities total	₩	<u>6,331,628,815</u>	<u>(77,377)</u>	<u>6,331,551,438</u>	<u>6,331,981,260</u>

(*1) The fair values are classified as Level 3 fair value measurement in the fair value hierarchy.

(*2) The fair values are classified as Level 3 fair value measurement in the fair value hierarchy, except for the 14th Unsecured Subordinated Note with the carrying amount of ₩10,000,000 thousand of which the fair value is classified as Level 3.

		2019			
<i>(In thousands of Korean won)</i>		Gross carrying amount	Present value discounts and loss allowance	Net carrying amount	Fair value
Cash and deposits	₩	310,601,770	-	310,601,770	310,601,770
Loans and receivables at AC (*1)		647,442,546	(71,404,286)	576,038,260	576,118,327
Other assets (*1)		643,314,016	(5,970,995)	637,343,021	637,399,023
Assets total	₩	<u>1,601,358,332</u>	<u>(77,375,281)</u>	<u>1,523,983,051</u>	<u>1,524,119,120</u>
Deposits (*1)	₩	423,334,531	-	423,334,531	423,334,531
Borrowed funds (*2)		3,379,988,271	-	3,379,988,271	3,381,232,911
Lease liabilities		23,534,503	(1,289,330)	22,245,173	22,245,173
Other liabilities (*1)		603,056,840	(31,482)	603,025,358	603,032,436
Liabilities total	₩	<u>4,429,914,145</u>	<u>(1,320,812)</u>	<u>4,428,593,333</u>	<u>4,429,845,051</u>

(*1) The fair values are classified as Level 3 fair value measurement in the fair value hierarchy.

(*2) The fair values are classified as Level 2 fair value measurement in the fair value hierarchy.

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(3) Financial instruments measured at fair value

1) Fair value hierarchy

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable.

The following tables analyze financial instruments measured at fair value as of December 31, 2020 and 2019, by the level in the fair value hierarchy into which the fair value measurement is categorized:

		2020			
<i>(In thousands of Korean won)</i>		Level 1	Level 2	Level 3	Total
Financial assets:					
Financial assets at FVTPL	₩	3,134,054,571	2,590,481,901	246,014,046	5,970,550,518
Financial assets at FVOCI		15,365,749	-	146,686,364	162,052,113
Derivative assets		865,548	6,014,583	10,018,616	16,898,747
Total	₩	<u>3,150,285,868</u>	<u>2,596,496,484</u>	<u>402,719,026</u>	<u>6,149,501,378</u>
Financial liabilities:					
Financial liabilities at FVTPL	₩	1,544,320,758	75,412,207	548,451,257	2,168,184,222
Derivative liabilities		47,585	11,606,975	9,112,707	20,767,267
Total	₩	<u>1,544,368,343</u>	<u>87,019,182</u>	<u>557,563,964</u>	<u>2,188,951,489</u>

There were no transfers between Level 1 and Level 2 for the year ended December 31, 2020.

Derivative-linked securities purchased of ₩29,405,793 thousand included in financial assets at FVTPL are classified to Level 3.

		2019			
<i>(In thousands of Korean won)</i>		Level 1	Level 2	Level 3	Total
Financial assets:					
Financial assets at FVTPL	₩	1,914,812,354	3,383,407,370	105,329,400	5,403,549,124
Financial assets at FVOCI		18,123,514	-	123,181,217	141,304,731
Derivative assets		585,770	17,885,354	15,879,042	34,350,166
Total	₩	<u>1,933,521,638</u>	<u>3,401,292,724</u>	<u>244,389,659</u>	<u>5,579,204,021</u>
Financial liabilities:					
Financial liabilities at FVTPL	₩	1,459,331,586	-	554,782,043	2,014,113,629
Derivative liabilities		-	96,706,980	-	96,706,980
Total	₩	<u>1,459,331,586</u>	<u>96,706,980</u>	<u>554,782,043</u>	<u>2,110,820,609</u>

There were no transfers between Level 1 and Level 2 for the year ended December 31, 2019.

2) Level 3 fair value measurements

The following tables show reconciliations from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

		2020						
		Financial assets			Financial liabilities			
<i>(In thousands of Korean won)</i>		Financial assets at FVTPL	Financial assets at FVOCI	Derivative assets	Total	Financial liabilities at FVTPL	Derivative liabilities	Total
Balance at January 1	₩	105,329,400	123,181,217	15,879,042	244,389,659	(554,782,043)	-	(554,782,043)
Transfers into								
(out of) Level 3		39,018,213	-	(8,599,521)	30,418,692	-	(8,446,767)	(8,446,767)
Gains (losses) in profit or loss		7,762,497	-	5,750,765	13,513,262	(5,645,580)	188,309	(5,457,271)
Gains (losses) in OCI		-	20,739,078	-	20,739,078	733,301	-	733,301
Purchases (issues)		119,799,526	2,766,069	-	122,565,595	(843,379,011)	-	(843,379,011)
Settlements		(25,895,590)	-	(3,011,670)	(28,907,260)	854,622,076	(854,249)	853,767,827
Balance at December 31	₩	<u>246,014,046</u>	<u>146,686,364</u>	<u>10,018,616</u>	<u>402,719,026</u>	<u>(548,451,257)</u>	<u>(9,112,707)</u>	<u>(557,563,964)</u>

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For the years ended December 31, 2020 and 2019

	2019						
	Financial assets				Financial liabilities		
	Financial assets at FVTPL	Financial assets at FVOCI	Derivative assets	Total	Financial liabilities at FVTPL	Total	
<i>(In thousands of Korean won)</i>							
Balance at January 1	₩ 72,527,797	114,289,270	1,484,875	188,301,942	(835,364,470)	(835,364,470)	
Transfers into (out of) Level 3	(3,024,578)	-	-	(3,024,578)	-	-	
Gains (losses) in profit or loss	6,747,999	-	(1,007,073)	5,740,926	(12,297,047)	(12,297,047)	
Gains (losses) in OCI	-	8,891,947	-	8,891,947	-	-	
Purchases (issues)	67,239,039	-	15,600,000	82,839,039	(724,070,213)	(724,070,213)	
Settlements	(38,160,857)	-	(198,760)	(38,359,617)	1,016,949,687	1,016,949,687	
Balance at December 31	₩ 105,329,400	123,181,217	15,879,042	244,389,659	(554,782,043)	(554,782,043)	

Gains or losses for the year ended December 31, 2020 in the above table are presented in the statement of comprehensive income as follows:

	Financial assets at FVTPL	Financial assets at FVOCI	Derivative instruments	Financial liabilities at FVTPL
<i>(In thousands of Korean won)</i>				
Profit or loss:	₩			
Gain (loss) on valuation of financial instruments	13,344,062	-	3,139,787	(230,289)
Other comprehensive income:				
Gain on valuation of financial assets at FVOCI	-	20,739,079	-	-
Change in fair value attributable to change in the credit risk of financial liabilities designated as being held at FVTPL	-	-	-	733,301
Total comprehensive income	₩ 13,344,062	20,739,079	3,139,787	503,012

(4) The valuation technique and inputs

The valuation techniques and inputs used in measuring Level 2 fair values as of December 31, 2020 and 2019 are as follows:

	2020		
	Fair value	Valuation techniques	Inputs
<i>(In thousands of Korean won)</i>			
Financial assets at FVTPL	₩ 2,590,481,901	Discounted cash flow, net asset value	Interest rate, discount rate, FX rate, credit spread
Derivative assets	6,014,583	Discounted cash flow, option pricing model	Interest rate, discount rate, FX rate
Financial assets total	₩ 2,596,496,484		
Financial liabilities at FVTPL	₩ 75,412,207	Discounted cash flow	Interest rate, discount rate, credit spread
Derivative liabilities	11,606,975	Discounted cash flow, option pricing model	Interest rate, discount rate, FX rate
Financial liabilities total	₩ 87,019,182		
	2019		
	Fair value	Valuation techniques	Inputs
<i>(In thousands of Korean won)</i>			
Financial assets at FVTPL	₩ 3,383,407,370	Discounted cash flow, net asset value	Interest rate, discount rate, FX rate, credit spread
Derivative assets	17,885,354	Discounted cash flow, option pricing model	Price of underlying asset, interest rate, volatility of underlying asset, dividend yield
Financial assets total	₩ 3,401,292,724		
Derivative liabilities	₩ 96,706,980	Discounted cash flow, option pricing model	Price of underlying asset, interest rate, volatility of underlying asset, dividend yield
Financial liabilities total	₩ 96,706,980		

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Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

(5) Sensitivity analysis of changes in unobservable inputs

1) Unobservable inputs used in measuring fair value

The following tables set out information about valuation technique and significant unobservable inputs used at December 31, 2020 and 2019 in measuring the fair values of financial instruments categorized as Level 3 in the fair value hierarchy:

		2020			2019		
Type of instrument	Valuation technique	Category	Carrying amount	Significant unobservable inputs	Range of estimates for unobservable inputs		
Financial assets at FVTPL	Discounted cash flow, net asset value, binomial model, option pricing model	Equity securities, Debt securities, Derivative-linked Securities	₩ 246,014,046	Discount rate Growth rate Volatility of underlying asset	5.93% ~ 23.31% 0% (2.92)% ~ 50.50%		
Financial assets at FVOCI	Discounted cash flow	Equity securities	146,686,364	Correlation Discount rate Growth rate Discount rate	29.30% ~ 77.17% 10.58% ~ 12.90% 0.00% ~ 1.00% 0.03% ~ 4.96%		
Derivative assets	Option pricing model	Credit derivatives	10,018,616				
Financial assets total			<u>₩ 402,719,026</u>				
Financial liabilities at FVTPL	Option pricing model	Equity derivatives	₩ 548,451,257	Volatility of underlying asset Correlation	(2.92)% ~ 38.16% 0.29 ~ 0.77		
Derivative liabilities	Option pricing model	Credit derivatives	9,112,707	Discount rate	0.03% ~ 4.96%		
Financial liabilities total			<u>₩ 557,563,964</u>				
		2019					
Type of instrument	Valuation technique	Category	Carrying amount	Significant unobservable inputs	Range of estimates for unobservable inputs		
Financial assets at FVTPL	Discounted cash flow, net asset value, binomial model, option pricing model	Equity securities, Debt securities	₩ 93,363,962	Discount rate Volatility of underlying asset	7.07% ~ 22.02% 0.50% ~ 20.20%		
Financial assets designated as being held at FVTPL	Option pricing model	Derivative-linked Securities	11,965,438	Volatility of underlying asset Correlation	0.16% ~ 24.65% 0.01 ~ 0.71		
Financial assets at FVOCI	Discounted cash flow	Equity securities	123,181,217	Discount rate Growth rate Volatility of underlying asset	10.40% ~ 11.39% 0.00% ~ 1.00% (5.44)% ~ 9.63%		
Derivative assets	Option pricing model	Equity derivatives	15,879,042				
Financial assets total			<u>₩ 244,389,659</u>				
Financial liabilities designated as being held at FVTPL	Option pricing model	Derivative-linked Securities	₩ 554,782,043	Volatility of underlying asset Correlation	0.16% ~ 24.65% 0.01 ~ 0.71		
Financial liabilities total			<u>₩ 554,782,043</u>				

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Option pricing models used in measuring fair values of financial assets designated as being held at FVTPL and financial liabilities designated as being held at FVTPL include Black-Scholes model and Hull-White model. Based on types of instruments, Monte Carlo simulation and other valuation models are applied to certain instruments.

Discounted cash flow techniques used in measuring fair values of financial assets at FVOCI include DCF model, FCFE (Free Cash Flow to Equity) model and RIM (Residual Income Model). Option pricing model used in measuring fair values of equity-related OTC derivative assets is a binominal model reflecting the probability of early-exercise in American option.

2) Sensitivity analysis of changes in unobservable inputs

Sensitivity analysis of changes in significant unobservable inputs as of December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>	2020			
	Effect on profit or loss		Effect on OCI	
	Favorable	Unfavorable	Favorable	Unfavorable
Financial assets:				
Financial assets at FVTPL (*1)	₩ 805,576	(751,276)	-	-
Financial assets at FVOCI (*2)	-	-	8,327,540	(6,575,560)
OTC derivative assets (*3)	45,930	(275,816)	-	-
Total	₩ 851,506	(1,027,092)	8,327,540	(6,575,560)
Financial liabilities:				
Financial liabilities at FVTPL (*1)	₩ 96,738	(97,446)	-	-
OTC derivative liabilities (*3)	259,805	(46,576)	-	-
Total	₩ 356,543	(144,022)	-	-

(*1) The favorable and unfavorable effects for the valuation of derivative-linked securities are calculated by increasing or decreasing the volatility of underlying assets, a significant unobservable input, by 1% and the effects for the valuation of financial assets at FVTPL other than derivative-linked securities are calculated by increasing or decreasing the volatility of underlying assets by 10% or by increasing or decreasing growth rate and discount rate by 1%, respectively.

(*2) The favorable and unfavorable effects are calculated by increasing or decreasing growth rate and discount rate, significant unobservable inputs, by 1%, respectively.

(*3) The favorable and unfavorable effects are calculated by increasing or decreasing discount rate, a significant unobservable input, by 0.01%.

<i>(In thousands of Korean won)</i>	2019			
	Effect on profit or loss		Effect on OCI	
	Favorable	Unfavorable	Favorable	Unfavorable
Financial assets:				
Financial assets at FVTPL (*1)	₩ 253,969	(217,775)	-	-
Financial assets designated as being held at FVTPL (*1)	251	(24,427)	-	-
Financial assets at FVOCI (*2)	-	-	7,234,924	(5,815,469)
Total	₩ 254,220	(242,202)	7,234,924	(5,815,469)
Financial liabilities:				
Financial liabilities at FVTPL (*1)	₩ 24,396	(95,483)	-	-
Total	₩ 24,396	(95,483)	-	-

(*1) The favorable and unfavorable effects are calculated by increasing or decreasing the volatility of underlying assets, a significant unobservable input, by 10% or by increasing or decreasing growth rate and discount rate by 1%, respectively.

(*2) The favorable and unfavorable effects are calculated by increasing or decreasing growth rate and discount rate, significant unobservable inputs, by 1%, respectively.

Changes in fair values of financial assets at FVTPL are calculated by increasing or decreasing discount rate and the volatility of underlying asset, significant unobservable inputs and financial assets and liabilities designated as being held at FVTPL, equity-related OTC derivatives are calculated by increasing or decreasing the volatility of underlying asset, a significant unobservable input. Changes in fair values of financial assets at FVOCI are calculated by increasing or decreasing growth rate and discount rate, significant unobservable inputs.

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7. Operating Segments

The Company has four reportable segments, as described below, which are the Company's strategic business units.

Segment	Operations
Brokerage	Brokerage and agency of securities trading and related operations
Proprietary trading	Trading of stocks, bonds, and equity indices
Derivatives	Exchange-traded derivatives including futures and options and OTC derivatives trading
Others	Sales and underwriting of securities, M&A brokerage, corporate finance and advisory, asset securitization, project financing, operation of own funds, real estate management

(1) Information about reportable segments – financial position

Financial positions of each reportable segment as of December 31, 2020 and 2019 are as follows:

(In thousands of Korean won)	2020				
	Brokerage	Proprietary trading	Derivatives	Others	Total
Assets:					
Cash and deposits	₩ -	-	234,007,932	439,322,091	673,330,023
Securities (*1)	849,081,559	3,842,212,802	1,172,033,478	357,657,593	6,220,985,432
Derivative assets	-	-	16,898,747	-	16,898,747
Loans and receivables at AC	738,731,676	-	-	106,622,376	845,354,052
Property and equipment	-	-	-	55,254,144	55,254,144
Other assets	1,232,207,784	311,912,018	49,659,468	121,468,628	1,715,247,898
Total assets	₩ 2,820,021,019	4,154,124,820	1,472,599,625	1,080,324,832	9,527,070,296
Liabilities:					
Deposits	₩ 1,173,799,966	-	-	2,266,911	1,176,066,877
Borrowed funds (*2)	705,997,857	3,024,520,758	623,863,464	1,655,108,891	6,009,490,970
Derivative liabilities	-	-	20,767,267	-	20,767,267
Other liabilities	1,243,607,421	10,887,581	6,897,776	196,445,673	1,457,838,451
Total liabilities	3,123,405,244	3,035,408,339	651,528,507	1,853,821,475	8,664,163,565
Equity	(303,384,225)	1,118,716,481	821,071,118	(773,496,643)	862,906,731
Total liabilities and equity	₩ 2,820,021,019	4,154,124,820	1,472,599,625	1,080,324,832	9,527,070,296

(*1) Securities include financial assets at FVTPL, financial assets at FVOCI and investments in subsidiaries and associates.

(*2) Borrowed funds include financial liabilities at FVTPL.

(In thousands of Korean won)	2019				
	Brokerage	Proprietary trading	Derivatives	Others	Total
Assets:					
Cash and deposits	₩ -	1,402,000	38,833,683	270,366,087	310,601,770
Securities (*1)	345,572,795	4,047,432,358	38,415,724	1,195,218,443	5,626,639,320
Derivative assets	-	-	34,350,166	-	34,350,166
Loans and receivables at AC	515,285,266	-	-	60,752,994	576,038,260
Property and equipment (*2)	-	-	-	45,117,212	45,117,212
Other assets	349,879,222	309,620,785	2,056,296	123,366,559	784,922,862
Total assets	₩ 1,210,737,283	4,358,455,143	113,655,869	1,694,821,295	7,377,669,590
Liabilities:					
Deposits	₩ 421,482,242	-	-	1,852,289	423,334,531
Borrowed funds (*3)	647,085,580	2,800,131,587	554,782,042	1,392,102,691	5,394,101,900
Derivative liabilities	-	-	96,706,980	-	96,706,980
Other liabilities (*2)	351,268,171	153,616,152	904,353	173,196,046	678,984,722
Total liabilities	1,419,835,993	2,953,747,739	652,393,375	1,567,151,026	6,593,128,133
Equity	(209,098,710)	1,404,707,404	(538,737,506)	127,670,269	784,541,457
Total liabilities and equity	₩ 1,210,737,283	4,358,455,143	113,655,869	1,694,821,295	7,377,669,590

(*1) Securities include financial assets at FVTPL, financial assets at FVOCI and investments in subsidiaries and associates.

(*2) Property and equipment and other liabilities include restated amounts in accordance with Korean IFRS 1116.

(*3) Borrowed funds include financial liabilities at FVTPL and borrowed funds.

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(2) Information about reportable segments - profit and loss

Profit and loss attributable to each reportable segment for the years ended December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>	2020				
	Brokerage	Proprietary trading	Derivatives	Others	Total
Operating revenue:					
Fee and commission income	₩ 83,005,988	394,805	615,357	113,266,689	197,282,839
Finance income	56,782,104	586,608,453	426,188,369	41,852,703	1,111,431,629
Other income	-	7,337,598	-	1,806,453	9,144,051
	<u>139,788,092</u>	<u>594,340,856</u>	<u>426,803,726</u>	<u>156,925,845</u>	<u>1,317,858,519</u>
Operating expenses					
Fee and commission expense	18,089,632	2,791,805	-	1,551,095	22,432,532
Finance expense	15,864,226	412,175,793	518,615,372	28,126,926	974,782,317
General and administrative expenses	95,414,734	24,412,580	5,946,654	85,265,181	211,039,149
Other expenses	410,261	-	-	1,361,060	1,771,321
	<u>129,778,853</u>	<u>439,380,178</u>	<u>524,562,026</u>	<u>116,304,262</u>	<u>1,210,025,319</u>
Non-operating income (expenses), net	-	-	-	(308,902)	(308,902)
Income tax expense	-	-	-	26,683,058	26,683,058
Profit (loss) for the year	₩ <u>10,009,239</u>	<u>154,960,678</u>	<u>(97,758,300)</u>	<u>13,629,623</u>	<u>80,841,240</u>
	2019				
	Brokerage	Proprietary trading	Derivatives	Others	Total
Operating revenue:					
Fee and commission income	₩ 41,279,829	783,695	1,203,857	84,600,817	127,868,198
Finance income	58,702,675	313,299,346	323,238,382	45,481,526	740,721,929
Other income	-	7,017,826	-	1,939,790	8,957,616
	<u>99,982,504</u>	<u>321,100,867</u>	<u>324,442,239</u>	<u>132,022,133</u>	<u>877,547,743</u>
Operating expenses					
Fee and commission expense	8,574,336	1,473,231	-	341,694	10,389,261
Finance expense	21,541,017	236,311,915	370,020,892	27,861,571	655,735,395
General and administrative expenses	81,647,500	17,802,560	4,256,329	57,664,011	161,370,400
Other expenses	740,388	-	-	2,810,721	3,551,109
	<u>112,503,241</u>	<u>255,587,706</u>	<u>374,277,221</u>	<u>88,677,997</u>	<u>831,046,165</u>
Non-operating income (expenses), net	-	-	-	(202,869)	(202,869)
Income tax expense	-	-	-	12,535,514	12,535,514
Profit (loss) for the year	₩ <u>(12,520,737)</u>	<u>65,513,161</u>	<u>(49,834,982)</u>	<u>30,605,753</u>	<u>33,763,195</u>

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

8. Classification of Financial Instruments

Carrying amounts of financial instruments summarized by categories of financial instruments as of December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>		2020	2019
Financial assets at FVTPL	₩	5,970,550,518	5,403,549,124
Derivative assets		16,898,747	34,350,166
Financial assets at FVOCI		162,052,113	141,304,731
Financial assets at AC			
Cash and deposits		673,330,023	310,601,770
Loans and receivables at AC		845,354,052	576,038,260
Other assets (*1)		1,548,095,158	634,596,928
Subtotal		<u>3,066,779,233</u>	<u>1,521,236,958</u>
Finance lease receivables		2,331,708	2,746,093
Financial assets total	₩	<u><u>9,218,612,319</u></u>	<u><u>7,103,187,072</u></u>
Financial liabilities at FVTPL			
Financial liabilities, mandatorily, at FVTPL	₩	1,544,320,758	1,459,331,586
Financial liabilities designated as being held at FVTPL		623,863,464	554,782,043
Subtotal		<u>2,168,184,222</u>	<u>2,014,113,629</u>
Derivative liabilities		20,767,267	96,706,980
Financial liabilities at AC			
Deposits		1,176,066,876	423,334,531
Borrowed funds		3,841,306,749	3,379,988,271
Other liabilities (*2)		1,314,177,813	603,025,358
Subtotal		<u>6,331,551,438</u>	<u>4,406,348,160</u>
Lease liabilities		30,545,463	22,245,173
Financial liabilities total	₩	<u><u>8,551,048,390</u></u>	<u><u>6,539,413,942</u></u>

(*1) Other assets include receivables for brokerage, other receivables, accrued income, leasehold deposits paid for rents and other investment assets.

(*2) Other liabilities include dividends payable, accounts payable, accrued expenses, leasehold deposits received for rents, financial guarantees liabilities and provisions for payment guarantees.

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

9. Finance Income and Finance Expense

Details of finance income and finance expense for the years ended December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>	2020			
	Gain (loss), net (*1)	OCI	Interest income (expenses)	Impairment (reversal of impairment)
Financial assets at FVTPL	₩ 227,897,491	-	95,843,153	-
Financial assets at FVOCI	2,452,074	9,192,147	-	-
Financial assets at AC (*2)	(206,294)	-	47,946,223	(367,477)
Derivative assets	(120,550,282)	-	-	-
Finance lease receivables	-	-	50,235	-
Financial liabilities, mandatorily, at FVTPL	(48,085,184)	-	-	-
Financial liabilities designated as being held at FVTPL	(16,814,218)	494,438	-	-
Financial liabilities at AC (*3)	(2,032,711)	-	(42,875,387)	-
Lease liabilities	-	-	(519,420)	-
Total	₩ 42,660,876	9,686,585	100,444,804	(367,477)

(*1) Gain (loss),net includes gain (loss) on disposal, gain (loss) on valuation, gain (loss) on derivatives transactions, gain (loss) on sale, gain (loss) on redemption, gain (loss) on foreign currency transactions and translation, dividends income and distribution income.

(*2) Financial assets at AC includes receivables for brokerage, other receivables, accrued income, leasehold deposit paid for rents, and other investment assets.

(*3) Financial liabilities at AC includes deposits, borrowed funds, dividends payable, accounts payable, accrued expenses, leasehold deposits received for rents, provisions for payment guarantees, and financial guarantees liabilities.

<i>(In thousands of Korean won)</i>	2019			
	Gain (loss), net (*1)	OCI	Interest income (expenses)	Impairment (reversal of impairment)
Financial assets at FVTPL	₩ 104,401,366	-	87,574,278	-
Financial assets at FVOCI	2,296,065	1,290,838	-	-
Loans and receivables at AC	-	-	51,592,710	(944,849)
Derivative assets	(21,053,177)	-	-	-
Other financial assets (*2)	1,430,071	-	2,883,201	(740,388)
Financial liabilities at FVTPL	(74,950,660)	417,691	-	-
Financial liabilities at AC (*3)	-	-	(58,846,999)	-
Lease liabilities	-	-	(471,501)	-
Total	₩ 12,123,665	1,708,529	82,731,689	(1,685,237)

(*1) Gain (loss),net includes gain (loss) on disposal, gain (loss) on valuation, gain (loss) on derivatives transactions, gain (loss) on sale, gain (loss) on redemption, gain (loss) on foreign currency transactions and translation, dividends income and distribution income.

(*2) Financial assets at AC includes receivables for brokerage, other receivables, accrued income, leasehold deposit paid for rents, other investment assets, and finance lease receivables.

(*3) Financial liabilities at AC includes deposits, borrowed funds, dividends payable, accounts payable, accrued expenses, leasehold deposits received for rents, and withholding taxes.

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

10. Cash and Deposits

(1) Cash and deposits

Cash and deposits as of December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>	2020	2019
Cash and cash equivalents		
Checking account	₩ 58,763	4,511,086
Ordinary deposits	9,709,056	11,934,175
Time deposits	-	20,100,000
Money market deposit account (MMDA)	127,220,000	1,518
Others	300,000,000	220,410,562
Subtotal	<u>436,987,819</u>	<u>256,957,341</u>
Deposits due from others		
Subscription deposits	301,946	-
Reserve deposits for claims of customer deposits (deposit)	1,009,826	1,035,408
Deposits in foreign currency	36,542,784	11,353,838
Deposits for securities lending trades	-	1,402,000
Deposits for exchange-traded derivatives proprietary trades	10,472,223	12,293,091
Margin deposits for exchange-traded derivatives proprietary trades	-	350,000
Margin deposits at Korea Exchange	60,521,000	-
Long-term deposits (including guarantee deposits for checking accounts)	1,022,500	1,019,500
Others	126,471,925	26,190,592
Subtotal	<u>236,342,204</u>	<u>53,644,429</u>
Total	<u>₩ 673,330,023</u>	<u>310,601,770</u>

(2) Restricted deposits

Deposits and assets restricted for use as of December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>	2020	2019
Deposits due from others		
Subscription deposits	₩ 301,946	-
Reserve deposits for claims of customer deposits (deposit)	1,009,826	1,035,408
Deposits in foreign currency	36,542,784	11,353,838
Deposits for securities lending trades	-	1,402,000
Deposits for exchange-traded derivatives proprietary trades	10,472,223	12,293,091
Margin deposits for exchange-traded derivatives proprietary trades	-	350,000
Margin deposits at Korea Exchange	60,521,000	-
Long-term deposits (including guarantee deposits for checking accounts)	1,022,500	1,019,500
Others	113,582,190	3,811,585
Subtotal	<u>223,452,469</u>	<u>31,265,422</u>
Financial assets at FVTPL		
Reserve deposits for claims of customer deposits (trust)	784,830,770	292,203,754
Reserve deposits for claims of customer deposits (trust) for exchange-traded derivatives transactions	55,218,831	22,516,430
Subtotal	<u>840,049,601</u>	<u>314,720,184</u>
Total	<u>₩ 1,063,502,070</u>	<u>345,985,606</u>

(3) Deposits with Korea Securities Finance Corp.

Regulations on Financial Investment Business require financial investment companies to deposit all customer deposits excluding margin deposits in cash with the Korea Securities Finance Corp. ("KSFC"). Accordingly, the Company makes deposits of 100% or more of customer deposits with the KSFC as reserve deposits for claims of customer deposits, reserve deposits for claims of customer deposits - futures and options transactions, and subscription deposits. Also, in accordance with the Regulations on borrowing and lending of securities by Korea Securities Depository ("KSD"), the Company provides KSD with cash or securities of 100% or more, but less than 110% of value of collateral, as collateral for securities borrowing and lending transactions, except for customized transactions. Also, the Company deposits over 100% of borrowings from KSFC as guarantee in 'Guarantee deposits for stock borrowings from KSFC' account.

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

11. Financial Assets and Financial Liabilities at FVTPL

(1) Details of financial assets and financial liabilities at FVTPL as of December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>	2020			
	Acquisition cost	Carrying amount before valuation	Carrying amount carried at fair value	Gain (loss) on valuation
Financial assets at FVTPL				
Stocks	₩ 111,571,719	101,495,693	103,260,483	1,764,790
Government and municipal bonds	1,895,963,326	1,895,701,448	1,854,378,831	(41,322,617)
Special entities (government agencies) bonds	592,366,270	592,594,317	592,334,039	(260,278)
Corporate bonds	1,771,190,573	1,771,542,923	1,775,460,777	3,917,854
Electronic short-term bonds	33,172,240	33,214,542	33,217,370	2,828
Foreign currency bonds	45,210,960	41,771,953	41,959,595	187,642
Collective investment securities	311,773,426	313,265,686	339,484,901	26,219,215
Ownership investments	97,902,264	100,252,612	100,282,657	30,045
Commercial papers	220,454,206	220,997,200	221,133,675	136,475
Other securities	29,057,767	253,585	253,585	-
Private placement bonds	35,170,000	33,239,272	39,329,211	6,089,939
Reserve deposits for claims of customer deposits (trust)	783,000,000	783,000,000	784,830,770	1,830,770
Reserve deposits for claims of customer deposits (trust) for exchange-traded derivatives transactions	55,000,000	55,000,000	55,218,831	218,831
Derivative-linked securities purchased (*1)	28,548,900	28,885,690	29,405,793	520,103
Total	₩ 6,010,381,651	5,971,214,921	5,970,550,518	(664,403)
Financial liabilities, mandatorily, at FVTPL				
Stocks	₩ 150,015,570	149,994,417	182,050,124	(32,055,707)
Government and municipal bonds	1,345,500,357	1,358,458,020	1,332,149,584	26,308,436
Special entities (government agencies) bonds	30,218,520	30,218,520	30,121,050	97,470
Total	₩ 1,525,734,447	1,538,670,957	1,544,320,758	(5,649,801)
Financial liabilities designated as being held at FVTPL				
Derivative-linked securities sold (*1)	₩ 614,703,715	622,762,730	623,863,464	(1,100,734)
Total	₩ 614,703,715	622,762,730	623,863,464	(1,100,734)

(*1) The following table presents a roll-forward of Day One gains and losses for the year ended December 31, 2020:

<i>(In thousands of Korean won)</i>	Balance at January 1	Increase due to transfers	Increase due to new trades	Decrease from recognition	Balance at December 31
Financial assets at FVTPL					
Derivative-linked securities purchased	₩ 142,518	2,207,271	1,263,553	(250,879)	3,362,463
Financial liabilities designated as being held at FVTPL					
Derivative-linked securities sold	(2,524,988)	-	(1,804,572)	1,202,225	(3,127,335)
Total	₩ (2,382,470)	2,207,271	(541,019)	951,346	235,128

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

		2019			
<i>(In thousands of Korean won)</i>		Acquisition cost	Carrying amount before valuation	Carrying amount carried at fair value	Gain (loss) on valuation
Financial assets at FVTPL					
Stocks	₩	59,030,660	50,173,509	49,757,257	(416,252)
Government and municipal bonds		1,167,479,844	1,159,587,208	1,157,829,983	(1,757,225)
Special entities (government agencies) bonds		1,083,815,710	1,084,142,411	1,084,251,039	108,628
Corporate bonds		1,752,012,105	1,753,638,071	1,754,224,369	586,298
Electronic short-term bonds		48,734,386	48,786,222	48,786,830	608
Foreign currency bonds		65,233,914	66,578,076	67,065,468	487,392
Collective investment securities		398,397,135	393,546,485	410,445,662	16,899,177
Ownership investments		66,165,410	66,084,972	68,543,852	2,458,880
Commercial papers		417,985,669	419,573,455	419,623,871	50,416
Other securities		29,073,623	269,439	269,439	-
Private placement bonds		14,980,000	14,692,374	16,065,732	1,373,358
Total	₩	<u>5,102,908,456</u>	<u>5,057,072,222</u>	<u>5,076,863,502</u>	<u>19,791,280</u>
Financial liabilities, mandatorily, at FVTPL					
Stocks	₩	100,632,863	98,209,010	104,679,569	(6,470,559)
Government and municipal bonds		1,138,405,301	1,146,724,069	1,143,518,207	3,205,862
Special entities (government agencies) bonds		210,968,000	210,968,000	211,133,810	(165,810)
Total	₩	<u>1,450,006,164</u>	<u>1,455,901,079</u>	<u>1,459,331,586</u>	<u>(3,430,507)</u>

		2019		
<i>(In thousands of Korean won)</i>		Par value	Acquisition cost	Fair value (carrying amount)
Financial assets designated as being held at FVTPL				
Reserve deposits for claims of customer deposits (trust)	₩	291,300,000	291,300,000	292,203,754
Reserve deposits for claims of customer deposits (trust) for exchange-traded derivatives transactions		22,400,000	22,400,000	22,516,430
Derivative-linked securities purchased		13,093,500	11,600,015	11,894,709
Credit valuation adjustment (CVA)		-	-	(71,789)
Deferred day one gains and losses (*1)		-	-	142,518
Total	₩	<u>326,793,500</u>	<u>325,300,015</u>	<u>326,685,622</u>
Financial liabilities designated as being held at FVTPL				
Derivative-linked securities sold	₩	559,367,929	559,340,212	557,537,458
Debit valuation adjustment (DVA)		-	-	(5,280,403)
Deferred day one gains and losses (*1)		-	-	2,524,988
Total	₩	<u>559,367,929</u>	<u>559,340,212</u>	<u>554,782,043</u>

(*1) The following table presents a roll-forward of Day One gains and losses for the year ended December 31, 2019:

		Balance at January 1	Increase due to new trades	Decrease from recognition	Balance at December 31
<i>(In thousands of Korean won)</i>					
Financial assets at FVTPL					
Derivative-linked securities purchased	₩	94,601	147,754	(99,837)	142,518
Financial liabilities designated as being held at FVTPL					
Derivative-linked securities sold		(5,518,204)	(2,519,268)	5,512,484	(2,524,988)
Total	₩	<u>(5,423,603)</u>	<u>(2,371,514)</u>	<u>5,412,647</u>	<u>(2,382,470)</u>

EUGENE INVESTMENT & SECURITIES CO., LTD.

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Interest income on debt securities above for the years ended December 31, 2020 and 2019 were ₩95,843 million and ₩88,545 million, respectively.

The Company designated trust deposits which are managed and evaluated on a fair value basis and derivative-linked securities, hybrid (combined) instruments which include one or more embedded derivatives as financial assets and liabilities at fair value through profit or loss.

In measuring fair values of derivative-linked securities, historical volatility is used instead of implied volatility, an observable input. As such, the valuation technique incorporates a significant unobservable input, the difference between fair value of financial instruments based on the valuation technique and the transaction price is not recognized in profit or loss upon initial recognition, but deferred as Day One gains and losses.

Equity-linked securities ("ELS", hereafter) are securities of which the underlying asset is either stocks or equity indices and dividends and the amount required to pay at maturity to the holder of the securities are determined by the changes in the underlying assets. The Company measures derivative-linked securities purchased and derivative-linked securities sold at fair value as of the reporting date, and recognizes gains and losses arising from changes in fair value as profit or loss.

(2) The difference between the carrying amount of financial liabilities designated as being held at FVTPL and the contractual amount due at maturity as of December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>		2020	2019
Contractual amount due at maturity	₩	627,986,551	557,537,458
Carrying amount		623,863,464	554,782,043
Difference	₩	<u>4,123,087</u>	<u>2,755,415</u>

(3) The change, cumulatively, in the fair value of the financial liabilities designated as being held at FVTPL attributable to changes in the credit risks of these financial liabilities during the years ended December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>		2020	2019
Balance at January 1	₩	959,776	411,086
Recognized in OCI during the year		733,301	548,690
Balance at December 31	₩	<u>1,693,077</u>	<u>959,776</u>

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Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

12. Financial Assets at FVOCI

(1) Details of financial assets at FVOCI as of December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>		2020		2019	
		Acquisition cost	Carrying amount	Acquisition cost	Carrying amount
Stocks	₩	43,378,062	162,052,113	40,611,993	141,304,731

(2) Acquisition costs of stocks included in financial assets at FVOCI as of the December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>		2020			2019		
		Number of shares held	Ownership interest (%)	Acquisition cost	Number of shares held	Ownership interest (%)	Acquisition cost
Korea Exchange	₩	608,185	3.04	1,918,093	608,185	3.04	1,918,093
Korea Securities Finance Corporation		630,858	0.93	4,378,619	323,517	0.48	1,612,550
Korea Securities Depository		85,438	0.78	408,825	81,548	0.78	408,825
Korea Money Brokerage Corporation		10,000	0.50	50,000	10,000	0.50	50,000
DLIVE Gangnam Cable TV Co., Ltd.		608,100	3.99	3,593,871	608,100	3.99	3,593,871
Aizawa Securities Co., Ltd.		225,200	0.47	594,988	225,200	0.45	594,988
Tongyang Inc.		11,438,000	4.79	32,433,666	11,438,000	4.79	32,433,666
Total	₩	13,605,781		43,378,062	13,294,550		40,611,993

(3) Carrying amounts of stocks included in financial assets at FVOCI as of December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>		2020			2019		
		Carrying amount	Net asset value or fair value	Date as of fair value estimated	Carrying amount	Net asset value or fair value	Date as of fair value estimated
Korea Exchange (*1)	₩	123,958,442	123,958,442	Dec. 31, 2020	101,080,347	101,080,347	Dec. 31, 2019
Korea Securities Finance Corporation (*1)		8,808,670	8,808,670	Dec. 31, 2020	5,442,203	5,442,203	Dec. 31, 2019
Korea Securities Depository (*1)		8,186,584	8,186,584	Dec. 31, 2020	8,285,929	8,285,929	Dec. 31, 2019
Korea Money Brokerage Corporation (*1)		707,330	707,330	Dec. 31, 2020	652,300	652,300	Dec. 31, 2019
DLIVE Gangnam Cable TV Co., Ltd. (*1)		5,025,338	5,025,338	Dec. 31, 2020	7,720,438	7,720,438	Dec. 31, 2019
Aizawa Securities Co., Ltd.		1,754,529	1,754,529	Dec. 31, 2020	1,709,984	1,709,984	Dec. 31, 2019
Tongyang Inc.		13,611,220	13,611,220	Dec. 31, 2020	16,413,530	16,413,530	Dec. 31, 2019
Total	₩	162,052,113	162,052,113		141,304,731	141,304,731	

(*1) Fair values of Korea Exchange and five other unlisted stocks are based on estimates using the valuation technique provided from Grant Thornton Daejoo, Korea Asset Pricing and FN Asset Pricing, independent valuation service providers. These valuation service providers estimate the fair using discounted cash flows, an income approach, and (or) net asset value (NAV) method as appropriate per the characteristics of stocks subject to the valuation technique. Operating revenue and operating expenses were estimated based on historical performances, future business plans and forecasts for future market circumstances.

(4) Changes in fair values of financial assets at FVOCI during the years ended December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>		2020				
		Acquisition cost	Cumulative balance at January 1	Changes in fair value during the year	Cumulative balance at December 31	Carrying amount (fair value)
Stocks	₩	43,378,062	100,692,737	17,981,314	118,674,051	162,052,113
Deferred tax effect		-	(23,964,871)	(8,789,167)	(32,754,038)	-

<i>(In thousands of Korean won)</i>		2019				
		Acquisition cost	Cumulative balance at January 1	Changes in fair value during the year	Cumulative balance at December 31	Carrying amount (fair value)
Stocks	₩	40,611,993	98,868,974	1,823,763	100,692,737	141,304,731
Deferred tax effect		-	(23,431,947)	(532,925)	(23,964,871)	-

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13. Securities Pledged as Collateral

Details of securities the Company pledged as collateral as of December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i> Securities pledged to	Financial assets pledged (*1)	2020		Purpose
		₩	Carrying amount	
KSD	Financial assets at FVTPL - Government and municipal bonds, corporate bonds and special entities bonds	₩	228,930,024	Collateral for securities lending trades
KSD	Financial assets at FVTPL - Stocks and beneficiary certificates		401,047,395	Collateral for securities lending trades
KSFC	Financial assets at FVTPL - Government and municipal bonds, corporate bonds, special entities bonds and commercial papers		1,427,734,032	Collateral for securities lending trades
KSFC	Financial assets at FVOCI - Stocks		123,958,442	Collateral for securities lending trades
KSFC	Financial assets at FVTPL - Special entities bonds and corporate bonds		31,473,464	Collateral for securities margin loans from KSFC
Korea Exchange	Financial assets at FVTPL - Government and municipal bonds, special entities bonds and beneficiary certificates		21,792,138	Margin deposits for derivatives trades and others
Korea Exchange	Financial assets at FVTPL - Government and municipal bonds		29,168,113	Substitute securities for collective fund for default losses
Eugene Futures and others	Financial assets at FVTPL - Government and municipal bonds, corporate bonds, special entities bonds and beneficiary certificates	₩	273,615,095	Margin deposits for futures trades (interest rate futures) and margin deposits for issuance on derivative-linked securities
		₩	<u>2,537,718,703</u>	
(*1) Pledged assets include securities borrowed from others.				
<i>(In thousands of Korean won)</i> Securities pledged to	Financial assets pledged (*1)	2019		Purpose
		₩	Carrying amount	
KSD	Financial assets at FVTPL - Government and municipal bonds, corporate bonds and special entities bonds	₩	277,182,588	Collateral for securities lending trades
KSD	Financial assets at FVTPL - Stocks and beneficiary certificates		337,565,702	Collateral for securities lending trades
KSFC	Financial assets at FVTPL - Government and municipal bonds, corporate bonds, and special entities bonds		1,197,181,583	Collateral for securities lending trades
KSFC	Financial assets at FVOCI - Stocks		101,080,347	Collateral for securities lending trades
KSFC	Financial assets at FVTPL - Government and municipal bonds		19,401,078	Collateral for securities margin loans from KSFC
Korea Exchange	Financial assets at FVTPL - Government and municipal bonds, special entities bonds and beneficiary certificates		32,466,963	Margin deposits for derivatives trades and others
Korea Exchange	Financial assets at FVTPL - Government and municipal bonds		16,700,000	Substitute securities for collective fund for default losses
Eugene Futures and others	Financial assets at FVTPL - Government and municipal bonds, corporate bonds, special entities bonds and beneficiary certificates	₩	333,220,496	Margin deposits for futures trades (interest rate futures) and margin deposits for issuance on derivative-linked securities
		₩	<u>2,314,798,757</u>	

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In relation to securities margin trades, the Company accepted securities of ₩804,928 million and ₩551,953 million as of December 31, 2020 and 2019, respectively, as collateral, and the Company held securities of ₩17,939,200 million and ₩12,849,600 million in KRX market price basis in custody received from customers as of December 31, 2020 and 2019, respectively. In addition to securities pledged in the tables above, the Company pledged financial assets at FVTPL with carrying amounts of the bonds of ₩2,427,244 million and ₩2,288,395 million as collateral for securities sold under agreements to repurchase as of December 31, 2020 and 2019, respectively.

The Company provides for collective funds for default losses, which are composed of collective fund for default losses in securities market and collective fund for default losses in derivatives market.

In accordance with Article 23 of Korea Exchange (KRX) membership regulations, the Company is required to make contribution to the collective fund for default losses to compensate for any damages or losses caused by non-performance of obligations arising from trading transactions in securities market. The amount of contributions should be provided on a monthly basis and the amount is calculated by net of total base contributions and sum of the contributions made by members specialized in debt securities, multiplied by ratio of the Company's average daily volume of securities traded per day to the average daily volume of securities of all members traded in the security market in the latest one year from the previous year-end.

In accordance with Article 23 of Korea Exchange (KRX) membership regulations, the Company is required to make contribution to the collective fund for default losses to compensate for any damages or losses caused by non-performance of obligations arising from trading transactions in exchange-traded derivatives market. The amount of contributions should be provided on a monthly basis and the amount is calculated by net of total base contributions, multiplied by ratio of the Company's average daily balance of margin deposits to the average daily balance of margin deposits of all members traded in the exchange-traded derivatives market in the latest one year from the previous year-end.

The Company is allowed to make contributions to the collective funds with government bonds or monetary stabilization bonds listed on the securities exchange an alternative to cash, and in such cases, the contribution is made by way of the KRX acquiring the pledge of government bonds or monetary stabilization bonds deposited in the Company's account with the KSD and the withdrawal shall be made by way of terminating the pledge. The Company contributed to the collective funds with financial assets at FVTPL - government and municipal bonds as of December 31, 2020.

14. Investments in Subsidiaries and Associates

Details of investments in subsidiaries and associates as of December 31, 2020 and 2019 are as follows:

	2020		2019	
	Ownership interest (%)	Carrying amount	Ownership interest (%)	Carrying amount
<i>(In thousands of Korean won)</i>				
Subsidiaries:				
Eugene Asset Management Co., Ltd.	100.0	₩ 32,954,147	100.0	₩ 27,954,147
Eugene Investment & Futures Co., Ltd.	100.0	34,904,691	100.0	34,904,691
Eugene KL 1st Co., Ltd. (*1)	-	-	-	-
BH Easy 2nd Co., Ltd. (*1)	-	-	-	-
Pantheon EJ Co., Ltd. (*2)	-	-	-	-
Hadeun 1st Co., Ltd. (*2)	-	-	-	-
Champion Gohyeon Co., Ltd. (*2)	-	-	-	-
NJ 6th Co., Ltd. (*2)	-	-	-	-
DJ Mirae 1st Co., Ltd. (*2)	-	-	-	-
Eugene Champion New Economy AI4.0 Securities (Stock)	52.2	3,500,000	59.0	3,500,000
Eugene US VC Private Investment Trust 1	60.0	1,597,334	-	-
Subtotal		72,956,172		66,358,838
Associates:				
AIRA Property	20.0	4,926,629	20.0	4,926,629
Shinyoung Real Estate Co., Ltd.	35.0	10,500,000	35.0	10,500,000
Subtotal		15,426,629		15,426,629
Total		₩ 88,382,801		₩ 81,785,467

(*1) The subsidiaries were excluded from the consolidation as all of the Company's interests in the subsidiaries were redeemed.

(*2) The Company controls the structured entities for asset securitization considering all facts and circumstances for power over the investee, exposure to variable returns from the investee and the ability to use its power over the investee to affect the amount of the Company's returns.

EUGENE INVESTMENT & SECURITIES CO., LTD.

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For the years ended December 31, 2020 and 2019

15. Derivatives

(1) Exchange-traded derivatives

Details of exchange-traded derivatives outstanding as of December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>	Position	2020		Purpose of transactions
		Notional principal amount	Gain (loss) on settlements (*1)	
Equity index options	Long ₩	29,809	7,517	Trading and hedging (risk management)
Equity index options	Short	47,586	(5,576)	Trading and hedging (risk management)
Interest rate futures	Long	132,773,470	(403,809)	Trading and hedging (risk management)
Interest rate futures	Short	693,554,230	1,065,009	Trading and hedging (risk management)
Equity index futures	Long	3,176,113	78,591	Trading and hedging (risk management)
Equity index futures	Short	169,926,374	(4,095,393)	Trading and hedging (risk management)
FX futures	Long	55,490,760	(209,802)	Trading and hedging (risk management)
FX futures	Short	116,723,014	982,033	Trading and hedging (risk management)
Commodity futures	Long	972,661	1,121	Trading and hedging (risk management)
Commodity futures	Short	1,050,573	(1,412)	Trading and hedging (risk management)

(*1) Gain (loss) on settlement of futures and options are directly recognized in gain or loss on derivatives transactions through changes in margin balances.

<i>(In thousands of Korean won)</i>	Position	2019		Purpose of transactions
		Gain (loss) on settlements (*1)		
Interest rate futures	Long ₩	153,214		Trading and hedging (risk management)
Interest rate futures	Short	(130,869)		Trading and hedging (risk management)
Equity index futures	Long	9,291		Trading and hedging (risk management)
Equity index futures	Short	(105,162)		Trading and hedging (risk management)
FX futures	Long	(22,422)		Trading and hedging (risk management)
FX futures	Short	81,964		Trading and hedging (risk management)
Commodity futures	Long	30,334		Trading and hedging (risk management)
Commodity futures	Short	(195,451)		Trading and hedging (risk management)

(*1) Gain (loss) on settlement of futures and options are directly recognized in gain or loss on derivatives transactions through changes in margin balances.

The Company acquired stock warrants of which the acquisition cost amounting to ₩332 million for trading purposes and its carrying amount, equal to the fair value, as of December 31, 2020 is ₩836 million.

(2) OTC derivatives

Details of OTC derivatives outstanding as of December 31, 2020 are as follows:

<i>(In thousands of Korean won)</i>	2020					Purpose of transactions
	Cumulative gain (loss)					
	Gain (loss) on valuation	Adjustments for counterparty credit risks	Derivative assets	Derivative liabilities		
FX						
Currency forwards	₩ (665,717)	5,522	28,964	689,159		Trading and hedging (risk management)
Currency swaps	194,791	(742,259)	3,009,004	3,556,472		Trading and hedging (risk management)
Interest rate						
Interest rate swaps	(4,066,148)	(313,742)	2,638,088	7,017,978		Hedging (risk management)
Interest rate forwards	-	(4,838)	338,528	343,366		Hedging (risk management)
Credit						
Credit swaps	1,187,563	(281,654)	10,018,615	9,112,706		Trading
Total	₩ (3,349,511)	(1,336,971)	16,033,199	20,719,681		

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For the years ended December 31, 2020 and 2019

The following table presents a roll-forward of Day One gains and losses for the year ended December 31, 2020:

<i>(In thousands of Korean won)</i>		Balance at January 1	Change due to new trades	Change from recognition	Change from transfers	Balance at December 31
Derivatives						
OTC derivatives	₩	(8,373,496)	1,688,109	2,414,327	(2,207,271)	(6,478,331)

Details of OTC derivatives outstanding as of December 31, 2019 are as follows:

						2019
						Cumulative gain (loss)
						Adjustments for
<i>(In thousands of Korean won)</i>		Gain (loss) on valuation	counterparty credit risks	Derivative assets	Derivative liabilities	Purpose of transactions
FX						
Currency forwards	₩	(868,648)	12,076	394,533	1,251,105	Trading and hedging (risk management)
Currency swaps		5,210,239	(394,720)	7,489,267	2,673,748	Trading and hedging (risk management)
Interest rate						
Interest rate swaps		(80,939,619)	(120,134)	2,705,092	83,764,845	Hedging (risk management)
Interest rate forwards		-	(135,190)	435,326	570,516	Hedging (risk management)
Credit						
Credit swaps		(1,515,343)	(70,286)	6,861,137	8,446,766	Trading
Commodity						
Other		18,331,915	(2,541,322)	15,790,593	-	Hedging (risk management)
Commodity options		96,224	(7,777)	88,447	-	Trading
Equity						
Equity options purchased (*1)		(457,538)	-	1	-	Trading
Total	₩	(60,142,770)	(3,257,353)	33,764,396	96,706,980	

(*1) Equity options represent embedded derivatives separated from redeemable convertible preferred stocks.

16. Broker's Loans

The details of broker's loans as of December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>		2020	2019
Margin loans to customers	₩	392,997,154	186,987,799
Unrepaid loans		53,875	3,617,106
Loans secured by securities		337,064,961	322,081,830
Loans secured by trading proceeds		9,057,417	2,928,890
Loss allowance		(386,731)	(330,359)
Total	₩	738,786,676	515,285,266

The Company provides loans to customers for margin trades with funds from borrowings from KSFC for margin loans and the Company's own funds. As of December 31, 2020, interest rates on margin loans to customers range from 7.5% to 9.3% per annum, and the base maturity is set to 90 days with extensions available for customers with S, A, B and C1 grades by each unit of 90 days. Cash or securities equivalent to 140% of such loans are held as collateral for margin trades. The Company or KSFC retains securities which customers purchased based on the source of the margin funded from as collateral. In case that the collateral fall short of 140% of the corresponding margin, additional cash or securities are provided from the customers to make up for the amount equal to or greater than the shortfall.

The Company provides loans to customers secured by customers' securities at brokerage accounts, and loans are classified to S, A and B grades and selective C grade eligible for loans. Loans are available for up to 65% of the closing prices of the related securities of the previous day for S grade, 60% for A grade, 55% for B grade, and 50% for selective C grade. Individual credit limits for customers are applied per customers' grades and are managed on an integrated basis. The base, maturity for the loan is set to 3 months with extensions available for S, A, B and C1 grades by each unit of 3 months. As of December 31, 2020, interest rates for the loans secured by customers' securities range from 7.5% to 9.0% per annum.

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

17. Property and Equipment

(1) The following tables present roll-forwards of property and equipment for the years ended December 31, 2020 and 2019:

		2020				
		Balance at January 1	Additions (including capital expenditures)	Disposals	Depreciation	Balance at December 31
<i>(In thousands of Korean won)</i>						
Land	₩	11,097,308	-	(570,000)	-	10,527,308
Buildings		8,632,374	-	(651,855)	(233,015)	7,747,504
Vehicles		35,096	-	(2)	(17,546)	17,548
Furniture and equipment		5,658,057	6,052,299	(80,147)	(2,763,658)	8,866,551
Right-of-use assets		19,694,376	14,903,272	(1,012,816)	(5,489,599)	28,095,233
Total	₩	<u>45,117,211</u>	<u>20,955,571</u>	<u>(2,314,820)</u>	<u>(8,503,818)</u>	<u>55,254,144</u>

		2019					
		Balance at January 1	Transfers due to IFRS 16	Additions (including capital expenditures)	Disposals	Depreciation	Balance at December 31
<i>(In thousands of Korean won)</i>							
Land	₩	11,097,308	-	-	-	-	11,097,308
Buildings		8,892,033	-	-	-	(259,659)	8,632,374
Vehicles		52,642	-	-	-	(17,546)	35,096
Furniture and equipment		8,005,298	(540,173)	1,346,148	(265)	(3,152,951)	5,658,057
Right-of-use assets		-	22,472,306	1,777,477	(88,078)	(4,467,329)	19,694,376
Total	₩	<u>28,047,281</u>	<u>21,932,133</u>	<u>3,123,625</u>	<u>(88,343)</u>	<u>(7,897,485)</u>	<u>45,117,211</u>

(2) As of December 31, 2020 and 2019, the Publicly Notified Land Price (PNLP) of individual land parcels, which were notified by local government offices and based on publicly appraised PNLP of adjacent standard land parcels notified by the Ministry of Land, Infrastructure and Transport (MOLIT) of the Republic of Korea, of the Company are as follows:

		2020		2019	
		Carrying amount	PNLP	Carrying amount	PNLP
<i>(In thousands of Korean won)</i>					
Land - branch offices, employee training center and condominium	₩	10,527,308	9,532,007	11,097,308	11,756,738

18. Investment Properties

(1) Details of investment properties as of December 31, 2020 and 2019 are as follows:

			2020		2019	
Property	Details	Place of the property	Carrying amount	Fair value (*1)	Carrying amount	Fair value (*1)
Land	Commercial	10-25, Sapyeong-daero 45-gil,	₩ 12,189,490	13,913,000	12,189,490	12,161,875
Buildings (*2)	real estate	Seoch-gu, Seoul	3,803,411	-	3,901,775	-
Land	Commercial	Suite 200, 196, Jamsil-dong,	570,000	5,683,000	-	-
Buildings (*2)	real estate	Songpa-gu, Seoul	625,212	-	-	-
Total			₩ 17,188,113	19,596,000	16,091,265	12,161,875

(*1) The fair values of investment properties are determined by an independent real estate appraiser, considering prices of recent transactions of similar real estates. The Company updates the fair values when the difference of the PNLP between the latest appraisal date and the reporting date is equal to or greater than 5%.

(*2) For each investment property, the tenants have leasehold rights on the leasehold deposits received for rents of ₩250 million and ₩150 million, respectively, as of December 31, 2020.

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Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

(2) The following table presents a roll-forward of investment properties for the years ended December 31, 2020 and 2019:

<i>(In thousands of Korean won)</i>		2020	2019
Balance at January 1	₩	16,091,265	16,189,630
Transfers		1,221,855	-
Depreciation		(125,007)	(98,365)
Balance at December 31	₩	<u>17,188,113</u>	<u>16,091,265</u>

(3) The amounts recognized in profit or loss from investment properties for the years ended December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>		2020	2019
Rental income from investment properties	₩	409,257	493,426
Direct operating expenses arising from investment properties that generated rental income		197,668	134,751

19. Insured Properties

The Company has fire and comprehensive insurance policies with Samsung Fire & Marine Insurance Co., Ltd. and other insurance companies which cover fire and other casualty damages up to ₩20,600 million and ₩19,400 million as of December 31, 2020 and 2019, respectively, for buildings, furniture & equipment and vehicles.

In accordance with Article 9 of Electronic Financial Transactions Act and Article 5 of Regulations on Electronic Financial Transactions, the Company have electronic financial accident insurance policies with Hana Insurance Co., Ltd., DB Insurance Co., Ltd. and others which cover compensation for damages up to ₩1 billion per case and management liability insurance policy of ₩10 billion with Samsung Fire & Marine Insurance Co., Ltd. to compensate any damages of customers from accidents arising from forgery or alteration of the access devices or accidents incurred in the course of electrical transmissions or processing. In addition, the Company has commercial general liability insurance policy.

20. Intangible Assets

(1) Details of intangible assets as of December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>	2020				2019			
	Acquisition cost	Accumulated amortization	Accumulated impairment	Carrying amount	Acquisition cost	Accumulated amortization	Accumulated impairment	Carrying amount
Software	₩ 33,427,946	(22,573,980)	-	10,853,966	30,746,394	(18,450,372)	-	12,296,022
Other intangibles	17,747,579	-	(5,049,106)	12,698,473	17,903,897	-	(6,361,547)	11,542,350
Total	₩ 51,175,525	(22,573,980)	(5,049,106)	23,552,439	48,650,291	(18,450,372)	(6,361,547)	23,838,372

(2) The following tables present roll-forwards of intangible assets for the years ended December 31, 2020 and 2019:

<i>(In thousands of Korean won)</i>	2020							
	Balance at January 1	Additions	Disposals	Transfers (*1)	Amortization	Impairment loss	Reversal of impairment loss	Balance at December 31
Software	₩ 12,296,022	699,752	-	1,981,800	(4,123,608)	-	-	10,853,966
Other intangibles	11,542,350	611,905	(209,322)	-	-	(56,667)	810,207	12,698,473
Total	₩ 23,838,372	1,311,657	(209,322)	1,981,800	(4,123,608)	(56,667)	810,207	23,552,439

(*1) Transfer-in from advance payments.

<i>(In thousands of Korean won)</i>	2019					
	Balance at January 1	Increase (decrease)	Transfers (*1)	Amortization	Impairment loss	Balance at December 31
Software	14,951,246	1,061,778	356,500	(4,073,502)	-	12,296,022
Other intangibles	12,575,881	(377,731)	-	-	(655,800)	11,542,350
Total	₩ 27,527,127	684,047	356,500	(4,073,502)	(655,800)	23,838,372

(*1) Transfer-in from advance payments.

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

21. Borrowings and Other Borrowed Funds

Details of borrowings and other borrowed funds as of December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>	Interest rate (%) per annum		2020	2019
Call money				
The Export-Import Bank of Korea and others	0.72 ~ 0.90	₩	120,000,000	10,000,000
Borrowings				
KSFC	0.77 ~ 1.06		705,997,857	647,085,580
KTB Investment & Securities Co., Ltd. and others	1.15 ~ 1.71		575,000,000	338,000,000
Hi Investment & Securities Co., Ltd. and others	1.21 ~ 1.26		35,000,000	45,000,000
Subtotal			1,315,997,857	1,030,085,580
Securities sold under agreements to repurchase				
Retail customers	0.40		839,208,891	827,602,691
KSFC	0.70 ~ 1.90		1,516,100,000	1,482,300,000
Subtotal			2,355,308,891	2,309,902,691
Total		₩	3,791,306,748	3,349,988,271

The Company pledges securities and other assets as collateral for borrowings and other borrowed funds in the table above as of December 31, 2020 and 2019 (See Note 13).

22. Subordinated Bonds Issued

Details of subordinated bonds issued as of December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>	Effective interest rate (%)		2020	2019
14th Unsecured Subordinated Bonds	5.10	₩	10,000,000	30,000,000
15th Unsecured Subordinated Bonds	4.50		40,000,000	-
		₩	50,000,000	30,000,000

The Company issued 14th Unsecured Subordinated Bonds of ₩30,000 million in private placements on March 28, 2017, which bear coupon interest rate of 5.1% per annum and mature on March 28, 2023.

The Company issued 15th Unsecured Subordinated Bonds of ₩40,000 million in private placements on March 19, 2020, which bear coupon interest rate of 4.5% per annum and mature on March 19, 2027.

23. Employee Benefits

(1) Details of employee benefits recognized as expenses for the years ended December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>		2020	2019
Salaries	₩	135,549,574	92,700,355
Contributions to defined contribution plans		5,045,484	4,463,605
Total	₩	140,595,058	97,163,960

(2) The Company operates defined contribution plans as its post-retirement plan for employees, and is required to make contributions of a twelfth or greater of annual aggregate wages and salaries of each employee on an annual basis. For employees with service period less than one year as of the date when the contribution is made, the Company makes the contribution for the amount from the date of employment to the date of the contribution at the date of annual contribution after the first anniversary date of the employment.

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For the years ended December 31, 2020 and 2019

24. Loans and Advances for Customers

(1) Loans

Loans consist of loans to executives and employees for security deposits of residential real estates, and repayments of the principal and interest on these loans are made when the respective salaries are paid.

(2) Advances for customers

Details of advances for customers as of December 31, 2020 and 2019 are as follows:

		2020		2019	
		Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
<i>(In thousands of Korean won)</i>					
Advances for payment on loss compensation	₩	5,158,856	5,140,693	1,532,334	1,514,171
Advances for payment for others (*1)		675,808	675,808	675,808	675,808
Total	₩	5,834,664	5,816,501	2,208,142	2,189,979

(*1) Advances for payment for others represent receivables due to advance payments made to other security companies applicable to the payments from Securities Investors Protection Funds in accordance with old clauses of Article 69-2 or Article 69-4 of Securities and Exchange Act.

25. Commitments and Contingencies

(1) The following tables present roll-forwards of provisions and financial guarantees liability for the years ended December 31, 2020 and 2019:

		2020				Total
		AROs	Provisions for payment guarantees	Provisions for legal claims	Financial guarantees liability	
<i>(In thousands of Korean won)</i>						
Balance at January 1	₩	1,422,065	604,082	2,194,726	22,984,780	27,205,653
Provisions made (reversed)		(107,087)	1,259,211	-	19,707,415	20,859,539
Changes (*1)		415,092	-	-	-	415,092
Provisions used		-	-	(2,194,726)	-	(2,194,726)
Unwind of discount and amortization		(39,919)	-	-	(8,496,059)	(8,535,978)
Balance at December 31	₩	1,690,151	1,863,293	-	34,196,136	37,749,580

(*1) Changes represents changes in the measurement of asset retirement obligations ("AROs") that result from changes in assumptions made at the end of each reporting period, which are added to, or deducted from, the cost of the related right-of-use assets.

		2019				Total
		AROs	Provisions for payment guarantees	Provisions for legal claims	Financial guarantees liability	
<i>(In thousands of Korean won)</i>						
Balance at January 1	₩	1,230,395	34,600	-	33,189,517	34,454,512
Provisions made		46,513	569,482	2,194,726	20,577,056	23,387,777
Provisions reversed		(5,159)	-	-	(22,088,509)	(22,093,668)
Changes (*1)		154,688	-	-	-	154,688
Unwind of discount and amortization		(4,372)	-	-	(8,693,284)	(8,697,656)
Balance at December 31	₩	1,422,065	604,082	2,194,726	22,984,780	27,205,653

(*1) Changes represents changes in the measurement of asset retirement obligations ("AROs") that result from changes in assumptions made at the end of each reporting period, which are added to, or deducted from, the cost of the related right-of-use assets.

EUGENE INVESTMENT & SECURITIES CO., LTD.

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AROs are the present value of the best estimates of future restoration costs for existing leased branches and office premises discounted with appropriate discount rates as of December 31, 2020. AROs will be settled upon termination of the lease contracts of individual branches. To estimate future restoration costs, the Company used the average amount of actual restoration costs incurred and the average inflation rates for the latest 3 years.

Financial guarantees liability is initially measured at fair value and subsequently measured at the higher of:

- the loss allowance determined in accordance with requirements for impairment of Korean IFRS 1109, *Financial Instruments*, and
- the amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of Korean IFRS 1115, *Revenue from Contracts with Customers*.

(2) The following tables present roll-forwards of provisions for payment guarantees for the years ended December 31, 2020 and 2019:

		2020			
		12-month	Lifetime ECLs		
<i>(In thousands of Korean won)</i>		ECLs	Not credit-impaired	Credit-impaired	Total
Balance at January 1	₩	602,661	1,421	-	604,082
Provisions made (reversed)		1,259,924	(713)	-	1,259,211
Balance at December 31	₩	1,862,585	708	-	1,863,293

		2019			
		12-month	Lifetime ECLs		
<i>(In thousands of Korean won)</i>		ECLs	Not credit-impaired	Credit-impaired	Total
Balance at January 1	₩	31,512	3,088	-	34,600
Provisions made (reversed)		571,149	(1,667)	-	569,482
Balance at December 31	₩	602,661	1,421	-	604,082

(3) The following tables present roll-forwards of financial guarantees liability for the years ended December 31, 2020 and 2019:

		2020			
		12-month	Lifetime ECLs		
<i>(In thousands of Korean won)</i>		ECLs	Not credit-impaired	Credit-impaired	Total
Balance at January 1	₩	22,984,780	-	-	22,984,780
Provisions made (reversed)		19,707,415	-	-	19,707,415
Amortization		(8,496,059)	-	-	(8,496,059)
Balance at December 31	₩	34,196,136	-	-	34,196,136

		2019			
		12-month	Lifetime ECLs		
<i>(In thousands of Korean won)</i>		ECLs	Not credit-impaired	Credit-impaired	Total
Balance at January 1	₩	33,189,517	-	-	33,189,517
Provisions made (reversed)		(1,511,453)	-	-	(1,511,453)
Amortization		(8,693,284)	-	-	(8,693,284)
Balance at December 31	₩	22,984,780	-	-	22,984,780

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

(4) Details of off-balance sheet arrangements as of December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>		2020	2019
Payment guarantees (*1)	₩	75,121	75,121
Purchase commitments (*2)(*4)		519,500,000	485,900,000
Investment commitments (*3)		59,600,000	26,300,000
Total	₩	<u>579,175,121</u>	<u>512,275,121</u>

(*1) The Company issued performance guarantees in relation to work-out of construction companies as of December 31, 2020 and 2019. The Company recognized provisions of ₩1 million for the performance guarantees.

(*2) The commitments represent the Company's contractual obligations to provide credit when the borrower fails to make repayments on the electronic short-term bonds.

(*3) The commitments represent the Company's contractual obligations to make additional investments upon asset management companies' requests or investors' agreements.

(*4) Credits executed by the purchase commitments are amounted to ₩21,556,372 thousand as of December 31, 2020.

The Company entered into agreements with Woori Bank and Kookmin Bank for daylight overdraft facilities with aggregated credit limits of ₩30 billion as of December 31, 2020 and 2019. Also, the Company entered into agreements with KSFC for margin financing loans of ₩400 billion, short-term note discounting limits of ₩225 billion, working capital loans of ₩300 billion, secured financing loans of ₩450 billion and intraday call loans of ₩200 billion.

(5) Securities in custody and borrowed securities

Details of securities in custody and borrowed securities as of December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>		2020	2019
Securities in custody			
Customers' securities in custody	₩	12,326,714,043	8,027,440,545
Customers' securities in custody for securities savings		5,774,034	3,639,354
Customers' securities in custody for trusts		5,597,330,034	4,818,051,087
Other securities in custody		9,360,792	420,429
Total	₩	<u>17,939,178,903</u>	<u>12,849,551,415</u>
Borrowed securities	₩	332,371,040	580,485,569

(6) Legal claims

<i>(In thousands of Korean won)</i>	2020		2019	
	Number of lawsuits	Claim amount	Number of lawsuits	Claim amount
As defendant	5	₩ 10,888	5	₩ 3,159
As plaintiff	7	3,672	8	10,618
Total	<u>12</u>	<u>14,560</u>	<u>13</u>	<u>13,777</u>

The outcomes of lawsuits are currently unpredictable and additional profits or losses could incur from the future outcomes of the lawsuits.

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

26. Share Capital

(1) Details of share capital

Details of the Company's share capital as of December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>		2020	2019
Authorized shares		600,000,000 shares	600,000,000 shares
Par value per share (in won)	₩	5,000	5,000
Shares in issue		96,866,418 shares	96,866,418 shares
Share capital - ordinary shares (*1)	₩	537,592,090	537,592,090

(*1) The Company's share capital is not equal to the aggregated par value of shares in issue due to share retirements made against retained earnings for buybacks of 8,652,000 ordinary shares with the par value of ₩5,000 and 4,000,000 ordinary shares with the par value of ₩2,500 which made prior to the year ended December 31, 2020.

(2) Stock split and reverse stock split

The Company made a 2-for-1 stock split decreasing par value from ₩5,000 to ₩2,500 per share on June 30, 2001, and a 5-for-1 stock split decreasing par value from ₩2,500 to ₩500 on June 30, 2005. On June 30, 2011, the Company made a 1-to-10 reverse stock split increasing par value from ₩500 to ₩5,000 per share.

27. Retained Earnings

(1) Changes in retained earnings

Changes in the Company's retained earnings for the years ended December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>		2020	2019
Balance at January 1	₩	168,461,836	207,699,898
Profit for the year		80,841,240	33,763,195
Disposal of discount on stock issuance		-	(67,190,907)
Cash dividends		(6,778,740)	(5,810,349)
Balance at December 31	₩	<u>242,524,336</u>	<u>168,461,837</u>

(2) Statements of appropriation of retained earnings

The appropriation of retained earnings for the year ended December 31, 2020, is expected to be appropriated at the shareholders' meeting on March 25, 2021. The appropriation date for the year ended December 31, 2019, was March 25, 2020. The Company's statements of appropriation of retained earnings for the years ended December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean Won, except DPS data shown in Korean won)</i>		2020	2019
Unappropriated retained earnings			
Carried over from the previous year	₩	155,525,348	130,979,032
Profit for the year		80,841,240	33,763,195
Subtotal		<u>236,366,588</u>	<u>164,742,227</u>
Appropriation of retained earnings			
Earned surplus reserve		(1,126,070)	(677,874)
Regulatory reserve for credit losses		(9,890,970)	(1,760,265)
Dividends		(11,260,697)	(6,778,740)
(Cash dividend, dividends per share (DPS) and dividend to par value ratio: ₩120 (2.4%) and ₩ 70 (1.4%) for 2020 and 2019, respectively)			
Subtotal		<u>(22,277,737)</u>	<u>(9,216,879)</u>
Unappropriated retained earnings to be carried over to the subsequent year	₩	<u>214,088,851</u>	<u>155,525,348</u>

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

28. Income Taxes

(1) Details of income taxes

Details of the Company's income taxes for the years ended December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>		2020	2019
Current tax - current year	₩	13,008,597	31,156,207
Deferred tax - origination and reversal of temporary differences (*1)		22,702,490	(17,956,769)
Total income tax		35,711,087	13,199,438
Income tax recognized in OCI (*2)		(9,028,029)	(663,924)
Income tax expense	₩	26,683,058	12,535,514

(*1) Details of deferred tax arising from origination and reversal of temporary differences for the years ended December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>		2020	2019
Net deferred tax liabilities balance at December 31	₩	23,333,879	631,389
Less: Net deferred tax liabilities balance at January 1		631,389	18,588,158
Deferred tax - origination and reversal of temporary differences	₩	22,702,490	(17,956,769)

(*2) Details of income tax recognized in OCI for the years ended December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>		2020		2019	
		Before tax	Deferred tax	Before tax	Deferred tax
Gain on valuation of financial assets at FVOCI	₩	17,981,314	(8,789,167)	1,823,763	(532,925)
Change in fair value attributable to change in credit risk of financial liabilities designated as being held at FVTPL		733,301	(238,862)	548,690	(130,999)
Total	₩	18,714,615	(9,028,029)	2,372,453	(663,924)

(2) Reconciliation of effective tax rate

The following table presents reconciliations of effective tax rate for the years ended December 31, 2020 and 2019:

<i>(In thousands of Korean won)</i>		2020	2019
Profit before income tax	₩	107,524,298	46,298,709
Tax using the Company's domestic tax rate		25,558,880	10,742,288
Reconciliation:			
Tax-exempt income		(453,031)	(23,087,908)
Non-deductible expenses		629,811	24,121,740
Others		947,398	759,394
Income tax expense	₩	26,683,058	12,535,514
Effective tax rate		24.82%	27.08%

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

(3) Movement in temporary differences and deferred tax balances

The following tables present movements in temporary differences and deferred tax balances for the years ended December 31, 2020 and 2019:

	2020							
	Temporary differences - deductible (taxable)			Deferred tax assets (liabilities) (*1)				
	Balance at January 1	Increase	Decrease	Balance at December 31	Balance at January 1	Increase	Decrease	Balance at December 31
<i>(In thousands of Korean won)</i>	₩							
Accrued income	(41,282,154)	(42,390,084)	(41,282,154)	(42,390,084)	(9,825,153)	(11,699,663)	(9,825,153)	(11,699,663)
Other provisions	604,082	1,259,211	-	1,863,293	143,771	347,542	(22,956)	514,269
Gain or loss on valuation of financial assets at FVTPL	(6,714,430)	3,601,271	(6,714,430)	3,601,271	(1,598,034)	993,951	(1,598,034)	993,951
Gain or loss on valuation of financial liabilities at FVTPL	9,325,423	18,586,311	9,325,423	18,586,311	2,219,451	5,129,822	2,219,451	5,129,822
Gain or loss on valuation of financial assets at FVOCI	(100,692,737)	(17,981,314)	-	(118,674,051)	(23,964,871)	(4,962,843)	3,826,324	(32,754,038)
Investments in subsidiaries	38,462,377	-	-	38,462,377	-	-	-	-
Tax allowance for assets	(335,450)	-	-	(335,450)	(79,837)	-	12,747	(92,584)
Accrued expenses (bonus)	16,379,600	26,106,731	16,379,600	26,106,731	3,898,345	7,205,458	3,898,345	7,205,458
Impairment loss on intangible assets	6,361,546	56,667	1,369,106	5,049,107	1,514,048	15,640	136,134	1,393,554
AROs	798,274	891,877	-	1,690,151	189,989	246,158	(30,335)	466,482
Accounts receivable on financial guarantees	(22,084,813)	(10,437,856)	-	(32,522,669)	(5,256,186)	(2,880,848)	839,223	(8,976,257)
Financial guarantees liability	22,984,780	11,211,356	-	34,196,136	5,470,378	3,094,334	(873,422)	9,438,134
Provisions for legal claims	2,194,726	-	2,194,726	-	522,345	-	522,345	-
Right-of-use assets	(21,816,678)	(7,800,681)	-	(29,617,359)	(5,192,369)	(2,152,988)	829,034	(8,174,391)
Lease liabilities	22,245,173	8,300,290	-	30,545,463	5,294,351	2,290,880	(845,317)	8,430,548
Valuation on derivatives	105,469,588	(1,559,720)	105,469,588	(1,559,720)	25,101,762	(430,483)	25,101,762	(430,483)
Others	3,910,176	10,405,606	(4,602,049)	18,917,831	930,621	2,871,947	(1,418,751)	5,221,319
Total	₩ 35,809,483	249,665	82,139,810	(46,080,662)	(631,389)	68,907	22,771,397	(23,333,879)

(*1) Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to temporary differences when they reverse.

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

	2019							
	Temporary differences - deductible (taxable)			Deferred tax assets (liabilities) (*1)				
	Balance at January 1	Increase	Decrease	Balance at December 31	Balance at January 1	Increase	Decrease	Balance at December 31
<i>(In thousands of Korean won)</i>	₩							
Accrued income	(35,543,211)	(41,282,154)	(35,543,211)	(41,282,154)	(8,423,741)	(9,825,153)	(8,423,741)	(9,825,153)
Other provisions	34,600	604,082	34,600	604,082	8,200	143,771	8,200	143,771
Gain or loss on valuation of financial assets at FVTPL	12,146,417	(6,714,430)	12,146,417	(6,714,430)	2,878,701	(1,598,034)	2,878,701	(1,598,034)
Gain or loss on valuation of financial liabilities at FVTPL	(6,041,404)	9,325,423	(6,041,404)	9,325,423	(1,431,813)	2,219,451	(1,431,813)	2,219,451
Gain or loss on valuation of financial assets at FVOCI	(98,868,974)	(100,692,737)	(98,868,974)	(100,692,737)	(23,431,947)	(23,964,871)	(23,431,947)	(23,964,871)
Investments in subsidiaries	38,462,377	-	-	38,462,377	-	-	-	-
Tax allowance for assets	(335,450)	-	-	(335,450)	(79,502)	(335)	-	(79,837)
Accrued expenses (bonus)	13,678,250	16,379,600	13,678,250	16,379,600	3,241,745	3,898,345	3,241,745	3,898,345
Impairment loss on intangible assets	7,024,182	655,800	1,318,436	6,361,546	1,664,731	161,786	312,469	1,514,048
AROs	690,222	798,274	690,222	798,274	163,583	189,989	163,583	189,989
Accounts receivable on financial guarantees	-	(22,084,813)	-	(22,084,813)	-	(5,256,186)	-	(5,256,186)
Financial guarantees liability	-	22,984,780	-	22,984,780	-	5,470,378	-	5,470,378
Provisions for legal claims	-	2,194,726	-	2,194,726	-	522,345	-	522,345
Right-of-use assets	-	(21,816,678)	-	(21,816,678)	-	(5,192,369)	-	(5,192,369)
Lease liabilities	-	22,245,173	-	22,245,173	-	5,294,351	-	5,294,351
Others	28,784,320	103,294,360	22,698,916	109,379,764	6,821,885	24,584,058	5,373,560	26,032,383
Total	₩ (39,968,671)	(14,108,594)	(89,886,748)	35,809,483	(18,588,158)	(3,352,474)	(21,309,243)	(631,389)

(*1) Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to temporary differences when they reverse.

(4) Unrecognized deferred tax assets and liabilities

At December 31, 2020 there were unrecognized deferred tax assets of ₩11,646,566 thousand for temporary differences related to an investment in subsidiary - Eugene Asset Management and unrecognized deferred tax liabilities of ₩2,492,521 thousand for temporary differences related to an investment in subsidiary - Eugene Investment & Futures because the Company controls the dividend policy of subsidiaries – i.e. the Company controls the timing of reversal of the related taxable temporary differences and management is satisfied that they will not reverse in the foreseeable future.

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

(5) Deferred tax assets and liabilities and current tax refundable and payable on a gross basis

Details of deferred tax assets, liabilities and current tax refundable and payable, prior to offsetting, as of December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>		2020	2019
Deferred tax assets	₩	38,363,054	45,285,061
Deferred tax liabilities		(61,696,933)	(45,916,450)
Current tax refundable		12,754,652	32,241,389
Current tax payable		15,858,617	13,736,730

29. Earnings per Share

(1) Basic EPS

The calculation of basic EPS has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding for the years ended December 31, 2020 and 2019:

1) Calculation of basic EPS

<i>(In Korean won)</i>		2020	2019
Profit attributable to ordinary shareholders	₩	80,841,240,316	33,763,194,588
Weighted-average number of ordinary shares		94,629,650	96,839,145
Basic earnings per share	₩	854	349

2) Profit attributable to ordinary shareholders

<i>(In Korean won)</i>		2020	2019
Profit for the year	₩	80,841,240,316	33,763,194,588
Profit attributable to ordinary shareholders		80,841,240,316	33,763,194,588

3) Weighted-average number of ordinary shares

2020				
<i>(In shares)</i>	Period applicable	Number of shares	Number of Days	Number of shares multiplied by number of days
Issued ordinary shares at January 1	January 1 ~ December 31	96,866,418	366	35,453,108,988
Effect of treasury share buyback	January 1 ~ December 31	(27,273)	366	(9,981,918)
Effect of treasury share buyback	January 19 ~ December 31	(500,000)	288	(144,000,000)
Effect of treasury share buyback	March 20 ~ December 31	(585,673)	287	(168,088,151)
Effect of treasury share buyback	March 23 ~ December 31	(599,045)	284	(170,128,780)
Effect of treasury share buyback	March 24 ~ December 31	(63,769)	283	(18,046,627)
Effect of treasury share buyback	March 25 ~ December 31	(21,338)	282	(6,017,316)
Effect of treasury share buyback	March 26 ~ December 31	(23,802)	281	(6,688,362)
Effect of treasury share buyback	March 30 ~ December 31	(19,882)	277	(5,507,314)
Effect of treasury share buyback	March 31 ~ December 31	(32,234)	276	(8,896,584)
Effect of treasury share buyback	April 1 ~ December 31	(53,522)	275	(14,718,550)
Effect of treasury share buyback	April 2 ~ December 31	(27,086)	274	(7,421,564)
Effect of treasury share buyback	April 3 ~ December 31	(45,999)	273	(12,557,727)
Effect of treasury share buyback	April 6 ~ December 31	(17,442)	270	(4,709,340)
Effect of treasury share buyback	April 7 ~ December 31	(12,234)	269	(3,290,946)
Effect of treasury share buyback	April 8 ~ December 31	(19,000)	268	(5,092,000)
Effect of treasury share buyback	April 10 ~ December 31	(41,619)	266	(11,070,654)
Effect of treasury share buyback	April 13 ~ December 31	(74,641)	263	(19,630,583)
Effect of treasury share buyback	April 14 ~ December 31	(3,585)	262	(939,270)
Effect of treasury share buyback	April 16 ~ December 31	(26,000)	260	(6,760,000)
Effect of treasury share buyback	April 20 ~ December 31	(12,000)	256	(3,072,000)
Effect of treasury share buyback	April 21 ~ December 31	(66,455)	255	(16,946,025)
Effect of treasury share buyback	April 22 ~ December 31	(4,000)	254	(1,016,000)
Effect of treasury share buyback	April 23 ~ December 31	(2,000)	253	(506,000)
Effect of treasury share buyback	April 24 ~ December 31	(61,000)	252	(15,372,000)
Effect of treasury share buyback	April 29 ~ December 31	(84,774)	247	(20,939,178)

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For the years ended December 31, 2020 and 2019

Effect of treasury share buyback	May 4 ~ December 31	(113,933)	242	(27,571,786)
Effect of treasury share buyback	May 6 ~ December 31	(85,613)	240	(20,547,120)
Effect of treasury share buyback	May 19 ~ December 31	(30,690)	227	(6,966,630)
Effect of treasury share buyback	May 20 ~ December 31	(19,478)	226	(4,402,028)
Effect of treasury share buyback	May 21 ~ December 31	(43,158)	225	(9,710,550)
Effect of treasury share buyback	May 22 ~ December 31	(49,000)	224	(10,976,000)
Effect of treasury share buyback	May 25 ~ December 31	(47,000)	221	(10,387,000)
Effect of treasury share buyback	May 26 ~ December 31	(35,000)	220	(7,700,000)
Effect of treasury share buyback	May 27 ~ December 31	(50,000)	219	(10,950,000)
Effect of treasury share buyback	May 28 ~ December 31	(50,000)	218	(10,900,000)
Effect of treasury share buyback	May 29 ~ December 31	(79,028)	217	(17,149,076)
	Total			<u>34,634,451,909</u>
	Weighted-average number of ordinary shares			<u>94,629,650</u>

2019

<i>(In shares)</i>	Period applicable	Number of shares	Number of Days	Number of shares multiplied by number of days
Issued ordinary shares at January 1	January 1 ~ December 31	96,866,418	365	35,356,242,570
Effect of treasury share buyback	January 1 ~ December 31	(27,273)	365	<u>(9,954,645)</u>
	Total			<u>35,346,287,925</u>
	Weighted-average number of ordinary shares			<u>96,839,145</u>

(2) Diluted EPS

Diluted EPS is equal to basic EPS since there is no dilutive potential ordinary shares.

30. Related Party Transaction

(1) Related parties

Related parties of the Company as of December 31, 2020 are as follows:

An entity that has significant influence over the Company:

Eugene Corporation

Other related parties - the entity does not meet the definition of a related party as prescribed in Korean IFRS 1024, "Related Party Disclosures", but is a member company of a business group designates as a conglomerate in accordance with Monopoly Regulation and Fair Trade Act:

Jigu Remicon Co., Ltd., Hyun Dai Development, Eugene D Lab, Eugene Logistics Co., Ltd., Eugene Leisure Co., Ltd., Dongwha Corporation, Eugenem Co., Ltd., Nanum Lotto Co., Ltd., Eugene IT Services Co., Ltd., Eugene Private Equity Co., Ltd., Eugene SB Holdings Co., Ltd., Tongyang Inc., Cheonan Corporation, Eugene AMC LLC, Sungin Industry Co., Ltd., Dangjin Industrial Co., Ltd., Farm Development Corporation, Techsquare Co., Ltd., Eugene Smart Mobility Private Equity Fund, Cleanmedi Limited, DDS, Eugene Prydium Professional Investors Private Real Estate Master, Eugene Savings Bank Co., Ltd., Eugene Mplus, Hankuk Logistics Co., Ltd., Good And Partners Co., Ltd., Eugene Home Center Co., Ltd., Eugene Star Private Equity Fund II, SBC Linear Co., Ltd., Eugene Heracles Private Equity Fund IV, Han Seung Remicon Co., Ltd., Dong Yang Energy Co., Ltd., Hanil Synthetic Fiber Co., Ltd., Infrastructure Initiative 1st Private Equity Fund, Beijing Shuntong Ready-Mixed Concrete, PT. Hanil Indonesia, Hanil Honduras, Hanil Hong Kong, Eugene-Everbest Corporate Turnaround Private Equity Fund, Honam Ascon Co., Ltd., Nambu Co., Ltd., Isoon Remicon Co., Ltd., Eugene Enerfarm Co., Ltd., KBF Co., Ltd., BAM System Co., Ltd., Woojin Remicon Co., Ltd., CIS Co., Ltd., Beijing Tongjian Ready-Mixed Concrete, H&H Global Ltd., and KBF Global Ltd.

Associates of the Company:

AIRA Property Public Company Ltd. and Shinyoung Real Estate Trust

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

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Subsidiaries of the Company

Eugene Asset Management Co., Ltd., Eugene Investment & Futures Co., Ltd., Eugene Champion Dividend Equity Mstr Eq, Eugene Champion Global 5-STAR (*1), Eugene KOSPI Leverage ETF Split Buyer Target Convertible Securities (*1), Eugene Champion New Economy AI4.0 Securities (Stock), Eugene Champion Global Monthly Dividend ETF Securities, Eugene US VC Private Investment Trust 1, BH Easy 2nd Co., Ltd. (*1), Pantheon EJ Co., Ltd., Eugene KL 1st Co., Ltd. (*1), Hadeun 1st Co., Ltd., Champion Gohyeon Co., Ltd., NJ 6th Co., Ltd., DJ Mirae 1st Co., Ltd.

(*1) The subsidiaries were excluded from the consolidation as all of the Company's interests in the subsidiaries were redeemed.

(2) Transactions with related parties

Details of transactions with related parties for the years ended December 31, 2020 and 2019 are as follows

1) Revenues

<i>(In thousands of Korean won)</i>	Transaction	2020	2019
<i>Subsidiaries:</i>			
Eugene Asset Management Co., Ltd.	Other rental income	₩ -	42
	Fee and commission income	1,324	1,365
	Miscellaneous income	-	1,600
Eugene Investment & Futures Co., Ltd.	Other rental income	198,969	564,278
	Fee and commission income	919	1,514
	Interest income	40,669	1,597
	Miscellaneous income	-	480
Eugene Champion Dividend Equity Mstr Eq	Fee and commission income	5,118	5,658
Eugene Champion Global 5-STAR	Fee and commission income	1,560	1,515
Eugene KOSPI Leverage ETF Split Buyer Target Convertible Securities	Fee and commission income	-	5
Eugene Champion New Economy AI4.0 Securities (Stock)	Fee and commission income	15,507	13,952
Eugene Champion Global Monthly Dividend ETF Securities	Fee and commission income	144	6
Eugene US VC Private Investment Trust 1	Fee and commission income	726	-
Pantheon EJ Co., Ltd.	Fee and commission income	1,137,817	673,994
BH Easy 2nd Co., Ltd.	Fee and commission income	324,368	694,631
Eugene KL 1st Co., Ltd.	Fee and commission income	1,317,101	5,000
Champion Gohyeon Co., Ltd.	Fee and commission income	1,117,946	-
Hadeun 1st Co., Ltd.	Fee and commission income	783,752	-
NJ 6th Co., Ltd.	Fee and commission income	412,450	-
DJ Mirae 1st Co., Ltd.	Fee and commission income	131,993	-
<i>An entity that has significant influence over the Company:</i>			
Eugene Corporation	Other rental income	200,000	200,000
	Miscellaneous income	-	699
<i>Other related parties:</i>			
Eugene M Co., Ltd.	Other rental income	12,688	35,058
Eugene IT Services Co., Ltd.	Other rental income	-	1,223
Eugene Private Equity Co., Ltd.	Other rental income	51,554	142,812
	Interest income	10,338	-
	Miscellaneous income	-	480
Tongyang Inc.	Other rental income	3,320	28,011
Eugene Logistics Co., Ltd.	Other rental income	400	4,062
Eugene Savings Bank	Other rental income	-	6,332
	Miscellaneous income	-	1,280
Eugene Home Center Co., Ltd.	Other rental income	-	4,031
Good And Partners Co., Ltd.	Other rental income	-	42
Hanil Synthetic Fiber Co., Ltd.	Other rental income	-	2,298
Total		₩ 5,768,663	2,391,965

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

2) Expenses

<i>(In thousands of Korean won)</i>	Transaction	2020	2019
<i>Subsidiaries:</i>			
Eugene Asset Management Co., Ltd.	Interest expenses	₩ 109	187
Eugene Investment & Futures Co., Ltd.	Fee and commission expense	1,338,068	645,360
	Interest expenses	278	646
<i>An entity that has significant influence over the Company:</i>			
Eugene Corporation	Fee and commission expense	1,648,904	1,226,490
<i>Other related parties</i>			
Eugene D Lab	Construction costs (furniture and fixture)	610,661	35,273
Eugene M Co., Ltd.	Advertising costs and others	242,407	287,658
Korea Asset Pricing Corporation	Fee and commission expense	-	34,000
Eugene Leisure Co., Ltd.	Facility service charges	615,211	708,391
Dongwha Corporation	Facility service charges	63,298	74,844
	Other service fees	-	3,000
Tongyang Inc.	Interest expenses	1,372,206	1,020,000
	Loss on redemption of bonds issued	965,022	-
	Fee and commission expense	-	8,650
Cheonan Corporation	Rents	-	5,098,410
	Utilities	1,861,187	-
	Interest expenses	369,576	-
Eugene Home Center Co., Ltd.	Other employee benefits	145,396	76,591
	Consumables	154,461	-
Eugene AMC LLC	Other service fees	164,650	-
Hanil Synthetic Fiber Co., Ltd.	Interest expenses	59,332	-
Han Seung Remicon Co., Ltd.	Interest expenses	23,359	-
Eugene Mplus	Other advertising costs	35,017	-
Total		₩ <u>9,669,142</u>	<u>9,219,500</u>

(3) Outstanding balances with related parties

Details of outstanding balances due from or due to related parties as of December 31, 2020 and 2019 are as follows:

1) Balances due from

<i>(In thousands of Korean won)</i>	Balance	2020	2019
<i>Subsidiaries:</i>			
Eugene Investment & Futures Co., Ltd.	Receivables for brokerage (*1)	₩ 1,039,195	330,360
	Finance lease receivables	1,944,812	2,313,819
	Deposits due from others	10,472,223	12,643,091
Eugene Champion Dividend Equity Mstr Eq	Accrued fee and commission	27	19
Eugene Champion Global 5-STAR	Accrued fee and commission	-	70
Eugene Champion New Economy AI4.0 Securities (Stock)	Accrued fee and commission	4,298	3,681
Eugene Champion Global Monthly Dividend ETF Securities	Accrued fee and commission	14	-
Eugene US VC Private Investment Trust 1	Accrued fee and commission	726	-
Pantheon EJ Co., Ltd.	Receivable for financial guarantees	1,882,610	-
Hadeun 1st Co., Ltd.	Receivable for financial guarantees	1,443,273	-
Champion Gohyeon Co., Ltd.	Receivable for financial guarantees	4,498,328	-
NJ 6th Co., Ltd.	Receivable for financial guarantees	324,729	-
DJ Mirae 1st Co., Ltd.	Receivable for financial guarantees	1,437,055	-
<i>An entity that has significant influence over the Company:</i>			
Eugene Corporation	Receivable for financial guarantees	-	-
	Accounts receivable	2,742	-
<i>Other related parties:</i>			
Eugene M Co., Ltd.	Accrued income	2,314	4,701
Eugene Private Equity Co., Ltd.	Finance lease receivables	503,915	-
Tongyang Inc.	Accrued income on fees	-	5,182
Eugene IT Services Co., Ltd.	Accrued income	-	1,345
Cheonan Corporation	Leasehold deposits paid for rents	3,246,240	2,490,700
Eugene Home Center Co., Ltd.	Accrued income	-	4,434
Eugene Logistics Co., Ltd.	Accrued income	-	1,713
Good And Partners Co., Ltd.	Accrued income	-	46
Hanil Synthetic Fiber Co., Ltd.	Accrued income	-	2,528
Total		₩ <u>26,802,501</u>	<u>17,801,689</u>

(*1) Receivables due from Eugene Investment & Futures Co., Ltd. are related to futures brokerage trades.

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

2) Balances due to

<i>(In thousands of Korean won)</i>	Balance	2020	2019
<i>Subsidiaries:</i>			
Eugene Investment & Futures Co., Ltd.	Leasehold deposits received for rents	₩ 315,155	271,855
	Customers' deposits	500,463	2,301,050
	Accounts payable (*1)	412,408	170,162
	Accrued expenses	2,303	1,386
Pantheon EJ Co., Ltd.	Financial guarantees liability	1,992,042	-
Hadeun 1st Co., Ltd.	Financial guarantees liability	1,504,220	-
Champion Gohyeon Co., Ltd.	Financial guarantees liability	4,570,397	-
NJ 6th Co., Ltd.	Financial guarantees liability	362,577	-
DJ Mirae 1st Co., Ltd.	Financial guarantees liability	1,567,178	-
<i>An entity that has significant influence over the Company:</i>			
Eugene Corporation	Accounts payable	3,336	-
<i>Other related parties:</i>			
Eugene M Co., Ltd.	Accrued expenses	-	53,746
Cheonan Corporation	Lease liabilities	20,032,427	-
Eugene Leisure Co., Ltd.	Accrued expenses	-	1,188
Dongwha Corporation	Accrued expenses	990	1,420
Eugene Private Equity Co., Ltd.	Leasehold deposits received for rents	81,659	70,441
Tongyang Inc.	Subordinated bonds issued	34,000,000	20,000,000
	Accrued expenses	50,163	8,384
Han Seung Remicon Co., Ltd.	Subordinated bonds issued	1,000,000	-
	Accrued expenses	1,475	-
Total		₩ <u>66,396,793</u>	<u>22,879,632</u>

(*1) Payables due to Eugene Investment & Futures Co., Ltd. are related to futures brokerage trades.

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

(4) Financing transactions with related parties

Details of financing transactions with related parties for the years ended December 31, 2020 and 2019 are as follows:

	Transaction	2020					2019	
		Dividends paid	Dividends received	Cash investment	Lending - collection	Borrowing - repayment	Subordinated bonds issuance	Subordinated bonds issued Repayment
<i>(In thousands of Korean won)</i>								
<i>Subsidiaries:</i>								
Eugene Investment & Futures Co., Ltd.	Leases	-	-	-	369,007	-	-	-
Eugene Asset Management Co., Ltd.	Receipts of dividends	-	1,500,000	-	-	-	-	-
	Issuance of stocks	-	-	5,000,000	-	-	-	-
Eugene US VC Private Investment Trust 1	Acquisition of subsidiary	-	-	1,597,334	-	-	-	-
<i>An entity that has significant influence over the Company:</i>								
Eugene Corporation	Payments of dividends	1,848,064	-	-	-	-	-	-
<i>Other related parties:</i>								
Tongyang Inc.	Receipts of dividends	-	457,520	-	-	-	-	-
	Subordinated bonds	-	-	-	-	-	30,000,000	20,965,022
Hamil Synthetic Fiber Co., Ltd.	Subordinated bonds	-	-	-	-	-	5,000,000	-
Cheonan Corporation	Leases	-	-	-	-	3,456,491	-	-
Eugene Private Equity Co., Ltd.	Leases	-	-	-	95,613	-	-	-

In addition to the financial transactions included in the table above, the Company makes deposits to and receives deposits from Eugene Investment & Futures and Eugene Savings Bank. These financing transactions include settlement of funds, demand deposits due from and due to Eugene Investment & Futures and Eugene Savings Bank, which occur in regular way financial transactions.

	Transaction	2019	
		Dividends paid	Dividends received
<i>(In thousands of Korean won)</i>			
<i>An entity that has significant influence over the Company:</i>			
Eugene Corporation	Payments of dividends	₩ 1,584,000	-
<i>Other related parties:</i>			
Tongyang Inc.	Receipts of dividends	-	571,900

(5) Key management personnel compensation

Key management personnel compensation includes short term-benefits of ₩4,252 million and ₩4,420 million, bonuses of ₩13,544 million and ₩8,156 million, and post-retirement benefits of ₩778 million and ₩836 million for the years ended December 31, 2020 and 2019, respectively. The Company's key management personnel is comprised of executives with significant roles and responsibilities on planning, operating and controlling the Company's business activities.

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

31. Cash Flow Information

(1) Non-cash transactions

Information about material non-cash transactions for the years ended December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>		2020	2019
Gain on valuation of financial assets at FVOCI	₩	9,192,147	1,290,838
Change in fair value attributable to change in the credit risk of financial liabilities designated as being held at FVTPL		494,438	417,691

(2) Cash flows from income taxes, interest and dividends

Information about cash flows from income taxes, interest and dividends for the years ended December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>		2020	2019
Income taxes paid	₩	(34,617,221)	(21,376,911)
Interest received		132,306,753	124,158,174
Interest paid		(43,014,440)	(58,251,658)
Dividends received		8,531,864	5,474,346

(3) Reconciliation of movements in liabilities to cash flows arising from financing activities

Reconciliations of movement in liabilities to cash flows arising from financing activities for the years ended December 31, 2020 and 2019 are as follows:

		2020					
<i>(In thousands of Korean won)</i>		Balance at January 1	Changes from financing cash flows	The effect of changes in foreign exchange rates	Changes in fair value	Other changes	Balance at December 31
Call money	₩	10,000,000	110,000,000	-	-	-	120,000,000
Borrowings		2,512,385,580	319,712,277	-	-	-	2,832,097,857
Subordinated bonds issued		30,000,000	19,034,978	-	-	965,022	50,000,000
Lease liabilities		22,245,173	(5,200,936)	-	-	13,501,225	30,545,462
Dividends payable		1,391	(6,778,740)	-	-	6,778,740	1,391
Leasehold deposits received for rents		1,061,625	204,517	-	-	(45,895)	1,220,247
Total	₩	2,575,693,769	436,972,096	-	-	21,199,092	3,033,864,957

		2019					
<i>(In thousands of Korean won)</i>		Balance at January 1	Changes from financing cash flows	The effect of changes due to the adoption of Korean IFRS 1116	Changes in fair value	Other changes	Balance at December 31
Call money	₩	140,000,000	(130,000,000)	-	-	-	10,000,000
Borrowings		721,099,579	308,986,001	-	-	-	1,030,085,580
Subordinated bonds issued		30,000,000	-	-	-	-	30,000,000
Lease liabilities		-	(4,845,301)	25,420,030	-	1,670,444	22,245,173
Dividends payable		1,391	(5,810,349)	-	-	5,810,349	1,391
Leasehold deposits received for rents		1,082,786	(38,994)	-	-	17,833	1,061,625
Total	₩	892,183,756	168,291,357	25,420,030	-	7,498,626	1,093,393,769

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

32. General and Administrative Expenses

Details of general and administrative expenses for the years ended December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>		2020	2019
Salaries	₩	135,549,574	92,700,355
Post-retirement expenses		5,045,484	4,463,605
Other employee benefits		12,816,507	10,970,644
IT system operation costs		12,133,938	11,092,778
Rents		758,090	762,288
Fees and commissions		6,882,884	5,524,315
Business meals and entertainments		3,007,227	2,809,768
Advertising		6,257,881	5,807,539
Depreciation		8,503,818	7,897,485
Training		668,418	838,607
Amortization		4,123,608	4,073,502
Taxes and dues		6,611,682	5,936,125
Other general & administrative expenses		8,680,038	8,493,389
Total	₩	<u>211,039,149</u>	<u>161,370,400</u>

33. Regulatory Reserve for Credit Losses

In accordance with Article 3-8 of Regulations on Financial Investment Business, the Company provides regulatory reserve for credit losses in case that the loss allowance measured in accordance with Korean IFRS falls short of the aggregated amounts calculated in accordance with requirements in Paragraphs 1, 2 and 4 of Article 3-8 of Regulations on Financial Investment Business, for the differences.

(1) Regulatory reserve for credit losses

Details of regulatory reserve for credit losses as of December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>		2020	2019
Regulatory reserve for credit losses previously appropriated	₩	3,898,840	2,138,575
Expected provision for regulatory reserve for credit losses		9,890,970	1,760,265
Regulatory reserve for credit losses total	₩	<u>13,789,810</u>	<u>3,898,840</u>

(2) Provision for regulatory reserve for credit losses and the effects on EPS

Provision for regulatory reserve for credit losses and the effects on EPS for the years ended December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won, except EPS data)</i>		2020	2019
Expected provision for regulatory reserve for credit losses	₩	9,890,970	1,760,265
Profit for the year adjusted with provision for regulatory reserve for credit losses		70,950,271	32,002,929
Basic and diluted EPS adjusted with provision for regulatory reserve for credit losses (in won)	₩	750	330

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

34. Lease Liabilities

(1) Leases as lessee

The Company leases buildings and vehicles. Certain leases include an option to renew the lease and some leases provide provisions for increase in rent payments.

The Company subleases part of its buildings leased.

The Company leases copy machine. These leases are leases of low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

Information about leases for which the Company is a lessee is presented below.

1) Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property and equipment. (See Note 17)

		2020		
		Property and equipment		
<i>(In thousands of Korean won)</i>		Buildings	Vehicles	Total
Balance at January 1	₩	19,213,059	481,317	19,694,376
Depreciation		(5,117,584)	(372,016)	(5,489,600)
Additions		14,382,961	520,311	14,903,272
Disposals		(922,432)	(90,384)	(1,012,816)
Balance at December 31	₩	<u>27,556,004</u>	<u>539,228</u>	<u>28,095,232</u>

		2019		
		Property and equipment		
<i>(In thousands of Korean won)</i>		Buildings	Vehicles	Total
Balance at January 1	₩	21,905,214	567,092	22,472,306
Depreciation		(4,167,923)	(299,406)	(4,467,329)
Additions		1,480,140	297,337	1,777,477
Disposals		(4,372)	(83,706)	(88,078)
Balance at December 31	₩	<u>19,213,059</u>	<u>481,317</u>	<u>19,694,376</u>

2) Amounts recognized in profit or loss

<i>(In thousands of Korean won)</i>		2020	2019
Interest on lease liabilities	₩	519,420	471,501
Revenue from subleases of right-of-use assets included as 'other revenue'		319,150	322,786
Expenses related to leases of low-value assets		393,670	368,636

3) Amounts recognized in statement of cash flows

<i>(In thousands of Korean won)</i>		2020	2019
Total cash outflow for leases (*1)	₩	6,114,025	4,845,301

(*1) Total cash outflow of leases include cash paid for lease payments for principals and interest of lease liabilities and lease payments of low-value assets.

4) Extension options

Some leases of real estates contain extension options. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Company has estimated that the potential future lease payments, should it exercise the extension option, would not result in any changes in lease liabilities.

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

5) Contractual maturities of lease liabilities

<i>(In thousands of Korean won)</i>		2020	2019
Up to 1 month	₩	510,888	415,775
1-3 months		1,023,675	793,811
3-12 months		4,297,529	3,405,497
1-3 years		10,707,142	7,774,590
Over 3 years		15,716,816	11,144,830
Total	₩	<u>32,256,050</u>	<u>23,534,503</u>

(2) Leases as lessor

The Company leases out investment properties which are comprised of the Company's commercial real estates. All leases are classified as operating leases as a lessor except for subleases which are classified as finance leases.

1) Finance lease

The Company recognized interest income on finance lease receivables of ₩10,338 thousand and ₩57,944 thousand for the years ended December 31, 2020 and 2019, respectively.

The following table sets out a maturity analysis of finance lease receivables, showing the undiscounted lease payments to be received after the reporting date:

<i>(In thousands of Korean won)</i>		2020	2019
Up to 1 year	₩	478,558	464,620
1-2 years		492,915	478,558
2-3 years		507,702	492,915
3-4 years		522,934	507,702
4-5 years		446,617	522,934
Over 5 years		-	446,617
Undiscounted lease payments total		<u>2,448,726</u>	<u>2,913,346</u>
Unearned finance income		<u>(117,018)</u>	<u>(167,253)</u>
Net investment in finance leases	₩	<u>2,331,708</u>	<u>2,746,093</u>

2) Operating lease

The Company leases out investment properties. The Company has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Note 18 sets out information about the operating leases of investment properties.

Rental income recognized by the Company for the years ended December 31, 2020 and 2019 were ₩409,257 thousand and ₩493,426 thousand, respectively.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date:

<i>(In thousands of Korean won)</i>		2020	2019
Up to 1 year	₩	338,627	416,667
1-2 years		160,660	127,244
2-3 years		-	-
Total	₩	<u>499,287</u>	<u>543,911</u>

EUGENE INVESTMENT & SECURITIES CO., LTD.

Notes to the Financial Statements (Continued)

For the years ended December 31, 2020 and 2019

35. Uncertainties in Economic Environments

Due to the spread of Coronavirus disease 2019 (“COVID-19”) from early 2020, the global and domestic economies are facing difficulties in economic environments and uncertainties arising from a prolonged pandemic situation. Financial investment companies have characteristics of responding to global and domestic economic status and various variables with higher degree of sensitivity. Trade volumes were the primary variable in the past with a business structure focused on simple brokerages on investments, however, various external elements including interest rates, foreign exchange equity indices in global markets, and global and domestic real estate markets are acting as primary variables to performances of financial investment companies. Especially, the spread of COVID-19 could result in further economic recession. As such, the increased volatility in global and domestic economic status resulting from significant changes in stock markets and uncertainties in monetary policies of major developed economies could lead to decline in liquidity and increasing the risk of fund withdrawals and hurt investors’ confidence and have negative impact on overall business performances and profitability of financial investment business as a whole. However, the ultimate impact of overall difficulties in economic status as discussed above on the financial position and the financial performance of the Company is currently unable to be determined and such impact is not reflected in the financial statements of the Company.

Independent Auditor's Report on Internal Control over Financial Reporting

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
Eugene Investment & Securities Co., Ltd.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Eugene Investment & Securities Co., Ltd. (the "Company") as at December 31, 2020, based on the criteria established in *Conceptual Framework for Design and Operation of Internal Control over Financial Reporting*.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as at December 31, 2020, based on the criteria established in *Conceptual Framework for Design and Operation of Internal Control over Financial Reporting*.

We also have audited the financial statements of Eugene Investment & Securities Co., Ltd. (the "Company"), which comprise the statement of financial position as at December 31, 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and our report dated March 16, 2021 expressed an unqualified opinion.

Basis for Opinion on Internal Control over Financial Reporting

We conducted our audit in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Internal Control over Financial Reporting* section of our report. We are independent of the Company in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the internal control over financial reporting and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and Those Charged with Governance for Internal Control over Financial Reporting

Management is responsible for the designing, implementing and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on the Effectiveness of Internal Control over Financial Reporting.

Those charged with governance are responsible for overseeing the Company's internal control over financial reporting.

Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting

Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We conducted our audit in accordance with Korean Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

An audit of internal control over financial reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgement, including the assessment of the risk that a material weakness exists. An audit includes obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting on the assessed risk.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS"). An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with Korean IFRS, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and the board of directors of the entity; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The engagement partner on the audit resulting in this independent auditor's report is SooYeon Jeong, Certified Public Accountant.

The image shows the signature of Samil PricewaterhouseCoopers in a cursive, handwritten style.

Seoul, Korea

March 16, 2021

This report is effective as of March 16, 2021, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the Company's internal control over financial reporting thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Management's Report on the Effectiveness of Internal Control over Financial Reporting

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors, the Audit Committee and Shareholders of Eugene Investment & Securities Co., Ltd.

We, as the Chief Executive Officer and the Internal Control over Financial Reporting Officer of Eugene Investment & Securities Co., Ltd. (the "Company"), assessed the effectiveness of the design and operation of the Company's internal control over financial reporting for the year ended December 31, 2020.

The Company's management, including ourselves, is responsible for designing and operating the internal control over financial reporting.

We assessed design and operating effectiveness of the Company's internal control over financial reporting in the prevention and detection of an error or fraud which may cause material misstatements in the preparation and disclosure of reliable financial statements.

We designed and operated the internal control over financial reporting in accordance with *Conceptual Framework for Design and Operation of Internal Control over Financial Reporting*, established by the Operating Committee of Internal Control over Financial Reporting in the Republic of Korea (the "Committee"). And, we conducted an evaluation of the internal control over financial reporting based on *Best Practice Guideline for Evaluating and Reporting Effectiveness of Internal Control over Financial Reporting*, established by the Committee.

Based on the assessment results, we believe that the Company's internal control over financial reporting, as at December 31, 2020, is designed and operating effectively, in all material respects, in accordance with *Conceptual Framework for Design and Operation of Internal Control over Financial Reporting*.

We certify that this report does not contain any untrue statement of a fact, or omit to state a fact, necessary to be presented herein. We also certify that this report does not contain or present any statement which cause material misunderstandings, and we have reviewed and verified this report with sufficient due care.

February 2, 2021

/s/ Chang-Su Rue

Chang-Su Rue
Chief Executive Officer

/s/ Kyeong-Mo Koh

Kyeong-Mo Koh
Internal Control over Financial Reporting Officer