

**EUGENE INVESTMENT & SECURITIES CO., LTD.
AND SUBSIDIARIES**

Consolidated Financial Statements

December 31, 2021 and 2020

(With Independent Auditor's Report Thereon)

EUGENE INVESTMENTS & SECURITIES CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

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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 consolidated financial statements of Eugene Investment & Securities Co., Ltd. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS").

Basis for Opinion

We conducted our audits 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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the consolidated 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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 Group recognized fee and commission income from underwriting, financial advisory, asset management and commitments, which are arising from non-standard transactions, in the amount of ₩34,134 million, ₩48,669 million, ₩3,963 million and ₩16,297 million, respectively, in the consolidated statement of comprehensive income for the year ended December 31, 2021. We determined this matter as a key audit matter because 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 Group 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 7, the Group's derivatives and derivative-linked securities subject to Level 3 fair value measurements amount to derivative assets of ₩6,506 million and derivative liabilities of ₩5,065 million as well as financial assets at fair value through profit or loss (FVTPL) of ₩24,076 million and financial liabilities designated as being held at FVTPL of ₩716,641 million as of December 31, 2021.

We determined this matter as a key audit matter because the derivatives and derivative-linked securities classified as Level 3 fair value measurements require, complicated valuation techniques, inputs and assumptions involve with the 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 Group that management examines whether underlying information of the derivatives transactions including the notional principal amounts, interest rates and maturities, is accurately reflected to the Group'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 Group 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 38 to the consolidated financial statements of the Group. Note 38 to the consolidated financial statements describes that management considers the potential impact and the uncertainty arising from Coronavirus Disease-19 ("Covid-19") on the Group's financial position and its financial performance.

Other Matter

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 consolidated 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 15, 2022

This report is effective as of March 15, 2022, 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 consolidated 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. AND SUBSIDIARIES

Consolidated Statements of Financial Position

As of December 31, 2021 and 2020

<i>(In thousands of Korean won)</i>	Notes	2021	2020
Assets			
Cash and deposits	9,11		
Cash and cash equivalents		₩ 434,876,944	443,763,178
Deposits due from others		685,979,377	648,787,933
		<u>1,120,856,321</u>	<u>1,092,551,111</u>
Financial assets at fair value through profit or loss	6,7,9,12,36	5,466,815,048	6,019,645,366
Financial assets at fair value through other comprehensive income	7,9,13		
Stocks	15	202,966,136	176,781,880
Overseas stocks		2,368,822	1,754,529
		<u>205,334,958</u>	<u>178,536,409</u>
Investments in associates	16		
Associates		46,603,509	14,295,604
Derivative assets	6,7,9		
Stock warrants	17	-	835,739
Exchange-traded options bought		766,649	724,634
Over-the-counter derivative assets	17	26,066,445	16,089,550
		<u>26,833,094</u>	<u>17,649,923</u>
Loans and receivables at amortized cost	6,7,9		
Broker's loans, net	18	797,111,950	738,786,676
Securities purchased under agreements to resell		108,100,000	25,400,000
Loans, net	26	4,315,913	3,257,379
Loans purchased, net		59,864,826	56,335,463
Advances for customers, net	26	-	18,162
Other loans and receivables, net		109,239,959	140,583,172
		<u>1,078,632,648</u>	<u>964,380,852</u>
Property and equipment	19,21		
Land		10,201,674	10,527,308
Buildings, net		7,010,595	7,747,504
Vehicles, net		172,094	17,548
Furniture and equipment, net		11,062,478	12,446,826
Right-of-use assets, net		79,605,816	34,197,441
		<u>108,052,657</u>	<u>64,936,627</u>
Other assets			
Receivables for brokerage, net	9	2,651,581	5,621,677
Other receivables, net	9	886,762,080	1,486,693,175
Accrued income, net	9,32	49,894,643	52,431,945
Advance payments		116,392,752	116,720,888
Prepaid expenses		7,080,420	5,234,186
Income tax receivable		-	2,685,680
Leasehold deposits paid for rents	9,32	8,717,913	9,338,967
Investment properties	20	17,892,633	17,188,113
Other investment assets	9	2,046,800	126,000
Intangible assets	22	30,507,924	28,423,305
Finance lease receivables	37	389,975	479,834
		<u>1,122,336,721</u>	<u>1,724,943,770</u>
Total assets		₩ 9,175,464,956	10,076,939,662

EUGENE INVESTMENT & SECURITIES CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Financial Position (Continued)

As of December 31, 2021 and 2020

<i>(In thousands of Korean won)</i>	Notes	2021	2020
Liabilities			
Deposits	9		
Customers' deposits		₩ 1,264,097,284	1,558,120,005
Guarantee deposits		6,590,809	5,709,229
Other deposits		2,593,544	2,096,214
		<u>1,273,281,637</u>	<u>1,565,925,448</u>
Financial liabilities at fair value through profit or loss	6,7,9,12		
Financial liabilities measured at fair value through profit or loss		1,188,214,835	1,544,320,758
Financial liabilities designated as being held at fair value through profit or loss		791,682,629	623,863,464
		<u>1,979,897,464</u>	<u>2,168,184,222</u>
Borrowed funds	9		
Call money	23,33	100,000,000	120,000,000
Borrowings	23,33	1,575,225,651	1,438,878,329
Securities sold under agreements to repurchase	23	2,108,862,357	2,355,308,891
Subordinated bonds issued, net	33	50,000,000	50,000,000
Share capital repayable on demand		21,643,801	11,345,032
		<u>3,855,731,809</u>	<u>3,975,532,252</u>
Derivative liabilities	6,7,9,17		
Exchange-traded options sold		1,016,625	732,356
Over-the-counter derivative liabilities		31,223,787	20,719,681
		<u>32,240,412</u>	<u>21,452,037</u>
Other liabilities			
Provisions	27	16,513,264	16,623,257
Dividends payable	9	1,391	1,391
Accounts payable	9,32	793,959,870	1,280,220,171
Accrued expenses	9,32	97,504,209	94,388,888
Income tax payable	30	8,388,878	-
Leasehold deposits received for rents	9,32,33	885,666	905,092
Unearned revenue		5,842,959	3,388,048
Taxes withheld	9	8,616,077	4,519,572
Deferred tax liabilities	30	30,927,804	21,835,264
Financial guarantees	27	32,364,569	24,199,722
Lease liabilities	9,33,37	78,497,806	34,564,669
		<u>1,073,502,493</u>	<u>1,480,646,074</u>
Total liabilities		₩ <u>8,214,653,815</u>	<u>9,211,740,033</u>

EUGENE INVESTMENT & SECURITIES CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Financial Position (Continued)

As of December 31, 2021 and 2020

<i>(In thousands of Korean won)</i>	Notes	2021	2020
Equity			
Share capital	28		
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)	(5,682,926)
Others		(42,402)	(42,402)
		<u>(5,725,328)</u>	<u>(5,725,328)</u>
Accumulated other comprehensive income			
Gain on valuation of financial assets			
at fair value through other comprehensive income	13	113,111,459	96,360,432
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	12	1,608,262	1,225,787
Share of other comprehensive income of associates		(200,636)	381,329
		<u>114,519,085</u>	<u>97,967,548</u>
Retained earnings			
Earned surplus reserve		2,384,979	1,258,909
Regulatory reserve for credit losses	35	13,955,695	4,142,559
(Provision for regulatory reserve for credit losses; ₩597,141 thousand and ₩9,813,136 thousand as of December 31, 2021 and 2020, respectively)			
Voluntary reserves		2,000,000	2,000,000
Retained earnings before appropriation		294,757,189	226,636,420
		<u>313,097,863</u>	<u>234,037,888</u>
Total equity		<u>960,811,141</u>	<u>865,199,629</u>
Total liabilities and equity		₩ <u>9,175,464,956</u>	<u>10,076,939,662</u>

See accompanying notes to the consolidated financial statements

EUGENE INVESTMENT & SECURITIES CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

<i>(In thousands of Korean won)</i>	Notes	2021	2020
Operating revenue			
Fee and commission income	32		
Brokerage		₩ 83,939,302	82,715,840
Underwriting		34,134,434	27,923,540
Brokerage on collective investment securities		10,330,042	6,036,307
Derivative-linked securities sales		1,521,475	615,357
Financial advisory		48,668,559	38,170,720
Asset management		3,962,739	7,705,246
Commitment		16,297,163	10,998,345
Others		85,276,932	62,002,440
		<u>284,130,646</u>	<u>236,167,795</u>
Gain on disposal and valuation of financial instruments at fair value through profit or loss	10,12		
Gain on disposal of financial assets		275,577,696	537,301,682
Gain on valuation of financial assets		38,114,969	65,408,739
Gain on redemption of financial liabilities		145,674,630	71,324,217
Gain on valuation of financial liabilities		25,831,752	27,541,041
Gain on redemption of financial liabilities designated as being held at fair value through profit or loss		1,917,864	405,781
Gain on valuation of financial liabilities designated as being held at fair value through profit or loss		17,197,471	14,252,750
		<u>504,314,382</u>	<u>716,234,210</u>
Gain on derivatives transactions	10		
Gain on futures transactions		120,830,470	162,253,261
Gain on exchange-traded options transactions		154,974,989	93,878,473
Gain on over-the-counter derivatives transactions		91,554,599	85,594,204
		<u>367,360,058</u>	<u>341,725,938</u>
Interest income	10,32		
Interest on margin loans		28,501,057	19,397,977
Interest on loans		17,496,695	15,344,360
Interest on bonds		84,749,583	88,993,220
Interest on corporate commercial papers		3,527,259	5,744,504
Interest on deposits at Korea Securities Finance Corp.		602,118	607,072
Interest on certificate of deposits		151,792	1,405,951
Interest on securities purchased under agreements to resell		185,342	291,377
Interest on electronic short-term bonds		628,885	1,193,054
Other interest income		30,388,620	18,955,360
		<u>166,231,351</u>	<u>151,932,875</u>
Gain on loans and receivables at amortized cost	10		
Gain on sale of loans		-	3,765,619
Gain on foreign currencies	10		
Gain on foreign currency transactions		11,345,393	10,427,011
Gain on foreign currency translation		17,981,133	1,624,904
		<u>29,326,526</u>	<u>12,051,915</u>
Other operating income			
Dividend income	10	16,138,929	5,067,971
Distribution income	10	1,395,016	2,538,901
Reversal of allowance for payment guarantees provided	27	50,926	-
Reversal of allowance for asset retirement obligations	27	106,258	159,435
Others		1,693,846	966,398
		<u>19,384,975</u>	<u>8,732,705</u>
Total operating revenue		₩ <u>1,370,747,938</u>	<u>1,470,611,057</u>

EUGENE INVESTMENT & SECURITIES CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Continued)

For the years ended December 31, 2021 and 2020

<i>(In thousands of Korean won)</i>	Notes	2021	2020
Operating expenses			
Fee and commission expense	32		
Trading commissions		₩ 21,871,876	22,020,377
Other fees and commissions		33,791,514	13,300,662
		<u>55,663,390</u>	<u>35,321,039</u>
Loss on disposal and valuation of financial instruments at fair value through profit or loss	10,12		
Loss on disposal of financial assets		308,939,133	312,456,870
Loss on valuation of financial assets		99,012,639	60,628,122
Loss on redemption of financial liabilities		104,998,409	113,759,600
Loss on valuation of financial liabilities		5,335,273	33,190,842
Loss on redemption of financial liabilities designated as being held at fair value through profit or loss		15,050,750	16,119,264
Loss on valuation of financial liabilities designated as being held at fair value through profit or loss		14,136,949	15,353,485
		<u>547,473,153</u>	<u>551,508,183</u>
Loss on derivatives transactions	10		
Loss on futures transactions		101,262,032	300,488,582
Loss on exchange-traded options transactions		140,895,665	88,664,135
Loss on over-the-counter derivatives transactions		77,748,906	65,942,440
		<u>319,906,603</u>	<u>455,095,157</u>
Interest expenses	10,32		
Interest on borrowings from Korea Securities Finance Corp.		8,681,475	8,468,109
Interest on customers' deposits		1,043,368	1,437,962
Interest on securities sold under agreements to repurchase		16,212,867	18,269,095
Interest on call money		542,772	809,048
Interest on subordinated bonds issued		2,310,000	2,138,618
Other interest expenses		26,515,186	17,394,925
		<u>55,305,668</u>	<u>48,517,757</u>
Loss on loans and receivables at amortized cost	10		
Provision for credit losses on loans and receivables		12,483,373	833,890
Loss on foreign currencies	10		
Loss on foreign currency transactions		9,440,747	9,585,208
Loss on foreign currency translation		1,739,726	10,583,078
		<u>11,180,473</u>	<u>20,168,286</u>
General and administrative expenses	32,34	250,867,702	242,190,214
Other operating expenses			
Provision for credit losses on other assets		209,233	1,013,367
Provision for payment guarantees provided	27	-	1,259,211
Provision for litigation liabilities	27	241,475	12,869,802
Provision for asset retirement obligations	27	54,583	52,348
Others		336,376	475,795
		<u>841,667</u>	<u>15,670,523</u>
Total operating expenses		₩ <u>1,253,722,029</u>	<u>1,369,305,049</u>

EUGENE INVESTMENT & SECURITIES CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Continued)

For the years ended December 31, 2021 and 2020

<i>(In thousands of Korean won)</i>	Notes	2021	2020
Operating profit		₩ 117,025,909	101,306,008
Non-operating income			
Gain on disposal of property and equipment		13,727	2,974
Gain on disposal of intangible assets		-	182,500
Rental income	32	920,675	751,862
Share of net income of associates under the equity method		3,884,327	183,442
Reversal of impairment loss on intangible assets		699,087	810,208
Miscellaneous income	32	837,414	797,393
Total non-operating income		6,355,230	2,728,379
Non-operating expenses			
Loss on disposal of property and equipment		26,543	165,494
Loss on disposal of intangible assets		450,000	27,485
Impairment loss on intangible assets		-	56,667
Donations		793,933	1,028,517
Loss on redemption of bonds issued		-	965,022
Depreciation of investment properties		153,288	125,008
Share of net loss of associates under the equity method		413,581	223,482
Miscellaneous expenses		408,580	556,262
Total non-operating expenses		2,245,925	3,147,937
Profit before income tax		121,135,214	100,886,450
Income tax expense	30	30,449,505	25,483,425
Profit for the year	35	₩ 90,685,709	75,403,025
<i>(Adjusted profit for the year with provision for regulatory credit losses; ₩90,088,568 thousand and ₩65,589,888 thousand for the years ended December 31, 2021 and 2020, respectively)</i>			
Profit attributable to owners of the Parent Company		₩ 90,685,709	75,403,025
Other comprehensive income, net of tax	13		
<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	10	₩ 16,751,027	11,573,361
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	10	382,475	494,438
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Share of other comprehensive income of associates		(581,965)	381,328
Total other comprehensive income for the year, net of tax		16,551,537	12,449,127
Total comprehensive income for the year		₩ 107,237,246	87,852,152
Total comprehensive income attributable to owners of the Parent Company		₩ 107,237,246	87,852,152
Earnings per share (in Korean won)	31		
Basic earnings per share		₩ 966	797
Diluted earnings per share		₩ 966	797

See accompanying notes to the consolidated financial statements

EUGENE INVESTMENT & SECURITIES CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

<i>(In thousands of Korean won)</i>		Share capital	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total equity
Balance at January 1, 2020	₩	537,592,090	1,327,431	(341,517)	85,518,421	165,471,872	789,568,297
Profit for the year		-	-	-	-	75,403,025	75,403,025
Gain on valuation of financial assets at fair value through other comprehensive income		-	-	-	11,573,361	-	11,573,361
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)
Share of other comprehensive income of associates		-	-	-	381,328	-	381,328
Share of change in retained earnings of associates		-	-	-	-	(58,269)	(58,269)
Dividends paid		-	-	-	-	(6,778,740)	(6,778,740)
Balance at December 31, 2020	₩	<u>537,592,090</u>	<u>1,327,431</u>	<u>(5,725,328)</u>	<u>97,967,548</u>	<u>234,037,888</u>	<u>865,199,629</u>
Balance at January 1, 2021	₩	537,592,090	1,327,431	(5,725,328)	97,967,548	234,037,888	865,199,629
Profit for the year		-	-	-	-	90,685,709	90,685,709
Gain on valuation of financial assets at fair value through other comprehensive income		-	-	-	16,751,027	-	16,751,027
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		-	-	-	382,475	-	382,475
Share of other comprehensive income of associates		-	-	-	(581,965)	-	(581,965)
Other		-	-	-	-	(365,037)	(365,037)
Dividends paid		-	-	-	-	(11,260,697)	(11,260,697)
Balance at December 31, 2021	₩	<u>537,592,090</u>	<u>1,327,431</u>	<u>(5,725,328)</u>	<u>114,519,085</u>	<u>313,097,863</u>	<u>960,811,141</u>

See accompanying notes to the consolidated financial statements

EUGENE INVESTMENT & SECURITIES CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020

<i>(In thousands of Korean won)</i>		2021	2020
Cash flows from operating activities			
Profit for the year	₩	90,685,709	75,403,025
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		(38,114,969)	(65,408,739)
Gain on valuation of financial liabilities			
measured at fair value through profit or loss		(25,831,752)	(27,541,041)
Gain on valuation of financial liabilities designated			
as being held at fair value through profit or loss		(17,197,471)	(14,252,750)
Gain on disposal of securities at fair value through profit or loss		(4,831,514)	(3,011,299)
Gain on derivatives transactions		(63,360,415)	(25,681,690)
Interest income		(166,231,351)	(151,932,875)
Gain on foreign currency translation		(17,981,133)	(1,624,904)
Dividends and distribution income		(17,533,945)	(7,606,872)
Financial guarantee fee income		(13,342,993)	(5,716,070)
Reversal of allowance for payment guarantees provided		(50,926)	-
Reversal of allowance for asset retirement obligations		(106,258)	(159,435)
Gain on disposal of property and equipment		(13,727)	(2,974)
Gain on disposal of Intangible assets		-	(182,500)
Reversal of impairment loss on intangible assets		(699,087)	(810,208)
Share of net income of associates under the equity method		(3,884,327)	(183,442)
Loss on valuation of financial assets at fair value through profit or loss		99,012,639	60,628,122
Loss on valuation of financial liabilities			
measured at fair value through profit or loss		5,335,273	33,190,842
Loss on valuation of financial liabilities designated			
as being held at fair value through profit or loss		14,136,949	15,353,485
Loss on disposal of securities at fair value through profit or loss		377,717	2,695,133
Loss on derivatives transactions		48,708,387	20,635,277
Interest expenses		55,305,668	48,517,756
Loss on foreign currency translation		1,739,726	10,583,078
Depreciation		16,778,868	10,511,300
Amortization of intangible assets		4,709,352	4,753,832
Provision for credit losses on loans and receivables		12,483,373	833,890
Provision for credit losses on other assets		209,233	1,013,367
Provision for payment guarantees provided		-	1,259,211
Share of net loss of associates under the equity method		413,581	223,482
Provision for asset retirement obligations		54,583	52,348
Loss on disposal of property and equipment		26,543	165,494
Loss on disposal of intangible assets		450,000	27,485
Impairment loss on intangible assets		-	56,667
Loss on redemption of bonds issued		-	965,022
Depreciation of investment properties		153,288	125,008
Provision for litigation liabilities		241,475	12,869,802
Income tax expense		30,449,505	25,483,425
	₩	(78,593,708)	(54,170,773)

EUGENE INVESTMENT & SECURITIES CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

For the years ended December 31, 2021 and 2020

(In thousands of Korean won)

	2021	2020
Cash flows from operating activities		
Changes in operating assets and liabilities		
Deposits	₩ (25,597,710)	(310,178,398)
Financial assets at fair value through profit or loss	499,390,672	(552,540,412)
Collective funds at Korea Exchange for default losses	1,465,357	(3,906,769)
Derivative assets	53,149,958	27,219,283
Broker's loans	(58,952,552)	(223,557,782)
Securities purchased under agreements to resell	(82,700,000)	(25,400,000)
Loans	(1,188,573)	(2,022,065)
Loans purchased	-	3,938,683
Advances for customers	(347,169)	(3,626,522)
Other loans and receivables	21,500,000	(82,546,432)
Receivables for brokerage	4,532,568	(2,439,540)
Other receivables	619,538,967	(902,362,972)
Accrued income	(2,650,609)	(2,254,686)
Advance payments	(598,602)	(14,363,033)
Prepaid expenses	444,348	(336,811)
Prepaid income taxes	(124,518)	-
Finance lease receivables	98,481	95,613
Other assets	(169,915)	(2,843)
Customers' deposits	(293,901,426)	864,904,577
Guarantee deposits	881,580	2,721,848
Other deposits	375,864	595,083
Financial liabilities measured at fair value through profit or loss	(335,609,444)	79,339,370
Financial liabilities designated as being held at fair value through profit or loss	171,358,472	68,713,987
Securities sold under agreements to repurchase	5,453,466	11,606,200
Derivative liabilities	(37,702,661)	(96,165,934)
Accounts payable	(486,250,578)	732,353,240
Accrued expenses	3,067,023	34,735,241
Unearned revenue	2,461,698	(503,222)
Taxes withheld	4,096,505	460,010
Provisions	(241,475)	(2,194,726)
	<u>61,779,727</u>	<u>(397,719,012)</u>
Income taxes paid	(13,727,660)	(37,741,521)
Interest received	161,401,918	140,329,824
Interest paid	(54,562,523)	(45,880,477)
Dividends received	17,541,972	7,571,573
Net cash inflow (outflow) from operating activities	₩ <u>184,525,435</u>	<u>(312,207,361)</u>

EUGENE INVESTMENT & SECURITIES CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

For the years ended December 31, 2021 and 2020

(In thousands of Korean won)

	2021	2020
Cash flows from investing activities		
Proceeds from securities at amortized cost	₩ -	6,000,000
Proceeds from disposal of subsidiaries, net of cash disposed of	-	2,148,719
Proceeds from disposal of vehicles	7,660	1,200
Proceeds from disposal of furniture and equipment	6,490	3,781
Proceeds from collection of leasehold deposits paid	1,564,241	3,646,765
Proceeds from disposal of intangible assets	454,200	906,065
Proceeds from disposal of other investment assets	2,000	40,000
Payments for acquisition of securities at fair value through other comprehensive income	(6,503,742)	(2,766,069)
Payments for acquisition of investments in associates	(29,489,435)	-
Payments for acquisition of vehicles	(196,676)	-
Payments for acquisition of furniture and equipment	(2,987,837)	(6,851,867)
Payments for acquisition of right-of-use assets	-	(1,175,994)
Payments for leasehold deposits paid	(639,804)	(3,016,032)
Payments for acquisition of other investment assets	(1,922,800)	(101,000)
Payments for acquisition of intangible assets	(6,931,962)	(2,272,053)
Net cash outflow from investing activities	(46,637,665)	(3,436,485)
Cash flows from financing activities		
Increase in share capital repayable on demand	12,901,910	4,787,787
Increase in call money	-	110,000,000
Proceeds from borrowings	1,112,000,000	1,103,061,194
Proceeds from issuance of subordinated bonds	-	40,000,000
Increase in leasehold deposits received for rents	30,000	161,219
Decrease in share capital repayable on demand	-	(2,148,719)
Decrease in call money	(20,000,000)	-
Repayments of principal of borrowings	(1,227,552,679)	(718,000,000)
Repayments of principal of subordinated bonds issued	-	(20,965,022)
Decrease in leasehold deposits received for rents	(60,000)	-
Purchase of treasury shares	-	(5,383,811)
Dividends paid to shareholders	(11,260,697)	(6,778,740)
Repayments of lease liabilities	(12,722,249)	(5,578,798)
Net cash inflow (outflow) from financing activities	(146,663,715)	499,155,110
Net decrease in cash and cash equivalents from changes in subsidiaries included in the consolidated financial statements	(110,289)	(122,765)
Net increase (decrease) in cash and cash equivalents	(8,886,234)	183,388,499
Cash and cash equivalents at January 1	443,763,178	260,374,679
Cash and cash equivalents at December 31	₩ 434,876,944	443,763,178

See accompanying notes to the consolidated financial statements

EUGENE INVESTMENT & SECURITIES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

1. Reporting Entity

Eugene Investment & Securities Co., Ltd. (the "Parent 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 Parent Company's shares have been listed on the Korea Exchange since August 1987 and as of December 31, 2021, its total capital stock amounts to ₩537,592 million.

The Parent Company's major stockholders consist of Eugene Corporation and its related parties, who collectively own 28.26% of interest in the Company.

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

The consolidated financial statements comprise the Parent Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The list of subsidiaries as of December 31, 2021 and 2020 are disclosed in Note 5.

2. Basis of Accounting

2.1 Statement of compliance

The Group 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 consolidated 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 Group's financial position, financial performance or cash flows, is not presented in the accompanying consolidated financial statements.

The consolidated 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.

The consolidated financial statements were authorized for issue by the Board of Directors on March 7, 2022, which will be submitted for approval at the shareholders' meeting to be held on March 24, 2022.

2.2 Basis of measurement

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

2.4 Use of estimates and judgments

The preparation of the consolidated 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. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2021 and 2020

(1) Critical judgments

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

- Note 5 – Consolidation: whether the Group has de facto control over an investee

(2) 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 6 – Loss allowance : maximum exposure to credit risks and impairment of financial instruments; and
- Note 27 – Measurement of defined benefit obligations: key actuarial assumptions

(3) Measurement of fair value

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Group 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 Group 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 Group 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 7 – Fair value of financial instruments.

3. Changes in Accounting Policies and Disclosures

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2021.

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

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. A lessee that makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying this Standard if the change were not a lease modification. The amendment does not have a significant impact on the financial statements.

EUGENE INVESTMENT & SECURITIES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2021 and 2020

- (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 (Phase 2 amendments)

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 impact of the amendment on the financial statement is summarized as below:

<i>(In thousands of Korean won)</i>	Carrying amount (*1)		Subject to transition to alternative benchmark rate	
	Assets	Liabilities	Assets	Liabilities
Financial assets at fair value through profit and loss	₩ 41,735,323	-	41,735,323	-
Assets and liabilities for USD LIBOR exposure	41,735,323	-	41,735,323	-

(*1) Includes financial instruments which will expire prior to transitioning to an alternative benchmark rate.

The following new accounting standards and interpretations have been published that are not mandatory for December 31, 2021 reporting periods and have not been early adopted by the Group.

- (1) Amendment to Korean IFRS 1116 *Leases* - COVID-19 Related Rent Concessions beyond June 30, 2021

The application of the 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, is extended to lease payments originally due on or before June 30, 2022. The amendment should be applied for annual periods beginning on or after April 1, 2021, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

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

The amendments update a reference of definition of assets and liabilities to be recognized in a business combination 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 clarify 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 Group does not expect that these amendments have a significant impact on the financial statements.

- (3) 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 is permitted. The Group is in review for the impact of these amendments on the financial statements.

- (4) 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 Group does not expect that these amendments have a significant impact on the financial statements.

EUGENE INVESTMENT & SECURITIES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2021 and 2020

(5) 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 is permitted. The Group is in review for the impact of these amendments on the financial statements.

(6) New Standard: Korean IFRS 1117 *Insurance Contracts*

Korean IFRS 1117, *Insurance Contracts* replaces Korean IFRS 1104, *Insurance Contracts*. This Standard estimates future cash flows of an insurance contract and measures insurance liabilities using discount rates applied with assumptions and risks at the measurement date. The entity recognizes insurance revenue on an accrual basis including services (insurance coverage) provided to the policyholder by each annual period. In addition, investment components (Refunds due to termination/maturity) repaid to a policyholder even if an insured event does not occur, are excluded from insurance revenue, and insurance financial income or expense and the investment income or expense are presented separately to enable users of the information to understand the sources of income or expenses. This Standard should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted for entities that applied Korean IFRS 1109, *Financial Instruments*. The Group is in review for the impact of this new standard on the financial statements.

(7) Korean IFRS 1001 *Presentation of Financial Statements* – Disclosure of Accounting Policies

The amendments to Korean IFRS 1001 define and require entities to disclose their material accounting policies. The IASB amended IFRS Practice Statement 2, *Disclosure of Accounting Policies* to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group is in review for the impact of these amendments on the financial statements.

(8) Korean IFRS 1008 *Accounting policies, changes in accounting estimates and errors* – Definition of Accounting Estimates

The amendments define accounting estimates and clarify how to distinguish them from changes in accounting policies. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

(9) Korean IFRS 1012 *Income Taxes* – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments include an additional condition to the exemption to initial recognition of an asset or liability that a transaction does not give rise to equal taxable and deductible temporary differences at the time of the transaction. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

(10) 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 is permitted. The Group 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

EUGENE INVESTMENT & SECURITIES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2021 and 2020

4. Significant Accounting Policies

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

Certain amount in the comparative consolidated comprehensive income statement for the year ended December 31, 2019 had changed its presentation and classification to reflect changes in the standard related to the presentation method of consolidated other comprehensive income items.

4.1. Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's chief operating decision maker ("CODM") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group has six operating segments as described in Note 8, and each segment is a strategic operating unit for the Group. Each strategic operating unit provides different services and they are being operated separately as skills and marketing strategies vary among operating units.

Segment results that are reported to the Group's Chief Executive Officer (being the CODM) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Group's headquarters), head office expenses, and income tax assets and liabilities.

4.2. Basis of consolidation

(1) Non-controlling interests ("NCI")

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(2) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(3) Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(4) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and comprehensive income ("OCI") of equity-accounted investees, until the date on which significant influence.

(5) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated.

EUGENE INVESTMENT & SECURITIES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2021 and 2020

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

4.4. Non-derivative financial assets

(1) Recognition and initial measurement

Financial instruments and financial liabilities are recognized only when the Group 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 Group 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 Group has transferred substantially all the risks and rewards of ownership.

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

(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 Group changes its business model for managing financial assets, it shall reclassify all affected financial assets at the first day of the Group'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 Group 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 Group 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.

EUGENE INVESTMENT & SECURITIES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2021 and 2020

(3) Business model

The Group 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 Group 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.

To assess this, the Group 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.

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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 Group 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 Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

When the Group 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 Group 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.

4.5. 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.

4.6. 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.

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4.7. Impairment of financial assets

(1) Financial instruments and contract assets

The Group 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 Group 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 Group 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 Group's historical experience and informed credit assessment and including forward-looking information. The Group 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 Group is exposed to credit risk.

(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 Group 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 Group 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 Group, which the Group 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. For retail customers, based on past experiences in recoveries of similar assets, the Group writes off the carrying amounts when a financial asset is overdue 180 days or more. For corporate customers, the Group evaluates whether there is reasonable expectation of recovery to determine the timing and the amounts to write off on an individual basis. The Group 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 Group's procedures for recovery of amounts due.

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4.8. 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 Group'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.

4.9. 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 Group intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.

(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.

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4.10. 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 Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

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.

4.11. Impairment of non-financial assets

At each reporting date, the Group 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 Group estimates the recoverable amount of an individual asset, if it is impossible to measure the individual recoverable amount of an asset, then the Group estimates the recoverable amount of 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.

4.12. Lease

(1) The Group as a lessee

At commencement or on modification of a contract that contains a lease component, the Group 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 Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group 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 Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group 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 Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group 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.

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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 Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group 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 Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group 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 Group 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.

Short-term lease and leases of low-value assets

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases that have a lease term of 12 months or less, including leases of IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group 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 Group 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 Group 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.

(2) The Group as a lessor

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

When the Group 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 Group 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 Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group 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 the head lease is a short-term lease that the Group, as a lessee, has accounted for applying the exemption provision, the sub-lease shall be classified as an operating lease.

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

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

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

The Group classified certain sublease contracts entered into during the year ended December 31, 2021 as finance leases.

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4.13. 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 consolidated financial statements when the Group 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 Group removes a financial liability from its consolidated statement of financial position only when it is extinguished – i.e. when its contractual obligations are discharged, cancelled or expired.

The Group 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.

4.14. 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 Group operates defined contribution plans. When an employee has rendered service to the Group during a period, the Group recognizes the contribution payable to a defined contribution plan in exchange for that service as an expense unless the contribution is included in the cost of an asset. The Group 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 Group recognizes that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

4.15. Provisions

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

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

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.

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

4.16. Securities sold under agreements to repurchase

When the Group 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”.

4.17. Foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of the Group entities 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.

4.18. 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 Group 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 Group acquires and retains treasury shares, the consideration paid or received is directly recognized in equity.

4.19. Revenue from contracts with customers

The Group 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 Group 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

4.20. Recognition of finance income and expense

(1) Finance income and expense

The Group'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.

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(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.

4.21. 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.

(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 consolidated 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 consolidated 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 Group 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 Group 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 Group 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 Group 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 Group recognizes any income tax consequences of dividends when it recognizes a liability to pay a dividend.

4.22. Earnings per share

The Group 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 Group 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.

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4.23. Regulatory reserve for credit losses

Under Regulations on Financial Investment Business (the "Regulation"), the Group 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.

4.24. Trust accounts

The Parent Company and Eugene Asset Management Co., Ltd., a subsidiary, 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 Group (as trustee's) own assets. The Group recognizes any fees received in relation to operation, management and disposition of the trust assets as trust fees and commissions in operating revenue.

5. Subsidiaries

(1) Details of consolidated subsidiaries

Details of consolidated subsidiaries as of December 31, 2021 and 2020 are as follows:

Subsidiary	Ownership interest (%)		Consolidated based on financial information as of	Principal business
	2021	2020		
Eugene Asset Management Co., Ltd.	100	100	Dec. 31, 2021	Asset management
Eugene Investment & Futures Co., Ltd.	100	100	Dec. 31, 2021	Investment & futures
Eugene Champion Dividend Equity Mstr Eq	54.4	25.6	Dec. 31, 2021	Beneficiary certificates
Eugene Champion Dividend Equity Feeder Eq	99.5	96.6	Dec. 31, 2021	Beneficiary certificates
Eugene Champion Global Listed Infra Securities (Bond Balanced)	34.2	-	Dec. 31, 2021	Beneficiary certificates
Eugene Champion K Mega Trend Catch-Up Securities Master (Stock)	95.9	-	Dec. 31, 2021	Beneficiary certificates
Eugene Champion K Mega Trend Catch-Up Securities Feeder (Stock)	95.9	-	Dec. 31, 2021	Beneficiary certificates
Eugene Champion New Economy AI4.0 Securities Master (Stock)	67.8	64.3	Dec. 31, 2021	Beneficiary certificates
Eugene Champion New Economy AI4.0 Securities Feeder (H)(Stock)	67.8	64.3	Dec. 31, 2021	Beneficiary certificates
Eugene Champion Global Monthly Dividend ETF Securities (*2)	-	34.1	Dec. 31, 2021	Beneficiary certificates
Eugene US VC Private Investment Trust 1	60.0	60.0	Dec. 31, 2021	Beneficiary certificates
First Gohyeon 1st Co., Ltd. (*2)	-	-	June 30, 2021	Asset securitization SPC
Pantheon EJ Co., Ltd. (*2)	-	-	June 30, 2021	Asset securitization SPC
Eugene MP 1st Co., Ltd. (*2)	-	-	Sep. 30, 2021	Asset securitization SPC
Eugene AT 1st Co., Ltd.	-	-	Dec. 31, 2021	Asset securitization SPC
NAD 1st Co., Ltd.	-	-	Dec. 31, 2021	Asset securitization SPC
Champion Byeolnae 1st Co., Ltd.	-	-	Dec. 31, 2021	Asset securitization SPC
Happiness Red Co., Ltd.	-	-	Dec. 31, 2021	Asset securitization SPC
Never Ever 1st Co., Ltd. (*2)	-	-	Dec. 31, 2021	Asset securitization SPC
CSG 1st Co., Ltd.	-	-	Dec. 31, 2021	Asset securitization SPC
Hadeun 1st Co., Ltd. (*2)	-	-	June 30, 2021	Asset securitization SPC
Champion Gohyeon Co., Ltd. (*2)	-	-	Feb. 28, 2021	Asset securitization SPC
NJ 6th Co., Ltd. (*2)	-	-	Feb. 26, 2021	Asset securitization SPC
DJ Mirae 1st Co., Ltd. (*2)	-	-	June 30, 2021	Asset securitization SPC

(*1) The Parent 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 Parent Company's returns while the Parent Company's voting rights are less than 50%.

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

EUGENE INVESTMENT & SECURITIES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2021 and 2020

(2) Information on consolidated subsidiaries

Eugene Asset Management Co., Ltd.

Eugene Asset Management Co., Ltd. ("Eugene Asset Management" hereafter) was established in September 1989 under the name of Woosung Investment Advisory Co., Ltd., for providing investment advisory services as its main objective of operation. Since September 1996, Eugene Asset Management has changed its operation to asset management company, and has been engaged in management of indirect investment mutual funds and rendering investment advisory services. As of December 31, 2021, share capital of Eugene Asset Management amounts to ₩22,500 million.

Eugene Investment & Futures Co., Ltd.

Eugene Investment & Futures Co., Ltd. ("Eugene Investment & Futures" hereafter) was established on July 30, 1991 with initial share capital of ₩300 million. After several capital increases, share capital of Eugene Investment & Futures amounts to ₩20,000 million as of December 31, 2021. Eugene Investment & Futures has its headquarters in Yeouido-dong, Seoul, and is engaged in futures transactions and brokerage transactions.

Eugene Champion Dividend Equity Mstr Eq

Eugene Champion Dividend Equity Mstr Eq, an equity-type trust, was established by Financial Investment Services and Capital Markets Act on February 7, 2014. Its collective investment manager is Eugene Asset Management and the trust agent is Hana Bank.

Eugene Champion Dividend Equity Feeder Eq

Eugene Champion Dividend Equity Feeder Eq, an equity-type trust, was established by Financial Investment Services and Capital Markets Act on December 30, 2014. Its collective investment manager is Eugene Asset Management and the trust agent is Hana Bank. The Parent Company and one other company act as sales agents.

Eugene Champion Global Listed Infra Securities (Bond Balanced)

Eugene Champion Global Listed Infra Securities (Bond Balanced) was established on December 27, 2016 by Financial Investment Services and Capital Markets Act, and is a bond balanced-type trust. Eugene Asset Management serves as collective investment manager and KB Kookmin Bank serves as trust agent. The Parent Company and eleven other companies act as sales agents.

Eugene Champion K Mega Trend Catch-Up Securities Master (Stock)

Eugene Champion K Mega Trend Catch-Up Securities Master (Stock) was established on November 22, 2021 by Financial Investment Services and Capital Markets Act, and is an equity-type trust. Eugene Asset Management serves as collective investment manager and Shinhan Bank serves as trust agent.

Eugene Champion K Mega Trend Catch-Up Securities Feeder (Stock)

Eugene Champion K Mega Trend Catch-Up Securities Feeder (Stock) was established on November 22, 2021 by Financial Investment Services and Capital Markets Act, and is an equity-type trust. Eugene Asset Management serves as collective investment manager and Shinhan Bank serves as trust agent. The Parent Company and four other companies act as sales agents.

Eugene Champion New Economy AI4.0 Securities Master (Stock)

Eugene Champion New Economy AI4.0 Securities (Stock) was established on July 2, 2018 by Financial Investment Services and Capital Markets Act, and is an equity-type trust. Eugene Asset Management serves as collective investment manager and KB Kookmin Bank serves as trust agent.

Eugene Champion New Economy AI4.0 Securities Feeder (H)(Stock)

Eugene Champion New Economy AI4.0 Securities (Stock) was established on July 2, 2018 by Financial Investment Services and Capital Markets Act, and is an equity-type trust. Eugene Asset Management serves as collective investment manager and KB Kookmin Bank serves as trust agent. The Parent Company and nine other companies act as sales agents.

EUGENE INVESTMENT & SECURITIES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2021 and 2020

Eugene US VC Private Investment Trust 1

Eugene US VC Private Investment Trust 1 was established on January 21, 2020 by Financial Investment Services and Capital Markets Act, and is a fund-of-funds-type trust. Eugene Asset Management serves as collective investment manager and Hana Bank serves as trust agent. The Parent Company and one other company act as sales agents.

Eugene AT 1st Co., Ltd.

Eugene AT 1st Co., Ltd. was established on April 27, 2021 and is engaged in issuances and redemptions of securitized notes with acquisitions, management, operation and disposals of securitized assets for securitization of convertible bonds under Asset-Backed Securitization Act. The Parent Company provides convertible bonds in private placements purchase commitments.

NAD 1st Co., Ltd.

NAD 1st Co., Ltd. was established on April 15, 2021 and is engaged in issuances and redemptions of securitized notes with acquisitions, management, operation and disposals of securitized assets for securitization of loans under Asset-Backed Securitization Act. The Parent Company provides loan commitments.

Champion Byeolnae 1st Co., Ltd.

Champion Byeolnae 1st Co., Ltd. was established on July 16, 2021 and is engaged in issuances and redemptions of securitized notes with acquisitions, management, operation and disposals of securitized assets for securitization of loans under Asset-Backed Securitization Act. The Parent Company provides loan commitments.

Happiness Red Co., Ltd.

Happiness Red 1st Co., Ltd. was established on August 1, 2021 and is engaged in issuances and redemptions of securitized notes with acquisitions, management, operation and disposals of securitized assets for securitization of loans under Asset-Backed Securitization Act. The Parent Company provides loan commitments.

CSG 1st Co., Ltd.

CSG 1st Co., Ltd. was established on November 24, 2021 and is engaged in issuances and redemptions of securitized notes with acquisitions, management, operation and disposals of securitized assets for securitization of loans under Asset-Backed Securitization Act. The Parent Company provides convertible bonds in private placements purchase commitments.

(3) Changes in the scope of consolidation

The Group newly consolidated Eugene Champion Global Listed Infra Securities (Bond Balanced), Eugene Champion K Mega Trend Catch-Up Securities Master (Stock), Eugene Champion K Mega Trend Catch-Up Securities Feeder (Stock), Eugene AT 1st Co., Ltd., NAD 1st Co., Ltd., Champion Byeolnae 1st Co., Ltd., Happiness Red Co., Ltd. and CSG 1st Co., Ltd. considering that the Group 1) has the power over the investee, 2) is exposed, or has rights, to variable returns from its involvement with the investee, and 3) has the ability to use its power to affect its returns. In addition, the Group additionally disclosed Eugene Champion Dividend Equity Feeder Eq and Eugene Champion New Economy AI4.0 Securities Feeder (H)(Stock) as consolidated subsidiaries.

Champion Gohyeon Co., Ltd., NJ 6th Co., Ltd., Pantheon EJ Co., Ltd., Harden 1st Co., Ltd. and DJ Mirae 1st Co., Ltd. which were consolidated as of December 31, 2020 were excluded from the consolidation as all of the Group 's interests in these entities has redeemed. Eugene Champion Global Monthly Dividend ETF Securities which had been previously consolidated as the Group's power over the investee's decisions about the investing activities and the link between power and variable returns had been deemed significant was excluded from the consolidation due to decrease in the Group's ownership interests and resulting loss of control. In addition, Fist Gohyeon 1st Co., Ltd. and Never Ever 1st Co., Ltd. were excluded from the consolidation as all of the Group 's interests in these entities has redeemed, and Eugene MP 1st Co., Ltd. was excluded from the consolidation due to the execution of the purchase commitment.

EUGENE INVESTMENT & SECURITIES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2021 and 2020

(4) Investments in subsidiaries

Details of investments in subsidiaries as of December 31, 2021 and 2020 are as follows:

Investor	Investee	2021	
		Number of shares or units invested	Ownership interest (%)
Eugene Investment & Securities Co., Ltd.	Eugene Asset Management Co., Ltd.	4,500,000	100.0
Eugene Investment & Securities Co., Ltd.	Eugene Investment & Futures Co., Ltd.	4,000,000	100.0
Eugene Investment & Securities Co., Ltd.	Eugene Champion Dividend Equity Feeder Eq (*1)	2,996,434,244	71.9
Eugene Asset Management Co., Ltd.	Eugene Champion Dividend Equity Feeder Eq (*1)	1,146,020,374	27.5
Eugene Champion Dividend Equity Feeder Eq	Eugene Champion Dividend Equity Mstr Eq (*1)	3,816,207,653	54.7
Eugene Investment & Securities Co., Ltd.	Eugene Champion Global Listed Infra Securities (Bond Balanced) (*1)	3,032,048,395	34.2
Eugene Asset Management Co., Ltd.	Eugene Champion K Mega Trend Catch-Up Securities Feeder (Stock) (*1)	2,500,000,000	95.9
Eugene Champion K Mega Trend Catch-Up Securities Feeder (Stock)	Eugene Champion K Mega Trend Catch-Up Securities Master (Stock) (*1)	2,606,287,833	100.0
Eugene Investment & Securities Co., Ltd.	Eugene Champion New Economy AI4.0 Securities Feeder (Stock) (*1)	3,500,000,000	55.3
Eugene Asset Management Co., Ltd.	Eugene Champion New Economy AI4.0 Securities Feeder (Stock) (*1)	792,378,069	12.5
Eugene Champion New Economy AI4.0 Securities Feeder (Stock)	Eugene Champion New Economy AI4.0 Securities Master (Stock) (*1)	5,215,009,651	100.0
Eugene Investment & Securities Co., Ltd.	Eugene US VC Private Investment Trust 1 (*1)	9,618,452,280	60.0
Eugene Investment & Securities Co., Ltd.	Eugene AT 1st Co., Ltd. (*2)	-	-
Eugene Investment & Securities Co., Ltd.	NAD 1st Co., Ltd. (*2)	-	-
Eugene Investment & Securities Co., Ltd.	Champion Byeolnae 1st Co., Ltd. (*2)	-	-
Eugene Investment & Securities Co., Ltd.	Happiness Red Co., Ltd. (*2)	-	-
Eugene Investment & Securities Co., Ltd.	CSG 1st Co., Ltd. (*2)	-	-

(*1) The Group has included the beneficiary securities that is managed by Eugene Asset Management Co., Ltd. as subsidiaries, considering the importance of relationships between the decision-making process for investment and the variable returns.

(*2) As structured companies for asset securitization, the Parent Company controls these entities considering the Parent Company's exposure to variable returns and the ability to affect those returns through its power over the entities while the Parent Company's ownership interests are less than 50%.

Subsidiary	2020			Ownership interest (%)
	Number of shares or units invested			
	The Parent Company	Intermediate subsidiaries	Total	
Eugene Asset Management Co., Ltd.	4,500,000	-	4,500,000	100.0
Eugene Investment & Futures Co., Ltd.	4,000,000	-	4,000,000	100.0
Eugene Champion Dividend Equity Mstr Eq (*1)	-	3,490,118,915	3,490,118,915	25.6
Eugene Champion New Economy AI4.0 Securities (Stock) (*1)	3,500,000,000	783,093,648	4,283,093,648	64.3
Eugene Champion Global Monthly Dividend ETF Securities (*1)	-	489,248,352	489,248,352	34.1
Eugene US VC Private Investment Trust 1 (*1)	1,622,677,597	-	1,622,677,597	60.0
Pantheon EJ Co., Ltd. (*2)	-	-	-	-
Harden 1st Co., Ltd. (*2)	-	-	-	-
Champion Gohyeon Co., Ltd. (*2)	-	-	-	-
NJ 6th Co., Ltd. (*2)	-	-	-	-
DJ Mirae 1st Co., Ltd. (*2)	-	-	-	-

(*1) The Group has included the beneficiary securities that is managed by Eugene Asset Management Co., Ltd. as subsidiaries, considering the importance of relationships between the decision-making process for investment and the variable returns.

EUGENE INVESTMENT & SECURITIES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2021 and 2020

(*2) As structured companies for asset securitization, the Parent Company controls the entities considering the Parent Company's exposure to variable returns and the ability to affect those returns through its power over the entities while the Parent Company's ownership interests are less than 50%.

(5) Summary of financial information of subsidiaries

Financial information of subsidiaries as of and for the years ended December 31, 2021 and 2020 are summarized as follows:

(In thousands of Korean won) Subsidiary	2021					
	Total assets	Total liabilities	Total equity	Operating revenue	Net profit (loss)	Total comprehensive income (loss)
Eugene Asset Management Co., Ltd.	₩ 52,415,198	21,793,217	30,621,981	26,158,731	3,774,137	3,760,015
Eugene Investment & Futures Co., Ltd.	391,718,266	343,711,499	48,006,767	170,166,521	3,247,441	4,344,476
Eugene Champion Dividend Equity Mstr Eq	9,739,043	152,803	9,586,240	2,401,015	116,396	116,396
Eugene Champion Dividend Equity Feeder Eq	5,241,790	-	5,241,790	371,904	(65,649)	(65,649)
Eugene Champion Global Listed Infra Securities (Bond Balanced)	10,096,013	103,726	9,992,287	1,683,456	451,865	451,865
Eugene Champion K Mega Trend Catch-Up Securities Master (Stock)	2,808,475	138,877	2,669,598	95,754	63,507	63,507
Eugene Champion K Mega Trend Catch-Up Securities Feeder (Stock)	2,671,784	-	2,671,784	65,694	65,694	65,694
Eugene Champion New Economy AI4.0 Securities Master (Stock)	10,947,500	223,803	10,723,697	6,628,058	2,120,575	2,120,575
Eugene Champion New Economy AI4.0 Securities Feeder (Stock)	10,823,206	66,116	10,757,090	4,309,576	2,252,147	2,252,147
Eugene Champion Global Monthly Dividend ETF Securities (*2)	-	-	-	477,713	59,176	59,176
Eugene US VC Private Investment Trust 1	15,941,327	42,011	15,899,316	813,762	716,910	716,910
First Gohyeon 1st Co., Ltd. (*1)	-	-	-	1,460,967	466,036	466,036
Pantheon EJ Co., Ltd. (*1)	-	-	-	509,746	(192)	(192)
Eugene MP 1st Co., Ltd. (*1)	-	-	-	506,531	(113,384)	(113,384)
Eugene AT 1st Co., Ltd.	20,473,925	20,400,000	73,925	763,141	73,924	73,924
NAD 1st Co., Ltd.	27,818,419	27,759,726	58,693	819,281	58,693	58,693
Champion Byeolnae 1st Co., Ltd.	15,315,208	15,315,787	(579)	902,848	(589)	(589)
Happiness Red Co., Ltd.	10,284,878	10,284,877	1	366,756	-	-
Never Ever 1st Co., Ltd. (*1)	-	-	-	2,565,088	414,874	414,874
CSG 1st Co., Ltd.	15,885,664	15,851,049	34,615	255,828	34,614	34,614
Hadeun 1st Co., Ltd. (*1)	-	-	-	561,669	(15)	(15)
Champion Gohyeon Co., Ltd. (*1)	-	-	-	485,551	262,145	262,145
NJ 6th Co., Ltd. (*1)	-	-	-	143,014	(38,647)	(38,647)
DJ Mirae 1st Co., Ltd. (*1)	-	-	-	1,293,431	(170)	(170)

(*1) Operating revenue, net profit (loss) and total comprehensive income (loss) shown above are amounts for the date prior to the Parent Company's loss of control over the investee due to disposals of investments.

(*2) Operating revenue, net profit (loss) and total comprehensive income (loss) shown above are amounts for the date prior to the Parent Company's loss of control over the investee due to decrease in ownership interest.

EUGENE INVESTMENT & SECURITIES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2021 and 2020

		2020					
<i>(In thousands of Korean won)</i>		Total assets	Total liabilities	Total equity	Operating revenue	Net profit (loss)	Total compre- hensive income (loss)
<u>Subsidiary</u>							
Eugene Asset Management Co., Ltd.	₩	47,422,745	20,560,779	26,861,966	20,868,283	(7,206,389)	(7,222,036)
Eugene Investment & Futures Co., Ltd.		465,602,383	421,940,091	43,662,292	121,382,392	2,613,018	5,009,879
Eugene Champion Dividend Equity Mstr Eq		7,029,745	77,934	6,951,811	3,244,272	1,889,278	1,889,278
Eugene Champion Global 5-STAR (*1)		-	-	-	1,162,119	(21,759)	(21,759)
Eugene KOSPI Leverage ETF Split Buyer Target Convertible Securities (*1)		-	-	-	157,564	25,140	25,140
Eugene Champion New Economy AI4.0 Securities (Stock)		9,235,197	149,759	9,085,438	4,998,813	1,435,947	1,435,947
Eugene Champion Global Monthly Dividend ETF Securities		1,550,328	58,292	1,492,036	662,035	16,543	16,543
Eugene US VC Private Investment Trust 1		2,469,732	5,461	2,464,271	-	(197,954)	(197,954)
BH Easy 2nd Co., Ltd. (*1)		-	-	-	388,588	69,447	69,447
Pantheon EJ Co., Ltd.		25,366,046	25,366,277	(231)	1,702,929	(8)	(8)
Eugene KL 1st Co., Ltd. (*1)		-	-	-	2,192,336	61,949	61,949
Harden 1st Co., Ltd.		20,229,506	20,229,550	(44)	1,435,674	(44)	(44)
Champion Gohyeon Co., Ltd.		35,555,454	35,308,218	247,236	2,103,051	247,235	247,235
NJ 6th Co., Ltd.		20,277,866	20,277,865	1	754,722	-	-
DJ Mirae 1st Co., Ltd.		21,167,065	21,167,108	(43)	4,932	(43)	(43)

(*1) Operating revenue, net profit (loss) and total comprehensive income (loss) shown above are amounts for the date prior to the Parent Company's loss of control over the investee due to decrease in ownership interest from units added to the fund.

EUGENE INVESTMENT & SECURITIES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2021 and 2020

6. Financial Risk Management

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

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

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

(1) Risk management policy

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

The Group's risk management policies are established to identify and analyze the risks faced by the Group, 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 Group's activities. The Group, 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.

(2) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group'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 Group 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 Group 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. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2021 and 2020

2) Maximum exposure to credit risks

The Group's maximum exposure to credit risks of financial instruments as of December 31, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>		2021	2020
Financial assets at FVTPL (*1)	₩	4,930,524,410	5,427,268,893
Financial assets at AC			
Cash and deposits		1,120,853,676	1,092,550,812
Loans and receivables at AC		1,078,632,648	964,380,852
Other assets (*2)		1,062,957,084	1,554,211,764
		<u>3,262,443,408</u>	<u>3,611,143,428</u>
Derivative assets		26,833,094	17,649,922
Finance lease receivables		389,975	479,834
Off-balance sheet arrangements			
Payment guarantees		75,121	75,121
Purchase commitments		562,100,000	399,500,000
Investment commitments		73,017,287	63,882,540
		<u>635,192,408</u>	<u>463,457,661</u>
Total	₩	<u>8,855,383,295</u>	<u>9,519,999,738</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, other investment assets and accrued interest receivable on bonds.

3) Credit risk exposure

(a) Gross carrying amount of loans and receivables categorized by measurement basis of loss allowance for ECLs of financial assets at AC as of December 31, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>		2021		
		12-month ECLs	Credit impaired	Total
Cash and deposits				
Grade 1	₩	1,120,853,676	-	1,120,853,676
		<u>1,120,853,676</u>	-	<u>1,120,853,676</u>
Loans and receivables at AC				
Grade 1		997,982,458	-	997,982,458
Grade 3		-	155,707,180	155,707,180
Loss allowance		(9,225)	(75,047,765)	(75,056,990)
		<u>997,973,233</u>	<u>80,659,415</u>	<u>1,078,632,648</u>
Other assets				
Grade 1		1,062,789,472	-	1,062,789,472
Grade 3		-	7,530,714	7,530,714
Loss allowance		-	(7,363,102)	(7,363,102)
		<u>1,062,789,472</u>	<u>167,612</u>	<u>1,062,957,084</u>
Finance lease receivables				
Grade 1		389,975	-	389,975
		<u>389,975</u>	-	<u>389,975</u>
Total	₩	<u>3,182,006,356</u>	<u>80,827,027</u>	<u>3,262,833,383</u>

The Group'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. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2021 and 2020

<i>(In thousands of Korean won)</i>		2020		
		12-month ECLs	Credit impaired	Total
Cash and deposits				
Grade 1	₩	1,092,550,812	-	1,092,550,812
		1,092,550,812	-	1,092,550,812
Loans and receivables at AC				
Grade 1		886,737,612	-	886,737,612
Grade 3		-	145,393,771	145,393,771
Loss allowance		-	(67,750,531)	(67,750,531)
		886,737,612	77,643,240	964,380,852
Other assets				
Grade 1		1,554,057,189	-	1,554,057,189
Grade 3		-	7,308,444	7,308,444
Loss allowance		-	(7,153,869)	(7,153,869)
		1,554,057,189	154,575	1,554,211,764
Finance lease receivables				
Grade 1		479,834	-	479,834
		479,834	-	479,834
Total	₩	3,533,825,447	77,797,815	3,611,623,262

(b) Financial impact of credit risk mitigated by collateral held and other credit enhancements as of December 31, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>		2021		
		Financial assets for individual assessment of impairment	Financial assets for collective assessment of impairment	Total
Loans and receivables at AC	₩	81,421,198	-	81,421,198

The Group 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, 2021.

<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 Group 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.

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For the years ended December 31, 2021 and 2020

(c) The following tables present roll-forwards of gross carrying amounts of financial assets at AC and finance lease receivables for the years ended December 31, 2021 and 2020:

		2021									
		Loans and receivables at AC			Other assets			Finance lease receivables			
<i>(In thousands of Korean won)</i>		12-month ECLs	Credit impaired	Total	12-month ECLs	Credit impaired	Total	12-month ECLs	Total		
Gross carrying amounts at January 1	₩	886,737,612	145,393,771	1,032,131,383	1,554,057,189	7,308,444	1,561,365,633	479,834	479,834		
Transfer between stages - from 12-month ECLs to credit impaired		(10,000,000)	10,000,000	-	(174,034)	174,034	-	-	-		
Executions		267,584,704	608,883	268,193,587	142,865,657	54,828	142,920,485	-	-		
Repayments		(146,339,858)	(295,474)	(146,635,332)	(633,959,340)	(6,592)	(633,965,932)	(89,859)	(89,859)		
Gross carrying amounts at December 31		997,982,458	155,707,180	1,153,689,638	1,062,789,472	7,530,714	1,070,320,186	389,975	389,975		
Loss allowance		(9,225)	(75,047,765)	(75,056,990)	-	(7,363,102)	(7,363,102)	-	-		
Net carrying amounts at December 31	₩	<u>997,973,233</u>	<u>80,659,415</u>	<u>1,078,632,648</u>	<u>1,062,789,472</u>	<u>167,612</u>	<u>1,062,957,084</u>	<u>389,975</u>	<u>389,975</u>		
		2020									
		Loans and receivables at AC			Securities at AC		Other assets			Finance lease receivables	
<i>(In thousands of Korean won)</i>		12-month ECLs	Credit impaired	Total	12-month ECLs	Total	12-month ECLs	Credit impaired	Total	12-month ECLs	Total
Gross carrying amounts at January 1	₩	575,765,954	129,052,603	704,818,557	6,012,623	6,012,623	643,336,042	6,140,502	649,476,544	565,109	565,109
Transfer between stages - from 12-month ECLs to credit impaired		(55,000)	55,000	-	-	-	(953,413)	953,413	-	-	-
Executions		348,757,105	25,182,894	373,939,999	-	-	936,244,512	221,207	936,465,719	-	-
Repayments		(37,730,447)	(8,896,726)	(46,627,173)	(6,012,623)	(6,012,623)	(24,569,952)	(6,678)	(24,576,630)	(85,275)	(85,275)
Gross carrying amounts at December 31		886,737,612	145,393,771	1,032,131,383	-	-	1,554,057,189	7,308,444	1,561,365,633	479,834	479,834
Loss allowance		-	(67,750,531)	(67,750,531)	-	-	-	(7,153,869)	(7,153,869)	-	-
Net carrying amounts at December 31	₩	<u>886,737,612</u>	<u>77,643,240</u>	<u>964,380,852</u>	<u>-</u>	<u>-</u>	<u>1,554,057,189</u>	<u>154,575</u>	<u>1,554,211,764</u>	<u>479,834</u>	<u>479,834</u>

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(d) Exposures of off-balance sheet arrangements categorized by measurement basis of loss allowance for ECLs and internal credit ratings as of December 31, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>		2021		
		12-month ECLs	Lifetime ECLs	Total
Payment guarantees				
Grade 2	₩	-	75,121	75,121
Purchase commitments				
Grade 1		562,100,000	-	562,100,000
Investment commitments				
Grade 1		66,157,042	-	66,157,042
Total	₩	<u>628,257,042</u>	<u>75,121</u>	<u>628,332,163</u>

<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		399,500,000	-	399,500,000
Investment commitments				
Grade 1		73,017,287	-	73,017,287
Total	₩	<u>472,517,287</u>	<u>75,121</u>	<u>472,592,408</u>

(e) The following tables present roll-forwards of loss allowance for the years ended December 31, 2021 and 2020:

<i>(In thousands of Korean won)</i>		2021					
		Loans and receivables at AC			Other assets		
		12-month ECLs	Credit impaired	Total	12-month ECLs	Credit impaired	Total
Loss allowance at January 1	₩	-	(67,750,531)	(67,750,531)	-	(7,153,869)	(7,153,869)
Provision for credit losses		(9,225)	(12,474,148)	(12,483,373)	-	(209,233)	(209,233)
Unwinding of interests		-	5,432,888	5,432,888	-	-	-
Disposals, etc.		-	(255,974)	(255,974)	-	-	-
Loss allowance at December 31	₩	<u>(9,225)</u>	<u>(75,047,765)</u>	<u>(75,056,990)</u>	<u>-</u>	<u>(7,363,102)</u>	<u>(7,363,102)</u>

<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	₩	-	(71,860,998)	(71,860,998)	-	(6,140,502)	(6,140,502)
Provision for credit losses		-	(833,890)	(833,890)	-	(1,013,367)	(1,013,367)
Unwinding of interests		-	4,847,256	4,847,256	-	-	-
Disposals, etc.		-	97,101	97,101	-	-	-
Loss allowance at December 31	₩	<u>-</u>	<u>(67,750,531)</u>	<u>(67,750,531)</u>	<u>-</u>	<u>(7,153,869)</u>	<u>(7,153,869)</u>

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Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2021 and 2020

4) Credit risk analysis of debt securities

(a) Credit analysis of debt securities as of December 31, 2021 and 2020 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 Group's debt securities summarized by credit ratings as of December 31, 2021 and 2020 are as follows:

(In thousands of Korean won)		2021		
		Financial assets at FVTPL (*1)	Securities at AC	Total
AAA	₩	1,934,322,328	-	1,934,322,328
AA- to AA+		1,008,573,572	-	1,008,573,572
A- to A+		139,005,288	-	139,005,288
Lower than A-		109,798,844	-	109,798,844
Risk-free (government and municipal bonds)		1,714,658,776	-	1,714,658,776
Total	₩	4,906,358,808	-	4,906,358,808

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

(In thousands of Korean won)		2020		
		Financial assets at FVTPL (*1)	Securities at AC	Total
AAA	₩	1,876,224,624	-	1,876,224,624
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	₩	5,397,863,101	-	5,397,863,101

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

5) Credit risk concentration analysis

(a) Loans and receivables at AC

Majority of the Group's counterparties of loans and receivables at AC before considering collaterals and credit enhancements are concentrated on domestic counterparties. Classification of the Group's loans and receivables at AC into retail and corporate loans as of December 31, 2021 and 2020 is as follows:

(In thousands of Korean won)		2021			
		Loans and receivables at AC	Ratio (%)	Loss allowance	Net carrying amounts
Retail	₩	781,164,754	68%	(6,546,249)	774,618,505
Corporate		372,524,884	32%	(68,510,741)	304,014,143
Total	₩	1,153,689,638	100%	(75,056,990)	1,078,632,648

(In thousands of Korean won)		2020			
		Loans and receivables at AC	Ratio (%)	Loss allowance	Net carrying amounts
Retail	₩	718,513,290	70%	(5,553,639)	712,959,651
Corporate		313,618,093	30%	(62,196,892)	251,421,201
Total	₩	1,032,131,383	100%	(67,750,531)	964,380,852

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For the years ended December 31, 2021 and 2020

Classification of the Group's loans and receivables at AC by industry as of December 31, 2021 and 2020 is as follows:

		2021			
<i>(In thousands of Korean won)</i>		Loans and receivables at AC	Ratio (%)	Loss allowance	Net carrying amounts
Financial service	₩	135,632,197	12%	(1,183,914)	134,448,283
Manufacturing		164,160,090	14%	(66,842,513)	97,317,577
Service		19,380,262	2%	-	19,380,262
Other industrial		53,352,334	5%	(484,313)	52,868,021
Retail		781,164,754	68%	(6,546,249)	774,618,505
Total	₩	<u>1,153,689,637</u>	<u>100%</u>	<u>(75,056,989)</u>	<u>1,078,632,648</u>

		2020			
<i>(In thousands of Korean won)</i>		Loans and receivables at AC	Ratio (%)	Loss allowance	Net carrying amounts
Financial service	₩	54,960,293	5%	(1,183,914)	53,776,379
Manufacturing		117,085,268	11%	(60,039,777)	57,045,491
Service		20,723,343	2%	-	20,723,343
Other industrial		120,849,190	12%	(973,200)	119,875,990
Retail		718,513,288	70%	(5,553,639)	712,959,649
Total	₩	<u>1,032,131,382</u>	<u>100%</u>	<u>(67,750,530)</u>	<u>964,380,852</u>

(b) Cash and deposits, securities (other than equity instruments) and derivatives

Majority of the Group's counterparties of cash and deposits, securities (other than equity instruments) and derivatives before considering collaterals and credit enhancements are concentrated on domestic counterparties. Classification of the Group's Cash and deposits, securities (other than equity instruments) and derivatives by industry as of December 31, 2021 and 2020 is as follows:

		2021			
<i>(In thousands of Korean won)</i>		Loans and receivables at AC	Ratio (%)	Loss allowance	Net carrying amounts
Cash and deposits	₩				
Financial service and insurance		1,120,853,676	18%	-	1,120,853,676
Subtotal		1,120,853,676	18%	-	1,120,853,676
Financial assets at FVTPL					
Government and government-funded institutions		1,751,300,534	29%	-	1,751,300,534
Financial service and insurance		2,392,194,421	39%	-	2,392,194,421
Other		787,029,455	13%	-	787,029,455
Subtotal		4,930,524,410	81%	-	4,930,524,410
Derivative assets					
Financial service and insurance		23,618,247	0%	-	23,618,247
Other		3,214,847	0%	-	3,214,847
Subtotal		26,833,094	0%	-	26,833,094
Total	₩	<u>6,078,211,180</u>	<u>100%</u>	<u>-</u>	<u>6,078,211,180</u>

		2020			
<i>(In thousands of Korean won)</i>		Loans and receivables at AC	Ratio (%)	Loss allowance	Net carrying amounts
Cash and deposits	₩				
Financial service and insurance		1,092,550,812	17%	-	1,092,550,812
Subtotal		1,092,550,812	17%	-	1,092,550,812
Financial assets at FVTPL					
Government and government-funded institutions		2,025,157,452	31%	-	2,025,157,452
Financial service and insurance		2,748,291,504	42%	-	2,748,291,504
Other		653,819,938	10%	-	653,819,938
Subtotal		5,427,268,894	83%	-	5,427,268,894
Derivative assets					
Financial service and insurance		14,189,832	0%	-	14,189,832
Other		3,460,090	0%	-	3,460,090
Subtotal		17,649,922	0%	-	17,649,922
Total	₩	<u>6,537,469,628</u>	<u>100%</u>	<u>-</u>	<u>6,537,469,628</u>

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(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 Group'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 Group'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 Group 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 Group also performs stress tests on a daily basis.

1) Methods to measure market risk

(a) VaR

In order to measure market risk of the Group'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 Group 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 Group 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 Group 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

(a) Eugene Investment & Securities Co., Ltd. (VaR)

The Parent Company's VaR as of December 31, 2021 and 2020 are as follows:

		2021			
<i>(In thousands of Korean won)</i>		Maximum	Minimum	Average	Ending
Interest rate risk	₩	6,698,339	754,425	2,392,684	2,210,838
Stock price risk		5,147,086	879,896	1,731,801	2,133,241
Beneficiary of certificate price risk		490,075	154,612	256,876	211,630
Foreign exchange risk		2,065,895	145,798	281,589	983,217
Overall risk		6,775,855	1,086,978	2,828,229	3,307,100

		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	1,300	2,415	3,397

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(b) Eugene Investment & Futures Co., Ltd.

Eugene Investment & Futures, a subsidiary, measures the risk amount for all of its products having market risks, in accordance with Annex 5 to the Detailed Regulations of the Regulations on Financial Investment Business.

Risk amounts for positions related to stock price, interest rate, foreign exchange rate, option, collective investment price and commodity price as of December 31, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>		2021	2020
Stock price risk	₩	2,446,894	1,971,407
Interest rate risk		13,285	-
Foreign exchange rate risk		96,694	60,319
Option risk		35,926	86,388
Collective investment price risk		76,687	85,726
Commodity price risk		-	371,914
Total	₩	<u>2,669,486</u>	<u>2,575,754</u>

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3) Assets and liabilities denominated in foreign currency

The Group's assets and liabilities denominated in foreign currencies as of December 31, 2021 and 2020 are as follows:

		2021			2020		
		Foreign exchange rate	Amounts in foreign currency	Amounts translated into won	Foreign exchange rate	Amounts in foreign currency	Amounts translated into won
<i>(In thousands of Korean won, except foreign exchange rates shown in won and amounts in foreign currency shown in currency units)</i>							
<i>Assets denominated in foreign currencies:</i>							
Deposits in foreign currency due from others	HKD	1,185.50	19,708,781.14	₩ 23,364,760	1,088.00	29,710,543.74	₩ 32,325,072
	USD	152.03	6,478,183.10	984,878	140.35	8,607,913.74	1,208,121
	JPY	10.30	14,806,558.43	152,543	10.54	22,199,657.43	234,042
	CNH	186.26	10,155,735.16	1,891,607	166.96	16,624,040.83	2,775,550
				26,393,788			36,542,785
Other deposits due from others	USD	1,185.50	190,306,192.51	225,607,991	1,088.00	214,199,592.20	233,049,156
	JPY	10.30	230,085,949.00	2,370,437	10.54	4,403,572,655.00	46,425,105
	CAD	930.61	97,925.34	91,130	853.30	38,438.08	32,799
	HKD	152.03	155,059,715.20	23,573,729	140.35	291,310,018.14	40,885,361
	EUR	1,342.34	11,590,411.67	15,558,273	1,338.24	11,907,110.84	15,934,572
	CHF	1,297.47	48,864.48	63,400	1,234.33	457,910.71	565,213
	GBP	1,600.25	646,408.46	1,034,415	1,482.40	549,584.18	814,704
	AUD	858.89	1,511,717.66	1,298,399	836.56	671,484.19	561,737
	CNH	186.26	13,972,936.58	2,602,599	166.96	13,934,380.20	2,326,484
	VND	0.05	31,917,766.00	1,663	0.05	13,542,976,487.00	637,874
	IDR	0.08	318,160,987.00	26,439	-	-	-
	MYR	283.85	194,718.70	55,271	269.51	165,210.32	44,526
	SGD	877.14	4,021,314.26	3,527,256	822.22	4,015,817.48	3,301,885
				275,811,002			344,579,416
Accounts receivable	USD	1,185.50	346,467.97	410,738	1,088.00	347,113.09	377,659
Accrued income	USD	1,185.50	776,340.58	920,352	1,088.00	667,421.07	726,154
	CNH	-	-	-	166.96	1,771.77	296
				920,352			726,450
Leasehold deposits	HKD	152.03	100,000.00	15,203	140.35	100,000.00	14,035
Bonds in foreign currency	USD	1,185.50	42,253,574.37	50,091,612	1,088.00	42,930,888.61	46,708,807
	JPY	10.30	261,729,199.99	2,696,439	10.54	198,525,886.31	2,092,979
	VND	0.05	40,907,176,812.00	2,131,264	0.05	44,393,500,980.00	2,090,934
				54,919,315			50,892,720
Margin deposits for OTC derivatives trading	USD	-	-	-	1,088.00	19,037,440.00	20,712,735
Deposits for CFD - CIMB	USD	1,185.50	128,204,743.48	151,986,723	1,088.00	85,307,355.53	92,814,403
				151,986,723			92,814,403
Margin deposits for overseas commodity CFD in foreign currency - proprietary trading	USD	1,185.50	491,678.64	582,885	-	-	-
				582,885			-
Margin deposits for exchange traded derivatives - proprietary trading	HKD	152.03	7,504,130.16	1,140,853	140.35	9,685,070.16	1,359,300
	USD	1,185.50	6,732,323.53	7,981,170	1,088.00	7,458,647.82	8,115,008
	EUR	1,342.34	37,186.02	49,916	1,338.24	548,144.00	733,548
	JPY	10.30	45,439,500.00	468,136	10.54	25,076,000.00	264,366
				9,640,075			10,472,222
				₩ 520,680,081			₩ 557,132,425
<i>Liabilities denominated in foreign currencies:</i>							
Deposits in foreign currency	USD	1,185.50	206,630,964.44	₩ 244,961,008	1,088.00	238,107,114.63	₩ 259,060,541
	JPY	10.30	210,240,057.81	2,165,977	10.54	4,323,401,752.26	45,579,895
	CAD	930.61	94,422.21	87,870	853.30	36,912.60	31,498
	HKD	152.03	158,299,545.04	24,066,280	140.35	289,961,496.84	40,696,096
	EUR	1,342.34	11,578,652.08	15,542,488	1,338.24	11,898,629.94	15,923,223
	AUD	858.89	1,498,764.56	1,287,274	836.56	661,189.12	553,124
	GBP	1,600.25	623,194.51	997,267	1,482.40	526,368.58	780,289
	CHF	1,297.47	38,406.68	49,832	1,234.33	448,073.75	553,071
	CNH	186.26	10,109,248.39	1,882,949	166.96	16,512,250.34	2,756,885
	BRL	-	0.01	-	209.47	-	-
	MYR	283.85	187,453.10	53,209	269.51	163,050.00	43,944
	SGD	877.14	70.00	61	822.22	70.00	58
				291,094,215			365,978,624
Accounts payable	USD	1,185.50	27,319.16	32,387	1,088.00	118,792.10	129,246
	EUR	1,342.34	2,305.25	3,094	1,338.24	2,409.25	3,224
	HKD	152.03	25,350.00	3,854	140.35	25,350.00	3,558
				39,335			136,028
Accrued expenses	USD	1,185.50	19,892.21	23,582	1,088.00	18,018.28	19,604
				₩ 291,157,132			₩ 366,134,256

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(4) Liquidity risk

Liquidity risk is the risk that the Group 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 Group 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 Group, and to put it into action to secure the Group'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.

The following tables set out the remaining contractual maturities of the Group's financial liabilities and off-balance sheet arrangements as of December 31, 2021 and 2020:

		2021					
<i>(In thousands of Korean won)</i>		Up to 1 month	1-3 months	3-12 months	1-3 years	Over 3 years	Total
Financial liabilities (*1):							
Deposits	₩	1,271,485,644	-	-	-	-	1,271,485,644
Financial liabilities at FVTPL		89,763,728	75,899,675	1,754,893,250	15,796,070	49,882,291	1,986,235,014
Borrowed funds		2,568,079,407	800,222,139	330,642,445	123,113,709	44,050,000	3,866,107,700
Derivative liabilities		2,146,472	92,898	17,682,048	2,071,613	6,020,195	28,013,226
Lease liabilities		1,200,820	2,355,528	9,647,496	25,685,873	49,453,298	88,343,015
Other liabilities (*2)		793,242,109	1,711,694	3,498,566	560,000	398,205	799,410,574
	₩	<u>4,725,918,180</u>	<u>880,281,934</u>	<u>2,116,363,805</u>	<u>167,227,265</u>	<u>149,803,989</u>	<u>8,039,595,173</u>
Off-balance sheet arrangements (*3):							
Payment guarantees	₩	75,121	-	-	-	-	75,121
Purchase commitments		562,100,000	-	-	-	-	562,100,000
Investment commitments		73,017,287	-	-	-	-	73,017,287
	₩	<u>635,192,408</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>635,192,408</u>

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

(*2) Including dividends payable, accounts payable (excluding employee-related expenses), accrued expenses (excluding employee-related 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.

		2020					
<i>(In thousands of Korean won)</i>		Up to 1 month	1-3 months	3-12 months	1-3 years	Over 3 years	Total
Financial liabilities (*1):							
Deposits	₩	1,565,925,448	-	-	-	-	1,565,925,448
Financial liabilities at FVTPL		231,080,273	174,740,390	1,579,943,960	95,327,735	91,214,951	2,172,307,309
Borrowed funds		2,099,206,690	744,258,532	319,483,210	143,177,152	669,406,669	3,975,532,253
Derivative liabilities		3,118,430	327,049	1,043,929	3,569,984	4,360,032	12,419,424
Lease liabilities		596,746	1,195,391	4,540,061	11,702,220	18,388,340	36,422,758
Other liabilities (*2)		1,284,830,816	1,146,718	2,453,552	473,141	1,278,545	1,290,182,772
	₩	<u>5,184,758,403</u>	<u>921,668,080</u>	<u>1,907,464,712</u>	<u>254,250,232</u>	<u>784,648,537</u>	<u>9,052,789,964</u>
Off-balance sheet arrangements (*3):							
Payment guarantees	₩	75,121	-	-	-	-	75,121
Purchase commitments		399,500,000	-	-	-	-	399,500,000
Investment commitments		63,882,540	-	-	-	-	63,882,540
	₩	<u>463,457,661</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>463,457,661</u>

(*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.

(*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.

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(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, 2021 and 2020:

1) Securities sold under agreements to repurchase

<i>(In thousands of Korean won)</i>		Financial assets at FVTPL (*1)	
		2021	2020
Carrying amount of assets	₩	2,146,550,386	2,427,244,296
Carrying amount of associated liabilities		2,070,862,357	2,319,408,891
Net position	₩	75,688,028	107,835,405

(*1) Assets transferred in relation to 'sale-and-repurchase agreements', transactions in which the Group 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 Group 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 Group 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.

2) Securitization of financial assets

Consolidated structured entities as of December 31, 2021 and 2020 issued asset-securitization notes collateralized by loans, receivables and corporate bonds which the Group holds, and the Group assumes related risks through purchase commitments:

<i>(In thousands of Korean won)</i>		2021		2020	
		Carrying amount of assets	₩	87,500,000	120,000,000
Carrying amount of associated liabilities		86,784,852	120,880,472	Net position	(880,472)
Net position	₩	715,148	(880,472)		

(6) Offsetting financial assets and financial liabilities

The Group 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, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>		2021					
		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		Net amount
				Securities	Cash collateral		
Derivative assets	₩	27,164,248	-	27,164,248	1,980,780	-	25,183,468
Securities purchased under agreements to resell		108,100,000	-	108,100,000	108,100,000	-	-
Other receivables (*1)		1,525,295,060	682,878,409	842,416,651	471,535,956	-	370,880,695
Total	₩	1,660,559,308	682,878,409	977,680,899	581,616,736	-	396,064,163

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

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2020						
(In thousands of Korean won)	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		Net amount
				Securities	Cash collateral	
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)	2,708,134,467	1,269,580,474	1,438,553,993	-	-	1,438,553,993
Total	₩ 2,746,978,140	1,269,580,474	1,477,397,666	28,402,411	-	1,448,995,255

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

2) Financial liabilities

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2021 and 2020 are as follows:

2021						
(In thousands of Korean won)	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	₩ 26,160,574	-	26,160,574	1,980,780	-	24,179,794
Securities sold under agreements to repurchase	1,226,200,000	-	1,226,200,000	1,226,200,000	-	-
Other payables (*1)	1,439,449,560	682,878,409	756,571,151	471,535,956	-	285,035,195
Securities sold	1,188,214,835	-	1,188,214,835	1,188,214,835	-	-
Total	₩ 3,880,024,969	682,878,409	3,197,146,560	2,887,931,571	-	309,214,989

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

2020						
(In thousands of Korean won)	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	₩ 11,651,824	-	11,651,824	3,002,411	-	8,649,413
Securities sold under agreements to repurchase	2,319,408,891	-	2,319,408,891	2,319,408,891	-	-
Other payables (*1)	2,517,848,825	1,269,580,475	1,248,268,350	-	-	1,248,268,350
Securities sold	1,544,320,757	-	1,544,320,757	1,544,320,757	-	-
Total	₩ 6,393,230,297	1,269,580,475	5,123,649,822	3,866,732,059	-	1,256,917,763

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

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(7) Capital management

The Group 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 Group'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 Group measures NCR and reports to the FSS on a monthly basis.

1) Capital management

The Group'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 Group is actively carrying out its capital management.

The Group manages and adjusts its capital structure to meet the changes in market and in characteristics of risks in relation to the operating activities. The Group 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 Group's NCR as of December 31, 2021 is in compliance with the FSS regulations.

7. 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 Group'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 Group 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.

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Securities measured at AC

The carrying amounts are deemed 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.

The carrying amounts and fair values of financial instruments measured at amortized cost and finance lease receivables as of December 31, 2021 and 2020 are as follows:

(In thousands of Korean won)		2021			
		Gross carrying amount	Present value discounts and loss allowance	Net carrying amount	Fair value
Cash and deposits	₩	1,120,856,321	-	1,120,856,321	1,120,856,321
Loans and receivables at AC (*1)		1,154,044,588	(75,411,940)	1,078,632,648	1,078,556,595
Other assets (*1,3)		1,070,880,105	(7,923,021)	1,062,957,084	1,062,846,415
Finance lease receivables (*1)		405,434	(15,459)	389,975	389,975
Assets total	₩	<u>3,346,186,448</u>	<u>(83,350,420)</u>	<u>3,262,836,028</u>	<u>3,262,649,306</u>
Deposits (*1,4)	₩	1,271,485,644	-	1,271,485,644	1,271,485,644
Borrowed funds (*2)		3,855,731,809	-	3,855,731,809	3,855,926,809
Other liabilities (*1,5)		837,178,496	(66,803)	837,111,693	837,100,536
Liabilities total	₩	<u>5,964,395,949</u>	<u>(66,803)</u>	<u>5,964,329,146</u>	<u>5,964,512,989</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.

(*3) Other assets include receivables for brokerage, other receivables, accrued income, leasehold deposits paid for rents, other investment assets and accrued interest receivable on bonds.

(*4) Deposits do not include liabilities for employee-related expenses.

(*5) Other liabilities include dividends payable, accounts payable, accrued expenses, leasehold deposits received for rents, provisions for payment guarantees and financial guarantees but exclude liabilities for employee-related expenses.

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		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	₩	1,092,551,111	-	1,092,551,111	1,092,551,111
Loans and receivables at AC (*1)		1,032,360,950	(67,980,098)	964,380,852	964,371,093
Other assets (*1)		1,562,020,165	(7,808,401)	1,554,211,764	1,565,245,770
Finance lease receivables (*1)		503,915	(24,081)	479,834	485,044
Assets total	₩	<u>3,687,436,141</u>	<u>(75,812,580)</u>	<u>3,611,623,561</u>	<u>3,622,653,018</u>
Deposits (*1)	₩	1,565,925,448	-	1,565,925,448	1,565,925,448
Borrowed funds (*2)		3,975,532,253	-	3,975,532,253	3,975,962,903
Other liabilities (*1)		1,326,242,201	(77,377)	1,326,164,824	1,326,163,996
Liabilities total	₩	<u>6,867,699,902</u>	<u>(77,377)</u>	<u>6,867,622,525</u>	<u>6,868,052,347</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.

(3) Financial instruments measured at fair value

1) Fair value hierarchy

The Group 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, 2021 and 2020, by the level in the fair value hierarchy into which the fair value measurement is categorized:

		2021			
<i>(In thousands of Korean won)</i>		Level 1	Level 2	Level 3	Total
Financial assets:					
Financial assets at FVTPL	₩	2,625,975,320	2,459,246,107	381,593,621	5,466,815,048
Financial assets at FVOCI		26,395,892	-	178,939,066	205,334,958
Derivative assets		766,649	19,560,346	6,506,099	26,833,094
Total	₩	<u>2,653,137,861</u>	<u>2,478,806,453</u>	<u>567,038,786</u>	<u>5,698,983,100</u>
Financial liabilities:					
Financial liabilities at FVTPL	₩	1,188,214,835	75,041,541	716,641,088	1,979,897,464
Derivative liabilities		1,016,624	26,158,958	5,064,830	32,240,412
Total	₩	<u>1,189,231,459</u>	<u>101,200,499</u>	<u>721,705,918</u>	<u>2,012,137,876</u>

There were no transfers between Level 1 and Level 2 for the year ended December 31, 2021.

Derivative-linked securities purchased of ₩24,076,440 thousand included in financial assets at FVTPL are classified to Level 3.

		2020			
<i>(In thousands of Korean won)</i>		Level 1	Level 2	Level 3	Total
Financial assets:					
Financial assets at FVTPL	₩	3,156,817,253	2,609,220,180	253,607,933	6,019,645,366
Financial assets at FVOCI		15,365,749	-	163,170,660	178,536,409
Derivative assets		1,560,372	6,070,934	10,018,616	17,649,922
Total	₩	<u>3,173,743,374</u>	<u>2,615,291,114</u>	<u>426,797,209</u>	<u>6,215,831,697</u>
Financial liabilities:					
Financial liabilities at FVTPL	₩	1,544,320,758	75,412,207	548,451,257	2,168,184,222
Derivative liabilities		732,356	11,606,975	9,112,706	21,452,037
Total	₩	<u>1,545,053,114</u>	<u>87,019,182</u>	<u>557,563,963</u>	<u>2,189,636,259</u>

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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.

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:

		2021						
		Financial assets				Financial liabilities		
		Financial assets at FVTPL	Financial assets at FVOCI	Derivative assets	Total	Financial liabilities at FVTPL	Derivative liabilities	Total
<i>(In thousands of Korean won)</i>								
Balance at January 1	₩	253,607,933	163,170,660	10,018,616	426,797,209	(548,451,257)	(9,112,706)	(557,563,963)
Transfers into								
(out of) Level 3 (*1)		(2,469,163)	-	-	(2,469,163)	-	-	-
Gains (losses) in profit or loss		3,491,776	-	(2,131,111)	1,360,665	(88,421)	5,937,422	5,849,001
Gains (losses) in OCI		-	15,768,406	-	15,768,406	478,783	-	478,783
Purchases (issues)		190,754,813	-	1,435,151	192,189,964	(958,630,109)	-	(958,630,109)
Settlements		(63,791,738)	-	(2,816,557)	(66,608,295)	790,049,916	(1,889,546)	788,160,370
Balance at December 31	₩	<u>381,593,621</u>	<u>178,939,066</u>	<u>6,506,099</u>	<u>567,038,786</u>	<u>(716,641,088)</u>	<u>(5,064,830)</u>	<u>(721,705,918)</u>

(*1) Convertible bonds were converted into listed stocks or unlisted stocks were listed through initial public offerings and transferred to Level 1 during the year ended December 31, 2021. There were no transfers between Level 3 and Level 2.

		2020						
		Financial assets				Financial liabilities		
		Financial assets at FVTPL	Financial assets at FVOCI	Derivative assets	Total	Financial liabilities at FVTPL	Derivative liabilities	Total
<i>(In thousands of Korean won)</i>								
Balance at January 1	₩	106,876,735	136,657,111	15,879,042	259,412,888	(554,782,043)	-	(554,782,043)
Transfers into								
(out of) Level 3		41,132,741	-	(8,599,521)	32,533,220	-	(8,446,767)	(8,446,767)
Gains (losses) in profit or loss		7,486,082	-	5,750,765	13,236,847	(5,645,580)	188,309	(5,457,271)
Gains (losses) in OCI		-	23,747,480	-	23,747,480	733,301	-	733,301
Purchases (issues)		124,602,619	2,766,069	-	127,368,688	(843,379,011)	-	(843,379,011)
Settlements		(26,490,244)	-	(3,011,670)	(29,501,914)	854,622,076	(854,248)	853,767,828
Balance at December 31	₩	<u>253,607,933</u>	<u>163,170,660</u>	<u>10,018,616</u>	<u>426,797,209</u>	<u>(548,451,257)</u>	<u>(9,112,706)</u>	<u>(557,563,963)</u>

Gains or losses for the years ended December 31, 2021 and 2020 in the above tables are presented in the statement of comprehensive income as follows:

		2021			
		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		4,993,682	-	772,511	2,689,857
Other comprehensive income:					
Gain on valuation of financial assets at FVOCI		-	15,068,725	-	-
Change in fair value attributable to change in the credit risk of financial liabilities designated as being held at FVTPL		-	-	-	478,783
Total comprehensive income	₩	<u>4,993,682</u>	<u>15,068,725</u>	<u>772,511</u>	<u>3,168,640</u>
		2020			
		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		13,198,404	-	3,139,787	(230,289)
Other comprehensive income:					
Gain on valuation of financial assets at FVOCI		-	23,747,480	-	-
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	₩	<u>13,198,404</u>	<u>23,747,480</u>	<u>3,139,787</u>	<u>503,012</u>

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Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2021 and 2020

(4) The valuation technique and inputs

The valuation techniques and inputs used in measuring Level 2 fair values as of December 31, 2021 and 2020 are as follows:

		2021		
<i>(In thousands of Korean won)</i>		Fair value	Valuation techniques	Inputs
Financial assets at FVTPL	₩	2,459,246,107	Discounted cash flow, net asset value	Interest rate, discount rate, FX rate, credit spread
Derivative assets		19,560,346	Discounted cash flow, option pricing model	Interest rate, discount rate, FX rate
Financial assets total	₩	<u>2,478,806,453</u>		
Financial liabilities at FVTPL	₩	75,041,541	Discounted cash flow	Interest rate, discount rate, FX rate, credit spread
Derivative liabilities		26,158,958	Discounted cash flow, option pricing model	Interest rate, discount rate, FX rate
Financial liabilities total	₩	<u>101,200,499</u>		
		2020		
<i>(In thousands of Korean won)</i>		Fair value	Valuation techniques	Inputs
Financial assets at FVTPL	₩	2,609,220,180	Discounted cash flow, net asset value	Interest rate, discount rate, FX rate, credit spread
Derivative assets		6,070,934	Discounted cash flow, option pricing model	Interest rate, discount rate, FX rate
Financial assets total	₩	<u>2,615,291,114</u>		
Financial liabilities at FVTPL	₩	75,412,207	Discounted cash flow	Interest rate, discount rate, FX rate, credit spread
Derivative liabilities		11,606,975	Discounted cash flow, option pricing model	Interest rate, discount rate, FX rate
Financial liabilities total	₩	<u>87,019,182</u>		

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(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, 2021 and 2020 in measuring the fair values of financial instruments categorized as Level 3 in the fair value hierarchy:

2021					
<i>(In thousands of Korean won)</i>					
<u>Type of instrument</u>	<u>Valuation technique</u>	<u>Category</u>	<u>Carrying amount</u>	<u>Significant unobservable inputs</u>	<u>Range of estimates for unobservable inputs</u>
Financial assets at FVTPL	Discounted cash flow, net asset value, binomial model, option pricing model	Equity securities, Debt securities	₩ 381,593,621	Discount rate Growth rate Change of liquidation value Volatility of underlying asset Correlation	6.48% ~ 20.05% 0.00% ~ 0.00% 0.00% ~ 0.00% (2.97)% ~ 53.50% 0.14 ~ 0.60
Financial assets at FVOCI	Discounted cash flow	Equity securities	178,939,066	Discount rate Growth rate	10.90% ~ 13.86% 0.00% ~ 1.00%
Derivative assets	Option pricing model	Credit derivatives	6,506,099	Discount rate	0.04% - 4.93%
Financial assets total			<u>₩ 567,038,786</u>		
Financial liabilities at FVTPL	Option pricing model	Equity derivatives	₩ 716,641,088	Volatility of underlying asset Correlation	(2.97)% ~ 33.98% 0.14 ~ 0.60
Derivative liabilities	Option pricing model	Credit derivatives	5,064,830	Discount rate	0.04% - 4.93%
Financial liabilities total			<u>₩ 721,705,918</u>		
2020					
<i>(In thousands of Korean won)</i>					
<u>Type of instrument</u>	<u>Valuation technique</u>	<u>Category</u>	<u>Carrying amount</u>	<u>Significant unobservable inputs</u>	<u>Range of estimates for unobservable inputs</u>
Financial assets at FVTPL	Discounted cash flow, net asset value, binomial model, option pricing model	Equity securities, Debt securities	₩ 253,607,933	Discount rate Growth rate Volatility of underlying asset Correlation	5.93% ~ 23.31% 0.00% ~ 0.00% (2.92)% ~ 50.50% 29.3% ~ 77.17%
Financial assets at FVOCI	Discounted cash flow	Equity securities	163,170,660	Discount rate Growth rate	10.58% ~ 12.90% 0.00% ~ 1.00%
Derivative assets	Option pricing model	Credit derivatives	10,018,616	Discount rate	0.03% - 4.96%
Financial assets total			<u>₩ 426,797,209</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	9,112,706	Discount rate	0.03% - 4.96%
Financial liabilities total			<u>₩ 557,563,963</u>		

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 binomial model reflecting the probability of early-exercise in American option.

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For the years ended December 31, 2021 and 2020

2) Sensitivity analysis of changes in unobservable inputs

Sensitivity analysis of changes in significant unobservable inputs as of December 31, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>	2021			
	Effect on profit or loss		Effect on OCI	
	Favorable	Unfavorable	Favorable	Unfavorable
Financial assets:				
Financial assets at FVTPL (*1)	₩ 788,258	(711,464)	-	-
Financial assets at FVOCI (*2)	-	-	10,345,916	(8,379,708)
OTC derivative assets (*3)	120,700	(198,586)	-	-
Total	₩ 908,958	(910,050)	10,345,916	(8,379,708)
Financial liabilities:				
Financial liabilities at FVTPL (*1)	₩ 74,224	(74,224)	-	-
OTC derivative liabilities (*3)	187,612	(121,375)	-	-
Total	₩ 261,836	(195,599)	-	-

(*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% or by increasing or decreasing the rate of change in liquidation value 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>	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)	-	-	9,134,533	(7,230,169)
OTC derivative assets (*3)	45,930	(275,816)	-	-
Total	₩ 851,506	(1,027,092)	9,134,533	(7,230,169)
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%.

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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Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

8. Operating Segments

The Group has six reportable segments, as described below, which are the Group'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
Futures brokerage	Exchange-traded and OTC derivatives trading, trust of derivatives trading, brokerage of derivatives trading trust, settlement and clearance, and delivery of spot transactions accompanying to the derivatives trading
Asset management	Asset management of indirect investment vehicles and investment advisory
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, 2021 and 2020 are as follows:

(In thousands of Korean won)	2021							
	Brokerage	Proprietary trading	Derivatives	Futures brokerage	Asset management	Others	Adjustments	Total
Assets:								
Cash and deposits	₩ 21,694,650	50,200,000	266,363,417	346,071,802	16,170,879	429,536,598	(9,181,025)	1,120,856,321
Securities (*1)	713,747,211	3,542,574,363	82,892,557	28,540,181	69,838,780	1,387,962,042	(106,801,619)	5,718,753,515
Derivative assets	-	-	26,367,974	465,120	-	-	-	26,833,094
Loans and receivables at AC	797,056,949	-	-	-	30,344	267,352,542	14,192,813	1,078,632,648
Property and equipment	-	-	-	3,960,855	4,615,939	99,475,862	-	108,052,656
Other assets	771,288,961	172,668,054	10,811	12,680,308	11,291,614	166,942,216	(12,545,243)	1,122,336,721
Total assets	₩ 2,303,787,771	3,765,442,417	375,634,759	391,718,266	101,947,556	2,351,269,260	(114,335,074)	9,175,464,955
Liabilities:								
Deposits	₩ 955,035,781	-	-	323,660,682	-	3,975,769	(9,390,595)	1,273,281,637
Borrowed funds (*2)	729,440,798	2,414,414,835	791,682,629	3,000,000	-	1,861,547,210	35,543,801	5,835,629,273
Derivative liabilities	-	-	31,687,647	507,126	45,639	-	-	32,240,412
Other liabilities	769,865,072	573,585	-	16,543,690	22,408,798	274,106,076	(9,994,728)	1,073,502,493
Total liabilities	₩ 2,454,341,651	2,414,988,420	823,370,276	343,711,498	22,454,437	2,139,629,055	16,158,478	8,214,653,815

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

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

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For the years ended December 31, 2021 and 2020

		2020							
<i>(In thousands of Korean won)</i>		Brokerage	Proprietary trading	Derivatives	Futures brokerage	Asset management	Others	Adjustments	Total
Assets:									
Cash and deposits	₩	-	-	234,007,932	416,403,626	11,889,212	440,722,564	(10,472,223)	1,092,551,111
Securities (*1)		849,081,559	3,842,212,802	1,172,033,478	27,200,307	40,859,833	357,657,592	(76,568,192)	6,212,477,379
Derivative assets		-	-	16,898,747	694,825	56,350	-	-	17,649,922
Loans and receivables at AC		738,731,676	-	-	-	-	226,622,376	(973,200)	964,380,852
Property and equipment		-	-	-	4,484,470	5,198,013	55,254,145	-	64,936,628
Other assets		1,232,207,784	311,912,018	49,659,468	16,819,155	9,704,341	122,664,093	(18,023,089)	1,724,943,770
Total assets	₩	<u>2,820,021,019</u>	<u>4,154,124,820</u>	<u>1,472,599,625</u>	<u>465,602,383</u>	<u>67,707,749</u>	<u>1,202,920,770</u>	<u>(106,036,704)</u>	<u>10,076,939,662</u>
Liabilities:									
Deposits	₩	1,173,799,965	-	-	400,267,736	-	2,329,970	(10,472,223)	1,565,925,448
Borrowed funds (*2)		705,997,857	3,024,520,759	623,863,464	2,000,000	-	1,775,989,363	11,345,032	6,143,716,475
Derivative liabilities		-	-	20,767,267	684,770	-	-	-	21,452,037
Other liabilities		1,243,607,421	10,887,581	6,897,776	18,987,585	20,852,226	197,851,161	(18,437,677)	1,480,646,073
Total liabilities		3,123,405,243	3,035,408,340	651,528,507	421,940,091	20,852,226	1,976,170,494	(17,564,868)	9,211,740,033
Equity		(303,384,224)	1,118,716,480	821,071,118	43,662,292	46,855,523	(773,249,724)	(88,471,836)	865,199,629
Total liabilities and equity	₩	<u>2,820,021,019</u>	<u>4,154,124,820</u>	<u>1,472,599,625</u>	<u>465,602,383</u>	<u>67,707,749</u>	<u>1,202,920,770</u>	<u>(106,036,704)</u>	<u>10,076,939,662</u>

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

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

EUGENE INVESTMENT & SECURITIES CO., LTD. AND SUBSIDIARIES

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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, 2021 and 2020 are as follows:

		2021							
<i>(In thousands of Korean won)</i>		Brokerage	Proprietary trading	Derivatives	Futures brokerage	Asset management	Others	Adjustments	Total
Operating revenue:									
Fee and commission income	₩	112,104,492	252,491	1,521,475	21,026,582	22,665,744	131,541,743	(4,981,881)	284,130,646
Finance income		71,635,288	469,743,045	322,153,243	148,681,457	14,019,783	40,216,079	783,422	1,067,232,317
Other income		-	6,372,601	-	458,483	1,572,962	11,026,312	(45,382)	19,384,976
		<u>183,739,780</u>	<u>476,368,137</u>	<u>323,674,718</u>	<u>170,166,522</u>	<u>38,258,489</u>	<u>182,784,134</u>	<u>(4,243,841)</u>	<u>1,370,747,939</u>
Operating expenses									
Fee and commission expense		36,196,366	3,991,493	-	10,514,655	2,073,265	6,679,197	(3,791,587)	55,663,389
Finance expense		16,433,579	438,518,242	287,711,812	137,174,673	9,655,287	54,115,898	2,739,781	946,349,272
General and administrative expenses		95,631,470	22,252,546	6,327,937	19,041,430	17,886,839	89,932,136	(204,657)	250,867,701
Other expenses		24,957	-	-	39,115	723,011	56,833	(2,250)	841,666
		<u>148,286,372</u>	<u>464,762,281</u>	<u>294,039,749</u>	<u>166,769,873</u>	<u>30,338,402</u>	<u>150,784,064</u>	<u>(1,258,713)</u>	<u>1,253,722,028</u>
Non-operating income (expenses), net		-	-	-	738,854	425,455	108,065	2,836,931	4,109,305
Income tax expense		-	-	-	888,061	1,042,975	27,109,269	1,409,200	30,449,505
Profit (loss) for the year	₩	<u>35,453,408</u>	<u>11,605,856</u>	<u>29,634,969</u>	<u>3,247,442</u>	<u>7,302,567</u>	<u>4,998,866</u>	<u>(1,557,397)</u>	<u>90,685,711</u>
		2020							
<i>(In thousands of Korean won)</i>		Brokerage	Proprietary trading	Derivatives	Futures brokerage	Asset management	Others	Adjustments	Total
Operating revenue:									
Fee and commission income	₩	83,005,988	394,806	615,357	26,478,373	18,100,131	113,836,086	(6,262,945)	236,167,796
Finance income		56,782,104	586,608,453	426,188,369	94,674,560	11,966,628	49,865,539	(375,097)	1,225,710,556
Other income		-	7,337,598	-	229,459	859,196	1,806,453	(1,500,001)	8,732,705
		<u>139,788,092</u>	<u>594,340,857</u>	<u>426,803,726</u>	<u>121,382,392</u>	<u>30,925,955</u>	<u>165,508,078</u>	<u>(8,138,043)</u>	<u>1,470,611,057</u>
Operating expenses									
Fee and commission expense		18,089,632	2,791,805	-	13,424,733	647,182	7,041,052	(6,673,365)	35,321,039
Finance expense		15,864,226	412,175,793	518,615,372	87,676,515	7,970,506	30,840,647	2,980,213	1,076,123,272
General and administrative expenses		95,414,734	24,412,580	5,946,654	17,092,976	14,257,057	85,265,182	(198,969)	242,190,214
Other expenses		410,262	-	-	66,633	13,832,570	1,361,059	-	15,670,524
		<u>129,778,854</u>	<u>439,380,178</u>	<u>524,562,026</u>	<u>118,260,857</u>	<u>36,707,315</u>	<u>124,507,940</u>	<u>(3,892,121)</u>	<u>1,369,305,049</u>
Non-operating income (expenses), net		-	-	-	229,534	(215,516)	(308,922)	(124,653)	(419,557)
Income tax expense		-	-	-	738,051	(1,937,682)	26,683,057	-	25,483,426
Profit (loss) for the year	₩	<u>10,009,238</u>	<u>154,960,679</u>	<u>(97,758,300)</u>	<u>2,613,018</u>	<u>(4,059,194)</u>	<u>14,008,159</u>	<u>(4,370,575)</u>	<u>75,403,025</u>

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(3) Information about major customers

There was no external customer, who contributes more than 10% of the Group's revenue for the years ended December 31, 2021 and 2020.

9. Classification of Financial Instruments

Carrying amounts of financial instruments summarized by categories of financial instruments as of December 31, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>		2021	2020
Financial assets at FVTPL	₩	5,466,815,048	6,019,645,366
Financial assets at FVOCI		205,334,958	178,536,409
Derivative assets		26,833,094	17,649,922
Financial assets at AC			
Cash and deposits		1,120,856,321	1,092,551,111
Loans and receivables at AC		1,078,632,648	964,380,852
Other assets (*1)		1,062,957,084	1,554,211,764
Subtotal		3,262,446,053	3,611,143,727
Finance lease receivables		389,975	479,834
Financial assets total	₩	<u>8,961,819,128</u>	<u>9,827,455,258</u>
Financial liabilities at FVTPL			
Financial liabilities, mandatorily, at FVTPL	₩	1,188,214,835	1,544,320,758
Financial liabilities designated as being held at FVTPL		791,682,629	623,863,464
Subtotal		1,979,897,464	2,168,184,222
Derivative liabilities		32,240,412	21,452,037
Financial liabilities at FVTPL			
Deposits		1,271,485,645	1,565,925,448
Borrowed funds		3,855,731,809	3,975,532,253
Other liabilities (*2)		837,111,693	1,326,164,823
Subtotal		5,964,329,147	6,867,622,524
Lease liabilities		78,497,806	34,564,669
Financial liabilities total	₩	<u>8,054,964,829</u>	<u>9,091,823,452</u>

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

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

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10. Finance Income and Finance Expense

Details of finance income and finance expense for the years ended December 31, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>	2021			
	Gain (loss), net (*1)	OCI	Interest income (expenses)	Impairment (reversal of impairment)
Financial assets at FVTPL	₩ (74,592,327)	-	88,972,834	-
Financial assets at FVOCI	3,564,868	16,751,027	-	-
Financial assets at AC (*2)	7,793,221	-	77,182,970	(12,692,606)
Derivative assets	47,453,455	-	-	-
Finance lease receivables	-	-	8,622	-
Financial liabilities, mandatorily, at FVTPL	61,172,699	-	-	-
Financial liabilities designated as being held at FVTPL	(10,072,363)	382,475	-	-
Financial liabilities at AC (*3)	21,003,216	-	(52,806,821)	-
Lease liabilities	-	-	(2,431,922)	-
Total	₩ <u>56,322,769</u>	<u>17,133,502</u>	<u>110,925,683</u>	<u>(12,692,606)</u>

(*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>	2020			
	Gain (loss), net (*1)	OCI	Interest income (expenses)	Impairment (reversal of impairment)
Financial assets at FVTPL	₩ 232,131,805	-	95,945,793	-
Financial assets at FVOCI	2,661,449	11,573,361	-	-
Financial assets at AC (*2)	(413,550)	-	55,764,746	(1,847,258)
Derivative assets	(113,369,359)	-	-	-
Finance lease receivables	-	-	10,338	-
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)	(2,030,727)	-	(47,888,867)	-
Lease liabilities	-	-	(416,892)	-
Total	₩ <u>54,080,216</u>	<u>12,067,799</u>	<u>103,415,118</u>	<u>(1,847,258)</u>

(*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.

EUGENE INVESTMENT & SECURITIES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2021 and 2020

11. Cash and Deposits

(1) Cash and deposits

Cash and deposits as of December 31, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>		2021	2020
Cash and cash equivalents			
Cash	₩	2,646	299
Checking account		74,613,990	58,763
Ordinary deposits		37,144,226	15,336,649
Money market deposit account (MMDA)		100,706,497	127,856,773
Others		222,409,585	300,510,694
Subtotal		<u>434,876,944</u>	<u>443,763,178</u>
Deposits due from others			
Subscription deposits		-	301,946
Reserve deposits for claims of customer deposits (deposit)		90,904,827	107,929,241
Reserve deposits for claims of customer deposits in foreign currency		21,694,650	-
Deposits in foreign currency		26,393,789	36,542,784
Deposits for securities lending trades		50,200,000	-
Margin deposits for exchange-traded derivatives trades		255,289,434	305,833,914
Margin deposits at Korea Exchange		52,921,000	60,521,000
Long-term deposits (including guarantee deposits for checking accounts)		1,022,500	1,042,500
Others		187,553,177	136,616,547
Subtotal		<u>685,979,377</u>	<u>648,787,932</u>
Total	₩	<u><u>1,120,856,321</u></u>	<u><u>1,092,551,110</u></u>

(2) Restricted deposits

Deposits and assets restricted for use as of December 31, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>		2021	2020
Deposits due from others			
Subscription deposits	₩	-	301,946
Reserve deposits for claims of customer deposits (deposit)		90,904,827	107,929,241
Reserve deposits for claims of customer deposits in foreign currency		19,584,049	-
Deposits in foreign currency		26,393,789	36,542,784
Deposits for securities lending trades		50,200,000	-
Margin deposits for exchange-traded derivatives trades		253,406,074	304,175,708
Margin deposits at Korea Exchange		52,921,000	60,521,000
Long-term deposits (including guarantee deposits for checking accounts)		1,022,500	1,042,500
Others		162,774,038	123,726,814
Subtotal		<u>657,206,277</u>	<u>634,239,993</u>
Financial assets at FVTPL			
Reserve deposits for claims of customer deposits (trust)		683,833,214	784,830,770
Reserve deposits for claims of customer deposits (trust) for exchange-traded derivatives transactions		28,132,252	55,218,831
Subtotal		<u>711,965,466</u>	<u>840,049,601</u>
Total	₩	<u><u>1,369,172,243</u></u>	<u><u>1,474,289,594</u></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 Group 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 Group 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 Group deposits over 100% of borrowings from KSFC as guarantee in 'Guarantee deposits for stock borrowings from KSFC' included in 'Deposits due from others – Others' account.

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12. Financial Assets and Financial Liabilities at FVTPL

(1) Details of financial assets and financial liabilities at FVTPL as of December 31, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>	2021			
	Acquisition cost	Carrying amount before valuation	Carrying amount carried at fair value	Gain (loss) on valuation
Financial assets at FVTPL				
Stocks	₩ 164,541,494	158,265,519	154,179,622	(4,085,897)
Government and municipal bonds	1,754,605,257	1,748,705,766	1,686,622,054	(62,083,712)
Special entities (government agencies) bonds	226,403,934	226,431,351	226,239,637	(191,714)
Corporate bonds	1,818,399,333	1,819,511,707	1,814,243,188	(5,268,519)
Electronic short-term bonds	13,863,169	13,872,208	13,871,151	(1,057)
Foreign currency bonds	45,979,734	46,469,131	46,765,229	296,098
Collective investment securities	176,484,810	180,036,303	184,640,592	4,604,289
Ownership investments	172,043,661	173,438,373	179,057,673	5,619,300
Commercial papers	350,372,147	350,685,031	350,149,315	(535,716)
Money market funds (MMF)	4,251,344	4,224,993	4,253,234	28,241
Other securities	36,874,166	8,069,984	8,069,984	-
Private placement bonds	63,261,000	66,421,467	62,681,461	(3,740,006)
Reserve deposits for claims of customer deposits (trust)	682,000,000	682,000,000	683,833,215	1,833,215
Reserve deposits for claims of customer deposits (trust) for exchange-traded derivatives transactions	28,000,000	28,000,000	28,132,252	132,252
Derivative-linked securities purchased (*1)	26,267,740	24,165,996	24,076,441	(89,555)
Total	₩ 5,563,347,789	5,530,297,829	5,466,815,048	(63,482,781)
Financial liabilities, mandatorily, at FVTPL				
Stocks	₩ 89,162,858	89,180,797	89,763,728	(582,931)
Government and municipal bonds	1,109,595,767	1,119,530,517	1,098,451,107	21,079,410
Total	₩ 1,198,758,625	1,208,711,314	1,188,214,835	20,496,479
Financial liabilities designated as being held at FVTPL				
Derivative-linked securities sold (*1)	₩ 797,907,820	794,743,152	791,682,629	3,060,523
Total	₩ 797,907,820	794,743,152	791,682,629	3,060,523

(*1) The following table presents a roll-forward of Day One gains and losses for the year ended December 31, 2021:

<i>(In thousands of Korean won)</i>	Balance at January 1	Increase due to new trades	Decrease from recognition	Balance at December 31
Financial assets at FVTPL				
Derivative-linked securities purchased	₩ 3,362,463	1,218,824	(2,111,226)	2,470,061
Financial liabilities designated as being held at FVTPL				
Derivative-linked securities sold	(3,127,335)	585,747	1,329,187	(1,212,401)
Total	₩ 235,128	1,804,571	(782,039)	1,257,660

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	2020			
	Acquisition cost	Carrying amount before valuation	Carrying amount carried at fair value	Gain (loss) on valuation
<i>(In thousands of Korean won)</i>				
Financial assets at FVTPL				
Stocks	₩ 123,678,673	113,887,590	117,793,129	3,905,539
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	330,616,129	331,511,217	358,241,012	26,729,795
Ownership investments	99,337,100	101,687,448	101,587,270	(100,178)
Commercial papers	220,454,206	220,997,200	221,133,675	136,475
Money market funds (MMF)	5,126,466	5,126,466	5,172,190	45,724
Other securities	38,387,055	9,582,873	9,582,873	-
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	₩ 6,057,221,898	6,017,742,939	6,019,645,366	1,902,427
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	1,358,458,021	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	1,538,670,958	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:

	Balance at January 1	Increase due to transfers	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	₩ 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

Interest income on debt securities above for the years ended December 31, 2021 and 2020 were ₩88,906 million and ₩95,946 million, respectively.

The Group 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 Group 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.

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- (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, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>		2021	2020
Contractual amount due at maturity	₩	798,020,179	627,986,551
Carrying amount		791,682,629	623,863,464
Difference	₩	<u>6,337,550</u>	<u>4,123,087</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, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>		2021	2020
Balance at January 1	₩	1,693,077	959,776
Recognized in OCI during the year		478,782	733,301
Balance at December 31	₩	<u>2,171,859</u>	<u>1,693,077</u>

13. Financial Assets at FVOCI

- (1) Details of financial assets at FVOCI as of December 31, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>		2021		2020	
		Acquisition cost	Carrying amount	Acquisition cost	Carrying amount
Stocks (*1)	₩	53,089,939	205,334,958	46,586,197	178,536,409

- (*1) Stocks are held for financial services industry-specific requirements and strategic purposes not for trading.

- (2) Acquisition costs of stocks included in financial assets at FVOCI as of December 31, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>		2021			2020		
		Number of shares held	Ownership interest (%)	Acquisition cost	Number of shares held	Ownership interest (%)	Acquisition cost
Korea Exchange	₩	688,683	3.44	4,918,093	688,683	3.44	4,918,093
Korea Securities Finance Corporation		630,858	0.46	4,378,619	630,858	0.93	4,378,619
Korea Securities Depository		85,438	0.78	408,825	85,438	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	0.47	594,988
Tongyang Inc.		11,438,000	4.79	32,433,666	11,438,000	4.79	32,433,666
Samyang Holdings Corporation		22,000	0.26	2,462,120	-	-	-
Hyundai Mipo Dockyard Co., Ltd.		73,000	0.18	4,041,622	-	-	-
Korea Foss Securities Co., Ltd.		36,000	0.24	200,000	36,000	0.24	200,000
Korea Shipping Corporation		105	-	8,135	105	-	8,135
Total	₩	<u>13,817,384</u>		<u>53,089,939</u>	<u>13,722,384</u>		<u>46,586,197</u>

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(3) Carrying amounts of stocks included in financial assets at FVOCI as of December 31, 2021 and 2020 are as follows:

(In thousands of Korean won)	2021			2020		
	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)	₩ 155,736,707	155,736,707	Dec. 31, 2021	140,365,303	140,365,303	Dec. 31, 2020
Korea Securities Finance Corporation (*1)	8,880,588	8,880,588	Dec. 31, 2021	8,808,670	8,808,670	Dec. 31, 2020
Korea Securities Depository (*1)	8,539,784	8,539,784	Dec. 31, 2021	8,186,584	8,186,584	Dec. 31, 2020
Korea Money Brokerage Corporation (*1)	759,479	759,479	Dec. 31, 2021	707,330	707,330	Dec. 31, 2020
DLIVE Gangnam Cable TV Co., Ltd. (*1)	4,961,488	4,961,488	Dec. 31, 2021	5,025,338	5,025,338	Dec. 31, 2020
Aizawa Securities Co., Ltd.	2,368,823	2,368,823	Dec. 31, 2021	1,754,529	1,754,529	Dec. 31, 2020
Tongyang Inc.	16,756,670	16,756,670	Dec. 31, 2021	13,611,220	13,611,220	Dec. 31, 2020
Samyang Holdings Corporation	2,160,400	2,160,400	Dec. 31, 2021	-	-	-
Hyundai Mipo Dockyard Co., Ltd.	5,110,000	5,110,000	Dec. 31, 2021	-	-	-
Korea Foss Securities Co., Ltd. (*1)	52,884	52,884	Dec. 31, 2021	69,300	69,300	Dec. 31, 2020
Korea Shipping Corporation (*2)	8,135	8,135	-	8,135	8,135	-
Total	₩ 205,334,958	205,334,958		178,536,409	178,536,409	

(*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 value 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. When applying discounted cash flows, five-year projected financial statements were estimated based on historical performances assuming the operational structure during the projected period unchanged, and the financial statements from 2021 to 2025 were estimated. Operating revenue and operating expenses were estimated based on historical performances, future business plans and forecasts for future market circumstances.

(*2) Due to limitations in obtaining reliable information from the investees, unlisted companies, the Group values the investments at their acquisition costs except for impairment losses in certain stocks when there are significant decline in net asset values if applicable.

(4) Changes in fair values of financial assets at FVOCI during the years ended December 31, 2021 and 2020 are as follows:

(In thousands of Korean won)	2021					Carrying amount (fair value)
	Acquisition cost	Cumulative balance at January 1	Changes in fair value during the year	Cumulative balance at December 31	Unrealized gains and losses	
Stocks	₩ 53,089,939	131,950,212	20,294,807	152,245,019		205,334,958
Deferred tax effect	-	(35,589,640)	(3,543,780)	(39,133,420)		-

(In thousands of Korean won)	2020					
	Acquisition cost	Cumulative balance at January 1	Changes due to transfers during the year	Changes in fair value during the year	Cumulative balance at December 31	Carrying amount (fair value)
Stocks	₩ 46,586,197	110,960,497	-	20,989,715	131,950,212	178,536,409
Deferred tax effect	-	(26,173,426)	140	(9,416,354)	(35,589,640)	-

14. Securities at AC

(1) Details of securities at AC

The Group had no securities at AC as of December 31, 2021 and 2020.

(2) Interest income from securities at AC

Interest income recognized on securities at AC during the year ended December 31, 2020 are ₩87,625 thousand.

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15. Securities Pledged as Collateral

Details of securities the Group pledged as collateral as of December 31, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>		2021		
Securities pledged to	Financial assets pledged (*1)	Carrying amount	Purpose	
KSD	Financial assets at FVTPL - Government and municipal bonds, corporate bonds and special entities bonds	₩ 157,897,364	Collateral for securities lending trades	
KSD	Financial assets at FVTPL - Stocks and beneficiary certificates	336,494,250	Collateral for securities lending trades	
KSFC	Financial assets at FVTPL - Government and municipal bonds, corporate bonds, special entities bonds and commercial papers	1,247,650,924	Collateral for securities lending trades	
KSFC	Financial assets at FVOCI - Stocks	155,736,707	Collateral for securities lending trades and working capital loans from KSFC	
KSFC	Financial assets at FVTPL - Government and municipal bonds	34,747,303	Collateral for securities margin loans from KSFC	
Korea Exchange	Financial assets at FVTPL - Government and municipal bonds, special entities bonds and beneficiary certificates	58,688,902	Margin deposits for derivatives trades and others	
KSD and others	Financial assets at FVTPL - Government and municipal bonds, corporate bonds, special entities bonds and beneficiary certificates	202,260,047	Margin deposits for futures trades (interest rate futures) and margin deposits for issuance on derivative-linked securities	
		<u>2,193,475,497</u>		

(*1) Pledged assets include securities borrowed from others of ₩411,399 million.

<i>(In thousands of Korean won)</i>		2020		
Securities pledged to	Financial assets pledged (*1)	Carrying amount	Purpose	
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	140,365,303	Collateral for securities lending trades and working capital loans from KSFC	
KSFC	Financial assets at FVTPL - Government and municipal 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	
KSD and others	Financial assets at FVTPL - Government and municipal bonds, corporate bonds, special entities bonds and beneficiary certificates	215,762,814	Margin deposits for futures trades (interest rate futures) and margin deposits for issuance on derivative-linked securities	
		<u>₩ 2,496,273,283</u>		

(*1) Pledged assets include securities borrowed from others.

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In relation to securities margin trades, the Group accepted securities of ₩852,486 million and ₩804,928 million as of December 31, 2021 and 2020, respectively, as collateral, and the Group held securities of ₩21,491,700 million and ₩17,939,200 million in KRX market price basis in custody received from customers as of December 31, 2021 and 2020, respectively. In addition to securities pledged in the tables above, the Group pledged financial assets at FVTPL with carrying amounts of the bonds of ₩2,146,550 million and ₩2,427,244 million as collateral for securities sold under agreements to repurchase as of December 31, 2021 and 2020, respectively.

The Group 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 Group 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 Group'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 Group 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 Group'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 Group is allowed to make contributions to the collective funds with government bonds or monetary stabilization bonds listed on the securities exchange as 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 Group's account with the KSD and the withdrawal shall be made by way of terminating the pledge. The Group contributed to the collective funds with financial assets at FVTPL - government and municipal bonds as of December 31, 2021.

16. Investments in Associates

(1) Details of investments in associates as of December 31, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>	Country of incorporation	Ownership interest (%)	2021		Primary operation
			Acquisition cost	Carrying amount (*1)	
AIRA Property	Thailand	20.0%	₩ 5,643,036	5,099,459	Real estate development
Shinyoung Real Estate Co., Ltd.	Korea	38.9%	39,273,028	41,504,050	Real estate development
			₩ 44,916,064	46,603,509	

(*1) Applied the equity method using the most recent financial statements.

<i>(In thousands of Korean won)</i>	Country of incorporation	Ownership interest (%)	2020		Primary operation
			Acquisition cost	Carrying amount (*1)	
AIRA Property	Thailand	20.0%	₩ 4,926,629	5,086,761	Real estate development
Shinyoung Real Estate Co., Ltd.	Korea	35.0%	10,500,000	9,208,843	Real estate development
			₩ 15,426,629	14,295,604	

(*1) Applied the equity method using the most recent financial statements.

(2) The following tables present roll-forwards of investments in associates for the years ended December 31, 2021 and 2020:

<i>(In thousands of Korean won)</i>		2021	2020
Balance at January 1	₩	14,295,604	14,012,583
Acquisition		29,489,435	-
The Group's share in profit or loss		3,470,746	(40,039)
The Group's share in other comprehensive income		(652,276)	381,329
The Group's share in changes in retained earnings		-	(58,269)
Balance at December 31	₩	46,603,509	14,295,604

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(3) Summary of financial information of associates

Summary of financial information of associates as of and for the years ended December 31, 2021 and 2020 is as follows:

		2021					Total comprehensive income for the year
		Total assets	Total liabilities	Total equity	Total operating revenue	Profit (loss) for the year	
<i>(In thousands of Korean won)</i>							
AIRA Property	₩	80,217,483	44,109,873	36,107,610	3,169,263	(3,139,582)	(3,139,582)
Shinyoung Real Estate Co., Ltd.		124,849,464	18,847,157	106,002,307	31,315,564	10,726,031	10,699,327

		2020					Total comprehensive income for the year
		Total assets	Total liabilities	Total equity	Total operating revenue	Profit (loss) for the year	
<i>(In thousands of Korean won)</i>							
AIRA Property	₩	78,724,243	40,943,025	37,781,218	114,691	(1,308,891)	(1,313,587)
Shinyoung Real Estate Co., Ltd.		33,967,621	7,656,640	26,310,981	12,904,284	524,121	524,121

17. Derivatives

(1) Exchange-traded derivatives

Details of exchange-traded derivatives outstanding as of December 31, 2021 and 2020 are as follows:

		2021			Purpose of transactions
		Position	Notional principal amount	Gain (loss) on settlements (*1)	
<i>(In thousands of Korean won)</i>					
Equity index options	Long	₩	194,067,779	(453,819)	Trading and hedging (risk management)
Equity index options	Short		198,261,997	103,491	Trading and hedging (risk management)
Interest rate futures	Long		623,609,160	623,210	Trading and hedging (risk management)
Interest rate futures	Short		661,426,013	3,798,113	Trading and hedging (risk management)
Equity index futures	Long		15,054,688	64	Trading and hedging (risk management)
Equity index futures	Short		72,068,238	(826,067)	Trading and hedging (risk management)
FX futures	Long		38,456,380	167,960	Trading and hedging (risk management)
FX futures	Short		172,142,289	(804,109)	Trading and hedging (risk management)
Commodity futures	Long		273,815	23,011	Trading and hedging (risk management)
Commodity futures	Short		1,784,133	(20,820)	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.

		2020			Purpose of transactions
		Position	Notional principal amount	Gain (loss) on settlements (*1)	
<i>(In thousands of Korean won)</i>					
Equity index options	Long	₩	47,059,809	485,966	Trading and hedging (risk management)
Equity index options	Short		53,246,336	(490,664)	Trading and hedging (risk management)
Interest rate futures	Long		132,773,470	(403,810)	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		118,946,034	979,778	Trading and hedging (risk management)
Commodity futures	Long		7,247,490	(94,584)	Trading and hedging (risk management)
Commodity futures	Short		7,349,059	111,468	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.

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For the years ended December 31, 2021 and 2020

(2) OTC derivatives

Details of OTC derivatives outstanding as of December 31, 2021 are as follows:

							2021
							Cumulative gain (loss)
							Adjustments
<i>(In thousands of Korean won)</i>	Notional principal amount	Gain (loss) on valuation	for counterparty credit risks	Derivative assets	Derivative liabilities	Purpose of transactions	
FX							
Currency forwards	₩ 211,048,775	83,233	(27,070)	555,957	499,794	Trading and hedging (risk management)	
Currency swaps	1,295,371,851	883,698	(689,302)	18,945,299	18,750,903	Trading and hedging (risk management)	
Interest rate							
Interest rate swaps	130,000,000	(6,835,005)	(14,165)	59,090	6,908,260	Hedging (risk management)	
Interest rate forwards	-	-	-	-	-	Hedging (risk management)	
Credit							
Credit swaps	1,626,592,000	1,045,666	395,603	6,506,099	5,064,830	Trading	
Total	₩ 3,263,012,626	(4,822,408)	(334,934)	26,066,445	31,223,787		

The following table presents a roll-forward of Day One gains and losses for the year ended December 31, 2021:

<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	₩ (6,478,331)	(2,682,729)	3,045,683	-	(6,115,377)

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

							2020
							Cumulative gain (loss)
							Adjustments
<i>(In thousands of Korean won)</i>	Notional principal amount	Gain (loss) on valuation	for counterparty credit risks	Derivative assets	Derivative liabilities	Purpose of transactions	
FX							
Currency forwards	₩ 30,817,852	(609,366)	5,522	85,315	689,159	Trading and hedging (risk management)	
Currency swaps	253,097,478	194,791	(742,259)	3,009,004	3,556,472	Trading and hedging (risk management)	
Interest rate							
Interest rate swaps	263,557,700	(4,066,148)	(313,742)	2,638,088	7,017,978	Hedging (risk management)	
Interest rate forwards	160,000,000	-	(4,838)	338,528	343,366	Hedging (risk management)	
Credit							
Credit swaps	1,559,792,000	1,187,563	(281,654)	10,018,615	9,112,706	Trading	
Total	₩ 2,267,265,030	(3,293,160)	(1,336,971)	16,089,550	20,719,681		

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)

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Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2021 and 2020

18. Broker's Loans

The details of broker's loans as of December 31, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>		2021	2020
Margin loans to customers	₩	399,202,435	392,997,154
Unrepaid loans		109,896	53,875
Loans secured by securities		393,393,900	337,064,961
Loans secured by trading proceeds		5,419,728	9,057,417
Loss allowance		(1,014,009)	(386,731)
Total	₩	<u>797,111,950</u>	<u>738,786,676</u>

The Group provides loans to customers for margin trades with funds from borrowings from KSFC for margin loans and the Group's own funds. As of December 31, 2021, 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 Group 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 Group 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, 2021, interest rates for the loans secured by customers' securities range from 7.5% to 9.0% per annum.

19. Property and Equipment

(1) The following tables present roll-forwards of property and equipment for the years ended December 31, 2021 and 2020:

		2021					
<i>(In thousands of Korean won)</i>		Balance at January 1	Additions (including capital expenditures)	Disposals	Transfer (*1)	Depreciation	Balance at December 31
Land	₩	10,527,308	-	-	(325,634)	-	10,201,674
Buildings		7,747,503	-	-	(532,174)	(204,735)	7,010,595
Vehicles		17,550	196,676	(2)	-	(42,130)	172,094
Furniture and equipment		12,446,826	2,987,837	(26,964)	205,070	(4,550,291)	11,062,478
Right-of-use assets		34,197,441	57,704,227	(314,139)	-	(11,981,713)	79,605,816
Total	₩	<u>64,936,628</u>	<u>60,888,740</u>	<u>(341,105)</u>	<u>(652,738)</u>	<u>(16,778,869)</u>	<u>108,052,656</u>

(*1) Land and buildings were transferred to investment properties, furniture and equipment were transferred from advance payments.

		2020					
<i>(In thousands of Korean won)</i>		Balance at January 1	Additions (including capital expenditures)	Disposals	Transfer (*1)	Depreciation	Balance at December 31
Land	₩	11,097,308	-	(570,000)	-	-	10,527,308
Buildings		8,632,373	-	(651,855)	-	(233,015)	7,747,503
Vehicles		35,096	-	(2)	-	(17,544)	17,550
Furniture and equipment		8,923,557	7,405,815	(167,499)	-	(3,715,047)	12,446,826
Right-of-use assets		24,637,613	21,532,549	(5,427,027)	-	(6,545,694)	34,197,441
Total	₩	<u>53,325,947</u>	<u>28,938,364</u>	<u>(6,816,383)</u>	<u>-</u>	<u>(10,511,300)</u>	<u>64,936,628</u>

(*1) Transfer-in from advance payments.

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- (2) As of December 31, 2021 and 2020, the Publicly Notified Land Price (PNLP) of individual land parcels, which were notified by local government offices and based on publicly appraised PNLN of adjacent standard land parcels notified by the Mistry of Land, Infrastructure and Transport (MOLIT) of the Republic of Korea, of the Group are as follows:

<i>(In thousands of Korean won)</i>		2021		2020	
		Carrying amount	PNLP	Carrying amount	PNLP
Land - branch offices, employee training center and condominium	₩	10,201,674	9,049,102	10,527,308	9,532,007

20. Investment Properties

- (1) Details of investment properties as of December 31, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>			2021		2020	
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	13,913,000
Buildings (*2)	real estate	Seoch-gu, Seoul	3,705,047		3,803,411	
Land	Commercial	Suite 200, 196, Jamsil-dong,	570,000	5,683,000	570,000	5,683,000
Buildings (*2)	real estate	Songpa-gu, Seoul	589,686		625,212	
Land	Commercial	Suite 204, 1123-5, Sanbon-dong,	325,635	655,383	-	-
Buildings	real estate	Gunpo-si, Gyeonggi-do	512,775		-	-
Total			₩ 17,892,633	20,249,383	16,091,265	12,161,875

(*1) The fair values of investment properties are determined by an independent real estate appraiser, having appropriate recognized professional qualifications and recent experience in the location and category of property being valued. The fair value measurements for all of the investment properties have been categorized as Level 3 fair value measurements due to inputs used in the valuation technique.

(*2) For each investment property, the tenants have leasehold rights on the leasehold deposits received for rents of ₩280 million and ₩150 million, respectively, as of December 31, 2021.

- (2) The following table presents a roll-forward of investment properties for the years ended December 31, 2021 and 2020:

<i>(In thousands of Korean won)</i>		2021	2020
Balance at January 1	₩	17,188,113	16,091,265
Transfers		857,807	1,221,855
Depreciation		(153,287)	(125,007)
Balance at December 31	₩	17,892,633	17,188,113

- (3) The amounts recognized in profit or loss from investment properties for the years ended December 31, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>		2021	2020
Rental income from investment properties	₩	544,116	409,257
Direct operating expenses arising from investment properties that generated rental income		180,830	197,668
Direct operating expenses arising from investment properties that did not generate rental income		25,843	-

21. Insured Properties

The Group 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 ₩23,300 million as of December 31, 2021, 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 Group 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 electronic transmissions or processing. In addition, the Group has commercial general liability insurance policy.

EUGENE INVESTMENT & SECURITIES CO., LTD. AND SUBSIDIARIES

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For the years ended December 31, 2021 and 2020

22. Intangible Assets

(1) Details of intangible assets as of December 31, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>	2021				2020			
	Acquisition cost	Accumulated amortization	Accumulated impairment	Carrying amount	Acquisition cost	Accumulated amortization	Accumulated impairment	Carrying amount
Development costs	₩ 3,690,334	(2,394,357)	-	1,295,977	3,512,504	(1,994,766)	-	1,517,738
Software	38,968,553	(28,273,594)	-	10,694,959	35,849,085	(23,963,832)	-	11,885,253
Other intangibles	23,319,989	-	(4,803,002)	18,516,987	21,173,203	-	(6,152,889)	15,020,314
Total	₩ 65,978,876	(30,667,951)	(4,803,002)	30,507,923	60,534,792	(25,958,598)	(6,152,889)	28,423,305

(2) The following tables present roll-forwards of intangible assets for the years ended December 31, 2021 and 2020:

<i>(In thousands of Korean won)</i>	2021							
	Balance at January 1	Additions	Disposals	Transfers (*1)	Amortization	Impairment loss	Reversal of impairment loss	Balance at December 31
Development costs	₩ 1,517,738	146,678	-	31,152	(399,591)	-	-	1,295,977
Software	11,885,253	3,119,468	-	-	(4,309,762)	-	-	10,694,959
Other intangibles	15,020,314	3,701,786	(904,200)	-	-	-	699,087	18,516,987
Total	₩ 28,423,305	6,967,932	(904,200)	31,152	(4,709,353)	-	699,087	30,507,923

(*1) Transfer-in from advance payments.

<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
Development costs	₩ 1,323,009	428,786	-	90,965	(325,022)	-	-	1,517,738
Software	13,032,370	1,195,393	-	2,086,300	(4,428,810)	-	-	11,885,253
Other intangibles	13,893,220	611,904	(238,350)	-	-	(56,667)	810,207	15,020,314
Total	₩ 28,248,599	2,236,083	(238,350)	2,177,265	(4,753,832)	(56,667)	810,207	28,423,305

(*1) Transfer-in from advance payments.

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For the years ended December 31, 2021 and 2020

23. Borrowings and Other Borrowed Funds

Details of borrowings and other borrowed funds as of December 31, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>	Interest rate (%) per annum		2021	2020
Call money				
The Export-Import Bank of Korea and others	3.80	₩	100,000,000	120,000,000
Borrowings				
KSFC	0.45 ~ 1.89		732,440,798	707,997,857
KTB Investment & Securities Co., Ltd. and others	1.09 ~ 2.69		610,000,000	575,000,000
Heungkuk Securities Co., Ltd. and others	1.85 ~ 2.37		146,000,000	120,880,472
Shinhan Investment Corp. and others	1.20 ~ 1.25		86,784,852	35,000,000
Subtotal			1,575,225,650	1,438,878,329
Securities sold under agreements to repurchase				
Retail customers	0.65		844,662,357	839,208,891
KSFC	1.23 ~ 5.00		1,264,200,000	1,516,100,000
Subtotal			2,108,862,357	2,355,308,891
Total		₩	3,784,088,007	3,914,187,221

The Group pledges securities and other assets as collateral for borrowings and other borrowed funds in the table above as of December 31, 2021 and 2020 (See Note 15).

24. Subordinated Bonds Issued

Details of subordinated bonds issued as of December 31, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>	Effective interest rate (%)		2021	2020
14th Unsecured Subordinated Bonds	5.10	₩	10,000,000	10,000,000
15th Unsecured Subordinated Bonds	4.50		40,000,000	40,000,000
		₩	50,000,000	50,000,000

The Group 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 Group made partial repayment of ₩20,000 million on March 19, 2020 for 14th Unsecured Subordinated Bonds.

The Group 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.

25. Employee Benefits

(1) Details of employee benefits recognized as expenses for the years ended December 31, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>		2021	2020
Salaries	₩	141,791,521	152,787,096
Contributions to defined contribution plans		7,190,543	6,089,494
Total	₩	148,982,064	158,876,590

(2) The Parent 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 Parent 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.

Eugene Asset Management and Eugene Investments & Futures, subsidiaries, operates defined contribution plans and make contributions to retirement pension providers on a quarterly basis.

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26. 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, 2021 and 2020 are as follows:

		2021		2020	
		Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
<i>(In thousands of Korean won)</i>					
Advances for payment on loss compensation	₩	6,014,131	6,014,131	5,666,962	5,648,800
Advances for payment for others (*1)		675,808	675,808	675,808	675,808
Total	₩	<u>6,689,939</u>	<u>6,689,939</u>	<u>6,342,770</u>	<u>6,324,608</u>

(*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.

27. Commitments and Contingencies

(1) The following tables present roll-forwards of provisions and financial guarantees liability for the years ended December 31, 2021 and 2020:

		2021				
		AROs	Provisions for payment guarantees	Provisions for legal claims	Financial guarantees liability	Total
<i>(In thousands of Korean won)</i>						
Balance at January 1	₩	1,890,161	1,863,293	12,869,803	24,199,722	40,822,979
Transfer		-	(255,974)	-	-	(255,974)
Provisions made (reversed)		(46,273)	(50,926)	241,475	21,507,840	21,652,116
Changes (*1)		243,181	-	-	-	243,181
Provisions used		-	-	(241,475)	-	(241,475)
Unwind of discount and amortization		-	-	-	(13,342,993)	(13,342,993)
Balance at December 31	₩	<u>2,087,069</u>	<u>1,556,393</u>	<u>12,869,803</u>	<u>32,364,569</u>	<u>48,877,834</u>

(*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.

		2020				
		AROs	Provisions for payment guarantees	Provisions for legal claims	Financial guarantees liability	Total
<i>(In thousands of Korean won)</i>						
Balance at January 1	₩	1,558,759	604,082	4,504,960	22,984,780	29,652,581
Provisions made (reversed)		(43,770)	1,259,211	12,869,802	6,931,013	21,016,256
Changes (*1)		415,091	-	-	-	415,091
Provisions used		-	-	(2,194,725)	-	(2,194,725)
Unwind of discount and amortization		(39,919)	-	(2,310,234)	(5,716,071)	(8,066,224)
Balance at December 31	₩	<u>1,890,161</u>	<u>1,863,293</u>	<u>12,869,803</u>	<u>24,199,722</u>	<u>40,822,979</u>

(*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.

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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, 2021. AROs will be settled upon termination of the lease contracts of individual branches. To estimate future restoration costs, the Group 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, 2021 and 2020:

		2021			
		12-month	Lifetime ECLs		
(In thousands of Korean won)		ECLs	Not credit-impaired	Credit-impaired	Total
Balance at January 1	₩	1,862,585	708	-	1,863,293
Provisions made (reversed)		(52,132)	1,206	-	(50,926)
Transfer		(255,974)	-	-	(255,974)
Balance at December 31	₩	<u>1,554,479</u>	<u>1,914</u>	<u>-</u>	<u>1,556,393</u>

		2020			
		12-month	Lifetime ECLs		
(In thousands of Korean won)		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	₩	<u>1,862,585</u>	<u>708</u>	<u>-</u>	<u>1,863,293</u>

(3) The following tables present roll-forwards of financial guarantees liability for the years ended December 31, 2021 and 2020:

		2021			
		12-month	Lifetime ECLs		
(In thousands of Korean won)		ECLs	Not credit-impaired	Credit-impaired	Total
Balance at January 1	₩	24,199,722	-	-	24,199,722
Provisions made (reversed)		21,507,840	-	-	21,507,840
Amortization		(13,342,993)	-	-	(13,342,993)
Balance at December 31	₩	<u>32,364,569</u>	<u>-</u>	<u>-</u>	<u>32,364,569</u>

		2020			
		12-month	Lifetime ECLs		
(In thousands of Korean won)		ECLs	Not credit-impaired	Credit-impaired	Total
Balance at January 1	₩	22,984,780	-	-	22,984,780
Provisions made (reversed)		6,931,013	-	-	6,931,013
Amortization		(5,716,071)	-	-	(5,716,071)
Balance at December 31	₩	<u>24,199,722</u>	<u>-</u>	<u>-</u>	<u>24,199,722</u>

(4) Details of off-balance sheet arrangements as of December 31, 2021 and 2020 are as follows:

(In thousands of Korean won)		2021	2020
Payment guarantees (*1)	₩	75,121	75,121
Purchase commitments (*2)(*4)		562,100,000	399,500,000
Investment commitments (*3)		73,017,287	63,882,540
Total	₩	<u>635,192,408</u>	<u>463,457,661</u>

EUGENE INVESTMENT & SECURITIES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2021 and 2020

(*1) The Group issued performance guarantees in relation to work-out of construction companies as of December 31, 2021 and 2020. The Group recognized provisions of ₩2 million for the performance guarantees.

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

(*3) The commitments represent the Group'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, 2021 and 2020.

(5) Details of the Group's credit facilities with financial institutions as of December 31, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>	Financial institution		2021	2020
Daylight overdraft	Woori Bank and Kookmin Bank	₩	40,000,000	30,000,000
Line of credit	NongHyup Bank		2,000,000	-
Margin financing loan	KSFC		400,000,000	400,000,000
Short-term note discounting			225,000,000	225,000,000
Working capital loan			150,000,000	300,000,000
Secured financing loan			500,000,000	450,000,000
Intraday call loan			200,000,000	200,000,000
Secured loan (*1)			10,000,000	10,000,000

(*1) Eugene Investment & Futures provides 100% of its Korea Exchange stocks included in financial assets at FVOCI as collateral in relation to the secured loan agreement with KSFC above.

(6) Details of securities in custody and borrowed securities as of December 31, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>		2021	2020
Securities in custody			
Customers' securities in custody	₩	13,719,393,899	12,746,137,403
Customers' securities in custody for securities savings		8,863,488	5,774,034
Customers' securities in custody for trusts		7,762,940,650	5,597,330,034
Other securities in custody		489,050	9,360,792
Total	₩	<u>21,491,687,087</u>	<u>18,358,602,263</u>
Borrowed securities	₩	474,748,870	332,371,040

(7) Legal claims

The Parent Company is involved with eleven lawsuits, three as defendant with claims of ₩16,697 million and eight as plaintiff with claims of ₩11,122 million as of December 31, 2021. It was involved with twelve lawsuits, five as defendant with claims of ₩10,188 million and seven as plaintiff with claims of ₩3,672 million as of December 31, 2020. Based on historical experiences for the similar cases in nature, the Group did not recognize provisions for legal claims outstanding as of December 31, 2021. The outcomes of lawsuits are currently unpredictable and additional profits or losses could incur from the future outcomes of the lawsuits.

Eugene Asset Management, a subsidiary, recognized provisions for pending lawsuits including claims for damages with reasonable estimates. It made provisions of ₩12,870 million for two legal cases with claims of ₩14,975 million. Changes in the provisions already recognized and profits or losses may occur from the final outcomes of the lawsuits.

Including two legal cases to which Eugene Asset Management recognized provisions, it is involved with two lawsuits as defendant with claims of ₩14,975 million as of December 31, 2021. It was involved with five lawsuits with claims of ₩23,580 million as of December 31, 2020. The outcomes of lawsuits are currently unpredictable and additional profits or losses could incur from the future outcomes of the lawsuits in addition to the amounts partly recognized in the consolidated financial statements.

Eugene Investment & Futures, a subsidiary, is involved with one lawsuit as plaintiff with claims of ₩400 million and three as defendant with claims of ₩513 million as of December 31, 2021. It was involved with two lawsuits as plaintiff with claims of ₩587 million and two lawsuits as defendant with claims of ₩275 million as of December 31, 2020. The outcomes of lawsuits are currently unpredictable and additional profits or losses could incur from the future outcomes of the lawsuits in addition to the amounts partly recognized in the consolidated financial statements.

EUGENE INVESTMENT & SECURITIES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

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(8) Other matters

Eugene Investment & Futures, a subsidiary, entered into brokerage agreements with future commission merchants ("FCM", hereafter) such as BNP Paribas and United Overseas Bank, for brokerage of overseas derivatives trades, and it entered into agency contracts for derivatives trades with domestic customers.

28. Share Capital

(1) Details of share capital

Details of the Parent Company's share capital as of December 31, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>		2021	2020
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 Parent 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, 2021.

(2) Stock split and reverse stock split

The Parent 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 Parent Company made a 1-to-10 reverse stock split increasing par value from ₩500 to ₩5,000 per share.

29. Retained Earnings

Changes in the Group's retained earnings for the years ended December 31, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>		2021	2020
Balance at January 1	₩	234,037,888	165,471,872
Profit for the year		90,685,709	75,403,025
Cash dividends		(11,260,697)	(6,778,740)
The Group's share in changes in retained earnings of associates		-	(58,269)
Other		(365,037)	-
Balance at December 31	₩	<u>313,097,863</u>	<u>234,037,888</u>

EUGENE INVESTMENT & SECURITIES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2021 and 2020

30. Income Taxes

(1) Details of income taxes

Details of the Group's income taxes for the years ended December 31, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>		2021	2020
Current tax - current year	₩	24,914,254	14,690,649
Deferred tax - origination and reversal of temporary differences (*1)		9,092,540	20,452,377
Current tax - changes in estimates related to prior years		12,489	(4,384)
Total income tax		<u>34,019,283</u>	<u>35,138,642</u>
Income tax recognized in OCI (*2)		<u>(3,569,778)</u>	<u>(9,655,216)</u>
Income tax expense	₩	<u>30,449,505</u>	<u>25,483,426</u>

(*1) Details of deferred tax arising from origination and reversal of temporary differences for the years ended December 31, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>		2021	2020
Net deferred tax liabilities balance at December 31	₩	30,927,804	21,835,264
Less: Net deferred tax liabilities balance at January 1		21,835,264	1,382,887
Deferred tax - origination and reversal of temporary differences	₩	<u>9,092,540</u>	<u>20,452,377</u>

(*2) Details of income tax recognized in OCI for the years ended December 31, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>		2021		2020	
		Before tax	Deferred tax	Before tax	Deferred tax
Gain on valuation of financial assets at FVOCI	₩	20,294,807	(3,543,780)	20,989,715	(9,416,354)
Change in fair value attributable to change in credit risk of financial liabilities designated as being held at FVTPL		478,783	(96,308)	733,301	(238,862)
Share of other comprehensive income of associates		(652,276)	70,310	381,329	-
Total	₩	<u>20,121,314</u>	<u>(3,569,778)</u>	<u>22,104,345</u>	<u>(9,655,216)</u>

(2) Reconciliation of effective tax rate

The following table presents reconciliations of effective tax rate for the years ended December 31, 2021 and 2020:

<i>(In thousands of Korean won)</i>		2021	2020
Profit before income tax	₩	121,135,214	100,886,450
Tax using the Parent Company's domestic tax rate		28,852,722	23,952,521
Reconciliation:			
Tax-exempt income		(273,008)	(468,845)
Non-deductible expenses		1,051,377	690,390
Tax incentives		(20)	(20)
Others		818,434	1,309,380
Income tax expense	₩	<u>30,449,505</u>	<u>25,483,426</u>
Effective tax rate		25.14%	25.26%

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For the years ended December 31, 2021 and 2020

(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, 2021 and 2020:

	2021							
	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	₩ (42,390,084)	(36,838,716)	(42,390,084)	(36,838,716)	(11,699,663)	(9,559,647)	(11,699,663)	(9,559,647)
Loss allowance	1,001,327	619,782	493,220	1,127,889	214,587	138,621	101,912	251,296
Other provisions	17,043,329	12,869,802	12,920,728	16,992,403	3,778,365	2,659,240	2,703,200	3,734,405
Gain or loss on valuation of financial assets at FVTPL	4,248,053	65,882,027	4,248,054	65,882,026	1,133,248	17,086,096	1,126,505	17,092,839
Gain or loss on valuation of financial liabilities at FVTPL	18,586,311	(10,543,790)	18,586,311	(10,543,790)	5,129,822	(2,736,114)	5,129,822	(2,736,114)
Gain or loss on valuation of financial assets at FVOCI	(131,950,212)	(31,774,253)	(13,276,161)	(150,448,304)	(35,589,640)	(8,337,504)	(4,794,821)	(39,132,323)
Investments in subsidiaries	38,462,377	(5,159,495)	-	33,302,882	-	(1,338,889)	-	(1,338,889)
Tax allowance for assets	(335,450)	-	-	(335,450)	(92,584)	-	(5,535)	(87,049)
Accrued expenses	27,260,399	23,052,610	27,423,711	22,889,298	7,452,927	5,903,903	7,446,765	5,910,065
Impairment loss on intangible assets	6,152,889	-	1,349,887	4,803,002	1,629,963	13,591	433,606	1,209,948
AROs	1,890,162	298,307	1,009,593	1,178,876	509,490	66,550	279,302	296,738
Right-of-use assets	(33,858,434)	(49,517,816)	(4,241,075)	(79,135,175)	(9,086,331)	(12,651,731)	(1,365,004)	(20,373,058)
Lease liabilities	34,465,371	47,891,855	3,919,908	78,437,318	9,273,429	12,243,048	1,313,957	20,202,520
Accounts receivable on financial guarantees	(32,522,669)	(2,576,079)	-	(35,098,748)	(8,976,257)	(668,492)	(536,624)	(9,108,125)
Financial guarantees liability	34,196,136	2,052,030	-	36,248,166	9,438,134	532,502	564,237	9,406,399
Valuation on derivatives	(1,559,720)	(20,630,129)	(1,559,720)	(20,630,129)	(430,483)	(5,353,518)	(430,483)	(5,353,518)
Others	20,121,141	(15,261,257)	10,482,602	(5,622,718)	5,479,729	(3,974,958)	2,848,062	(1,343,291)
Subtotal	<u>(39,189,074)</u>	<u>(19,635,122)</u>	<u>18,966,974</u>	<u>(77,791,170)</u>	<u>(21,835,264)</u>	<u>(5,977,302)</u>	<u>3,115,238</u>	<u>(30,927,804)</u>
Total	₩ <u>(39,189,074)</u>	<u>(19,635,122)</u>	<u>18,966,974</u>	<u>(77,791,170)</u>	<u>(21,835,264)</u>	<u>(5,977,302)</u>	<u>3,115,238</u>	<u>(30,927,804)</u>

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

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	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)	(9,829,273)	(11,699,663)	(9,829,273)	(11,699,663)
Loss allowance	508,106	493,220	-	1,001,326	109,294	106,055	762	214,587
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	(6,282,718)	4,248,053	(6,282,718)	4,248,053	(1,504,272)	1,133,248	(1,504,273)	1,133,249
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	(110,960,497)	(31,257,475)	(10,267,760)	(131,950,212)	(26,173,285)	(7,798,444)	1,617,910	(35,589,639)
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	22,162,355	27,260,399	22,162,355	27,260,399	5,169,702	7,452,927	5,169,702	7,452,927
Impairment loss on intangible assets	7,465,328	56,667	1,369,106	6,152,889	1,752,204	15,640	137,881	1,629,963
AROs	934,968	1,091,888	136,694	1,890,162	219,614	289,166	(710)	509,490
Right-of-use assets	(24,568,240)	(12,041,756)	(2,751,562)	(33,858,434)	(5,788,711)	(3,064,927)	232,692	(9,086,330)
Lease liabilities	24,998,770	12,220,198	2,753,597	34,465,371	5,891,134	3,133,761	(248,534)	9,273,429
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	15,180,036	2,194,726	15,180,036	522,345	3,264,096	522,345	3,264,096
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	2,699,207	10,550,443	(6,871,490)	20,121,140	649,022	2,902,974	(1,927,730)	5,479,726
Subtotal	32,295,838	4,470,891	75,955,805	(39,189,076)	(1,382,887)	995,200	21,447,577	(21,835,264)
Total	₩ 32,295,838	4,470,891	75,955,805	(39,189,076)	(1,382,887)	1,027,526	21,479,903	(21,835,264)

(*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, 2021 there were unrecognized deferred tax assets of ₩12,698,672 thousand for temporary differences related to an investment in subsidiary - Eugene Asset Management and unrecognized deferred tax liabilities of ₩2,717,686 thousand for temporary differences related to an investment in subsidiary - Eugene Investment & Futures because the Group controls the dividend policy of subsidiaries – i.e. the Group controls the timing of reversal of the related taxable temporary differences and management is satisfied that they will not reverse in the foreseeable future.

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(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, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>		2021	2020
Deferred tax assets	₩	58,619,093	44,090,595
Deferred tax liabilities		(89,546,897)	(65,925,859)
Current tax refundable		8,972,807	3,473,571
Current tax payable		583,928	(787,891)

31. 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, 2021 and 2020:

1) Calculation of basic EPS

<i>(In Korean won)</i>		2021	2020
Profit attributable to ordinary shareholders	₩	90,685,709,052	75,403,024,532
Weighted-average number of ordinary shares		93,839,145	94,629,650
Basic earnings per share		966	797

2) Profit attributable to ordinary shareholders

<i>(In Korean won)</i>		2021	2020
Profit for the year	₩	90,685,709,052	75,403,024,532
Profit attributable to ordinary shareholders		90,685,709,052	75,403,024,532

3) Weighted-average number of ordinary shares

2021				
<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	(3,027,273)	365	(1,104,954,645)
	Total			<u>34,251,287,925</u>
	Weighted-average number of ordinary shares			93,839,145

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	March 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)

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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)
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			94,629,650

(2) Diluted EPS

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

32. Related Party Transaction

(1) Related parties

Related parties of the Group as of December 31, 2021 are as follows:

An entity that has significant influence over the Parent 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, Eugene Prydium Professional Investors Private Real Estate Master, 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., Eugene Hanil Synthetic Fiber Co., Ltd., Infrastructure Initiative 1st Private Equity Fund, Beijing Shuntong Ready-Mixed Concrete, PT. Hanil Indonesia, 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., Eugene Credit Value Professional Investors Private Real Estate Mater, Techsquare E&C Co., Ltd., Total Clean LLC, CS Eco Co., Ltd., Eugene Unicorn Private Equity Fund, Eugen Thor Private Equity Fund, Logitech Holdings Co., Ltd., Joongonara Co., Ltd., Doublequestion Co., Ltd., Tae Sung System Co., Ltd., Kyung San Corporation, Eugene W Private Equity Fund, Eugene W LLC, Eugene Dream Square Professional Investors Private No.33, Beijing Tongjian Ready-Mixed Concrete, H&H Global Ltd., and KBF Global Ltd.

Associates of the Group:

AIRA Property Public Company Ltd. and Shinyoung Real Estate Trust

EUGENE INVESTMENT & SECURITIES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2021 and 2020

(2) Transactions with related parties

Details of transactions with related parties for the years ended December 31, 2021 and 2020 are as follows

1) Revenues

<i>(In thousands of Korean won)</i>	Transaction		2021	2020
<i>An entity that has significant influence over the Parent Company:</i>				
Eugene Corporation	Other rental income	₩	200,000	200,000
<i>Other related parties:</i>				
Eugene M Co., Ltd.	Other rental income		8,686	12,688
Eugene IT Services Co., Ltd.	Other rental income		400	-
Eugene Private Equity Co., Ltd.	Other rental income		53,028	51,554
	Interest income		8,622	10,338
Tongyang Inc.	Other rental income		-	3,320
	Fee and commission income		20,000	-
Eugene Savings Bank (*1)	Interest income		90,320	16,497
Eugene Logistics Co., Ltd.	Other rental income		1,858	400
Eugene Hanil Synthetic Fiber Co., Ltd.	Other rental income		2,100	-
Eugene-Everbest Corporate Turnaround Private Equity Fund	Fee and commission income		496,467	667,871
Absolute KOSDAQ Venture Private Equity Fund II (*1)	Distribution income		-	10,959
Eugene Unicorn Private Equity Fund	Fee and commission income		435,331	-
Eugene Dream Square Professional Investors Private No.33	Fee and commission income		7,663	-
Total		₩	<u>1,324,475</u>	<u>973,627</u>

(*1) Excluded from related parties as of December 31, 2021.

2) Expenses

<i>(In thousands of Korean won)</i>	Transaction		2021	2020
<i>An entity that has significant influence over the Parent Company:</i>				
Eugene Corporation	Fee and commission expense	₩	2,539,373	1,648,905
<i>Other related parties</i>				
Eugene D Lab	Construction costs		85,020	1,308,261
Eugene M Co., Ltd.	Other service fees		213,238	264,408
Eugene IT Services Co., Ltd.	Construction costs		574,695	33,700
Eugene Leisure Co., Ltd.	Facility service charges		891,561	671,874
Dongwha Corporation	Facility service charges		83,685	63,298
Tongyang Inc.	Interest expenses		1,530,000	1,372,206
	Loss on redemption of bonds issued		-	965,022
Cheonan Corporation	Utilities		2,108,052	1,861,187
	Interest expenses		326,503	369,576
Eugene Home Center Co., Ltd.	Other expenses		448,581	346,953
Eugene Home Center Online Co., Ltd.	Other employee benefits		40,089	-
Eugene AMC LLC	Other service fees		164,733	164,650
Hanil Synthetic Fiber Co., Ltd.	Interest expenses		-	59,332
	Other employee benefits, etc.		46,710	-
Han Seung Remicon Co., Ltd.	Interest expenses		45,000	23,359
Eugene Mplus	Other advertising costs		52,882	35,017
Total		₩	<u>9,150,122</u>	<u>9,187,748</u>

EUGENE INVESTMENT & SECURITIES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2021 and 2020

(3) Outstanding balances with related parties

Details of outstanding balances due from or due to related parties as of December 31, 2021 and 2020 are as follows:

1) Balances due from

<i>(In thousands of Korean won)</i>	Balance	2021	2020
<i>An entity that has significant influence over the Parent Company:</i>			
Eugene Corporation	Accounts receivable	₩ -	2,742
<i>Other related parties:</i>			
Eugene M Co., Ltd.	Accrued income	1,595	2,314
Eugene Private Equity Co., Ltd.	Finance lease receivables	405,434	503,915
Eugene IT Services Co., Ltd.	Accrued income	14,234	-
Cheonan Corporation	Leasehold deposits paid for rents	3,246,240	3,246,240
Eugene Savings Bank (*1)	Accrued income	-	3,101,910
Eugene-Everbest Corporate Turnaround Private Equity Fund	Accrued income	97,561	157,038
Eugene Unicorn Private Equity Fund	Accrued income	228,551	-
Eugene Dream Square Professional Investors Private No.33	Accrued income	1,604,696	-
		₩ 5,598,311	7,014,159

(*1) Excluded from related parties as of December 31, 2021.

2) Balances due to

<i>(In thousands of Korean won)</i>	Balance	2021	2020
<i>An entity that has significant influence over the Parent Company:</i>			
Eugene Corporation	Accounts payable	₩ 6,645	3,336
	Customer deposits	7	7
<i>Other related parties:</i>			
Eugene M Co., Ltd.	Accrued expenses	92,829	-
Cheonan Corporation	Lease liabilities	16,117,461	20,032,427
Dongwha Corporation	Accrued expenses	720	990
Eugene Private Equity Co., Ltd.	Leasehold deposits received for rents	81,659	81,659
Tongyang Inc.	Subordinated bonds issued	34,000,000	34,000,000
	Accrued expenses	50,301	50,164
Han Seung Remicon Co., Ltd.	Subordinated bonds issued	1,000,000	1,000,000
	Accrued expenses	1,480	1,475
Eugene Home Center Co., Ltd.	Accrued expenses	2,500	-
Eugene Mplus	Accrued expenses	6,390	-
		₩ 51,359,992	55,170,058

(4) Financing transactions with related parties

Details of financing transactions with related parties for the years ended December 31, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>	Transaction	2021					
		Dividends paid	Dividends received	Cash investment	Distribution	Lending - collection	Borrowing - repayment
<i>Associates:</i>							
Shinyoung Real Estate Trust	Acquisition of interest	₩ -	-	28,773,028	-	-	-
AIRA Property Public Company Ltd.	Acquisition of interest	-	-	716,407	-	-	-
<i>An entity that has significant influence over the Parent Company:</i>							
Eugene Corporation	Payments of dividends	₩ 3,168,110	-	-	-	-	-
<i>Other related parties:</i>							
Tongyang Inc.	Receipts of dividends	-	457,520	-	-	-	-
Cheonan Corporation	Leases	-	-	-	-	-	3,914,966
Eugene Private Equity Co., Ltd.	Leases	-	-	-	-	98,481	-
Eugene W Private Equity Fund	Other	-	-	40,000,000	-	-	-
Infrastructure Initiative 1st Private Equity Fund	Other	-	-	2,152,889	2,164,444	-	-
Eugene Unicorn Private Equity Fund	Other	-	-	3,750,000	-	-	-
Eugene Dream Square Professional Investors Private No.33	Other	-	-	132,000	-	-	-
Eugene-Everbest Corporate Turnaround Private Equity Fund	Other	-	-	-	495,000	-	-

EUGENE INVESTMENT & SECURITIES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2021 and 2020

(In thousands of Korean won)	Transaction	2020					
		Dividends paid	Dividends received	Lending - collection	Borrowing - repayment	Subordinated bonds issued	
						Issuance	Repayment
<i>An entity that has significant influence over the Parent 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
Hanil 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 Group makes deposits to and receives deposits from Eugene Savings Bank. These financing transactions include settlement of funds, demand deposits due from and due to Eugene Savings Bank, which occur in regular way financial transactions.

(5) There was no payment guarantees (including purchase commitments) provided to related parties for the years ended December 31, 2021 and 2020.

(6) Details of investment commitments and other commitments provided to related parties for the years ended December 31, 2021 and 2020 are as follows:

(In thousands of Korean won)	2021	
<i>Other related parties:</i>		
Infrastructure Initiative 1st Private Equity Fund	₩	7,000,000
Eugene-Everbest Corporate Turnaround Private Equity Fund		2,700,000
Eugene Unicorn Private Equity Fund		2,000,000
Eugene Dream Square Professional Investors Private No.33		3,000,000
Total	₩	<u>14,700,000</u>
(In thousands of Korean won)	2020	
<i>Other related parties:</i>		
Infrastructure Initiative 1st Private Equity Fund	₩	3,500,000
Eugene-Everbest Corporate Turnaround Private Equity Fund		2,700,000
Total	₩	<u>6,200,000</u>

(7) There were no pledges provided to or from related parties as of December 31, 2021 and 2020.

(8) Key management personnel compensation

Key management personnel compensation includes short term-benefits of ₩5,229 million and ₩6,136 million, bonuses of ₩11,880 million and ₩13,920 million, and post-retirement benefits of ₩899 million and ₩1,034 million for the years ended December 31, 2021 and 2020, respectively. The Group's key management personnel is comprised of executives with significant roles and responsibilities on planning, operating and controlling the Group's business activities.

EUGENE INVESTMENT & SECURITIES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2021 and 2020

33. Cash Flow Information

(1) Non-cash transactions

Information about material non-cash transactions for the years ended December 31, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>		2021	2020
Gain on valuation of financial assets at FVOCI	₩	16,751,027	11,573,361
Change in fair value attributable to change in the credit risk of financial liabilities designated as being held at FVTPL		382,475	494,438

(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, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>		2021	2020
Income taxes paid	₩	(13,727,660)	(37,741,521)
Interest received		161,401,917	140,329,824
Interest paid		(54,562,523)	(45,880,477)
Dividends received		17,541,972	7,571,572

(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, 2021 and 2020 are as follows:

		2021					
<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	₩	120,000,000	(20,000,000)	-	-	-	100,000,000
Borrowings		2,954,978,329	(115,552,679)	-	-	-	2,839,425,650
Subordinated bonds issued		50,000,000	-	-	-	-	50,000,000
Lease liabilities		34,564,669	(12,722,249)	-	-	56,655,386	78,497,806
Dividends payable		1,391	(11,260,697)	-	-	11,260,697	1,391
Leasehold deposits received for rents		905,092	(30,000)	-	-	10,574	885,666
Share capital repayable on demand		11,345,032	12,901,910	-	-	(2,603,141)	21,643,801
Total	₩	<u>3,171,794,513</u>	<u>(146,663,715)</u>	<u>-</u>	<u>-</u>	<u>65,323,516</u>	<u>3,090,454,314</u>

		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		2,569,917,136	385,061,193	-	-	-	2,954,978,329
Subordinated bonds issued		30,000,000	19,034,978	-	-	965,022	50,000,000
Lease liabilities		25,063,092	(5,578,798)	-	-	15,080,375	34,564,669
Dividends payable		1,391	(6,778,740)	-	-	6,778,740	1,391
Leasehold deposits received for rents		789,769	161,219	-	-	(45,896)	905,092
Share capital repayable on demand		6,855,052	2,639,068	-	-	1,850,912	11,345,032
Total	₩	<u>2,642,626,440</u>	<u>504,538,920</u>	<u>-</u>	<u>-</u>	<u>24,629,153</u>	<u>3,171,794,513</u>

EUGENE INVESTMENT & SECURITIES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2021 and 2020

34. General and Administrative Expenses

Details of general and administrative expenses for the years ended December 31, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>		2021	2020
Salaries	₩	141,791,521	152,787,096
Post-retirement expenses		7,190,543	6,089,494
Other employee benefits		16,437,932	14,799,247
IT system operation costs		15,154,367	15,850,503
Rents		825,631	791,890
Fees and commissions		11,077,245	8,524,516
Business meals and entertainments		4,708,388	3,759,971
Advertising		9,465,123	6,447,925
Depreciation		16,778,869	10,511,300
Training		872,133	692,084
Amortization		4,709,352	4,753,832
Taxes and dues		11,074,958	7,211,687
Other general & administrative expenses		10,781,640	9,970,669
Total	₩	<u>250,867,702</u>	<u>242,190,214</u>

35. Regulatory Reserve for Credit Losses

In accordance with Article 3-8 of Regulations on Financial Investment Business, the Group 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, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>		2021	2020
Regulatory reserve for credit losses previously appropriated	₩	13,955,696	4,142,560
Expected provision for regulatory reserve for credit losses		597,141	9,813,136
Regulatory reserve for credit losses total	₩	<u>14,552,837</u>	<u>13,955,696</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, 2021 and 2020 are as follows:

<i>(In thousands of Korean won, except EPS data)</i>		2021	2020
Expected provision for regulatory reserve for credit losses	₩	597,141	9,813,136
Profit for the year adjusted with provision for regulatory reserve for credit losses		90,088,568	65,589,888
Basic and diluted EPS adjusted with provision for regulatory reserve for credit losses (in won)	₩	960	693

36. Interests in Unconsolidated Structured Entities

(1) Nature of interests in unconsolidated structured entities

Nature of the Group's interests in unconsolidated structured entities as of December 31, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>	Purpose	Principal activities	How the entity is financed	Total assets (*1)	
				2021	2020
Special-purpose companies (SPCs) for securitization vehicles	Funding through asset securitization	Servicing of assets and funding through the issue of securitized notes	Issuing asset-backed loans or asset-backed commercial papers	₩ 133,077	90,511
Real estate financing vehicles	Investing in real estate (including social overhead capital) projects	Operating and managing real estate development projects	Equity investments and borrowing	3,030	24,363
Acquisition financing and other financing	Funding for acquisition of interests in businesses and other investments	Repayments, investments and collections of funds	Equity investments and borrowing	-	-
Investment funds and trusts	Management of real estate trusts and funds	Operating and managing funds	Issuing beneficiary certificates	64,124	45,754

EUGENE INVESTMENT & SECURITIES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2021 and 2020

(2) Nature of risks related to unconsolidated structured entities

The Group's maximum exposures to loss from its interests in unconsolidated structured entities as of December 31, 2021 and 2020 are as follows:

		2021			
<i>(In thousands of Korean won)</i>		SPCs for securitization	Real estate financing	Investment funds and trusts	Total
Total assets (A)	₩	1,623,947,847	15,001,515	114,268,453	1,753,217,815
Financial assets at FVTPL		656,414,926	14,998,145	114,268,453	785,681,524
Loans and receivables at AC		935,600,000	-	-	935,600,000
Other		31,932,922	3,370	-	31,936,292
Total liabilities (B)		32,364,569	-	-	32,364,569
Other		32,364,569	-	-	32,364,569
Carrying amount of net assets (D = A - B)		1,591,583,278	15,001,515	114,268,453	1,720,853,246
Credit and other arrangements (C)		587,730,000	-	47,387,287	635,117,287
Maximum exposure (E = A + C)		<u>2,211,677,847</u>	<u>15,001,515</u>	<u>161,655,740</u>	<u>2,388,335,102</u>

		2020			
<i>(In thousands of Korean won)</i>		SPCs for securitization	Real estate financing	Investment funds and trusts	Total
Total assets (A)	₩	578,085,718	108,096,881	99,135,795	785,318,394
Financial assets at FVTPL		556,529,346	33,096,881	99,135,795	688,762,022
Loans and receivables at AC		21,556,372	75,000,000	-	96,556,372
Credit and other arrangements (B)		413,200,000	-	50,182,540	463,382,540
Maximum exposure (C = A + B)		<u>991,285,718</u>	<u>108,096,881</u>	<u>149,318,335</u>	<u>1,248,700,934</u>

37. Lease Liabilities

(1) Leases as lessee

The Group leases buildings and vehicles. Certain leases include an option to renew the lease and some leases provide provisions for increase in rent payments. Previously, these leases were classified as operating leases under Korean IFRS 1017.

The Group subleases part of its buildings leased.

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

Information about leases for which the Group 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 19)

		2021			
<i>(In thousands of Korean won)</i>		Property and equipment			Total
		Buildings	Vehicles	IT equipment	
Balance at January 1	₩	33,417,872	779,569	-	34,197,441
Depreciation		(6,433,141)	(458,565)	(5,090,009)	(11,981,714)
Additions		5,099,991	626,592	51,977,645	57,704,228
Disposals		(201,978)	(112,161)	-	(314,139)
Balance at December 31	₩	<u>31,882,745</u>	<u>835,435</u>	<u>46,887,636</u>	<u>79,605,816</u>

		2020			
<i>(In thousands of Korean won)</i>		Property and equipment			Total
		Buildings	Vehicles	Total	
Balance at January 1	₩	23,927,714	709,899	24,637,613	
Depreciation		(6,059,371)	(486,324)	(6,545,695)	
Additions		20,792,482	740,067	21,532,549	
Disposals		(5,242,953)	(184,073)	(5,427,026)	
Balance at December 31	₩	<u>33,417,872</u>	<u>779,569</u>	<u>34,197,441</u>	

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Notes to the Consolidated Financial Statements (Continued)

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2) Amounts recognized in profit or loss

<i>(In thousands of Korean won)</i>		2021	2020
Interest on lease liabilities	₩	2,431,922	588,993
Revenue from subleases of right-of-use assets included as 'other revenue'		61,650	61,892
Gain on right-of-use assets		-	172,100
Expenses related to leases of low-value assets		493,524	421,803

3) Amounts recognized in statement of cash flows

<i>(In thousands of Korean won)</i>		2021	2020
Total cash outflow for leases (*1)	₩	15,680,968	6,629,490

(*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 Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group 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 Group has estimated that the potential future lease payments, should it exercise the extension option, would not result in any changes in lease liabilities.

5) Contractual maturities of lease liabilities

<i>(In thousands of Korean won)</i>		2021	2020
Up to 1 month	₩	1,200,819	596,746
1-3 months		2,355,529	1,195,391
3-12 months		9,647,496	4,540,061
1-3 years		25,685,874	11,702,220
Over 3 years		49,453,297	18,388,340
Total	₩	<u>88,343,015</u>	<u>36,422,758</u>

(2) Leases as lessor

The Group leases out investment properties which are comprised of the Group'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 Group recognized interest income on finance lease receivables of ₩8,621 thousand and ₩10,338 thousand for the years ended December 31, 2021 and 2020, 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>		2021	2020
Up to 1 year	₩	101,435	98,481
1-2 years		104,478	101,435
2-3 years		107,613	104,478
3-4 years		91,908	107,613
4-5 years		-	91,907
Undiscounted lease payments total		405,435	503,914
Unearned finance income		(15,460)	(24,081)
Net investment in finance leases	₩	<u>389,975</u>	<u>479,833</u>

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2) Operating lease

The Group leases out investment properties. The Group 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 20 sets out information about the operating leases of investment properties.

Rental income recognized by the Group for the years ended December 31, 2021 and 2020 were ₩544,116 thousand and ₩409,257 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>		2021	2020
Up to 1 year	₩	581,538	338,627
1-2 years		283,584	160,660
Total	₩	<u>865,122</u>	<u>499,287</u>

38. 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 Group is currently unable to be determined and such impact is not reflected in the consolidated financial statements of the Group.