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Confirmation of Your Representation: You have accessed the attached document on the basis that you have confirmed to BNP Paribas, Citigroup Global Markets Limited, Credit Suisse (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited and Korea Investment & Securities Asia Limited (together, the “Dealers”) that (1) you are not in the United States, you are not a resident in the United States nor a U.S. Person, as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the “Securities Act”), nor acting on behalf of a U.S. Person and, to the extent you purchase the securities described in the attached prospectus (the “Prospectus”), you will be doing so pursuant to Regulation S under the Securities Act and (2) that you consent to delivery of the attached Prospectus by electronic transmission.

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The attached Prospectus has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently neither the Company, the Dealers nor any of their respective affiliates accept any liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and the hard copy version.

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MiFID II product governance / target market—The Pricing Supplement in respect of any Notes may include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, “MiFID II”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “MiFID Product Governance Rules”), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR product governance / target market—The Pricing Supplement in respect of any Notes may include a legend entitled “UK MiFIR Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “UK MiFIR Product Governance Rules”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

IMPORTANT—EEA RETAIL INVESTORS—If the Pricing Supplement in respect of any Notes includes a legend entitled “Prohibition of Sales to EEA Retail Investors”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the “Prospectus Regulation”). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT—UK RETAIL INVESTORS—If the Pricing Supplement in respect of any Notes includes a legend entitled “Prohibition of Sales to UK Retail Investors”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (“FSMA”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

You are reminded that you have accessed the attached Prospectus on the basis that you are a person into whose possession the attached Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located.

YOU ARE NOT AUTHORIZED AND YOU MAY NOT DELIVER THE ATTACHED PROSPECTUS, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Prospectus dated 30 June 2021

truefriend Korea Investment
& Securities Co., Ltd.

KOREA INVESTMENT & SECURITIES CO., LTD.

(incorporated with limited liability under the laws of the Republic of Korea)

U.S.\$5,000,000,000 Medium Term Notes Programme

Under this U.S.\$5,000,000,000 Medium Term Note Programme (the “Programme”), Korea Investment & Securities Co., Ltd. (the “Company” or the “Issuer”) may from time to time issue notes in bearer and/or registered form (respectively, “Bearer Notes” and “Registered Notes” and, together, the “Notes” which expression shall include Senior Notes (each as defined herein)) denominated in any currency agreed between the Company and the relevant Dealer (as defined below).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.\$5,000,000,000 (or its equivalent in other currencies calculated as described herein).

The Notes may be issued on a continuing basis to one or more of the dealers specified under “Summary of the Programme” and any additional dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis (each a “Dealer” and together the “Dealers”). References in this Prospectus to the “relevant Dealer” shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Notes.

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the “SGX-ST”) in connection with the Programme and application will be made for the listing and quotation of Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted for listing and quotation on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and listing and quotation of any of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the Company, the Programme or the Notes. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each tranche of Notes will be set out in a pricing supplement (the “Pricing Supplement”) which, with respect to Notes to be listed on the SGX-ST, will be submitted to the SGX-ST before the date of listing of the Notes of such tranche.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended, (the “Securities Act”) or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (“Regulation S”)) except pursuant to an exemption from the registration requirements of the Securities Act. Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder (the “Code”)). For a description of these and other restrictions on transfer, see “Subscription and Sale and Selling Restrictions.”

The Pricing Supplement in respect of any Notes may include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, “MiFID II”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “MiFID Product Governance Rules”), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

The Pricing Supplement in respect of any Notes may include a legend entitled “UK MiFIR Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “UK MiFIR Product Governance Rules”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

In addition, if the Pricing Supplement (as defined in the Prospectus) in respect of any Notes includes a legend entitled “Prohibition of Sales to EEA Retail Investors”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the “Prospectus Regulation”). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

If the Pricing Supplement in respect of any Notes includes a legend entitled “Prohibition of Sales to UK Retail Investors”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (“FSMA”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

The Company may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplementary Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

The Programme is expected to be rated BBB by S&P Global Ratings and Baa2 by Moody’s Investors Service, Inc. Notes issued under the Programme may be rated or unrated. Where a tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

See “Risk Factors” beginning on page 7 for a discussion of certain factors to be considered in connection with an investment in the Notes.

Arranger

BNP PARIBAS

Dealers

BNP PARIBAS

CREDIT SUISSE

CITIGROUP

HSBC

KOREA INVESTMENT & SECURITIES ASIA

The Company confirms that it has taken all reasonable care to ensure that all information contained in this Prospectus with regard to the Company and the Notes is in every material respect true and accurate and not misleading and to the best of its knowledge and belief there are no other facts the omission of which would make any statement in this Prospectus misleading in any material respect in the context of the issue and sale of the Notes. The Company accepts responsibility accordingly.

Neither the Arranger nor the Dealers has separately verified the information (financial, legal or otherwise) contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arranger or the Dealers as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the Company in connection with the Programme. Nothing contained in this Prospectus is or shall be relied upon as a promise or representation by the Arranger or the Dealers or their respective affiliates or advisers.

No person is or has been authorised to give any information or to make any representation which is not contained in, or which is not consistent with, this Prospectus or any other information supplied by or on behalf of the Company in connection with the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Company, the Arranger or the Dealers. This Prospectus does not constitute an offer to sell or the solicitation of any offer to buy any securities other than the securities to which it relates or an offer to sell or the solicitation of an offer to buy such securities by any person in any circumstances in which such offer or solicitation is unlawful.

Neither this Prospectus nor any other information supplied in connection with the Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation or constituting an invitation or offer by the Company that any recipient of this Prospectus should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Company.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Company is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Arranger and the Dealers expressly do not undertake to review the financial condition or affairs of the Company during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Prospectus when deciding whether or not to purchase any Notes.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to U.S. persons, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”), and are subject to U.S. tax law requirements. The Notes have not been registered under the Securities Act and are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act. For a further description of certain restrictions on the offering and sale of the Notes and on distribution of this Prospectus, see “*Subscription and Sale.*”

The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. Neither the Company, the Arranger nor the Dealers represents that this Prospectus may be lawfully distributed or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Company, the Arranger or the Dealers which would permit a public offering of the Notes or distribution of this Prospectus in any jurisdiction where action for that purpose

is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes come must inform themselves about, and observe, any such restrictions. There are restrictions on the offer, sale and resale of the Notes, and the circulation of documents relating thereto, in certain jurisdictions including, without limitation, the United States, the European Economic Area and the United Kingdom, Hong Kong, Singapore, Japan, Switzerland, Republic of Italy and Korea, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Notes and distribution of this Prospectus, see “*Subscription and Sale.*”

Notification under Section 309B(1) of the Securities and Futures Act (Chapter 289) of Singapore – Unless otherwise stated in the Pricing Supplement in respect of any Notes, the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

None of the Dealers or the Company makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

Each person receiving this Prospectus acknowledges that such person has not relied on the Arranger or the Dealers or any person affiliated with the Arranger or the Dealers in connection with investigation of the accuracy of such information or its investment decision.

ENFORCEMENT OF CIVIL LIABILITIES

The Company is a corporation with limited liability organized under the laws of Korea. All of the officers and directors named herein reside in Korea and all or a substantial portion of the assets of the Company and of such officers and directors are located in Korea. As a result, it may not be possible for investors to enforce judgments against them obtained in courts outside Korea predicated upon civil liabilities of the Company or such directors and officers under laws other than Korean law, including any judgment predicated upon United States federal securities laws. There is doubt as to the enforceability in Korea, either in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated on the U.S. federal securities laws.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Issuer maintains its financial books and records and prepares its financial statements in Won in accordance with Korean International Financial Reporting Standards (“K-IFRS”). Unless otherwise stated, the financial data of the Issuer contained in this Prospectus as of and for the years ended 31 December 2019 and 2020 are derived from the Issuer’s audited consolidated financial statements included in this Prospectus, which have been prepared in accordance with K-IFRS and the financial data of the Issuer contained in this Prospectus as of 31 March 2021 and for the three months ended 31 March 2020 and 2021 are derived from the Issuer’s unaudited interim consolidated financial statements included in this Prospectus, which have been prepared in accordance with Korean IFRS 1034 *Interim Financial Reporting*.

Unless otherwise specified or the context requires, all financial and other information in the Prospectus regarding the Company’s activities, financial condition and results of operations are presented on a consolidated basis.

All references to the “Issuer”, the “Company”, “we”, “us” and “our” in this Prospectus are references to Korea Investment & Securities Co., Ltd., and, if the context so requires, our consolidated subsidiaries. All references to the “Group” are references to the Issuer and its consolidated subsidiaries collectively. All references to “Holders” are references to the holders of the Notes from time to time.

All references to “Korea” contained in this Prospectus are references to The Republic of Korea. All references to the “Government” are references to the government of Korea. All references to “U.S.” and the “United States” are references to the United States of America. All references to “Singapore” are references to the Republic of Singapore. In this Prospectus, all references to “KRW”, “Won” or “₩” are to the lawful currency of Korea, all references to “U.S. dollar” or “U.S.\$” are to the lawful currency of the United States, all references to “Euro” are to the lawful currency of the European Union, all references to “Japanese yen” are to the lawful currency of Japan. For the reader’s convenience, certain Won amounts in this Prospectus have been translated into U.S. dollars at the market average exchange rate, announced by Seoul Money Brokerage Services, Ltd. in Seoul, between Won and dollars, rounded to the nearest tenth of one Won (the “Market Average Exchange Rate”). Unless otherwise stated, the translations of Won into U.S. dollars have been made at the Market Average Exchange Rate in effect on 31 March 2021, which was Won 1,135.5 to U.S.\$1.00. No representation is made that the Won or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Won, as the case may be, at any particular rate, or at all. For historical information regarding the rate of exchange between the Won and the U.S. dollar, see “Exchange Rates.” In this Prospectus, where information has been prepared in thousands, millions or billions of units, amounts may have been rounded up or down. Accordingly, actual numbers may differ from those contained herein due to rounding. All discrepancies in any table between totals and the sums of the amounts listed are due to rounding.

FORWARD LOOKING STATEMENTS

Certain statements in this Prospectus constitute “forward-looking statements,” including statements regarding the Company’s expectations and projections for future operating performance and business prospects. The words “believe,” “expect,” “anticipate,” “estimate,” “project,” “will,” “aim,” “will likely result,” “will continue,” “intend,” “plan,” “contemplate,” “seek to,” “future,” “objective,” “goal,” “should,” “will pursue” and similar expressions or variations of these expressions identify

forward- looking statements. In addition, all statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding the Company’s financial position and results, business strategy, plans and objectives of management for future operations, including development plans and objectives relating to the Company’s products and services, are forward-looking statements. Such forward-looking statements and any other projections contained in this Prospectus (whether made by the Company or any third party) involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from the future results, performance or achievements expressed or implied by forward-looking statements. Such forward-looking statements are based on current beliefs, assumptions, expectations, estimates and projections regarding the Company’s present and future business strategies and the environment in which the Company will operate in the future. Additional factors that could cause the Company’s actual results, performance or achievements to differ materially include, but are not limited to, those discussed under “*Risk Factors*.” Any forward-looking statements contained in this Prospectus speak only as of the date of this Prospectus. Each of the Company, the Arranger and the Dealers expressly disclaims any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in the Company’s expectations with regard thereto or any change in events, conditions, assumptions or circumstances on which any such statement was based.

In connection with the issue of the Notes, the Arranger or the Dealers (if any) named as the stabilising manager(s) (or persons acting on behalf of the stabilising manager(s)) (each a “**Stabilising Manager**”) may over-allot Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail for a limited period after the Issue Date. However, there is no obligation on such Stabilising Manager(s) to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Prospectus:

- (a) the publicly available audited consolidated and audited separate annual financial statements and the publicly available unaudited consolidated and unaudited separate interim financial statements of the Company for the most recent financial period; and
- (b) all supplements or amendments to this Prospectus circulated by the Company from time to time,

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

The Company will provide, without charge, to each person to whom a copy of this Prospectus has been delivered, upon the written request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Written requests for such documents should be directed to the Company at its registered offices set out at the end of this Prospectus. In addition, such documents will be available for inspection, free of charge at the specified office of The Bank of New York Mellon, London Branch upon prior written notice and satisfactory proof of holding.

The Company will, in connection with the listing of the Notes on the SGX-ST, so long as the rules of the SGX-ST so require, in the event of any material change in the information contained in this Prospectus, prepare a further supplement to this Prospectus or publish a new Prospectus for use in connection with any subsequent issue of the Notes to be listed on the SGX-ST.

If the terms of the Programme are modified or amended in a manner which would make this Prospectus, as supplemented, materially inaccurate or misleading, a new prospectus will be prepared.

SUMMARY

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus.

The Company

Overview

For the past 40 years, Korea Investment & Securities (the “**Company**”) has been one of Korea’s leading financial institutions and continues to expand into global market beyond Korea through its overseas subsidiaries and offices. Since its establishment in 1974 as Korea Investment Trust, and the merger with Dongwon Securities in 2005, the Company has been active in multiple areas of the financial investment business.

The Company’s headquarter is located in Korea. As of the date of this Prospectus, the Company carried out its business activities through its global network comprising 75 domestic branches, 5 domestic offices, 2 representative offices (in Beijing and Tokyo) and 9 overseas subsidiaries and had approximately 2,840 domestic employees. The Company’s global operations span 8 countries, including the United States, Hong Kong, Vietnam, Indonesia, Singapore, China, Japan and the United Kingdom with approximately 441 employees engaged in local equity and futures brokerage business, fixed income sales & trading, initial public offering, OTC derivatives and global investment banking.

As of 31 March 2021, the Company generated its revenue primarily through the following 4 reportable segments and prepared its segment reporting information accordingly for the purposes of resource allocation and assessment of each segment’s performance:

Wealth Management: providing equity and derivative (product) brokerage, securities trading, sales and trading, financial consultation, fixed income trading, acquisition and other services for individual and corporate customers;

Corporate Finance: conducting investment banking business all around such as M&A advisory, initial public offering, alternative investment, project & structured finance and underwriting;

Asset Management: conducting asset management business with its subsidiaries, Korea Investment Management Co., Ltd. and Korea Investment Value Asset Management Co., Ltd.; and

Overseas: conducting principal investment and investment banking business as well as other businesses such as equity/bond brokerage, margin loan (credit), acting as liquidity provider, ETF authorised participant and liquidity provider, and Korean stock brokerage for foreigners through overseas subsidiaries in Vietnam, Indonesia, Hong Kong, Beijing, KIS US (New York) and other subsidiaries of the Company.

For the financial year ended 31 December 2020, the Company’s operating revenue was Won 15,954.8 billion and profit was Won 707.8 billion on a consolidated basis, compared to Won 10,276.9 billion and Won 684.4 billion for the financial year ended 31 December 2019, an increase of 55.3 per cent. and 3.4 per cent., respectively. For the three months ended 31 March 2021, the Company’s consolidated operating revenue was Won 4,666.4 billion and consolidated profit was Won 350.6 billion, compared to Won 7,907.9 billion and a loss of Won 133.9 billion for the three months ended 31 March 2020, a decrease of 41.0 per cent. and turning to the profit from the loss, respectively.

Korea Investment Holdings Co., Ltd (“**KIH**”) is the Company’s sole shareholder. The major shareholder of KIH as of 31 March 2021, was Nam-goo Kim with 20.7 per cent. interest in KIH.

SUMMARY OF THE PROGRAMME

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” shall have the same meanings in this summary.

| | |
|--|---|
| Issuer | Korea Investment & Securities Co., Ltd. |
| Description | Medium Term Note Programme |
| Arranger | BNP Paribas |
| Dealers | BNP Paribas, Citigroup Global Markets Limited, Credit Suisse (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited and Korea Investment & Securities Asia Limited. |
| Certain Restrictions | Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale</i> ”) including the following restrictions applicable at the date of this Prospectus. |
| Fiscal Agent | Citicorp International Limited |
| Registrar, Calculation Agent, Paying Agent and Transfer Agent | Citibank, N.A., London Branch |
| Programme Size | Up to U.S.\$5,000,000,000 (or its equivalent in other currencies calculated as described under “ <i>General Description of the Programme</i> ”) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement. |
| Distribution | Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis. |
| Currencies | Subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer. |
| Maturities | Such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency. |
| Issue Price | Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par. |
| Form of Notes | The Notes will be issued in bearer or registered form as described in “ <i>Form of the Notes.</i> ” Registered Notes will not be exchangeable for Bearer Notes and vice versa. |

Fixed Rate Notes Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the Dealer.

Floating Rate Notes Floating Rate Notes will bear interest at a rate determined:

- (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series);
- (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (c) or on such other basis as may be agreed between the Issuer and the relevant Dealer.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each series of Floating Rate Notes.

Index Linked Notes Payments of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree (as indicated in the applicable Pricing Supplement).

Other provisions in relation to Floating Rate Notes and Index

Linked Interest Notes Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

Dual Currency Notes Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree.

Zero Coupon Notes Zero Coupon Notes will be offered and sold at a discount to their nominal amount, or offered and sold at their nominal amount and be redeemed at a premium, and will not bear interest.

Redemption The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or pursuant to a winding-up of the Issuer following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice

to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.

The applicable Pricing Supplement may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Pricing Supplement.

Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see “*Certain Restrictions—Notes having a maturity of less than one year*” above.

Denomination of Notes Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see “*Certain Restrictions*” above.

Taxation All payments of principal and interest in respect of the Notes, Receipts and Coupons will be made without deduction for or on account of withholding taxes imposed by Korea. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.

Negative Pledge The terms of the Notes will contain a negative pledge provision as further described in Condition 4(a).

Events of Default Events of default for the Notes are set out in Condition 10.

Cross Default The terms of the Notes will contain a cross default provision as further described in Condition 10(A)(c).

Status of the Senior Notes The Senior Notes (being those Notes that specify their status as Senior) and the Receipts and Coupons relating to them constitute (subject to Condition 4(a)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a), at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.

Status of the Subordinated Notes The Subordinated Notes (being those Notes that specify their status as Subordinated) and any relative Receipts and Coupons constitute direct, general, subordinated (as described in Condition 3(c)) and unsecured obligations of the Issuer which will at all times rank (x) junior to the Senior Indebtedness of the Issuer (as defined in Condition 3(c)), (y) *pari passu* with and rateably without any preference among themselves and all other subordinated obligations of the Issuer which do not rank or are not expressed by their terms to rank junior to the Subordinated Notes (collectively, the “**Subordinated Obligations**”).

Rating The Programme is expected to be rated BBB by S&P Global Ratings and Baa2 by Moody's Investors Service, Inc. Notes issued under the Programme may be rated or unrated, as specified in the Pricing Supplement. Where a tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Listing Approval in-principle has been received from the SGX-ST in connection with the Programme and application will be made for the listing and quotation of any Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted for listing and quotation on the SGX-ST. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies).

Unlisted Notes may also be issued.

The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).

Governing Law The Notes will be governed by, and construed in accordance with, English law, except that in the case of Subordinated Notes, Conditions 3(b) and 3(c) are governed by, and shall be construed in accordance with, Korean law.

Selling Restrictions There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area, the United Kingdom, Hong Kong, Singapore, Japan, Switzerland, Republic of Italy and Korea and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*."

United States Selling Restrictions Regulation S, Category 2. TEFRA C or D/TEFRA not applicable, as specified in the applicable Pricing Supplement.

Clearing Systems Clearstream, Euroclear and/or any other clearing system as specified in the applicable Pricing Supplement, see "*Form of the Notes*."

RISK FACTORS

Investing in the Notes involves risks and uncertainties. Prospective purchasers of the Notes are advised to review carefully all of the information contained elsewhere in this Prospectus and should consider, in particular, the following risk factors before purchasing the Notes. The risks described below are not the only ones that may be relevant to the Company or the Notes.

Risks Relating to the Company's Business

Unless the Company has sufficient positive cash flow from operations or other financial resources it may not be able to meet ongoing repayment obligations under existing and new debt, including the Notes.

The Company will be reliant on generating sufficient cash flows from operations to service its debt obligations (including the Notes), unless it has access to other sources of funding, including shareholder support (see “*Risk Factors—Risks Relating to the Company's Business—Limitations on access to liquidity and capital resources could adversely affect the ability to implement the Company's expansion plans and the execution of its business strategy*”). There can be no assurance that the cash flows generated by the Company's operations will increase and therefore be sufficient to enable it to repay its debt obligations in a timely manner or at all. High gearing will require the Company to dedicate a significant proportion of its cash flows towards servicing and repayment of its existing debt, which will reduce the availability of cash flows to fund working capital, capital expenditures, acquisitions and other general corporate requirements. For the three months ended 31 March 2021, the Company had a negative cash flow from operating activities of Won 1,734.2 billion and for the three months ended 31 March 2020, the Company had a negative cash flow from operating activities of Won 1,034.9 billion. For the year ended 31 December 2020, the Company had a negative cash flow from operating activities of Won 1,663.4 billion and for the year ended 31 December 2019, it had a negative cash flow from operating activities of Won 3,182.9 billion. The negative cash flows set out above mostly result from the cash outflow due to redemption of equity-linked securities in order to reduce the risk of fluctuations in profit and loss.

The Company's businesses are developing, and the Company's growth strategy is subject to a wide range of economic, market and operational risks. As a result, the return on the Company's investment of the proceeds of its debt issues may not achieve the anticipated levels of return or may be subject to delay.

In the absence of internal financial resources or further support from its shareholders, in order to repay its debt (including the Notes) the Company will need to refinance the principal amount of the Notes or raise further equity and there can be no assurance that the Company will be able to refinance or obtain credit for refinancing to repay the principal amount of the Notes. The Company's ability to obtain refinancing on commercially acceptable terms will depend on its relationship banks', lenders' and other potential investors' views on the financial health and prospects of the Company, and an assessment of leverage, asset support and cash flows may impact these views.

Failure to repay its debt obligations in a timely manner and failure to refinance to repay the principal amount of any securities will cause the Company to default under its obligations under the Notes, which will in turn have an adverse effect on the Company's business, results of operations and financial condition.

Limitations on access to liquidity and capital resources could adversely affect the ability to implement the Company's expansion plans and the execution of its business strategy.

The ability of the Company to access funding sources on acceptable commercial terms over the longer-term is dependent on a variety of factors, including a number of factors outside of its control, such as general market conditions and confidence in the global banking system. Over the past three years, global credit markets have tightened significantly with the failure and/or the nationalisation of a number of large financial institutions in Europe, the United States and other countries. Cautious lending policies implemented by financial institutions may result in increased financing costs through increased interest rates and more limited availability of financing. Access to funding will also depend, in part, on the Company's ability to demonstrate to banks, other lenders and investors, that it is a stable and growing

RISK FACTORS

business with a robust current financial position and healthy financial outlook and that it is able to develop across its business lines in accordance with its espoused strategy. There can be no assurance that the Company will be able to obtain credit on favourable terms or at all or that any additional funding will be provided by way of further shareholder loans. Failure to secure funding for operations or refinancing could adversely impact the Company's business, results of operation and financial condition.

Continued deterioration of economic conditions could negatively impact the Company's business.

The Company's business is sensitive to national, global and local economic conditions in the markets in which it operates, including GDP growth, inflation, interest rates, availability of and access to capital markets, consumer spending rates, and the effects of governmental initiatives to manage economic conditions. Any such changes could adversely affect the industries in which the Company operates in general which could materially and adversely affect the Company's financial results. Any significant turmoil in the major Korean stock markets, decline in the global prices of commodities, including oil, depreciation in the value of Korean Won, economic and political instability in various countries in the Middle East and Northern Africa, as well as increased uncertainty in the wake of a referendum in the United Kingdom in June 2016, in which the majority of voters voted in favour of an exit from the European Union ("Brexit"), have resulted in an increase in volatility in the global financial markets.

Disruptions and instability in credit and other financial markets and deterioration of national and global economic conditions, could, among other things:

- make it more difficult or costly for the Company to obtain financing for its operations or investments or to refinance debt;
- impair the financial condition of some of the Company's clients, thereby increasing client bad debts and demand for the Company's corporate insurance brokerage and risk solutions services; and
- increased market volatility which adversely affects the value of the Company's investments.

The ongoing global pandemic of COVID-19 and any possible recurrence of other types of widespread infectious disease may adversely affect the Company's business, financial condition or results of operations.

COVID-19, an infectious disease caused by severe acute respiratory syndrome coronavirus 2 that was first reported to have been transmitted to humans in late 2019 and has since spread globally over the course of 2020 to date, has materially and adversely affected the global economy and financial markets in recent months as well as disrupted the Company's business operations. The World Health Organisation declared the COVID-19 as a pandemic in March 2020.

Risks associated with a prolonged outbreak of COVID-19 or other types of widespread infectious diseases include:

- an increase in defaults on loan payments from the Company's customers who may not be able to meet payment obligations, which may lead to an increase in delinquency ratios and a deterioration in asset quality;
- depreciation of the Won against major foreign currencies, which in turn may increase the Company's cost in servicing its foreign currency denominated debt and result in foreign exchange losses;
- disruption in the normal operations of the Company's business resulting from contraction of infectious disease by the Company's employees, which may necessitate the Company's employees to be quarantined and/or the Company's offices to be temporarily shut down;
- disruption resulting from the necessity for social distancing, including, for example, temporary arrangements for employees to work remotely, which may lead to a reduction in labour productivity; and
- impairments in the fair value of the Company's investments in companies that may be adversely affected by the pandemic.

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While the exact nature and magnitude of the impact of the COVID-19 pandemic on the Company's business, financial condition and results of operations are continuing to be assessed by the Company's management, the Company believes that the COVID-19 pandemic has not had a negative impact on its results of operations for the three months ended 31 March 2021.

It is not possible to predict the duration or the full magnitude of the overall harm that may result from COVID-19 in the long term. In the event that COVID-19 or other types of widespread infectious diseases cannot be effectively and timely contained, the Company's business, financial condition and results of operations will likely suffer.

The Company operates in the highly competitive financial services industry.

The financial services industry in Asia and Korea in particular, have a large number of participants and is highly competitive.

The Company competes on the basis of a number of factors, including price, products and services, innovation, transaction execution capability, reputation, experience and knowledge of staff and employee compensation. Apart from the multinational financial institutions including commercial banks and investment banks with global networks and a local presence in Korea and other Korea-based securities houses and asset management firms, the Company faces further competition from other financial services firms with similar target clients that offer a similar range of products and services including traditional and online brokerage services, asset management and capital markets and advisory businesses. These include competitors which have longer operating track records, a more extensive client base and/or greater financial and other resources than the Company does. Historically, competition in the asset management and traditional brokerage business has been fierce. Over the past decade, online securities brokerage and financial information portals have become prevalent, intensifying competition for online business revenues. In recent years, as the asset management and brokerage market in Korea has become more saturated, banks and brokerage firms have introduced low management fees, and prolonged commission-free concessions or extra-low fixed commissions as incentives to attract customers, thus further intensifying competition in this industry. The Company expects that competition in asset management and securities and insurance brokerage segments, which form a part of the Company's core business operations, will continue to intensify. As a relatively new entrant to some of its markets, the Company's ability to compete with more established and larger competitors in some of its business lines has been dependent, along with its shareholder and related party support and client base, on offering attractive commissions and other incentives. Whilst it is important to make these investments at an early stage of the development of a business, the Company will need to capitalise on its client base, increasing its size and improving its reputation in order to move to a business model premised on lower commissions and other incentives in order to improve profitability.

There can be no assurance that the Company can compete effectively against its current and future competitors, or that competitive forces in the market will not alter the industry landscape such that the Company's business objectives become impractical and/or impossible. Under those circumstances, the Company's business and financial performance would be adversely affected.

The Company's business, financial condition, results of operations, prospects and ability to access liquidity could be materially adversely affected by downturns in the capital markets of Korea, which in turn may be affected by volatility and downturns in the global capital markets.

The Company's businesses, including its wealth management, corporate finance, asset management and overseas businesses, are highly dependent on economic and market conditions in Korea. In addition, global market conditions may adversely affect market conditions in Korea.

Volatility in the capital markets in the United States, Europe, Japan, the People's Republic of China (the "PRC") and other jurisdictions in recent years has had a corresponding effect on Asian financial markets and may continue to do so in the future.

Unfavourable financial or economic conditions, such as those caused in recent years by the global financial and economic crisis, including the European debt crisis, the potential withdrawal of countries

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from the Eurozone and volatility in the PRC stock market, have adversely affected investor confidence. Weakening investor confidence has resulted and could continue to result in significant declines in the number and size of transactions in which the Company provides capital markets and advisory services. It may also impact the level of assets placed and transactions executed with the Company's asset management business. Any decline in the number of capital markets transactions in Korea due to unfavourable financial or economic conditions would adversely affect the Company's capital markets and advisory business.

Market volatility and adverse financial or economic conditions may also adversely affect the Company's asset management business. These conditions tend to reduce the value of the Company's clients' portfolios, discourage investor confidence and reduce investing activities, making it more difficult for the Company to maintain existing clients and attract new clients. These conditions may result in price fluctuation and a decline of the trading volumes, which in turn may adversely affect the Company's securities and brokerage services revenue.

Under adverse financial or economic conditions, the value of the Company's asset management portfolio may be adversely affected and therefore reduce the management fees or performance fees the Company earns from its asset management business, and the Company may face an influx of client redemptions in its asset management portfolio, which, in turn, could also adversely affect the Company's asset management business. To the extent that clients do not withdraw their funds, they may switch their funds to other investment products that generate less management fee revenue for the Company.

A reduction in the Company's income or a loss resulting from its wealth management, corporate finance, asset management and overseas businesses services could have a material adverse effect on its business, results of operations and financial condition. As a result of these risks, the Company's income and operating results may be exposed to significant fluctuations.

The Company's investment business may fail to realise profits from its investments or lose some or all of the invested capital.

Some of the investments made through the Company's investment business are in securities and structured products that are not publicly traded. The Company's ability to dispose of such unlisted securities is dependent on market conditions. In a depressed market, the Company may be forced to sell such investments at undesirable prices or to defer the sale, potentially for a substantial period of time, exposing the Company's investment returns to market risks during the intended disposition period. Additionally, the failure of the Company's portfolio companies to perform as expected could also impair its ability to exit investments for a favourable return or at all. In such event, the Company may lose a material part or all of such investments. The Company expects to continue to make investments in unlisted securities of portfolio companies as attractive opportunities arise and will continue to be subject to such liquidity issues.

In addition, the Company has no control nor significant influence over the operations of the portfolio companies that the Company invests in. The Company is subject to the risk that such companies may make business, financial or management decisions or otherwise act in a manner that does not serve its interests. If any of the foregoing occurs, the value of the Company's investments could decrease, which could adversely affect its results of operations and financial condition.

The Company may not be successful in maintaining and increasing its client base and business volume in its wealth management business.

Maintaining close and stable business relationships with the Company's major clients is crucial to its business and prospects. The wealth management business is highly competitive and the Company has to maintain its client base and attract new clients to achieve future success. Wealth management clients are sensitive to the costs of purchasing financial products and the quality of services and the breadth and relevance of information they receive in order to select the right financial products.

For the three months ended 31 March 2020 and 2021, the income from the Company's Wealth Management segment which includes income from equity and derivative (product) brokerage, securities trading, sales and trading, financial consultation, fixed income trading, acquisition and other services for individual and corporate customers amounted to Won 208.4 billion and Won 378.5 billion, respectively.

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For the years ended 31 December 2019 and 2020, the income from the Company's Wealth Management segment amounted to Won 622.6 billion and Won 910.9 billion, respectively. The Company cannot assure that it will be able to maintain the current volume of business with its existing clients at the desired levels, or at all, or to attract new clients and expand its business volume. The Company's ability to maintain and grow its wealth management business is dependent on various factors, including, but not limited to:

- its ability to source and propose products that meet the requirements and standards set by its existing and potential clients;
- its ability to offer competitive rates and to provide value-added service; and
- its ability to maintain and develop amicable client relationships.

Any failure of the above could result in a loss of clients or lead to a reduced business volume or revenue with such clients, as well as limit the Company's chances in engaging new clients. This would have a material adverse impact on the Company's business, financial condition, results of operation and future prospects.

In addition, other market factors may also affect the Company's performance, including but not limited to competitive pressures from other brokers, in particular, entry of new participants and consolidation of existing participants.

Such changes could result in reduced margins or loss of market share for the Company, which could adversely affect its business, financial condition, results of operation and future prospects.

The Company's businesses are highly regulated in Korea and is subject to regulatory and litigation risks which could have a material adverse effect on the Company's business, results of operations and financial condition.

Financial Services Regulation

As a participant in the financial services industry, the Company is subject to extensive laws, regulations, rules, policies, guidance and codes of conduct of relevant regulatory authorities and faces the risk of significant intervention by regulatory authorities in Korea. Across the financial services industry, regulatory bodies have recently looked to strengthen regulation and take a rigorous approach to compliance, investigation and imposition of penalties. Key regulations in Korea governing the financial services industry include the Financial Investment Services and Capital Markets Act (the "FSCMA"), the Enforcement Decree of the FSCMA and the regulations thereunder. Financial services laws, regulations, rules, guidance, codes of conduct, government policies and/or their respective interpretations currently affecting the Company may change and, although the Company monitors developments, it cannot predict future initiatives or changes. A failure to comply with these rules and regulations may subject the Company to enquiries and/or investigations by the relevant regulatory bodies, which may result in fines, censure, reprimand or even suspension of licences. If the Company fails to comply with any regulatory requirements in the future, the Company and its employees may become the subject of inquiries or investigations by the relevant regulatory authorities.

Where penalties are substantial or protracted litigation is involved, the Company's reputation and financial position may be jeopardised. In such cases, there may be a material and adverse effect on the Company's business, financial condition, results of operations and prospects.

In addition, there is risk that new laws or regulations or changes in enforcement or interpretations of existing laws or regulations applicable to the Company's businesses or those of its clients could be imposed on a limited subset of financial institutions (either based on size, activities or other criteria), which may adversely affect the Company's ability to compete effectively with other institutions that are not affected in the same way.

Regulatory Approval and Licensing

Withdrawal or amendment of any regulatory approval or of any exemption from registration in respect of any part of the Company's activities in any jurisdiction might compel termination of a particular business or change the way in which it is conducted.

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The Company may also have to respond to any material changes in legislation or regulation which could potentially affect its business by adapting its business model or products in the relevant market. There can be no assurance that the Company will be able to effectively respond to any such changes and this may affect the Company's operations and the conduct and success of its business in the relevant market. If the relevant market is a significant or important market to the Company, this may undermine the Company's expansion strategy and may have a material adverse effect upon the Company's business, results of operations and financial condition. Even if the Company could cope with such changes in legislation or regulations, this would invariably increase the compliance costs of the Company.

If the Company fails to comply with such rules and regulations, it may become subject to enquiries and/or investigations by the relevant regulatory bodies, which may result in fines or restrictions on the Company's business activities. If results of any investigations or enquiries are proved to involve serious misconduct, the Company may become subject to penalties including censure, reprimand and fines. In extreme cases, the Company may be prevented from conducting business in a normal manner and some or all of the Company's operation licences may become suspended or revoked. Where penalties are substantial or protracted litigation is involved, the Company's reputation and financial position may be damaged. In such cases, there may be a material and adverse impact on the Company's business, financial condition, results of operations and prospects.

If the Company's financial condition deteriorates, there is no guarantee that the Company will be able to receive support from the government or the Korea Deposit Insurance Corporation ("KDIC").

The Company, as an insured financial company under the Depositor Protection Act and a financial institution under the Act on the Structural Improvement of the Financial Industry, is eligible to receive supports from the government or the KDIC under such Acts if its financial condition deteriorates, see "*Regulatory Requirements and Compliance—Government Support.*"

On several occasions over the past years, the government provided public funds to prevent systemic risk of the failing securities company (now referred to as the Financial Investment Company under the FSCMA). In June 2000, the government in its attempt to save the failing companies provided Won 3 trillion to Korea Investment and Securities and subsequently provided additional Won 1,400 billion after the sale of Korea Investment and Securities to Dongwon Financial Holdings Co., Ltd. Similarly, in June 2000, the government provided Won 1.9 trillion to Daehan Investment Trust Securities Co., Ltd. (now known as Hana Financial Investment Co., Ltd.) and another Won 1.1 trillion in May 2005 after the sale of Daehan Investment Trust Securities Co., Ltd. to Hana Bank. In February 2004, the government also provided Won 2,500 billion to Hyundai Investment Trust Securities (now known as Hanhwa Investment & Securities Co., Ltd.), which was sold to Prudential Financial, Inc.

Despite the foregoing, there are a number of factors, such as degree of failing, possibility of rehabilitation and presence of acquirers, taken into consideration when making a decision for the government support, which makes such decision to be rendered on a case-by-case basis. Accordingly, it cannot be guaranteed that a similar type of support would be provided to the Company in the future.

Fluctuations in stock markets could affect the Company's financial assets as well as its clients' appetite for its products and services.

Fluctuations in stock markets could affect the Company's investments and financial assets and the level of client interest in certain of its products and services. There has been volatility in global stock markets recently. Any further significant falls or increased volatility may further impact global capital markets potentially making it more difficult for the Company to access financing or impacting the Company's clients' interest in products and services, as well as the health of their businesses generally. The market volatility may also negatively affect Korean consumer confidence and have an adverse impact on the wider Korean economy.

Poor market conditions could affect the value of its financial assets while favourable market conditions may not be sustainable. Lack of liquidity or price volatility could reduce the value of the financial assets that the Company invests in or manages which, in turn, may have a material adverse effect on its

RISK FACTORS

business, growth prospects, net inflows of asset under management, fee income, results of operations and/or financial condition.

The Company's revenue is adversely affected by reductions in its assets under management caused by market declines.

The Company's revenue from its asset management business includes asset management fees and performance fees, which are based on the amount and value of its assets under management. Consequently, investment performance affects the amount of the assets under the Company's management and is one of the most important factors in retaining clients and competing for new asset management business. Poor investment performance could adversely affect the Company's revenue and business growth because:

- existing clients might withdraw funds from the Company's asset management business in favour of better performing products provided by its competitors, which would result in a reduction of management fees for the Company;
- clients may require the Company to reduce its fees for asset management services, particularly in an intensely competitive industry; and
- the Company's incentive fees (if any), which are based on a percentage of investment returns, would decline.

There can be no assurance that the Company would be able to keep or increase the assets under the Company's management. To the extent the Company may fail to keep or increase the assets under its management due to increasing competition from insurance companies, trust companies, banks and other competitors, its business, financial condition, results of operations and prospects would be adversely affected.

The expansion of and changes to the Company's product and service range exposes it to various risks, and the Company may not succeed in the implementation of a new product or customer acquisition channel, of a new pricing or credit assessment method or analytical tools and data.

The Company may seek to introduce new product or service groups, pricing and credit assessment analysis methods and uses of data in order to retain existing customers whose needs have evolved, and to attract new customers for whom the existing product offering or methods of acquisition are unattractive or ineffective and/or for whom more competitive pricing and more sophisticated underwriting processes are required. Expansion of and changes to the product and service range exposes the Company to a number of risks and challenges, including the following:

- competitors of the Company may have substantially greater experience and resources in relation to the business activities the Company wishes to commence, and the Company may not be able to attract customers to its services from competitors with existing relationships with those customers;
- the new products and services may not be accepted by the Company's customers or meet its expectations for profitability, and may require greater marketing and compliance costs than the Company's traditional services;
- the new products and services may give rise to potential disputes or claims from customers;
- the Company may need to hire additional qualified personnel but such personnel may not be readily available; and
- the Company may not be successful in enhancing its risk management capabilities and information technology systems to support a broader range of products and services.

However, there can be no assurance that the Company will be able to achieve the administrative, systems-related and logistical improvements necessary to achieve its goals and other aspects of its growth effectively. In addition, competition for highly skilled business, technical and other personnel is high due to the increasing competition in the financial services industry.

Accordingly, the Company's personnel expenses may increase or it may have difficulty in recruiting and retaining properly qualified personnel. Furthermore, to the extent its business model and practices are

unfamiliar to regulators, the Company may encounter unexpected restrictions on its planned activities. If the Company is unable to achieve the intended results from the expansion of its range of products and services as a result of the unsuccessful execution of the conception, planning and/or implementation of its strategies and methods, the Company's business, results of operations and financial condition may be materially and adversely affected.

Further, the success of the Company's operations depends on, among other things, the proper timing on launching new businesses, products and services to clients. As a result of the Company's business operating in a highly competitive environment, any delay or failure to introduce new businesses in time or in response to market demand, or any failure of the Company's new products and services to gain timely market acceptance could adversely affect the overall businesses and financial performance of the Company.

A reduction in brokerage commission rates or trading activities by the Company's clients may materially and adversely affect the Company's business, financial condition, results of operations and prospects.

Revenue from the securities brokerage is primarily derived from the commissions the Company charges its clients for their trading activities. Accordingly, revenue from the Company's securities and brokerage services depends significantly on trading volume. Trading volume is influenced by market conditions in Korea and principal overseas financial markets, which may be adversely affected by events including the European debt crisis, the potential withdrawal of countries from the Eurozone and the recent significant volatility in the global stock market. In addition, the Company's securities and brokerage services could also be adversely affected by a reduction in brokerage commission rates as a result of increased competition in the Korean securities and brokerage markets. There can be no assurance that the Company's revenue derived from the securities and brokerage business can be sustained.

The Company's operations are dependent upon the services of its executive directors and key management personnel.

The Company's business lines are not backed by or dependent on significant levels of assets, and instead as a service business, the Company's primary assets are its employees and management. The Company relies upon the ability, expertise, judgment, discretion, integrity and good faith of its executive directors and senior management team. The Company's success is dependent upon its personnel and key consultants and its ability to recruit and retain high quality employees. The Company must continue to recruit, retain and motivate management and other employees sufficiently to maintain its current business. This recruitment and retention may have significant cost implications if market remuneration packages increase. In addition, if a member of the key management personnel joins a competitor or forms a competing Company, the loss of the services of any such person or several of such persons or failure to recruit suitable or comparable replacements could have an adverse effect on the Company's business, financial condition or results of operations.

The Company's investment consultants and professionals are critical to its ability to attract and retain customers.

Hiring and retaining highly skilled professionals is critical to the Company's ability to attract and retain customers. The market for investment management and other professionals, including underwriting sponsors, research analysts, traders, marketing and customer support staff and information technology and other operations personnel in the Asia-Pacific region, is highly competitive and has grown more so recently as customers focus increasingly on investment performance and as employers such as investment banks and hedge funds increase their recruitment activity. As a result, movement of such individuals among different firms is frequent.

The Company endeavours to provide its employees with competitive compensation and benefits which, as a new business without an established brand name and with a smaller size, may need to be at the higher end of the market. However, it may not be successful in hiring or retaining key personnel. Failure to obtain or retain the services of key personnel may materially and adversely affect the performance of the Company's products, its ability to develop new products and the attractiveness of its services to potential and current customers.

Damage to reputation or brand may materially and adversely affect the Company's business, financial condition, results of operations and prospects.

The Company's operations across its principal business lines are dependent on customers' confidence in the Company's business and therefore its brand and reputation. This makes the Company vulnerable to negative publicity and market perceptions that may be difficult or impossible for it to control. The Company's reputation and brand are accordingly vital to the success of its business.

Brand or reputation can be negatively impacted by a large number of events both within and beyond the Company's control, including failure in information technology or data breach, an adverse claim being made against a member of the Company, whether successful or not, and including frivolous and vexatious claims, perceived deteriorations in financial strength, regulatory sanctions or incidents of fraud. If its reputation or brand is damaged, the Company could lose existing customers and find it difficult to cultivate new business. Each of these may have an adverse effect on the Company's business, financial condition, results of operations and prospects.

The Company and its investment solutions business are subject to macroeconomic, strategic, financial, operational and political risks.

The Company and its investment solutions business are subject to macroeconomic, strategic, financial, operational and political risks. Where assets held by the Company under its investment solutions business devalue significantly and the Company's management considers that the devaluation is not temporary, significant impairment losses may be recognised and may have a material adverse impact on the Company's results of operations. General market or macroeconomic volatility may result in a decrease of the unrealised gains of investment assets and/or reduction in dividend income, which in turn may have a material adverse effect on the Company's financial condition and results of operations. In the event of a severe downturn in the economy, the asset quality of the Company's portfolio may further deteriorate materially.

In particular, the Company's investment portfolio is subject to investment, liquidity, market and concentration risks. Currently, the Company's portfolio chiefly includes direct investments, with new investments being focused on the technology and innovation sectors. As such, market conditions and other factors beyond the control of the Company can adversely affect the Company's investment portfolio and the Company's results of operation and financial condition. The Company's investment portfolio may also be concentrated in certain sectors, geographic regions, individual investments or types of securities which may or may not be listed. Any decline in the value of the Company's investment portfolio may adversely impact its business, results of operations and financial condition.

The Company's investment portfolio profile may change from time to time depending on various factors, including market conditions, investment opportunities, and the investments and divestments undertaken by the Company. In particular, a part of the Company's investment portfolio may consist of interests in unlisted companies, which may subject the Company to liquidity risk as the Company may not be able to sell or dispose of its interests readily and at the price as valued by the Company. Failure to dispose of these interests at the price of valuation, or at all, by the Company may in turn adversely impact the value of the Company's portfolio and result of operations. Additionally, a part of the Company's investment portfolio is pledged against its margin loan payables. Any significant decline in the value of the Company's investments that have been pledged against margin loan payables may trigger a margin call, which may subject the Company to liquidity risk as the Company may not be able to sell or dispose of its investments readily and at the price as valued by the Company or at all.

The due diligence processes that the Company undertakes in connection with its investments may not reveal all facts that may be relevant in connection with an investment.

Before making investments, the Company's relevant department(s) in charge of investment solutions business will conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, the Company may be required to evaluate important and complex industry, business, financial, tax, accounting, environmental and legal issues. For example, the Company's investment solutions business is focused on investments in the technology and innovative space sectors—identifying, analysing and managing such investments

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requires a certain degree of experience and knowledge of the relevant industries. In certain cases, outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment. The due diligence investigation carried out may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful.

The Company may not have day-to-day control over the companies in which it invests.

The Company may not control the day-to-day management of its investments, which exposes it to additional risks relating to their operational and financial performance. As the Company may not be in a position to control the routine operations of its investment companies, this may prevent it from identifying key weaknesses in their operational and financial performance, which could have an adverse effect on the value of the Company's investment portfolio.

The Company's revenues are subject to factors beyond its control.

The Company's investment returns, and thus its revenue and profitability, may be adversely affected from time to time by conditions affecting its specific investments and, more generally, by market fluctuations as well as global general economic, market and political conditions. The value of specific investments and other assets may fluctuate substantially. Future movements in market interest rates, unfavourable conditions in the global securities markets or other factors may cause the Company's investment income to decrease significantly, and could have a material adverse effect on its business, financial condition and results of operations.

The Company is exposed to the credit risk of their trade and financial counterparties.

The Company operates and is expanding its business in both Korea and cross-border markets. This will increasingly expose the Company to the credit risk of their trade and financial counterparties normally associated with cross-border business transactions and activities, including those relating to delayed payments from customers or difficulties in the collection of receivables. There is no assurance that, even with the Company's experienced finance and accounting team, a customer will settle outstanding invoices on time. Failure to collect receivables could adversely affect the Company's cash flow and financial position.

Misuse of, or failure to control properly, customers' personal or financial information could prove harmful to the Company.

The Company is subject to data protection laws in the relevant jurisdiction (including, specifically in Korea, the Credit Information Use and Protection Act, the Act on Real Name Financial Transactions and Confidentiality and the Personal Information Protection Act) which regulates "data users" such as finance companies that use databases of personal information for their businesses and protects the privacy of individuals in relation to personal data. The Company acquires a large amount of personal and financial information relating to its customers. In addition, certain third-party vendors provide services to the Company using personal and financial information of the Company's customers that the Company provides to them. In particular, as the Company relies on third party encryption and authentication technology to transmit confidential information over public networks, the security of such confidential information may become jeopardised. Improper use or disclosure of, or a failure to protect or properly control, such information could result in violations of the data protection laws and other applicable laws, harming the Company's reputation and business. The Company takes precautionary measures, including internal compliance procedures, to regulate the disclosure of customers' personal information, but these measures may not be effective in all cases, particularly in respect of third-party vendors.

Employee misconduct such as fraud could adversely affect the Company's business and reputation.

Employee misconduct, which can include violations of laws or regulations concerning the offering and sale of the Company's financial products and fraudulent or otherwise improper activity, could result in regulatory violations and sanctions which could harm the Company's reputation and business, particularly since many of the Company's employees are involved in direct dealing with customers.

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Common weaknesses that facilitate fraud include the failure to implement effectively a centralised management and supervision, inadequate segregation of duties, insufficient access controls and certain actions taken by employees which are not consistent with the Company's internal control policies. While the Company's compliance programmes are intended to reduce the risk of employee misconduct and outside parties' misconduct and fraud, the Company may not always be able to timely detect or prevent such misconduct, and this risk cannot be completely eliminated. Instances of employee misconduct in the future could have consequences that materially and adversely affect the Company's business, reputation and prospects.

The Company's businesses and prospects may be materially and adversely affected if it fails to maintain its risk management and internal control systems or these systems are proved to be ineffective or inadequate.

The Company has established risk management control systems and procedures. Certain areas within its risk management and internal control systems may require constant monitoring, maintenance and continual improvements by its senior management and staff. The Company's businesses and prospects may be materially and adversely affected if its efforts to maintain these systems are proved to be ineffective or inadequate.

Deficiencies in the Company's risk management and internal control systems and procedures may adversely affect its ability to record, process, summarise and report financial and other data in an accurate and timely manner, as well as adversely impact its ability to identify any reporting errors and non-compliance with rules and regulations.

The Company's internal control system may contain inherent limitations caused by misjudgement. As a result, there can be no assurance that its risk management and internal control systems are adequate or effective notwithstanding its efforts, and any failure to address any internal control matters and other deficiencies could result in investigations and disciplinary actions or even prosecution being initiated against the Company or its employees, disruption to its risk management system. In such cases, there may be a material and adverse effect on the Company's business, financial condition, results of operations and prospects.

System and technological failures or ineffectiveness, failure of business continuity planning, corruption of databases and service disruption may occur and could result in additional administrative and remediation costs, loss of business and profits and/or cause reputational damage to the Company.

The performance of the Company's businesses depends heavily on its ability to process transactions efficiently and accurately. The Company's ability to develop business intelligence systems, monitor and manage collections, maintain financial and operating controls, monitor and manage its risk exposures across the Company, keep accurate records, provide high-quality customer service and develop and sell profitable products and services in the future depends on the success of its business continuity planning, the uninterrupted and efficient operation of its information and communications systems (including its information technology system) and the successful development and implementation of new systems.

However, in common with information technology systems generally, losses can result from inadequate or failed internal control processes and protection systems, human error, fraud or external events that interrupt normal business operations. This may result in a loss of data, a failure to provide quality service to customers and could in limited instances cause incorrect trades to be executed. The Company's information technology, databases and other systems may be subject to damage or interruption from earthquakes, volcanic eruptions, floods, fires, power loss, telecommunication failures and similar events as well as to damage from the introduction to its systems of incorrect programming language by its employees and contractors. These systems may also be subject to computer viruses, physical or electronic break-ins, sabotage, vandalism and similar misconduct. The same is true of third party service providers and software providers on which the Company depend.

The Company routinely transmits and receives personal, confidential and proprietary information through the Internet, by email and other electronic means and may not be able to ensure that its clients, vendors, service providers, counterparties and other third parties have appropriate controls in place to

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protect the confidentiality of the information. An interception or mishandling of personal, confidential or proprietary information being sent to or received from these third parties could result in legal liability, regulatory action and reputational harm, and the Company's efforts to ensure that these third parties have appropriate controls in place may not be successful.

If any of the above risks materialise, the interruption or failure of the Company's information technology and other systems could impair the Company's ability to provide its services effectively causing direct financial loss and may compromise the Company's strategic initiatives.

In addition, it could damage the Company's reputation if customers believe its systems are unreliable which, in turn, could have an adverse effect on the Company's ability to collect loan repayments from customers and to attract new and retain existing customers. Technology failure or underperformance could also result in a higher number of customer and employee disputes and may increase the Company's litigation and regulatory exposure or require it to incur higher administrative costs (including remediation costs). Further, an irrecoverable loss of any customer database would be expensive and time-consuming to endeavour to retrieve or recreate, would have a material adverse effect on the Company's business, operations and financial situation and may damage its reputation and brand.

Any business disruptions resulting from acts of God, acts of war, epidemics and other factors outside of the Company's control could affect the Company's business and might result in substantial costs.

The Company's business is subject to general, social and political conditions. The Company's business would be adversely affected by any unexpected events, including but not limited to riots, fire, power, strikes, civil or social disruption, outages, natural disasters, terrorist activities, equipment or system failures, industrial action and environmental issues, which increase the cost of doing business or otherwise adversely affect the Company's operations or those of its customers or suppliers.

Natural disasters, epidemics, pandemics, health emergencies (or concerns over the possibility of one) acts of God and other disasters that are beyond the Company's control may materially and adversely affect the economy and infrastructure. The Company's business, financial condition and operating results may be materially and adversely affected as a result.

Epidemics threaten people's lives and may materially and adversely affect their livelihoods as well as their living and consumption patterns. The occurrence of an epidemic is beyond the Company's control, and there is no assurance that another outbreak of severe acute respiratory syndrome or H1N1 swine influenza will not happen. There is no assurance that an outbreak of this or any other disease will not become an epidemic or pandemic. Any epidemic or pandemic occurring in Korea may materially and adversely affect the business, financial condition and operating results of the Company.

Acts of war and terrorism may cause damage or disruption to the Company or its employees, facilities, markets, suppliers or customers, any of which may materially and adversely impact the Company's revenue, cost of sales, financial condition and operating results. Potential war or terrorist attacks may also cause uncertainty and cause the Company's business to suffer in ways that cannot be accurately predicted.

The Company may not be able to identify money laundering activities or other illegal or improper activities fully or on a timely basis, which could expose it to additional liability and adversely affect its business.

The Company is required to comply with applicable anti-money laundering, anti-terrorism laws and other regulations in Korea and any other jurisdictions in which it operates. These laws and regulations require the Company, among other things, to adopt and enforce "know your customer" policies and procedures and to report suspicious transactions to the applicable regulatory authorities in different jurisdictions. While the Company has adopted policies and procedures aimed at detecting and preventing the use of its networks for money-laundering activities and by terrorists and terrorist-related organisations and individuals generally, such policies and procedures may not completely eliminate instances where its networks may be used by other parties to engage in money laundering and other illegal or improper activities due to, in part, the short history of these policies and procedures. To the

extent the Company may fail to comply fully with applicable laws and regulations, the relevant government agencies to which the Company reports have the power and authority to impose fines and other penalties on the Company, which may adversely affect its business.

The Company may be subject to claims of mis-selling.

The Company offers a number of financial products to corporate and institutional investors and to private investors directly or through intermediaries or distributors. If these investors suffer losses on such financial products, they or their advisers may seek compensation from the Company on the basis of allegations that the financial products were mis-sold or that the prospectuses, offering circulars or other marketing materials contained erroneous information or failed to disclose material information the omission of which rendered the content therein misleading or that misleading marketing materials were provided to or supplied by intermediaries. Despite the policies enacted by the Company guiding employees on the appropriate selling procedures, it is possible that the Company has rogue or fraudulent employees who do not comply with such policies. Any potential legal action undertaken by investors for mis-selling may be successful and this could in turn adversely affect the business, financial condition, results of operations and/or prospects of the Company. Any claim for mis-selling may also result in regulatory investigation and censure and may damage the reputation of the Company.

The risk of an unfavourable outcome to litigation against the Company could adversely affect the Company's business, financial condition, results of operations and prospects.

The Company is exposed to litigation risk relating to the operations of its businesses on an ongoing basis. While the outcome of any pending or future litigation cannot be foreseen given the inherent unpredictability of litigation, it is possible that an adverse outcome in any one or more matters may have a material and adverse effect on the Company's business, financial condition, results of operations and prospects.

Interest rate fluctuations may adversely affect the Company's businesses.

The Company's business performance is affected by fluctuations in interest rates which could adversely affect financial markets conditions. For example, a decrease in interest rates, although decreases the Company's costs of capital, may also limit the Company's interest income from its margin financing and structured finance business, thus adversely affecting the Company's business and financial results. Interest rates volatility may also affect stock market performance and general market sentiment, hence causing indirect adverse impact on the Company's business performance.

Risks Relating to Korea

If economic conditions in Korea deteriorate, the Issuer's current business and future growth could be materially and adversely affected.

The Issuer is incorporated in Korea and a significant portion of its assets are located in Korea. As a result, the Issuer is subject to political, economic, legal and regulatory risks specific to Korea, and the Issuer's performance and successful execution of its operational strategies are dependent on the overall Korean economy. The economic indicators in Korea in recent years have shown mixed signs of growth and uncertainty, and future growth of the Korean economy is subject to many factors beyond the Issuer's control, including developments in the global economy.

Developments that could have an adverse impact on Korea's economy include:

- declines in consumer confidence and a slowdown in consumer spending;
- the occurrence of severe health epidemics, such as the ongoing COVID-19 pandemic;
- adverse conditions or uncertainty in the economies of countries and regions that are important export markets for Korea, such as China, the United States, Europe and Japan, or in emerging market economies in Asia or elsewhere, including as a result of the ongoing COVID-19 pandemic, deteriorating relations between the United States and China and increased uncertainties resulting from the United Kingdom's exit from the European Union;
- adverse changes or volatility in foreign currency reserve levels, commodity prices (including oil prices), exchange rates;

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- deterioration in economic or diplomatic relations between Korea and its trading partners or allies, including deterioration resulting from territorial or trade disputes or disagreements in foreign policy (such as the removal of Korea from Japan's "white list" of preferred trading nations in August 2019 and the controversy between Korea and China regarding the deployment of a Terminal High Altitude Area Defense System in Korea by the United States in March 2017 and the ensuing economic and other retaliatory measures by China against Korea during the remainder of 2017);
- increased sovereign default risk in select countries and the resulting adverse effects on the global financial markets;
- deterioration in the financial condition or performance of small- and medium-sized enterprises and other companies in Korea due to the Government's policies to increase minimum wages and limit working hours of employees;
- investigations of large Korean business groups and their senior management for possible misconduct;
- continuing rise in the level of household debt and increasing delinquencies and credit defaults by retail and small- and medium-sized enterprise borrowers in Korea;
- the economic impact of any pending or future free trade agreements or of any changes to existing free trade agreements;
- social and labour unrest;
- substantial decreases in the market prices of Korean real estate;
- substantial decrease in tax revenues and a substantial increase in the Government's expenditures for fiscal stimulus measures, unemployment compensation and other economic and social programmes, in particular in light of the Government's ongoing efforts to provide emergency relief payments to households and emergency loans to corporations in need of funding in light of COVID-19, which, together, would likely lead to a national budget deficit as well as an increase in the Government's debt;
- financial problems or lack of progress in the restructuring of Korean business groups, other large troubled companies, their suppliers or the financial sector;
- loss of investor confidence arising from corporate accounting irregularities and corporate governance issues concerning certain Korean companies;
- increases in social expenditures to support an aging population in Korea or decreases in economic productivity due to the declining population size in Korea;
- geopolitical uncertainty and risk of further attacks by terrorist groups around the world;
- political uncertainty or increasing strife among or within political parties in Korea;
- hostilities or political or social tensions involving oil producing countries in the Middle East (including a potential escalation of hostilities between the United States and Iran) and Northern Africa and any material disruption in the global supply of oil or sudden increase in the price of oil;
- natural or man-made disasters that have a significant adverse economic or other impact on Korea or its major trading partners; and
- increase in the level of tensions or an outbreak of hostilities between North Korea and Korea or the United States.

Escalations in tensions between Korea and North Korea could have an adverse effect on the Issuer.

Relations between Korea and North Korea have been tense throughout Korea's modern history. The level of tension between the two Koreas has fluctuated and may increase abruptly as a result of current and future events. In particular, there have been heightened security concerns in recent years stemming from North Korea's nuclear weapon and ballistic missile programmes as well as its hostile military actions against Korea. Some of the significant incidents in recent years include the following:

- North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty in January 2003 and conducted six rounds of nuclear tests since October 2006, including claimed detonations of

hydrogen bombs, which are more powerful than plutonium bombs, and warheads that can be mounted on ballistic missiles. Over the years, North Korea has also conducted a series of ballistic missile tests, including missiles launched from submarines and intercontinental ballistic missiles that it claims can reach the United States mainland. In response, the Government has repeatedly condemned the provocations and flagrant violations of relevant United Nations Security Council resolutions. In February 2016, the Government also closed the inter-Korea Kaesong Industrial Complex in response to North Korea's fourth nuclear test in January 2016. Internationally, the United Nations Security Council has passed a series of resolutions condemning North Korea's actions and significantly expanding the scope of sanctions applicable to North Korea, most recently in December 2017 in response to North Korea's intercontinental ballistic missile test in November 2017. Over the years, the United States and the European Union have also expanded their sanctions applicable to North Korea.

- In March 2010, a Korean naval vessel was destroyed by an underwater explosion, killing many of the crewmen on board. The Government formally accused North Korea of causing the sinking, while North Korea denied responsibility. Moreover, in November 2010, North Korea fired more than one hundred artillery shells that hit Korea's Yeonpyeong Island near the Northern Limit Line, which acts as the de facto maritime boundary between Korea and North Korea on the west coast of the Korean peninsula, causing casualties and significant property damage. The Government condemned North Korea for the attack and vowed stern retaliation should there be further provocation.
- In August 2015, two Korean soldiers were injured in a landmine explosion near the Korean demilitarized zone. Claiming that the landmines were set by North Koreans, the Korean army re-initiated its propaganda programme toward North Korea utilising loudspeakers near the demilitarised zone. In retaliation, the North Korean army fired artillery rounds on the loudspeakers, resulting in the highest level of military readiness for both Koreas.

North Korea's economy also faces severe challenges, which may further aggravate social and political pressures within North Korea.

Although bilateral summit meetings were held between Korea and North Korea in April, May and September 2018 and between the United States and North Korea in June 2018, February 2019 and June 2019, there can be no assurance that the level of tension affecting the Korean peninsula will not escalate in the future. Any increase in tensions, which may occur, for example, if North Korea experiences a leadership crisis, if high-level contacts between Korea or the United States and North Korea break down or if further military hostilities occur, could have a material adverse effect on the Korean economy and on the Issuer's business, financial condition and results of operations.

There are special risks involved with investing in securities of Korean companies.

As the Issuer is a Korean company and operates in a business and cultural environment that is different from that of other countries, there are risks associated with investing in its securities that are not typical for investments in securities of companies in other jurisdictions.

Under the Foreign Exchange Transactions Act of Korea and the Presidential Decree and regulations under that Act and Decree (collectively referred to as the "Foreign Exchange Transaction Laws"), if the Government deems that certain emergency circumstances, including sudden fluctuations in interest rates or exchange rates, extreme difficulty in stabilising the balance of payments or substantial disturbance in the Korean financial and capital markets, are likely to occur, it may impose any necessary restriction such as requiring Korean or foreign investors to obtain prior approval from the Minister of the MOEF for the acquisition of Korean securities or for the repatriation of interest, dividends or sales proceeds arising from Korean securities or other types of capital transactions. Moreover, if the Government deems it necessary on account of war, armed conflict, natural disaster or grave and sudden changes in domestic or foreign economic circumstances or similar events or circumstances, the Minister of the MOEF may temporarily suspend performance under any or all foreign exchange transactions, in whole or in part, to which the Foreign Exchange Transaction Laws apply (including suspension of payment and receipt of foreign exchange) or impose an obligation to deposit or sell any means of payment to the Bank of Korea or certain other governmental agencies or financial institutions.

In addition, the Issuer's audited and unaudited condensed consolidated financial statements included in this Prospectus are presented in accordance with K-IFRS and its future financial statements will be

prepared in accordance with K-IFRS, which differ in certain respects from accounting principles applicable to companies in certain other countries. In making an investment decision, investors must rely upon their own examination of the Issuer, the terms of the offering and the financial and other information contained in this Prospectus.

Labour unrest in Korea may adversely affect the Issuer's operations.

Economic difficulties in Korea or increases in corporate reorganisations and bankruptcies could result in layoffs and higher unemployment. Such developments could lead to social unrest and substantially increase government expenditures for unemployment compensation and other costs for social programmes. According to statistics from the Korea National Statistical Office, the unemployment rate, which remained at 3.8% in 2018 and 2019, increased to 4.0% in 2020. Further, increases in unemployment and any resulting labour unrest in the future could adversely affect the Issuer's operations, as well as the operations of many of the Issuer's customers and their ability to repay their loans, and could adversely affect the financial condition of Korean companies in general, depressing the price of their securities. These developments would likely have an adverse effect on the Issuer's financial condition and results of operations.

Risks Relating to the Notes

The Notes are unsecured obligations.

As the Notes are unsecured obligations, their repayment may be compromised if:

- the Company enters into bankruptcy, liquidation, rehabilitation or other winding-up proceedings;
- there is a default in payment under the Company's future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Company's indebtedness.

If any of these events occurs, the Company's assets may not be sufficient to pay amounts due on the Notes. In addition, any secured indebtedness incurred by it would have priority over its unsecured indebtedness to the extent of the assets securing such indebtedness.

Floating Rate Notes may be subject to reforms and changes to Benchmarks.

Reference rates and indices, including interest rate benchmarks, such as the London Interbank Offered Rate ("LIBOR"), which are used to determine the amounts payable under financial instruments or the value of such financial instruments ("Benchmarks"), have, in recent years, been the subject of political and regulatory scrutiny as to how they are created and operated. This has resulted in regulatory reform and changes to existing Benchmarks, with further changes anticipated. These reforms and changes may cause a Benchmark to perform differently than it has done in the past or to be discontinued. Any change in the performance of a Benchmark or its discontinuation, could have a material adverse effect on any Notes referencing or linked to such Benchmark.

The regulation and reform of "benchmark" rates of interest and indices may adversely affect the value of Notes linked to or referencing such "benchmarks."

Interest rates and indices which are deemed to be or used as "benchmarks" are the subject of recent international regulatory guidance and proposals for reform, particularly in the United Kingdom. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a benchmark. Regulation (EU) 2016/1011 (the "Benchmarks Regulation") was published in the Official Journal of the EU on 29 June 2016 and applies from 1 January 2018 (with the exception of provisions specified in Article 59 (mainly on critical benchmarks) that apply from 30 June 2016 and 3 July 2016). The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Notes linked to or referencing a benchmark, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the benchmark.

The Notes that are Subordinated Notes are subordinated and have only limited rights of acceleration.

The applicable Pricing Supplement may specify that the Notes will be Subordinated Notes (as defined in Condition 3(b) of the Terms and Conditions of the Notes), which will be subordinated obligations of the Company. Payments on the Subordinated Notes will be subordinated in right of payment to the prior payment in full of all deposits and other liabilities of the Company, except those liabilities which rank equally with or junior to the Subordinated Notes. As a consequence of these subordination provisions, if any of such events should occur, the holders of the Subordinated Notes may recover proportionately less than the holders of the Company's deposit liabilities or the creditors with respect to its other unsubordinated liabilities.

Only those events described herein regarding the Company's bankruptcy or insolvency will permit a holder of a Subordinated Note to accelerate payment of such Subordinated Notes. In such event, the only action the holder may take in Korea against the Company is certain actions to cause, or make a claim in, the Company's liquidation or reorganisation. Furthermore, if the Company's indebtedness were to be accelerated, its assets may be insufficient to repay in full borrowings under all such debt instruments, including the Subordinated Notes.

The Notes are subject to transfer restrictions.

The Notes will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, to certain persons in offshore transactions in reliance on Regulation S, or pursuant to another exemption from, or in another transaction not subject to, the registration requirements of the Securities Act and in accordance with applicable state securities laws. For a further discussion of the transfer restrictions applicable to the Notes, see "*Subscription and Sale and Transfer and Selling Restrictions.*"

The Notes may have limited liquidity.

Any Notes issued under the Programme will constitute a new issue of securities for which there is no existing market. Approval in-principle has been received from the SGX-ST in connection with the Programme and application will be made for the listing and quotation of Notes that may be issued under the Programme and which are agreed, at or prior to the time of issue thereof, to be listed on the SGX-ST. The offer and sale of the Notes is not conditional on obtaining a listing of the Notes on the SGX-ST or any other exchange.

No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for, the Notes. If an active trading market for the Notes does not develop or is not maintained, the market price and liquidity of the Notes may be adversely affected. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the price at which the Notes are issued depending on many factors, including:

- prevailing interest rates;
- the Group's results of operations, financial condition and credit ratings;
- political and economic developments in and affecting Korea;
- the market conditions for similar securities; and
- the financial condition and stability of the Korean financial sector.

The Notes may be represented by Global Notes and holders of a beneficial interest in a Global Note must rely on the procedures of the relevant Clearing System(s).

Notes issued under the Programme may be represented by one or more global notes (the "Global Notes"). Such Global Notes will be deposited with a common depository for Euroclear Bank SA/NV

(“Euroclear”) and Clearstream, Luxembourg (“Clearstream”) (each of Euroclear and Clearstream, Luxembourg, a “Clearing System”). Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Notes are represented by one or more Global Notes, the Company will discharge its payment obligations under the Notes by making payments to the relevant Clearing System for distribution to their account holders.

A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. The Company has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Notes may not be a suitable investment for all investors.

The Notes are complex financial instruments and may be purchased as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor’s overall investment portfolio. Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor’s currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The rating of the Programme may be downgraded or withdrawn.

The Programme is expected to be rated BBB by S&P Global Ratings and Baa2 by Moody’s Investors Service, Inc. These ratings represent the opinion of the rating agencies and their assessment of the ability of the Company to perform its obligations under the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency. A reduction or withdrawal of the rating may adversely affect the market price of the Notes and the Company’s ability to access the debt capital markets.

The credit ratings assigned to the Notes may not reflect all risks.

One or more independent credit rating agencies may assign credit ratings to an issue of the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. There can be no assurance that the ratings assigned to any Notes will remain in effect for any given period or that the ratings will not be revised or withdrawn by the rating agencies in the future if, in their judgment, the circumstances so warrant. The Company has no obligation to inform holders of the Notes of any such suspension, revision, downgrade or withdrawal. A suspension, downgrade or withdrawal of the ratings of any Notes at any time may adversely affect the market price of the Notes.

FORM OF THE NOTES

Capitalized terms used in this section and not otherwise defined shall have the meanings given to them in “Terms and Conditions of the Notes.”

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached.

Bearer Notes

Each Tranche of Bearer Notes will be in bearer form and will be initially issued in the form of a temporary bearer global note (a “**Temporary Bearer Global Note**”) or, if so specified in the Pricing Supplement, a permanent bearer global note (a “**Permanent Bearer Global Note**,” together with any Temporary Bearer Global Note, the “**Bearer Global Notes**”) which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depositary (the Common Depositary) for, Euroclear and Clearstream.

Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream and (in the case of a Temporary Bearer Global Note delivered to a Common Depositary for Euroclear and Clearstream) Euroclear and/or Clearstream, as applicable, has given a like certification (based on the certifications it has received) to the Fiscal Agent (as defined in “*Terms and Conditions of the Notes*”). On and after the date (the “**Exchange Date**”) which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a Permanent Bearer Global Note of the same Series or (b) for definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the Pricing Supplement and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the Pricing Supplement), in each case against certification of beneficial ownership as described above unless such certification has already been given, **provided that** the purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon either (a) not less than 60 days’ written notice in the case of Notes held by a Common Depositary for Euroclear and/or Clearstream, from Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Fiscal Agent as described therein or (b) only upon the occurrence of an Exchange Event. For these purposes, “**Exchange Event**” means that (i) an Event of Default (as defined in Condition 10) has occurred and is continuing or (ii) the Company has been notified that both Euroclear and Clearstream have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available. The Company will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, in the case of Notes held by a Common Depositary for Euroclear and/or Clearstream, Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) may give notice to the Fiscal Agent requesting exchange. Any such

exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Fiscal Agent.

The following legend will appear on all Bearer Notes where the TEFRA D Rules are applicable and which have an original maturity of more than 365 days and on all receipts and interest coupons relating to such Notes:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.”

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream.

Registered Notes

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold outside the United States, will initially be represented by a global note in registered form (a “**Registered Global Note**,” together with any Bearer Global Note, the “**Global Notes**”). Prior to expiry of the distribution compliance period (as defined in Regulation S), if any, applicable to each Tranche of Notes, beneficial interests in a Registered Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and may not be held otherwise than through Euroclear or Clearstream and such Registered Global Note will bear a legend regarding such restrictions on transfer.

Registered Global Notes will be deposited with a common depository for, and registered in the name of a common nominee of, Euroclear and Clearstream, as specified in the applicable Pricing Supplement. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Payments of principal, interest or any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 1) as the registered holder of the Registered Global Notes. None of the Company, the Fiscal Agent, any Paying Agent, the Calculation Agent, any Transfer Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 7(b)(ii)) immediately preceding the due date for payment in the manner provided in that Condition; provided that, when a Notes is represented by a Global Note held on behalf of Euroclear and/or Clearstream, payment of principal, interest or any other amount in respect of such Notes will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where “Clearing System Business Day” means Monday to Friday inclusive except 25 December and 1 January.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, Exchange Event means that (i) an Event of Default has occurred and is continuing or (ii) the Company has been notified that both Euroclear and

Clearstream have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any case, no successor or alternative clearing system is available. The Company will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear and Clearstream, in each case to the extent applicable.

General

Pursuant to the Agency Agreement (as defined under “*Terms and Conditions of the Notes*”), the Fiscal Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act), if any, applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear and/or Clearstream, each person (other than Euroclear and/or Clearstream) who is for the time being shown in the records of Euroclear or of Clearstream as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear and/or Clearstream as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Company and their agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purposes the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Company and their agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “**Noteholder**” and “**holder of Notes**” and related expressions shall be construed accordingly.

Any reference herein to Euroclear and/or Clearstream shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by the Company and the Fiscal Agent.

If the applicable Pricing Supplement specifies any modification to the Terms and Conditions of the Notes as described herein, it is envisaged that, to the extent that such modification relates only to Conditions 1, 5, 6 (except Condition 6(c) or 6(d)), 7, 12 or 14 (insofar as such Notes are not listed or admitted to trade on any stock exchange), they will not necessitate the preparation of a supplement to this Prospectus. If the Terms and Conditions of the Notes of any Series are to be modified in any other respect, a supplement to this Prospectus will be prepared, if appropriate.

For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that any of the Global Notes representing such Notes is exchanged for definitive Notes, the Company shall appoint and maintain a paying agent in Singapore, where such definitive Notes may be presented or surrendered for payment or redemption. In addition, in the event that any of the Global Notes is exchanged for definitive Notes, an announcement of such exchange will be made by or on behalf of the Company through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

FORM OF THE PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme.

[Date]

KOREA INVESTMENT & SECURITIES CO., LTD.
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the U.S.\$5,000,000,000
Medium Term Note Programme

MiFID II product governance/target market—*[appropriate target market legend to be included]*

[MiFID II product governance / Professional investors and ECPs only target market]—Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, “**MiFID II**”)]**[MiFID II]**; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. *[Consider any negative target market.]* Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.

UK MIFIR product governance / Professional investors and ECPs only target market—Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (“**COBS**”), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**UK MiFIR**”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. *[Consider any negative target market.]* Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated [●] 2021. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Prospectus. Full information regarding the Company and the offer of the Notes is only available on the basis of the combination of the Pricing Supplement and the Prospectus.

The Notes may not be offered, delivered, or sold directly or indirectly in Korea or to any resident of Korea (as defined in the Foreign Exchange Transaction Law of Korea and the rules and regulations promulgated thereunder) or to others for re-offering or resale directly or indirectly in Korea or to any resident of Korea except as otherwise permitted under applicable Korean laws and regulations.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Prospectus dated [●] 2021. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Prospectus dated [current date], save in

FORM OF THE PRICING SUPPLEMENT

respect of the Conditions which are extracted from the Prospectus dated [●] 2021 and are attached hereto. Full information regarding the Company and the offer of the Notes is only available on the basis of the combination of the Pricing Supplement and the Prospectus.]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement]

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination [must/may need to] be £100,000 or its equivalent in any other currency.]

- | | | |
|----|--|---|
| 1 | Issuer: | Korea Investment & Securities Co., Ltd. |
| 2 | [(i)] Series Number: | [●] |
| | [(ii)] Tranche Number: <i>(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.)</i> | [●] |
| 3 | Specified Currency or Currencies: | [●] |
| 4 | Aggregate Nominal Amount: | |
| | (i) Series: | [●] |
| | [(ii)] Tranche: | [●] |
| 5 | [(i)] Issue Price: | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from <i>[insert date]</i> (<i>in the case of fungible issues only, if applicable</i>)] |
| | [(ii)] Net proceeds: | [●] (<i>Required only for listed issues</i>) |
| 6 | (i) Specified Denominations: | [●] ⁽¹⁾ |
| | (ii) Calculation Amount: | [●] |
| 7 | (i) Issue Date: | [●] |
| | (ii) Interest Commencement Date: | <i>[Specify/Issue date/Not Applicable]</i> |
| 8 | Maturity Date: | <i>[specify date (for Fixed Rate Notes) or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]⁽²⁾</i> <i>[For Subordinated Notes, the Maturity Date must be 5 or more years from the Issue Date.]</i> |
| 9 | Interest Basis: | [[●] per cent. Fixed Rate] [[LIBOR/EURIBOR/HIBOR/CNH HIBOR/specify reference rate] +/- [●] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Other (<i>specify</i>)] (further particulars specified below) |
| 10 | Redemption/Payment Basis: | [Redemption at par] [Dual Currency] [Partly Paid] [Instalment] [Other (<i>specify</i>)] |

FORM OF THE PRICING SUPPLEMENT

- 11 Change of Interest Basis or Redemption/
Payment Basis: [*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
- 12 Put/Call Options: [Put]
[Call]
[(further particulars specified below)]
- 13 (a) Status of the Notes: [Senior/Subordinated Notes]
(b) Date of corporate approval for issuance of
Notes obtained: [[●]/None required]⁽²⁾
(c) Date of regulatory approval for issuance
of Notes obtained: [[●]/None required]
- 14 Listing: [[●]/Other (*specify*)/None]
- 15 Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 16 Fixed Rate Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Rate [(s)] of Interest: [●] per cent. per annum [payable [annually/
semi-annually/ quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [●] in each year⁽⁴⁾ [adjusted in accordance with
specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]/not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [●] per Calculation Amount
- (iv) Broken Amount: [●] per Calculation Amount, payable on the
Interest Payment Date falling [in/on] [●]
[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)] and the Interest Payment Date(s) to which they relate]⁽⁴⁾
- (v) Day Count Fraction (Condition 5(m)): [30/360/Actual/Actual (ICMA/ISDA)/Other]
(Day count fraction should be Actual/Actual-ICMA for all fixed rate issues other than those denominated in U.S. dollars)
- (vi) Determination Date(s) (Condition 5(m)): [●] in each year. *[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short, first or last coupon]*⁽³⁾
- (vii) Party responsible for calculating the
Rate(s) of Interest and Interest Amount(s)
(if not the Calculation Agent): [●]
- (viii) Other terms relating to the method of
calculating interest for Fixed Rate Notes: [Not Applicable/*give details*]
- 17 Floating Rate Note Provisions: [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Interest Period(s): [●]
- (ii) Specified Interest Payment Dates: [●]

FORM OF THE PRICING SUPPLEMENT

- (iii) Interest Period Date(s): [Not Applicable/specify dates] *(Not applicable unless different from Interest Payment Date)*
- (iv) Business Day Convention: [Floating Rate Business Day Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other *(give details)*]
- (v) Business Centre(s) (Condition 5(m)): [●]
- (vi) Manner in which the Rate(s) of Interest is/ are to be determined: [Screen Rate Determination/ISDA Determination/ other *(give details)*]
- (vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent): [●]
- (viii) Screen Rate Determination (Condition 5(b)(iii)(B)):
- Reference Rate: [●]
 - Interest Determination Date: [[●] [TARGET] Business Days in [specify city] for [specify currency] prior to [the first day in each Interest Accrual Period/each Interest Payment Date]]
 - Relevant Screen Page: [●]
- (ix) ISDA Determination (Condition 5(b)(iii)(A)):
- Floating Rate Option: [●]
 - Designated Maturity: [●]
 - Reset Date: [●]
 - ISDA Definitions (if different from those set out in the Conditions): [2000/2006]
- (x) Margin(s): [+/-] [●] per cent. per annum
- (xi) Minimum Rate of Interest: [●] per cent. per annum
- (xii) Maximum Rate of Interest: [●] per cent. per annum
- (xiii) Day Count Fraction (Condition 5(m)): [●]
- (xiv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [●]
- 18 Zero Coupon Note Provisions: [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Amortisation Yield (Condition 6(b)): [●] per cent. per annum
 - (ii) Day Count Fraction (Condition 5(m)): [●]
 - (iii) Any other formula/basis of determining amount payable: [●]

- 19 Index Linked Interest Note Provisions: [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Index/Formula: [Give or annex details]
 - (ii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent): [●]
 - (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [●]
 - (iv) Interest Period(s): [●]
 - (v) Specified Interest Payment Dates: [●]
 - (vi) Business Day Convention: [Floating Rate Business Day Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other *(give details)*]
 - (vii) Business Centre(s) (Condition 5(m)): [●]
 - (viii) Minimum Rate of Interest: [●] per cent. per annum
 - (ix) Maximum Rate of Interest: [●] per cent. per annum
 - (x) Day Count Fraction (Condition 5(m)): [●]
- 20 Dual Currency Note Provisions: [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate of Exchange/Method of calculating Rate of Exchange: [Give details]
 - (ii) Party, if any, responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent): [●]
 - (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [●]
 - (iv) Person at whose option Specified Currency(ies) is/are payable: [●]
 - (v) Day Count Fraction (Condition 5(m)): [●]

PROVISIONS RELATING TO REDEMPTION

- 21 Call Option: [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [●]
 - (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [[●] per Calculation Amount/Early Redemption Amount]
 - (iii) If redeemable in part:
 - (a) Minimum Redemption Amount: [●] per Calculation Amount
 - (b) Maximum Redemption Amount: [●] per Calculation Amount
 - (iv) Notice period: [●]

- 22 Put Option: [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [[●] per Calculation Amount/Early Redemption Amount]
- (iii) Notice period: [●]
- 23 Final Redemption Amount of each Note: [●] per Calculation Amount
- 24 Early Redemption Amount:
Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons (Condition 6(c) or, when otherwise specified hereon, 6(d) or 6(e)) or Event of Default (Condition 10(A) or 10(B)) and/or the method of calculating the same (if required or if different from that set out in the Conditions): [●]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 25 Form of Notes: [Bearer Notes/Registered Notes]
[Delete as appropriate]
[temporary Global Note exchangeable for a permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the permanent Global Note] [temporary Global Note exchangeable for Definitive Notes on [●] days' notice] [permanent Global Note/Certificate exchangeable for Definitive Notes/Certificates on [●] days' notice/ at any time/in the limited circumstances specified in the permanent Global Note/ Certificate]⁽⁴⁾
- 26 Financial Centre(s) (Condition 7[(h)]) or other special provisions relating to payment dates: [Not Applicable/Give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which items 16(ii), 17(v) and 19(vii) relate]
- 27 Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
- 28 Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details]
- 29 Details relating to Instalment Notes: [Not Applicable/give details]
- (i) Instalment Amount(s): [●]
- (ii) Instalment Date(s): [●]
- (iii) Minimum Instalment Amount: [●]
- (iv) Maximum Instalment Amount: [●]

- 30 Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions annexed to this Pricing Supplement apply]
- 31 Details relating Subordinated Notes:
- (i) Bankruptcy Event: [Not Applicable/give details]
- (ii) Foreign Event: [Not Applicable/give details]
- (iii) Rehabilitation Event: [Not Applicable/give details]
- (iv) Subordination Event: [Not Applicable/give details]
- 32 Additional U.S. federal income tax considerations: [Not Applicable/give details] [The Notes are [not] subject to U.S. federal withholding tax under Section 871(m).]⁽⁵⁾ [Additional information regarding the application of Section 871(m) to the Notes will be available at [●]]
- 33 Other terms or special conditions: [Not Applicable/give details]⁽⁶⁾

DISTRIBUTION

- 34 (i) If syndicated, names of Managers: [Not Applicable/give names]
- (ii) Date of Subscription Agreement: [●]
- (iii) Stabilising Manager (if any): [Not Applicable/give name]
- 35 If non-syndicated, name of relevant Dealer: [Not Applicable/give name]
- 36 U.S. Selling Restrictions: [Reg. S Category 2; TEFRA D/TEFRA C/TEFRA Not Applicable]
- 37 Korean Selling Restrictions: [20% Rule / 20% Rule Not Applicable]
- 38 Additional selling restrictions: [Not Applicable/give details]
- 39 Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]
- (If the Notes clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no KID will be prepared, “Applicable” should be specified.)
- 40 Prohibition of Sales to UK Retail Investors: [Applicable/Not Applicable]
- (If the Notes clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no KID will be prepared, “Applicable” should be specified.)

OPERATIONAL INFORMATION

- 41 ISIN Code: [●]
- 42 Common Code: [●]
- 43 LEI: 549300R8VJDW3X6CD250
- 44 Any clearing system(s) other than Euroclear, Clearstream, Luxembourg and the CMU Service and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
- 45 Delivery: Delivery [against/free of] payment
- 46 Additional Paying Agents (if any): [●]
- 47 Ratings: [●]

[LISTING AND ADMISSION TO TRADING APPLICATION

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the U.S.\$5,000,000,000 Medium Term Note Programme of Korea Investment & Securities Co., Ltd.

The Singapore Exchange Securities Trading Limited (the “SGX-ST”) assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Pricing Supplement. Approval in-principle from, admission to the Official List of, and listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the Company, the Programme or the Notes.]

RESPONSIBILITY

The Company accepts responsibility for the information contained in this Pricing Supplement. Signed on behalf of the Company:

By: _____
Duly authorised

Notes:

- (1) Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).
If the specified denomination is expressed to be €50,000 (or €100,000, to the extent that Directive 2010/73/EU has been implemented in the relevant Member State) or its equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording set out in the Guidance Note published by ICMA in November 2006 (or its replacement from time to time) as follows: “€50,000 (or €100,000, to the extent that Directive 2010/73/EU has been implemented in the relevant Member State) and integral multiples of €1,000 in excess thereof up to and including €99,000/€199,000. No notes in definitive form will be issued with a denomination above €99,000/€199,000”.
- (2) Only relevant where corporate (or similar) authorisation is required for the particular tranche of Notes.
- (3) Only to be completed for an issue where the Day Count Fraction is Actual/Actual-ICMA.
- (4) If the temporary Global Note is exchangeable for definitive notes at the option of the holder, the Notes shall be tradeable only in amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) provided in paragraph 6 and multiples thereof.
- (5) The Notes should not be subject to U.S. federal withholding tax under Section 871(m), if they (i) do not reference any U.S. equity or any index that contains any U.S. equity (ii) reference indices considered to be “qualified indices” for purposes of Section 871(m) or (iii) are Non-Delta Notes and are issued prior 1 January 2017 or Non-Delta-One Notes issued on or after 1 January 2018 that reference a U.S. equity or index that contains any U.S. equity are subject to additional testing on a trade-by-trade basis to determine whether they are Section 871(m) Notes.
- (6) If full terms and conditions are to be used, please add the following here:
“The full text of the Conditions which apply to the Notes [and which will be endorsed on the Notes in definitive form] are set out in [the Annex hereto], which Conditions replace in their entirety those appearing in the Prospectus for the purposes of these Notes and such Conditions will prevail over any other provision to the contrary.”
The first set of bracketed words is to be deleted where there is a permanent global Note instead of Notes in definitive form. The full Conditions should be attached to and form part of the Pricing Supplement.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Company for general corporate purposes or as may otherwise be disclosed in the applicable Pricing Supplement.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the relevant Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to “Notes” are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are issued pursuant to an Agency Agreement (as amended or supplemented as at the Issue Date, the “**Agency Agreement**”) dated 30 June 2021 between Korea Investment & Securities Co., Ltd. (the “**Issuer**”), Citicorp International Limited as fiscal agent, Citibank, N.A., London Branch as paying agent, registrar and transfer agent and calculation agent (and the other agents named in it and with the benefit of a Deed of Covenant (as amended or supplemented as at the Issue Date, the “**Deed of Covenant**”) dated 30 June 2021 executed by the Issuer in relation to the Notes. The fiscal agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below, respectively, as the “**Fiscal Agent**”, the “**Paying Agents**” (which expression shall include the Fiscal Agent), the “**Registrar**”, the “**Transfer Agents**” and the “**Calculation Agent(s)**”. The Noteholders (as defined in Condition 1), the holders of the interest coupons (the “**Coupons**”) relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the “**Talons**”) (the “**Couponholders**”) and the holders of the receipts for the payment of instalments of principal (the “**Receipts**”) relating to Notes in bearer form of which the principal is payable in instalments are deemed to have notice of all of the provisions of the Agency Agreement applicable to them.

As used in these terms and conditions (the “**Conditions**”), “**Tranche**” means Notes which are identical in all respects.

Copies of the Agency Agreement and the Deed of Covenant are available for inspection during usual business hours upon prior written request and proof of satisfaction of holding at the specified offices of each of the Paying Agents, the Registrar and the Transfer Agents.

1 Form, Denomination and Title

The Notes are issued in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”) in each case in the Specified Denomination(s) shown hereon.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Instalment Note, a Senior Note, a Subordinated Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered

by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be, and may be treated as, its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate), and no person shall be liable for so treating the holder.

In these Conditions, “**Noteholder**” means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), “**holder**” (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes, the expression “**Senior Noteholder**” shall be construed accordingly in relation to Senior Notes and the expression “**Subordinated Noteholder**” shall be construed accordingly in relation to Subordinated Notes.

2 No Exchange of Notes and Transfers of Registered Notes

- (a) **No Exchange of Notes:** Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.
- (b) **Transfer of Registered Notes:** One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Noteholders. A copy of the current regulations will be made available during usual business hours by the Registrar to any Noteholder upon prior written request and proof of satisfaction of holding.

Transfers of interests in the Notes evidenced by Global Certificates will be effected in accordance with the rules of the relevant clearing systems.

- (c) **Exercise of Options or Partial Redemption in Respect of Registered Notes:** In the case of an exercise of an Issuer’s or Noteholders’ option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.
- (d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Conditions 2(b) or (c) shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent (as defined in the Agency Agreement) the costs of such other method of

delivery and/or such insurance as it may specify. In this Condition 2(d), “**business day**” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

- (e) **Transfer Free of Charge:** Transfers of Notes and Certificates on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or prefunding as the Registrar or the relevant Transfer Agent may require).
- (f) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

3 Status

- (a) **Status of the Senior Notes:** The Senior Notes (being those Notes that specify their status as Senior) and the Receipts and Coupons relating to them constitute (subject to Condition 4(a)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a), at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.
- (b) **Status of the Subordinated Notes:** The Subordinated Notes (being those Notes that specify their status as Subordinated) and any relative Receipts and Coupons constitute direct, general, subordinated (as described in Condition 3(c)) and unsecured obligations of the Issuer which will at all times rank (x) junior to the Senior Indebtedness of the Issuer (as defined in Condition 3(c)), (y) *pari passu* with and rateably without any preference among themselves and all other subordinated obligations of the Issuer which do not rank or are not expressed by their terms to rank junior to the Subordinated Notes (collectively, the “**Subordinated Obligations**”).
- (c) **Subordination:**

This Condition 3(c) applies only to Subordinated Notes.

- (i) If, on or prior to the Maturity Date or at any time while any amount is due and outstanding under any Subordinated Notes, a Bankruptcy Event (as defined below) occurs and so long as it continues, any amounts which become due then or thereafter under the Subordinated Notes (including overdue amounts) shall not be payable unless and until the total amount of any and all Senior Indebtedness of the Issuer which is listed on the distribution list (as amended, if such be the case) for final distribution submitted to the court in the bankruptcy proceedings is paid in full or provided to be paid in full in such bankruptcy proceedings.
- (ii) If, on or prior to the Maturity Date or at any time while any amount is due and outstanding under any Subordinated Notes, a Rehabilitation Event (as defined below) occurs and so long as it continues, any amounts which become due then or thereafter under the Subordinated Notes (including overdue amounts) shall not be payable unless and until the total amount of any and all Senior Indebtedness of the Issuer which is listed on the rehabilitation plan of the Issuer at the time when the court’s approval of such plan becomes final and conclusive shall have been paid in full in the rehabilitation proceedings to the extent of the original amount thereof (without regard to any adjustment of such amount in the approved rehabilitation plan).
- (iii) If, on or prior to the Maturity Date or at any time while any amount is due and outstanding under any Subordinated Notes, a Foreign Event (as defined below) occurs and so long as it continues, any amounts which become due then or thereafter under the Subordinated Notes (including overdue amounts) shall only become payable upon conditions equivalent to those enumerated in paragraphs (i) and (ii) having been fulfilled, provided that notwithstanding any provision herein to the contrary if the imposition of any such conditions is not allowed under

such proceedings, any amounts which become due under the Subordinated Notes shall become payable in accordance with the terms herein provided and not subject to such conditions.

- (iv) If, on or prior to the Maturity Date or at any time while any amount is due and outstanding under any Subordinated Notes, the Net Capital Ratio of the Issuer falls below 0 per cent upon any payment of principal or interest in respect of the Subordinated Notes, such payment shall not be made to the holders thereof.
- (v) A holder of a Subordinated Note by its acceptance thereof or its interest therein, shall thereby agree that (i) if any payment in respect of such Note is made to such holder after the occurrence of a Subordination Event and the amount of such payment shall exceed the amount, if any, that should have been paid to such holder upon the proper application of these subordination provisions, the payment of such excess amount shall be deemed null and void and such holder (without the Registrar or any Paying Agent having any obligation or liability with respect thereto, save to the extent that the Registrar or such Paying Agent shall return to the Issuer any such excess amount which remains held by it at the time of the notice next referred to) shall be obliged to return the amount of the excess payment within ten days of receiving notice from the Issuer of the excess payment and (ii) upon the occurrence of a Subordination Event and so long as such Subordination Event continues, such holder shall not exercise any right to set off any liabilities of the Issuer under such Note which become so payable on or after the date on which the Subordination Event occurs against any liabilities of such holder owed to the Issuer unless, until and only in such amount as the liabilities of the Issuer under such Note become payable pursuant to the proper application of these subordination provisions.
- (vi) There shall be no terms and conditions for collateral or pledge to the Subordinated Notes by which the nature of subordination of the Subordinated Notes may be prejudiced in any respect.
- (vii) The Issuer may not redeem the Subordinated Notes at the option of a holder thereof prior to the Maturity Date.

In these Conditions:

“**Bankruptcy Event**” shall mean a court of competent jurisdiction in Korea having adjudicated the Issuer to be bankrupt pursuant to the provisions of the Act on Debtor Rehabilitation and Bankruptcy or any successor legislation thereto;

“**Foreign Event**” shall mean in any jurisdiction other than Korea, the Issuer having become subject to bankruptcy, corporate reorganisation or other equivalent proceedings pursuant to any applicable law of any jurisdiction other than Korea;

“**Net Capital Ratio**” means a ratio of net capital to the required capital, expressed as a percentage, as defined in the Article 3-6, paragraph 3 of the Regulation on Financial Investment Business of Korea;

“**Rehabilitation Event**” shall mean a court of competent jurisdiction in Korea having adjudicated the Issuer to be subject to the rehabilitation proceedings pursuant to the provisions of the Act on Debtor Rehabilitation and Bankruptcy or any successor legislation thereto;

“**Senior Indebtedness of the Issuer**” shall mean all deposits and other liabilities of the Issuer (other than the Subordinated Obligations); and

“**Subordination Event**” shall mean any Bankruptcy Event, Rehabilitation Event, Foreign Event or the event set forth in paragraph (vi) above.

4 Certain Covenants

(a) *Applicable to Senior Notes only*

Negative Pledge: So long as any Note or Coupon remains outstanding (as defined in the Agency Agreement) the Issuer will not create, or have outstanding any Security Interest, other than any Permitted Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness without at the same time or prior thereto according to the Notes and the Coupons the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders.

(b) **Consolidation, Merger and Sale of Assets:** The Issuer, without the consent of the Noteholders, may consolidate with, or merge into, or sell, transfer, lease or convey its assets as an entirety or substantially as an entirety to any corporation; provided that (i) any successor corporation expressly assumes the applicable obligations of the Issuer under the Notes and the Agency Agreement, including by entering into a deed of covenant and a supplemental agency agreement, as the case may be, (ii) after giving effect to the transaction, with respect to the Issuer or any such successor corporation, no Event of Default (except for any Event of Default that may arise due to compliance with the terms of this Condition 4(b)) and no event which, after notice or lapse of time or both, would become an Event of Default (except for any Event of Default that may arise due to compliance with the terms of this Condition 4(b)), shall have occurred and be continuing and (iii) the Issuer has delivered to the Fiscal Agent a certificate executed by a duly authorised officer of the Issuer and an opinion of counsel as to matters of law stating that such consolidation, merger, sale, transfer, lease or conveyance and, if a supplemental agency agreement is required in connection with such transaction, such supplemental agency agreement comply with the Agency Agreement and the Notes and that all conditions precedent herein provided for relating to such transaction have been complied with. The Fiscal Agent shall accept and conclusively rely on a certificate and opinion of counsel as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Noteholders. The Fiscal Agent will not be responsible for any loss occasioned by acting in reliance on such certificate and opinion of counsel. The Fiscal Agent is not obligated to investigate or verify any information in such certificate and opinion of counsel.

In this Condition 4:

- (i) **“Permitted Security Interest”** means: (1) any Security Interest existing as of the Issue Date, (2) any Security Interest existing on any assets or property prior to the acquisition thereof by the Issuer or arising after such acquisition pursuant to contractual commitments entered into prior to and not in contemplation of such acquisition; (3) any Security Interest on any assets or property securing Relevant Indebtedness incurred or assumed for the purpose of financing the purchase price thereof or the cost of construction, improvement or repair of all or any part thereof, provided that such Security Interest attaches to such assets or property concurrently with or within 12 months after the acquisition thereof or completion of construction, improvement or repair thereof; (4) any Security Interest securing Relevant Indebtedness owing to the Issuer or to a Subsidiary; (5) any Security Interest arising solely by mandatory operation of law; and (6) any Security Interest arising out of the refinancing, extension, renewal or refunding of any Relevant Indebtedness secured by any Security Interest permitted by any of the foregoing paragraphs, provided that such Relevant Indebtedness is not increased and is not secured by any additional property;
- (ii) **“Relevant Indebtedness”** means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities (but excluding for the avoidance of doubt, instruments commonly referred to as transferable loan certificates) which (a) are by their terms payable, or confer a right to receive payment, in any currency other than Korean Won; (b) for the time being are, or are intended to be quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market outside the Republic of Korea (“Korea”) and (c) are not (i) securities issued in accordance with a securitisation plan pursuant to the Act on Asset-Backed Securitisation Act of Korea (or other similar laws of Korea); (ii) securities or instruments serviced primarily by the cash flows of a discrete pool of receivables or other financial assets, either fixed or revolving, that by their terms convert into cash within a finite period and which are commonly regarded as asset-backed securities; (iii) derivatives linked securities as defined in the Financial Investment Services and Capital Markets Act of Korea; or (iv) any indebtedness arising out of derivatives transactions (including, but not limited to, over-the counter derivatives transactions and exchange traded derivatives transactions), lending and borrowing of securities such as stocks or bonds (including, but not limited to, customized transactions), repurchase agreement transactions and overdraft transactions regarding derivatives trading accounts;
- (iii) **“Security Interest”** means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction; and

- (iv) “**Subsidiary**” means, at any particular time, a company which is then directly or indirectly controlled, or more than 50 per cent of whose issued equity share capital (or equivalent) is then beneficially owned, by the Issuer and/or one or more of its Subsidiaries; provided that any collective investment scheme (as defined in the Financial Investment Services and Capital Markets Act of Korea) and/or any special purpose company in an asset-backed securitisation transaction, whether being established onshore or offshore, shall not constitute a Subsidiary. For a company to be “**controlled**” by another means that the other (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise) has the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of that company or otherwise controls or has the power to control the affairs and policies of that company.

5 Interest and other Calculations

- (a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h).
- (b) **Interest on Floating Rate Notes and Index Linked Interest Notes:**
- (i) *Interest Payment Dates:* Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.
- (ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.
- (iii) *Rate of Interest for Floating Rate Notes:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.
- (A) **ISDA Determination for Floating Rate Notes**
- Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the calculation agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), “**ISDA Rate**” for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the calculation agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
- (x) the Floating Rate Option is as specified hereon;

- (y) the Designated Maturity is a period specified hereon; and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), “Floating Rate”, “Calculation Agent”, “Floating Rate Option”, “Designated Maturity”, “Reset Date” and “Swap Transaction” have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

- (x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

- (y) If the Relevant Screen Page is not available or, if sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page, or, if sub-paragraph (x)(2) applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, subject as provided below, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

- (C) Linear Interpolation: Where Linear Interpolation is specified hereon as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period provided however that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Issuer (acting in good faith and in a commercially reasonable manner, and in consultation with an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer) shall determine such rate at such time and by reference to such sources as it determines appropriate.

“Applicable Maturity” means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (b) in relation to ISDA Determination, the Designated Maturity.

- (iv) *Rate of Interest for Index Linked Interest Notes:* The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified hereon and interest will accrue by reference to an Index or Formula as specified hereon.
- (c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).
- (d) **Dual Currency Notes:** In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.
- (e) **Partly Paid Notes:** In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified hereon.
- (f) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).
- (g) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding:**
- (i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with (b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin subject always to the next paragraph.
- (ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (provided that if the eighth significant figure is a 5 or greater, the seventh significant shall be rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes “unit” means the lowest amount of such currency that is available as legal tender in the country of such currency.
- (h) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.
- (i) **Determination and Publication of Rates of Interest and Interest Amounts:** The Calculation Agent shall, as soon as practicable on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the

Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

- (j) **Benchmark Replacement:** If the Issuer or its designee determines that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred prior to the Reference Time in respect of any determination of the Benchmark on any date, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Notes in respect of such determination on such date and all determinations on all subsequent dates.
- (k) **Benchmark Replacement Conforming Changes:** In connection with the implementation of a Benchmark Replacement, the Issuer or its designee will have the right to make Benchmark Replacement Conforming Changes from time to time.
- (l) **Decisions and Determinations:** Any determination, decision or election that may be made by the Issuer or its designee pursuant to Condition 5(j) or 5(k) including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error, may be made in the issuer or its designee's sole discretion, and, notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from any other party.
- (m) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“**Benchmark**” means, initially, LIBOR; provided that if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to LIBOR or the then-current Benchmark, then “**Benchmark**” means the applicable Benchmark Replacement.

“**Benchmark Replacement**” means the Interpolated Benchmark; provided that if the Issuer or its designee cannot determine the Interpolated Benchmark as of the Benchmark Replacement Date, then “**Benchmark Replacement**” means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

- 1 the sum of: (a) Term SOFR and (b) the Benchmark Replacement Adjustment;
- 2 the sum of: (a) Compounded SOFR and (b) the Benchmark Replacement Adjustment;
- 3 the sum of: (a) the alternate rate of interest that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark for the applicable Corresponding Tenor and (b) the Benchmark Replacement Adjustment;
- 4 the sum of: (a) the ISDA Fallback Rate and (b) the Benchmark Replacement Adjustment;
- 5 the sum of: (a) the alternate rate of interest that has been selected by the Issuer or its designee as the replacement for the then-current Benchmark for the applicable Corresponding Tenor giving due consideration to any industry-accepted rate of interest as a replacement for the then-current Benchmark for U.S. dollar denominated floating rate notes at such time and (b) the Benchmark Replacement Adjustment.

“**Benchmark Replacement Adjustment**” means the first alternative set forth in the order below that can be determined by the issuer or its designee as of the Benchmark Replacement Date:

- 1 the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;
- 2 if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, then the ISDA Fallback Adjustment;
- 3 the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer or its designee giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark with the applicable Unadjusted Benchmark Replacement for U.S. dollar denominated floating rate notes at such time.

“**Benchmark Replacement Conforming Changes**” means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of “Interest Period,” timing and frequency of determining rates and making payments of interest and other administrative matters) that the Issuer or its designee decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer or its designee decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer or its designee determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer or its designee determines is reasonably necessary).

“**Benchmark Replacement Date**” means the earliest to occur of the following events with respect to the then-current Benchmark:

- 1 in the case of paragraph 1 or 2 of the definition of “Benchmark Transition Event,” the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark; or
- 2 in the case of paragraph 3 of the definition of “Benchmark Transition Event,” the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination.

“**Benchmark Transition Event**” means the occurrence of one or more of the following events with respect to the then-current Benchmark:

- 1 a public statement or publication of information by or on behalf of the administrator of the Benchmark announcing that such administrator has ceased or will cease to provide the Benchmark, permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark;
- 2 a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark, the central bank for the currency of the Benchmark, an insolvency official with jurisdiction over the administrator for the Benchmark, a resolution authority with jurisdiction over the administrator for the Benchmark or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark has ceased or will cease to provide the Benchmark permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark; or
- 3 a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative.

“**Business Day**” means:

- 1 in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

- 2 in the case of euro, a day on which the TARGET System is operating (a “TARGET Business Day”); and/or
- 3 in the case of a currency and/or one or more Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

“**Compounded SOFR**” means the compounded average of SOFRs for the applicable Corresponding Tenor, with the rate, or methodology for this rate, and conventions for this rate (which will be compounded in arrears with a lookback and/or suspension period as a mechanism to determine the interest amount payable prior to the end of each Interest Period) being established by the Issuer or its designee in accordance with:

- 1 the rate, or methodology for this rate, and conventions for this rate selected or recommended by the Relevant Governmental Body for determining compounded SOFR; provided that:
- 2 if, and to the extent that, the Issuer or its designee determines that Compounded SOFR cannot be determined in accordance with paragraph 1 above, then the rate, or methodology for this rate, and conventions for this rate that have been selected by the Issuer or its designee giving due consideration to any industry-accepted market practice for U.S. dollar denominated floating rate notes at such time.

“**Corresponding Tenor**” with respect to a Benchmark Replacement means a tenor (including overnight) having approximately the same length (disregarding business day adjustment) as the applicable tenor for the then-current Benchmark.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the “**Calculation Period**”):

- 1 if “**Actual/Actual**” or “**Actual/Actual—ISDA**” is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- 2 if “**Actual/365 (Fixed)**” is specified hereon, the actual number of days in the Calculation Period divided by 365;
- 3 if “**Actual/365 (Sterling)**” is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- 4 if “**Actual/360**” is specified hereon, the actual number of days in the Calculation Period divided by 360;
- 5 if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D₁” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

- 6 if “30E/360” or “Eurobond Basis” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D₁” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30.

- 7 if “30E/360 (ISDA)” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D₁” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30.

- 8 if “Actual/Actual-ICMA” is specified hereon,

if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

if the Calculation Period is longer than one Determination Period, the sum of:

- (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
- (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

“**Determination Period**” means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

“**Determination Date**” means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s).

“**Euro-zone**” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

“**Federal Reserve Bank of New York’s Website**” means the website of the Federal Reserve Bank of New York at <http://www.newyorkfed.org>, or any successor source.

“**Interest Accrual Period**” means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Period Date and each successive period beginning on and including an Interest Period Date and ending on but excluding the next succeeding Interest Period Date.

“**Interest Amount**” means:

- 1 in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and
- 2 in respect of any other period, the amount of interest payable per Calculation Amount for that period.

“**Interest Commencement Date**” means the Issue Date or such other date as may be specified hereon.

“**Interest Determination Date**” means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

“**Interest Period**” means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date unless otherwise specified hereon.

“**Interest Period Date**” means each Interest Payment Date unless otherwise specified hereon.

“**Interpolated Benchmark**” with respect to the Benchmark means the rate determined for the Corresponding Tenor by interpolating on a linear basis between: (1) the Benchmark for the longest period (for which the Benchmark is available) that is shorter than the Corresponding Tenor and (2) the Benchmark for the shortest period (for which the Benchmark is available) that is longer than the Corresponding Tenor.

“**ISDA Definitions**” means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time.

“**ISDA Fallback Adjustment**” means the spread adjustment, (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark for the applicable tenor.

“**ISDA Fallback Rate**” means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark for the applicable tenor excluding the applicable ISDA Fallback Adjustment.

“**Rate of Interest**” means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

“**Reference Rate**” means the rate specified as such hereon.

“**Reference Time**” with respect to any determination of the Benchmark means (1) if the Benchmark is LIBOR, 11:00 a.m. (London time) on the day that is two London banking days preceding the date of such determination, and (2) if the Benchmark is not LIBOR, the time determined by the Issuer or its designee in accordance with the Benchmark Replacement Conforming Changes.

“**Relevant Governmental Body**” means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto.

“**Relevant Screen Page**” means such page, section, caption, column or other part of a particular information service as may be specified hereon (or any successor or replacement page, section, caption, column or other part of a particular information service).

“**SOFR**” with respect to any day means the secured overnight financing rate published for such day by the Federal Reserve Bank of New York, as the administrator of the benchmark, (or a successor administrator) on the Federal Reserve Bank of New York’s Website.

“**Specified Currency**” means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

“**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

“**Term SOFR**” means the forward-looking term rate for the applicable Corresponding Tenor based on SOFR that has been selected or recommended by the Relevant Governmental Body.

“**Unadjusted Benchmark Replacement**” means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

- (n) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Agency Agreement). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6 Redemption, Purchase and Options**(a) Redemption by Instalments and Final Redemption:**

- (i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.
- (ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

(b) Early Redemption:**(i) Zero Coupon Notes:**

- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10(A) (if the Note is a Senior Note) or Condition 10(B) (if the note is a Subordinated Note) shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.
- (B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10(A) (if the Note is a Senior Note) or Condition 10(B) (if the note is a Subordinated Note) is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

- (ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10(A) (if the Note is a Senior Note) or Condition 10(B) (if the note is a Subordinated Note), shall be the Final Redemption Amount unless otherwise specified hereon.
- (c) Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note) or, at any time, (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the

Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the Republic of Korea (“Korea”) (in the case of payment by the Issuer) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due; provided, however, that in the case of Subordinated Notes, such redemption may not occur within five years of the Issue Date. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Fiscal Agent a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

- (d) **Redemption at the Option of the Issuer:** If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days’ irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem, all or, if so provided, some, of the Notes on any Optional Redemption Date; provided, however, that in the case of Subordinated Notes, such redemption may not occur within five years of the Issue Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

- (e) **Redemption at the Option of Noteholders:** If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days’ notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice (“**Exercise Notice**”) in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

- (f) **Partly Paid Notes:** Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified hereon.
- (g) **Purchases:** The Issuer and its Subsidiaries as defined in the Agency Agreement may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price. The Issuer may not purchase Subordinated Notes.

- (h) **Cancellation:** All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7 Payments and Talons

- (a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(vi)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank. “Bank” means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.
- (b) **Registered Notes:**
- (i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.
- (ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the “Record Date”). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first-named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.
- (c) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.
- (d) **Payments Subject to Laws:** All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) **Appointment of Agents:** The Fiscal Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the Paying Agents, the Registrar, Transfer Agents and the Calculation Agent(s) act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent, the Registrar, any

Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) Paying Agents having specified offices in at least two major European cities and (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) **Unmatured Coupons and Receipts and unexchanged Talons:**

- (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index linked Interest Notes), those Notes should be surrendered for payment together with all unexpired Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).
- (ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Note or Index Linked Interest Note, unexpired Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
- (v) Where any Bearer Note that provides that the relative unexpired Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unexpired Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.
- (g) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).
- (h) **Non-Business Days:** If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, “**business day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are

open for business in the relevant place of presentation, in such jurisdictions as shall be specified as “Financial Centres” hereon and:

- (i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or
- (ii) (in the case of a payment in euro) which is a TARGET Business Day.

8 Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes, the Receipts and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Korea or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) **Other connection:** to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with Korea other than the mere holding of the Note, Receipt or Coupon; or
- (b) **Lawful avoidance of withholding:** to, or to a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the relevant Note (or the Certificate representing it), Receipt or Coupon is presented for payment; or
- (c) **Presentation more than 30 days after the Relevant Date:** presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth such day.

Notwithstanding any other provision contained herein, any amounts to be paid on the Notes by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (or any law implementing such an intergovernmental agreement) (a “**FATCA Withholding Tax**”), and neither the Issuer nor any other person will be required to pay additional amounts on account of any FATCA Withholding Tax.

As used in these Conditions, “**Relevant Date**” in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate), Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) “**principal**” shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) “**interest**” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) “**principal**” and/or “**interest**” shall be deemed to include any additional amounts that may be payable under this Condition.

9 Prescription

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10 Events of Default

(A) *Applicable to Senior Notes only*

If any of the following events (“**Events of Default**”) occurs, the holder of any Senior Note may give written notice to the Fiscal Agent at its specified office that such Senior Note is immediately repayable, whereupon the Early Redemption Amount of such Senior Note together (if applicable) with accrued interest to the date of payment shall become immediately due and payable, unless such event of default shall have been remedied prior to the receipt of such notice by the Fiscal Agent:

- (a) **Non-Payment:** default is made for more than 14 days (in the case of interest) or 7 days (in the case of principal) in the payment on the due date of interest or principal in respect of any of the Senior Notes; or
- (b) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its other obligations in the Senior Notes which default is incapable of remedy or is not remedied within 30 days after notice of such default shall have been given to the Fiscal Agent at its specified office by any Noteholder; or
- (c) **Cross-Default:** (A) any other present or future indebtedness of the Issuer for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (B) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (C) the Issuer fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (iii) have occurred equals or exceeds U.S.\$20,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates); or
- (d) **Insolvency:** the Issuer is insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer; or
- (e) **Winding-up:** an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or any of its Subsidiaries, or the Issuer shall apply or petition for a winding-up or administration order in respect of itself or ceases or through an official action of its board of directors threaten to cease to carry on all or substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders; or
- (f) **Illegality:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Senior Notes; or
- (g) **Analogous Events:** any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs.

(B) Applicable to Subordinated Notes only

- (a) Subject to the provisions in Condition 3(c), if any Bankruptcy Event or the liquidation of the Issuer shall occur and be continuing, then, in any such event, the holder of any Subordinated Note may by written notice to the Issuer declare such Note to be forthwith due and payable upon receipt of such notice by the Issuer whereupon such Note shall become due and repayable at its principal amount plus accrued interest (if any).
- (b) Except as expressly provided in this Condition 10(B), no holder of any Subordinated Note shall have any right to accelerate any payment of principal or interest in respect of the Subordinated Notes.
- (c) The only action the holder of a Subordinated Note may take against the Issuer on acceleration of the Subordinated Notes is to prove claims in the liquidation or other applicable proceedings in respect of the Issuer in Korea.

11 Meeting of Noteholders and Modifications

- (a) **Meetings of Noteholders:** The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Agency Agreement) of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) in the case where the Note is a Subordinated Note, to modify the provisions concerning Subordination referred to in Condition 3(b) or 3(c) or (viii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent. or at any adjourned meeting not less than 25 per cent. in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

- (b) **Modification of Agency Agreement:** The Issuer shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement, if to do so would not be materially prejudicial to the interests of the Noteholders. Any determination as to material prejudice applying to the interests of the Noteholders pursuant to these Conditions (including this Condition 11(b)) shall be made by the Issuer and none of the Agents shall have any responsibility or liability whatsoever with respect to such determination. Any modification

shall be binding on the Noteholders and shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 14.

12 Replacement of Notes, Certificates, Receipts, Coupons and Talons

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Fiscal Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13 Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes (so that, for the avoidance of doubt, references in these Conditions to “Issue Date” shall be to the first issue date of the Notes) and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to “Notes” shall be construed accordingly.

14 Notices

Notices required to be given to the holders of Registered Notes pursuant to the Conditions shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices required to be given to the holders of Bearer Notes pursuant to the Conditions shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*). So long as the Notes are listed and/or admitted to trading, notices required to be given to the holders of the Notes pursuant to the Conditions shall also be published (if such publication is required) in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are listed/and or admitted to trading. If any such publication is not practicable, notice required to be given pursuant to the Conditions shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

15 Currency Indemnity

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note, Coupon or Receipt is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the currency of payment under the relevant Note, Coupon or Receipt that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, Coupon or Receipt, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the

purposes of this Condition, it shall be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, Coupon or Receipt or any other judgment or order.

16 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

17 Governing Law and Jurisdiction

- (a) **Governing Law:** The Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law, except that in the case of Subordinated Notes, Conditions 3(b) and 3(c) are governed by, and shall be construed in accordance with, Korean law.
- (b) **Jurisdiction:** The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons (“**Proceedings**”) may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of the courts of England and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the holders of the Notes, Receipts, Coupons and Talons and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).
- (c) **Service of Process:** The Issuer irrevocably appoints Korea Investment & Securities Europe Ltd. of 10th Floor, 30 Crown Place, London, EC2A 4EB as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not, it is forwarded to and received by the Issuer). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, the Issuer irrevocably agrees to appoint a substitute process agent and shall immediately notify Noteholders of such appointment in accordance with Condition 14. Nothing shall affect the right to serve process in any manner permitted by law.

CAPITALISATION

The following table sets out the Group's capitalisation, consisting of debt and equity, as of 31 March 2021. This information has been derived from the unaudited consolidated statement of financial position as of 31 March 2021 included elsewhere in this Prospectus.

The table below should be read in conjunction with the Company's financial statements, including the notes thereto, included elsewhere in this Prospectus.

| | As of 31 March 2021 | |
|--|--|-----------------------|
| | (in billions of Won and millions of U.S. dollars)⁽¹⁾ | |
| Debt: | | |
| Borrowings | ₩28,519.3 | U.S.\$25,160.4 |
| Equity attributable to owners of the Group: | | |
| Capital stock | 175.8 | 155.1 |
| Capital surplus | 3,826.9 | 3,376.2 |
| Accumulated other comprehensive income | 83.9 | 74.0 |
| Retained earnings | 1,825.7 | 1,610.7 |
| Sub-total | 5,912.4 | 5,216.0 |
| Non-controlling interests | 6.0 | 5.3 |
| Total equity | 5,918.4 | 5,221.3 |
| Total capitalisation⁽²⁾ | ₩34,437.7 | U.S.\$30,381.7 |

Notes:

(1) Won amounts have been converted into U.S. dollars solely for the convenience of the readers at the Market Average Exchange Rate of ₩1,133.5 to U.S.\$1.00 on 31 March 2021.

(2) Total capitalisation is defined as debt plus total equity.

SELECTED CONSOLIDATED FINANCIAL DATA

The selected financial and other information set forth below should be read in conjunction with the Company's consolidated financial statements and related notes included elsewhere in this Prospectus. The selected consolidated financial information set forth below as of and for the years ended 31 December 2019 and 2020 have been derived from the Company's audited consolidated financial statements and related notes, which have been prepared in accordance with K-IFRS. The selected consolidated financial information set forth below as of 31 March 2021 and for the three months ended 31 March 2020 and 2021 have been derived from the Company's unaudited interim consolidated financial statements and related notes which have been prepared in accordance with K-IFRS 1034 Interim Financial Reporting.

Consolidated Statements of Comprehensive Income

| | For the years ended 31 December | | For the three months ended 31 March | |
|--|------------------------------------|------------|--|-----------|
| | 2019 | 2020 | 2020 | 2021 |
| | (in billions of Won) | | | |
| Operating revenues | | | | |
| Fee and commission income | 897.1 | 1,228.8 | 272.2 | 436.2 |
| Interest income on financial instruments measured at amortized cost and at fair value through other comprehensive income | 434.1 | 479.9 | 112.1 | 128.8 |
| Interest income on financial instruments measured at fair value through profit or loss | 577.9 | 629.3 | 154.7 | 140.8 |
| Interest income | 1,012.0 | 1,109.3 | 266.8 | 269.5 |
| Dividend income | 69.7 | 72.2 | 30.5 | 27.2 |
| Gain on valuation and disposal of financial instruments | 7,339.6 | 11,393.1 | 6,738.1 | 3,424.4 |
| Gain on foreign currency transactions | 891.6 | 2,067.3 | 581.5 | 459.4 |
| Other operating revenues | 65.5 | 83.6 | 18.4 | 45.1 |
| Reversal of credit loss allowance | 1.4 | 0.5 | 0.4 | 4.6 |
| | 10,276.9 | 15,954.8 | 7,907.9 | 4,666.4 |
| Operating expenses | | | | |
| Fee and commission expense | (147.5) | (210.5) | (61.6) | (63.6) |
| Interest expense | (405.3) | (338.8) | (94.3) | (66.4) |
| Loss on valuation and disposal of financial instruments | (7,128.2) | (11,603.6) | (7,195.5) | (3,327.3) |
| Loss on foreign currency transactions | (940.4) | (2,145.0) | (618.5) | (477.3) |
| Selling and administrative expenses | (780.0) | (799.7) | (123.5) | (274.5) |
| Other operating expenses | (18.5) | (37.0) | (1.4) | (24.8) |
| Provision for credit loss allowance | (20.8) | (59.4) | (4.4) | (8.8) |
| | (9,440.6) | (15,193.9) | (8,099.3) | (4,242.8) |
| Operating income (loss) | 836.3 | 760.9 | (191.4) | 423.6 |
| Non-operating income | 123.5 | 238.6 | 35.4 | 75.8 |
| Non-operating expenses | (23.5) | (27.5) | (10.7) | (21.8) |
| Profit before income tax | 936.3 | 972.0 | (166.7) | 477.6 |
| Income tax expense | (251.9) | (264.2) | 32.8 | (127.0) |
| Profit (loss) for the period | 684.4 | 707.8 | (133.9) | 350.6 |
| Other comprehensive income (loss) for the period, net of tax | (51.1) | (82.0) | (42.3) | 54.1 |

SELECTED CONSOLIDATED FINANCIAL DATA

| | For the years ended 31 December | | For the three months ended 31 March | |
|--|------------------------------------|---------------|--|--------------|
| | 2019 | 2020 | 2020 | 2021 |
| | (in billions of Won) | | | |
| <i>Items that are or will be subsequently reclassified to profit or loss:</i> | | | | |
| Change in fair value of debt instruments measured at fair value through other comprehensive income . . . | 2.0 | 0.4 | 1.6 | (1.8) |
| Change in credit risk of debt instruments measured at fair value through other comprehensive income | — | — | 0.2 | (0.0) |
| Increase (decrease) in other comprehensive income of associates | (2.2) | 2.7 | 4.1 | 0.5 |
| Exchange differences on translation of foreign operations | 25.6 | (72.2) | 40.5 | 43.6 |
| | <u>25.4</u> | <u>(69.2)</u> | <u>46.3</u> | <u>42.3</u> |
| <i>Items that will not be reclassified subsequently to profit or loss:</i> | | | | |
| Change in fair value of equity instruments measured at fair value through other comprehensive income | (73.6) | (19.3) | (86.8) | 11.9 |
| Remeasurements of the net defined benefit liabilities | (2.1) | 3.9 | (2.2) | 0.7 |
| Changes in credit risk of financial liabilities designated at fair value through profit or loss | (0.8) | 2.6 | 0.4 | (0.8) |
| | <u>(76.5)</u> | <u>(12.8)</u> | <u>(88.7)</u> | <u>11.8</u> |
| Total comprehensive income (loss) for the period, net of | <u>633.3</u> | <u>625.8</u> | <u>(176.2)</u> | <u>404.7</u> |
| Total profit (loss) attributable to: | | | | |
| Owners of the Group | 684.9 | 708.0 | (133.7) | 350.6 |
| Non-controlling interests | (0.5) | (0.3) | (0.2) | (0.0) |
| | <u>684.4</u> | <u>707.8</u> | <u>(133.9)</u> | <u>350.6</u> |
| Total comprehensive income (loss) attributable to: | | | | |
| Owners of the Group | 632.9 | 626.5 | (175.0) | 404.6 |
| Non-controlling interests | 0.4 | (0.7) | (1.2) | 0.0 |
| | <u>633.3</u> | <u>625.8</u> | <u>(176.2)</u> | <u>404.7</u> |

Consolidated Statements of Financial Position

| | As of 31 December | | As of |
|---|----------------------|-----------------|------------------|
| | 2019 | 2020 | 31 March 2021 |
| | (in billions of Won) | | |
| Assets | | | |
| Cash due from banks | 5,252.4 | 5,197.2 | 5,251.7 |
| Financial assets measured at fair value through profit or loss | 33,409.8 | 40,404.9 | 41,319.6 |
| Derivative financial assets | 845.8 | 1,195.2 | 820.7 |
| Financial assets measured at fair value through other comprehensive income | 2,613.4 | 2,187.1 | 2,291.9 |
| Investments in associates | 1,697.8 | 2,126.4 | 1,934.1 |
| Financial assets measured at amortised cost | 5,896.5 | 6,718.2 | 7,096.5 |
| Property and equipment | 363.1 | 366.3 | 362.1 |
| Intangible assets | 293.2 | 298.1 | 300.9 |
| Investment property | 163.2 | 161.5 | 164.0 |
| Current tax assets | 3.3 | 7.5 | 8.0 |
| Deferred tax assets | 0.2 | 0.2 | 0.3 |
| Other financial assets measured at amortised cost | 2,885.7 | 2,248.9 | 2,420.9 |
| Other non-financial assets | 23.3 | 52.2 | 48.2 |
| Total assets | 53,447.8 | 60,963.8 | 62,018.8 |
| Liabilities | | | |
| Deposits | 3,763.3 | 9,195.1 | 8,420.4 |
| Financial liabilities measured at fair value through profit or loss | 3,985.5 | 2,767.2 | 2,572.5 |
| Derivative financial liabilities | 954.0 | 1,823.7 | 1,299.8 |
| Financial liabilities designated as measured at fair value through profit or loss | 13,953.5 | 11,165.8 | 10,574.0 |
| Borrowings | 20,511.6 | 25,917.6 | 28,519.3 |
| Defined benefit liabilities | 6.9 | 4.1 | 5.3 |
| Provisions | 13.2 | 15.1 | 19.1 |
| Current tax liabilities | 0.9 | 3.0 | 3.5 |
| Deferred tax liabilities | 70.5 | 63.1 | 70.7 |
| Other financial liabilities | 4,572.8 | 3,896.8 | 4,197.5 |
| Other non-financial liabilities | 182.2 | 298.8 | 418.3 |
| Total liabilities | 48,014.3 | 55,150.0 | 56,100.4 |
| Equity | | | |
| Equity attributable to owners of the Group | | | |
| Capital stock | 175.8 | 175.8 | 175.8 |
| Capital surplus | 3,827.6 | 3,826.9 | 3,826.9 |
| Accumulated other comprehensive income | 111.4 | 29.9 | 83.9 |
| Retained earnings | 1,307.1 | 1,775.1 | 1,825.7 |
| | 5,422.0 | 5,807.7 | 5,912.4 |
| Non-controlling interests | 11.6 | 6.0 | 6.0 |
| Total equity | 5,433.5 | 5,813.7 | 5,918.4 |
| Total liabilities and equity | 53,447.8 | 60,963.8 | 62,018.8 |

THE KOREAN SECURITIES INDUSTRY

The following overview of the securities industry in Korea has been provided for background purposes only. The information presented in this section is derived from various government and private publications. Neither we nor any of our affiliates or advisers, nor the Dealers or any of their affiliates or advisers, have independently verified the information presented in this section or make any representation as to the accuracy or completeness of the information.

Overview of the Korean Securities Industry

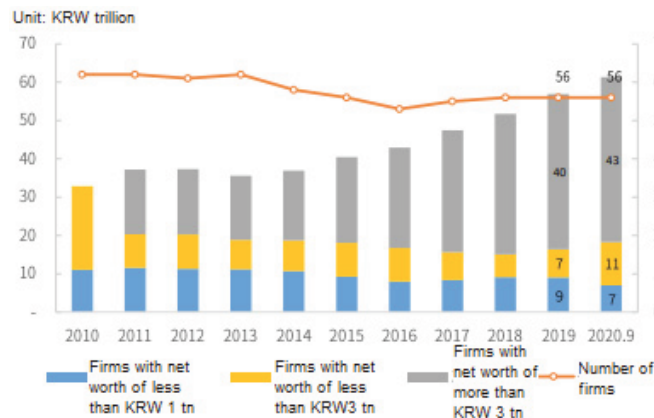
As of September 2020, there were 56 Korean securities companies. It was the seventh consecutive year with fewer than 60 securities companies in existence in Korea, after a string of four straight years of over 60 securities companies from 31 December 2010 to 31 December 2013. Total net worth of the Korean securities industry is on the rise and has surpassed Won 61 trillion in September 2020.

Changes in the number of Korean securities firms' branches and employees



Source: KCMI, FSS, KOPIA

Changes in net worth of Korean securities firms



Note:

Foreign securities firms are not included in this table.

Source: KCMI, FSS, KOPIA

Return on equity (“ROE”) of the securities industry has continued to increase since 2016. ROE of Korean securities industry was 8.69% in 2020.¹ ROE of medium-sized securities companies was 10.4%. The securities industry’s price-to-earnings ratio (“PER”) was 7 and the dividend rate was 3.1%.

Note:

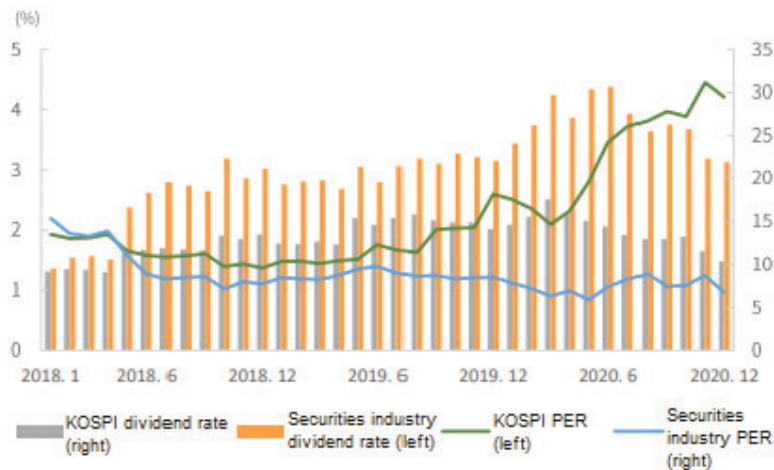
(1) 2020 performance was calculated based on the period from October 2019 to September 2020 for comparison purpose.

ROE Changes of the Korean securities firms



Source: KCMI

Dividend rate and PER change of the Korean securities industry



Source: KCMI, Korea Exchange

Trends in the Korean Securities Industry

Since the introduction of the Comprehensive Financial Investment Business Entities system in 2013, the securities industry has experienced an increase in size of companies within the industry, especially among those companies with a focus on the investment banking sub-sector, one of the sectors that has experienced an increase in activity partly due to the highly competitive nature of the brokerage sub-sector. The increasing gap in financial strength of companies in the industry may lead to a shift in the competition structure as new business opportunities arise for large-sized firms and competition increases among the small and medium-sized companies. In 2020, large-sized firms with net worth of Won 3 trillion or more accounted for 70 per cent. of the total net worth, a 20 per cent. increase from 2011.

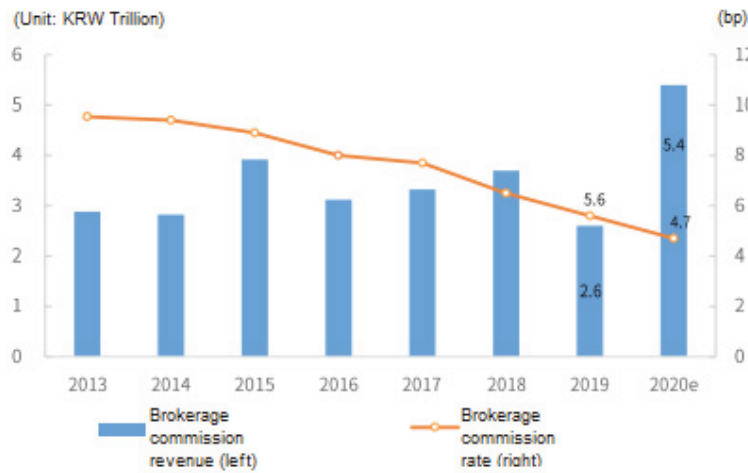
In 2020, securities firms also streamlined their organisational operations by reducing their branches from 1,026 in 2019 to 986 in 2020. Although the total number of employees increased to around 37,000 from 36,000 in 2019, increasing usage of mobile and digital platforms decreased the need for securities firms to establish and maintain traditional brick-and-mortar branches.

Performance by Sectors

Brokerage

In 2020, active stock trading accounts increased 21.9% per cent. from 29.4 million to 35.5 million due to the increase in mobile and digital account openings. Although increased competition in mobile and digital platforms had a negative impact on brokerage commission rate, brokerage commission revenue increased from Won 2.6 trillion in 2019 to Won 5.4 trillion (estimated) in 2020.

Changes in brokerage commission revenue and commission rate



Note:

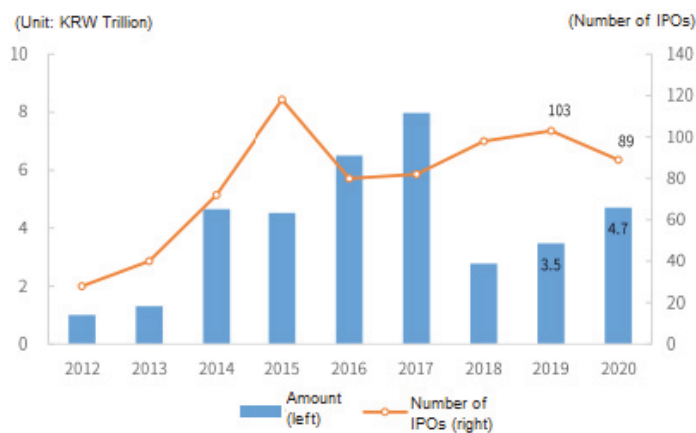
Tentative figure for 2020 was calculated by estimating performance from 1 October 2020 to 31 December 2020 by considering quarterly revenue and transaction amount from 1 January 2020 to 31 September 2020.

Source: KCMI, Korea Exchange

Initial Public Offerings

The IPO market in 2017 was the most active in Korea since 2010 due to favourable market conditions. The IPO market in 2018 amounted to Won 2.8 trillion, which was a 65 per cent. decrease from that of 2017. This decrease was due to, among other things, uncertainties in the stock market, issues arising in accounting supervision, and the general absence of IPOs by large conglomerates. In 2019 and 2020, both the number of IPOs and transaction amount continued to increase slightly.

Changes in the domestic IPO market

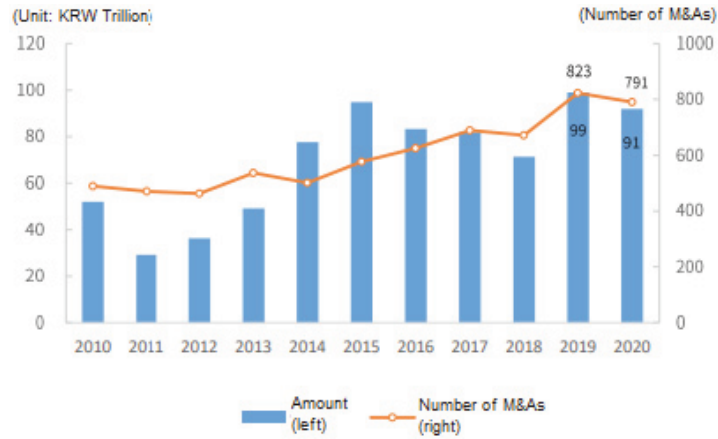


Source: KCMI, KIND, FSS

Mergers & Acquisitions

In 2020, there were 791 M&A transactions totalling Won 91 billion. Although the total number of M&A transactions decreased compared to 2019, the number of M&A transactions is set to increase in 2021 as the economy recovers from COVID-19.

Changes in domestic M&A market



Notes:

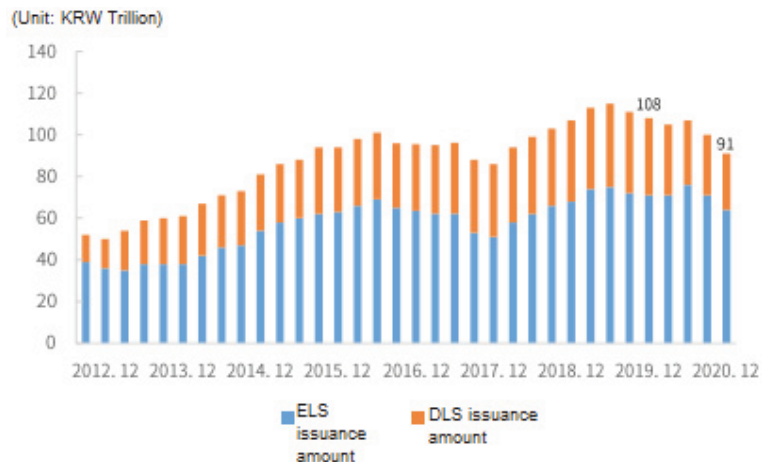
(1) Above data is based on completed transactions.

Source: KCMI, Bloomberg

Sale of Securities

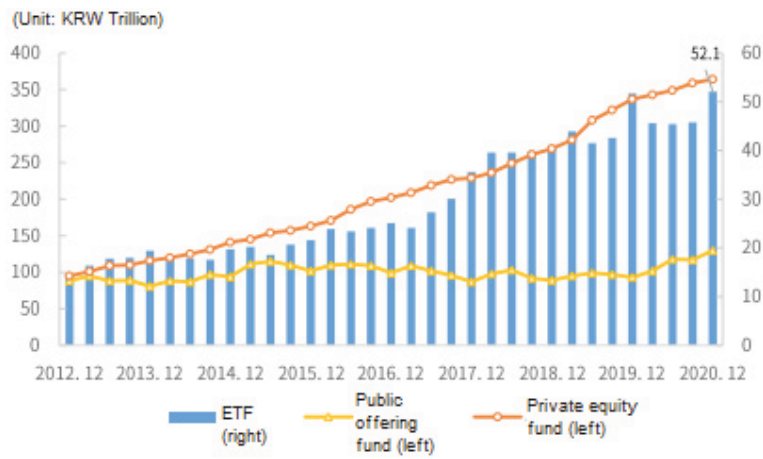
In 2020, the total amount of equity-linked securities (“ELS”) and derivatives-linked securities (“DLS”) issuances was Won 91 trillion, a 15.7% decrease from Won 108 trillion in 2019. Due to increased regulations on complex financial products, as well as an increase in direct investments from retail investors, the sale of private equity funds has decreased in 2020 and is projected to continue decreasing in 2021. Sale of exchange traded funds (“ETF”), on the other hand, is set to continue increasing in 2021.

Changes in ELS and DLS issuance amount



Source: KCMI, KOFIA

Changes in the domestic IPO market



Source: KCMI, KOFIA

DESCRIPTION OF THE COMPANY

Overview

For the past 40 years, Korea Investment & Securities (the “Company”) has been one of Korea’s leading financial institutions and continues to expand into global market beyond Korea through its overseas subsidiaries and offices. Since its establishment in 1974 as Korea Investment Trust, and the merger with Dongwon Securities in 2005, the Company has been active in multiple areas of the financial investment business.

The Company’s headquarter is located in Korea. As of the date of this Prospectus, the Company carried out its business activities through its global network comprising 75 domestic branches, 5 domestic offices, 2 representative offices (in Beijing and Tokyo) and 9 overseas subsidiaries and had approximately 2,840 domestic employees. The Company’s global operations span 8 countries, including the United States, Hong Kong, Vietnam, Indonesia, Singapore, China, Japan and the United Kingdom with approximately 441 employees engaged in local equity and futures brokerage business, fixed income sales & trading, initial public offering, OTC derivatives and global investment banking.

As of 31 March 2021, the Company generated its revenue primarily through the following 4 reportable segments and prepared its segment reporting information accordingly for the purposes of resource allocation and assessment of each segment’s performance:

Wealth Management: providing equity and derivative (product) brokerage, securities trading, sales and trading, financial consultation, fixed income trading, acquisition and other services for individual and corporate customers;

Corporate Finance: conducting investment banking business all around such as M&A advisory, initial public offering, alternative investment, project & structured finance and underwriting;

Asset Management: conducting asset management business with its subsidiaries, Korea Investment Management Co., Ltd. and Korea Investment Value Asset Management Co., Ltd.; and

Overseas: conducting principal investment and investment banking business as well as other businesses such as equity/bond brokerage, margin loan (credit), acting as liquidity provider, ETF authorised participant and liquidity provider, and Korean stock brokerage for foreigners through overseas subsidiaries in Vietnam, Indonesia, Hong Kong, Beijing, KIS US (New York) and other subsidiaries of the Company.

For the financial year ended 31 December 2020, the Company’s operating revenue was Won 15,954.8 billion and profit was Won 707.8 billion on a consolidated basis, compared to Won 10,276.9 billion and Won 684.4 billion for the financial year ended 31 December 2019, an increase of 55.3 per cent. and 3.4 per cent., respectively. For the three months ended 31 March 2021, the Company’s consolidated operating revenue was Won 4,666.4 billion and consolidated profit was Won 350.6 billion, compared to Won 7,907.9 billion and a loss of Won 133.9 billion for the three months ended 31 March 2020, a decrease of 41.0 per cent. and turning to the profit from the loss, respectively.

Korea Investment Holdings Co., Ltd (“KIH”) is the Company’s sole shareholder. The major shareholder of KIH as of 31 March 2021, was Nam-goo Kim with 20.7 per cent. interest in KIH.

History of the Company

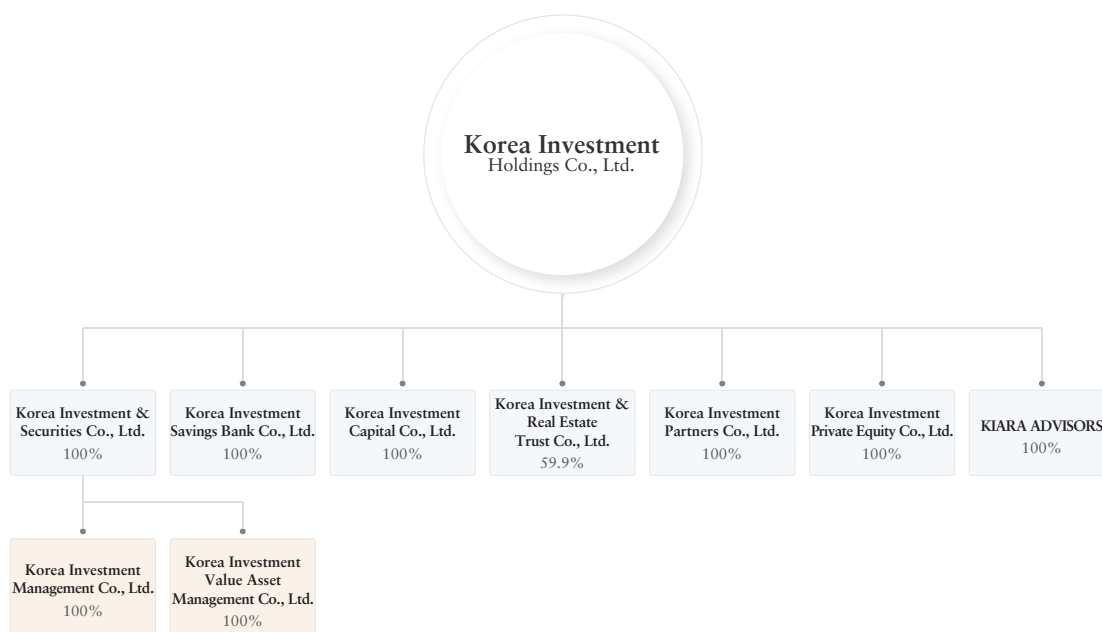
Set out below is a summary of the history of the Company:

- 1974 Established Korea Investment Trust (renamed “Korea Investment & Securities” afterwards)
- 1995 Established Korea Investment & Securities Europe, Ltd. in London
- 1997 Established Korea Investment & Securities Asia, Ltd. in Hong Kong
- 2000 Established Korea Investment & Securities America, Inc. in New York
- 2005 Dongwon Securities and Korea Investment & Securities merged
- 2006 Launched online brokerage service (BankIS)
- 2008 Established Korea Investment & Securities Singapore Pte Ltd. in Singapore
- 2010 Established True Friends Investment Advisory firm in Beijing
Acquired KIS Vietnam Securities Corporation in Vietnam
- 2011 Became the first qualified prime brokerage service provider in the industry
- 2012 Korea Investment Trust Management Co., Ltd. & Korea Investment Value Asset Co., Ltd. became subsidiaries of the Company
- 2015 Designated as an agency for National Employment Insurance Fund
- 2016 Reached Won 4 trillion in equity capital
Acquired 4% of Woori Bank’s equity stake
- 2017 Designated as a mega investment bank
Selected as the first domestic company to issue promissory notes in Korea
- 2018 Acquired PT Korea Investment & Sekuritas Indonesia
- 2019 Established KISI Asset Management in Indonesia
Re-selected as an exclusive agency for National Employment Insurance Fund
- 2021 Established Korea Investment & Securities US, Inc. in New York

Corporate Structure

The following is a diagrammatic illustration of the shareholding and the corporate structure of KIH incorporating the Company as of 31 March 2021:

Ownership structure of the Company’s group (domestic)



Subsidiaries of the Company

An overview of each of the Company's subsidiaries is set out below:

Korea Investment Management. is an investment trust company and is one of the leading asset managers in Korea. It continues to maintain industry-leading performance in terms of asset size and profitability.

Korea Investment Value Asset Management. is a value investment company. By investing in undervalued stocks, it pursues a greater long-term compound yield for investors. It is working to increase wealth of clients through value investing funds such as the flagship 'Korea Value 10-Year Investment Fund (Equity)' as well as pension funds and dividend stock funds.

Business Activities

As of 31 March 2021, the Company generates its revenue primarily through four segments: (1) Wealth Management segment, (2) Corporate Finance segment, (3) Asset Management segment, and (4) Overseas segment.

To support the existing business segments, the Company has established finance, internal audit, legal, compliance and dealing and operations teams. The following tables set forth the breakdown of the Company's profit by business segments and their respective percentages of contribution to total profit of the Company for the years ended 31 December 2019 and 2020 and for the three months ended 31 March 2020 and 2021:

| | For the year ended 31 December 2019 | | For the year ended 31 December 2020 | |
|---------------------------|---|--------------|---|--------------|
| | Amount | Percentage | Amount | Percentage |
| | (in billions of Won) | (%) | (in billions of Won) | (%) |
| Wealth Management segment | 622.6 | 6.0 | 910.9 | 5.6 |
| Corporate Finance segment | 9,439.1 | 90.8 | 14,523.0 | 89.7 |
| Asset Management segment | 150.0 | 1.4 | 147.2 | 0.9 |
| Overseas segment | 67.1 | 0.6 | 196.4 | 1.2 |
| Intragroup adjustments | 121.6 | 1.2 | 415.9 | 2.6 |
| Total profit | 10,400.4 | 100.0 | 16,193.4 | 100.0 |
| | | | | |
| | For the three months ended 31 March 2020 | | For the three months ended 31 March 2021 | |
| | Amount | Percentage | Amount | Percentage |
| | (in billions of Won) | (%) | (in billions of Won) | (%) |
| Wealth Management segment | 208.4 | 2.6 | 378.5 | 8.0 |
| Corporate Finance segment | 7,572.6 | 95.3 | 4,174.1 | 88.0 |
| Asset Management segment | 34.1 | 0.4 | 41.7 | 0.9 |
| Overseas segment | 57.5 | 0.7 | 54.0 | 1.1 |
| Intragroup adjustments | 70.8 | 0.9 | 93.9 | 2.0 |
| Total profit | 7,943.4 | 100.0 | 4,742.2 | 100.0 |

The Wealth Management segment

The Wealth Management segment is one of the key income sources at the Company and generates a steady stream of income. The Wealth Management segment's income stems mostly from providing equity and derivative (product) brokerage, securities trading, sales and trading, financial consultation, fixed income trading, acquisition and other services for individual and corporate customers.

DESCRIPTION OF THE COMPANY

The tables below set forth highlights of the Wealth Management segment's operating results for the years ended 31 December 2019 and 2020 and for the three months ended 31 March 2020 and 2021:

| | For the year ended 31 December | |
|--|--|---------|
| | 2019 | 2020 |
| | (in billions of Won) | |
| Total profit | 622.6 | 910.9 |
| Profit before tax | 85.0 | 245.7 |
| Interest income | 160.2 | 175.6 |
| Interest expenses | (12.9) | (8.4) |
| Net fee and commission income | 236.5 | 402.2 |
| Net gains on valuation and disposal of financial assets (liabilities) | 132.9 | 187.4 |
| Selling and administrative expenses | (364.6) | (409.8) |
| Others | (67.1) | (101.4) |
| | For the three months ended 31 March | |
| | 2020 | 2021 |
| | (in billions of Won) | |
| Total profit | 208.4 | 378.5 |
| Profit before tax | 0.4 | 122.6 |
| Interest income | 38.9 | 59.6 |
| Interest expenses | (2.6) | (1.7) |
| Net fee and commission income | 78.5 | 148.4 |
| Net gains (losses) on valuation and disposal of financial assets (liabilities) | (14.7) | 39.6 |
| Selling and administrative expenses | (86.2) | (113.6) |
| Others | (13.4) | (9.7) |

Profit contribution of the Wealth Management segment for the years ended 31 December 2019 and 2020 were Won 622.6 billion and Won 910.9 billion, respectively. Profit contribution of the Wealth Management segment for the three months ended 31 March 2020 and 2021 were Won 208.4 billion and Won 378.5 billion, respectively.

The Wealth Management segment contributed 6.0 per cent. of the profit for the year ended 31 December 2019 and 5.6 per cent. of the profit for the year ended 31 December 2020. The Wealth Management segment contributed 2.6 per cent. of the profit for the three months ended 31 March 2020 and 8.0 per cent. of the profit for the three months ended 31 March 2021.

The Corporate Finance segment

The Corporate Finance segment plays a pivotal role in the business portfolio of the Company. Income is generated from conducting investment banking business all around such as M&A advisory, initial public offering, alternative investment, project & structured finance and underwriting.

The tables below set forth highlights of the Corporate Finance segment's operating results for the years ended 31 December 2019 and 2020 and for the three months ended 31 March 2020 and 2021:

| | For the year ended 31 December | |
|--|-----------------------------------|----------|
| | 2019 | 2020 |
| | (in billions of Won) | |
| Total profit | 9,439.1 | 14,523.0 |
| Profit before tax | 793.5 | 587.0 |
| Interest income | 761.1 | 781.6 |
| Interest expenses | (370.7) | (290.7) |
| Net fee and commission income | 398.3 | 531.8 |
| Net gains (losses) on valuation and disposal of financial assets (liabilities) | 102.7 | (382.6) |
| Selling and administrative expenses | (324.8) | (298.0) |
| Others | 227.0 | 245.0 |

DESCRIPTION OF THE COMPANY

| | For the three months ended 31 March | |
|--|--|---------|
| | 2020 | 2021 |
| | (in billions of Won) | |
| Total profit | 7,572.6 | 4,174.1 |
| Profit before tax | (118.2) | 355.2 |
| Interest income | 194.9 | 170.2 |
| Interest expenses | (82.6) | (56.5) |
| Net fee and commission income | 116.8 | 198.6 |
| Net gains (losses) on valuation and disposal of financial assets (liabilities) ... | (383.5) | 55.4 |
| Selling and administrative expenses | (16.8) | (135.9) |
| Others | 53.0 | 123.3 |

Profit contribution of the Corporate Finance segment for the years ended 31 December 2019 and 2020 were Won 9,439.1 billion and Won 14,523.0 billion, respectively. Profit contribution of the Corporate Finance segment for the three months ended 31 March 2020 and 2021 were Won 7,572.6 billion and Won 4,174.1 billion, respectively.

The Corporate Finance segment contributed 90.8 per cent. of the profit for the year ended 31 December 2019 and 89.7 per cent. of the profit for the year ended 31 December 2020. The Corporate Finance segment contributed 95.3 per cent. of the profit for the three months ended 31 March 2020 and 88.0 per cent. of the profit for the three months ended 31 March 2021.

The Asset Management segment

The Asset Management segment income includes the incomes generated from conducting asset management business with its subsidiaries, Korea Investment Management Co., Ltd. and Korea Investment Value Asset Management Co., Ltd.

The tables below set forth highlights of the Asset Management segment's operating results for the years ended 31 December 2019 and 2020 and for the three months ended 31 March 2020 and 2021:

| | For the year ended 31 December | |
|--|-----------------------------------|--------|
| | 2019 | 2020 |
| | (in billions of Won) | |
| Total profit | 150.0 | 147.2 |
| Profit before tax | 62.2 | 54.3 |
| Interest income | 1.2 | 0.5 |
| Interest expenses | (0.4) | (0.3) |
| Net fee and commission income | 127.0 | 113.7 |
| Net gains (losses) on valuation and disposal of financial assets (liabilities) ... | (0.5) | 0.8 |
| Selling and administrative expenses | (68.6) | (64.9) |
| Others | 3.5 | 4.5 |

| | For the three months ended 31 March | |
|--|--|--------|
| | 2020 | 2021 |
| | (in billions of Won) | |
| Total profit | 34.1 | 41.7 |
| Profit before tax | 6.4 | 19.3 |
| Interest income | 0.2 | 0.1 |
| Interest expenses | (0.1) | (0.1) |
| Net fee and commission income | 26.8 | 33.2 |
| Net gains (losses) on valuation and disposal of financial assets (liabilities) ... | (0.7) | 0.3 |
| Selling and administrative expenses | (16.1) | (15.9) |
| Others | (3.6) | 1.7 |

DESCRIPTION OF THE COMPANY

Profit contribution of the Asset Management segment for the years ended 31 December 2019 and 2020 were Won 150.0 billion and Won 147.2 billion, respectively. Profit contribution of the Asset Management segment for the three months ended 31 March 2020 and 2021 were Won 34.1 billion and Won 41.7 billion, respectively.

The Asset Management segment contributed 1.4 per cent. of the profit for the year ended 31 December 2019 and 0.9 per cent. of the profit for the year ended 31 December 2020. The Asset Management segment contributed 0.4 per cent. of the profit for the three months ended 31 March 2020 and 0.9 per cent. of the profit for the three months ended 31 March 2021.

The Overseas segment

Income from the Overseas segment consists of incomes generated from the Company's overseas subsidiaries such as:

- (A) **Vietnam:** equity/bond brokerage, margin loan (credit), investment banking (bond issue, acquisition and M&A advisory), covered warrant issue, acting as liquidity provider ("LP"), ETF authorised participant ("AP") and LP, and principal investment;
- (B) **Indonesia:** stock/bond brokerage, margin loan (credit), investment banking (bond issue, acquisition and M&A advisory), acting as LP, ETF AP and LP, and principal investment;
- (C) **Hong Kong:** foreign currency bond trading, acting as ETF AP and LP, Korean stock brokerage for foreigners, Hong Kong stock brokerage for Koreans, Chinese stocks (in preparation) and Hong Kong derivatives brokerage, investment banking (foreign acquisition finance, overseas alternative investment, Pre-IPO and M&A advisory), principal investment, Hong Kong futures arbitrage and OTC derivatives trading;
- (D) **Beijing Advisory:** Korea-China cross-border sourcing and financial advisory;
- (E) **KIS US (New York):** investment banking (overseas acquisition finance, overseas alternative investment, pre-IPO and M&A Advisory) and principal investment; and
- (F) **Other companies (KIS America, Singapore and London):** Korean stock brokerage for foreigners.

| | For the year ended 31 December | |
|--|--|--------|
| | 2019 | 2020 |
| | (in billions of Won) | |
| Total profit | 67.1 | 196.4 |
| Profit before tax | 10.6 | 11.6 |
| Interest income | 23.2 | 32.6 |
| Interest expenses | (2.8) | (5.6) |
| Net fee and commission income | 10.6 | 19.2 |
| Net gains (losses) on valuation and disposal of financial assets (liabilities) | 2.7 | (7.8) |
| Selling and administrative expenses | (20.8) | (25.9) |
| Others | (2.3) | (0.9) |
| | For the three months ended 31 March | |
| | 2020 | 2021 |
| | (in billions of Won) | |
| Total profit | 57.5 | 54.0 |
| Profit before tax | (16.4) | 5.6 |
| Interest income | 8.4 | 7.2 |
| Interest expenses | (1.8) | (1.5) |
| Net fee and commission income | 2.1 | 7.5 |
| Net gains (losses) on valuation and disposal of financial assets (liabilities) | (20.1) | 0.9 |
| Selling and administrative expenses | (5.3) | (8.8) |
| Others | 0.2 | 0.3 |

DESCRIPTION OF THE COMPANY

Profit contribution of the Overseas segment for the years ended 31 December 2019 and 2020 were Won 67.1 billion and Won 196.4 billion, respectively. Profit contribution of the Overseas segment for the three months ended 31 March 2020 and 2021 were Won 57.5 billion and Won 54.0 billion, respectively.

The Overseas segment contributed 0.6 per cent. of the profit for the year ended 31 December 2019 and 1.2 per cent. of the profit for the year ended 31 December 2020. The Overseas segment contributed 0.7 per cent. of the profit for the three months ended 31 March 2020 and 1.1 per cent. of the profit for the three months ended 31 March 2021.

Competition

The Company competes principally with other nationwide securities companies in Korea. The Company also competes with other types of financial institutions in Korea, including nationwide commercial banks, regional banks, development banks, specialised banks, branches of foreign banks, savings institutions (such as mutual savings and finance companies and credit unions and credit cooperatives), investment institutions (such as merchant banking corporations), life insurance companies, non-life insurance companies and other financial investment companies.

The securities and finance industry in Korea is highly competitive, with 56 securities companies in operation in Korea as of September 2020, with the eight largest managing over 3 trillion won of capital. Competition in the domestic securities industry is generally based on sectors including brokerage, wealth management, investment banking and trading. The primary competitors of the Company include Mirae Asset Securities Co., Ltd., Samsung Securities Co., Ltd., KB Securities Co., Ltd. and NH Investment & Securities Co., Ltd.

In addition, general regulatory reforms in the Korean financial industry have increased competition among securities companies and other financial institutions in Korea. As the reform of the financial sector continues, foreign financial institutions, some with greater resources and industry knowhow than the Company, have entered, and may continue to enter, the Korean market either by themselves or in partnership with existing Korean financial institutions and compete with the Company in providing financial and related services.

Regulatory Requirements and Compliance

Principal Regulations Applicable to Financial Investment Companies in Korea

General

The FSCMA, which became effective in February 2009, regulates and governs the financial investment business in Korea. The entities that regulate and supervise financial investment companies are the Financial Services Commission (the “FSC”), the Financial Supervisory Service and the Securities and Futures Commission.

To comprehensively regulate the financial business (other than banks and insurance companies), which used to be governed by different laws prior to the implementation of the FSCMA, the FSCMA categorises capital markets-related businesses into six different functions:

- dealing—trading and underwriting of financial investment products;
- brokerage—brokerage of financial investment products;
- collective investment—establishment of collective investment schemes and the management thereof;
- investment advisory;
- discretionary investment management; and
- trusts (collectively, the “Financial Investment Businesses”).

License and Registration

Under the FSCMA, a company must obtain a license from the FSC to commence brokerage business, dealing business (including underwriting business), collective investment business or trust business, or

DESCRIPTION OF THE COMPANY

register with the FSC to commence investment advisory business or discretionary investment management business by satisfying certain conditions required thereunder. In doing so, the company must also choose the category of the Financial Investment Business and the financial investment products and the type of investors, with which it plans to deal. And only after completing such license or registration requirement, the company may engage in the Financial Investment Business as a “**Financial Investment Company**.” The Issuer has obtained licenses for dealing, brokerage and trusts, and registered for investment advisory and discretionary investment management, for almost every category of financial investment products and type of investors.

On the other hand, the FSC may designate a Financial Investment Company holding equity capital of no less than Won 3 trillion and engaging in dealing and brokerage business as a “**Comprehensive Financial Investment Business Entity**.” A Comprehensive Financial Investment Business Entity may engage in businesses such as prime brokerage business, providing loans and discount of bills, etc. The Issuer was designated as a Comprehensive Financial Investment Business Entity in 2013.

Concurrent Business and Incidental Business

Pursuant to the FSCMA and regulations thereunder, a Financial Investment Company may engage in concurrent business including, but not limited to, foreign exchange business under the Foreign Exchange Transactions Law and small and medium enterprise business investments under the Support for Small and Medium Enterprise Establishment Act (the “**SME Act**”), upon filing of the prior report to the FSC. A Financial Investment Company may also engage in business incidental to the Financial Investment Businesses upon filing of the prior report to the FSC. The FSCMA has been revised so that as of May 20, 2021, if a Financial Investment Company wishes to engage in any concurrent or incidental business, a filing of a prior report is no longer necessary but a simple report to the FSC within two weeks from engaging in such business is required.

The Issuer is engaged in incidental businesses, such as brokerage for mergers and acquisition of corporations, evaluation of securities and leasing of real property, that are incidental to the Financial Investment Business.

Regulation on Safety and Soundness

To maintain soundness in their business management, FSCMA requires the Financial Investment Companies to comply with guidelines for capital adequacy ratio, soundness of assets and liquidity. If a Financial Investment Company is found to be non-compliant with such guidelines, the FSC may impose sanctions and/or issue corrective actions against such Financial Investment Company. For instance, if a net capital ratio (the “**NCR**”) of an Issuer as an investment broker/dealer is below 100 per cent. or 50 per cent., the FSC may issue a management improvement recommendation or a management improvement requirement, respectively, against such Issuer. Further, if the Issuer has an NCR of below 0 per cent. or falls within the definition of “insolvent financial institutions” under the Act on the Structural Improvement of the Financial Industry, the FSC may issue a management improvement order against the Issuer. The following table sets forth the actions which can be taken by the FSC in each case:

| Management Improvement Recommendation | Management Improvement Requirement | Management Improvement Order |
|--|--|--|
| Improvement of human resources and organizational management | In addition to the actions which can be taken under the management improvement recommendation) | (In addition to the actions which can be taken under the management improvement requirement) |
| Reduction of expenditures | Restriction on holding high-risk assets and disposal of assets | Cancellation of all or part of shares |
| Management efficiency of branches | Closing or consolidating of branches or restrictions on opening of branches | Suspension of executive duties and appointment of administrator |
| Disposal of distressed assets | Downsizing organization | Merger or becoming subsidiary of financial holding company |

DESCRIPTION OF THE COMPANY

| Management Improvement Recommendation | Management Improvement Requirement | Management Improvement Order |
|---|--|---|
| Restriction on activities decreasing the net operating capita | Reorganization of subsidiaries | Transfer of all or part of business |
| Restriction on new business | Replacement of executives | Acquisition of financial investment business by third party |
| Capital increases or reductions | Partial suspension of business | Suspension of business for up to six (6) months |
| Establishment of bad debt reserve | Establishment of plans on merger, third party acquisition, transfer of all or part of business or becoming a subsidiary of a financial holding company | Transfer of all or part of agreements |

Further specific guidelines and formula for calculation of the net capital are prescribed in the Regulations on Financial Investment Business.

Public Disclosure

A Financial Investment Company shall prepare quarterly business reports from the commencement date of each business year and submit to the FSC. Upon occurrence of an event that is likely to have an effect on the business management status of a Financial Investment Company, such as occurrence of massive financial scandal or non-performing receivables, the Financial Investment Company shall report it to the FSC and disclose it to the public through its website and etc.

Investor Protection

With respect to any conflicts of interest between Financial Investment Companies and investors, the FSCMA expressly requires (i) disclosure of any conflict of interest to investors and (ii) mitigation of conflicts of interest to a comfortable level or abstention from the relevant transaction. Other investor protection mechanism imposed on Financial Investment Companies dealing in financial investment products are stipulated under the Financial Consumer Protection Act (the “FCPA”), which became effective as of March 25, 2021.

Other Regulations; Regulations by Each Financial Investment Business

Further to the regulations above, the FSCMA provides regulations on building a “Chinese wall” between the business units within the Financial Investment Company or its affiliates. In addition, there are restrictions for the Financial Investment Companies on ownership of any shares issued by the major shareholders or providing loans and other credit offering services to the major shareholders. The FSCMA also provides detailed regulations on certain business activities prohibited under each Financial Investment Business.

The Financial Consumer Protection Act

The FCPA which became effective as of March 25, 2021, imposes a rigorous investor-protection mechanism on financial product sellers, which includes Financial Investment Companies dealing in financial investment products. The FCPA was enacted to provide universal regulation of financial product sales by consolidating various consumer protection provisions from separate statutes into a single comprehensive statute, and therefore, strengthen consumer protection. Pursuant to the FCPA, regarding sales of financial products, financial product sellers should abide by six principles which are (a) principle of suitability, (b) principle of appropriateness, (c) duty to explain, (d) prohibition of unfair business practices, (e) prohibition of improper solicitation and (f) prohibition of false and exaggerated advertisement. Also, the FCPA provides for strengthened consumer protection rights such as the right to a cooling-off period, the right to nullify a financial product agreement in breach of the above six sales principles, and strengthened monetary sanction for violation of the above six sales principles which may amount to a penalty of up to 50% of the gains earned from the contract.

Regulations on Venture Capital Business

If a company is registered under the Venture Investment Promotion Act as an investment company for the establishment of small and medium enterprise (an “SME Investment Company”), then it shall be entitled to receive financial support for its investment in start-up or venture business and allowed to engage in establishment and management of a venture capital fund. The Company’s subsidiary, Korea Investment Partners, is registered as an SME Investment Company.

The Act on the Corporate Governance of Financial Companies

The Act on the Corporate Governance of Financial Companies, which became effective on 1 August 2016, was enacted to address the need for strengthened regulations on corporate governance of financial institutions and to serve as a uniform set of regulations on corporate governance matters applicable to financial institutions across a variety of industry sectors. It contains several key measures, including (i) eligibility requirements for officers of financial institutions and standards for determining whether officers of financial institutions may hold concurrent positions in other companies; (ii) standards for composition and operation of the board of directors of financial institutions; (iii) standards for establishment, composition and operation of various committees of the board of directors of financial institutions; (iv) regulations on internal control and risk management; (v) requirements and procedures for the approval of a change of major shareholders; and (vi) special regulations to protect the rights of minority shareholders of financial institutions. The Act on the Corporate Governance of Financial Companies applies to the Issuer.

Government Support

The Depositor Protection Act provides for a regulatory framework under which financial companies can be protected against a situation in which they are unable to pay back deposits or other equivalent debts due to reasons such as bankruptcy. Money deposited in the Issuer, an insured financial company, by customers for the purposes of trading or other transactions of securities (the “Investor’s Deposit”) is subject to the protections under the Depositor Protection Act.

In addition, if (a) it becomes apparent that the Issuer will encounter difficulties in normal management because its liabilities exceed its assets, (b) payment of claims, such as deposits, or repayment of loans from other financial companies is under suspension or (c) paying claims, such as deposits, or repayment of loans becomes difficult without receiving financing from outside sources or extra loans, then the KDIC may provide financing to the Issuer as long as any one of the following is true: (x) where the Issuer has filed an application for financing or the KDIC deems it necessary to provide financing to implement the merger of the Issuer; (y) where the KDIC deems the improvement of financial condition of the Issuer necessary for the protection of depositors and the stability of credit order; or (z) where the FSC makes a request.

Further to the foregoing, under the Act on the Structural Improvement of the Financial Industry, the government may, where it deems necessary to facilitate a self-regulatory merger by the Issuer, make investments in or give support to the financial institutions newly established as a result of a merger by way of purchasing the securities or in-kind contribution of government owned properties.

Risk Management

The Company’s primary risk exposures are to the market risk, credit risk, liquidity risk and operational risk.

KIH Risk Management

In accordance to the Financial Holding Companies Act, KIH, which is a financial holding company thereunder, oversees risk management of all its affiliates, including the Company, and makes significant decisions including setting risk limits of each affiliate. A Group Risk Management Committee consisting of risk management managers of KIH and its affiliates promotes communication with the Risk Management Division of each affiliate and manages risks at the group level. Furthermore, the Group Risk Management Committee regularly monitors risk management of the affiliates and provides them guidelines.

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The Board of Directors and Group Risk Management Committee establish group-wide risk management policies and strategies. They are responsible for setting risk exposure limits and important decision-making regarding investment execution. The Group Risk Management Committee carries out risk monitoring and management at the group level. It also monitors risk management of each subsidiary and provides related guidelines. The Risk Management Committee at each subsidiary checks for compliance with risk exposure limits, as well as assesses, measures, and monitors risk in line with group-wide risk management efforts. The Group Risk Council also meets regularly or as needed so subsidiaries can share, discuss, and respond in a timely manner to relevant issues.

The group's risk management system is as follows:

Board of Directors

- Establishes and approves the group's risk management policies

Group Risk Management Committee

- Comprehensively manages and controls risks of the group to recognize, measure, monitor, and control various risks in a timely manner

Group Chief Risk Officer ("CRO")

- Assists the Group Risk Management Committee and submits decisions and report items for consideration
- Oversees the subsidiaries' risk monitoring and reporting systems

Group Risk Management Council

- Comprises the CROs at KIH and its subsidiaries
- Discusses details of implementing the group's risk management policies and procedures, establishes and implements monitoring and necessary measures for risk management

Risk Management Dept.

- Oversees the group's overall risk management including internal capital and risk exposure limits

The Company's Risk Management

The Company assigns limits for each department based on its allotted risk exposure limits as a subsidiary of KIH. The Company has its own risk management organization that consists of the Board of Directors, Risk Management Committee, Risk Management Working Level Committee, CRO, Risk Management Division, and department risk managers. To efficiently manage assets and risks, the Company operates a management system based on RAPM (risk adjusted performance measures) which calculates the risks of products and imposes expenses in accordance with risks. The CRO (chief risk officer) weighs risks and performances to assign limits for each business segment and product, while each segment makes investment decisions after carefully considering the risk expenses involved. The Risk Management Division provides 'risk management reports' that analyze information related to market, credit and liquidity risks. These reports are compiled on a regular basis and as needed to help support management's decision-making process. The Risk Management Division also manages the extent of exposure to risk by restricting investments in bonds that fall short of specified ratings and differentiating limits by rating.

As the top decision-making risk management body, the Company's Risk Management Committee establishes policies and strategies on managing risks, sets company-wide risk limits, and executes investment, among others. Its subcommittee is responsible for preliminary reviews and supporting cases to be reviewed by the Group Risk Management Committee. Financial Examination Division, working alongside Risk Management Division, establishes and manages risk-related strategies, and identifies and controls risks inherent in deals through prior review and follow-up measures. In 2020, the Company established a Risk Engineering Division to address the increased weight of derivatives and meticulously

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calculate the fair value and risks of derivatives. Through an organic structure that differentiates the approval process according to case severity, the relevant risk management division and committee strive to achieve sustainable growth by maintaining financial soundness and minimizing potential loss from market, credit, liquidity, and operational risks.

The Company's integrated risk management system helps the Company prevent risks in advance with functions such as monitoring risk limits, risk assessment, scenario testing, reverse crisis analysis, and integrated scenario testing. Additionally, the Company restructured the company-wide information system by upgrading the Risk Data Mart (the "RDM") and improved its assessment system for measuring the fair value and risks of over-the-counter derivatives. Moreover, the Company has upgraded and computerized its database to improve the effectiveness of the system and enhance follow-up measures.

The Company's risk management system is as follows:

Board of Directors

Highest authority in the risk management system.

Deliberates and decides on important matters such as approval of new businesses.

Risk Management Committee

Formulates and revises the Risk Management Committee regulations, decides on company-wide limits, etc.

Conducts preliminary deliberations on matters for Board of Directors resolution such as investment in entities exceeding a set amount, acquiring and disposing of investment assets, approval of corporate credit, etc.

Risk Management Working Level Committee

Subcommittee of the Risk Management Committee.

Deliberates and decides on matters as delegated by the Risk Management Committee (allocation of risk limits and position limits for each sector, review of new products, investment in entities below a set amount, acquisition and disposal of investment assets, etc.).

Chief Risk Officer ("CRO")

Oversee all risk management tasks and exercise comprehensive authority over Risk Management Division.

Risk Management Division

Follow-up management of resolutions from the Risk Management Committee, report on risk management conditions, etc.

Department Risk Managers

Monitor and report on risk exposure and position limits in their departments.

Risk Management Policy

The Company's risk management policy is to maintain equilibrium between profits and risks, operate decision making system considering risks, operate independent risk management organization and etc. It supports the Company's medium- and long-term business strategy and decision-making.

The financial risks that the Company is exposed to are credit risk, market risk, operational risk, and liquidity risk.

Market Risk

Market risk is the risk of possible losses which arise from changes in market factors, such as interest rate, stock price, foreign exchange rate, commodity value and others that affect the fair value of securities, derivative financial instrument, and others. The most significant risks associated with trading positions are interest rate risks (interest rate risks from debt instruments or interest rate implicit securities), and other risks are stock price risks and currency risks. In addition, the Company is exposed to credit risks associated with non-trading positions. Market risk is daily managed by establishing the limitations considering products' natures such as position limitations for each business units, departments and dealers, loss limitations, market VaR limitation from the standard method designated by the Regulations on Financial Investment Business and internal model calculated by risk management system and sensitivity limitations (duration, delta, gamma, vega, others).

Market Risk Management

(i) Interest rate risk

Trading position interest rate risk usually arises from debt instruments denominated in Korean won. The Company's trading strategy is to benefit from short-term movements in the prices of debt instruments arising from changes in interest rates. The product prices of the Company's trading accounts are disclosed daily. The risks related to trading accounts are managed by using market value-based method such as market value at risk ("VaR") and sensitivity analysis.

(ii) Foreign exchange rate risk

Foreign exchange rate risk arises through ownership of assets and liabilities, denominated in currencies other than Korean won, from non-trading positions, or through foreign currency forward agreements, currency swaps and foreign currency trading securities. The Company computes foreign currency position's net position regularly to follow the Regulation on Financial Investment Business and reports to the supervisory body. Also, the Company manages the risk for total position exposed to foreign exchange rate including non-trading position by using market price base method such as market VaR and sensitivity analysis.

(iii) Stock price risk

Stock price risk arises in the Company's foreign currency stocks and Korean won stocks. Hedging instruments of ELS and ELW comprise most of stock trading portfolio and certain security proprietary trading ("prop trading") is composed of trading securities on the exchange, futures contracts maturing in a month or two, and others under the restriction of position limitation, sale at loss, loss limitation, and others. Marketable stocks among non-trading positions and stock beneficiary certificates are included in stock price risk and market VaR is computed. Risk Management Committee allocates position and loss limitations, and Risk Management Division monitors Asset Management Division's possible breach of limitations and other special matters on a daily basis.

Credit Risk

Credit risk refers to the possibility of losses that would be incurred if a counterparty or an issuer of financial instruments fails to fulfil its contractual obligations, or if its credit quality is deteriorated. The Company is exposed to certain level of credit risk and the credit risk is the risk of possible loss to portfolio due to counterparty's default, breach of covenant and loss of credibility. Credit risk exposure occurs in investment activities such as loans, debt instruments, derivative transactions, and non-trading accounts, or can exist in relating to off-statement of financial position accounts.

The Company only works with counterparties whose credit rate is above certain level in order to mitigate risks of counterparty's default, breach of covenant and loss of credibility, and sets sufficient amount of collaterals. Also, credit risk is constantly managed through computation of credit VaR and credit exposure management. Exceptional transactions are to be authorized by risk management council. Information on investment ratings are obtained from both independent credit-rating agency and internal credit ratings. By sharing details of them in the Company, the Company makes all members of the Company to have consistent credit view. The Company controls the credit concentration risk by managing credit risk limitations on a counterparty or a group of counterparties in order to prevent excessive exposure concentration.

Liquidity Risk

Liquidity risk is the risk of insolvency or loss due to a disparity between the inflow and outflow of funds, unexpected outflow of funds, and obtaining funds at a high price or disposing of securities at an unfavorable price due to lack of available funds. The Company manages its liquidity risk through analysis of the contractual maturity of all financial assets, liabilities and off-statement of financial position items such as commitments and financial guarantee contracts. The Company discloses them by maturity groups: On demand, up to six months, between over six months and twelve months, between over one year and five years, and over five years.

Cash flows disclosed for the maturity analysis are undiscounted contractual principal and interest to receive (pay) and, thus, differ from the amount in the financial statements which are based on the present value of expected cash flows in some cases. The amount to be disclosed is determined by referring to the index at the end of the reporting period when the receivables or payables amounts are not confirmed.

The liquidity risk is managed by Liquidity Risk Management Policy and related guidelines which are applied to the risk management policies and procedures that address the possible risks that arise from the overall business of the Company. For the purpose of liquidity management, the accumulated liquidity gap ratio and liquidity ratio on all transactions affecting the inflows and outflows of funds and transactions of off-statement of financial position are measured. The Company sets reasonable fund level and allocates certain amount of fund available for use to each department, so the total use of fund does not exceed the reasonable level.

Operational Risk

The Company defines operation risk to the extent of financial risk and non-financial risks incurred by unreasonable or wrong internal process, labor, system and external incidents. The purpose of operational risk management is not only to comply with supervisory and regulatory requirements but also to promote a risk management culture, strengthen internal controls, innovate processes and provide timely feedback to management and employees. The Company defines the process clearly by maintaining internal regulations, sets work manual to systematize works and evaluate each department's management risks in order to check on the department's risk management. Contingency plan is designed for important risk management factors such as IT systems in order to prepare for emergency situations and to keep the work continuity.

Employees

The Company had approximately 2,840 employees as of the date of this Prospectus. The Company has maintained good working relationships with its employees and does not foresee any difficulties in the recruitment and retention of experienced staff. The Company undertakes to ensure its remuneration package remains competitive and on par with its competitors. The Company also offers education benefits to its eligible employees.

Property

The principal place of business of the Company is located at 88, Uisadang-daero, Yeongdeungpo-Gu, Seoul 07321. This premise is owned by the Company and occupies a total area of approximately 665,368 square feet. Additional properties owned by the Company in which its business is conducted is as follows:

| Address | Land Area (sq. ft.) | Building Area (sq. ft.) | Residual Value (in billions of Won) |
|--|------------------------|----------------------------|--|
| 88, Uisadang-daero, Yeongdeungpo-gu, Seoul, 07321, Korea | 71,170 | 665,368 | 57.2 |
| 5, Dangjudong, Jongro-gu, Seoul 1 st Floor, Korea | 925 | 7,390 | 0.2 |
| 259-9, Bujeongong, Jin-gu, Busan, Korea | 7,109 | 37,708 | 1.8 |
| 235-4 Cheongrangri, Dongdeamun-gu, Seoul, Korea | 4,094 | 11,100 | 0.7 |
| 373-4, Hapjeong-dong, Mapo-gu, Seoul, Korea | 1,810 | 8,464 | 0.4 |
| 32, Yeoidodong, Yeongdeungpo-gu, Seoul, Korea | 180 | 1,764 | 0.2 |

Information Technology

The Company's IT department is responsible for delivering secure, reliable and high-quality systems to support the business operations of the Company and the provision of the necessary information technology infrastructure based on the business needs and development of the Company.

The Company's IT systems consist of three key components: front office, middle office and back office systems that generally cover transaction management, customer service and risk management, investment and accounting. Over its operating history, the Company has focused on allocating financial and human resources towards upgrading its IT systems with the goal of achieving higher operational efficiency, enhancing user access and customer service, providing flexibility for future business needs, responding to developing market trends and increasing its competitiveness in the local and global markets.

Insurance

The Company maintains standard insurance in relation to its risk exposure arising from the nature of its business, such as office premise and property damage insurance, employee compensation insurance, personal injury insurance life and personal accident insurance, critical illness insurance and medical, dental and travel insurance. The Company's insurance coverage is provided by reputable companies with commercially reasonable limits and deductibles on coverage and complies with the statutory requirements in Korea.

The Company believes that its insurance coverage is sufficient for its present purposes and is consistent with coverage for its competitors in Korea. The Company periodically reviews its insurance coverage to ensure that it has adequate coverage for its business.

Legal Proceedings

The Company is not a party to any legal or administrative proceedings and no proceedings are known by the Issuer to be contemplated by governmental authorities or third parties, which, if adversely determined, may have a material adverse effect on the Company's financial condition or results of operations.

DIRECTORS

As of 31 March 2021, the members of the Board of Directors and senior management of the Company are as follows:

Board of Directors

| Name (Surname, Given Name) | Date of Birth | Position |
|----------------------------|---------------|-----------------------|
| Kim, Nam-Goo | Oct 1963 | Chairman |
| Jung, Il-Mun | Nov 1964 | CEO |
| Lee, Kang-Haeng | Sep 1959 | Non-managing Director |
| Ham, Choon-Seung | Jan 1964 | Non-standing Director |
| Cheong, Young-Rok | May 1958 | Non-standing Director |
| Kim, Jung-Ki | Feb 1962 | Non-standing Director |
| Cho, Young-Tae | May 1972 | Non-standing Director |
| Yoon, Dae-Hee | Jun 1972 | Non-standing Director |
| Kim, Tae-Won | Mar 1980 | Non-standing Director |

Mr. Kim, Nam-Goo is Chairman of the Company. Mr. Kim is also the President & Chairman of KIH. Mr. Kim graduated from Keio University with a Master of Business Administration (“MBA”) degree in 1991 and from Tsinghua University with an MBA degree in 2015.

Mr. Jung, Il-Mun is the CEO of the Company. Mr. Jung is a former Vice-President of the Company. Mr. Jung graduated from Korea University.

Mr. Lee, Kang-Haeng is a Non-managing Director of the Company. Mr. Lee is the President of KIH and a former Vice-President of the Company. Mr. Lee graduated from Sogang University.

Mr. Ham, Choon-Seung is a Non-standing Director of the Company. Mr. Ham is a President of PH & Company. Mr. Ham is a former Chief Executive Officer of Citigroup Global Markets Korea Securities.

Mr. Cheong, Young-Rok is a Non-standing Director of the Company. Mr. Cheong is a member of the Company’s Audit Committee. Mr. Cheong is a former Economic Minister at the Embassy of the Republic of Korea in China. Mr. Cheong is a professor of International Graduate School at Seoul National University.

Mr. Kim, Jung-Ki is a Non-standing Director of the Company. Mr. Kim is a member of the Company’s Audit Committee. Mr. Kim is a former KEB Hana Bank marketing group representative (Vice-Chairman of KEB Hana Bank). Mr. Kim is a former Hana Bank Head of Sales in Honam.

Mr. Cho, Young-Tae is a Non-standing Director of the Company. Mr. Cho is a professor of Graduate School of Public Health at Seoul National University. Mr. Cho is a Vice-Chairman of the Population Association of Korea.

Mr. Yoon, Dae-Hee is a Non-standing Director of the Company. Mr. Yoon is the Chairman of the Company’s Audit Committee. Mr. Yoon is a professor of Business School at Yonsei University. Mr. Yoon is a member of Financial Risk Management Committee in the Korea Water Resources Corporation.

Mr. Kim, Tae-Won is a Non-standing Director of the Company. Mr. Kim is the Managing Director of Google Korea. Mr. Kim is a former adjunct professor of School of Media & Communication at Korea University.

EXCHANGE RATES

The table below sets forth, for the periods and dates indicated, information concerning the Market Average Exchange Rate. No representation is made that the Won or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Won, as the case may be, at any particular rate or at all.

| | Year Ended 31 December | | | |
|------------------------------|------------------------|--------------------------------|---------|---------|
| | At End of Period | Average Rate ⁽¹⁾ | High | Low |
| | | (Won per U.S.\$1.00) | | |
| 2014 | 1,099.2 | 1,053.2 | 1,118.3 | 1,008.9 |
| 2015 | 1,172.0 | 1,131.5 | 1,203.1 | 1,068.1 |
| 2016 | 1,208.5 | 1,160.5 | 1,240.9 | 1,093.2 |
| 2017 | 1,071.4 | 1,130.8 | 1,208.5 | 1,071.4 |
| 2018 | 1,118.1 | 1,100.3 | 1,142.5 | 1,057.6 |
| 2019 | 1,157.8 | 1,165.7 | 1,218.9 | 1,111.6 |
| 2020 | 1,088.0 | 1,180.1 | 1,280.1 | 1,082.7 |
| 2021 (through 29 June) | 1,129.9 | 1,117.6 | 1,141.1 | 1,083.1 |
| January | 1,114.6 | 1,097.5 | 1,114.6 | 1,083.1 |
| February | 1,108.4 | 1,111.7 | 1,124.0 | 1,099.7 |
| March | 1,133.5 | 1,131.0 | 1,141.1 | 1,121.3 |
| April | 1,107.4 | 1,119.4 | 1,132.6 | 1,107.4 |
| May | 1,116.0 | 1,123.3 | 1,133.1 | 1,109.6 |
| June (through 29 June) | 1,129.9 | 1,120.9 | 1,135.8 | 1,107.0 |

Note:

(1) The average rate for each year is calculated as the average of the Market Average Exchange Rates on each business day during the relevant year (or portion thereof). The average rate for a month is calculated as the average of the Market Average Exchange Rates on each business day during the relevant month (or portion thereof).

Source: Seoul Money Brokerage Services, Ltd

TAXATION

Korean Taxation

The information provided below does not purport to be a complete summary of Korean tax law and practice currently applicable. Prospective investors who are in any doubt as to their tax position should consult with their own professional advisors.

The taxation of non-resident individuals and non-resident corporations (“**Non-Residents**”) depends on whether they have a “permanent establishment” (as defined under Korean law and applicable tax treaty) in Korea to which the relevant Korean source income is attributable or with which such income is effectively connected. Non-Residents without a permanent establishment in Korea are taxed in the manner described below. Non-Residents with permanent establishments in Korea are taxed in accordance with different rules.

Tax on Interest

Interest on the Notes paid to Non-Residents, being foreign currency denominated notes issued outside of Korea, is exempt from individual and corporate income tax (whether payable by withholding or otherwise) pursuant to the Special Tax Treatment Control Law (the “**STTCL**”), subject to the tax consequences with respect to Index Linked Interest Notes set out in the applicable Pricing Supplement.

If the tax exemption under the STTCL referred to above were to cease to be in effect, the rate of income tax or corporation tax applicable to interest on the Notes, for a Non-Resident without a permanent establishment in Korea, would be 14 per cent. of income. In addition, a tax surcharge called a local income tax would be imposed at the rate of 10 per cent. of the income or corporation tax (raising the total tax rate to 15.4 per cent.).

The tax rates may be reduced by an applicable tax treaty, convention or agreement between Korea and the country of the recipient of the income.

In order to obtain the benefit of a reduced rate available under applicable tax treaties, a Non-Resident holder must submit an application for reduced rate to the party liable for the withholding before the receipt of the relevant interest payment (if there is no change in the contents of such application, it is not required to submit such application again within 3 years thereafter), together with a certificate of the Non-Resident holder’s tax residence issued by a competent authority of the Non-Resident’s resident country. If the Non-Resident holder was unable to receive the benefit of a reduced rate due to his or her failure to timely submit the aforementioned application, the Non-Resident holder may still receive a tax treaty benefit by submitting evidentiary documents to the relevant tax office within 5 years thereafter. If interest is paid to an overseas investment vehicle, the overseas investment vehicle (subject to certain exceptions) must submit a report of overseas investment vehicle and a schedule of beneficial owners. The foregoing matter is discussed in more detail below.

Index Linked Interest Notes

A detailed description of the tax considerations relevant to Index Linked Interest Notes will be provided in the applicable Pricing Supplement.

Tax on Capital Gains

Korean tax laws currently exclude from Korean taxation gains made by a Non-Resident without a permanent establishment in Korea from the sale of the Notes to other Non-Residents (other than to their permanent establishments in Korea). In addition, capital gains earned by Non-Residents from the transfer of the Notes taking place outside Korea are currently exempt from taxation by virtue of the STTCL, provided that the issuance of the Notes is deemed to be an overseas issuance and is denominated in a foreign currency under the STTCL.

If the exclusion or exemption from Korean taxation referred to above were to cease to be in effect, in the absence of an applicable treaty reducing or eliminating tax on capital gains, the applicable rate of tax

would be the lower of 11 per cent. (including local income tax) of the gross realisation proceeds or (subject to the production of satisfactory evidence of the acquisition cost and certain direct transaction costs of the relevant Note) 22 per cent. (including local income tax) of the realised gain (i.e., the excess of the gross realisation proceeds over the acquisition cost and certain direct transaction costs) made. If such evidence shows that no gain (or a loss) was made on the sale, no Korean tax is payable. There is no provision under relevant Korean tax law to allow offsetting of gains and losses or otherwise aggregating transactions for the purpose of computing the net gain attributable to sales of Notes issued by Korean companies.

The purchaser or any other designated withholding agent of Notes is obliged under Korean law to withhold the applicable amount of Korean tax and make payment thereof to the relevant Korean tax authority. Unless the seller can claim the benefit of an exemption from tax under an applicable tax treaty and on the failure of the seller to produce satisfactory evidence of his acquisition cost and certain direct transaction costs in relation to the Notes being sold, the purchaser or such withholding agent must withhold an amount equal to 11 per cent. (including local income tax) of the gross realisation proceeds. The purchaser or withholding agent must pay any withholding tax to the competent Korean tax office no later than the tenth day of the month following the month in which the payment for the purchase of the relevant Notes occurred. Failure to transmit the withheld tax to the Korean tax authorities in time subjects the purchaser or such withholding agent to penalties under Korean tax laws. The Korean tax authorities may attempt to collect such tax from a Non-Resident who is liable for payment of any Korean tax on gains, as a purchaser or withholding agent who is obliged to withhold such tax, through proceedings against payments due to the Non-Resident from its Korean investments and the assets or revenues of any of the Non-Resident's branch or representative offices in Korea.

Inheritance Tax and Gift Tax

Korean inheritance tax is imposed upon (a) all assets (wherever located) of the deceased if at the time of his death he was a Korean resident and (b) all property located in Korea that passes on death (irrespective of the residence of the deceased). Gift tax is imposed in similar circumstances to the above. The taxes are imposed if the value of the relevant property is above a certain limit and the rate varies from 10 per cent. to 50 per cent. At present, Korea has not entered into any tax treaties regarding its inheritance or gift taxes.

Under Korean inheritance and gift tax laws, notes issued by Korean corporations are deemed located in Korea irrespective of where they are physically located or by whom they are owned, and, consequently, the Korean inheritance and gift taxes will be imposed on transfers of the Notes by inheritance or gift. Prospective purchasers should consult their personal tax advisors regarding the consequences of the imposition of the Korean inheritance or gift tax.

Stamp Duty and Securities Transaction Tax

No stamp, issue or registration duties will be payable in Korea by the Holders in connection with the issue of the Notes except for a nominal amount of stamp duty on certain documents executed in Korea which will be paid by the Company. No securities transaction tax will be imposed upon the transfer of the Notes.

Tax Treaties

At the date of this Prospectus, Korea has tax treaties with, inter alia, Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, The Netherlands, New Zealand, Norway, Singapore, Sweden, Switzerland, the United Kingdom and the United States of America, under which the rate of withholding tax on interest is reduced, generally to between 5 and 16.5 per cent. (including local income tax), and the tax on capital gains is often eliminated.

A special withholding tax system took effect on 1 July 2006. Under the system, there is a special procedure to apply the Korea-Malaysia tax treaty on certain Korean source income. Payments made to the residents of Labuan, Malaysia will be subject to the default Korean withholding tax rates (generally 15.4 per cent. for interest and the lower of 11 per cent. of gross realisation proceeds or 22 per cent. of

capital gains (including local income tax)) rather than the reduced or exempted rate available under the Korea Malaysia tax treaty. A Labuan taxpayer, however, will be given an opportunity to obtain a refund by proving that it is entitled to the tax treaty benefits as a beneficial owner of the income and is an actual resident of Labuan, Malaysia. A Labuan taxpayer may also file an application with the National Tax Service (the “NTS”) for confirmation that it is entitled to the tax treaty benefits and obtain an advance confirmation from the NTS prior to receiving Korean source income.

In order for a Non-Resident to obtain the benefit of a tax exemption on certain Korean source incomes, such as interest and capital gains, under an applicable tax treaty, Korean tax law requires such Non-Resident (or its agents) to submit to the payer of such Korean source income an application for tax exemption under a tax treaty along with a certificate of tax residency of such Non-Resident issued by a competent authority of the Non-Resident’s country of tax residence, subject to certain exceptions. The payer of such Korean source income, in turn, is required to submit such application to the relevant district tax office by the ninth day of the month following the date of the first payment of such income. An application for tax exemption submitted by a Non-Resident remains effective for three years from submission, and if any material changes occur with respect to information provided in the application, an application reflecting such change must be newly submitted.

If the Korean source incomes are paid to Non-Residents through an overseas investment vehicle, such investment vehicle must obtain an application for tax exemption from each Non-Resident, who are the beneficial owners of the Korean source income and submit to the payer of such Korean source income an overseas investment vehicle report, together with the applications for tax exemption prepared by the Non-Resident beneficial owners. An overseas investment vehicle means an organisation established outside of Korea that manages funds collected through investment solicitation by way of acquiring, disposing of, or otherwise investing in investment targets and distributes the outcome of such management to investors.

However, this requirement does not apply to exemptions under Korean tax law.

At present, Korea has not entered into any tax treaties regarding its inheritance or gift tax.

Withholding and Gross Up

As mentioned above, interest on the Notes is exempt from any withholding or deduction on account of income tax or corporation tax pursuant to the STTCL. However, in the event that the payer or the Company is required by law to make any withholding or deduction for or on account of any Korean taxes (as more fully described in “*Terms and Conditions of the Notes—Taxation and Gross-Up*”) the Company has agreed to pay (subject to the customary exceptions as set out in “*Terms and Conditions of the Notes—Taxation and Gross-Up*”) such Additional Amounts as may be necessary in order that the net amounts received by the holder of any Note after such withholding or deduction shall equal the respective amounts which would have been received by such holder in the absence of such withholding or deduction.

The Proposed Financial Transactions Tax (“FTT”)

The European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “Participating Member States”). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has a very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission’s Proposal, the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State.

A financial institution may be, or be deemed to be, “established” in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

The FTT remains subject to negotiation between Participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional European Union Member States may decide to participate and/or certain of the Participating Member States may decide to withdraw.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.]

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Korea) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“IGAs”), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, under proposed U.S. Treasury Regulations, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

CLEARANCE AND SETTLEMENT

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but none of the Issuer, any Arranger or Dealer or any Agent takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer or any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Clearing Systems

Euroclear and Clearstream

Euroclear and Clearstream each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective accountholders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other. Euroclear and Clearstream participants are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Distributions of principal with respect to book-entry interests in the Notes held through Euroclear or Clearstream will be credited, to the extent received by any Paying Agent, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant system's rules and procedures.

SUBSCRIPTION AND SALE

The Dealers have, in a programme agreement, such programme agreement as modified and/or supplemented and/ or restated from time to time (the “**Programme Agreement**”), agreed with the Company a basis upon which they or any of them may from time to time agree to purchase or procure purchasers for Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes.*” In the Programme Agreement, the Company has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

In order to facilitate the offering of any Tranche of the Notes, certain persons participating in the offering of the Tranche may to the extent permitted by applicable laws and regulations engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Tranche. Specifically, such persons may over-allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Company. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilize or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilization transactions or otherwise. The effect of these transactions may be to stabilize or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time. Stabilisation activities are subject to certain prescribed time limits in certain jurisdictions.

The Dealers and certain affiliates of the Dealers may have performed banking and advisory services (which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities) for the Company from time to time for which they have received customary fees and expenses. The Dealers and certain of their affiliates may, from time to time, engage in transactions with and perform services for the Company in the ordinary course of their business. In the ordinary course of their various business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve securities and instruments of the Company.

The Dealers or certain of their respective affiliates may purchase the Notes and be allocated Notes for asset management and/or proprietary purposes and not with a view to distribution. The Dealers and/or their affiliates may purchase Notes for their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes, and/or other securities of the Company or its respective subsidiaries or associates at the same time as the offer and sale of the Notes, or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this Prospectus relates (notwithstanding that such selected counterparties may also be purchasers of the Notes).

In addition, in the ordinary course of their business activities, the Dealers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Company or its affiliates. The Dealers and their respective affiliates may also make investment recommendations and/or publish or express independent research views with respect to such securities or financial instruments and may hold, or recommend, to clients that they acquire long and/or short positions in such securities and instruments.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealer or any affiliate of the Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Dealer or its affiliate on behalf of the Company in such jurisdiction.

Selling Restrictions

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any other Dealer shall have any responsibility therefor.

If a jurisdiction requires that any offering of Notes under the Programme be made by a licensed broker or dealer and any Dealer or any affiliate of a Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Dealer or such affiliate on behalf of the Issuer in such jurisdiction.

Neither the Issuer nor any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other additional restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Pricing Supplement.

United States

The Notes have not been and will not be registered under the Securities Act, or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Pricing Supplement will identify whether U.S. Treasury regulation section 1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for the purposes of section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”)) (the “TEFRA C Rules”) or U.S. Treasury regulation section 1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for the purposes of section 4701 of the Code) (the “TEFRA D Rules”) are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Each issuance of Notes which are also Index Linked Interest Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the relevant Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

Public Offer Selling Restriction under the Prospectus Regulation

Unless the Final Terms (or Pricing Supplement, as the case may be) in respect of any Notes specifies the “Prohibition of Sales to EEA Retail Investors” as “Not Applicable,” each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Prospectus as completed by the Final Terms (or Pricing Supplement, as the case may be) in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or
 - (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”); and
- (b) the expression an “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Final Terms (or Pricing Supplement, as the case may be) in respect of any Notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable,” in relation to each Member State of the European Economic Area (each, a “**Relevant State**”), each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Prospectus as completed by the pricing supplement in relation thereto to the public in that Relevant State except that it may make an offer of such Notes to the public in that Relevant State:

- (i) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Relevant State (a “**Non-exempt Offer**”), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Company has consented in writing to its use for the purpose of that Non-exempt Offer;
- (ii) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (iii) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Company for any such offer; or
- (iv) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (ii) to (iv) above shall require the Company or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression “Prospectus Regulation” means Regulation (EU) 2017/1129.

United Kingdom

Unless the Final Terms (or the Pricing Supplement, as the case may be) in respect of any Notes specifies the “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Prospectus as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
 - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”); or
 - (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (“FSMA”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or
 - (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA; and
- (b) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (i) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell the Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the “FSMA”) by the Issuer;
- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Japan

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that the Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Switzerland

This Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the Notes. The Notes may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act (“**FinSA**”) and no application has or will be made to admit the Notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Notes constitutes a prospectus pursuant to the FinSA, and neither this Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Republic of Italy

The offering of the Notes has not been registered with the Commissione Nazionale per le Società e la Borsa (“**CONSOB**”) pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Prospectus or of any other document relating to any Notes be distributed in Italy, except, in accordance with any Italian securities, tax and other applicable laws and regulations.

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered, sold or delivered, and will not offer, sell or deliver any Notes or distribute any copy of this Prospectus or any other document relating to the Notes in Italy except:

- (a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree no. 58 of 24 February 1998 (the “**Financial Services Act**”) and Article 34-ter, paragraph 1, letter (b) of CONSOB regulation No. 11971 of 14 May 1999 (the “**Issuers Regulation**”), all as amended from time to time; or
- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Issuers Regulation.

In any event, any offer, sale or delivery of the Notes or distribution of copies of this Prospectus or any other document relating to the Notes in Italy under paragraphs (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the “**Banking Act**”) and CONSOB Regulation No. 20307 of 15 February 2018, all as amended from time to time;
- (ii) in compliance with Article 129 of the Banking Act, as amended from time to time, and the implementing guidelines of the Bank of Italy, as amended from time to time; and
- (iii) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by CONSOB or the Bank of Italy or other competent authority.

Investors should note that, in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies under paragraphs (a) and (b) above, the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and the Issuers Regulation. Furthermore, where no exemption from the rules on public offerings applies, the Notes which are initially offered and placed in Italy or abroad to professional investors only but in the following year are “systematically” distributed on the secondary market in Italy become subject to the public offer and the prospectus requirement rules provided under the Financial Services Act and Issuers Regulation. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the purchasers of Notes who are acting outside of the course of their business or profession.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for Notes which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) other than (i) to “professional investors” as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued, or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within

six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Notification under Section 309B(1) of the Securities and Futures Act (Chapter 289) of Singapore – Unless otherwise stated in the Pricing Supplement in respect of any Notes, the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Korea

The Notes have not been and will not be registered under the Financial Investment Services and the Capital Markets Act of Korea.

Accordingly, each Dealer severally but not jointly has represented and agreed, and each further Dealer appointed under the Programme will be required to severally but not jointly represent and agree that:

- (i) in respect of the Notes in reliance on the 20% Rule, as specified in the applicable Pricing Supplement, during the first year after the issuance of the Notes, the Notes may not be offered, sold or delivered, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea (as defined under the Foreign Exchange Transaction Law of Korea and the regulations thereunder) other than a “qualified institutional buyer” (a “**Korean QIB**,” as defined in the Regulation on Issuance of Securities, Public Disclosure, Etc. of Korea) who is registered with the Korea Financial Investment Association (the “**KOFIA**”) as a Korean QIB, provided that (a) the Notes are denominated, and the principal and interest payments thereunder are made, in a currency other than Korean won, (b) the amount of the Notes acquired by such Korean QIBs in the primary market is limited to no more than 20% of the aggregate issue amount of the Notes, (c) the Notes are listed on one of the major overseas securities markets designated by the Financial Supervisory Service of Korea, or certain procedures, such as registration or report with a foreign financial investment regulator, have been completed for offering of the Notes in a major overseas securities market, (d) the one-year restriction on offering, delivering or selling of Notes to a Korean resident other than a Korean QIB is expressly stated in the Notes, the relevant purchase agreement and offering circular and (e) the Company and the Dealers shall individually or collectively keep the evidence of fulfilment of conditions (a) through (d) above after having taken necessary actions therefor, except as otherwise permitted by applicable Korean laws and regulations; and
- (ii) in respect of the Notes in reliance on the 20% Rule Not Applicable, as specified in the applicable Pricing Supplement, during the first year after the issuance of the Notes, the Notes may not be offered, sold or delivered, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea, except as otherwise permitted by applicable Korean laws and regulations.

Each Dealer severally but not jointly has undertaken, and each further Dealer appointed under the Programme will be severally but not jointly required to undertake, to ensure that any securities dealer to which it sells Notes confirms that it is purchasing such Notes as principal and agrees with such Dealer that it will comply with the restrictions described above.

GENERAL INFORMATION

Authorisation

Each issue of Notes under the Programme will be authorised by the Board of Directors of the Company at the time of issue or at a meeting held annually to approve the issue of Notes to be issued in the following fiscal year.

Listing of Notes on the SGX-ST

Approval in-principle has been received from the SGX-ST in connection with the Programme and application will be made for the listing and quotation of Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted for listing and quotation on the SGX-ST. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies).

For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that any Global Note is exchanged for definitive Notes, the Company will appoint and maintain a Paying Agent in Singapore where such definitive Notes may be presented or surrendered for payment or redemption. In addition, in the event that a Global Note is exchanged for definitive Notes, an announcement of such exchange shall be made by or on behalf of the Company through the SGX-ST, and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the Paying Agent in Singapore.

Documents Available

Copies of the following documents will be available for inspection and, in the case of the documents referred to in paragraphs (ii) and (iii) below, copies may be obtained during normal business hours at the registered office of the Company for so long as the Notes are capable of being issued under the Programme:

- (i) the constitutional documents (or equivalent) of the Company;
- (ii) each of the documents which are deemed to be incorporated herein by reference (see “*Documents Incorporated by Reference*”);
- (iii) the Programme Agreement, the Agency Agreement, the Deed of Covenant and the forms of the Global Notes; and
- (iv) a copy of this Prospectus, together with any supplement to the Prospectus.

Clearing Systems

The Notes may be accepted for clearance through Euroclear and Clearstream. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Tranche will be specified in the relevant Pricing Supplement. The relevant Pricing Supplement shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

Independent Accountants

With respect to the unaudited condensed consolidated interim financial statements as of March 31, 2021 and for the three-month periods ended March 31, 2021 and 2020, included in this prospectus, KPMG Samjong Accounting Corp. have reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their separate report included in this prospectus states that they did not audit and they do not express an opinion on such interim financial information. Their report also includes an emphasis of matter paragraph regarding estimation uncertainty due to the COVID-19 pandemic on the Company’s unaudited condensed consolidated interim financial statements. Accordingly, the degree of reliance on their separate report on such information should be restricted in light of the limited nature of the review procedures applied.

GENERAL INFORMATION

The Company's consolidated financial statements as of and for the years ended December 31, 2020 and 2019 included in this prospectus have been audited by KPMG Samjong Accounting Corp., independent accountants, as stated in their report appearing herein, which contains an emphasis of matter paragraph regarding estimation uncertainty due to the COVID-19 pandemic on the Company's consolidated financial statements.

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Independent Auditors' Review Report

The Board of Directors and Shareholder
Korea Investment & Securities Co., Ltd.

Reviewed financial statements

We have reviewed the accompanying condensed consolidated interim financial statements of Korea Investment & Securities Co., Ltd. and its subsidiaries (collectively, the "Group") which comprise the condensed consolidated interim statement of financial position as of March 31, 2021, the condensed consolidated interim statements of comprehensive income (loss), changes in equity and cash flows for the three-month periods ended March 31, 2021 and 2020 and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with Korean International Financial Reporting Standards ("K-IFRS") No.1034 'Interim Financial Reporting', and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' review responsibility

Our responsibility is to issue a report on these condensed consolidated interim financial statements based on our reviews. We conducted our reviews in accordance with the Review Standards for Quarterly and Semiannual Financial Statements established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Korean Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements referred to above are not prepared, in all material respects, in accordance with K-IFRS No.1034, 'Interim Financial Reporting'.

Emphasis of Matter

As a matter that does not affect our review opinion, we draw attention to the following matter.

Uncertainty from impact of COVID-19

As discussed in Note 2.(b) to the condensed consolidated interim financial statements, the assumptions and estimates used by the Group for the fair value measurement and impairment testing of the financial statements are subject to change depending on the duration and severity of COVID-19, which cannot be predicted. The ultimate impact that may arise from the uncertainties from impact of COVID-19 may differ from management's estimates reflected in the accompanying condensed consolidated interim financial statements of the Group. Our opinion is not modified in respect of this matter.

Other matters

The consolidated statement of financial position of the Group as of December 31, 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by us in accordance with Korean Standards on Auditing and our report thereon, dated March 9, 2021, expressed an unqualified opinion. The accompanying statement of financial position of the Group as of December 31, 2020, presented for comparative purposes, is not different from that audited by us from which it was derived in all material respects.

The procedures and practices utilized in the Republic of Korea to review such condensed consolidated interim financial statements may differ from those generally accepted and applied in other countries.

/s/ KPMG Samjong Accounting Corp.
Seoul, Korea
May 13, 2021

This report is effective as of May 13, 2021, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

Korea Investment & Securities Co., Ltd. and Subsidiaries
Condensed Consolidated Interim Statements of Financial Position
As of March 31, 2021 and December 31, 2020

| <i>(In won)</i> | <u>Notes</u> | <u>March 31, 2021</u> | <u>December 31, 2020</u> |
|---|----------------|-----------------------------|---------------------------|
| Assets | | | |
| Cash and due from banks | 4, 29, 30, 31 | ₩ 5,251,748,066,357 | 5,197,201,998,553 |
| Financial assets measured at fair value through profit or loss | 5, 30, 31 | 41,319,558,138,527 | 40,404,913,708,923 |
| Derivative financial assets | 16, 30, 31 | 820,681,366,601 | 1,195,172,411,125 |
| Financial assets measured at fair value through other comprehensive income | 6, 30, 31 | 2,291,940,969,217 | 2,187,136,868,466 |
| Investments in associates | 7 | 1,934,127,405,442 | 2,126,427,229,163 |
| Financial assets measured at amortized cost | 8, 30, 31 | 7,096,484,590,109 | 6,718,191,910,617 |
| Property and equipment | 9 | 362,084,738,820 | 366,303,119,826 |
| Intangible assets | 10 | 300,880,127,132 | 298,132,437,410 |
| Investment property | 11 | 163,996,078,369 | 161,540,394,374 |
| Current tax assets | | 7,967,797,741 | 7,469,549,959 |
| Deferred tax assets | | 252,745,992 | 151,542,071 |
| Other financial assets measured at amortized cost | 12, 29, 30, 31 | 2,420,865,977,289 | 2,248,896,828,503 |
| Other non-financial assets | 13 | 48,212,713,700 | 52,246,401,462 |
| Total assets | | <u>₩ 62,018,800,715,296</u> | <u>60,963,784,400,452</u> |
| Liabilities | | | |
| Deposits | 14, 29, 30, 31 | ₩ 8,420,384,816,303 | 9,195,092,940,447 |
| Financial liabilities measured at fair value through profit or loss | 15, 30, 31 | 2,572,494,381,794 | 2,767,212,080,851 |
| Derivative financial liabilities | 16, 30, 31 | 1,299,838,059,170 | 1,823,686,389,685 |
| Financial liabilities designated as measured at fair value through profit or loss | 17, 30, 31 | 10,573,960,675,665 | 11,165,816,142,559 |
| Borrowings | 18, 30, 31 | 28,519,303,494,222 | 25,917,560,736,683 |
| Defined benefit liabilities | 19 | 5,283,764,617 | 4,065,090,455 |
| Provisions | 20 | 19,115,302,671 | 15,050,241,226 |
| Current tax liabilities | | 3,516,681,515 | 2,966,390,336 |
| Deferred tax liabilities | | 70,675,598,180 | 63,054,608,719 |
| Other financial liabilities | 21, 29, 30, 31 | 4,197,548,310,365 | 3,896,763,716,476 |
| Other non-financial liabilities | 22, 29 | 418,282,529,231 | 298,774,949,719 |
| Total liabilities | | <u>56,100,403,613,733</u> | <u>55,150,043,287,156</u> |
| Equity | | | |
| Equity attributable to owners of the Group | | | |
| Capital stock | 1 | 175,816,700,000 | 175,816,700,000 |
| Capital surplus | | 3,826,895,944,653 | 3,826,886,905,722 |
| Accumulated other comprehensive income | 6 | 83,941,497,165 | 29,914,854,820 |
| Retained earnings | | 1,825,708,075,219 | 1,775,128,251,683 |
| | | <u>5,912,362,217,037</u> | <u>5,807,746,712,225</u> |
| Non-controlling interests | | 6,034,884,526 | 5,994,401,071 |
| Total equity | | <u>5,918,397,101,563</u> | <u>5,813,741,113,296</u> |
| Total liabilities and equity | | <u>₩ 62,018,800,715,296</u> | <u>60,963,784,400,452</u> |

See accompanying notes to the condensed consolidated interim financial statements.

Korea Investment & Securities Co., Ltd. and Subsidiaries
Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

For the three-month periods ended March 31, 2021 and 2020

| <i>(In won)</i> | Notes | 2021 | 2020 |
|--|--------------|----------------------------|----------------------------|
| Fee and commission income | 29 | ₩ 436,166,886,766 | 272,210,422,628 |
| Interest income on financial instruments measured at amortized cost and at fair value through other comprehensive income | | 128,777,516,795 | 112,127,091,728 |
| Interest income on financial instruments measured at fair value through profit or loss | | <u>140,758,438,074</u> | <u>154,715,520,247</u> |
| Interest income | 29 | <u>269,535,954,869</u> | <u>266,842,611,975</u> |
| Dividend income | 6, 29 | 27,172,564,307 | 30,501,602,076 |
| Gain on valuation and disposal of financial instruments | 24 | 3,424,385,431,518 | 6,738,086,939,115 |
| Gain on foreign currency transactions | | 459,445,282,342 | 581,538,853,236 |
| Other operating revenues | 29 | 45,121,379,960 | 18,369,191,854 |
| Reversal of credit loss allowance | 25 | <u>4,573,089,321</u> | <u>361,825,413</u> |
| Operating revenues | | <u>4,666,400,589,083</u> | <u>7,907,911,446,297</u> |
| Fee and commission expense | 29 | (63,632,470,631) | (61,588,154,969) |
| Interest expense | 29 | (66,394,868,079) | (94,298,262,040) |
| Loss on valuation and disposal of financial instruments | 24 | (3,327,251,304,539) | (7,195,542,981,814) |
| Loss on foreign currency transactions | | (477,335,845,149) | (618,536,687,775) |
| Selling and administrative expenses | 26 | (274,521,601,444) | (123,515,834,083) |
| Other operating expenses | 29 | (24,802,800,551) | (1,439,802,939) |
| Provision for credit loss allowance | 25 | <u>(8,842,295,803)</u> | <u>(4,380,323,009)</u> |
| Operating expenses | | <u>(4,242,781,186,196)</u> | <u>(8,099,302,046,629)</u> |
| Operating income (loss) | | <u>423,619,402,887</u> | <u>(191,390,600,332)</u> |
| Non-operating income | 29 | 75,778,476,680 | 35,379,475,284 |
| Non-operating expenses | | <u>(21,835,793,490)</u> | <u>(10,658,727,776)</u> |
| Profit (loss) before income tax | | <u>477,562,086,077</u> | <u>(166,669,852,824)</u> |
| Income tax income (expense) | | (126,999,939,778) | 32,776,781,514 |
| Profit (loss) for the period | | <u>350,562,146,299</u> | <u>(133,893,071,310)</u> |
| Other comprehensive income (loss) for the period, net of tax | | | |
| <i>Items that are or will be subsequently reclassified to profit or loss:</i> | | | |
| Change in fair value of debt instruments measured at fair value through other comprehensive income | | (1,816,346,725) | 1,564,774,879 |
| Change in credit risk of debt instruments measured at fair value through other comprehensive income | | (3,170,921) | 170,606,020 |
| Increase in other comprehensive income of associates | | 456,252,570 | 4,067,038,779 |
| Exchange differences on translation of foreign operations | | <u>43,630,602,586</u> | <u>40,532,017,336</u> |
| | | <u>42,267,337,510</u> | <u>46,334,437,014</u> |
| <i>Items that will not be reclassified subsequently to profit or loss:</i> | | | |
| Change in fair value of equity instruments measured at fair value through other comprehensive income | | 11,930,671,979 | (86,844,881,560) |
| Remeasurements of the net defined benefit liabilities | | 721,983,649 | (2,206,685,358) |
| Changes in credit risk of financial liabilities designated at fair value through profit or loss | | <u>(812,534,290)</u> | <u>370,587,118</u> |
| | | <u>11,840,121,338</u> | <u>(88,680,979,800)</u> |
| | 6 | <u>54,107,458,848</u> | <u>(42,346,542,786)</u> |
| Total comprehensive income (loss) for the period | | <u>₩ 404,669,605,147</u> | <u>(176,239,614,096)</u> |

See accompanying notes to the condensed consolidated interim financial statements.

Korea Investment & Securities Co., Ltd. and Subsidiaries
 Condensed Consolidated Interim Statements of Comprehensive Income (Loss),
 Continued

For the three-month periods ended March 31, 2021 and 2020

(In won)

| | <u>Notes</u> | <u>2021</u> | <u>2020</u> |
|---|--------------|------------------------|--------------------------|
| Total profit (loss) attributable to: | | | |
| Owners of the Group | ₩ | 350,593,440,416 | (133,737,823,006) |
| Non-controlling interests | | <u>(31,294,117)</u> | <u>(155,248,304)</u> |
| | ₩ | <u>350,562,146,299</u> | <u>(133,893,071,310)</u> |
| Total comprehensive income (loss) attributable to: | | | |
| Owners of the Group | ₩ | 404,620,082,761 | (174,994,944,727) |
| Non-controlling interests | | <u>49,522,386</u> | <u>(1,244,669,369)</u> |
| | ₩ | <u>404,669,605,147</u> | <u>(176,239,614,096)</u> |

See accompanying notes to the condensed consolidated interim financial statements.

Korea Investment & Securities Co., Ltd. and Subsidiaries
Condensed Consolidated Interim Statements of Changes in Equity
For the three-month periods ended March 31, 2021 and 2020

(In won)

| | Attributable to owners of the Group | | | | | |
|---|-------------------------------------|-------------------|--|-------------------|---------------------------|-------------------|
| | Capital stock | Capital surplus | Accumulated other comprehensive income | Retained earnings | Non-controlling interests | Total equity |
| Balance at January 1, 2020 | ₩ 175,816,700,000 | 3,827,604,377,184 | 111,435,857,647 | 1,307,114,840,545 | 11,568,031,525 | 5,433,539,806,901 |
| Total comprehensive loss for the period: | | | | | | |
| Loss for the period | - | - | - | (133,737,823,006) | (155,248,304) | (133,893,071,310) |
| Other comprehensive loss for the period | - | - | (41,257,121,721) | - | (1,089,421,065) | (42,346,542,786) |
| Transactions with shareholder: | | | | | | |
| Dividends | - | - | - | (240,024,958,840) | - | (240,024,958,840) |
| Changes of consolidated entity (changes of non-controlling interests) | - | - | - | - | 64,108,512 | 64,108,512 |
| Balance at March 31, 2020 | ₩ 175,816,700,000 | 3,827,604,377,184 | 70,178,735,926 | 933,352,058,699 | 10,387,470,668 | 5,017,339,342,477 |
| Balance at January 1, 2021 | ₩ 175,816,700,000 | 3,826,886,905,722 | 29,914,854,820 | 1,775,128,251,683 | 5,994,401,071 | 5,813,741,113,296 |
| Total comprehensive income for the period: | | | | | | |
| Profit (loss) for the period | - | - | - | 350,593,440,416 | (31,294,117) | 350,562,146,299 |
| Other comprehensive income for the period | - | - | 54,026,642,345 | - | 80,816,503 | 54,107,458,848 |
| Transactions with shareholder: | | | | | | |
| Dividends | - | - | - | 350,593,440,416 | 49,522,386 | 404,669,605,147 |
| Changes of consolidated entity (changes of non-controlling interests) | - | 9,038,931 | - | (300,013,616,880) | - | (300,013,616,880) |
| Balance at March 31, 2021 | ₩ 175,816,700,000 | 3,826,895,944,653 | 83,941,497,165 | 1,825,708,075,219 | 6,034,884,526 | 5,918,397,101,563 |

See accompanying notes to the condensed consolidated interim financial statements.

Korea Investment & Securities Co., Ltd. and Subsidiaries
Condensed Consolidated Interim Statements of Cash Flows
For the three-month periods ended March 31, 2021 and 2020

| <i>(In won)</i> | <u>Note</u> | <u>2021</u> | <u>2020</u> |
|---|-------------|----------------------------|----------------------------|
| Cash flows from operating activities | | | |
| Profit (loss) for the period | ₩ | 350,562,146,299 | (133,893,071,310) |
| Adjustments for non-cash items | | (48,416,803,990) | (496,465,553,829) |
| Changes in operating assets and liabilities | | (2,243,688,974,342) | (546,325,028,534) |
| Interest received | | 256,666,594,341 | 262,249,258,129 |
| Interest paid | | (51,178,776,487) | (114,110,551,940) |
| Dividends received | | 24,827,929,325 | 15,902,560,140 |
| Income tax paid | | (22,930,859,144) | (22,293,164,685) |
| Net cash used in operating activities | | <u>(1,734,158,743,998)</u> | <u>(1,034,935,552,029)</u> |
| Cash flows from investing activities | | | |
| Acquisition of financial assets measured at fair value through other comprehensive income | | (850,574,594,085) | (387,477,849,695) |
| Disposal of financial assets measured at fair value through other comprehensive income | | 760,429,997,707 | 914,783,406,802 |
| Acquisitions of investments in associates | | (7,565,897,044) | (34,835,453,129) |
| Disposal of investments in associates | | 214,159,718,930 | 62,865,520,713 |
| Acquisitions of investments in subsidiaries | | - | (119,516,044,375) |
| Disposal of investments in subsidiaries | | 77,565,485,747 | 94,442,228,382 |
| Acquisitions of property and equipment | | (4,715,816,260) | (2,371,797,281) |
| Disposal of property and equipment | | 77,050,000 | 70,760,000 |
| Acquisitions of intangible assets | | (2,443,995,771) | (1,947,465,940) |
| Disposal of intangible assets | | 5,018,511 | 1,218,000,000 |
| Changes in loans receivable | | 1,425,439 | 155,672,957 |
| Changes in guarantee deposits | | 990,146,698 | 651,869,651 |
| Changes in advance payment | | (2,733,928,322) | - |
| Net cash provided by investing activities | | <u>185,194,611,550</u> | <u>528,038,848,085</u> |
| Cash flows from financing activities | | | |
| Net increase in borrowings | | 1,208,122,497,151 | 1,935,702,175,165 |
| Issue of debentures | | 293,861,600,000 | - |
| Redemption of debentures | | (220,000,000,000) | - |
| Payment of lease liabilities | | (8,458,081,458) | (6,027,288,840) |
| Increase in non-controlling interests (liabilities) | | 14,788,621,235 | 71,638,907,004 |
| Net cash provided by financing activities | | <u>1,288,314,636,928</u> | <u>2,001,313,793,329</u> |
| Effect of exchange rate changes on cash and cash equivalents | | <u>2,148,111,072</u> | <u>(106,703,319)</u> |
| Net increase (decrease) in cash and cash equivalents | | (258,501,384,448) | 1,494,310,386,066 |
| Cash and cash equivalents at the beginning of the period | | <u>1,411,450,283,261</u> | <u>665,932,329,767</u> |
| Cash and cash equivalents at the end of the period | 4 | <u>₩ 1,152,948,898,813</u> | <u>2,160,242,715,833</u> |

See accompanying notes to the condensed consolidated interim financial statements.

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2021 and 2020

1. **The Group**

(a) **Reporting Entity**

Korea Investment & Securities Co., Ltd. (the "Company") was incorporated on August 8, 1974, with capital of ₩500 million. The Company and its subsidiaries (collectively, "the Group") primarily engages in financial investment business including brokerage transactions, trading, and underwriting of securities in accordance with the Financial Investment Services and Capital Markets Act ("FSCMA"). As of March 31, 2021, the Group has 80 domestic branch offices, 8 overseas subsidiaries and 2 overseas branch offices.

Through the merger with Dongwon Securities Co., Ltd. on June 1, 2005 and a number of capital increase, the capital stock of the Company amounts to ₩175,817 million as of March 31, 2021.

As of March 31, 2021, Korea Investment Holdings Co., Ltd. owns the entire outstanding common stock of the Company.

(b) **Subsidiaries**

(i) Details of the subsidiaries as of March 31, 2021 and December 31, 2020 are as follows:

(in shares)

| Investor | Investee | March 31, 2021 | | December 31, 2020 | |
|---|--|------------------|----------------|-------------------|---------------|
| | | Number of shares | Ownership (%) | Number of shares | Ownership (%) |
| Korea Investment & Securities Co., Ltd. | Korea Investment Management Co., Ltd. | 13,200,000 | 100.00 | 13,200,000 | 100.00 |
| | Korea Investment Value Asset Management Co., Ltd. | 2,626,000 | 100.00 | 2,626,000 | 100.00 |
| | Korea Investment & Securities Asia, Ltd. | 325,000,000 | 100.00 | 325,000,000 | 100.00 |
| | Korea Investment & Securities Europe, Ltd. | 5,000,000 | 100.00 | 5,000,000 | 100.00 |
| | Korea Investment & Securities America, Inc. | 200 | 100.00 | 200 | 100.00 |
| | Korea Investment & Securities Singapore Pte. Ltd. | 10,000,000 | 100.00 | 10,000,000 | 100.00 |
| | KIS Vietnam Securities Corporation | 258,917,281 | 99.72 | 258,917,281 | 99.72 |
| | Korea Investment & Securities US, Inc. | 1 | 100.00 | - | - |
| | PT Korea Investment & Sekuritas Indonesia | 172,500 | 86.25 | 172,500 | 86.25 |
| | KIM Investments Funds(*1) | 68,903 | 28.40 | 450,902 | 71.95 |
| | KIARA Asia Pacific Hedge Fund | 142,580 | 97.82 | 142,507 | 97.82 |
| | KIM Belgium Core Office Professional Investment Private Real Estate Investment Trust | 29,400,000 | 98.99 | 29,400,000 | 98.99 |
| | KIM PRIVATE PLACEMENT PHILADELPHIA REAL ESTATE INVESTMENT TRUST2 | 46,750,960,230 | 69.69 | 46,750,960,230 | 69.69 |
| | Mastern Private Real Estate Fund No.31 | 36,300,000,000 | 78.40 | 36,300,000,000 | 78.40 |
| | Hana Real Estate Investment Trusts No.76 | 24,667,570,000 | 92.50 | 24,667,570,000 | 92.50 |
| | KB UK Solar Power Private Fund Special Asset Trust 2 | 47,399,260,975 | 99.79 | 47,399,260,975 | 99.79 |
| | KTB Aircraft Private Investment Trust No.22-2 | 24,732,075,580 | 99.62 | 26,427,408,236 | 99.62 |
| | KB German Wind Private Fund Special Asset Trust | 46,615,782,011 | 76.54 | 47,495,905,985 | 76.54 |
| | Hana US LA Real Estate Trust No.1 | 43,128,492 | 67.73 | 43,128,492 | 67.73 |
| | Eugene Pridium 1 / Private Placement | 34,700,000,000 | 94.55 | 34,700,000,000 | 94.55 |
| KIP KIS SEA-CHINA Fund | 184,500 | 90.00 | 184,500 | 90.00 | |
| Hyundai Aviation Investment Private Trust No.19 | 57,853,362,359 | 99.81 | 57,853,362,359 | 99.81 | |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2021 and 2020

1. **The Group, Continued**

(b) **Subsidiaries, Continued**

(i) Details of the subsidiaries as of March 31, 2021 and December 31, 2020 are as follows, Continued:

(in shares)

| Investor | Investee | March 31, 2021 | | December 31, 2020 | |
|---|--|------------------|---------------|-------------------|---------------|
| | | Number of shares | Ownership (%) | Number of shares | Ownership (%) |
| Korea Investment & Securities Co., Ltd. | Korea Value Classic Professional Investment Type Private Corporate Security Investment Trust 1 | 32,712,136,329 | 71.78 | 30,000,000,000 | 71.08 |
| | Korea Value Diamond Professional Investment Type Private Corporate Security Investment Trust 1 | 10,125,088,900 | 47.45 | 10,125,088,900 | 47.03 |
| | KIM Global Infra Professional Private Investment No.1 | 22,012,643,768 | 96.87 | 24,011,497,340 | 96.87 |
| | Multi Asset Opportunity QI Investment Fund No. 10 | - | - | 50,355,331,044 | 89.01 |
| | Lindeman Partners Global Private Trust No.11 | 40,341,226,650 | 66.04 | 43,679,476,522 | 66.04 |
| | Korea Value Sapphire Value-up Professional Investment Type Private Corporate Security Investment Trust 1 | 3,276,817,375 | 37.17 | 2,803,521,676 | 36.21 |
| | AIP Midstream Specialized Privately Placed Fund Trust #1 | 34,380,204,028 | 75.27 | 38,014,480,524 | 75.27 |
| | MULTI ASSET GLOBAL PRIVATE EQUITY QI INVESTMENT FUND NO.3 | 6,300,000,000 | 87.66 | 6,300,000,000 | 87.66 |
| | IGIS Global Specialized Private Placement Real Estate Investment Trust 281-1 | 30,017,656 | 99.33 | 29,439,235 | 99.33 |
| | Multi Asset Opportunity QI Investment Fund No. 14 | 48,321,983,523 | 93.07 | 48,321,983,523 | 93.07 |
| | KIM TDF Target 2050 Fund(*1) | 5,000,000,000 | 30.04 | 5,000,000,000 | 37.63 |
| | Samsung SRA Professional Type Private Real Estate Investment Trust 52 | 83,878,609,724 | 66.85 | 83,878,609,724 | 66.85 |
| | Fine Snowman Qualified Private Investment Trust No.1 | 51,700,000,000 | 99.61 | 51,700,000,000 | 99.61 |
| | MultiAsset Australia FuelCo Professional Investment Type Private Investment Trust No.1 | 25,560,067,477 | 88.54 | 25,560,067,477 | 88.54 |
| | Korea Value Global Research Dividend Income Fund(Equity) | 5,000,000,000 | 83.84 | 5,000,000,000 | 84.83 |
| | KIM Tokyo Residence Real Estate Investment Trust | 39,869,306,412 | 39.92 | 39,869,306,412 | 39.92 |
| | NH-Amundi Global infra Private Fund No.21 | 49,375,525,737 | 70.47 | 50,000,000,000 | 70.47 |
| | Reksa Dana KISI Equity fund | 16,777,960 | 99.77 | 16,777,960 | 99.94 |
| | Reksa Dana KISI Fixed income fund | 16,777,960 | 98.67 | 16,777,960 | 94.42 |
| | Reksa Dana KISI Money market fund | 16,777,960 | 50.00 | 16,777,960 | 84.51 |
| | PineStreet Global Corporate Finance Fund V-2 | 16,580,000,000 | 80.00 | 16,580,000,000 | 80.00 |
| | HDC Warehouse Fund 1 | - | - | 35,462,497,926 | 73.68 |
| | NH-Amundi BCP VIII Private Fund 1[FoF] | 2,713,178,200 | 73.75 | - | - |
| | HDC Credit Opportunity Fund III | 1,431,971,218 | 90.91 | - | - |
| | KIS Growth Co. New Tech Investment Fund 1(*1) | 2,666,000,000 | 43.00 | - | - |
| | KIS IB 1st Co., Ltd. and 113 other asset structured SPCs(*2) | - | - | - | - |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2021 and 2020

1. The Group, Continued

(b) Subsidiaries, Continued

(i) Details of the subsidiaries as of March 31, 2021 and December 31, 2020 are as follows, Continued:

(in shares)

| Investor | Investee | March 31, 2021 | | December 31, 2020 | |
|---|--|--------------------------|---------------|-------------------|---------------|
| | | Number of shares | Ownership (%) | Number of shares | Ownership (%) |
| Korea Investment Management Co., Ltd. | KIM Investments Funds(*1) | 442 | 0.18 | 442 | 0.03 |
| | KIM Global Infra Professional Private Investment No.1 | 710,956,399 | 3.13 | 775,514,648 | 3.13 |
| | KIM Tokyo Residence Real Estate Investment Trust | 20,000,000,000 | 20.03 | 20,000,000,000 | 20.03 |
| | KIM TDF Target 2050 Fund(*1) | 100,000,000 | 0.60 | 100,000,000 | 0.75 |
| | KIM Vietnam Fund Management | - | 100.00 | - | 100.00 |
| Korea Investment Value Asset Management Co., Ltd. | Korea Value Classic Professional Investment Type Private Corporate Security Investment Trust 1 | 5,457,155,828 | 11.97 | 5,000,000,000 | 11.85 |
| | Korea Value Diamond Professional Investment Type Private Corporate Security Investment Trust 1 | 5,062,544,451 | 23.73 | 5,062,544,451 | 23.52 |
| | Korea Value Sapphire Value-up Professional Investment Type Private Corporate Security Investment Trust 1 | 2,327,308,230 | 26.40 | 1,989,674,672 | 25.69 |
| | Korea Value Global Research Dividend Income Fund (Equity) | 200,000,000 | 3.35 | 200,000,000 | 3.39 |
| | PT Korea Investment & Sekuritas Indonesia | PT KISI Asset management | 24,750 | 99.00 | 24,750 |

(*1) Although the Group's ownership is less than 50 percent, the Group as general partner has substantial power to influence related decisions of the entity and is exposed to significant changes in profit in which the Group can also influence, and therefore, the entity was classified as a subsidiary.

(*2) As a structured entity for asset-backed securities, the ownership interest rate is less than a majority, but the consolidation entity is exposed to substantial power and variable profits for the company, so it was deemed to have control.

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2021 and 2020

1. **The Group, Continued**

(b) **Subsidiaries, Continued**

(ii) Details of subsidiaries as of March 31, 2021 are as follows:

| Subsidiaries(*) | Incorporation date | Location | Industry | Financial year end |
|--|--------------------|----------------------|------------------------------|--------------------|
| Korea Investment Management Co., Ltd. | June 26, 2000 | Seoul, Korea | Asset Management | Dec. 31 |
| Korea Investment Value Asset Management Co., Ltd. | February 13, 2006 | Seoul, Korea | Asset Management | Dec. 31 |
| Korea Investment & Securities Asia, Ltd. | December 2, 1997 | Hong Kong | Financial investment | Dec. 31 |
| Korea Investment & Securities Europe, Ltd. | April 24, 1995 | London, UK | Financial investment | Dec. 31 |
| Korea Investment & Securities America, Inc. | April 18, 2000 | New York, U.S.A | Financial investment | Dec. 31 |
| Korea Investment & Securities Singapore Pte. Ltd. | February 22, 2008 | Singapore | Financial investment | Dec. 31 |
| KIS Vietnam Securities Corporation | November 29, 2010 | Ho Chi Minh, Vietnam | Financial investment | Dec. 31 |
| Korea Investment & Securities US, Inc. | January 8, 2021 | New York, U.S.A | Financial investment | Dec. 31 |
| PT Korea Investment & Sekuritas Indonesia | June 26, 2018 | Indonesia | Financial investment | Dec. 31 |
| PT KISI Asset management | April 18, 2019 | Indonesia | Asset Management | Dec. 31 |
| KIM Investments Funds | November 21, 2013 | Luxembourg | Collective investment scheme | Dec. 31 |
| KIARA Asia Pacific Hedge Fund | July 16, 2014 | Cayman Islands | Collective investment scheme | Dec. 31 |
| KIM Belgium Core Office Professional Investment Private Real Estate Investment Trust | March 21, 2018 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| KIM PRIVATE PLACEMENT PHILADELPHIA REAL ESTATE INVESTMENT TRUST2 | May 3, 2018 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| Mastern Private Real Estate Fund No.31 | June 27, 2018 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| Hana Real Estate Investment Trusts No.76 | June 1, 2018 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| KB UK Solar Power Private Fund Special Asset Trust 2 | September 17, 2018 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| KTB Aircraft Private Investment Trust No.22-2 | November 15, 2018 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| KB German Wind Private Fund Special Asset Trust | December 20, 2018 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| Hana US LA Real Estate Trust No.1 | December 31, 2018 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| Eugene Pridium 1 / Private Placement | December 31, 2018 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| KIP KIS SEA-CHINA Fund | October 25, 2018 | Seoul, Korea | Investment partnership | Dec. 31 |
| Hyundai Aviation Investment Private Trust No.19 | January 28, 2019 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| Korea Value Classic Professional Investment Type Private Corporate Security Investment Trust 1 | February 25, 2019 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| Korea Value Diamond Professional Investment Type Private Corporate Security Investment Trust 1 | March 20, 2019 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| KIM Global Infra Professional Private Investment No.1 | March 21, 2019 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| Lindeman Partners Global Private Trust No.11 | March 28, 2019 | Seoul, Korea | Collective investment scheme | Dec. 31 |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2021 and 2020

1. **The Group, Continued**

(b) **Subsidiaries, Continued**

(ii) Details of subsidiaries as of March 31, 2021 are as follows, Continued:

| Subsidiaries(*) | Incorporation date | Location | Industry | Financial year end |
|--|--------------------|--------------|------------------------------|--------------------|
| Korea Value Sapphire Value-up Professional Investment Type Private Corporate Security Investment Trust 1 | May 20, 2019 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| AIP Midstream Specialized Privately Placed Fund Trust #1 | May 9, 2019 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| MULTI ASSET GLOBAL PRIVATE EQUITY QI INVESTMENT FUND NO.3 | June 20, 2019 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| IGIS Global Specialized Private Placement Real Estate Investment Trust 281-1 | July 15, 2019 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| Multi Asset Opportunity QI Investment Fund No. 14 | August 30, 2019 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| KIM TDF Target 2050 Fund | September 5, 2019 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| Samsung SRA Professional Type Private Real Estate Investment Trust 52 | September 11, 2019 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| Fine Snowman Qualified Private Investment Trust No.1 | October 10, 2019 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| MultiAsset Australia FuelCo Professional Investment Type Private Investment Trust No.1 | October 14, 2019 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| Korea Value Global Research Dividend Income Fund(Equity) | December 2, 2019 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| KIM Tokyo Residence Real Estate Investment Trust | November 25, 2019 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| NH-Amundi Global infra Private Fund No.21 | December 18, 2019 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| Reksa Dana KISI Equity fund | December 11, 2019 | Indonesia | Collective investment scheme | Dec. 31 |
| Reksa Dana KISI Fixed income fund | December 11, 2019 | Indonesia | Collective investment scheme | Dec. 31 |
| Reksa Dana KISI Money market fund | December 11, 2019 | Indonesia | Collective investment scheme | Dec. 31 |
| KIM Vietnam Fund Management | February 19, 2020 | Vietnam | Asset Management | Dec. 31 |
| PineStreet Global Corporate Finance Fund V-2 | December 21, 2020 | Korea | Collective investment scheme | Dec. 31 |
| NH-Amundi BCP VIII Private Fund 1[FoF] | February 22, 2021 | Korea | Collective investment scheme | Dec. 31 |
| KIS Growth Co. New Tech Investment Fund 1 | February 9, 2021 | Korea | Collective investment scheme | Dec. 31 |
| HDC Credit Opportunity Fund III | March 26, 2021 | Korea | Collective investment scheme | Dec. 31 |

(*) Subsidiaries that do not perform practical business activities, such as asset-backed structured enterprises, were excluded.

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2021 and 2020

(In thousands of won)

1. **The Group, Continued**

(b) **Subsidiaries, Continued**

(iii) The condensed statement of financial position of subsidiaries as of March 31, 2021 and the condensed statement of comprehensive income for the three-month period ended March 31, 2021 are as follows:

| Company(*2) | 2021 | | | | | | Total comprehensive income (loss) (*1) |
|--|---------------|-------------|-------------|------------------------|------------------------|------------|--|
| | Assets | Liabilities | Equity | Operating Revenues(*1) | Net income (loss) (*1) | | |
| Korea Investment Management Co., Ltd. | ₩ 206,550,859 | 87,753,827 | 118,797,032 | 33,477,345 | 10,101,962 | 10,081,175 | |
| Korea Investment Value Asset Management Co., Ltd. | 669,645,437 | 15,236,240 | 654,409,197 | 7,374,060 | 3,414,920 | 3,414,920 | |
| Korea Investment & Securities Asia, Ltd. | 762,361,925 | 384,923,046 | 377,438,879 | 13,116,898 | (898,865) | 14,272,987 | |
| Korea Investment & Securities Europe, Ltd. | 3,333,442 | 292,682 | 3,040,760 | 525,546 | 247,608 | 363,877 | |
| Korea Investment & Securities America, Inc. | 8,814,878 | 2,688,993 | 6,125,885 | 1,142,370 | (141,284) | 107,920 | |
| Korea Investment & Securities Singapore Pte. Ltd. | 11,000,297 | 1,890,327 | 9,109,970 | 1,181,685 | 638,211 | 988,973 | |
| KIS Vietnam Securities Corporation | 347,564,724 | 195,595,850 | 151,968,874 | 34,960,280 | 4,803,748 | 10,874,578 | |
| PT Korea Investment & Sekuritas Indonesia | 61,945,131 | 20,858,153 | 41,086,978 | 2,864,847 | (181,539) | (181,539) | |
| PT KISI Asset management | 2,976,471 | 102,170 | 2,874,301 | 162,911 | (157,607) | (157,607) | |
| Korea Investment & Securities US, Inc. | 1,133,500 | 20,745 | 1,112,755 | - | (20,426) | (4,645) | |
| KIM Investments Funds | 59,677,189 | 17,128,392 | 42,548,797 | 7,313,650 | 6,629,833 | 6,629,833 | |
| KIARA Asia Pacific Hedge Fund | 347,877,691 | 76,132,497 | 271,745,194 | 123,234,010 | 11,841,234 | 11,841,234 | |
| KIM Belgium Core Office Professional Investment Private Real Estate Investment Trust | 30,041,706 | 25,289 | 30,016,417 | 256,147 | 18,482 | 18,482 | |
| KIM PRIVATE PLACEMENT PHILADELPHIA REAL ESTATE INVESTMENT TRUST2 | 64,149,159 | 82,454 | 64,066,705 | 2,383,130 | (24,385) | (24,385) | |
| Mastern Private Real Estate Fund No.31 | 148,318,851 | 107,931,137 | 40,387,714 | 1,791,524 | 296,545 | 296,545 | |
| Hana Real Estate Investment Trusts No.76 | 28,118,783 | 21,702 | 28,097,081 | 1,126,244 | 1,110,069 | 1,110,069 | |
| KB UK Solar Power Private Fund Special Asset Trust 2 | 47,649,023 | 1,247,980 | 46,401,043 | 3,494,615 | 1,064,698 | 1,064,698 | |
| KTB Aircraft Private Investment Trust No.22-2 | 16,658,027 | 1,216,774 | 15,441,253 | 1,705,291 | 379,969 | 379,969 | |
| KB German Wind Private Fund Special Asset Trust | 62,933,085 | 51,818 | 62,881,267 | 3,001,783 | 1,040,069 | 1,040,069 | |
| Hana US LA Real Estate Trust No.1 | 62,742,143 | 68,332 | 62,673,811 | 1,392,109 | 1,346,379 | 1,346,379 | |
| Eugene Pridium 1 / Private Placement | 36,700,096 | 11,895 | 36,688,201 | 30 | (8,803) | (8,803) | |
| KIP KIS SEA-CHINA Fund | 344,835,177 | 148,961,133 | 195,874,044 | 1,865,991 | (580,021) | 5,093,929 | |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2021 and 2020

(In thousands of won)

1. **The Group, Continued**

(b) **Subsidiaries, Continued**

(iii) The condensed statement of financial position of subsidiaries as of March 31, 2021 and the condensed statement of comprehensive income for the three-month period ended March 31, 2021 are as follows, Continued:

| Company(*2) | 2021 | | | | | |
|--|-------------|-------------|-------------|------------------------|------------------------|--|
| | Assets | Liabilities | Equity | Operating Revenues(*1) | Net income (loss) (*1) | Total comprehensive income (loss) (*1) |
| Hyundai Aviation Investment Private Trust No.19 ₩ | 57,285,258 | 8,023 | 57,277,235 | 5,934,377 | 765,325 | 765,325 |
| Korea Value Classic Professional Investment Type Private Corporate Security Investment Trust 1 | 48,129,357 | - | 48,129,357 | 6,288,451 | 5,020,853 | 5,020,853 |
| Korea Value Diamond Professional Investment Type Private Corporate Security Investment Trust 1 | 17,245,835 | 1,688,421 | 15,557,414 | 21,765,478 | (2,079,866) | (2,079,866) |
| KIM Global Infra Professional Private Investment No.1 | 21,848,155 | 2,289 | 21,845,866 | 3,412,032 | 1,207,029 | 1,207,029 |
| Lindeman Partners Global Private Trust No.11 | 39,488,682 | 431,057 | 39,057,625 | 13,899,864 | 47,553 | 47,553 |
| Korea Value Sapphire Value-up Professional Investment Type Private Corporate Security Investment Trust 1 | 9,245,986 | 196,600 | 9,049,386 | 1,847,395 | 717,020 | 717,020 |
| AIP Midstream Specialized Privately Placed Fund Trust #1 | 44,413,694 | 29,170 | 44,384,524 | 7,936,550 | 874,030 | 874,030 |
| MULTI ASSET GLOBAL PRIVATE EQUITY QI INVESTMENT FUND NO.3 | 86,230,973 | 670,842 | 85,560,131 | 1,688,438 | 1,588,320 | 4,985,662 |
| IGIS Global Specialized Private Placement Real Estate Investment Trust 281-1 | 31,435,546 | 1,208,710 | 30,226,836 | 2,113,362 | 1,150,518 | 1,150,518 |
| Multi Asset Opportunity QI Investment Fund No. 14 | 50,877,181 | 56,125 | 50,821,056 | 1,956,500 | 9,933 | 9,933 |
| KIM TDF Target 2050 Fund Samsung SRA Professional Type Private Real Estate Investment Trust 52 | 116,538,790 | 7,348,076 | 109,190,714 | 6,968,170 | 2,628,406 | 2,628,406 |
| Fine Snowman Qualified Private Investment Trust No.1 | 53,834,656 | 19,917 | 53,814,739 | 564,167 | 528,954 | 528,954 |
| MultiAsset Australia FuelCo Professional Investment Type Private Investment Trust No.1 | 88,910,910 | 59,739,691 | 29,171,219 | 1,921,760 | 327,505 | 327,505 |
| Korea Value Global Research Dividend Income Fund(Equity) | 7,714,604 | 3,112 | 7,711,492 | 954,597 | 954,597 | 954,597 |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2021 and 2020

(In thousands of won)

1. **The Group, Continued**

(b) **Subsidiaries, Continued**

(iii) The condensed statement of financial position of subsidiaries as of March 31, 2021 and the condensed statement of comprehensive income for the three-month period ended March 31, 2021 are as follows, Continued:

| Company(*2) | 2021 | | | | | |
|--|------------|-------------|------------|------------------------|------------------------|--|
| | Assets | Liabilities | Equity | Operating Revenues(*1) | Net income (loss) (*1) | Total comprehensive income (loss) (*1) |
| KIM Tokyo Residence Real Estate Investment Trust ₩ | 97,474,535 | 115,225 | 97,359,310 | 2,771,979 | (5,429) | (5,429) |
| NH-Amundi Global infra Private Fund No.21 | 72,728,460 | 636,185 | 72,092,275 | 11,334,961 | 2,298,480 | 2,298,480 |
| Reksa Dana KISI Equity fund | 16,625,817 | 40,429 | 16,585,388 | 472,952 | (945,765) | (740,084) |
| Reksa Dana KISI Fixed income fund | 20,386,963 | 20,737 | 20,366,226 | 637,683 | (1,043,140) | (795,653) |
| Reksa Dana KISI Money market fund | 40,050,580 | 79,785 | 39,970,795 | 580,316 | 465,205 | 317,277 |
| KIM Vietnam Fund Management | 2,224,171 | 436,366 | 1,787,805 | 928,271 | 371,723 | 371,723 |
| PineStreet Global Corporate Finance Fund V-2 | 22,051,902 | 835,834 | 21,216,068 | 1,398,820 | 528,374 | 528,374 |
| NH-Amundi BCP VIII Private Fund 1[FoF] | 3,752,783 | 115,668 | 3,637,115 | 110,252 | (41,943) | (41,943) |
| KIS Growth Co. New Tech Investment Fund 1 | 5,602,514 | - | 5,602,514 | - | (597,486) | (597,486) |
| HDC Credit Opportunity Fund III | 1,509,682 | 508 | 1,509,174 | 3,378 | (65,994) | (65,994) |

(*1) These are amounts for the three-month period ended March 31, 2021.

(*2) Subsidiaries that do not perform practical business activities, such as asset-backed structured enterprises, were excluded.

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2021 and 2020

(In thousands of won)

1. **The Group, Continued**

(b) **Subsidiaries, Continued**

(iv) The condensed statement of financial position of subsidiaries as of December 31, 2020 and the condensed statement of comprehensive income for the three-month period ended March 31, 2020 are as follows:

| Company(*2) | 2020 | | | | | | Total comprehensive income (loss) (*1) |
|--|---------------|-------------|-------------|------------------------|------------------------|--------------|--|
| | Assets | Liabilities | Equity | Operating Revenues(*1) | Net income (loss) (*1) | | |
| Korea Investment Management Co., Ltd. | ₩ 193,942,370 | 50,379,089 | 143,563,281 | 29,762,493 | 5,763,024 | 5,679,757 | |
| Korea Investment Value Asset Management Co., Ltd. | 666,191,620 | 4,197,344 | 661,994,276 | 3,826,510 | (135,427) | (135,427) | |
| Korea Investment & Securities Asia, Ltd. | 512,697,111 | 149,531,218 | 363,165,893 | 47,407,570 | (17,670,707) | 3,561,921 | |
| Korea Investment & Securities Europe, Ltd. | 3,009,598 | 332,716 | 2,676,882 | 102,570 | (151,782) | (27,409) | |
| Korea Investment & Securities America, Inc. | 8,482,928 | 2,464,963 | 6,017,965 | 631,145 | (22,240) | 288,948 | |
| Korea Investment & Securities Singapore Pte. Ltd. | 10,026,939 | 1,905,942 | 8,120,997 | 433,843 | 92,381 | 552,239 | |
| KIS Vietnam Securities Corporation | 298,015,362 | 156,921,066 | 141,094,296 | 7,129,532 | 1,523,505 | 5,102,246 | |
| PT Korea Investment & Sekuritas Indonesia | 59,541,830 | 18,715,163 | 40,826,667 | 1,410,587 | (349,821) | (349,821) | |
| PT KISI Asset management | 3,057,782 | 111,784 | 2,945,998 | 174,164 | (255,304) | (255,304) | |
| KIM Investments Funds | 78,277,719 | 533,657 | 77,744,062 | 1,713,383 | (36,918,068) | (30,951,676) | |
| KIARA Asia Pacific Hedge Fund | 413,759,098 | 164,460,347 | 249,298,751 | 68,757,924 | (2,141,764) | 10,601,767 | |
| KIM Belgium Core Office Professional Investment Private Real Estate Investment Trust | 30,005,283 | 7,349 | 29,997,934 | 723,164 | 470,384 | 470,384 | |
| KIM PRIVATE PLACEMENT PHILADELPHIA REAL ESTATE INVESTMENT TRUST2 | 64,123,951 | 32,861 | 64,091,090 | 3,194,836 | (104,305) | (104,305) | |
| Mastern Private Real Estate Fund No.31 | 148,032,601 | 107,941,431 | 40,091,170 | 1,774,932 | 274,227 | 274,227 | |
| Hana Real Estate Investment Trusts No.76 | 26,992,579 | 5,567 | 26,987,012 | 1,510,051 | 1,493,647 | 1,493,647 | |
| KB UK Solar Power Private Fund Special Asset Trust 2 | 46,519,519 | 76,485 | 46,443,034 | 2,751,924 | (1,976,581) | (1,976,581) | |
| KTB Aircraft Private Investment Trust No.22-2 | 28,476,936 | 2,111,907 | 26,365,029 | 550,581 | (311,624) | (311,624) | |
| KB German Wind Private Fund Special Asset Trust | 64,687,892 | 1,678,529 | 63,009,363 | 3,241,153 | (777,278) | (777,278) | |
| Hana US LA Real Estate Trust No.1 | 61,350,232 | 22,800 | 61,327,432 | 1,493,233 | 1,447,096 | 1,447,096 | |
| Eugene Pridium 1 / Private Placement | 37,896,065 | 20,909 | 37,875,156 | - | (8,931) | (8,931) | |
| KIP KIS SEA-CHINA Fund | 337,590,253 | 146,810,138 | 190,780,115 | 749,344 | (1,905,855) | 3,737,165 | |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2021 and 2020

(In thousands of won)

1. **The Group, Continued**

(b) **Subsidiaries, Continued**

(iv) The condensed statement of financial position of subsidiaries as of December 31, 2020 and the condensed statement of comprehensive income for the three-month period ended March 31, 2020 are as follows, Continued:

| Company(*2) | 2020 | | | | | |
|--|--------------|-------------|-------------|------------------------|------------------------|--|
| | Assets | Liabilities | Equity | Operating Revenues(*1) | Net income (loss) (*1) | Total comprehensive income (loss) (*1) |
| Hyundai Aviation Investment Private Trust No.19 | ₩ 57,408,727 | 8,417 | 57,400,310 | 4,873,484 | (95,199) | (95,199) |
| Korea Value Classic Professional Investment Type Private Corporate Security Investment Trust 1 | 45,756,182 | 1,063,573 | 44,692,609 | 349,759 | (9,162,953) | (9,162,953) |
| Korea Value Diamond Professional Investment Type Private Corporate Security Investment Trust 1 | 20,255,443 | 2,456,665 | 17,798,778 | 21,556,472 | 20,225 | 20,225 |
| KIM Global Infra Professional Private Investment No.1 | 22,685,513 | 20,589 | 22,664,924 | 2,408,368 | (4,596,143) | (4,596,143) |
| Multi Asset Opportunity QI Investment Fund No. 10 | 54,951,513 | 53,906 | 54,897,607 | 6,455,243 | (693,573) | (693,573) |
| Lindeman Partners Global Private Trust No.11 | 46,904,016 | 140,944 | 46,763,072 | - | (223,367) | (223,367) |
| Korea Value Sapphire Value-up Professional Investment Type Private Corporate Security Investment Trust 1 | 8,943,383 | 176 | 8,943,207 | 2,581,868 | (2,079,926) | (2,079,926) |
| AIP Midstream Specialized Privately Placed Fund Trust #1 | 50,211,979 | 70,690 | 50,141,289 | 6,666,405 | (1,128,336) | (1,128,336) |
| MULTI ASSET GLOBAL PRIVATE EQUITY QI INVESTMENT FUND NO.3 | 81,121,087 | 546,618 | 80,574,469 | 1,707,910 | 1,575,276 | 4,634,610 |
| IGIS Global Specialized Private Placement Real Estate Investment Trust 281-1 | 29,975,838 | 454,102 | 29,521,736 | 1,658,944 | 912,035 | 912,035 |
| Multi Asset Opportunity QI Investment Fund No. 14 | 50,866,106 | 54,983 | 50,811,123 | 2,623,015 | (73,891) | (73,891) |
| KIM TDF Target 2050 Fund | 16,394,530 | 718,641 | 15,675,889 | 266,424 | (953,959) | (953,959) |
| Samsung SRA Professional Type Private Real Estate Investment Trust 52 | 115,976,363 | 6,401,054 | 109,575,309 | 7,651,716 | (6,452,269) | (6,452,269) |
| Fine Snowman Qualified Private Investment Trust No.1 | 53,305,939 | 20,155 | 53,285,784 | 575,343 | 550,368 | 550,368 |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2021 and 2020

(In thousands of won)

1. **The Group, Continued**

(b) **Subsidiaries, Continued**

(iv) The condensed statement of financial position of subsidiaries as of December 31, 2020 and the condensed statement of comprehensive income for the three-month period ended March 31, 2020 are as follows, Continued:

| Company(*2) | 2020 | | | | | |
|--|--------------|-------------|------------|------------------------|------------------------|--|
| | Assets | Liabilities | Equity | Operating Revenues(*1) | Net income (loss) (*1) | Total comprehensive income (loss) (*1) |
| MultiAsset Australia FuelCo Professional Investment Type Private Investment Trust No.1 | ₩ 29,384,692 | 184,738 | 29,199,954 | 2,473,480 | 187,336 | 187,336 |
| Korea Value Global Research Dividend Income Fund(Equity) | 6,673,944 | 5,357 | 6,668,587 | 8,575 | (900,238) | (900,238) |
| KIM Tokyo Residence Real Estate Investment Trust | 97,398,702 | 33,963 | 97,364,739 | 5,651,164 | 2,799,376 | 2,799,376 |
| NH-Amundi Global infra Private Fund No.21 | 74,834,112 | 1,300,317 | 73,533,795 | 1,809,165 | 1,759,591 | 1,759,591 |
| Reksa Dana KISI Equity fund | 17,617,844 | 327,357 | 17,290,487 | 183,502 | (5,652,673) | (6,991,985) |
| Reksa Dana KISI Fixed income fund | 20,949,986 | 20,507 | 20,929,479 | 430,044 | (665,636) | (2,440,903) |
| Reksa Dana KISI Money market fund | 28,999,201 | 10,689 | 28,988,512 | 415,221 | 321,875 | (2,068,734) |
| KIM Vietnam Fund Management | 1,788,303 | 435,808 | 1,352,495 | - | - | - |
| HDC Warehouse Fund 1 | 47,656,711 | 200,279 | 47,456,432 | 3,453,082 | (274,077) | (274,077) |
| PineStreet Global Corporate Finance Fund V-2 | 20,971,176 | 283,483 | 20,687,693 | - | - | - |

(*1) These are amounts for the three-month period ended March 31, 2020.

(*2) Subsidiaries that do not perform practical business activities, such as asset-backed structured enterprises, were excluded.

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2021 and 2020

1. The Group, Continued

(b) Subsidiaries, Continued

(v) The details of subsidiaries newly included in consolidated financial statements for the three-month period ended March 31, 2021 and for the year ended December 31, 2020 are as follows:

| March 31, 2021 | |
|---|--|
| Subsidiaries | Reason |
| Korea Investment & Securities US, Inc. | Newly acquired |
| NH-Amundi BCP VIII Private Fund 1[FoF] | Newly acquired |
| KIS Growth Co. New Tech Investment Fund 1 | Newly acquired |
| HDC Credit Opportunity Fund III | Newly acquired |
| JT Gamsam 1st Co., Ltd. and 21 other assets structured SPCs | In case that the Group can make or approve decisions such as the modification or disposal of underlying assets and if the Group are exposed to significant variable returns or have rights due to the provision of credit contributions or the purchase of subordinated bonds, each entity will be recognized as the consolidated entities |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2021 and 2020

1. The Group, Continued

(b) Subsidiaries, Continued

(v) The details of subsidiaries newly included in consolidated financial statements for the three-month period ended March 31, 2021 and for the year ended December 31, 2020 are as follows, Continued:

| December 31, 2020 | |
|--|--|
| Subsidiaries | Reason |
| KIM Vietnam Fund Management | Newly acquired by Korea Investment Management Co., Ltd. |
| HDC Warehouse Fund 1 | Newly acquired |
| Tiger Alternative Qualified Investment Real Estate Trust No.18-2 | Newly acquired |
| Tiger Alternative Qualified Investment Real Estate Trust No.18-1 | Newly acquired |
| Tiger Alternative Investment 22 | Newly acquired |
| IGIS Global Specialized Private Placement Real Estate Investment Trust 357 | Newly acquired |
| Tiger Alternative Qualified Investment Real Estate Trust No.28 | Newly acquired |
| PineStreet Global Corporate Finance Fund V-2 | Newly acquired |
| KIS IB 37th Co., Ltd. and 78 other assets structured SPCs | In case that the Group can make or approve decisions such as the modification or disposal of underlying assets and if the Group are exposed to significant variable returns or have rights due to the provision of credit contributions or the purchase of subordinated bonds, each entity will be recognized as the consolidated entities |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2021 and 2020

1. The Group, Continued

(b) Subsidiaries, Continued

(vi) The details of subsidiaries excluded from consolidated financial statements for the three-month period ended March 31, 2021 and for the year ended December 31, 2020 are as follows:

| March 31, 2021 | |
|--|---|
| Subsidiaries | Reason |
| Multi Asset Opportunity QI Investment Fund No. 10 | Disposal |
| HDC Warehouse Fund 1 | Disposal |
| Line Nambyul Suwon Co., Ltd. and 13 other asset structured SPCs | Extinguishment of a credit obligation |
| December 31, 2020 | |
| Subsidiaries | Reason |
| Multi Asset Opportunity QI Investment Fund No. 12 | Redemption |
| Multi Asset Opportunity QI Investment Fund No. 11 | Redemption |
| Tiger Alternative Qualified Investment Real Estate Trust No. 18-2 | Transferred to investments in associates due to decrease in the percentage of ownership |
| Tiger Alternative Qualified Investment Real Estate Trust No. 18-1 | Disposal |
| Hyundai Infra Professional Investment Type Private Investment Trust No. 8 | Redemption |
| Tiger Alternative Investment 22 | Disposal |
| IGIS Global Specialized Private Placement Real Estate Investment Trust 357 | Disposal |
| Tiger Alternative Qualified Investment Real Estate Trust No. 28 | Disposal |
| Shinhan AIM Credit Fund 2 | Redemption |
| SF The First 1st Co., Ltd. and 16 other asset structured SPCs | Extinguishment of a credit obligation |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2021 and 2020

2. Basis of Accounting

(a) Application of accounting policies

The condensed consolidated interim financial statements have been prepared in accordance with Korean International Financial Reporting Standards ("K-IFRS"), as prescribed in the Act on External Audits of Corporations.

These condensed consolidated interim financial statements were prepared in accordance with K-IFRS No. 1034, 'Interim Financial Reporting' as part of the period covered by the Group's K-IFRS annual financial statements. These condensed consolidated interim financial statements do not include all of the disclosures required for full annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as of and for the year ended December 31, 2020.

(b) Use of estimates and judgments

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

The spread of the COVID-19 pandemic since 2020 has materially affected the global economy. Accordingly, it could adversely affect the Group's financial position and results of operations. The significant accounting estimates and assumptions used in preparing the condensed consolidated interim financial statements of the Group may be adjusted due to changes in the level of uncertainty from COVID-19 in the future. The ultimate impact from COVID-19 on the Group's business, financial position or results of operations may differ from the estimates reflected in the accompanying condensed consolidated interim financial statements.

The management's judgments on the application of the accounting policies and estimates of the Group used in the condensed consolidated interim financial statements are the same as the consolidated financial statements for the year ended December 31, 2020.

3. Significant Accounting Policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as of and for the year ended December 31, 2020. New standards which are effective from January 1, 2021 do not have significant impact on the Group's consolidated financial statements.

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2021 and 2020

(In thousands of won)

4. Cash and Due from Banks

(a) The details of cash and due from banks as of March 31, 2021 and December 31, 2020 are as follows:

| | <u>March 31, 2021</u> | <u>December 31, 2020</u> |
|---|------------------------|--------------------------|
| Cash and cash equivalents | ₩ 1,152,948,899 | 1,411,450,283 |
| Deposits for commodities derivatives | 11,300,000 | 10,800,000 |
| Reserve for claims of customer's deposits | 405,600,000 | 320,600,000 |
| Deposits for exchange-traded derivatives | 1,534,136,845 | 1,929,262,744 |
| Long-term deposits | 979,641,890 | 644,659,010 |
| Restricted due from financial institutes | 34,500 | 34,500 |
| Other deposits | 1,168,085,932 | 880,395,462 |
| | <u>₩ 5,251,748,066</u> | <u>5,197,201,999</u> |

(b) Restricted deposits as of March 31, 2021 and December 31, 2020 are as follows:

| | <u>March 31, 2021</u> | <u>December 31, 2020</u> |
|--|------------------------|--------------------------|
| Deposits for commodities derivatives(*1) | ₩ 11,300,000 | 10,800,000 |
| Reserve for claims of customers' deposits (deposit) (*1) | 405,600,000 | 320,600,000 |
| Deposits for exchange-traded derivatives(*1) | 1,534,136,845 | 1,929,262,744 |
| Long-term deposits (pledged) (*2) | 738,104,000 | 368,104,000 |
| Restricted due from financial institutes(*3) | 34,500 | 34,500 |
| Other deposits(*4) | 1,154,693,288 | 870,818,548 |
| | <u>₩ 3,843,868,633</u> | <u>3,499,619,792</u> |

(*1) Reserve for claims of customers' deposits (of general deposits, exchange-traded derivatives and collective investment securities) is separately deposited in Korea Securities Finance Corporation ("KSFC") in order to comply with the Financial Investment Services and Capital Market Act ("FSCMA") and Regulations on Financial Investment Business and to respond to investor's demands such as return of customer's deposits received.

(*2) As of March 31, 2021, long-term deposits of ₩5,000 million are collaterals for payment and settlement services, ₩733,104 million are related to securities lending and borrowing transactions and collaterals for over-the-counter derivative transactions and pledged in counterparty bank.

(*3) Restricted deposits due from financial institutes are subject to restriction in use.

(*4) Other deposits are deposits of deposits and evidence deposited in foreign currency and deposit amounts to purchase the corresponding stock, combined, bond type funds at the next day of sale according to direct sale of funds.

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

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(In thousands of won)

5. Financial assets measured at fair value through profit or loss

(a) The details of financial assets measured at fair value through profit or loss as of March 31, 2021 and December 31, 2020 are as follows:

| | March 31, 2021 | December 31, 2020 |
|--|-------------------------|-----------------------|
| Equity instruments | ₩ 3,600,028,278 | 3,743,072,283 |
| Debt instruments | 28,757,516,835 | 27,759,733,579 |
| Reserve for claims of customers' deposits (trust) (*) | 5,850,649,171 | 5,859,258,092 |
| Investment in partnerships | 428,755,540 | 401,918,880 |
| Collective investment securities | 1,869,206,621 | 1,613,649,973 |
| Derivatives-linked securities | 134,738,081 | 179,773,651 |
| Receivables | 678,663,613 | 847,507,251 |
| | <u>₩ 41,319,558,139</u> | <u>40,404,913,709</u> |

(*) The amount is restricted and deposited into a trust account in KSFC in order to comply with the FSCMA and Regulation on Financial Investment Business and to respond to investor's demands such as return of customer's deposits. However, under Article 72 (3) for Enforcement Decree of FSCMA, beneficial interests of the trust amounting to ₩125,000 million are pledged as collateral to Industrial Bank of Korea, which is a settlement agent bank of the Group.

(b) The details of equity instruments of financial assets at fair value through profit or loss as of March 31, 2021 and December 31, 2020 are as follows:

| | March 31, 2021 | | |
|----------------------------|--------------------------------|----------------------------|--------------------|
| | Book value before valuation | Fair value (book value) | Gains or losses |
| Stocks in Korean won | ₩ 2,125,344,855 | 2,202,041,353 | 76,696,498 |
| Stocks in Foreign currency | 596,708,329 | 635,587,975 | 38,879,646 |
| Hybrid Bonds | 663,086,846 | 662,530,781 | (556,065) |
| Others | 96,215,806 | 99,868,169 | 3,652,363 |
| | <u>₩ 3,481,355,836</u> | <u>3,600,028,278</u> | <u>118,672,442</u> |
| | December 31, 2020 | | |
| | Book value before valuation | Fair value (book value) | Gains or losses |
| Stocks in Korean won | ₩ 1,946,206,889 | 2,333,214,972 | 387,008,083 |
| Stocks in Foreign currency | 670,167,689 | 787,349,836 | 117,182,147 |
| Hybrid Bonds | 530,114,223 | 533,727,207 | 3,612,984 |
| Others | 80,818,727 | 88,780,268 | 7,961,541 |
| | <u>₩ 3,227,307,528</u> | <u>3,743,072,283</u> | <u>515,764,755</u> |

Korea Investment & Securities Co., Ltd. and Subsidiaries
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March 31, 2021 and 2020

(In thousands of won)

5. Financial assets measured at fair value through profit or loss, Continued

(c) The details of debt instruments in financial assets measured at fair value through profit or loss as of March 31, 2021 and December 31, 2020 are as follows:

| | March 31, 2021 | | | |
|--|-----------------------------|----------------|-------------------------|-----------------|
| | Book value before valuation | Face value | Fair value (book value) | Gains or losses |
| National and local government bonds | ₩ 4,999,011,208 | 4,921,442,461 | 4,944,865,316 | (54,145,892) |
| Special bonds | 4,851,075,364 | 4,835,875,134 | 4,849,774,586 | (1,300,778) |
| Corporate bonds | 12,107,068,728 | 12,034,337,656 | 12,098,909,472 | (8,159,256) |
| Corporate commercial papers | 3,306,853,362 | 3,300,100,000 | 3,306,775,998 | (77,364) |
| Electronic short-term Bonds | 1,342,926,146 | 1,342,925,715 | 1,343,077,049 | 150,903 |
| Foreign currency bonds | 2,176,473,679 | 2,084,213,995 | 2,165,398,661 | (11,075,018) |
| Foreign currency electronic short-term bonds | 1,148,242 | 1,152,770 | 1,152,795 | 4,553 |
| Convertible bonds | 46,514,915 | 41,970,000 | 45,430,848 | (1,084,067) |
| Bond with warrant | 2,036,762 | 2,000,000 | 2,132,110 | 95,348 |
| | ₩ 28,833,108,406 | 28,564,017,731 | 28,757,516,835 | (75,591,571) |

| | December 31, 2020 | | | |
|--|-----------------------------|----------------|-------------------------|-----------------|
| | Book value before valuation | Face value | Fair value (book value) | Gains or losses |
| National and local government bonds | ₩ 5,053,362,599 | 4,967,595,879 | 5,046,637,590 | (6,725,009) |
| Special bonds | 5,579,029,025 | 5,562,041,589 | 5,574,408,462 | (4,620,563) |
| Corporate bonds | 10,434,731,865 | 10,321,744,818 | 10,428,468,727 | (6,263,138) |
| Corporate commercial papers | 3,178,590,267 | 3,177,518,000 | 3,185,021,059 | 6,430,792 |
| Electronic short-term bonds | 1,432,980,884 | 1,432,980,885 | 1,433,150,640 | 169,756 |
| Foreign currency bonds | 1,972,398,807 | 1,916,732,616 | 2,005,970,037 | 33,571,230 |
| Foreign currency electronic short-term bonds | 41,166,908 | 41,008,896 | 41,010,954 | (155,954) |
| Convertible bonds | 36,597,674 | 37,470,000 | 42,704,265 | 6,106,591 |
| Bond with warrant | 2,286,911 | 2,300,000 | 2,361,845 | 74,934 |
| | ₩ 27,731,144,940 | 27,459,392,683 | 27,759,733,579 | 28,588,639 |

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(In thousands of won)

5. Financial assets measured at fair value through profit or loss, Continued

(d) The details of reserve for claims of customers' deposits (trust) in financial assets measured at fair value through profit or loss as of March 31, 2021 and December 31, 2020 are as follows:

| March 31, 2021 | | | | |
|---|-----------------------------------|----------------------|----------------------------|--------------------|
| | Book value before valuation | Face value | Fair value (book value) | Gains or losses |
| General deposits | ₩ 5,277,463,253 | 5,281,500,000 | 5,287,554,361 | 10,091,108 |
| Customers' deposits for exchange-traded derivatives transaction | 562,261,146 | 562,600,000 | 563,094,810 | 833,664 |
| | <u>₩ 5,839,724,399</u> | <u>5,844,100,000</u> | <u>5,850,649,171</u> | <u>10,924,772</u> |
| December 31, 2020 | | | | |
| | Book value before valuation | Face value | Fair value (book value) | Gains or losses |
| General deposits | ₩ 5,415,393,494 | 5,435,900,000 | 5,451,327,042 | 35,933,548 |
| Customers' deposits for exchange-traded derivatives transaction | 403,299,372 | 406,100,000 | 407,931,050 | 4,631,678 |
| | <u>₩ 5,818,692,866</u> | <u>5,842,000,000</u> | <u>5,859,258,092</u> | <u>40,565,226</u> |

(e) The details of derivatives-linked securities of financial assets at fair value through profit or loss as of March 31, 2021 and December 31, 2020 are as follows:

| March 31, 2021 | | | |
|-------------------------------------|--------------------------------|----------------------------|--------------------|
| | Book value before valuation | Fair value (book value) | Gains or losses |
| Equity-linked securities | ₩ 132,561,639 | 133,208,575 | 646,936 |
| Equity and derivatives-linked bonds | 1,731,373 | 1,738,260 | 6,887 |
| Credit value adjustments | (371,376) | (208,754) | 162,622 |
| | <u>₩ 133,921,636</u> | <u>134,738,081</u> | <u>816,445</u> |
| December 31, 2020 | | | |
| | Book value before valuation | Fair value (book value) | Gains or losses |
| Equity-linked securities | ₩ 177,195,574 | 174,643,793 | (2,551,781) |
| Equity and derivatives-linked bonds | 2,519,672 | 2,531,054 | 11,382 |
| Other derivatives-linked securities | 3,178,524 | 2,970,178 | (208,346) |
| Credit value adjustments | (514,795) | (371,374) | 143,421 |
| | <u>₩ 182,378,975</u> | <u>179,773,651</u> | <u>(2,605,324)</u> |

Korea Investment & Securities Co., Ltd. and Subsidiaries
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5. Financial assets measured at fair value through profit or loss, Continued

(f) The details of loans in financial assets at fair value through profit or loss as of March 31, 2021 and December 31, 2020 are as follows:

| | March 31, 2021 | | |
|------------------|--------------------------------|----------------------------|-----------------|
| | Book value before valuation | Fair value (book value) | Gains or losses |
| Loans receivable | ₩ 679,606,105 | 678,663,613 | (942,492) |

| | December 31, 2020 | | |
|------------------|--------------------------------|----------------------------|-----------------|
| | Book value before valuation | Fair value (book value) | Gains or losses |
| Loans receivable | ₩ 881,329,469 | 847,507,251 | (33,822,218) |

6. Financial assets measured at fair value through other comprehensive income

(a) The details of financial assets measured at fair value through other comprehensive income as of March 31, 2021 and December 31, 2020 are as follows:

| | March 31, 2021 | December 31, 2020 |
|-----------------------------|------------------------|----------------------|
| Equity instruments(*) | | |
| Stocks | ₩ 511,304,432 | 494,848,212 |
| Investment in partnerships | 818,000 | 818,000 |
| | <u>512,122,432</u> | <u>495,666,212</u> |
| Debt instruments | | |
| Government and Public bonds | 41,103,428 | 309,727,028 |
| Special bonds | 1,253,014,693 | 1,024,256,540 |
| Corporate bonds | 485,700,416 | 357,487,088 |
| | <u>1,779,818,537</u> | <u>1,691,470,656</u> |
| | <u>₩ 2,291,940,969</u> | <u>2,187,136,868</u> |

(*) This is designated as a fair value through other comprehensive income among investments in equity instruments.

Korea Investment & Securities Co., Ltd. and Subsidiaries
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6. Financial assets measured at fair value through other comprehensive income, Continued

(b) The details of equity securities in financial assets designated as measured at fair value through other comprehensive income as of March 31, 2021 and December 31, 2020 are as follows:

| March 31, 2021 | | | | |
|---------------------------|--|------------------|-------------|--|
| Classification | Name of investment | Acquisition cost | Book value | Reason for Designation |
| Stock | INDUSTRIAL BANK OF KOREA | ₩ 39,272,429 | 23,953,400 | Business & strategic alliance |
| | Woori Bank | 324,480,000 | 273,104,000 | " |
| | THE KOREA SECURITIES FINANCE CORPORATION | 31,692,850 | 60,237,867 | Securities industry related organization |
| | KOREA EXCHANGE | 2,737,381 | 135,758,471 | " |
| | Korea Securities Depository | 731,735 | 14,688,530 | " |
| | KOREA MONEY BROKERAGE CORPORATION | 199,221 | 2,859,285 | " |
| | Korea Foss Securities co., Ltd. (formerly Fund Online Korea Co., Ltd.) | 1,998,000 | 692,308 | Business strategic alliance |
| | PT Bursa Efek Indonesia (BEI) | 10,517 | 10,571 | Securities industry related organization |
| | Subtotal | 401,122,133 | 511,304,432 | |
| Investment in partnership | Korea Financial Investment Association | 818,000 | 818,000 | Business strategic alliance |
| | | ₩ 401,940,133 | 512,122,432 | |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2021 and 2020

(In thousands of won)

6. Financial assets measured at fair value through other comprehensive income, Continued

(b) The details of equity securities in financial assets designated as measured at fair value through other comprehensive income as of March 31, 2021 and December 31, 2020 are as follows, Continued:

| December 31, 2020 | | | | |
|-------------------|--|--|--------------------|--|
| Classification | Name of investment | Acquisition cost | Book value | Reason for Designation |
| Stock | INDUSTRIAL BANK OF KOREA | ₩ 39,272,429 | 23,116,600 | Business & strategic alliance |
| | Woori Bank | 324,480,000 | 263,099,200 | " |
| | THE KOREA SECURITIES FINANCE CORPORATION | 31,692,850 | 59,967,301 | Securities industry related organization |
| | KOREA EXCHANGE | 2,737,381 | 130,570,673 | " |
| | Korea Securities Depository | 731,735 | 14,633,094 | " |
| | KOREA MONEY BROKERAGE CORPORATION | 199,221 | 2,758,587 | " |
| | Korea Foss Securities co., Ltd. (formerly Fund Online Korea Co., Ltd.) | 1,998,000 | 692,308 | Business strategic alliance |
| | PT Bursa Efek Indonesia (BEI) | 10,517 | 10,449 | Securities industry related organization |
| | Subtotal | <u>401,122,133</u> | <u>494,848,212</u> | |
| | Investment in partnership | Korea Financial Investment Association | 818,000 | 818,000 |
| | | <u>₩ 401,940,133</u> | <u>495,666,212</u> | |

(c) No equity securities designated as measured at fair value through other comprehensive income were disposed for the three-month periods ended March 31, 2021 and 2020. Accumulated amounts in other comprehensive income and profit or loss on disposal are reclassified to retained earnings and are not reclassified to profit or loss.

Korea Investment & Securities Co., Ltd. and Subsidiaries
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(In thousands of won)

6. Financial assets measured at fair value through other comprehensive income, Continued

(d) The details of dividend income in financial assets measured at fair value through other comprehensive income for the three-month periods ended March 31, 2021 and 2020 are as follows:

| | 2021 | 2020 |
|--|--------------|------------|
| Dividend income recognized from assets held as of the end of the reporting period | ₩ 16,169,271 | 23,928,425 |

(e) The details of change in other comprehensive income in financial assets measured at fair value through other comprehensive income for the three-month periods ended March 31, 2021 and 2020 are as follows:

| | | March 31, 2021 | | | |
|-------------------|---|-------------------|-------------|-------------|----------------|
| | | Beginning balance | Valuation | Disposal | Ending Balance |
| Equity securities | ₩ | 107,602,733 | 16,456,100 | - | 124,058,833 |
| Debt securities | | 7,851,343 | (863,092) | (1,642,214) | 5,346,037 |
| Subtotal | | 115,454,076 | 15,593,008 | (1,642,214) | 129,404,870 |
| Tax | | (31,771,876) | (4,288,076) | 451,609 | (35,608,343) |
| Total | ₩ | 83,682,200 | 11,304,932 | (1,190,605) | 93,796,527 |

| | | March 31, 2020 | | | |
|-------------------|---|-------------------|---------------|-------------|----------------|
| | | Beginning balance | Valuation | Disposal | Ending Balance |
| Equity securities | ₩ | 134,253,255 | (119,786,043) | - | 14,467,212 |
| Debt securities | | 7,415,505 | 3,397,726 | (1,239,416) | 9,573,815 |
| Subtotal | | 141,668,760 | (116,388,317) | (1,239,416) | 24,041,027 |
| Tax | | (38,980,915) | 32,006,788 | 340,839 | (6,633,288) |
| Total | ₩ | 102,687,845 | (84,381,529) | (898,577) | 17,407,739 |

Korea Investment & Securities Co., Ltd. and Subsidiaries
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6. Financial assets measured at fair value through other comprehensive income, Continued

(f) The details of change in loss allowance in financial assets measured at fair value through other comprehensive income for the three-month periods ended March 31, 2021 and 2020 are as follows:

| | March 31, 2021 | | | |
|------------------------------------|----------------|--------------|----------|---------|
| | 12-months | Lifetime ECL | | Total |
| | ECL | Not impaired | Impaired | |
| Beginning balance | ₩ 344,759 | - | - | 344,759 |
| Replacement | | | | |
| To 12-month ECL | - | - | - | - |
| To Lifetime ECL | - | - | - | - |
| To credit impaired financial asset | - | - | - | - |
| Provision (reversal) | (4,374) | - | - | (4,374) |
| Ending balance | ₩ 340,385 | - | - | 340,385 |
| | | | | |
| | March 31, 2020 | | | |
| | 12-months | Lifetime ECL | | Total |
| | ECL | Not impaired | Impaired | |
| Beginning balance | ₩ 270,234 | - | - | 270,234 |
| Replacement | | | | |
| To 12-month ECL | - | - | - | - |
| To Lifetime ECL | - | - | - | - |
| To credit impaired financial asset | - | - | - | - |
| Provision (reversal) | 235,319 | - | - | 235,319 |
| Ending balance | ₩ 505,553 | - | - | 505,553 |

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6. Financial assets measured at fair value through other comprehensive income, Continued

(g) The details of change in book value in financial assets measured at fair value through other comprehensive income the three-month periods ended March 31, 2021 and 2020 are as follows:

| | March 31, 2021 | | | |
|------------------------------------|------------------|--------------|----------|---------------|
| | 12-months ECL | Lifetime ECL | | Total |
| | | Not impaired | Impaired | |
| Beginning balance | ₩ 1,691,470,656 | - | - | 1,691,470,656 |
| Replacement | | | | |
| To 12-month ECL | - | - | - | - |
| To Lifetime ECL | - | - | - | - |
| To credit impaired financial asset | - | - | - | - |
| Acquisition | 850,574,594 | - | - | 850,574,594 |
| Disposal | (758,749,360) | - | - | (758,749,360) |
| Valuation | (2,505,306) | - | - | (2,505,306) |
| Others(*) | (972,047) | - | - | (972,047) |
| Ending balance | ₩ 1,779,818,537 | - | - | 1,779,818,537 |

(*) Other changes are due to effective interest amortization, etc.

| | March 31, 2020 | | | |
|------------------------------------|------------------|--------------|----------|---------------|
| | 12-months ECL | Lifetime ECL | | Total |
| | | Not impaired | Impaired | |
| Beginning balance | ₩ 2,114,082,661 | - | - | 2,114,082,661 |
| Replacement | | | | |
| To 12-month ECL | - | - | - | - |
| To Lifetime ECL | - | - | - | - |
| To credit impaired financial asset | - | - | - | - |
| Acquisition | 387,477,850 | - | - | 387,477,850 |
| Disposal | (927,113,800) | - | - | (927,113,800) |
| Valuation | 3,397,726 | - | - | 3,397,726 |
| Others(*) | (834,695) | - | - | (834,695) |
| Ending balance | ₩ 1,577,009,742 | - | - | 1,577,009,742 |

(*) Other changes are due to effective interest amortization, etc.

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2021 and 2020

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7. Investments in Associates

(a) Investments in associates as of March 31, 2021 and December 31, 2020 are as follows:

| Company | Location | Ownership (%) | Financial year end | March 31, 2021 | | | Industry |
|--|----------|---------------|--------------------|------------------|------------------|-----------------|------------------------|
| | | | | Acquisition cost | Net asset amount | Carrying amount | |
| Associates: | | | | | | | |
| True Friend Investment Advisory Co., Ltd.(*1) | China | 100.00 | December 31 | ₩ 3,322,800 | 2,907,572 | 2,907,571 | Finance investment |
| Global Dynasty Natural Resource Private Equity Fund | Korea | 22.39 | December 31 | 6,733,180 | - | - | Investment trust |
| Shanghai Fangzheng Stock Investment Partnership | China | 39.60 | December 31 | 30,938,044 | 50,555,241 | 50,555,243 | Investment trust |
| KIP Promising Service Industry Venture Fund | Korea | 22.22 | December 31 | 5,810,000 | 7,756,482 | 7,756,482 | Investment partnership |
| KIM Growth Corporation Professional Private Trust 1 | Korea | 30.00 | December 31 | 14,085,833 | 18,756,602 | 18,756,603 | Investment trust |
| KIM Growth Company Professional Private Investment No.3 | Korea | 39.10 | December 31 | 25,884,014 | 26,270,611 | 26,270,611 | Investment trust |
| KIP Bright (Chengdu) Investment Partnership | China | 50.00 | December 31 | 30,187,946 | 32,231,264 | 32,231,264 | Investment trust |
| Korea Investment Industry 4.0 Venture Fund | Korea | 24.65 | December 31 | 15,872,500 | 23,023,891 | 23,023,891 | Investment trust |
| 2017 KIF-KIP Artificial Intelligence Venture Fund | Korea | 20.00 | December 31 | 7,746,840 | 9,381,334 | 9,381,334 | Investment partnership |
| EQ Partners Green Private Equity Fund | Korea | 26.43 | December 31 | 27,407,557 | 26,499,606 | 26,499,607 | Investment trust |
| IBK KIP Growth Stepstone No.1 Private Equity Fund | Korea | 20.00 | December 31 | 9,756,000 | 9,405,350 | 9,405,350 | Investment trust |
| Eugene Premier Professional Investment Type Private Investment Trust No.17 | Korea | 40.51 | December 31 | 28,957,927 | 32,616,502 | 32,616,502 | Investment trust |
| JB Japan Office Private Real Estate Fund 20 1st | Korea | 50.00 | December 31 | 18,800,000 | 21,146,752 | 21,146,753 | Investment trust |
| KIS-Emford New Tech Investment Fund 1 | Korea | 22.06 | December 31 | 3,000,000 | 2,826,660 | 2,826,660 | Investment partnership |
| KIM Private Placement London Core Office Real Estate Investment Trust | Korea | 23.35 | December 31 | 31,642,788 | 31,302,694 | 31,302,694 | Investment trust |
| KCLAVIS Meister Fund No.46(*1) | Korea | 64.52 | December 31 | 1,612,903 | 1,566,709 | 1,566,709 | Investment partnership |
| Hyundai YouFirst Private Real Estate Investment Trust No.23-1 | Korea | 48.81 | December 31 | 28,569,402 | 27,866,995 | 27,866,994 | Investment trust |
| AIP Euro green private real estate trust No.9 | Korea | 50.00 | December 31 | 46,419,188 | 46,629,846 | 46,634,233 | Investment trust |
| FG EURO GREEN Private Real Estate Fund No.3 | Korea | 25.51 | December 31 | 24,633,250 | 25,845,774 | 25,845,773 | Investment trust |

Korea Investment & Securities Co., Ltd. and Subsidiaries
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7. Investments in Associates, Continued

(a) Investments in associates as of March 31, 2021 and December 31, 2020 are as follows, Continued:

| Company | Location | Ownership (%) | Financial year end | March 31, 2021 | | | Industry |
|---|----------|---------------|--------------------|------------------|------------------|-----------------|------------------------|
| | | | | Acquisition cost | Net asset amount | Carrying amount | |
| Woori Goseong Power EBL Private Special Asset Fund | Korea | 33.33 | December 31 | ₩ 30,227,700 | 30,230,650 | 30,230,650 | Investment trust |
| Hanwha Japan Photovoltaic Private Fund 2 | Korea | 33.33 | December 31 | 20,342,854 | 21,026,813 | 21,026,813 | Investment trust |
| Eugene Aviation Private Special Asset Investment Trust No. 11 (Aircraft) (*1) | Korea | 54.48 | December 31 | 4,475,922 | 4,375,750 | 4,375,750 | Investment trust |
| NH-Amundi Aviation Private Fund 1 | Korea | 28.67 | December 31 | 14,878,864 | 14,637,480 | 14,637,480 | Investment trust |
| NH-Amundi Aviation Private Fund 2 | Korea | 40.04 | December 31 | 14,428,516 | 14,196,660 | 14,196,661 | Investment trust |
| HANA PRIVATE REAL ESTATE INVESTMENT TRUST NO.58 | Korea | 35.26 | December 31 | 31,006,489 | 29,899,641 | 29,899,640 | Investment trust |
| NH-Amundi US Infrastructure Investment Trust II | Korea | 30.30 | December 31 | 23,173,875 | 22,863,079 | 22,863,195 | Investment trust |
| Anda Station Professional Investment Type Private Real Estate Fund No.1 | Korea | 27.97 | December 31 | 21,365,218 | 22,021,852 | 22,021,852 | Investment trust |
| WOORI ECOWASTE PRIVATE SPECIAL ASSET FUND | Korea | 25.20 | December 31 | 31,769 | 25,467 | 25,468 | Investment trust |
| KIS-SV New Tech Investment Fund 1 | Korea | 32.97 | December 31 | 3,000,000 | 2,874,773 | 2,874,773 | Investment partnership |
| EBEST AIP Fund No.1 | Korea | 36.36 | December 31 | 545,455 | 524,281 | 524,281 | Investment partnership |
| Samchully Midstream Private Placement Special Asset Fund 5-3 | Korea | 44.44 | December 31 | 48,052,589 | 46,502,393 | 46,502,392 | Investment trust |
| KTB Aircraft Professional Investment Private Investment Trust No.22-1 | Korea | 27.03 | December 31 | 20,225,751 | 18,577,428 | 17,887,881 | Investment trust |
| JB Australia NDIS Private Fund 1 | Korea | 49.50 | December 31 | 50,000,000 | 43,912,837 | 41,751,519 | Investment trust |
| NH Amundi Overseas Senior Loan Fund 4 | Korea | 31.30 | December 31 | 43,990,132 | 45,844,377 | 45,844,377 | Investment trust |
| Tiger Alternative Investment 8 | Korea | 39.35 | December 31 | 47,620,000 | 47,071,794 | 47,071,794 | Investment trust |
| Tiger Alternative Qualified Investment Real Estate Trust No.12 | Korea | 32.59 | December 31 | 25,599,507 | 28,661,371 | 28,661,371 | Investment trust |
| Tiger Alternative Qualified Investment Real Estate Trust No. 6 | Korea | 32.59 | December 31 | 24,400,493 | 25,930,150 | 25,930,150 | Investment trust |
| Hanon Private Equity Fund | Korea | 28.57 | December 31 | 6,000,000 | 6,861,207 | 7,095,553 | Investment partnership |

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7. Investments in Associates, Continued

(a) Investments in associates as of March 31, 2021 and December 31, 2020 are as follows, Continued:

| Company | Location | Ownership (%) | Financial year end | March 31, 2021 | | | Industry |
|--|----------|---------------|--------------------|------------------|------------------|-----------------|------------------------|
| | | | | Acquisition cost | Net asset amount | Carrying amount | |
| KIS-BM New Tech Investment Fund 1 | Korea | 31.75 | December 31 ₩ | 2,000,000 | 1,933,624 | 1,933,624 | Investment partnership |
| T&F 2019 Bearing Startup and Venture Private Equity Fund | Korea | 23.54 | December 31 | 2,410,546 | 2,394,823 | 2,394,823 | Investment partnership |
| IBKC-EQP Innovative Technology Fund | Korea | 40.76 | December 31 | 5,485,729 | 4,976,054 | 4,976,054 | Investment partnership |
| Kiwoom Infra Core Debt Investment Private Trust No.2 | Korea | 27.05 | December 31 | 769,887 | 772,459 | 1,094,384 | Investment trust |
| Tiger Alternative Qualified Investment Real Estate Trust No.14 | Korea | 36.26 | December 31 | 50,000,000 | 46,244,409 | 46,244,409 | Investment trust |
| KIM AsiaPlus Securities Feeder Investment Trust(Bond) | Korea | 47.52 | December 31 | 20,531,666 | 20,807,229 | 22,100,734 | Investment trust |
| INMARK France Professional Private Real Estate Investment Trust 18 | Korea | 35.83 | December 31 | 55,000,000 | 54,550,245 | 53,874,664 | Investment trust |
| Petra 7 Alpha Private Equity Fund(*3) | Korea | 51.92 | December 31 | 26,061,725 | 25,084,443 | 25,084,443 | Investment partnership |
| KIS-BM New Tech Investment Fund 2 | Korea | 31.95 | December 31 | 1,000,000 | 978,880 | 978,880 | Investment partnership |
| Tiger Alternative Qualified Investment Real Estate Trust No.18-2 | Korea | 23.51 | December 31 | 27,668,700 | 26,462,651 | 26,012,651 | Investment trust |
| Kiwoom Hero Private Equity Fund 3 | Korea | 30.77 | December 31 | 2,000,000 | 1,951,684 | 1,951,684 | Investment partnership |
| KIM Global Flex Bond Securities Trust | Korea | 25.35 | December 31 | 20,000,000 | 21,168,402 | 21,168,402 | Investment trust |
| Koreainvestment-Brickinvestment 1 New Technology Business Investment Fund | Korea | 20.62 | December 31 | 3,000,000 | 2,975,106 | 2,975,106 | Investment partnership |
| KIM Private Placement Smart Real Asset Investment Trust 1 | Korea | 20.00 | December 31 | 6,975,000 | 7,407,557 | 7,544,321 | Investment trust |
| Alpha US Notus Special Asset Private Investment Trust | Korea | 39.96 | December 31 | 58,605,759 | 59,065,510 | 59,065,510 | Investment trust |
| PineStreet Global Corporate Finance Fund V-1 | Korea | 30.30 | December 31 | 16,580,000 | 16,665,889 | 16,665,889 | Investment trust |
| A ONE GALAXY KOSDAQ VENTURE PROFESSIONAL INVESTOR PRIVATE INVESTMENT FUNDS | Korea | 49.50 | December 31 | 5,000,000 | 4,961,286 | 4,961,286 | Investment trust |

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7. Investments in Associates, Continued

(a) Investments in associates as of March 31, 2021 and December 31, 2020 are as follows, Continued:

| Company | Location | Ownership (%) | Financial year end | March 31, 2021 | | | Industry |
|---|-----------|---------------|--------------------|------------------|------------------|-----------------|------------------|
| | | | | Acquisition cost | Net asset amount | Carrying amount | |
| Hyundai Logiscore PEF I | Korea | 29.41 | December 31 | ₩ 3,000,000 | 2,998,259 | 2,998,259 | Investment trust |
| Kakao Bank, Corp. | Korea | 26.97 | December 31 | 632,507,504 | 768,513,231 | 787,793,113 | Bank |
| Korea Investment Aviation Professional Investors' Special Asset Investment Trust No.6(*2) | Korea | 4.83 | December 31 | 5,723,605 | 2,773,538 | 2,773,513 | Investment trust |
| KIM Target Income Global Bond Feeder Fund2(*2) | Korea | 3.00 | December 31 | 400,000 | 442,776 | 445,896 | Investment trust |
| KIM Target Income Global Allocation Feeder Fund2(*2) | Korea | 7.38 | December 31 | 400,000 | 483,769 | 489,224 | Investment trust |
| KIM Global Socially Responsible ESG Companies Fund(Equity-Fund of Funds) (*2) | Korea | 17.58 | December 31 | 1,735,462 | 2,347,322 | 2,348,976 | Investment trust |
| KIM US Dividend Aristocrats Fund (Equity) (*2) | Korea | 4.72 | December 31 | 5,000,000 | 6,915,781 | 7,005,100 | Investment trust |
| Korea Value Platinum Plus Qualified Investor Private Investment Trust Type 2(*2) | Korea | 6.60 | December 31 | 769,300 | 779,630 | 777,485 | Investment trust |
| Korea Value Platinum Covered Risk Investor Private Investment Trust(*2) | Korea | 6.60 | December 31 | 1,050,000 | 1,054,025 | 1,052,770 | Investment trust |
| GEC-KIP Technology and Innovation Fund(*3) | Singapore | 58.20 | December 31 | 9,186,047 | 9,399,828 | 9,400,331 | Investment trust |
| | | | | ₩ 1,753,606,236 | 1,916,736,298 | 1,934,127,405 | |

(*1) Although percentage of ownership exceeds 50%, the impact of consolidation on financial statements is insignificant. Therefore, it is classified as investments in associates.

(*2) Although percentage of ownership does not exceed 20%, the Group has significant influence over the investee through its ability to appoint directors. Therefore, it is classified as investments in associates.

(*3) Although its equity ratio exceeds 50%, it is classified as an investment in an associate because it does not have the ability to determine financial and operating policies according to its de facto control.

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7. Investments in Associates, Continued

(a) Investments in associates as of March 31, 2021 and December 31, 2020 are as follows, Continued:

| Company | Location | Ownership (%) | Financial year end | December 31, 2020 | | | Industry |
|--|----------|---------------|--------------------|-------------------|------------------|-----------------|------------------------|
| | | | | Acquisition cost | Net asset amount | Carrying amount | |
| Associates: | | | | | | | |
| True Friend Investment Advisory Co., Ltd.(*1) | China | 100.00 | December 31 | ₩ 3,322,800 | 2,826,422 | 2,826,422 | Finance investment |
| Global Dynasty Natural Resource Private Equity Fund | Korea | 22.39 | December 31 | 6,733,180 | - | - | Investment trust |
| Shanghai Fangzheng Stock Investment Partnership | China | 39.60 | December 31 | 30,938,044 | 52,666,407 | 52,666,407 | Investment trust |
| KIP Promising Service Industry Venture Fund | Korea | 22.22 | December 31 | 7,439,000 | 8,281,967 | 8,281,967 | Investment partnership |
| KIM Growth Corporation Professional Private Trust 1 | Korea | 30.00 | December 31 | 14,865,036 | 14,276,842 | 14,276,842 | Investment trust |
| KIM Growth Corporation Professional Mezzanine Private Trust 2 | Korea | 20.55 | December 31 | 3,004,145 | 3,246,154 | 3,558,210 | Investment trust |
| KIM Growth Company Professional Private Investment No.3 | Korea | 39.10 | December 31 | 25,884,014 | 27,635,920 | 27,635,920 | Investment trust |
| KIP Bright (Chengdu) Investment Partnership | China | 50.00 | December 31 | 30,187,946 | 29,359,489 | 29,359,489 | Investment trust |
| Korea Investment Industry 4.0 Venture Fund | Korea | 24.65 | December 31 | 16,100,000 | 22,747,234 | 22,747,234 | Investment trust |
| 2017 KIF-KIP Artificial Intelligence Venture Fund | Korea | 20.00 | December 31 | 8,232,840 | 9,842,262 | 9,842,262 | Investment partnership |
| EQ Partners Green Private Equity Fund | Korea | 26.43 | December 31 | 27,356,127 | 26,444,910 | 26,444,910 | Investment trust |
| IBK KIP Growth Stepstone No.1 Private Equity Fund | Korea | 20.00 | December 31 | 9,756,000 | 9,433,047 | 9,433,047 | Investment trust |
| Eugene Premier Professional Investment Type Private Investment Trust No.17 | Korea | 40.51 | December 31 | 28,957,927 | 32,060,213 | 32,060,213 | Investment trust |
| JB Japan Office Private Real Estate Fund 20 1st | Korea | 50.00 | December 31 | 18,800,000 | 20,974,258 | 20,974,258 | Investment trust |
| KIS-Emford New Tech Investment Fund 1 | Korea | 22.06 | December 31 | 3,000,000 | 2,841,446 | 2,841,446 | Investment partnership |
| KIM Private Placement London Core Office Real Estate Investment Trust | Korea | 23.35 | December 31 | 31,642,788 | 31,381,120 | 31,381,120 | Investment trust |
| KCLAVIS Meister Fund No.46(*1) | Korea | 64.52 | December 31 | 1,612,903 | 1,571,602 | 1,571,602 | Investment partnership |
| Hyundai YouFirst Private Real Estate Investment Trust No.23-1 | Korea | 48.81 | December 31 | 28,569,402 | 27,557,786 | 27,557,786 | Investment trust |
| AIP Euro green private real estate trust No.9 | Korea | 50.00 | December 31 | 46,419,188 | 46,605,648 | 46,610,036 | Investment trust |
| FG EURO GREEN Private Real Estate Fund No.3 | Korea | 25.51 | December 31 | 24,633,250 | 25,225,049 | 25,225,049 | Investment trust |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

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(In thousands of won)

7. Investments in Associates, Continued

(a) Investments in associates as of March 31, 2021 and December 31, 2020 are as follows, Continued:

| Company | Location | Ownership (%) | Financial year end | December 31, 2020 | | | Industry |
|---|----------|---------------|--------------------|-------------------|------------------|-----------------|------------------------|
| | | | | Acquisition cost | Net asset amount | Carrying amount | |
| Woori Goseong Power EBL Private Special Asset Fund | Korea | 33.33 | December 31 ₩ | 30,227,700 | 30,235,416 | 30,235,416 | Investment trust |
| Hanwha Japan Photovoltaic Private Fund 2 | Korea | 33.33 | December 31 | 20,923,256 | 21,763,190 | 21,763,190 | Investment trust |
| Eugene Aviation Private Special Asset Investment Trust No. 11 (Aircraft) (*1) | Korea | 54.48 | December 31 | 4,475,922 | 4,393,468 | 4,393,468 | Investment trust |
| NH-Amundi Aviation Private Fund 1 | Korea | 28.67 | December 31 | 15,896,358 | 15,663,979 | 15,663,979 | Investment trust |
| NH-Amundi Aviation Private Fund 2 | Korea | 40.04 | December 31 | 15,427,122 | 15,210,363 | 15,210,363 | Investment trust |
| HANA PRIVATE REAL ESTATE INVESTMENT TRUST NO.58 | Korea | 35.26 | December 31 | 31,006,489 | 29,878,225 | 29,878,225 | Investment trust |
| NH-Amundi US Infrastructure Investment Trust II | Korea | 30.30 | December 31 | 24,181,229 | 23,870,054 | 23,870,172 | Investment trust |
| Anda Station Professional Investment Type Private Real Estate Fund No.1 | Korea | 31.80 | December 31 | 38,496,957 | 37,320,305 | 37,320,305 | Investment trust |
| Koramco Professional Investment No.69 | Korea | 40.00 | December 31 | 30,417,300 | 30,421,859 | 30,421,859 | Investment trust |
| WOORI ECOWASTE PRIVATE SPECIAL ASSET FUND | Korea | 25.20 | December 31 | 15,505,197 | 15,508,487 | 15,508,487 | Investment trust |
| KIS-SV New Tech Investment Fund 1 | Korea | 32.97 | December 31 | 3,000,000 | 2,889,555 | 2,889,555 | Investment partnership |
| EBEST AIP Fund No.1 | Korea | 36.36 | December 31 | 545,455 | 528,711 | 528,711 | Investment partnership |
| Samchully Midstream Private Placement Special Asset Fund 5-3 | Korea | 44.44 | December 31 | 48,052,589 | 46,695,517 | 46,695,517 | Investment trust |
| KTB Aircraft Professional Investment Private Investment Trust No.22-1 | Korea | 27.03 | December 31 | 21,525,867 | 22,177,686 | 19,899,256 | Investment trust |
| JB Australia NDIS Private Fund 1 | Korea | 49.50 | December 31 | 50,000,000 | 43,835,233 | 41,751,519 | Investment trust |
| NH Amundi Overseas Senior Loan Fund 4 | Korea | 30.00 | December 31 | 43,719,741 | 43,684,662 | 43,684,662 | Investment trust |
| Tiger Alternative Investment 8 | Korea | 39.35 | December 31 | 47,620,000 | 46,031,070 | 46,031,070 | Investment trust |
| Tiger Alternative Qualified Investment Real Estate Trust No.12 | Korea | 32.59 | December 31 | 25,599,507 | 23,545,480 | 23,545,480 | Investment trust |
| Tiger Alternative Qualified Investment Real Estate Trust No. 6 | Korea | 32.59 | December 31 | 24,400,493 | 22,413,562 | 22,413,562 | Investment trust |
| Hanon Private Equity Fund | Korea | 28.57 | December 31 | 6,000,000 | 6,307,272 | 6,541,618 | Investment partnership |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

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7. Investments in Associates, Continued

(a) Investments in associates as of March 31, 2021 and December 31, 2020 are as follows, Continued:

| Company | Location | Ownership (%) | Financial year end | December 31, 2020 | | | Industry |
|---|----------|---------------|--------------------|-------------------|------------------|-----------------|------------------------|
| | | | | Acquisition cost | Net asset amount | Carrying amount | |
| KIS-BM New Tech Investment Fund 1 | Korea | 31.75 | December 31 ₩ | 2,000,000 | 1,943,455 | 1,943,455 | Investment partnership |
| T&F 2019 Bearing Startup and Venture Private Equity Fund | Korea | 23.54 | December 31 | 2,410,546 | 2,398,338 | 2,398,338 | Investment partnership |
| IBKC-EQP Innovative Technology Fund | Korea | 40.00 | December 31 | 5,383,038 | 4,879,044 | 4,879,044 | Investment partnership |
| Kiwoom Infra Core Debt Investment Private Trust No.2 | Korea | 27.05 | December 31 | 35,000,000 | 36,816,073 | 37,137,998 | Investment trust |
| Tiger Alternative Qualified Investment Real Estate Trust No.14 | Korea | 36.26 | December 31 | 50,000,000 | 45,803,802 | 45,803,802 | Investment trust |
| Multi Asset Opportunity QI Investment Fund No. 16(*3) | Korea | 56.90 | December 31 | 30,646,056 | 30,325,350 | 30,320,575 | Investment trust |
| KIM AsiaPlus Securities Feeder Investment Trust(Bond) | Korea | 44.91 | December 31 | 20,531,666 | 20,820,716 | 21,096,212 | Investment trust |
| INMARK France Professional Private Real Estate Investment Trust 18 | Korea | 35.83 | December 31 | 55,000,000 | 54,216,451 | 53,540,870 | Investment trust |
| Petra 7 Alpha Private Equity Fund(*3) | Korea | 51.92 | December 31 | 26,061,725 | 25,144,270 | 25,144,270 | Investment partnership |
| KIS-BM New Tech Investment Fund 2 | Korea | 31.95 | December 31 | 1,000,000 | 983,801 | 983,801 | Investment partnership |
| Kiwoom Hero Private Equity Fund 3 | Korea | 30.77 | December 31 | 2,000,000 | 1,957,695 | 1,957,695 | Investment partnership |
| Koreainvestment-Brickinvestment 1 New Technology Business Investment Fund | Korea | 20.62 | December 31 | 3,000,000 | 2,930,099 | 2,930,099 | Investment partnership |
| Tiger Alternative Qualified Investment Real Estate Trust No.18-2 | Korea | 23.51 | December 31 | 27,668,700 | 26,468,082 | 26,018,082 | Investment trust |
| KIM Global Flex Bond Securities Trust | Korea | 36.40 | December 31 | 20,000,000 | 21,171,555 | 21,310,019 | Investment trust |
| KIM Private Placement Smart Real Asset Investment Trust 1 | Korea | 20.00 | December 31 | 6,975,000 | 7,141,723 | 7,278,488 | Investment trust |
| Alpha US Notus Special Asset Private Investment Trust | Korea | 39.96 | December 31 | 58,605,759 | 59,045,032 | 59,045,032 | Investment trust |
| PineStreet Global Corporate Finance Fund V-1 | Korea | 30.30 | December 31 | 16,580,000 | 16,536,743 | 16,536,743 | Investment trust |

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7. Investments in Associates, Continued

(a) Investments in associates as of March 31, 2021 and December 31, 2020 are as follows, Continued:

| Company | Location | Ownership (%) | Financial year end | December 31, 2020 | | | Industry |
|---|-----------|---------------|--------------------|-------------------|------------------|-----------------|------------------|
| | | | | Acquisition cost | Net asset amount | Carrying amount | |
| A ONE GALAXY KOSDAQ VENTURE PROFESSIONAL INVESTOR PRIVATE INVESTMENT FUNDS | Korea | 49.50 | December 31 | ₩ 5,000,000 | 4,999,520 | 4,999,520 | Investment trust |
| KODEX Banks | Korea | 38.55 | December 31 | 77,541,023 | 83,687,620 | 83,687,620 | Investment trust |
| Kakao Bank, Corp. | Korea | 27.10 | December 31 | 632,507,504 | 757,976,842 | 778,301,186 | Bank |
| Korea Investment Aviation Professional Investors' Special Asset Investment Trust No.6(*2) | Korea | 4.83 | December 31 | 5,723,605 | 2,779,825 | 2,779,825 | Investment trust |
| KIM Target Income Global Bond Feeder Fund2(*1) | Korea | 28.78 | December 31 | 3,300,000 | 3,726,426 | 3,726,426 | Investment trust |
| KIM Target Income Global Allocation Feeder Fund2 | Korea | 64.52 | December 31 | 4,800,000 | 5,820,192 | 5,820,192 | Investment trust |
| KIM Global Socially Responsible ESG Companies Fund(Equity-Fund of Funds) | Korea | 22.51 | December 31 | 1,723,675 | 2,287,668 | 2,287,668 | Investment trust |
| GEC-KIP Technology and Innovation Fund | Singapore | 47.04 | December 31 | 6,863,962 | 5,949,908 | 5,949,908 | Investment trust |
| KIM US Dividend Aristocrats Fund (Equity) C-F(*2) | Korea | 4.19 | December 31 | 5,000,000 | 6,379,850 | 6,379,850 | Investment trust |
| Korea Value Platinum Equity Qualified Investor Private Investment Trust Type 2(*2) | Korea | 6.60 | December 31 | 534,800 | 629,877 | 629,877 | Investment trust |
| | | | | ₩ 1,970,332,831 | 2,110,171,827 | 2,126,427,229 | |

(*1) Although percentage of ownership exceeds 50%, the impact of consolidation on financial statements is insignificant. Therefore, it is classified as investments in associates.

(*2) Although percentage of ownership does not exceed 20%, the Group has significant influence over the investee through its ability to appoint directors. Therefore, it is classified as investments in associates.

(*3) Although its equity ratio exceeds 50%, it is classified as an investment in an associate because it does not have the ability to determine financial and operating policies according to its de facto control.

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

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(In thousands of won)

7. Investments in Associates, Continued

(b) Summary of financial information of associates as of March 31, 2021 and December 31, 2020 are as follows:

| Company | March 31, 2021 | | | | | |
|--|----------------|-------------------|--------------|--------------------|-------------------|-----------------------------------|
| | Total assets | Total liabilities | Total equity | Operating revenues | Net income (loss) | Total comprehensive income (loss) |
| True Friend Investment Advisory Co., Ltd. | ₩ 2,992,262 | 84,691 | 2,907,571 | - | 3,043 | 81,149 |
| Global Dynasty Natural Resource Private Equity Fund | 124,935 | 1,971,984 | (1,847,049) | 32 | (7,018) | (7,018) |
| Shanghai Fangzheng Stock Investment Partnership | 128,149,913 | 485,159 | 127,664,754 | 7,356,799 | (7,636,635) | (5,331,223) |
| KIP Promising Service Industry Venture Fund | 37,312,189 | 2,408,019 | 34,904,170 | 5,477,745 | 4,965,818 | 4,965,818 |
| KIM Growth Corporation Professional Private Trust 1 | 62,724,719 | 202,708 | 62,522,011 | 22,044,495 | 19,114,318 | 19,114,318 |
| KIM Growth Company Professional Private Investment No.3 | 67,188,529 | 132 | 67,188,396 | 86,195 | (3,491,815) | (3,491,815) |
| KIP Bright (Chengdu) Investment Partnership | 64,463,047 | 521 | 64,462,526 | 5,491,576 | 3,898,871 | 5,743,549 |
| Korea Investment Industry 4.0 Venture Fund | 93,767,791 | 356,575 | 93,411,216 | 959,494 | 4,247,263 | 4,247,263 |
| 2017 KIF-KIP Artificial Intelligence Venture Fund | 47,095,691 | 189,017 | 46,906,674 | 3,212 | 1,354,927 | 1,354,927 |
| EQ Partners Green Private Equity Fund | 100,483,742 | 214,957 | 100,268,785 | 212,321 | 12,847 | 12,847 |
| IBK KIP Growth Stepstone No.1 Private Equity Fund | 47,349,753 | 322,999 | 47,026,754 | 187,815 | (138,484) | (138,484) |
| Eugene Premier Professional Investment Type Private Investment Trust No.17 | 80,827,510 | 319,357 | 80,508,153 | 1,289,296 | 1,373,103 | 1,373,103 |
| JB Japan Office Private Real Estate Fund 20 1st | 42,297,018 | 3,514 | 42,293,504 | 940,978 | 1,109,240 | 1,109,240 |
| KIS-Emford New Tech Investment Fund 1 | 12,814,193 | - | 12,814,193 | - | (67,030) | (67,030) |
| KIM Private Placement London Core Office Real Estate Investment Trust | 134,195,067 | 115,194 | 134,079,873 | 1,155 | (335,926) | (335,926) |
| KCLAVIS Meister Fund No.46 | 2,439,837 | 11,438 | 2,428,399 | 10 | (7,584) | (7,584) |
| Hyundai YouFirst Private Real Estate Investment Trust No.23-1 | 57,201,417 | 106,208 | 57,095,209 | 469,141 | 633,519 | 633,519 |
| AIP Euro green private real estate trust NO.9 | 96,773,373 | 3,517,223 | 93,256,150 | 2,003,753 | 2,085,185 | 2,085,185 |
| FG EURO GREEN Private Real Estate Fund No.3 | 101,542,674 | 208,265 | 101,334,409 | 1,023,707 | 2,433,695 | 2,433,695 |
| Woori Goseong Power EBL Private Special Asset Fund | 90,712,793 | 20,842 | 90,691,951 | 756,378 | 732,102 | 732,102 |
| Hanwha Japan Photovoltaic Private Fund 2 | 63,162,760 | 82,321 | 63,080,439 | 621,867 | 830,868 | 830,868 |
| Eugene Aviation Private Special Asset Investment Trust No. 11 (Aircraft) | 8,033,152 | 934 | 8,032,218 | 156,194 | 133,247 | 133,247 |

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7. Investments in Associates, Continued

(b) Summary of financial information of associates as of March 31, 2021 and December 31, 2020 are as follows, Continued:

| Company | March 31, 2021 | | | | | |
|---|----------------|-------------------|--------------|--------------------|-------------------|-----------------------------------|
| | Total assets | Total liabilities | Total equity | Operating revenues | Net income (loss) | Total comprehensive income (loss) |
| NH-Amundi Aviation Private Fund 1 | ₩ 51,052,395 | 3,985 | 51,048,410 | 574,696 | 449,702 | 449,702 |
| NH-Amundi Aviation Private Fund 2 | 35,461,502 | 2,769 | 35,458,733 | 565,692 | 469,652 | 469,652 |
| HANA PRIVATE REAL ESTATE INVESTMENT TRUST NO.58 | 87,719,080 | 2,930,915 | 84,788,165 | 3 | 60,727 | 60,727 |
| NH-Amundi US Infrastructure Investment Trust II | 75,458,686 | 4,640 | 75,454,046 | 7,515,873 | 808,276 | 808,276 |
| Anda Station Professional Investment Type Private Real Estate Fund No.1 | 327,540,084 | 248,818,142 | 78,721,942 | 3,200,330 | 41,866,424 | 41,866,424 |
| WOORI ECOWASTE PRIVATE SPECIAL ASSET FUND | 122,398 | 21,347 | 101,051 | 342,447 | 322,576 | 322,576 |
| KIS-SV New Tech Investment Fund 1 | 8,720,144 | - | 8,720,144 | 37 | (44,839) | (44,839) |
| EBEST AIP Fund No.1 | 1,449,912 | 8,137 | 1,441,775 | 14 | (12,181) | (12,181) |
| Samchully Midstream Private Placement Special Asset Fund 5-3 | 104,709,236 | 78,854 | 104,630,382 | 162,988 | (434,532) | (434,532) |
| KTB Aircraft Professional Investment Private Investment Trust No.22-1 | 73,464,215 | 4,726,875 | 68,737,340 | 2,111,336 | 1,080,189 | 1,080,189 |
| JB Australia NDIS Private Fund 1 | 88,761,817 | 57,887 | 88,703,930 | 110,286 | 156,759 | 156,759 |
| NH Amundi Overseas Senior Loan Fund 4 | 449,941,743 | 303,474,086 | 146,467,657 | 1,780,131 | 1,768,814 | 1,768,814 |
| Tiger Alternative Investment 8 | 119,751,733 | 115,042 | 119,636,691 | 2,564,126 | 2,645,082 | 2,645,082 |
| Tiger Alternative Qualified Investment Real Estate Trust No.12 | 90,302,263 | 2,355,839 | 87,946,424 | 2,980,748 | 18,727,935 | 18,727,935 |
| Tiger Alternative Qualified Investment Real Estate Trust No. 6 | 81,811,310 | 2,245,542 | 79,565,768 | 2,428,758 | 13,190,528 | 13,190,528 |
| Hanon Private Equity Fund | 24,077,265 | 63,040 | 24,014,225 | 3,164,709 | 3,110,023 | 3,110,023 |
| T&F 2019 Bearing Startup and Venture Private Equity Fund | 10,174,581 | 1,375 | 10,173,206 | 49,315 | (7,142) | 49,315 |
| IBKC-EQP Innovative Technology Fund | 12,454,340 | 247,084 | 12,207,256 | 1 | (247,082) | (247,082) |
| Kiwoom Infra Core Debt Investment Private Trust No.2 | 2,878,569 | 23,072 | 2,855,497 | 584,718 | (3,985,714) | (3,985,714) |
| Tiger Alternative Qualified Investment Real Estate Trust No.14 | 127,577,261 | 28,482 | 127,548,779 | 3,093,162 | 3,805,931 | 3,805,931 |
| KIM AsiaPlus Securities Feeder Investment Trust(Bond) | 43,835,648 | 49,784 | 43,785,864 | 699,845 | (22,193) | (22,193) |
| INMARK France Professional Private Real Estate Investment Trust 18 | 166,765,308 | 14,520,534 | 152,244,774 | 2,486,997 | 931,589 | 931,589 |
| Petra 7 Alpha Private Equity Fund | 48,438,881 | 121,319 | 48,317,562 | 331 | (115,238) | (115,238) |
| KIS-BM New Tech Investment Fund 2 | 3,063,896 | - | 3,063,896 | - | (15,402) | (15,402) |

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7. Investments in Associates, Continued

(b) Summary of financial information of associates as of March 31, 2021 and December 31, 2020 are as follows, Continued:

| Company | March 31, 2021 | | | | | | |
|---|----------------|-------------------|---------------|--------------------|-------------------|-----------------------------------|--|
| | Total assets | Total liabilities | Total equity | Operating revenues | Net income (loss) | Total comprehensive income (loss) | |
| Tiger Alternative Qualified Investment Real Estate Trust No.18-2 ₩ | 109,939,194 | (2,600,452) | 112,539,646 | 193 | 1,194,866 | 1,194,866 | |
| Kiwoom Hero Private Equity Fund 3 | 6,358,259 | 15,288 | 6,342,971 | - | (19,537) | (19,537) | |
| KIM Global Flex Bond Securities Trust | 85,111,359 | 1,617,074 | 83,494,285 | 308,261 | (92,063) | (92,063) | |
| Korea Investment-Brick Investment 1 New Technology Business Investment Fund | 14,429,265 | - | 14,429,265 | - | 630 | 630 | |
| KIM Private Placement Smart Real Asset Investment Trust 1 | 37,604,015 | 566,232 | 37,037,783 | 1,363,260 | 1,329,166 | 1,329,166 | |
| Alpha US Notus Special Asset Private Investment Trust | 149,001,149 | 1,205,307 | 147,795,842 | 5,009,373 | 1,251,741 | 1,251,741 | |
| PineStreet Global Corporate Finance Fund V-1 | 57,203,668 | 2,206,234 | 54,997,434 | 910,827 | 942,183 | 942,183 | |
| A ONE GALAXY KOSDAQ VENTURE PROFESSIONAL INVESTOR PRIVATE INVESTMENT FUNDS | 10,022,789 | 991 | 10,021,798 | - | (77,233) | (77,233) | |
| Hyundai Logiscore PEF I | 10,400,542 | 206,460 | 10,194,082 | 2,000,158 | (5,918) | (5,918) | |
| Kakao Bank, Corp. | 28,616,363,358 | 25,766,888,355 | 2,849,475,003 | 224,910,115 | 46,656,185 | 38,357,926 | |
| Korea Investment Aviation Professional Investors' Special Asset Investment Trust No.6 | 57,488,078 | 10,160 | 57,477,918 | 9,098,727 | (130,626) | (130,626) | |
| KIM Target Income Global Bond Feeder Fund2 | 14,911,989 | 152,792 | 14,759,197 | 254,015 | (198,351) | (198,351) | |
| KIM Target Income Global Allocation Feeder Fund2 | 6,556,855 | 1,719 | 6,555,136 | 525,794 | 61,465 | 61,465 | |
| KIM Global Socially Responsible ESG Companies Fund(Equity-Fund of Funds) | 13,377,090 | 23,721 | 13,353,369 | 844,168 | 208,929 | 208,929 | |
| KIM US Dividend Aristocrats Fund (Equity) | 151,645,080 | 5,196,235 | 146,448,845 | 23,094,056 | 12,865,861 | 12,865,861 | |
| Korea Value Platinum Plus Qualified Investor Private Investment Trust | 12,652,415 | 839,842 | 11,812,573 | 333,159 | 162,104 | 162,104 | |
| Korea Value Platinum Covered Risk Investor Private Investment Trust | 17,413,009 | 1,442,937 | 15,970,072 | 100,202 | 68,610 | 68,610 | |
| GEC-KIP Technology and Innovation Fund | 16,195,637 | 44,729 | 16,150,908 | - | (124,109) | 732,968 | |

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7. Investments in Associates, Continued

(b) Summary of financial information of associates as of March 31, 2021 and December 31, 2020 are as follows, Continued:

| Company | December 31, 2020 | | | | | |
|--|-------------------|-------------------|--------------|-----------------------|-----------------------|---------------------------------------|
| | Total assets | Total liabilities | Total equity | Operating revenues(*) | Net income (loss) (*) | Total comprehensive income (loss) (*) |
| True Friend Investment Advisory Co., Ltd. | ₩ 2,908,079 | 81,657 | 2,826,422 | - | (3,423) | 109,253 |
| Global Dynasty Natural Resource Private Equity Fund | 131,953 | 1,971,984 | (1,840,031) | 40 | (17,200) | (17,200) |
| Shanghai Fangzheng Stock Investment Partnership | 133,030,287 | 34,310 | 132,995,977 | 23,729 | (3,853,772) | 137,934 |
| KIP Promising Service Industry Venture Fund | 40,146,736 | 2,877,884 | 37,268,852 | 2,677,775 | 1,761,164 | 1,761,164 |
| KIM Growth Corporation Professional Private Trust 1 | 47,775,229 | 185,757 | 47,589,472 | 4,131,080 | 4,036,638 | 4,036,638 |
| KIM Growth Corporation Professional Mezzanine Private Trust 2 | 15,796,438 | 68 | 15,796,370 | 964,494 | 1,674,492 | 1,674,492 |
| KIM Growth Company Professional Private Investment No.3 | 70,680,359 | 148 | 70,680,211 | 59,271 | (356,046) | (356,046) |
| KIP Bright (Chengdu) Investment Partnership | 58,718,977 | - | 58,718,977 | 15,886,189 | (867,987) | 1,469,710 |
| Korea Investment Industry 4.0 Venture Fund | 93,688,779 | 1,400,000 | 92,288,779 | 620,533 | 240,124 | 240,124 |
| 2017 KIF-KIP Artificial Intelligence Venture Fund | 49,440,844 | 229,534 | 49,211,310 | 2,542,869 | 2,254,002 | 2,254,002 |
| EQ Partners Green Private Equity Fund | 100,255,975 | 194,153 | 100,061,822 | 508,654 | 305,602 | 305,602 |
| IBK KIP Growth Stepstone No.1 Private Equity Fund | 47,819,784 | 654,547 | 47,165,237 | 267,328 | (93,221) | (93,221) |
| Eugene Premier Professional Investment Type Private Investment Trust No.17 | 79,427,931 | 292,881 | 79,135,050 | 1,588,402 | 1,804,026 | 1,804,026 |
| JB Japan Office Private Real Estate Fund 20 1st | 42,474,635 | 526,120 | 41,948,515 | 1,172,689 | 1,801,911 | 1,801,911 |
| KIS-Emford New Tech Investment Fund 1 | 12,881,223 | - | 12,881,223 | - | (70,001) | (70,001) |
| KIM Private Placement London Core Office Real Estate Investment Trust | 134,449,243 | 33,445 | 134,415,798 | 3,630 | 896,074 | 896,074 |
| KCLAVIS Meister Fund No.46 | 2,441,257 | 5,274 | 2,435,983 | 15 | (7,675) | (7,675) |
| Hyundai YouFirst Private Real Estate Investment Trust No.23-1 | 56,510,165 | 48,476 | 56,461,689 | 1,138,436 | - | - |
| AIP Euro green private real estate trust NO.9 | 97,330,135 | 4,122,378 | 93,207,757 | 1,907,730 | 3,848,443 | 3,848,443 |
| FG EURO GREEN Private Real Estate Fund No.3 | 98,986,773 | 86,059 | 98,900,714 | 1,143,436 | (2,147,750) | (2,147,750) |
| Woori Goseong Power EBL Private Special Asset Fund | 90,727,587 | 21,338 | 90,706,249 | 760,843 | 736,469 | 736,469 |
| Hanwha Japan Photovoltaic Private Fund 2 | 65,320,582 | 31,011 | 65,289,571 | 688,594 | 1,599,581 | 1,599,581 |
| Eugene Aviation Private Special Asset Investment Trust No. 11 (Aircraft) | 8,065,645 | 903 | 8,064,742 | 167,116 | 159,910 | 159,910 |

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March 31, 2021 and 2020

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7. Investments in Associates, Continued

(b) Summary of financial information of associates as of March 31, 2021 and December 31, 2020 are as follows, Continued:

| Company | December 31, 2020 | | | | | | Total comprehensive income (loss) (*) |
|---|-------------------|-------------------|--------------|-----------------------|-----------------------|-----------|---------------------------------------|
| | Total assets | Total liabilities | Total equity | Operating revenues(*) | Net income (loss) (*) | | |
| NH-Amundi Aviation Private Fund 1 | ₩ 54,632,263 | 3,925 | 54,628,338 | 616,432 | 474,323 | 474,323 | |
| NH-Amundi Aviation Private Fund 2 | 37,993,365 | 2,728 | 37,990,637 | 602,556 | 497,847 | 497,847 | |
| HANA PRIVATE REAL ESTATE INVESTMENT TRUST NO.58 | 86,460,941 | 1,733,503 | 84,727,438 | 6 | (332,525) | (332,525) | |
| NH-Amundi US Infrastructure Investment Trust II | 78,794,460 | 17,171 | 78,777,289 | 1,088,954 | 1,237,447 | 1,237,447 | |
| Anda Station Professional Investment Type Private Real Estate Fund No.1 | 269,311,518 | 151,947,664 | 117,363,854 | 3,658,416 | 1,809,375 | 1,809,375 | |
| Koramco Professional Investment No.69 | 220,071,256 | 144,016,608 | 76,054,648 | 3,119,556 | 1,170,995 | 1,170,995 | |
| WOORI ECOWASTE PRIVATE SPECIAL ASSET FUND | 61,581,514 | 47,839 | 61,533,675 | 23,417 | 727,300 | 727,300 | |
| KIS-SV New Tech Investment Fund 1 | 8,764,983 | - | 8,764,983 | - | (45,138) | (45,138) | |
| EBEST AIP Fund No.1 | 1,453,956 | - | 1,453,956 | 19,466 | 7,255 | 7,255 | |
| Samchully Midstream Private Placement Special Asset Fund 5-3 | 105,145,487 | 80,573 | 105,064,914 | 1,929,258 | 1,890,789 | 1,890,789 | |
| KTB Aircraft Professional Investment Private Investment Trust No.22-1 | 90,325,807 | 8,267,349 | 82,058,458 | 2,418,732 | 1,264,879 | 1,264,879 | |
| JB Australia NDIS Private Fund 1 | 88,602,858 | 55,687 | 88,547,171 | - | 153,463 | 153,463 | |
| NH Amundi Overseas Senior Loan Fund 4 | 436,475,174 | 290,859,635 | 145,615,539 | 2,171,414 | 1,916,943 | 1,916,943 | |
| Tiger Alternative Investment 8 | 117,017,123 | 25,514 | 116,991,609 | 2,979,500 | 2,526,442 | 2,526,442 | |
| Tiger Alternative Qualified Investment Real Estate Trust No.12 | 72,398,808 | 150,319 | 72,248,489 | 3,590,624 | 2,667,406 | 2,667,406 | |
| Tiger Alternative Qualified Investment Real Estate Trust No. 6 | 68,918,517 | 143,278 | 68,775,239 | 3,289,512 | 2,409,843 | 2,409,843 | |
| Hanon Private Equity Fund | 22,142,412 | 66,960 | 22,075,452 | 3,148,963 | 2,987,943 | 2,987,943 | |
| KIS-BM New Tech Investment Fund 1 | 6,121,883 | - | 6,121,883 | - | 410 | 410 | |
| T&F 2019 Bearing Startup and Venture Private Equity Fund | 10,190,888 | 2,750 | 10,188,138 | 49,863 | (6,740) | 49,863 | |
| IBKC-EQP Innovative Technology Fund | 12,448,975 | 251,366 | 12,197,609 | 292 | (303,087) | (303,087) | |
| Kiwoom Infra Core Debt Investment Private Trust No.2 | 136,120,160 | 24,688 | 136,095,472 | 1,571,614 | 3,907,391 | 3,907,391 | |
| Tiger Alternative Qualified Investment Real Estate Trust No.14 | 126,482,341 | 148,820 | 126,333,521 | 2,752,120 | 1,348,505 | 1,348,505 | |
| Multi Asset Opportunity QI Investment Fund No. 16 | 53,349,955 | 54,250 | 53,295,705 | 2 | (73,366) | (73,366) | |
| KIM AsiaPlus Securities Feeder Investment Trust(Bond) | 46,466,047 | 130,131 | 46,335,916 | 1,843,293 | (158,104) | (158,104) | |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2021 and 2020

(In thousands of won)

7. Investments in Associates, Continued

(b) Summary of financial information of associates as of March 31, 2021 and December 31, 2020 are as follows, Continued:

| Company | December 31, 2020 | | | | | | Total comprehensive income (loss) (*) |
|---|-------------------|-------------------|---------------|-----------------------|-----------------------|-------------|---------------------------------------|
| | Total assets | Total liabilities | Total equity | Operating revenues(*) | Net income (loss) (*) | | |
| INMARK France Professional Private Real Estate Investment Trust 18 | ₩ 165,938,743 | 14,625,558 | 151,313,185 | 2,854,265 | 5,412,908 | 5,412,908 | |
| Petra 7 Alpha Private Equity Fund | 48,560,529 | 127,729 | 48,432,800 | 1,687 | (117,705) | (117,705) | |
| KIS-BM New Tech Investment Fund 2 | 3,079,298 | - | 3,079,298 | - | (3,773) | (3,773) | |
| Kiwoom Hero Private Equity Fund 3 | 6,379,769 | 17,261 | 6,362,508 | - | - | - | |
| Koreainvestment-Brickinvestment 1 New Technology Business Investment Fund | 14,210,983 | - | 14,210,983 | - | - | - | |
| Tiger Alternative Qualified Investment Real Estate Trust No.18-2 | 115,346,149 | 2,783,405 | 112,562,744 | 1,600 | (1,590,436) | (1,590,436) | |
| KIM Global Flex Bond Securities Trust | 58,881,420 | 714,957 | 58,166,463 | - | - | - | |
| KIM Private Placement Smart Real Asset Investment Trust 1 | 35,885,258 | 176,641 | 35,708,617 | - | - | - | |
| Alpha US Notus Special Asset Private Investment Trust | 147,903,098 | 158,498 | 147,744,600 | - | - | - | |
| PineStreet Global Corporate Finance Fund V-1 | 55,319,645 | 748,394 | 54,571,251 | - | - | - | |
| A ONE GALAXY KOSDAQ VENTURE PROFESSIONAL INVESTOR PRIVATE INVESTMENT FUNDS | 10,100,000 | 969 | 10,099,031 | - | - | - | |
| Kakao Bank, Corp. | 26,649,990,467 | 23,853,027,949 | 2,796,962,518 | 192,635,437 | 18,473,016 | 25,118,299 | |
| KODEX Banks | 217,210,696 | 126,267 | 217,084,429 | - | - | - | |
| Korea Investment Aviation Professional Investors' Special Asset Investment Trust No.6 | 57,627,347 | 18,829 | 57,608,518 | 788 | (229,462) | (229,462) | |
| KIM Target Income Global Bond Feeder Fund2 | 13,996,512 | 1,938,756 | 12,057,756 | 138 | (815,225) | (815,225) | |
| KIM Target Income Global Allocation Feeder Fund2 | 8,958,221 | 3,080 | 8,955,141 | 318 | (945,615) | (945,615) | |
| KIM Global Socially Responsible ESG Companies Fund(Equity-Fund of Funds) | 13,748,053 | 3,543,748 | 10,204,305 | - | (432,669) | (432,669) | |
| GEC-KIP Technology and Innovation Fund | 13,227,159 | 131,305 | 13,095,854 | - | (179,992) | (297,410) | |
| KIM US Dividend Aristocrats Fund (Equity) | 150,455,434 | 1,164,497 | 149,290,937 | - | - | - | |
| Korea Value Platinum Equity Qualified Investor Private Investment Trust Type 2 | 9,543,837 | 111 | 9,543,726 | - | - | - | |

(*) These are amounts for the three-month period ended March 31, 2020.

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2021 and 2020

(In thousands of won)

7. Investments in Associates, Continued

(c) The changes in investments in associates for the three-month periods ended March 31, 2021 and 2020 are as follows:

| Company | 2021 | | | | | | |
|--|-------------------|------------------------|---------|-----------|-----------------------------|---------------------------------|----------------|
| | Beginning balance | Acquisition (Disposal) | Replace | Dividends | Profit (loss) of associates | Changes in equity of associates | Ending balance |
| True Friend Investment Advisory Co., Ltd. | ₩ 2,826,422 | - | - | - | 3,043 | 78,106 | 2,907,571 |
| Shanghai Fangzheng Stock Investment Partnership | 52,666,407 | - | - | - | (3,024,107) | 912,943 | 50,555,243 |
| KIP Promising Service Industry Venture Fund | 8,281,967 | (1,629,000) | - | - | 1,103,515 | - | 7,756,482 |
| KIM Growth Corporation Professional Private Trust 1 | 14,276,842 | (969,116) | - | (426,605) | 5,875,482 | - | 18,756,603 |
| KIM Growth Corporation Professional Mezzanine Private Trust 2(*1) | 3,558,210 | (3,558,210) | - | - | - | - | - |
| KIM Growth Company Professional Private Investment No.3 | 27,635,920 | - | - | - | (1,365,309) | - | 26,270,611 |
| KIP Bright (Chengdu) Investment Partnership | 29,359,489 | - | - | - | 1,949,436 | 922,339 | 32,231,264 |
| Korea Investment Industry 4.0 Venture Fund | 22,747,234 | (227,500) | - | (542,704) | 1,046,861 | - | 23,023,891 |
| 2017 KIF-KIP Artificial Intelligence Venture Fund | 9,842,262 | (486,000) | - | (245,913) | 270,985 | - | 9,381,334 |
| EQ Partners Green Private Equity Fund | 26,444,910 | 51,429 | - | - | 3,268 | - | 26,499,607 |
| IBK KIP Growth Stepstone No.1 Private Equity Fund | 9,433,047 | - | - | - | (27,697) | - | 9,405,350 |
| Eugene Premier Professional Investment Type Private Investment Trust No.17 | 32,060,213 | - | - | - | 556,289 | - | 32,616,502 |
| JB Japan Office Private Real Estate Fund 20 1st | 20,974,258 | - | - | (338,888) | 511,383 | - | 21,146,753 |
| KIS-Emford New Tech Investment Fund 1 | 2,841,446 | - | - | - | (14,786) | - | 2,826,660 |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2021 and 2020

(In thousands of won)

7. Investments in Associates, Continued

(c) The changes in investments in associates for the three-month periods ended March 31, 2021 and 2020 are as follows, Continued:

| Company | 2021 | | | | | | |
|--|-------------------|------------------------|---------|-------------|-----------------------------|---------------------------------|----------------|
| | Beginning balance | Acquisition (Disposal) | Replace | Dividends | Profit (loss) of associates | Changes in equity of associates | Ending balance |
| KIM Private | | | | | | | |
| Placement London Core Office Real Estate Investment Trust | ₩ 31,381,120 | - | - | - | (78,426) | - | 31,302,694 |
| KCLAVIS Meister Fund No.46 | 1,571,602 | - | - | - | (4,893) | - | 1,566,709 |
| Hyundai YouFirst Private Real Estate Investment Trust No.23-1 | 27,557,786 | - | - | - | 309,208 | - | 27,866,994 |
| AIP Euro green private real estate trust NO.9 | 46,610,036 | - | - | (1,018,435) | 1,042,632 | - | 46,634,233 |
| FG EURO GREEN Private Real Estate Fund No.3 | 25,225,049 | - | - | - | 620,724 | - | 25,845,773 |
| Woori Goseong Power EBL Private Special Asset Fund | 30,235,416 | - | - | (248,800) | 244,034 | - | 30,230,650 |
| Hanwha Japan Photovoltaic Private Fund 2 | 21,763,190 | (593,333) | - | (420,000) | 276,956 | - | 21,026,813 |
| Eugene Aviation Private Special Asset Investment Trust No. 11 (Aircraft) | 4,393,468 | - | - | (90,307) | 72,589 | - | 4,375,750 |
| NH-Amundi Aviation Private Fund 1 | 15,663,979 | (999,168) | - | (156,277) | 128,946 | - | 14,637,480 |
| NH-Amundi Aviation Private Fund 2 | 15,210,363 | (979,689) | - | (222,048) | 188,035 | - | 14,196,661 |
| HANA PRIVATE REAL ESTATE INVESTMENT TRUST NO.58 | 29,878,225 | - | - | - | 21,415 | - | 29,899,640 |
| NH-Amundi US Infrastructure Investment Trust II | 23,870,172 | (994,333) | - | (257,556) | 244,912 | - | 22,863,195 |
| Anda Station Professional Investment Type Private Real Estate Fund No.1 | 37,320,305 | (16,599,075) | - | (7,655,379) | 8,956,001 | - | 22,021,852 |
| Koramco Professional Investment No.69(*1) | 30,421,859 | (30,421,859) | - | - | - | - | - |
| WOORI ECOWASTE PRIVATE SPECIAL ASSET FUND | 15,508,487 | (15,474,797) | - | (89,522) | 81,300 | - | 25,468 |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2021 and 2020

(In thousands of won)

7. Investments in Associates, Continued

(c) The changes in investments in associates for the three-month periods ended March 31, 2021 and 2020 are as follows, Continued:

| Company | 2021 | | | | | | |
|---|-------------------|------------------------|---------|-----------|-----------------------------|---------------------------------|----------------|
| | Beginning balance | Acquisition (Disposal) | Replace | Dividends | Profit (loss) of associates | Changes in equity of associates | Ending balance |
| KIS-SV New Tech Investment Fund 1 | ₩ 2,889,555 | - | - | - | (14,782) | - | 2,874,773 |
| EBEST AIP Fund No.1 | 528,711 | - | - | - | (4,430) | - | 524,281 |
| Samchully Midstream Private Placement Special Asset Fund 5-3 | 46,695,517 | - | - | - | (193,125) | - | 46,502,392 |
| KTB Aircraft Professional Investment Private Investment Trust No.22-1 | 19,899,256 | (1,379,983) | - | (631,392) | - | - | 17,887,881 |
| JB Australia NDIS Private Fund 1 | 41,751,519 | - | - | - | - | - | 41,751,519 |
| NH Amundi Overseas Senior Loan Fund 4 | 43,684,662 | 270,391 | - | (545,400) | 2,434,724 | - | 45,844,377 |
| Tiger Alternative Investment 8 | 46,031,070 | - | - | - | 1,040,724 | - | 47,071,794 |
| Tiger Alternative Qualified Investment Real Estate Trust No.12 | 23,545,480 | - | - | (987,464) | 6,103,355 | - | 28,661,371 |
| Tiger Alternative Qualified Investment Real Estate Trust No. 6 | 22,413,562 | - | - | (782,150) | 4,298,738 | - | 25,930,150 |
| Hanon Private Equity Fund | 6,541,618 | - | - | (334,643) | 888,578 | - | 7,095,553 |
| KIS-BM New Tech Investment Fund 1 | 1,943,455 | - | - | - | (9,831) | - | 1,933,624 |
| T&F 2019 Bearing Startup and Venture Private Equity Fund | 2,398,338 | - | - | - | (3,515) | - | 2,394,823 |
| IBKC-EQP Innovative Technology Fund | 4,879,044 | 102,692 | - | - | (5,682) | - | 4,976,054 |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2021 and 2020

(In thousands of won)

7. Investments in Associates, Continued

(c) The changes in investments in associates for the three-month periods ended March 31, 2021 and 2020 are as follows, Continued:

| Company | 2021 | | | | | | |
|---|-------------------|------------------------|---------|-----------|-----------------------------|---------------------------------|----------------|
| | Beginning balance | Acquisition (Disposal) | Replace | Dividends | Profit (loss) of associates | Changes in equity of associates | Ending balance |
| Kiwoom Infra Core Debt Investment Private Trust No.2 | ₩ 37,137,998 | (34,471,779) | - | (493,634) | (1,078,201) | - | 1,094,384 |
| Tiger Alternative Qualified Investment Real Estate Trust No.14 | 45,803,802 | - | - | (939,281) | 1,379,888 | - | 46,244,409 |
| Multi Asset Opportunity QI Investment Fund No. 16(*1) | 30,320,575 | (30,320,575) | - | - | - | - | - |
| KIM AsiaPlus Securities Feeder Investment Trust(Bond) | 21,096,212 | - | - | - | 1,004,522 | - | 22,100,734 |
| INMARK France Professional Private Real Estate Investment Trust 18 | 53,540,870 | - | - | - | 333,794 | - | 53,874,664 |
| Petra 7 Alpha Private Equity Fund | 25,144,270 | - | - | - | (59,827) | - | 25,084,443 |
| KIS-BM New Tech Investment Fund 2 | 983,801 | - | - | - | (4,921) | - | 978,880 |
| Tiger Alternative Qualified Investment Real Estate Trust No.18-2 | 26,018,082 | - | - | (286,393) | 280,962 | - | 26,012,651 |
| Kiwoom Hero Private Equity Fund 3 | 1,957,695 | - | - | - | (6,011) | - | 1,951,684 |
| KIM Global Flex Bond Securities Trust | 21,310,019 | - | - | - | (141,617) | - | 21,168,402 |
| Koreainvestment-Brickinvestment 1 New Technology Business Investment Fund | 2,930,099 | - | - | - | 45,007 | - | 2,975,106 |
| KIM Private Placement Smart Real Asset Investment Trust 1 | 7,278,488 | - | - | - | 265,833 | - | 7,544,321 |
| Alpha US Notus Special Asset Private Investment Trust | 59,045,032 | - | - | (479,771) | 500,249 | - | 59,065,510 |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2021 and 2020

(In thousands of won)

7. Investments in Associates, Continued

(c) The changes in investments in associates for the three-month periods ended March 31, 2021 and 2020 are as follows, Continued:

| Company | 2021 | | | | | | |
|---|-------------------|------------------------|--------------|--------------|-----------------------------|---------------------------------|----------------|
| | Beginning balance | Acquisition (Disposal) | Replace | Dividends | Profit (loss) of associates | Changes in equity of associates | Ending balance |
| PineStreet Global Corporate Finance Fund V-1 | ₩ 16,536,743 | - | - | (156,364) | 285,510 | - | 16,665,889 |
| A ONE GALAXY KOSDAQ VENTURE PROFESSIONAL INVESTOR PRIVATE INVESTMENT FUNDS | 4,999,520 | - | - | - | (38,234) | - | 4,961,286 |
| Hyundai Logiscore PEF I | - | 3,000,000 | - | - | (1,741) | - | 2,998,259 |
| KODEX Banks(*1) | 83,687,620 | (52,496,306) | (31,191,314) | - | - | - | - |
| Kakao Bank, Corp. | 778,301,186 | - | - | - | 11,370,055 | (1,878,128) | 787,793,113 |
| Korea Investment Aviation Professional Investors' Special Asset Investment Trust No.6 | 2,779,825 | - | - | - | (6,312) | - | 2,773,513 |
| KIM Target Income Global Bond Feeder Fund2 | 3,726,426 | (3,274,738) | - | - | (5,792) | - | 445,896 |
| KIM Target Income Global Allocation Feeder Fund2 | 5,820,192 | (5,335,176) | - | - | 4,208 | - | 489,224 |
| KIM Global Socially Responsible ESG Companies Fund(Equity-Fund of Funds) | 2,287,668 | - | - | - | 61,308 | - | 2,348,976 |
| KIM US Dividend Aristocrats Fund (Equity) | 6,379,850 | - | - | - | 625,250 | - | 7,005,100 |
| Korea Value Platinum Equity Qualified Investor Private Investment Trust Type 2(*1) | 629,877 | (629,877) | - | - | - | - | - |
| Korea Value Platinum Plus Qualified Investor Private Investment Trust | - | 769,300 | - | - | 8,185 | - | 777,485 |
| Korea Value Platinum Covered Risk Investor Private Investment Trust | - | 1,050,000 | - | - | 2,770 | - | 1,052,770 |
| GEC-KIP Technology and Innovation Fund | 5,949,908 | 2,322,085 | - | - | 719,128 | 409,210 | 9,400,331 |
| | ₩ 2,126,427,229 | (193,274,617) | (31,191,314) | (17,348,926) | 49,070,563 | 444,470 | 1,934,127,405 |

(*1) They were excluded from investments in associates due to disposal for the three-month period ended March 31, 2021.

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2021 and 2020

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7. Investments in Associates, Continued

(c) The changes in investments in associates for the three-month periods ended March 31, 2021 and 2020 are as follows, Continued:

| Company | 2020 | | | | | | |
|--|-------------------|------------------------|---------|-------------|-----------------------------|---------------------------------|----------------|
| | Beginning balance | Acquisition (Disposal) | Replace | Dividends | Profit (loss) of associates | Changes in equity of associates | Ending balance |
| True Friend Investment Advisory Co., Ltd. | ₩ 2,792,253 | - | - | - | (3,423) | 112,676 | 2,901,506 |
| Shanghai Fangzheng Stock Investment Partnership | 54,433,557 | - | - | - | (1,526,094) | 1,580,716 | 54,488,179 |
| KIP Promising Service Industry Venture Fund | 10,130,718 | (1,700,000) | - | - | 391,370 | - | 8,822,088 |
| KIM Growth Company Professional Private Investment No.1 | 15,782,517 | - | - | - | 1,210,991 | - | 16,993,508 |
| KIM Growth Corporation Professional Mezzanine Private Trust 2 | 8,207,912 | (1,354,769) | - | (520,344) | 357,672 | - | 6,690,471 |
| KIM Growth Company Professional Private Investment No.3 | 27,132,936 | 2,541,500 | - | - | (139,214) | - | 29,535,222 |
| KIP Bright (Chengdu) Equity Investment Partnership | 34,502,941 | - | - | - | (433,993) | 1,168,848 | 35,237,796 |
| Korea Investment Industry 4.0 Venture Fund | 20,716,383 | (875,000) | - | (353,917) | 59,186 | - | 19,546,652 |
| 2017 KIF-KIP Artificial Intelligence Venture Fund | 10,409,101 | - | - | - | 450,800 | - | 10,859,901 |
| EQ Partners Green Private Equity Fund | 26,703,567 | - | - | - | 80,766 | - | 26,784,333 |
| IBK KIP Growth Stepstone No.1 Private Equity Fund | 4,103,379 | 2,020,000 | - | - | (18,644) | - | 6,104,735 |
| Eugene Premier Professional Investment Type Private Investment Trust No.17 | 36,699,818 | (8,495,744) | - | (1,273,034) | 730,870 | - | 27,661,910 |
| JB Japan Office Private Real Estate Fund 20 1st | 20,116,709 | - | - | (339,816) | 900,955 | - | 20,677,848 |
| KIS-Emford New Tech Investment Fund 1 | 2,901,886 | - | - | - | (15,441) | - | 2,886,445 |
| KIP KIS Global Fund | 6,182,784 | - | - | - | 15,335 | - | 6,198,119 |

Korea Investment & Securities Co., Ltd. and Subsidiaries
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7. Investments in Associates, Continued

(c) The changes in investments in associates for the three-month periods ended March 31, 2021 and 2020 are as follows, Continued:

| Company | 2020 | | | | | | Ending balance |
|--|-------------------|------------------------|---------|-------------|-----------------------------|---------------------------------|----------------|
| | Beginning balance | Acquisition (Disposal) | Replace | Dividends | Profit (loss) of associates | Changes in equity of associates | |
| KIM Private Placement London Core Office Real Estate Investment Trust | ₩ 31,505,461 | - | - | - | 209,200 | - | 31,714,661 |
| KCLAVIS Meister Fund No.46 | 1,974,888 | - | - | - | (4,952) | - | 1,969,936 |
| Hyundai YouFirst Private Real Estate Investment Trust No.23-1 | 27,354,139 | - | - | - | 1,284,292 | - | 28,638,431 |
| AIP EURO GREEN PRIVATE REAL ESTATE TRUST NO.9 | 46,264,253 | - | - | (1,005,299) | 1,924,295 | - | 47,183,249 |
| FG EURO GREEN Private Real Estate Fund No.3 | 24,929,637 | - | - | - | (547,793) | - | 24,381,844 |
| Woori Goseong Power EBL Private Special Asset Fund | 30,233,299 | - | - | (246,633) | 246,056 | - | 30,232,722 |
| Hanwha Japan Photovoltaic Private Fund 2 | 22,643,895 | (690,000) | - | (326,667) | 533,194 | - | 22,160,422 |
| Eugene Aviation Private Special Asset Investment Trust No. 11 (Aircraft) | 4,359,873 | 58,517 | - | (89,928) | 87,115 | - | 4,415,577 |
| NH-Amundi Aviation Private Fund 1 | 15,509,876 | - | - | (157,705) | 136,005 | - | 15,488,176 |
| NH-Amundi Aviation Private Fund 2 | 15,098,890 | (11,724) | - | (212,197) | 199,324 | - | 15,074,293 |
| HANA PRIVATE REAL ESTATE INVESTMENT TRUST NO.58 | 27,310,518 | - | - | - | (117,261) | - | 27,193,257 |
| NH-Amundi US Infrastructure Investment Trust II | 23,920,430 | - | - | (279,978) | 374,955 | - | 24,015,407 |
| Anda Station Professional Investment Type Private Real Estate Fund No.1 | 37,869,607 | - | - | (1,203,410) | 575,360 | - | 37,241,557 |
| Koramco Professional Investment No.69 | 30,421,859 | - | - | (473,310) | 468,398 | - | 30,416,947 |
| WOORI ECOWASTE PRIVATE SPECIAL ASSET FUND | 15,050,222 | - | - | (183,328) | 183,303 | - | 15,050,197 |

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7. Investments in Associates, Continued

(c) The changes in investments in associates for the three-month periods ended March 31, 2021 and 2020 are as follows, Continued:

| Company | 2020 | | | | | | Changes in equity of associates | Ending balance |
|---|-------------------|------------------------|---------|-------------|-----------------------------|---|---------------------------------|----------------|
| | Beginning balance | Acquisition (Disposal) | Replace | Dividends | Profit (loss) of associates | | | |
| KIS-SV New Tech Investment Fund 1 | ₩ 2,949,856 | - | - | - | (14,880) | - | 2,934,976 | |
| EBEST AIP Fund No.1 | 790,221 | - | - | - | 2,638 | - | 792,859 | |
| Samchully Midstream Private Placement Special Asset Fund 5-3 | 47,750,177 | (239,300) | - | (820,000) | 840,351 | - | 47,531,228 | |
| KTB Aircraft Professional Investment Private Investment Trust No.22-1 | 21,711,292 | - | - | (631,562) | 341,855 | - | 21,421,585 | |
| JB Australia NDIS Private Fund 1 | 41,751,519 | - | - | - | - | - | 41,751,519 | |
| NH Amundi Overseas Senior Loan Fund 4 | 42,546,722 | - | - | (711,900) | 575,083 | - | 42,409,905 | |
| Tiger Alternative Investment 8 | 46,557,161 | - | - | - | 994,044 | - | 47,551,205 | |
| Tiger Alternative Professional Private Special Asset Investment Trust 5 | 19,195,951 | - | - | (677,635) | (334,237) | - | 18,184,079 | |
| Tiger Alternative Qualified Investment Real Estate Trust No.12 | 24,587,737 | - | - | (1,098,649) | 869,296 | - | 24,358,384 | |
| Tiger Alternative Qualified Investment Real Estate Trust No. 6 | 23,436,618 | - | - | (1,003,753) | 785,358 | - | 23,218,223 | |
| SHBNPP Uijeongbu Light Rail Transit Professional Investment Type Private Special Asset Investment Trust(*2) | 20,525,901 | (20,525,901) | - | - | - | - | - | |
| Hanon Private Equity Fund | 6,250,371 | - | - | (298,950) | 853,698 | - | 6,805,119 | |
| KIS-BM New Tech Investment Fund 1 | 1,983,931 | - | - | - | 130 | - | 1,984,061 | |
| T&F 2020 Bearing Startup and Venture Private Equity Fund | 2,400,817 | - | - | - | (1,587) | - | 2,399,230 | |
| IBKC-EQP Innovative Technology Fund | - | 1,727,054 | - | - | (121,235) | - | 1,605,819 | |
| Kiwoom Infra Core Debt Investment Private Trust No.2 | 36,980,919 | - | - | (493,649) | 1,057,014 | - | 37,544,284 | |

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7. Investments in Associates, Continued

(c) The changes in investments in associates for the three-month periods ended March 31, 2021 and 2020 are as follows, Continued:

| Company | 2020 | | | | | | Changes in equity of associates | Ending balance |
|---|-------------------|------------------------|------------|--------------|-----------------------------|-----------|---------------------------------|----------------|
| | Beginning balance | Acquisition (Disposal) | Replace | Dividends | Profit (loss) of associates | | | |
| Tiger Alternative Qualified Investment Real Estate Trust No.14 | ₩ 47,898,585 | - | - | (900,286) | 488,917 | - | 47,487,216 | |
| Multi Asset Opportunity QI Investment Fund No. 16 | 3,308,263 | 27,325,006 | - | - | (41,745) | - | 30,591,524 | |
| Shinhan AIM Real Estate Fund No.19 | 16,215,840 | (6,000,000) | - | (297,850) | 253,126 | - | 10,171,116 | |
| KIM AsiaPlus Securities Feeder Investment Trust(Bond) | 20,017,770 | - | - | - | (77,906) | - | 19,939,864 | |
| INMARK France Professional Private Real Estate Investment Trust 18 | 76,018,014 | (22,795,000) | - | - | 1,939,478 | - | 55,162,492 | |
| Petra 7 Alpha Private Equity Fund | 25,396,995 | - | - | - | (61,108) | - | 25,335,887 | |
| KIS-BM New Tech Investment Fund 2 | - | 1,000,000 | - | - | (1,205) | - | 998,795 | |
| Tiger Alternative Qualified Investment Real Estate Trust No.18-2(*1) | | - | 27,668,700 | (865,031) | (373,976) | - | 26,429,693 | |
| Kakao Bank, Corp. | 505,120,491 | - | - | - | 4,324,365 | 2,068,458 | 511,513,314 | |
| Korea Investment Aviation Professional Investors' Special Asset Investment Trust No.6 | 5,448,872 | - | - | (173,928) | 163,808 | - | 5,438,752 | |
| KIM Target Income Global Bond Feeder Fund | 5,407,100 | - | - | - | (494,400) | - | 4,912,700 | |
| KIM Target Income Global Allocation Feeder Fund | 5,546,250 | - | - | - | (757,150) | - | 4,789,100 | |
| KIM 4th Industrial Revolution of Japan Fund(Equity) | 4,456,851 | - | - | - | (887,523) | - | 3,569,328 | |
| KIM Global Socially Responsible ESG Companies Fund(Equity-Fund of Funds) | 1,872,247 | 23,675 | - | - | (397,248) | - | 1,498,674 | |
| GEC-KIP Technology and Innovation Fund | 6,412,345 | - | (462,386) | - | (68,294) | 461,296 | 6,342,961 | |
| | ₩ 1,697,802,124 | (27,991,686) | 27,206,314 | (14,638,759) | 17,469,294 | 5,391,994 | 1,705,239,281 | |

(*1) The equity ratio has been reduced, replacing investments in subsidiaries with investments in associates.

(*2) It was excluded from investments in associates due to disposal for the three-month period ended March 31, 2020.

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7. Investments in Associates, Continued

(d) Accumulated unrecognized changes in equity due to discontinued use of equity method as of March 31, 2021 and December 31, 2020 are as follows:

| | 2021 | |
|---|-------------------|---------------------------------|
| | Unrecognized loss | Unrecognized accumulated losses |
| Global Dynasty Natural Resource Private Equity Fund | ₩ (1,571) | (413,518) |
| | 2020 | |
| | Unrecognized loss | Unrecognized accumulated losses |
| Global Dynasty Natural Resource Private Equity Fund | ₩ (7,195) | (411,947) |

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8. Financial assets measured at amortized cost

(a) Details of financial assets measured at amortized cost as of March 31, 2021 and December 31, 2020 are as follows:

| | | March 31, 2021 | December 31, 2020 |
|---|---|----------------------|----------------------|
| Loans and receivables at amortized cost | ₩ | 6,950,131,394 | 6,571,903,361 |
| Debt securities at amortized cost | | 146,353,196 | 146,288,550 |
| | ₩ | <u>7,096,484,590</u> | <u>6,718,191,911</u> |

(b) Details of loans and receivables at amortized cost as of March 31, 2021 and December 31, 2020 are as follows:

| | | March 31, 2021 | | |
|----------------------------|---|----------------------|---------------------|----------------------|
| | | Receivables | Loss allowance | Book value |
| Call loan | ₩ | 3,152,119 | - | 3,152,119 |
| Broker's loans(*1) | | 3,861,720,086 | (6,856,568) | 3,854,863,518 |
| Loans receivable | | 2,447,941,148 | (20,772,509) | 2,427,168,639 |
| Loans to employees(*2) | | 976,241 | - | 976,241 |
| Advances for customers(*3) | | 16,524,521 | (16,524,521) | - |
| Privately placed bonds | | 676,038,852 | (12,067,975) | 663,970,877 |
| Others | | 11,585,117 | (11,585,117) | - |
| | ₩ | <u>7,017,938,084</u> | <u>(67,806,690)</u> | <u>6,950,131,394</u> |

(*1) With borrowings from KSFC and the own funds, the Group provides margin accounts to customers for margin purchase of securities. Cash or marketable securities equivalent to 140 ~ 160% of such loan is held as collateral for margin transactions. When related collateral falls below 140 ~ 160% of the corresponding margin, additional cash or securities are then provided by customers as collateral.

(*2) The loan consists of the amount of the loan related to the housing loan, the mortgage loan, etc.

(*3) Advances for customers shall consist of the advance payments on acceptances and guarantees of bonds, advances payments on loss compensations and advance payments on acceptances and guarantees. Advance payments on acceptances and guarantees of bonds is calculated as the advance payment occurred on acceptances and guarantees of bonds if a large amount of accident compensation occurs due to the insolvency of the issuing company. Advances payments on loss compensations is an indemnity receivables that the company paid in advance in the event that a customer loses money due to embezzlement and arbitrarily selling of executives and employees.

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2021 and 2020

(In thousands of won)

8. Financial assets measured at amortized cost, Continued

(b) Details of loans and receivables at amortized cost as of March 31, 2021 and December 31, 2020 are as follows, Continued:

| | December 31, 2020 | | |
|----------------------------|------------------------|---------------------|----------------------|
| | Receivables | Loss allowance | Book value |
| Call loan | ₩ 4,312,500 | - | 4,312,500 |
| Broker's loans(*1) | 3,250,780,112 | (6,577,278) | 3,244,202,834 |
| Loans receivable | 2,554,505,863 | (23,576,406) | 2,530,929,457 |
| Loans to employees(*2) | 974,309 | - | 974,309 |
| Advances for customers(*3) | 10,677,192 | (10,677,192) | - |
| Privately placed bonds | 803,511,448 | (12,027,187) | 791,484,261 |
| Others | 11,585,117 | (11,585,117) | - |
| | <u>₩ 6,636,346,541</u> | <u>(64,443,180)</u> | <u>6,571,903,361</u> |

(*1) With borrowings from KSFC and the own funds, the Group provides margin accounts to customers for margin purchase of securities. Cash or marketable securities equivalent to 140 ~ 160% of such loan is held as collateral for margin transactions. When related collateral falls below 140 ~ 160% of the corresponding margin, additional cash or securities are then provided by customers as collateral.

(*2) The loan consists of the amount of the loan related to the housing loan, the mortgage loan, etc.

(*3) Advances for customers shall consist of the advance payments on acceptances and guarantees of bonds, advances payments on loss compensations and advance payments on acceptances and guarantees. Advance payments on acceptances and guarantees of bonds is calculated as the advance payment occurred on acceptances and guarantees of bonds if a large amount of accident compensation occurs due to the insolvency of the issuing company. Advances payments on loss compensations is an indemnity receivables that the company paid in advance in the event that a customer loses money due to embezzlement and arbitrarily selling of executives and employees.

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(In thousands of won)

8. Financial assets measured at amortized cost, Continued

(c) Changes in allowance for credit losses of loans and receivables at amortized cost for the three-month periods ended March 31, 2021 and 2020 are as follows:

| | 2021 | | | |
|------------------------------------|------------------|--------------|------------|-------------|
| | 12-months ECL | Lifetime ECL | | Total |
| | | Not impaired | Impaired | |
| Beginning balance | ₩ 29,232,112 | - | 35,211,068 | 64,443,180 |
| Replacement | | | | |
| To 12-month ECL | - | - | - | - |
| To Lifetime ECL | - | - | - | - |
| To credit impaired financial asset | - | - | - | - |
| Provision (reversal) | (1,060,720) | - | 5,811,330 | 4,750,610 |
| Others(*) | (1,666,390) | - | 279,290 | (1,387,100) |
| Ending Balance | ₩ 26,505,002 | - | 41,301,688 | 67,806,690 |

(*) Others are effect of exchange rate changes.

| | 2020 | | | |
|------------------------------------|------------------|--------------|------------|------------|
| | 12-months ECL | Lifetime ECL | | Total |
| | | Not impaired | Impaired | |
| Beginning balance | ₩ 14,464,317 | - | 30,046,090 | 44,510,407 |
| Replacement | | | | |
| To 12-month ECL | - | - | - | - |
| To Lifetime ECL | - | - | - | - |
| To credit impaired financial asset | - | - | - | - |
| Provision (reversal) | 1,761,467 | - | 380,789 | 2,142,256 |
| Others(*) | (196,976) | - | 47,392 | (149,584) |
| Ending Balance | ₩ 16,028,808 | - | 30,474,271 | 46,503,079 |

(*) Others are effect of exchange rate changes.

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March 31, 2021 and 2020

(In thousands of won)

8. Financial assets measured at amortized cost, Continued

(d) Changes in carrying amount of loans and receivables at amortized cost for the three-month periods ended March 31, 2021 and 2020 are as follows:

| | 2021 | | | |
|------------------------------------|-----------------|--------------|------------|---------------|
| | 12-months ECL | Lifetime ECL | | Total |
| | | Not impaired | Impaired | |
| Beginning balance | ₩ 6,561,243,549 | - | 75,102,992 | 6,636,346,541 |
| Replacement | | | | |
| To 12-month ECL | - | - | - | - |
| To Lifetime ECL | - | - | - | - |
| To credit impaired financial asset | - | - | - | - |
| Execution and repayment | 375,647,730 | - | 5,664,524 | 381,312,254 |
| Others(*) | - | - | 279,290 | 279,290 |
| Ending Balance | ₩ 6,936,891,279 | - | 81,046,806 | 7,017,938,085 |

(*) Others are amortization using effective interest method of private bond's discounted present value and effect of exchange rate changes.

| | 2020 | | | |
|------------------------------------|-----------------|--------------|------------|---------------|
| | 12-months ECL | Lifetime ECL | | Total |
| | | Not impaired | Impaired | |
| Beginning balance | ₩ 5,684,032,247 | - | 30,810,746 | 5,714,842,993 |
| Replacement | | | | |
| To 12-month ECL | - | - | - | - |
| To Lifetime ECL | - | - | - | - |
| To credit impaired financial asset | - | - | - | - |
| Execution and repayment | (238,954,848) | - | (807,354) | (239,762,202) |
| Others(*) | - | - | 47,392 | 47,392 |
| Ending Balance | ₩ 5,445,077,399 | - | 30,050,784 | 5,475,128,183 |

(*) Others are amortization using effective interest method of private bond's discounted present value and effect of exchange rate changes.

(e) There is no gain or loss incurred from disposal of the loans and receivables at amortized cost for the three-month periods ended March 31, 2021 and 2020.

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(In thousands of won)

8. Financial assets measured at amortized cost, Continued

(f) Details of debt securities at amortized cost as of March 31, 2021 and December 31, 2020 are as follows:

| | | March 31, 2021 | | | |
|-----------------------------|---|--------------------|--------------------|------------------|--------------------|
| | | Face value | Amortized cost | Loss allowance | Book value |
| Government and Public bonds | ₩ | 20,000,000 | 19,615,336 | (600) | 19,614,736 |
| Corporate bonds | | 127,000,000 | 127,000,000 | (261,540) | 126,738,460 |
| | ₩ | <u>147,000,000</u> | <u>146,615,336</u> | <u>(262,140)</u> | <u>146,353,196</u> |

| | | December 31, 2020 | | | |
|-----------------------------|---|--------------------|--------------------|------------------|--------------------|
| | | Face value | Amortized cost | Loss allowance | Book value |
| Government and Public bonds | ₩ | 20,000,000 | 19,568,298 | (600) | 19,567,698 |
| Corporate bonds | | 127,000,000 | 127,000,000 | (279,148) | 126,720,852 |
| | ₩ | <u>147,000,000</u> | <u>146,568,298</u> | <u>(279,748)</u> | <u>146,288,550</u> |

(g) Change in loss allowance of debt securities at amortized cost for the three-month periods ended March 31, 2021 and 2020 are as follows:

| | | 2021 | | | |
|------------------------------------|---|----------------|--------------|----------|----------------|
| | | 12-months ECL | Lifetime ECL | | Total |
| | | | Not impaired | Impaired | |
| Beginning balance | ₩ | 279,748 | - | - | 279,748 |
| Replacement | | | | | |
| To 12-month ECL | | - | - | - | - |
| To Lifetime ECL | | - | - | - | - |
| To credit impaired financial asset | | - | - | - | - |
| Provision (reversal) | | (17,608) | - | - | (17,608) |
| Ending balance | ₩ | <u>262,140</u> | <u>-</u> | <u>-</u> | <u>262,140</u> |

| | | 2020 | | | |
|------------------------------------|---|----------------|--------------|----------|----------------|
| | | 12-months ECL | Lifetime ECL | | Total |
| | | | Not impaired | Impaired | |
| Beginning balance | ₩ | 233,211 | - | - | 233,211 |
| Replacement | | | | | |
| To 12-month ECL | | - | - | - | - |
| To Lifetime ECL | | - | - | - | - |
| To credit impaired financial asset | | - | - | - | - |
| Provision (reversal) | | (3,611) | - | - | (3,611) |
| Ending balance | ₩ | <u>229,600</u> | <u>-</u> | <u>-</u> | <u>229,600</u> |

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8. Financial assets measured at amortized cost, Continued

(h) Change in carrying amount of loss allowance of debt securities at amortized cost for the three-month periods ended March 31, 2021 and 2020 are as follows:

| | 2021 | | | |
|------------------------------------|------------------|--------------|----------|-------------|
| | 12-months ECL | Lifetime ECL | | Total |
| | | Not impaired | Impaired | |
| Beginning balance | ₩ 146,568,298 | - | - | 146,568,298 |
| Replacement | | | | |
| To 12-month ECL | - | - | - | - |
| To Lifetime ECL | - | - | - | - |
| To credit impaired financial asset | - | - | - | - |
| Acquisition | - | - | - | - |
| Disposal | - | - | - | - |
| Others(*) | 47,038 | - | - | 47,038 |
| Ending balance | ₩ 146,615,336 | - | - | 146,615,336 |

(*) Others : Due to effective interest amortization etc.

| | 2020 | | | |
|------------------------------------|------------------|--------------|----------|--------------|
| | 12-months ECL | Lifetime ECL | | Total |
| | | Not impaired | Impaired | |
| Beginning balance | ₩ 226,381,913 | - | - | 226,381,913 |
| Replacement | | | | |
| To 12-month ECL | - | - | - | - |
| To Lifetime ECL | - | - | - | - |
| To credit impaired financial asset | - | - | - | - |
| Acquisition | - | - | - | - |
| Disposal | (50,000,000) | - | - | (50,000,000) |
| Others(*) | 45,813 | - | - | 45,813 |
| Ending balance | ₩ 176,427,726 | - | - | 176,427,726 |

(*) Others : Due to effective interest amortization etc.

(i) There is no gain or loss incurred from disposal of the debt securities at amortized cost for the three-month periods ended March 31, 2021 and 2020.

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9. Property and Equipment

(a) The details of property and equipment as of March 31, 2021 and December 31, 2020 are as follows:

| | March 31, 2021 | | |
|-------------------------|----------------------|--------------------------|--------------------|
| | Acquisition cost | Accumulated depreciation | Carrying amount |
| Land | ₩ 185,388,627 | - | 185,388,627 |
| Buildings | 126,639,228 | (65,943,942) | 60,695,286 |
| Vehicles | 473,677 | (183,877) | 289,800 |
| Furniture and equipment | 119,165,658 | (85,844,453) | 33,321,205 |
| Others | 72,717,054 | (54,978,811) | 17,738,243 |
| Right-of-use assets | 99,270,114 | (34,618,536) | 64,651,578 |
| | <u>₩ 603,654,358</u> | <u>(241,569,619)</u> | <u>362,084,739</u> |
| | December 31, 2020 | | |
| | Acquisition cost | Accumulated depreciation | Carrying amount |
| Land | ₩ 187,676,845 | - | 187,676,845 |
| Buildings | 128,152,743 | (66,052,251) | 62,100,492 |
| Vehicles | 614,210 | (252,253) | 361,957 |
| Furniture and equipment | 117,838,114 | (83,850,506) | 33,987,608 |
| Others | 71,950,429 | (55,463,844) | 16,486,585 |
| Right-of-use assets | 99,020,773 | (33,331,140) | 65,689,633 |
| | <u>₩ 605,253,114</u> | <u>(238,949,994)</u> | <u>366,303,120</u> |

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9. Property and Equipment, Continued

(b) Changes in property and equipment for the three-month periods ended March 31, 2021 and 2020 are as follows:

| | 2021 | | | | | Ending balance |
|-------------------------|-------------------|-------------|-------------|--------------|-------------|----------------|
| | Beginning balance | Acquisition | Disposal | Depreciation | Others(*) | |
| Land | ₩ 187,676,845 | - | - | - | (2,288,218) | 185,388,627 |
| Buildings | 62,100,492 | - | - | (824,782) | (580,424) | 60,695,286 |
| Vehicles | 361,957 | 19,684 | (67,225) | (33,642) | 9,026 | 289,800 |
| Furniture and equipment | 33,987,608 | 2,296,822 | (47,553) | (2,954,034) | 38,362 | 33,321,205 |
| Others | 16,486,585 | 2,399,311 | (27,135) | (1,541,254) | 420,736 | 17,738,243 |
| Right-of-use assets | 65,689,633 | 6,880,425 | (942,349) | (7,140,453) | 164,322 | 64,651,578 |
| | ₩ 366,303,120 | 11,596,242 | (1,084,262) | (12,494,165) | (2,236,196) | 362,084,739 |

(*) Represents exchange rate fluctuation effect of foreign subsidiaries, transfer between investment property and property and equipment due to changes in leasable areas and increase in estimated costs of restoration.

| | 2020 | | | | | Ending balance |
|-------------------------|-------------------|-------------|-------------|--------------|-----------|----------------|
| | Beginning balance | Acquisition | Disposal | Depreciation | Others(*) | |
| Land | ₩ 187,677,081 | - | - | - | - | 187,677,081 |
| Buildings | 65,109,928 | - | - | (834,451) | (463,567) | 63,811,910 |
| Vehicles | 325,663 | 113,317 | (53,306) | (4,490) | (25,405) | 355,779 |
| Furniture and equipment | 33,042,181 | 1,163,958 | (38,181) | (2,778,607) | 43,880 | 31,433,231 |
| Others | 14,696,792 | 1,094,523 | (106,663) | (1,636,830) | 441,581 | 14,489,403 |
| Right-of-use assets | 62,223,896 | 7,367,223 | (991,390) | (6,327,267) | (43,054) | 62,229,408 |
| | ₩ 363,075,541 | 9,739,021 | (1,189,540) | (11,581,645) | (46,565) | 359,996,812 |

(*) Represents exchange rate fluctuation effect of foreign subsidiaries, transfer between investment property and property and equipment due to changes in leasable areas and increase in estimated costs of restoration.

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10. Intangible Assets

(a) The details of intangible assets as of March 31, 2021 and December 31, 2020 are as follows:

| | March 31, 2021 | | | |
|-------------------|------------------|--------------------------|-----------------------------|-----------------|
| | Acquisition cost | Accumulated amortization | Accumulated impairment loss | Carrying amount |
| Goodwill | ₩ 233,251,894 | - | - | 233,251,894 |
| Development costs | 59,782,698 | (35,847,469) | - | 23,935,229 |
| Software | 3,463,333 | (1,518,800) | - | 1,944,533 |
| Memberships | 26,284,440 | - | (5,583,231) | 20,701,209 |
| Others | 21,048,857 | (1,595) | - | 21,047,262 |
| | ₩ 343,831,222 | (37,367,864) | (5,583,231) | 300,880,127 |

| | December 31, 2020 | | | |
|-------------------|-------------------|--------------------------|-----------------------------|-----------------|
| | Acquisition cost | Accumulated amortization | Accumulated impairment loss | Carrying amount |
| Goodwill | ₩ 233,046,004 | - | - | 233,046,004 |
| Development costs | 56,162,333 | (34,206,908) | - | 21,955,425 |
| Software | 3,376,896 | (1,307,557) | - | 2,069,339 |
| Memberships | 25,581,614 | - | (5,583,231) | 19,998,383 |
| Others | 21,064,816 | (1,530) | - | 21,063,286 |
| | ₩ 339,231,663 | (35,515,995) | (5,583,231) | 298,132,437 |

(b) Changes in intangible assets for the three-month periods ended March 31, 2021 and 2020 are as follows:

| | 2021 | | | | | Ending balance |
|-------------------|-------------------|-------------|----------|--------------|------------|----------------|
| | Beginning balance | Acquisition | Disposal | Amortization | Others(*2) | |
| Goodwill(*1) | ₩ 233,046,004 | 73,821 | - | - | 132,069 | 233,251,894 |
| Development costs | 21,955,425 | 3,567,934 | - | (1,845,412) | 257,282 | 23,935,229 |
| Software | 2,069,339 | - | - | (93,042) | (31,764) | 1,944,533 |
| Memberships | 19,998,383 | 688,861 | - | - | 13,965 | 20,701,209 |
| Others | 21,063,286 | - | (9,143) | (6,881) | - | 21,047,262 |
| | ₩ 298,132,437 | 4,330,616 | (9,143) | (1,945,335) | 371,552 | 300,880,127 |

(*1) Goodwill arises from business combinations for the three-month period ended March 31, 2021.

(*2) Others represent fluctuations in exchange rate differences caused by overseas subsidiaries.

| | 2020 | | | | | Ending balance |
|-------------------|-------------------|-------------|-------------|--------------|------------|----------------|
| | Beginning balance | Acquisition | Disposal | Amortization | Others(*2) | |
| Goodwill(*1) | ₩ 231,702,926 | 1,908,272 | - | - | (308,310) | 233,302,888 |
| Development costs | 19,191,326 | 673,832 | - | (1,614,027) | (257,996) | 17,993,135 |
| Software | 1,734,395 | 50,380 | - | (55,474) | 36,612 | 1,765,913 |
| Memberships | 19,513,975 | 1,223,254 | (1,153,000) | - | 15,082 | 19,599,311 |
| Others | 21,097,182 | - | - | (14,389) | (76) | 21,082,717 |
| | ₩ 293,239,804 | 3,855,738 | (1,153,000) | (1,683,890) | (514,688) | 293,743,964 |

(*1) Goodwill arises from business combinations for the three-month period ended March 31, 2020.

(*2) Others represent fluctuations in exchange rate differences caused by overseas subsidiaries.

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11. Investment Property

(a) The details of investment property as of March 31, 2021 and December 31, 2020 are as follows:

| | | March 31, 2021 | | |
|-----------|---|--------------------|--------------------------|--------------------|
| | | Acquisition cost | Accumulated depreciation | Carrying amount |
| Land | ₩ | 99,550,999 | - | 99,550,999 |
| Buildings | | 73,828,799 | (9,383,720) | 64,445,079 |
| | ₩ | <u>173,379,798</u> | <u>(9,383,720)</u> | <u>163,996,078</u> |

| | | December 31, 2020 | | |
|-----------|---|--------------------|--------------------------|--------------------|
| | | Acquisition cost | Accumulated depreciation | Carrying amount |
| Land | ₩ | 97,262,782 | - | 97,262,782 |
| Buildings | | 72,255,883 | (7,978,271) | 64,277,612 |
| | ₩ | <u>169,518,665</u> | <u>(7,978,271)</u> | <u>161,540,394</u> |

(b) Changes in investment property for the three-month periods ended March 31, 2021 and 2020 are as follows:

| | | 2021 | | | | |
|-----------|---|--------------------|-------------|------------------|---------------------|--------------------|
| | | Beginning Balance | Acquisition | Depreciation | Reclassification(*) | Ending balance |
| Land | ₩ | 97,262,782 | - | - | 2,288,217 | 99,550,999 |
| Buildings | | 64,277,612 | - | (461,428) | 628,895 | 64,445,079 |
| | ₩ | <u>161,540,394</u> | <u>-</u> | <u>(461,428)</u> | <u>2,917,112</u> | <u>163,996,078</u> |

(*) Represents transfer between investment property, and property and equipment due to changes in leasable areas.

| | | 2020 | | | | |
|-----------|---|--------------------|----------|------------------|---------------------|--------------------|
| | | Beginning Balance | Disposal | Depreciation | Reclassification(*) | Ending balance |
| Land | ₩ | 97,262,545 | - | - | - | 97,262,545 |
| Buildings | | 65,954,573 | - | (451,347) | (211) | 65,503,015 |
| | ₩ | <u>163,217,118</u> | <u>-</u> | <u>(451,347)</u> | <u>(211)</u> | <u>162,765,560</u> |

(*) Represents transfer between investment property, and property and equipment due to changes in leasable areas.

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12. Other financial assets measured at amortized cost

(a) Details of other financial assets measured at amortized cost as of March 31, 2021 and December 31, 2020 are as follows:

| | March 31, 2021 | December 31, 2020 |
|-------------------------|------------------------|----------------------|
| Accounts receivable | ₩ 2,194,211,703 | 2,043,825,827 |
| Accrued income | 205,159,028 | 180,913,368 |
| Guarantee deposits paid | 56,213,019 | 57,280,034 |
| Others | 39,369,177 | 43,024,156 |
| Present value discount | (6,686,869) | (6,505,986) |
| Loss allowance | (67,400,081) | (69,640,570) |
| | <u>₩ 2,420,865,977</u> | <u>2,248,896,829</u> |

(b) Details of changes in loss allowance of other financial assets measured at amortized cost for the three-month periods ended March 31, 2021 and 2020 are as follows:

| | 2021 | | | |
|------------------------------------|--------------------|----------------|-------------------|-------------------|
| | 12-months | Lifetime ECL | | Total |
| | ECL | Not impaired | Impaired | |
| Beginning balance | ₩ 3,247,170 | 234,054 | 66,159,346 | 69,640,570 |
| Replacement | | | | |
| To 12-month ECL | - | - | - | - |
| To Lifetime ECL | - | - | - | - |
| To credit impaired financial asset | - | (3,289) | 3,289 | - |
| Provision (reversal) | 149,313 | - | (2,263,957) | (2,114,644) |
| Others | - | - | (125,845) | (125,845) |
| Ending balance | <u>₩ 3,396,483</u> | <u>230,765</u> | <u>63,772,833</u> | <u>67,400,081</u> |
| | | | | |
| | 2020 | | | |
| | 12-months | Lifetime ECL | | Total |
| | ECL | Not impaired | Impaired | |
| Beginning balance | ₩ 2,045,927 | 188,986 | 33,202,959 | 35,437,872 |
| Replacement | | | | |
| To 12-month ECL | - | - | - | - |
| To Lifetime ECL | - | - | - | - |
| To credit impaired financial asset | - | - | - | - |
| Provision (reversal) | 26,892 | 10,691 | 1,882,297 | 1,919,880 |
| Others | - | - | (2,435) | (2,435) |
| Ending balance | <u>₩ 2,072,819</u> | <u>199,677</u> | <u>35,082,821</u> | <u>37,355,317</u> |

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12. Other financial assets measured at amortized cost, Continued

(c) Details of changes in carrying amount of other financial assets measured at amortized cost for the three-month periods ended March 31, 2021 and 2020 are as follows:

| | 2021 | | | |
|------------------------------------|------------------------|------------------|-------------------|----------------------|
| | 12-months ECL | Lifetime ECL | | Total |
| | | Not impaired | Impaired | |
| Beginning book value | ₩ 2,256,889,102 | 1,153,826 | 60,494,472 | 2,318,537,400 |
| Replacement | | | | |
| To 12-month ECL | - | - | - | - |
| To Lifetime ECL | - | - | - | - |
| To credit impaired financial asset | - | - | - | - |
| Increase | 169,381,081 | - | 435,431 | 169,816,512 |
| Write-off | - | - | (87,854) | (87,854) |
| Ending book value | ₩ <u>2,426,270,183</u> | <u>1,153,826</u> | <u>60,842,049</u> | <u>2,488,266,058</u> |
| | | | | |
| | 2020 | | | |
| | 12-months ECL | Lifetime ECL | | Total |
| | | Not impaired | Impaired | |
| Beginning book value | ₩ 2,886,949,308 | 951,731 | 33,202,959 | 2,921,103,998 |
| Replacement | | | | |
| To 12-month ECL | - | - | - | - |
| To Lifetime ECL | - | - | - | - |
| To credit impaired financial asset | - | - | - | - |
| Increase | 2,086,365,169 | 189,858 | 1,882,297 | 2,088,437,324 |
| Write-off | - | - | (2,436) | (2,436) |
| Ending book value | ₩ <u>4,973,314,477</u> | <u>1,141,589</u> | <u>35,082,820</u> | <u>5,009,538,886</u> |

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13. Other Non-financial Assets

The details of other non-financial assets as of March 31, 2021 and December 31, 2020 are as follows:

| | March 31, 2021 | December 31, 2020 |
|------------------|---------------------|-------------------|
| Advance payments | ₩ 36,498,032 | 28,381,212 |
| Prepaid expenses | 11,714,682 | 23,865,189 |
| | <u>₩ 48,212,714</u> | <u>52,246,401</u> |

14. Deposits Received

The details of deposits received as of March 31, 2021 and December 31, 2020 are as follows:

| | March 31, 2021 | December 31, 2020 |
|---|------------------------|----------------------|
| Customers' deposits for brokerage | ₩ 6,013,339,617 | 6,746,670,077 |
| Customers' deposits for exchange-traded derivatives trading | 1,868,636,068 | 2,018,642,915 |
| Customers' deposits for subscriptions | 2,024,284 | 24,284 |
| Customers' deposits for savings | 27,573,805 | 30,731,880 |
| Customers' deposits for REPO | 10,268 | 10,307 |
| Customers' deposits for collective investment securities | 503,441,363 | 394,119,981 |
| Deposits for foreign stocks investment | 5,333,240 | 4,866,487 |
| Other deposits received | 26,171 | 27,009 |
| | <u>₩ 8,420,384,816</u> | <u>9,195,092,940</u> |

15. Financial liabilities measured at fair value through profit or loss

The Group classifies securities sold as financial liabilities measured at fair value through profit or loss. Securities sold as of March 31, 2021 and December 31, 2020 are as follows:

| | March 31, 2021 | | |
|--------------------|-----------------------------|-------------------------|---------------------|
| | Book value before valuation | Fair value (book value) | Gains or losses |
| Equity instruments | ₩ 804,019,088 | 792,668,070 | 11,351,018 |
| Debt instruments | 1,778,662,178 | 1,779,826,312 | (1,164,134) |
| | <u>₩ 2,582,681,266</u> | <u>2,572,494,382</u> | <u>10,186,884</u> |
| | December 31, 2020 | | |
| | Book value before valuation | Fair value (book value) | Gains or losses |
| Equity instruments | ₩ 704,377,174 | 816,013,209 | (111,636,035) |
| Debt instruments | 1,967,014,279 | 1,951,198,872 | 15,815,407 |
| | <u>₩ 2,671,391,453</u> | <u>2,767,212,081</u> | <u>(95,820,628)</u> |

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16. Derivative Financial Instruments

The Group is using derivative financial instruments to mitigate the risks from value changes in derivatives-linked securities, exchange rates and interest rates arisen from the Group's assets and liabilities. The Group is also trading derivative financial instruments within the transaction limit set for the purpose of generating revenues.

The details of derivative financial instruments as of March 31, 2021 and December 31, 2020 are as follows:

| | March 31, 2021 | | | December 31, 2020 | | |
|--------------------------|-------------------------|--------------------|----------------------|-----------------------|----------------------|----------------------|
| | Notional Amount(*1) | Assets | Liabilities | Notional Amount(*1) | Assets | Liabilities |
| Interest Rate | | | | | | |
| Futures(*2) | ₩ 4,325,747,041 | - | - | 3,210,715,986 | - | - |
| Swaps | 9,255,782,430 | 122,859,035 | 85,156,896 | 8,613,431,040 | 275,970,043 | 100,936,777 |
| | <u>13,581,529,471</u> | <u>122,859,035</u> | <u>85,156,896</u> | <u>11,824,147,026</u> | <u>275,970,043</u> | <u>100,936,777</u> |
| Currency | | | | | | |
| Forwards | 12,664,551,898 | 156,923,009 | 171,271,072 | 16,272,184,249 | 396,221,625 | 481,231,963 |
| Futures(*2) | 376,397,022 | - | - | 741,903,839 | - | - |
| Swaps | 2,972,031,723 | 26,866,939 | 82,626,469 | 2,192,939,819 | 28,672,971 | 157,252,358 |
| | <u>16,012,980,643</u> | <u>183,789,948</u> | <u>253,897,541</u> | <u>19,207,027,907</u> | <u>424,894,596</u> | <u>638,484,321</u> |
| Stock and Index | | | | | | |
| Futures(*2) | 1,603,376,594 | - | - | 1,979,190,219 | - | - |
| Swaps | 5,480,259,331 | 177,462,560 | 417,964,393 | 5,735,894,604 | 142,318,361 | 431,095,239 |
| Options | 29,569,979,840 | 178,636,740 | 399,873,494 | 15,738,480,815 | 149,443,655 | 447,139,930 |
| | <u>36,653,615,765</u> | <u>356,099,300</u> | <u>817,837,887</u> | <u>23,453,565,638</u> | <u>291,762,016</u> | <u>878,235,169</u> |
| Bond | | | | | | |
| Forwards | 80,000,000 | 7,932,008 | - | 70,000,000 | 2,681,235 | - |
| Swaps | 7,475,252,378 | 94,554,306 | 88,368,221 | 6,191,259,570 | 139,138,964 | 142,367,650 |
| | <u>7,555,252,378</u> | <u>102,486,314</u> | <u>88,368,221</u> | <u>6,261,259,570</u> | <u>141,820,199</u> | <u>142,367,650</u> |
| Credit | | | | | | |
| Swaps | 1,459,866,048 | 12,921,878 | 4,743,752 | 1,420,814,080 | 13,254,499 | 4,716,300 |
| Commodity | | | | | | |
| Futures(*2) | 50,494,251 | - | - | 140,579,958 | - | - |
| Options | 3,245,358 | - | 2,311,433 | 6,002,550 | - | 8,879,386 |
| | <u>53,739,609</u> | <u>-</u> | <u>2,311,433</u> | <u>146,582,508</u> | <u>-</u> | <u>8,879,386</u> |
| Other | | | | | | |
| Swaps | 427,601,076 | 58,466,232 | 50,800,145 | 380,797,605 | 65,425,054 | 50,706,545 |
| Credit value adjustments | - | (15,941,340) | (3,277,816) | - | (17,953,996) | (639,758) |
| | <u>₩ 75,744,584,990</u> | <u>820,681,367</u> | <u>1,299,838,059</u> | <u>62,694,194,334</u> | <u>1,195,172,411</u> | <u>1,823,686,390</u> |

(*1) Notional amounts are translated by applying the standard rate of exchange at the end of the reporting period. In case of transactions between Korean won and a foreign currency, the basis is the contractual price of the foreign currency. Also, for transactions between different foreign currencies, the basis is the contractual price of basic rate of exchange.

(*2) Futures transactions are settled daily and reflected in deposits.

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17. Financial Liabilities designated as measured at fair value through profit or loss

The Group designates equity-linked securities sold, equity-linked derivatives-linked bonds sold, other derivative-linked securities sold, other derivatives-linked bonds sold, credit derivative-linked bonds sold and exchange traded notes sold as financial liabilities designated as measured at fair value through profit or loss.

Equity-linked securities sold and others are structured financial instruments whose rate of return is linked to price changes of stock price index or stock price, interest rate, foreign exchange rate, credit rate or commodity price. These securities are hybrid financial instruments in which debt financial instrument and derivative financial instrument are combined. The Group does not account for derivatives embedded in the hybrid financial instruments separately, instead, derivatives are designated as financial liabilities designated as measured at fair value through profit or loss to evaluate the whole contract.

(a) The Group's financial liabilities designated as measured at fair value through profit or loss as of March 31, 2021 and December 31, 2020 are as follows:

| | March 31, 2021 | | |
|--|-----------------------------|-------------------------|-----------------|
| | Book value before valuation | Fair value (Book value) | Gains or Losses |
| Equity-linked securities sold | ₩ 3,498,178,750 | 3,554,987,106 | (56,808,356) |
| Equity-linked derivative-linked bonds sold | 3,599,427,016 | 3,616,034,767 | (16,607,751) |
| Other derivative-linked securities sold | 213,744,850 | 232,094,396 | (18,349,546) |
| Other derivative-linked bonds sold | 2,039,657,908 | 1,995,924,855 | 43,733,053 |
| Exchange traded notes sold | 98,501,205 | 99,169,134 | (667,929) |
| Credit derivative-linked bonds sold | 1,001,888,600 | 1,001,877,400 | 11,200 |
| Day1 profit or loss | 143,517,318 | 102,175,407 | 41,341,911 |
| Credit value adjustments | (28,823,002) | (28,302,389) | (520,613) |
| | ₩ 10,566,092,645 | 10,573,960,676 | (7,868,031) |
| December 31, 2020 | | | |
| | Book value before valuation | Fair value (Book value) | Gains or Losses |
| Equity-linked securities sold | ₩ 3,586,500,974 | 3,682,888,913 | (96,387,939) |
| Equity-linked derivative-linked bonds sold | 3,653,842,080 | 3,668,847,143 | (15,005,063) |
| Other derivative-linked securities sold | 303,621,947 | 271,276,717 | 32,345,230 |
| Other derivative-linked bonds sold | 2,480,608,125 | 2,383,707,105 | 96,901,020 |
| Exchange traded notes sold | 145,522,850 | 127,756,108 | 17,766,742 |
| Credit derivative-linked bonds sold | 1,002,863,300 | 1,001,888,600 | 974,700 |
| Day1 profit or loss | 223,562,337 | 58,274,558 | 165,287,779 |
| Credit value adjustments | (27,112,139) | (28,823,001) | 1,710,862 |
| | ₩ 11,369,409,474 | 11,165,816,143 | 203,593,331 |

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17. Financial Liabilities designated as measured at fair value through profit or loss, Continued

(b) The details of changes in the credit value adjustments of the financial liabilities designated as measured at fair value through profit or loss for the three-month periods ended March 31, 2021 and 2020 are as follows:

| | 2021 | 2020 |
|--|--------------|-------------|
| Beginning credit value adjustments | ₩ 28,823,001 | 27,112,139 |
| Total changes in credit value adjustments | | |
| Changes in credit value adjustments - other comprehensive income | (1,120,737) | 511,155 |
| Changes in credit value adjustments - profit or loss | 600,125 | (5,541,172) |
| Ending credit value adjustments | ₩ 28,302,389 | 22,082,122 |

(c) The details of changes in credit value adjustments recognized in other comprehensive income of the financial liabilities designated as measured at fair value through profit or loss for the three-month periods ended March 31, 2021 and 2020 are as follows:

| | 2021 | 2020 |
|--|-------------|-----------|
| Beginning balance | ₩ 1,853,307 | (796,504) |
| Increase (decrease) in credit value adjustments recognized in other comprehensive income | (1,120,737) | 511,155 |
| Income tax effect | 308,203 | (140,568) |
| Ending balance | ₩ 1,040,773 | (425,917) |

18. Borrowings

(a) The details of borrowings as of March 31, 2021 and December 31, 2020 are as follows:

| | March 31, 2021 | December 31, 2020 |
|---|------------------|-------------------|
| Borrowings from KSFC | ₩ 730,000,000 | 690,000,000 |
| Commercial paper | 1,976,200,000 | 2,357,000,000 |
| Electronic short-term bonds | 1,654,737,413 | 1,448,741,650 |
| Other borrowings | 301,881,027 | 446,816,616 |
| Securities sold under repurchase agreements | 13,939,073,845 | 11,931,080,886 |
| Debentures | 1,554,824,907 | 1,480,198,686 |
| Short-term notes issued | 8,362,586,302 | 7,563,722,899 |
| | ₩ 28,519,303,494 | 25,917,560,737 |

(b) The details of borrowings from KSFC as of March 31, 2021 and December 31, 2020 are as follows:

| | Maturity | Interest rate (%) | March 31, 2021 | December 31, 2020 |
|---|-------------------------|-------------------|----------------|-------------------|
| Loans to finance securities-secured loans | 2021.04.01 ~ 2022.02.10 | 1.03 ~ 1.4 | ₩ 600,000,000 | 90,000,000 |
| Notes Discounted from KSFC | 2021.04.05 | 0.65 | 130,000,000 | 600,000,000 |
| | | | ₩ 730,000,000 | 690,000,000 |

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18. Borrowings, Continued

(c) The details of commercial paper as of March 31, 2021 and December 31, 2020 are as follows:

| | <u>Interest rate (%)</u> | | <u>March 31, 2021</u> | <u>December 31, 2020</u> |
|-------------------------------|--------------------------|---|-----------------------|--------------------------|
| Hanyang securities and others | 1.05 ~ 2.56 | ₩ | 1,976,200,000 | 2,357,000,000 |

(d) The details of electronic short-term bonds as of March 31, 2021 and December 31, 2020 are as follows:

| | <u>Interest rate (%)</u> | | <u>March 31, 2021</u> | <u>December 31, 2020</u> |
|--|--------------------------|---|-----------------------|--------------------------|
| BNK Investment & Securities and others | 0.81 ~ 1.65 | ₩ | 1,654,737,413 | 1,448,741,650 |

(e) The details of debentures as of March 31, 2021 and December 31, 2020 are as follows:

| | <u>Date issued</u> | <u>Maturity</u> | <u>Interest Rate (%)</u> | <u>March 31, 2021</u> | <u>December 31, 2020</u> |
|---|--------------------|-------------------|--------------------------|------------------------|--------------------------|
| The 11-2nd bearer, coupon and non-guaranteed bond | February 25, 2016 | February 25, 2021 | 2.14 | ₩ - | 20,000,000 |
| The 12th bearer, coupon and non-guaranteed bond | April 6, 2016 | April 6, 2021 | 2.11 | 80,000,000 | 80,000,000 |
| The 14th bearer, coupon and non-guaranteed bond | March 20, 2018 | March 20, 2021 | 2.72 | - | 200,000,000 |
| The 15th bearer, coupon and non-guaranteed bond | July 27, 2018 | July 27, 2021 | 2.45 | 200,000,000 | 200,000,000 |
| The 16th bearer, coupon and non-guaranteed bond | February 28, 2019 | February 28, 2022 | 2.14 | 300,000,000 | 300,000,000 |
| The 17th bearer, coupon and non-guaranteed bond | August 29, 2019 | August 29, 2022 | 1.53 | 200,000,000 | 200,000,000 |
| The 18th non-guaranteed subordinated bond | July 9, 2020 | July 9, 2026 | 3.30 | 470,000,000 | 470,000,000 |
| The 19th bearer, coupon and non-guaranteed bond | February 26, 2021 | February 26, 2024 | 1.31 | 280,000,000 | - |
| KIS Vietnam Securities Corporation bond | October 30, 2020 | October 30, 2021 | 6.30 | 11,980,400 | 11,492,400 |
| KIS Vietnam Securities Corporation bond | March 11, 2021 | March 11, 2023 | 6.40 | 14,730,000 | - |
| | | | | <u>1,556,710,400</u> | <u>1,481,492,400</u> |
| Less : Discount on debentures | | | | <u>(1,885,493)</u> | <u>(1,293,715)</u> |
| | | | | <u>₩ 1,554,824,907</u> | <u>1,480,198,685</u> |

(f) The details of short-term notes issued as of March 31, 2021 and December 31, 2020 are as follows:

| <u>Maturity</u> | <u>Interest rate (%)</u> | | <u>March 31, 2021</u> | <u>December 31, 2020</u> |
|-----------------------|--------------------------|---|-----------------------|--------------------------|
| On demand ~ 12 months | 0.30 ~ 5.00 | ₩ | 8,362,586,302 | 7,563,722,899 |

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18. Borrowings, Continued

(g) Changes in borrowings for the three-month periods ended March 31, 2021 and 2020 are as follows:

| | 2021 | | |
|---|-------------------------|----------------------|-----------------------|
| | Borrowings | Debentures | Total |
| January 1, 2021 | ₩ 24,437,362,051 | 1,480,198,686 | 25,917,560,737 |
| Changes from financing cash flows | | | |
| Borrowing of debt | 1,707,639,012 | 293,861,600 | 2,001,500,612 |
| Redemption of debt | (499,516,515) | (220,000,000) | (719,516,515) |
| | <u>1,208,122,497</u> | <u>73,861,600</u> | <u>1,281,984,097</u> |
| Changes from operating cash flows | 1,227,693,485 | - | 1,227,693,485 |
| Discount on debenture amortized | - | 276,621 | 276,621 |
| Effects from fluctuations in exchange rates | <u>91,300,554</u> | <u>488,000</u> | <u>91,788,554</u> |
| March 31, 2021 | ₩ <u>26,964,478,587</u> | <u>1,554,824,907</u> | <u>28,519,303,494</u> |
| | | | |
| | 2020 | | |
| | Borrowings | Debentures | Total |
| January 1, 2020 | ₩ 19,308,455,384 | 1,203,177,107 | 20,511,632,491 |
| Changes from financing cash flows | | | |
| Borrowing of debt | 2,798,184,887 | - | 2,798,184,887 |
| Redemption of debt | (862,482,712) | - | (862,482,712) |
| | <u>1,935,702,175</u> | <u>-</u> | <u>1,935,702,175</u> |
| Changes from operating cash flows | 745,207,230 | - | 745,207,230 |
| Discount on debenture amortized | - | 233,080 | 233,080 |
| Effects from fluctuations in exchange rates | <u>65,282,066</u> | <u>170,000</u> | <u>65,452,066</u> |
| March 31, 2020 | ₩ <u>22,054,646,855</u> | <u>1,203,580,187</u> | <u>23,258,227,042</u> |

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19. Defined Benefit Liabilities

(a) Net defined benefit liabilities consist of defined benefit pension schemes and retirement consolation benefits and the details as of March 31, 2021 and December 31, 2020 are as follows:

| | <u>March 31, 2021</u> | <u>December 31, 2020</u> |
|---|-----------------------|--------------------------|
| Present value of defined benefit obligation | ₩ 79,931,889 | 81,084,056 |
| Fair value of plan assets | (74,648,124) | (77,018,966) |
| Liabilities in the consolidated statement of financial position | ₩ <u>5,283,765</u> | <u>4,065,090</u> |

(b) Recognized expenses related to defined plans in the consolidated statements of comprehensive income for the three-month periods ended March 31, 2021 and 2020 are as follows:

| | <u>2021</u> | <u>2020</u> |
|----------------------------|--------------------|------------------|
| Defined benefit plans | | |
| Current service cost | ₩ 2,378,527 | 2,293,788 |
| Net interest cost | (9,490) | 15,260 |
| | <u>2,369,037</u> | <u>2,309,048</u> |
| Defined contribution plans | | |
| Retirement benefits | <u>3,806,509</u> | <u>4,058,568</u> |
| | ₩ <u>6,175,546</u> | <u>6,367,616</u> |

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20. Provisions

(a) Details of provisions as of March 31, 2021 and December 31, 2020 are as follows:

| | March 31, 2021 | December 31, 2020 |
|--|---------------------|-------------------|
| Provisions for lawsuits | ₩ 1,721,806 | 2,102,456 |
| Provisions for restoration costs | 9,347,748 | 9,411,431 |
| Provisions for other liabilities and charges | 3,365,173 | 511,000 |
| Provisions for off-balance sheet items | | |
| Provisions for undrawn commitment | 721,010 | 663,837 |
| Provisions for guarantees | 3,959,566 | 2,361,517 |
| | <u>4,680,576</u> | <u>3,025,354</u> |
| | <u>₩ 19,115,303</u> | <u>15,050,241</u> |

(b) Changes in provisions for off-balance sheet items for the three-month periods ended March 31, 2021 and 2020 are as follows:

| | 2021 | | | | | | | |
|----------------------|---------------------|-----------------|----------|-----------|--------------------------|-----------------|----------|---------|
| | Financial Guarantee | | | | Undrawn commitments etc. | | | |
| | Lifetime ECL | | | | Lifetime ECL | | | |
| | 12-months ECL | Not impaired | Impaired | Total | 12-months ECL | Not impaired | Impaired | Total |
| Beginning Balance | ₩ 2,361,517 | - | - | 2,361,517 | 663,837 | - | - | 663,837 |
| Replacement | - | - | - | - | - | - | - | - |
| To 12-months ECL | - | - | - | - | - | - | - | - |
| To Lifetime ECL | - | - | - | - | - | - | - | - |
| Provision (reversal) | 1,598,049 | - | - | 1,598,049 | 57,173 | - | - | 57,173 |
| Ending balance | ₩ 3,959,566 | - | - | 3,959,566 | 721,010 | - | - | 721,010 |
| | | | | | | | | |
| | 2020 | | | | | | | |
| | Financial Guarantee | | | | Undrawn commitments etc. | | | |
| | Lifetime ECL | | | | Lifetime ECL | | | |
| | 12-months ECL | Not impaired | Impaired | Total | 12-months ECL | Not impaired | Impaired | Total |
| Beginning Balance | ₩ 1,530,142 | - | - | 1,530,142 | 628,907 | - | - | 628,907 |
| Replacement | - | - | - | - | - | - | - | - |
| To 12-months ECL | - | - | - | - | - | - | - | - |
| To Lifetime ECL | - | - | - | - | - | - | - | - |
| Provision (reversal) | (352,619) | - | - | (352,619) | 77,272 | - | - | 77,272 |
| Ending balance | ₩ 1,177,523 | - | - | 1,177,523 | 706,179 | - | - | 706,179 |

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20. Provisions, Continued

(c) Changes in balance for off-balance sheet items for the three-month periods ended March 31, 2021 and 2020 are as follows:

| | 2021 | | | | | | | |
|---------------------------------------|---------------------|-----------------|----------|---------------|--------------------------|-----------------|----------|-------------|
| | Financial Guarantee | | | | Undrawn commitments etc. | | | |
| | Lifetime ECL | | | | Lifetime ECL | | | |
| | 12-months ECL | Not impaired | Impaired | Total | 12-months ECL | Not impaired | Impaired | Total |
| Beginning Balance | ₩ 1,998,286,395 | - | - | 1,998,286,395 | 199,004,872 | - | - | 199,004,872 |
| Replacement | | | | | | | | |
| To 12-months ECL | - | - | - | - | - | - | - | - |
| To Lifetime ECL | - | - | - | - | - | - | - | - |
| To Credit impaired financial asset | - | - | - | - | - | - | - | - |
| Increase (decrease) | 95,214,349 | - | - | 95,214,349 | (1,722,942) | - | - | (1,722,942) |
| Ending balance | ₩ 2,093,500,744 | - | - | 2,093,500,744 | 197,281,930 | - | - | 197,281,930 |

| | 2020 | | | | | | | |
|---------------------------------------|---------------------|-----------------|----------|---------------|--------------------------|-----------------|----------|-------------|
| | Financial Guarantee | | | | Undrawn commitments etc. | | | |
| | Lifetime ECL | | | | Lifetime ECL | | | |
| | 12-months ECL | Not impaired | Impaired | Total | 12-months ECL | Not impaired | Impaired | Total |
| Beginning Balance | ₩ 2,492,679,307 | - | - | 2,492,679,307 | 234,649,129 | - | - | 234,649,129 |
| Replacement | | | | | | | | |
| To 12-months ECL | - | - | - | - | - | - | - | - |
| To Lifetime ECL | - | - | - | - | - | - | - | - |
| To Credit impaired financial asset | - | - | - | - | - | - | - | - |
| Increase (decrease) | (118,911,030) | - | - | (118,911,030) | 13,013,897 | - | - | 13,013,897 |
| Ending balance | ₩ 2,373,768,277 | - | - | 2,373,768,277 | 247,663,026 | - | - | 247,663,026 |

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20. Provisions, Continued

(d) Changes in provisions for the three-month periods ended March 31, 2021 and 2020 are as follows:

| | <u>2021</u> | <u>2020</u> |
|-----------------------|--------------------|------------------|
| Beginning | ₩ 9,411,431 | 8,382,733 |
| Provision | 425,611 | 160,469 |
| Reversal | (499,140) | (667,134) |
| Unwinding or discount | 9,846 | 9,887 |
| Ending | ₩ <u>9,347,748</u> | <u>7,885,955</u> |

21. Other Financial Liabilities

Details of other financial liabilities as of March 31, 2021 and December 31, 2020 are as follows:

| | <u>March 31, 2021</u> | <u>December 31, 2020</u> |
|---|------------------------|--------------------------|
| Dividends payable | ₩ 300,013,617 | - |
| Accounts payable | 1,842,059,731 | 1,817,190,781 |
| Accrued expenses | 380,382,331 | 329,930,694 |
| Other withheld | 1,015,591,664 | 1,102,216,733 |
| Leasehold deposits received | 9,001,188 | 8,853,193 |
| Financial guarantees | 112,673,503 | 105,560,758 |
| Non-controlling interests (liabilities) | 470,742,701 | 465,012,261 |
| Lease liabilities | 66,841,443 | 67,724,305 |
| Others | 242,132 | 274,991 |
| | ₩ <u>4,197,548,310</u> | <u>3,896,763,716</u> |

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22. Other Non-Financial Liabilities

Details of other non-financial liabilities as of March 31, 2021 and December 31, 2020 are as follows:

| | <u>March 31, 2021</u> | <u>December 31, 2020</u> |
|------------------|-----------------------|--------------------------|
| Accounts payable | ₩ 274,733,173 | 174,021,934 |
| Accrued expenses | 11,250,141 | 17,153,198 |
| Taxes withheld | 64,987,495 | 38,911,565 |
| Unearned revenue | <u>67,311,720</u> | <u>68,688,253</u> |
| | <u>₩ 418,282,529</u> | <u>298,774,950</u> |

23. Regulatory reserve for credit losses

(a) The details of the regulatory reserve for credit losses to be appropriated as of March 31, 2021 and December 31, 2020 are as follows:

| | <u>March 31, 2021</u> | <u>December 31, 2020</u> |
|-----------------------------------|-----------------------|--------------------------|
| Beginning | ₩ 74,061,344 | 86,476,601 |
| Amounts to be reserved (reversed) | <u>1,304,253</u> | <u>(12,415,257)</u> |
| Ending | <u>₩ 75,365,597</u> | <u>74,061,344</u> |

(b) The adjusted profit of the period after reflection of reserve for credit losses for the three-month periods ended March 31, 2021 and 2020 are as follows:

| | <u>2021</u> | <u>2020</u> |
|--|----------------------|----------------------|
| Profit (loss) for the period | ₩ 350,562,146 | (133,893,071) |
| Amounts to be reversed (reserved) | <u>(1,304,253)</u> | <u>(94,110)</u> |
| Adjusted profit (loss) after provision of reserve for credit losses(*) | <u>₩ 349,257,893</u> | <u>(133,987,181)</u> |

(*) Adjusted profit (loss) after reserve for credit losses is not in accordance with K-IFRS and calculated on the assumption that provision or reversal of reserve for credit losses before tax is adjusted to the profit (loss).

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24. Gain (loss) on Valuation and Disposal of Financial Assets (Liabilities)

The details of gain (loss) on valuation and disposal of financial assets (liabilities) for the three-month periods ended March 31, 2021 and 2020 are as follows:

| | 2021 | | |
|---|------------------------|------------------------|-------------------|
| | Profit | Loss | Net income |
| Financial assets measured at fair value through profit or loss | ₩ 428,065,593 | (272,809,693) | 155,255,900 |
| Derivative financial assets | 2,825,606,526 | (2,722,298,529) | 103,307,997 |
| Financial assets measured at fair value through other comprehensive income(*) | 2,082,653 | (402,016) | 1,680,637 |
| Financial liabilities measured at fair value through profit or loss | 27,791,092 | (86,200,423) | (58,409,331) |
| Financial liabilities designated as measured at fair value through profit or loss | 140,839,568 | (245,540,644) | (104,701,076) |
| | ₩ <u>3,424,385,432</u> | <u>(3,327,251,305)</u> | <u>97,134,127</u> |

(*) The valuation of equity and debt instruments designated as measured at fair value through other comprehensive income, and the profit or loss on disposal of equity instruments designated as measured at fair value through other comprehensive income are excluded because they are recognized as capital items.(Note 6)

| | 2020 | | |
|---|------------------------|------------------------|----------------------|
| | Profit | Loss | Net income |
| Financial assets measured at fair value through profit or loss | ₩ 248,018,805 | (732,627,439) | (484,608,634) |
| Derivative financial assets | 4,669,333,693 | (6,186,906,978) | (1,517,573,285) |
| Financial assets measured at fair value through other comprehensive income(*) | 2,236,629 | (287,744) | 1,948,885 |
| Financial liabilities measured at fair value through profit or loss | 190,185,021 | (58,764,331) | 131,420,690 |
| Financial liabilities designated as measured at fair value through profit or loss | 1,628,312,791 | (216,956,490) | 1,411,356,301 |
| | ₩ <u>6,738,086,939</u> | <u>(7,195,542,982)</u> | <u>(457,456,043)</u> |

(*) The valuation of equity and debt instruments designated as measured at fair value through other comprehensive income, and the profit or loss on disposal of equity instruments designated as measured at fair value through other comprehensive income are excluded because they are recognized as capital items.(Note 6)

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25. Provision for (Reversal of) Credit Loss Allowance

The details of provision for (reversal of) credit loss allowance due to expected credit losses recognized for the three-month periods ended March 31, 2021 and 2020 are as follows:

| | 2021 | 2020 |
|--|----------------------|--------------------|
| Provision for credit loss allowance: | | |
| Financial assets measured at fair value through other comprehensive income | ₩ - | (235,319) |
| Financial assets measured at amortized cost | (6,602,328) | (2,147,851) |
| Other financial assets measured at amortized cost | (584,745) | (1,919,881) |
| Provision for off-balance sheet items | (1,655,222) | (77,272) |
| | <u>(8,842,295)</u> | <u>(4,380,323)</u> |
| Reversal of credit loss allowance | | |
| Financial assets measured at fair value through other comprehensive income | 4,374 | - |
| Financial assets measured at amortized cost | 1,869,327 | 9,206 |
| Other financial assets measured at amortized cost | 2,699,388 | - |
| Provision for off-balance sheet items | - | 352,619 |
| | <u>4,573,089</u> | <u>361,825</u> |
| | <u>₩ (4,269,206)</u> | <u>(4,018,498)</u> |

26. Selling and Administrative Expenses

The details of selling and administrative expenses for the three-month periods ended March 31, 2021 and 2020 are as follows:

| | 2021 | 2020 |
|--|----------------------|--------------------|
| Salaries | ₩ 172,469,096 | 41,379,802 |
| Retirement benefits | 6,175,546 | 6,367,616 |
| Welfare expense | 12,928,097 | 12,860,493 |
| Electronic data operating expense | 7,896,095 | 6,186,460 |
| Rent | 1,258,016 | 927,603 |
| Commission and fees | 15,029,705 | 8,760,441 |
| Entertainment expenses | 3,062,341 | 2,729,183 |
| Advertising | 7,962,208 | 8,320,236 |
| Depreciation of investment property | 461,428 | 451,347 |
| Depreciation of property and equipment | 12,494,165 | 11,581,645 |
| Research expenses | 750,437 | 672,835 |
| Training expenses | 529,526 | 536,888 |
| Amortization | 1,945,335 | 1,683,890 |
| Taxes and dues | 9,803,054 | 5,853,021 |
| Others | 21,756,552 | 15,204,374 |
| | <u>₩ 274,521,601</u> | <u>123,515,834</u> |

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27. Assets Pledged as Collateral

The details of financial assets pledged as collateral as of March 31, 2021 and December 31, 2020 are as follows:

| | | March 31, 2021 | | |
|-------|---|-----------------------|-----------------------|---|
| | | Book value(*1) | Collateral Amount(*2) | Remark |
| Stock | ₩ | 80,841,525 | 61,153,150 | Guarantee for trading of over-the-counter derivatives |
| | | 2,080,923,107 | 1,638,470,355 | Guarantee for lending and borrowing securities |
| | | 1,193,872 | 1,193,872 | Asset collateral for the overdraft of transaction account |
| | | | | Guarantee for trading securities under repurchase agreements (*3) |
| Bond | | 14,793,731,157 | 12,581,510,723 | Guarantee for lending and borrowing securities |
| | | 5,927,119,536 | 4,882,884,387 | Deposits on KRX |
| | | 1,262,902,635 | 1,210,264,850 | Guarantee for trading of derivatives |
| | | 2,795,210,499 | 2,672,345,419 | Asset collateral for the overdraft of transaction account |
| | | 8,293,090 | 8,293,090 | Guarantee for lending and borrowing securities |
| CP | | <u>54,910,615</u> | <u>54,910,615</u> | |
| | ₩ | <u>27,005,126,036</u> | <u>23,111,026,461</u> | |

(*1) Includes financial assets measured at fair value through profit or loss and securities borrowed.

(*2) Collateral amount is the appraised amount calculated by multiplying a certain ratio to the market price of stocks and bonds. Securities, whose market price is not available, are valued at par value.

(*3) The repurchase agreement is a transaction to sell securities to customers with a condition that the Group repurchases the securities at the sale price plus a lender's return (interest and others). When a transfer of a financial asset does not qualify for derecognition, the related asset continues to be recognized, and the amount of securities sold is recognized as liabilities.

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27. Assets Pledged as Collateral, Continued

The details of financial assets pledged as collateral as of March 31, 2021 and December 31, 2020 are as follows, Continued:

| | December 31, 2020 | | Remark |
|--|-------------------------|-----------------------|---|
| | Book value(*1) | Collateral Amount(*2) | |
| Stock | ₩ 73,595,100 | 55,579,000 | Guarantee for trading of over-the-counter derivatives |
| | 2,034,905,924 | 1,581,804,362 | Guarantee for lending and borrowing securities |
| | 3,535,283 | 3,535,283 | Asset collateral for the overdraft of transaction account |
| | | | Guarantee for trading securities under repurchase agreements (*3) |
| Bond | 13,000,204,255 | 11,017,193,065 | Guarantee for lending and borrowing securities |
| | 7,134,702,606 | 6,171,339,527 | Deposits on KRX |
| | 889,417,074 | 848,561,909 | Guarantee for trading of derivatives |
| | 3,343,957,154 | 3,198,167,708 | Asset collateral for the overdraft of transaction account |
| | 15,891,367 | 15,891,367 | Guarantee for lending and borrowing securities |
| CP | 154,260,795 | 154,260,795 | |
| Other collective investment securities | 5,757,046 | 5,757,046 | Asset collateral for the overdraft of transaction account |
| | <u>₩ 26,656,226,604</u> | <u>23,052,090,062</u> | |

(*1) Includes financial assets measured at fair value through profit or loss and securities borrowed.

(*2) Collateral amount is the appraised amount calculated by multiplying a certain ratio to the market price of stocks and bonds. Securities, whose market price is not available, are valued at par value.

(*3) The repurchase agreement is a transaction to sell securities to customers with a condition that the Group repurchases the securities at the sale price plus a lender's return (interest and others). When a transfer of a financial asset does not qualify for derecognition, the related asset continues to be recognized, and the amount of securities sold is recognized as liabilities.

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28. Contingent Liabilities and Commitments

(a) The Group has entered into various agreements with various financial institutions as of March 31, 2021 and December 31, 2020 are as follows:

| | Financial Institutions | Credit facility | |
|---|--|-----------------------|-----------------------|
| | | March 31, 2021 | December 31, 2020 |
| Overdraft (including daily overdraft) | Industrial Bank of Korea and other five financial institutes | ₩ 540,000,000 | 540,000,000 |
| General loan | Industrial Bank of Korea and other four banks | 1,285,000,000 | 1,285,000,000 |
| Working capital loan (general) | KSFC | 250,000,000 | 500,000,000 |
| Working capital loan (trust) | KSFC | Limit of trust amount | Limit of trust amount |
| Note trading at a discount (general) | KSFC | 200,000,000 | 200,000,000 |
| Note trading at a discount | KSFC | Limit of subscription | Limit of subscription |
| Loans to financial securities-secured loans | KSFC | 800,000,000 | 800,000,000 |

(b) As of March 31, 2021, the Group is involved in 36 lawsuits as a defendant involving ₩166,485,162 thousand and in 12 lawsuits as a plaintiff claiming ₩120,817,296 thousand. As of March 31, 2021, the Group is recognized provisions for lawsuits, advances payments on loss compensations and its allowance regard to lawsuits as a defendant of ₩1,721,806 thousand, ₩15,315,074 thousand respectively. Although the final impact of the lawsuit on the Group is not predictable, it is not expected to have significant impact on the Group's consolidated financial statements.

(c) As of March 31, 2021, the Group has agreements to purchase the commercial papers if the commercial papers are not sold in the market until the issue date under the condition that the credit ratings of the commercial papers maintain a certain level. The details of the commercial papers purchase agreements, as of March 31, 2021, are as follows:

| Name | Amounts | Termination date |
|--|---------------|------------------|
| SM Asan 1st | ₩ 65,000,000 | 2021-08-31 |
| Party and Partners Co., Ltd. | 20,000,000 | 2022-05-23 |
| HI EULUV | 50,000,000 | 2022-07-21 |
| JM Asset Securitization je 1 cha Co., Ltd. | 51,800,000 | 2023-04-27 |
| WAbest Co., Ltd./ IQOS the 2nd Co., Ltd. | 30,000,000 | 2023-06-20 |
| KIS IB Plus 7th Co., Ltd. | 30,300,000 | 2022-06-20 |
| IQOS the 2nd Co., Ltd./ WAbest Co., Ltd. | 20,000,000 | 2023-06-20 |
| KIS IB Plus 11th Co., Ltd. | 20,000,000 | 2022-12-20 |
| Multiplex Series No.8 Limited Company | 30,000,000 | 2021-08-30 |
| | ₩ 317,100,000 | |

In accordance with the commercial papers purchase agreements, the Group has commercial papers amounting to ₩10,071,696 thousand as of March 31, 2021 (₩107,786,315 thousand as of December 31, 2020) at face amount.

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28. Contingent Liabilities and Commitments, Continued

(d) Payment guarantees and other commitments provided the Group as of March 31, 2021 and December 31, 2020 are as follows:

| | Beneficiary | March 31, 2021 | December 31, 2020 |
|----------------------------------|--|-----------------|-------------------|
| Credit line and others | Doosan Machine Tools Co., Ltd. and others | ₩ 197,281,930 | 199,004,872 |
| Loan commitment for unsold house | KIS IB the 16th Co., Ltd. and others | 1,030,097,710 | 1,038,397,710 |
| Loan purchase commitment | True friend Hyangdong 2 nd Co., Ltd. and others | 756,375,000 | 660,475,000 |
| | | ₩ 1,983,754,640 | 1,897,877,582 |

(e) The Group's securities borrowed and securities loaned as of March 31, 2021 and December 31, 2020 are as follows:

| | March 31, 2021 | December 31, 2020 | Valuation basis |
|-------------------------------------|-----------------|-------------------|-----------------|
| Securities borrowed | | | |
| Stocks | ₩ 1,654,298,895 | 1,199,875,207 | Fair value |
| Stocks in foreign currency | 216,202,335 | 188,860,808 | Fair value |
| National and local government bonds | 2,532,778,343 | 3,036,882,949 | Fair value |
| Securities loaned | | | |
| Stocks(*) | 801,364,519 | 789,447,518 | Fair value |
| Foreign currency stocks | 246,957,044 | 202,218,912 | Fair value |

(*) Securities loaned include ₩21,213,657 thousand of the Group's financial assets measured at fair value through profit or loss. Through securities lending transactions, the Group transfers its ownership to borrowers on condition that the borrowers return the same kind and amount of securities after certain time. As the transfer of the financial asset does not qualify for derecognition, it continues to be recognized as an asset.

(f) As of March 31, 2021, the Group has been provided with ₩213,490,000 thousand of fidelity guarantees by Seoul Guarantee Insurance Co., Ltd.

(g) The Group signed a contract to purchase a share (75% of the total share) of PT Korea Investment & Sekuritas Indonesia and has an agreement on the remaining share (25% of the total share). Under the agreement, local shareholders (25% of the total share) of PT Korea Investment & Sekuritas Indonesia are held their shares under the condition that they do not dispose their shares until the minimum joint venture period (2020 or 2023 for each shareholder) and have the right to claim the Group to purchase at the price IDR 3,025,861. The Group is obligated to purchase in response. The Group purchased an additional 22,500 shares in response to exercise of some put options by local shareholders for the year ended December 31, 2020. The remaining put option of the contracts as of March 31, 2021 is included in Note 16.

(h) The securities in custody as of March 31, 2021 and December 31, 2020 are as follows:

| | March 31, 2021 | December 31, 2020 | Valuation basis |
|------------------------|-------------------|-------------------|-----------------|
| Trustor securities | ₩ 141,204,158,653 | 133,590,988,935 | Fair value |
| Saver securities | 146,401,533 | 144,555,120 | Fair value |
| Beneficiary securities | 50,328,773,327 | 48,315,046,580 | Basis price(*) |
| Other securities | 7,584,993,470 | 7,389,082,839 | Fair value |
| | ₩ 199,264,326,983 | 189,439,673,474 | |

(*) The price was announced by the Financial Investment Association and regarded as fair value.

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29. Related Party Transactions

(a) The Group's related parties as of March 31, 2021 are as follows:

| Classification | Corporate name |
|----------------|--|
| Parent | Korea Investment Holdings Co., Ltd |
| Associates | True Friend Investment Advisory Co., Ltd. Global Dynasty Natural Resource Private Equity Fund Shanghai Fangzheng Stock Investment Partnership KIP Promising Service Industry Venture Fund KIM Growth Corporation Professional Private Trust 1 KIM Growth Company Professional Private Investment No.3 KIP Bright (Chengdu) Investment Partnership Korea Investment Industry 4.0 Venture Fund 2017 KIF-KIP Artificial Intelligence Venture Fund EQ Partners Green Private Equity Fund IBK KIP Growth Stepstone No.1 Private Equity Fund Eugene Premier Professional Investment Type Private Investment Trust No.17 JB Japan Office Private Real Estate Fund 20 KIS-Emford New Tech Investment Fund 1 KIM Private Placement London Core Office Real Estate Investment Trust KCLAVIS Meister Fund No.46 Hyundai YouFirst Private Real Estate Investment Trust No.23-1 AIP Euro green private real estate trust NO.9 FG EURO GREEN Private Real Estate Fund No.3 Woori Goseong Power EBL Private Special Asset Fund Hanwha Japan Photovoltaic Private Fund 2 Eugene Aviation Private Special Asset Investment Trust No. 11 (Aircraft) NH-Amundi Aviation Private Fund 1 NH-Amundi Aviation Private Fund 2 HANA PRIVATE REAL ESTATE INVESTMENT TRUST NO.58 NH-Amundi US Infrastructure Investment Trust II Anda Station Professional Investment Type Private Real Estate Fund No.1 WOORI ECOWASTE PRIVATE SPECIAL ASSET FUND KIS-SV New Tech Investment Fund 1 EBEST AIP Fund No.1 Samchully Midstream Private Placement Special Asset Fund 5-3 KTB Aircraft Professional Investment Private Investment Trust No.22-1 JB Australia NDIS Private Fund 1 NH Amundi Overseas Senior Loan Fund 4 Tiger Alternative Investment 8 Tiger Alternative Qualified Investment Real Estate Trust No.12 Tiger Alternative Qualified Investment Real Estate Trust No. 6 Hanon Private Equity Fund KIS-BM New Tech Investment Fund 1 T&F 2019 Bearing Startup and Venture Private Equity Fund IBKC-EQP Innovative Technology Fund Kiwoom Infra Core Debt Investment Private Trust No.2 Tiger Alternative Qualified Investment Real Estate Trust No.14 KIM AsiaPlus Securities Feeder Investment Trust(Bond) INMARK France Professional Private Real Estate Investment Trust 18 |

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29. Related Party Transactions, Continued

(a) The Group's related parties as of March 31, 2021 are as follows, Continued:

| Classification | Corporate name |
|--|---|
| Associates | Petra 7 Alpha Private Equity Fund |
| | KIS-BM New Tech Investment Fund 2 |
| | Tiger Alternative Qualified Investment Real Estate Trust No.18-2 |
| | Kiwoom Hero Private Equity Fund 3 |
| | KIM Global Flex Bond Securities Trust |
| | Korea investment-Brickinvestment 1 New Technology Business Investment Fund |
| | KIM Private Placement Smart Real Asset Investment Trust 1 |
| | Alpha US Notus Special Asset Private Investment Trust |
| | PineStreet Global Corporate Finance Fund V-1 |
| | A ONE GALAXY KOSDAQ VENTURE PROFESSIONAL INVESTOR PRIVATE INVESTMENT FUNDS |
| | Hyundai Logiscore PEF I |
| | Kakao Bank, Corp. |
| | GEC-KIP Technology and Innovation Fund |
| | Korea Investment Aviation Professional Investors' Special Asset Investment Trust No.6 |
| | KIM Target Income Global Bond Feeder Fund2 |
| | KIM Target Income Global Allocation Feeder Fund2 |
| | KIM Global Socially Responsible ESG Companies Fund (Equity-Fund of Funds) |
| | KIM US Dividend Aristocrats Fund (Equity) |
| | Korea Value Platinum Plus Qualified Investor Private Investment Trust |
| | Korea Value Platinum Covered Risk Investor Private Investment Trust |
| Entities under common control | Korea Investment Partners Co., Ltd |
| | Korea Investment Savings Bank |
| | Korea Investment Capital Co., Ltd |
| | KIARA CAPITAL II PTE. Ltd |
| | KIARA ADVISORS PTE. Ltd |
| | Korea Investment Private Equity |
| | Korea Investment & Real Estate Trust. Co., Ltd |
| Others | KIM Core Competency Leveraged Fund |
| | KIM Re-up Fund |
| Affiliates belonging to the large enterprise group(*1) | Woori New technology Private Equity Fund and others |

(*1) The Group has included affiliates belonging to the large enterprise group designated by the Fair Trade Commission in the scope of related parties.

Korea Investment & Securities Co., Ltd. and Subsidiaries
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29. Related Party Transactions, Continued

(b) Significant transactions with related parties for the three-month periods ended March 31, 2021 and 2020 are as follows:

| Counterparty | Account | 2021 | | 2020 | |
|---|----------------------------|-----------|-----------|---------|---------|
| | | Revenue | Expense | Revenue | Expense |
| Parent: | | | | | |
| Korea Investment Holdings Co., Ltd | Rent income | ₩ 253,841 | - | 185,233 | - |
| | Non-operating income(*1) | 69,805 | - | 64,505 | - |
| | Fee and commission revenue | 880 | - | 880 | - |
| | Interest expense | - | 1,010,887 | - | 684,440 |
| Associates: | | | | | |
| KIS-Emford New Tech Investment Fund 1 | Fee and commission revenue | - | - | 20,289 | - |
| KIS-BM New Tech Investment Fund 1 | Fee and commission revenue | 10,874 | - | 10,995 | - |
| KIS-BM New Tech Investment Fund 2 | Fee and commission revenue | 5,402 | - | 1,321 | - |
| KIS-SV New Tech Investment Fund 1 | Fee and commission revenue | 13,463 | - | 13,613 | - |
| Korea investment-Brickinvestment 1 New Technology Business Investment Fund | Fee and commission revenue | 21,526 | - | - | - |
| KIM AsiaPlus Securities Feeder Investment Trust(Bond) | Fee and commission revenue | 17,972 | - | - | - |
| Korea Investment Aviation Professional Investors' Special Asset Investment Trust No.6 | Fee and commission revenue | 31,198 | - | 61,983 | - |
| KIM Target Income Global Bond Feeder Fund2 | Fee and commission revenue | 1,172 | - | 3,115 | - |
| KIM Target Income Global Allocation Feeder Fund2 | Fee and commission revenue | 1,264 | - | 3,112 | - |
| KIM Global Socially Responsible ESG Companies Fund(Equity-Fund of Funds) | Fee and commission revenue | 2,640 | - | 2,007 | - |
| KIM 4th Industrial Revolution of Japan Fund(Equity) | Fee and commission revenue | - | - | 8,741 | - |
| KIM US Dividend Aristocrats Fund (Equity) | Fee and commission revenue | 5,711 | - | - | - |
| Korea Value Platinum Equity Qualified Investor Private Investment Trust Type 2 | Fee and commission revenue | 549 | - | - | - |
| Korea Value Platinum Plus Qualified Investor Private Investment Trust | Fee and commission revenue | 5,248 | - | - | - |
| Korea Value Platinum Covered Risk Investor Private Investment Trust | Fee and commission revenue | 2,193 | - | - | - |

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29. Related Party Transactions, Continued

(b) Significant transactions with related parties for the three-month periods ended March 31, 2021 and 2020 are as follows, Continued

| Counterparty | Account | 2021 | | 2020 | |
|---|----------------------------|-------------|-----------|---------|-----------|
| | | Revenue | Expense | Revenue | Expense |
| Associates: | | | | | |
| Kakao Bank, Corp. | Fee and commission revenue | ₩ 3,168 | - | 3,168 | - |
| | Payment fee | - | 2,946,166 | - | 991,582 |
| | Fee and commission expense | - | 1,000,185 | - | 1,089,414 |
| Entities under common control: | | | | | |
| Korea Investment Partners Co., Ltd | Non-operating income(*1) | 2,201 | - | 1,211 | - |
| | Payment fee | - | 739,284 | - | - |
| Korea Investment Savings Bank | Interest income | 33,999 | - | 104,737 | - |
| | Fee and commission revenue | 2,200 | - | 2,200 | - |
| | Non-operating income(*1) | 8,918 | - | 4,026 | - |
| | Interest on deposits | - | 384 | - | 1,300 |
| | Payment fee | - | 140,000 | - | - |
| Korea Investment Capital Co., Ltd | Non-operating income(*1) | 4,759 | - | 2,231 | - |
| Korea Investment & Real Estate Trust. Co., Ltd | Non-operating income(*1) | 550 | - | - | - |
| | Interest expense | - | 334,272 | - | 135,588 |
| | Payment fee | - | 15,000 | - | - |
| KIARA ADVISORS PTE. LTD. | Payment fee | - | 1,207,269 | - | 1,072,029 |
| Korea Investment Private Equity | Non-operating income(*1) | 494 | - | 115 | - |
| Affiliates belonging to the large enterprise group: | | | | | |
| KIP Global Pharma-Ecosystem Private Equity Fund(*2) | Dividend income | 1,562,940 | - | 17,740 | - |
| | Loss on disposition | - | 979,960 | - | - |
| Others: | | | | | |
| KIM Re-up Fund(*2) | Dividend income | 1,165,207 | - | - | - |
| | Loss on disposition | - | 229,461 | - | - |
| KIM Core Competency Leveraged Fund(*2) | Dividend income | 975,996 | - | - | - |
| | Loss on disposition | - | 79,299 | - | - |
| | | ₩ 4,204,170 | 8,682,167 | 511,222 | 3,974,353 |

(*1) Electronic data operating expense and trademark settlement received from the parent company and entities under common control.

(*2) For the three-month period ended March 31, 2021, KIM Re-up Fund, KIM Core Competency Leveraged Fund, Woori New technology Private Equity Fund, and KIP Global Pharma-Ecosystem Private Equity Fund has been reimbursed for ₩500,000 thousand, ₩561,000 thousand, ₩378,000 thousand, and ₩340,000 thousand respectively. KIP Innovative Growth Scale-Up Private Equity Fund, Korea Investment & SG Corporate Restructuring Private Equity Fund, and Korea Investment Oncorp Green Mobility No.1 Recovery Private Equity Fund has been made an additional investment for ₩2,795,000 thousand, ₩3,600,000 thousand, ₩10,000,000 thousand respectively.

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29. Related Party Transactions, Continued

(c) Significant receivables, payables, and allowances arising from related party transactions as of March 31, 2021 and December 31, 2020 are as follows:

| Counterparty | Account | March 31, 2021 | | December 31, 2020 | | |
|---|------------------------------|----------------|------------------|--------------------|------------------|--------------------|
| | | Receivables | Payables | Receivables | Payables | |
| Parent: | | | | | | |
| Korea Investment Holdings Co., Ltd. | Borrowings | ₩ - | 90,680,000 | - | 87,040,000 | |
| | Accounts payable(*) | - | 274,733,173 | - | 174,021,934 | |
| | Dividend payable | - | 300,013,617 | - | - | |
| | Accrued interest expense | - | 2,265,634 | - | 1,187,440 | |
| | Leasehold deposits received | - | 486,656 | - | 347,478 | |
| Associates: | | | | | | |
| Global Dynasty Natural Resource Private Equity Fund | Others | 680,441 | - | 680,441 | - | |
| | Loss allowance | (680,441) | - | (680,441) | - | |
| Korea investment-Brickinvestmnet 1 New Technology Business Investment Fund | Unearned commission | - | 43,770 | - | 65,296 | |
| Kakao Bank, Corp. | Passbook deposits | 942,463 | - | 1,028,410 | - | |
| Korea Investment Aviation Professional Investors' Special Asset Investment Trust No.6 | Accrued income | 9,010 | - | 16,435 | - | |
| KIM Target Income Global Bond Feeder Fund2 | Accrued income | 134 | - | 1,062 | - | |
| KIM Target Income Global Allocation Feeder Fund2 | Accrued income | 142 | - | 1,534 | - | |
| KIM Global Socially Responsible ESG Companies Fund(Equity-Fund of Funds) | Accrued income | 698 | - | 670 | - | |
| KIM AsiaPlus Securities Feeder Investment Trust(Bond) | Accrued income | 6,777 | - | 7,164 | - | |
| KIM US Dividend Aristocrats Fund (Equity) | Accrued income | 4,775 | - | 4,611 | - | |
| Korea Value Platinum Equity Qualified Investor Private Investment Trust Type 2 | Accrued income | - | - | 4,586 | - | |
| Korea Value Platinum Plus Qualified Investor Private Investment Trust | Accrued income | 5,248 | - | - | - | |
| Korea Value Platinum Covered Risk Investor Private Investment Trust | Accrued income | 2,193 | - | - | - | |
| Affiliates belonging to the large enterprise group: | | | | | | |
| Korea Investment Savings Bank | Long-term deposits | 6,000,000 | - | 8,000,000 | - | |
| | Accrued income | 104,385 | - | 76,951 | - | |
| | Customer's deposits received | - | 1,653,816 | - | 1,348,156 | |
| KIARA ADVISORS PTE. LTD. | Accrued expenses | - | 1,228,346 | - | 1,193,288 | |
| Korea Investment & Real Estate Trust. Co., Ltd | Deposits | - | 195,200 | - | - | |
| | | ₩ | <u>7,075,825</u> | <u>671,300,212</u> | <u>9,141,423</u> | <u>265,203,592</u> |

(*) Accounts payable to Korea Investment Holdings Co., Ltd. due to the application of the consolidated tax return.

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29. Related Party Transactions, Continued

(d) The commission incomes incurred from the management of related parties' pension schemes for the three-month periods ended March 31, 2021 and 2020 are ₩47,961 thousand and ₩40,828 thousand, respectively. The fees receivables as of March 31, 2021 and December 31, 2020 are ₩47,961 thousand and ₩158,585 thousand, respectively.

(e) The key management compensation for the three-month periods ended March 31, 2021 and 2020 are as follows:

| | 2021 | | |
|----------------------|-----------------------------------|------------------------|-----------|
| | Short-term employee benefit | Retirement benefits | Total |
| Registered directors | ₩ 837,082 | 222,657 | 1,059,739 |

| | 2020 | | |
|----------------------|-----------------------------------|------------------------|-----------|
| | Short-term employee benefit | Retirement benefits | Total |
| Registered directors | ₩ 3,100,887 | 238,810 | 3,339,697 |

(f) Details of transfer transaction with related parties for the three-month periods ended March 31, 2021 and 2020 are as follows:

| Counterparty | Transaction | 2021 | 2020 |
|-----------------------------------|------------------------------------|--------------|------|
| Entities under common control: | | | |
| Korea Investment Capital Co., Ltd | Transfer of privately placed bonds | ₩ 10,000,000 | - |

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30. Carrying Amounts of Financial Instruments by Category

The carrying amounts of financial assets and liabilities by category as of March 31, 2021 and December 31, 2020 are as follows:

| | March 31, 2021 | | | | Total |
|---|---|---|--|---|----------------|
| | Financial assets (liabilities) at fair value through profit or loss | Financial liabilities designated as measured at fair value through profit or loss | Financial assets measured at fair value through other comprehensive income | Financial assets (liabilities) measured at amortized cost | |
| Financial assets: | | | | | |
| Cash and due from banks | ₩ - | - | - | 5,251,748,066 | 5,251,748,066 |
| Financial assets measured at fair value through profit or loss | 41,319,558,139 | - | - | - | 41,319,558,139 |
| Derivative financial assets | 820,681,367 | - | - | - | 820,681,367 |
| Financial assets measured at amortized cost | - | - | - | 7,096,484,590 | 7,096,484,590 |
| Financial assets measured at fair value through other comprehensive income | - | - | 2,291,940,969 | - | 2,291,940,969 |
| Other financial assets measured at amortized cost | - | - | - | 2,420,865,977 | 2,420,865,977 |
| | ₩ 42,140,239,506 | - | 2,291,940,969 | 14,769,098,633 | 59,201,279,108 |
| Financial liabilities: | | | | | |
| Deposits received | ₩ - | - | - | 8,420,384,816 | 8,420,384,816 |
| Financial liabilities measured at fair value through profit or loss | 2,572,494,382 | - | - | - | 2,572,494,382 |
| Derivative financial liabilities | 1,299,838,059 | - | - | - | 1,299,838,059 |
| Financial liabilities designated as measured at fair value through profit or loss | - | 10,573,960,676 | - | - | 10,573,960,676 |
| Borrowings | - | - | - | 28,519,303,494 | 28,519,303,494 |
| Other financial liabilities | - | - | - | 4,197,548,310 | 4,197,548,310 |
| | ₩ 3,872,332,441 | 10,573,960,676 | - | 41,137,236,620 | 55,583,529,737 |

Korea Investment & Securities Co., Ltd. and Subsidiaries
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(In thousands of won)

30. Carrying Amounts of Financial Instruments by Category, Continued

The carrying amounts of financial assets and liabilities by category as of March 31, 2021 and December 31, 2020 are as follows, Continued:

| | December 31, 2020 | | | | |
|---|--|---|---|--|-----------------------|
| | Financial assets (liabilities) at fair value through profit or loss | Financial liabilities designated as measured at fair value through profit or loss | Financial assets measured at fair value through other comprehensive income | Financial assets (liabilities) measured at amortized cost | Total |
| Financial assets: | | | | | |
| Cash and due from banks | ₩ - | - | - | 5,197,201,999 | 5,197,201,999 |
| Financial assets measured at fair value through profit or loss | 40,404,913,709 | - | - | - | 40,404,913,709 |
| Derivative financial assets | 1,195,172,411 | - | - | - | 1,195,172,411 |
| Financial assets measured at amortized cost | - | - | - | 6,718,191,911 | 6,718,191,911 |
| Financial assets measured at fair value through other comprehensive income | - | - | 2,187,136,868 | - | 2,187,136,868 |
| Other financial assets measured at amortized cost | - | - | - | 2,248,896,829 | 2,248,896,829 |
| | <u>₩ 41,600,086,120</u> | <u>-</u> | <u>2,187,136,868</u> | <u>14,164,290,739</u> | <u>57,951,513,727</u> |
| Financial liabilities: | | | | | |
| Deposits received | ₩ - | - | - | 9,195,092,940 | 9,195,092,940 |
| Financial liabilities measured at fair value through profit or loss | 2,767,212,081 | - | - | - | 2,767,212,081 |
| Derivative financial liabilities | 1,823,686,390 | - | - | - | 1,823,686,390 |
| Financial liabilities designated as measured at fair value through profit or loss | - | 11,165,816,143 | - | - | 11,165,816,143 |
| Borrowings | - | - | - | 25,917,560,737 | 25,917,560,737 |
| Other financial liabilities | - | - | - | 3,896,763,716 | 3,896,763,716 |
| | <u>₩ 4,590,898,471</u> | <u>11,165,816,143</u> | <u>-</u> | <u>39,009,417,393</u> | <u>54,766,132,007</u> |

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31. Fair Value of Financial Instruments

(1) Fair Value of Financial Instruments

The book value and fair value of the Group's financial assets and liabilities as of March 31, 2021 and December 31, 2020 are as follows:

| | March 31, 2021 | | December 31, 2020 | |
|---|-------------------------|-----------------------|-----------------------|-----------------------|
| | Book value | Fair value | Book value | Fair value |
| Financial assets: | | | | |
| Cash and due from banks(*) | ₩ 5,251,748,066 | 5,251,748,066 | 5,197,201,999 | 5,197,201,999 |
| Financial assets measured at fair value through profit or loss | 41,319,558,139 | 41,319,558,139 | 40,404,913,709 | 40,404,913,709 |
| Derivative financial assets | 820,681,367 | 820,681,367 | 1,195,172,411 | 1,195,172,411 |
| Financial assets measured at fair value through other comprehensive income | 2,291,940,969 | 2,291,940,969 | 2,187,136,868 | 2,187,136,868 |
| Financial assets measured at amortized cost(*) | 7,096,484,590 | 7,095,998,042 | 6,718,191,911 | 6,724,452,020 |
| Other financial assets measured at amortized cost(*) | 2,420,865,977 | 2,420,865,977 | 2,248,896,829 | 2,248,896,829 |
| | <u>₩ 59,201,279,108</u> | <u>59,200,792,560</u> | <u>57,951,513,727</u> | <u>57,957,773,836</u> |
| Financial liabilities: | | | | |
| Deposits received(*) | ₩ 8,420,384,816 | 8,420,384,816 | 9,195,092,940 | 9,195,092,940 |
| Financial liabilities measured at fair value through profit or loss | 2,572,494,382 | 2,572,494,382 | 2,767,212,081 | 2,767,212,081 |
| Derivative financial liabilities | 1,299,838,059 | 1,299,838,059 | 1,823,686,390 | 1,823,686,390 |
| Financial liabilities designated as measured at fair value through profit or loss | 10,573,960,676 | 10,573,960,676 | 11,165,816,143 | 11,165,816,143 |
| Borrowings(*) | 28,519,303,494 | 28,522,642,622 | 25,917,560,737 | 25,927,255,295 |
| Other financial liabilities(*) | 4,197,548,310 | 4,197,548,310 | 3,896,763,716 | 3,896,763,716 |
| | <u>₩ 55,583,529,737</u> | <u>55,586,868,865</u> | <u>54,766,132,007</u> | <u>54,775,826,565</u> |

(*) The fair values of cash and due from banks, financial assets measured at amortized cost, other financial assets measured at amortized cost, deposits received, borrowings and other financial liabilities with maturity dates less than one year are disclosed at their book values because the difference between their book values and fair values is not significant.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For each class of financial assets and financial liabilities, the Group discloses the fair value of that class of assets and liabilities in a way that permits it to be compared with its carrying amount at the end of each reporting period. The best evidence of fair value of financial instruments is a quoted price in an active market.

31. Fair Value of Financial Instruments, Continued

(1) Fair Value of Financial Instruments, Continued

The Group believes that valuation methods used for measuring the fair values of financial instruments are reasonable and that the fair values recognized in the statements of financial position are appropriate. However, the fair values of the financial instruments recognized in the statements of financial position may be different if other valuation methods or assumptions are used. Additionally, as there is a variety of valuation techniques and assumptions used in measuring fair value, it may be difficult to reasonably compare the fair value with that of other financial institutions.

(a) The valuation techniques and assumptions for fair value calculations of financial instruments

The Group is provided with the fair values of bonds and unlisted stocks by external valuation institutions, and the valuation technique and assumptions for fair value calculations of each financial instrument used by the external institutions are described below. In addition, there has been no significant change in these valuation techniques.

i) Corporate bonds, special bonds and others

Condensed model using credit ratings and transaction data is used. The yield curve computed by Jarrow- Lando-Turnbull Model is used to discount the future cash flows in order to result in the fair values.

ii) Beneficiary certificates

Beneficiary certificates are valued by the prices which fund management companies disclose.

iii) Unlisted stocks

Fair value of unlisted stocks is calculated by using profit approach, market approach and asset approach.

iv) Derivatives (derivative-linked securities included)

The fair value valuation method for derivatives can be categorized as follows. For derivatives traded in an active market, the quoted prices are considered as fair values. For relatively simple derivatives, fair values are measured by using valuation model with observable data from market. When valuation amounts from independent valuation institutions are used, the average value of the valuation amounts from two or more independent valuation institutions is used. For calculation of the fair value of more complex derivatives, the fair values are measured by using valuation model with inputs that are not based on observable market data, and the Group verifies the accuracy of this valuation model through regular examinations.

(b) Use of quoted price in active market

The Group measures the fair values of stocks, national and local government bonds and ELW in financial assets measured at fair value through profit or loss by referring to the quoted price in the active market. The valuation technique is used to calculate the fair values of the rest of the financial instruments measured at fair value through profit or loss and the financial instruments measured at fair value through other comprehensive income other than those mentioned above.

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31. Fair Value of Financial Instruments, Continued

(2) Day 1 Profit or Loss

If the Group uses a valuation technique that uses data not obtained from observable markets for the fair value at initial recognition of financial instruments, there could be a difference between the transaction price and the amount determined using that valuation technique. In these circumstances, the fair value of financial instruments is recognized as the transaction price and the difference is amortized by using the straight-line method over the life of the financial instruments. If the fair value of the financial instruments can be subsequently determined using observable market inputs, the remaining deferred amount is immediately recognized in profit or loss.

The aggregate difference yet to be recognized in profit or loss at the beginning and end of the period and the changes during the period are as follows:

| | 2021 | 2020 |
|--|---------------|--------------|
| Balances at the beginning of the period (A) | ₩ 58,274,558 | 119,805,113 |
| Incurred during the period (B) | 85,242,760 | 77,507,082 |
| Amounts recognized in profit or loss during the period (C) | (41,341,911) | (44,984,697) |
| Balances at the end of the period (A+B+C) | ₩ 102,175,407 | 152,327,498 |

(3) Fair Value Hierarchy

Assets measured at fair value or for which the fair value is disclosed are categorized within the fair value hierarchy, and the defined levels are as follows:

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

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31. Fair Value of Financial Instruments, Continued

(3) Fair Value Hierarchy, Continued

(a) Fair value hierarchy of financial instruments measured at fair value as of March 31, 2021 and December 31, 2020 are as follows:

| | March 31, 2021 | | | |
|---|-------------------------|-----------------------|-----------------------|----------------------|
| | Book value | Level 1 | Level 2 | Level 3 |
| Financial assets: | | | | |
| Financial assets measured at fair value through profit or loss | ₩ 41,319,558,139 | 9,227,548,840 | 29,973,335,333 | 2,118,673,966 |
| Derivative financial assets | 820,681,367 | 148,365,404 | 306,648,983 | 365,666,980 |
| Financial assets measured at fair value through other comprehensive income | <u>2,291,940,969</u> | <u>978,228,171</u> | <u>1,098,658,169</u> | <u>215,054,629</u> |
| | <u>₩ 44,432,180,475</u> | <u>10,354,142,415</u> | <u>31,378,642,485</u> | <u>2,699,395,575</u> |
| Financial liabilities: | | | | |
| Financial liabilities measured at fair value through profit or loss | ₩ 2,572,494,382 | 2,572,494,382 | - | - |
| Derivative financial liabilities | 1,299,838,059 | 378,335,564 | 339,054,437 | 582,448,058 |
| Financial liabilities designated as measured at fair value through profit or loss | <u>10,573,960,676</u> | <u>99,169,134</u> | <u>3,635,998,263</u> | <u>6,838,793,279</u> |
| | <u>₩ 14,446,293,117</u> | <u>3,049,999,080</u> | <u>3,975,052,700</u> | <u>7,421,241,337</u> |
| | December 31, 2020 | | | |
| | Book value | Level 1 | Level 2 | Level 3 |
| Financial assets: | | | | |
| Financial assets measured at fair value through profit or loss | ₩ 40,404,913,709 | 9,996,504,897 | 27,969,729,672 | 2,438,679,140 |
| Derivative financial assets | 1,195,172,411 | 144,127,931 | 700,864,639 | 350,179,841 |
| Financial assets measured at fair value through other comprehensive income | <u>2,187,136,868</u> | <u>1,045,545,359</u> | <u>932,151,501</u> | <u>209,440,008</u> |
| | <u>₩ 43,787,222,988</u> | <u>11,186,178,187</u> | <u>29,602,745,812</u> | <u>2,998,298,989</u> |
| Financial liabilities: | | | | |
| Financial liabilities measured at fair value through profit or loss | ₩ 2,767,212,081 | 2,767,212,081 | - | - |
| Derivative financial liabilities | 1,823,686,390 | 433,396,123 | 739,421,099 | 650,869,168 |
| Financial liabilities designated as measured at fair value through profit or loss | <u>11,165,816,143</u> | <u>127,756,108</u> | <u>3,651,038,011</u> | <u>7,387,022,024</u> |
| | <u>₩ 15,756,714,614</u> | <u>3,328,364,312</u> | <u>4,390,459,110</u> | <u>8,037,891,192</u> |

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31. Fair Value of Financial Instruments, Continued

(3) Fair Value Hierarchy, Continued

(b) Fair value hierarchy of financial instruments for which the fair value is disclosed as of March 31, 2021 and December 31, 2020 is as follows:

| | March 31, 2021 | | | |
|---|-------------------------|----------------------|-----------------------|-----------------------|
| | Book value | Level 1 | Level 2 | Level 3 |
| Financial assets | | | | |
| Cash and due from banks(*1) | ₩ 5,251,748,066 | 1,152,948,899 | - | 4,098,799,167 |
| Financial assets measured at amortized cost(*2) | 7,096,484,590 | - | 108,987,627 | 6,987,010,415 |
| Other financial assets measured at amortized cost(*1) | 2,420,865,977 | - | - | 2,420,865,977 |
| | <u>₩ 14,769,098,633</u> | <u>1,152,948,899</u> | <u>108,987,627</u> | <u>13,506,675,559</u> |
| Financial liabilities | | | | |
| Deposits(*1) | ₩ 8,420,384,816 | - | 8,420,384,816 | - |
| Borrowings(*2) | 28,519,303,494 | - | 28,522,642,622 | - |
| Other financial liabilities(*1) | 4,197,548,310 | - | - | 4,197,548,310 |
| | <u>₩ 41,137,236,620</u> | <u>-</u> | <u>36,943,027,438</u> | <u>4,197,548,310</u> |

(*1) The book value was disclosed as fair value because book value was considered a reasonable approximation of fair value.

(*2) Public bonds measured at amortized cost and public bonds out of loans and borrowings were separately calculated at fair value, and for the remaining items, the book value was disclosed as fair value because book value was considered a reasonable approximation of fair value.

| | December 31, 2020 | | | |
|---|-------------------------|----------------------|-----------------------|-----------------------|
| | Book value | Level 1 | Level 2 | Level 3 |
| Financial assets | | | | |
| Cash and due from banks(*1) | ₩ 5,197,201,999 | 1,411,450,283 | - | 3,785,751,716 |
| Financial assets measured at amortized cost(*2) | 6,718,191,911 | - | 109,297,113 | 6,615,154,907 |
| Other financial assets measured at amortized cost(*1) | 2,248,896,829 | - | - | 2,248,896,829 |
| | <u>₩ 14,164,290,739</u> | <u>1,411,450,283</u> | <u>109,297,113</u> | <u>12,649,803,452</u> |
| Financial liabilities | | | | |
| Deposits(*1) | ₩ 9,195,092,940 | - | 9,195,092,940 | - |
| Borrowings(*2) | 25,917,560,737 | - | 25,927,255,295 | - |
| Other financial liabilities(*1) | 3,896,763,716 | - | - | 3,896,763,716 |
| | <u>₩ 39,009,417,393</u> | <u>-</u> | <u>35,122,348,235</u> | <u>3,896,763,716</u> |

(*1) The book value was disclosed as fair value because book value was considered a reasonable approximation of fair value.

(*2) Public bonds measured at amortized cost and public bonds out of loans and borrowings were separately calculated at fair value, and for the remaining items, the book value was disclosed as fair value because book value was considered a reasonable approximation of fair value.

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31. Fair Value of Financial Instruments, Continued

(4) Changes in Recurring Fair Value Measurements Categorized Within Level 3 of the Fair Value Hierarchy

Changes in financial instruments with level 3 fair value for the three-month periods ended March 31, 2021 and 2020 are as follows:

| | 2021 | | | |
|-----------------------------------|--|-----------------|--|---|
| | Financial assets measured at fair value through profit or loss | Net derivatives | Financial assets measured at fair value through other comprehensive income | Financial liabilities designated as measured at fair value through profit or loss |
| Beginning balance | ₩ 2,438,679,140 | (300,689,327) | 209,440,008 | (7,387,022,024) |
| Total gains or losses | | | | |
| Profit or loss | 22,911,736 | 62,601,873 | - | (54,775,288) |
| Other comprehensive income (loss) | - | - | (17,390,999) | (1,120,737) |
| Purchases and issues | 404,543,510 | 116,281,935 | 23,005,620 | (2,232,676,609) |
| Sales and settlements | (747,460,420) | (94,975,559) | - | 2,836,801,379 |
| Ending Balance | ₩ 2,118,673,966 | (216,781,078) | 215,054,629 | (6,838,793,279) |

| | 2020 | | | |
|-----------------------------------|--|-----------------|--|---|
| | Financial assets measured at fair value through profit or loss | Net derivatives | Financial assets measured at fair value through other comprehensive income | Financial liabilities designated as measured at fair value through profit or loss |
| Beginning balance | ₩ 1,771,590,130 | (111,485,100) | 154,779,710 | (9,508,820,104) |
| Total gains or losses | | | | |
| Profit or loss | (55,694,393) | (400,945,101) | - | 1,472,759,681 |
| Other comprehensive income (loss) | - | - | (1,733,544) | (587,471) |
| Purchases and issues | 1,353,857,511 | (3,102,449) | - | (3,032,723,017) |
| Sales and settlements | (1,109,964,532) | 94,478,550 | - | 2,354,156,995 |
| Ending Balance | ₩ 1,959,788,716 | (421,054,100) | 153,046,166 | (8,715,213,916) |

Korea Investment & Securities Co., Ltd. and Subsidiaries
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31. Fair Value of Financial Instruments, Continued

(5) Valuation Techniques and Inputs

Valuation techniques and inputs used in the recurring, non-recurring fair value measurements and disclosed fair values categorized within Level 2 and Level 3 of the fair value hierarchy as of March 31, 2021 and December 31, 2020 are as follows. The valuation techniques and inputs were not disclosed when the book value was disclosed as fair value because the book value was considered as a reasonable approximation of fair value.

| | | March 31, 2021 | | | | |
|---|---|-----------------------|-------|---|--|---|
| | | Fair value | Level | Valuation techniques | Level | |
| | | | | | Inputs | Range |
| Recurring fair value measurements: | | | | | | |
| Financial assets measured at fair value through profit or loss | | | | | | |
| | ₩ | 29,973,335,333 | 2 | DCF Model, Monte Carlo Simulation Model, FDM Model | - | - |
| | | | | | Stock index volatility, Rate spread, Credit spread, Correlation coefficient between underlying asset | Volatility 1.00 ~ 100% / Rate(credit) spread 2.057 ~ 6.366% / Correlation coefficient -100 ~ 100% |
| | | 2,118,673,966 | 3 | DCF Model, Monte Carlo Simulation Model, FDM Model, Black-Derman-Toy(BDT) Model | | |
| Derivative financial assets | | | | | | |
| | | 306,648,983 | 2 | DCF Model, Embedded forward rate calculation | - | - |
| | | | | | Stock index volatility, Rate spread, Credit spread, Correlation coefficient between underlying asset | Volatility 1.00 ~ 100% / Rate(credit) spread 0.0 ~ 25.0% / Correlation coefficient -100 ~ 100% |
| | | 365,666,980 | 3 | DCF Model, Monte Carlo Simulation Model, FDM Model | | |
| Financial assets measured at fair value through other comprehensive income | | | | | | |
| | | 1,098,658,169 | 2 | DCF Model, Asset Liability Model, Binominal Model | - | - |
| | | 215,054,629 | 3 | DCF Model | Discount rate Growth rate | 11.19 ~ 12.8% 1%, |
| | ₩ | <u>34,078,038,060</u> | | | | |
| Derivative financial liabilities | | | | | | |
| | ₩ | 339,054,437 | 2 | DCF Model, Embedded forward rate calculation | - | - |
| | | | | | Stock index volatility, Rate spread, Credit spread, Correlation coefficient between underlying asset | Volatility 1.00 ~ 100% / Rate(credit) spread 0.00 ~ 25.00% / Correlation coefficient -100 ~ 100% |
| | | 582,448,058 | 3 | DCF Model, Monte Carlo Simulation Model, FDM Model | | |
| Financial liabilities designated as measured at fair value through profit or loss | | | | | | |
| | | 3,635,998,263 | 2 | Monte Carlo Simulation Model, FDM Model | - | - |
| | | | | | Stock index volatility, Rate spread, Credit spread, Correlation coefficient between underlying asset | Volatility 1.00 ~ 100% / Rate(credit) spread 0.00 ~ 25.00% / Correlation coefficient -100 ~ 100% |
| | | 6,838,793,279 | 3 | Monte Carlo Simulation Model, FDM Model | | |
| | ₩ | <u>11,396,294,037</u> | | | | |
| Disclosed at fair value: | | | | | | |
| Public bonds measured at amortized cost | | | | | | |
| | ₩ | 108,987,627 | 2 | DCF Model | - | - |
| Loans measured at amortized cost | | | | | | |
| | | 1,364,329,352 | 3 | DCF Model | Discount rate | 0.86 ~ 14.88% |
| | ₩ | <u>1,473,316,979</u> | | | | |
| Borrowings (Public bonds) | | | | | | |
| | ₩ | 1,558,164,035 | 2 | DCF Model | - | - |

Korea Investment & Securities Co., Ltd. and Subsidiaries
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31. Fair Value of Financial Instruments, Continued

(5) Valuation Techniques and Inputs, Continued

| | | December 31, 2020 | | | | |
|---|---|-----------------------|-------|---|--|---|
| | | Fair value | Level | Valuation techniques | Level | |
| | | | | | Inputs | Range |
| Recurring fair value measurements: | | | | | | |
| Financial assets measured at fair value through profit or loss | | | | | | |
| | ₩ | 27,969,729,672 | 2 | DCF Model, Monte Carlo Simulation Model, FDM Model | - | - |
| | | 2,438,679,140 | 3 | DCF Model, Monte Carlo Simulation Model, FDM Model, Black-Derman-Toy(BDT) Model | Stock index volatility, Rate spread, Credit spread, Correlation coefficient between underlying asset | Volatility 1.00 ~ 100% / Rate(credit) spread 1.970 ~ 6.089% / Correlation coefficient -100 ~ 100% |
| Derivative financial assets | | | | | | |
| | | 700,864,639 | 2 | DCF Model, Embedded forward rate calculation | - | - |
| | | 350,179,841 | 3 | DCF Model, Monte Carlo Simulation Model, FDM Model | Stock index volatility, Rate spread, Credit spread, Correlation coefficient between underlying asset | Volatility 1.00 ~ 100% / Rate(credit) spread 0.0 ~ 25.0% / Correlation coefficient -100 ~ 100% |
| Financial assets measured at fair value through other comprehensive income | | | | | | |
| | | 932,151,501 | 2 | DCF Model, Asset Liability Model, Binominal Model | - | - |
| | | 209,440,008 | 3 | DCF Model | Discount rate Growth rate | 10.5 ~ 12.6% 1%, |
| | ₩ | <u>32,601,044,801</u> | | | | |
| Derivative financial liabilities | | | | | | |
| | ₩ | 739,421,099 | 2 | DCF Model, Embedded forward rate calculation | - | - |
| | | 650,869,168 | 3 | DCF Model, Monte Carlo Simulation Model, FDM Model | Stock index volatility, Rate spread, Credit spread, Correlation coefficient between underlying asset | Volatility 1.00 ~ 100% / Rate(credit) spread 0.00 ~ 25.00% / Correlation coefficient -100 ~ 100% |
| Financial liabilities designated as measured at fair value through profit or loss | | | | | | |
| | | 3,651,038,011 | 2 | Monte Carlo Simulation Model, FDM Model | - | - |
| | | 7,387,022,024 | 3 | Monte Carlo Simulation Model, FDM Model | Stock index volatility, Rate spread, Credit spread, Correlation coefficient between underlying asset | Volatility 1.00 ~ 100% / Rate(credit) spread 0.00 ~ 25.00% / Correlation coefficient -100 ~ 100% |
| | ₩ | <u>12,428,350,302</u> | | | | |
| Disclosed at fair value: | | | | | | |
| Public bonds measured at amortized cost | | | | | | |
| | ₩ | 109,297,113 | 2 | DCF Model | - | - |
| Loans measured at amortized cost | | | | | | |
| | | 1,267,882,816 | 3 | DCF Model | Discount rate | 2.05 ~ 15.77% |
| | ₩ | <u>1,377,179,929</u> | | | | |
| Borrowings (Public bonds) | | | | | | |
| | ₩ | 1,489,893,244 | 2 | DCF Model | - | - |

31. Fair Value of Financial Instruments, Continued

(6) Valuation Process for Fair Value Measurements Categorized Within Level 3 of the Fair Value Hierarchy

For measurements of fair value, the Group uses both in-house model and external valuation results by external valuation agencies.

In-house model is determined through designing the model by operation department as verified by the risk management department. The inputs of the fair value measurement are derived by the risk management system. Back-Office departments assess the fair value based on the designed, verified model, and derived inputs, and apply the results in accounting. The results applied in accounting are compared against the valuation results of the operation department and risk management department and significant differences are reviewed.

In regard to fair value method based on external valuation agencies, the fair value is estimated by using the average price of the price per contract unit provided by two or more external valuation agencies and derived based on contractual terms and credit ratings of the counterparty and others.

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31. Fair Value of Financial Instruments, Continued

(7) Sensitivities Analysis of Recurring Fair Value Measurements Categorized Within Level 3 of the Fair Value Hierarchy

Sensitivity analysis of financial instruments is performed to measure favourable and unfavourable changes in the fair value of financial instruments which are affected by the unobservable inputs, using a statistical technique. When the fair value is affected by more than two inputs, the amounts represent the most favourable or most unfavourable.

The results of the sensitivity analysis for the effect on profit or loss from changes in inputs for each financial instrument as of March 31, 2021 and December 31, 2020 are as follows. In respect to financial assets measured at fair value through profit or loss and financial liabilities designated as measured at fair value through profit or loss, which have mutual hedging effect and financial assets measured at fair value through profit or loss whose result of analysis is not significant are excluded.

| | March 31, 2021 | | | |
|---|----------------------|--------------------|----------------------|----------------------|
| | Favourable changes | | Unfavourable changes | |
| | Profit or loss | Equity | Profit or loss | Equity |
| Financial assets: | | | | |
| Derivative financial assets(*1) | ₩ 3,214,148 | 3,214,148 | (3,214,148) | (3,214,148) |
| Financial assets measured at fair value through profit or loss(*2) | 5,442,633 | 5,442,633 | (9,390,203) | (9,390,203) |
| Financial assets measured at fair value through other comprehensive income(*2) | - | 15,163,625 | - | (10,525,818) |
| | ₩ <u>8,656,781</u> | <u>23,820,406</u> | <u>(12,604,351)</u> | <u>(23,130,169)</u> |
| Financial liabilities: | | | | |
| Derivative financial liabilities(*1) | ₩ 5,263,427 | 5,263,427 | (5,318,563) | (5,318,563) |
| Financial liabilities designated as measured at fair value through profit or loss(*1) | 102,713,147 | 102,713,147 | (103,476,304) | (103,476,304) |
| | ₩ <u>107,976,574</u> | <u>107,976,574</u> | <u>(108,794,867)</u> | <u>(108,794,867)</u> |

(*1) Changes in their fair value are calculated by increasing or decreasing the volatility of the underlying assets, which are significant unobservable inputs, by 10%.

(*2) Changes in their fair value are calculated by increasing or decreasing the correlation between growth rate (-1 ~ 1%) and discount rate (-1 ~ 1%), which are significant unobservable inputs.

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31. Fair Value of Financial Instruments, Continued

(7) Sensitivities Analysis of Recurring Fair Value Measurements Categorized Within Level 3 of the Fair Value Hierarchy, Continued

| | December 31, 2020 | | | |
|---|---------------------|-------------------|----------------------|---------------------|
| | Favourable changes | | Unfavourable changes | |
| | Profit or loss | Equity | Profit or loss | Equity |
| Financial assets: | | | | |
| Derivative financial assets(*1) | ₩ 803,982 | 803,982 | (803,982) | (803,982) |
| Financial assets measured at fair value through profit or loss(*2) | 341,901 | 341,901 | (331,208) | (331,208) |
| Financial assets measured at fair value through other comprehensive income(*2) | - | 15,022,614 | - | (10,302,462) |
| | ₩ <u>1,145,883</u> | <u>16,168,497</u> | <u>(1,135,190)</u> | <u>(11,437,652)</u> |
| Financial liabilities: | | | | |
| Derivative financial liabilities(*1) | ₩ 6,754,097 | 6,754,097 | (5,142,634) | (5,142,634) |
| Financial liabilities designated as measured at fair value through profit or loss(*1) | 65,625,865 | 65,625,865 | (65,625,865) | (65,625,865) |
| | ₩ <u>72,379,962</u> | <u>72,379,962</u> | <u>(70,768,499)</u> | <u>(70,768,499)</u> |

(*1) Changes in their fair value are calculated by increasing or decreasing the volatility of the underlying assets, which are significant unobservable inputs, by 10%.

(*2) Changes in their fair value are calculated by increasing or decreasing the correlation between growth rate (-1 ~ 1%) and discount rate (-1 ~ 1%), which are significant unobservable inputs.

32. Operating Segment Information

(1) Overall Segment Information and Operating Segment

(a) Types of products and services from which each reportable segment derives its revenues

Operating segments are presented on business basis. As of March 31, 2021, the Group is organized into four major operating segments: wealth management, corporate finance, asset management and overseas. In addition, these business divisions are based on the nature of the products and services provided, the type or class of customer, and the Group's management organization.

The details of each segment are as follows:

- i) Wealth management: securities trading, brokerage, deputy and others of securities for individual and corporate customers
- ii) Corporate finance: investment bank segment all around the asset management including security underwriting, M&A advisory and OTC derivatives business
- iii) Asset management: asset management business of Korea Investment Management Co., Ltd. and Korea Investment Value Asset Management Co., Ltd.
- iv) Overseas: overseas subsidiaries.

(b) Results of operating segment

Accounting policies of operating segments are same with those of the Group. The Group monitors the outcome of each operating segments for evaluation and decision making for resource allocations. The outcome of each operating segment is evaluated based on the operating profits differently measured from the operating profits on financial statements. The Group's tax is managed at corporate level and is not allocated to the operating segment.

(c) Factors management uses to identify reporting segment

The Group's operating segments are classified based on the risks and benefits arising from the difference in services. The Group's operating segments are managed independently by the nature of service and each one is treated as a strategic operating segment.

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32. Operating Segment Information, Continued

(2) Financial Information by Operating Segment

Financial information by operating segment for the three-month periods ended March 31, 2021 and 2020 are as follows:

| | 2021 | | | | | |
|--|-------------------|-------------------|------------------|--------------|------------------------|---------------|
| | Wealth management | Corporate finance | Asset management | Overseas | Intragroup adjustments | Total |
| Total profit | ₩ 378,534,840 | 4,174,050,969 | 41,703,194 | 53,975,291 | 93,914,772 | 4,742,179,066 |
| Profit before tax | 122,616,353 | 355,164,381 | 19,270,836 | 5,566,523 | (25,056,007) | 477,562,086 |
| Interest income | 59,618,438 | 170,197,715 | 89,050 | 7,197,656 | 32,433,096 | 269,535,955 |
| Interest expenses | (1,746,707) | (56,452,154) | (56,626) | (1,524,293) | (6,615,088) | (66,394,868) |
| Net fee and commission income | 148,412,270 | 198,596,033 | 33,183,683 | 7,539,483 | (15,197,053) | 372,534,416 |
| Net gains (losses) on valuation and disposal of financial assets (liabilities) | 39,620,851 | 55,385,462 | 280,929 | 855,668 | 991,217 | 97,134,127 |
| Selling and administrative expenses | (113,584,185) | (135,902,374) | (15,877,497) | (8,832,755) | (324,790) | (274,521,601) |
| Others | (9,704,314) | 123,339,699 | 1,651,297 | 330,764 | (36,343,389) | 79,274,057 |
| | 2020 | | | | | |
| | Wealth management | Corporate finance | Asset management | Overseas | Intragroup adjustments | Total |
| Total profit | ₩ 208,353,315 | 7,572,585,190 | 34,107,237 | 57,475,001 | 70,770,179 | 7,943,290,922 |
| Profit (loss) before tax | 410,344 | (118,233,593) | 6,442,971 | (16,393,467) | (38,896,108) | (166,669,853) |
| Interest income | 38,913,039 | 194,866,153 | 168,205 | 8,444,055 | 24,451,160 | 266,842,612 |
| Interest expenses | (2,623,727) | (82,617,273) | (98,108) | (1,764,516) | (7,194,638) | (94,298,262) |
| Net fee and commission income | 78,474,371 | 116,825,660 | 26,763,565 | 2,068,075 | (13,509,403) | 210,622,268 |
| Net gains (losses) on valuation and disposal of financial assets (liabilities) | (14,688,647) | (383,540,631) | (667,752) | (20,064,300) | (38,494,713) | (457,456,043) |
| Selling and administrative expenses | (86,245,616) | (16,780,235) | (16,098,055) | (5,262,245) | 870,317 | (123,515,834) |
| Others | (13,419,076) | 53,012,733 | (3,624,884) | 185,464 | (5,018,831) | 31,135,406 |

Independent Auditors' Report

The Board of Directors and Shareholder
Korea Investment & Securities Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Korea Investment & Securities Co., Ltd. and its subsidiaries (collectively, the "Group"), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, the consolidated statements of comprehensive income, change in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing (KSAs). Our responsibilities under those standards are further described in the Auditors' 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 that are relevant to our audit of the consolidated financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

As a matter that does not affect our audit opinion, we draw attention to the following matter.

Uncertainty from impact of COVID-19

As discussed in Note 2.(c) to the consolidated financial statements, the assumptions and estimates used by the Group for the fair value measurement and impairment testing of the financial statements are subject to change depending on the duration and severity of COVID-19, which cannot be predicted. The ultimate impact that may arise from the uncertainties from impact of COVID-19 may differ from management's estimates reflected in the accompanying consolidated financial statements of the Group. Our opinion is not modified in respect of this matter.

Other matter

The procedures and practices utilized 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 K-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, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 KSAs 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 KSAs, 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used in the preparation of the consolidated financial statements 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 auditors' 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 auditors' 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.

/s/ KPMG Samjong Accounting Corp.
Seoul, Korea
March 9, 2021

This report is effective as of March 9, 2021, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

Korea Investment & Securities Co., Ltd. and Subsidiaries
Consolidated Statements of Financial Position

As of December 31, 2020 and 2019

| <i>(In won)</i> | <u>Notes</u> | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|-----------------------|-----------------------------|---------------------------|
| Assets | | | |
| Cash and due from banks | 5, 36, 39, 40, 41, 43 | ₩ 5,197,201,998,553 | 5,252,448,628,850 |
| Financial assets measured at fair value through profit or loss | 6, 40, 41, 42 | 40,404,913,708,923 | 33,409,800,774,854 |
| Derivative financial assets | 18, 40, 41, 43, 44 | 1,195,172,411,125 | 845,824,765,314 |
| Financial assets measured at fair value through other comprehensive income | 7, 40, 41, 43 | 2,187,136,868,466 | 2,613,394,543,920 |
| Investments in associates | 8 | 2,126,427,229,163 | 1,697,802,124,417 |
| Financial assets measured at amortized cost | 9, 40, 41, 43 | 6,718,191,910,617 | 5,896,481,288,143 |
| Property and equipment | 10, 13 | 366,303,119,826 | 363,075,540,288 |
| Intangible assets | 11 | 298,132,437,410 | 293,239,803,945 |
| Investment property | 12 | 161,540,394,374 | 163,217,118,238 |
| Current tax assets | 25 | 7,469,549,959 | 3,348,168,296 |
| Deferred tax assets | 25 | 151,542,071 | 224,704,735 |
| Other financial assets measured at amortized cost | 14, 39, 40, 41, 43 | 2,248,896,828,503 | 2,885,666,125,632 |
| Other non-financial assets | 15 | 52,246,401,462 | 23,278,396,846 |
| Total assets | | <u>₩ 60,963,784,400,452</u> | <u>53,447,801,983,478</u> |
| Liabilities | | | |
| Deposits | 16, 39, 40, 41 | ₩ 9,195,092,940,447 | 3,763,255,285,363 |
| Financial liabilities measured at fair value through profit or loss | 17, 40, 41 | 2,767,212,080,851 | 3,985,471,016,882 |
| Derivative financial liabilities | 18, 40, 41 | 1,823,686,389,685 | 953,976,082,517 |
| Financial liabilities designated as measured at fair value through profit or loss | 19, 40, 41 | 11,165,816,142,559 | 13,953,486,912,664 |
| Borrowings | 20, 40, 41 | 25,917,560,736,683 | 20,511,632,491,190 |
| Defined benefit liabilities | 21 | 4,065,090,455 | 6,932,333,553 |
| Provisions | 22 | 15,050,241,226 | 13,151,500,466 |
| Current tax liabilities | 25 | 2,966,390,336 | 896,495,321 |
| Deferred tax liabilities | 25 | 63,054,608,719 | 70,510,291,785 |
| Other financial liabilities | 23, 39, 40, 41 | 3,896,763,716,476 | 4,572,790,419,423 |
| Other non-financial liabilities | 24, 39 | 298,774,949,719 | 182,159,347,413 |
| Total liabilities | | <u>55,150,043,287,156</u> | <u>48,014,262,176,577</u> |
| Equity | | | |
| Equity attributable to owners of the Group | | | |
| Capital stock | 1, 26 | 175,816,700,000 | 175,816,700,000 |
| Capital surplus | 26 | 3,826,886,905,722 | 3,827,604,377,184 |
| Accumulated other comprehensive income | 7, 26, 35 | 29,914,854,820 | 111,435,857,647 |
| Retained earnings | 26 | 1,775,128,251,683 | 1,307,114,840,545 |
| | | <u>5,807,746,712,225</u> | <u>5,421,971,775,376</u> |
| Non-controlling interests | | 5,994,401,071 | 11,568,031,525 |
| Total equity | | <u>5,813,741,113,296</u> | <u>5,433,539,806,901</u> |
| Total liabilities and equity | | <u>₩ 60,963,784,400,452</u> | <u>53,447,801,983,478</u> |

See accompanying notes to the consolidated financial statements.

Korea Investment & Securities Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

| (In won) | <u>Notes</u> | <u>2020</u> | <u>2019</u> |
|--|--------------|-----------------------------|----------------------------|
| Fee and commission income | 27, 39, 45 | ₩ 1,228,792,453,480 | 897,073,135,086 |
| Interest income on financial instruments measured at amortized cost and at fair value through other comprehensive income | | 479,942,661,212 | 434,068,206,029 |
| Interest income on financial instruments measured at fair value through profit or loss | | <u>629,308,423,930</u> | <u>577,922,329,228</u> |
| Interest income | 28, 39, 45 | <u>1,109,251,085,142</u> | <u>1,011,990,535,257</u> |
| Dividend income | 29, 39 | 72,219,479,274 | 69,747,733,572 |
| Gain on valuation and disposal of financial instruments | 30, 45 | 11,393,074,198,490 | 7,339,591,678,818 |
| Gain on foreign currency transactions | | 2,067,272,613,992 | 891,608,978,495 |
| Other operating revenues | 32, 39 | 83,636,760,143 | 65,479,841,993 |
| Reversal of credit loss allowance | 31 | <u>521,371,407</u> | <u>1,403,796,218</u> |
| Operating revenues | | <u>15,954,767,961,928</u> | <u>10,276,895,699,439</u> |
| Fee and commission expense | 27, 39, 45 | (210,455,957,321) | (147,475,377,638) |
| Interest expense | 28, 45 | (338,767,730,575) | (405,329,194,305) |
| Loss on valuation and disposal of financial instruments | 30, 45 | (11,603,598,820,215) | (7,128,212,146,949) |
| Loss on foreign currency transactions | | (2,144,995,359,100) | (940,358,842,689) |
| Selling and administrative expenses | 33, 39, 45 | (799,708,342,486) | (779,988,289,831) |
| Other operating expenses | 32, 39 | (36,979,856,267) | (18,450,014,644) |
| Provision for credit loss allowance | 31 | <u>(59,382,031,143)</u> | <u>(20,814,562,762)</u> |
| Operating expenses | | <u>(15,193,888,097,107)</u> | <u>(9,440,628,428,818)</u> |
| Operating income | | <u>760,879,864,821</u> | <u>836,267,270,621</u> |
| Non-operating income | 34, 39 | 238,610,627,118 | 123,496,752,241 |
| Non-operating expenses | 34 | <u>(27,530,146,513)</u> | <u>(23,487,245,958)</u> |
| Profit before income tax | | <u>971,960,345,426</u> | <u>936,276,776,904</u> |
| Income tax expense | 25 | (264,180,270,086) | (251,857,252,214) |
| Profit for the year | | <u>707,780,075,340</u> | <u>684,419,524,690</u> |
| Other comprehensive income (loss) for the year, net of tax | | | |
| <i>Items that are or will be subsequently reclassified to profit or loss:</i> | | | |
| Change in fair value of debt instruments measured at fair value through other comprehensive income | | 370,012,553 | 1,993,830,409 |
| Increase (decrease) in other comprehensive income of associates | | 2,674,901,296 | (2,199,744,971) |
| Exchange differences on translation of foreign operations | | <u>(72,236,533,837)</u> | <u>25,598,557,458</u> |
| | | <u>(69,191,619,988)</u> | <u>25,392,642,896</u> |
| <i>Items that will not be reclassified subsequently to profit or loss:</i> | | | |
| Change in fair value of equity instruments measured at fair value through other comprehensive income | | (19,321,627,987) | (73,640,859,204) |
| Remeasurements of the net defined benefit liabilities | | 3,905,127,984 | (2,070,246,175) |
| Changes in credit risk of financial liabilities designated at fair value through profit or loss | | <u>2,649,810,777</u> | <u>(796,503,606)</u> |
| | | <u>(12,766,689,226)</u> | <u>(76,507,608,985)</u> |
| | 7, 35 | <u>(81,958,309,214)</u> | <u>(51,114,966,089)</u> |
| Total comprehensive income for the year | | <u>₩ 625,821,766,126</u> | <u>633,304,558,601</u> |

See accompanying notes to the consolidated financial statements.

Korea Investment & Securities Co., Ltd. and Subsidiaries
 Consolidated Statements of Comprehensive Income, Continued

For the years ended December 31, 2020 and 2019

(In won)

| | <u>Notes</u> | <u>2020</u> | <u>2019</u> |
|---|--------------|------------------------|------------------------|
| Total profit (loss) attributable to: | | | |
| Owners of the Group | ₩ | 708,038,369,978 | 684,881,784,677 |
| Non-controlling interests | | <u>(258,294,638)</u> | <u>(462,259,987)</u> |
| | ₩ | <u>707,780,075,340</u> | <u>684,419,524,690</u> |
| Total comprehensive income (loss) attributable to: | | | |
| Owners of the Group | ₩ | 626,517,367,151 | 632,869,276,826 |
| Non-controlling interests | | <u>(695,601,025)</u> | <u>435,281,775</u> |
| | ₩ | <u>625,821,766,126</u> | <u>633,304,558,601</u> |

See accompanying notes to the consolidated financial statements.

Korea Investment & Securities Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2020 and 2019

(In won)

| | Attributable to owners of the Group | | | | | |
|---|-------------------------------------|-------------------|--|-------------------|---------------------------|-------------------|
| | Capital stock | Capital surplus | Accumulated other comprehensive income | Retained earnings | Non-controlling interests | Total equity |
| Balance at January 1, 2019 | ₩ 175,739,000,000 | 3,050,684,720,144 | 163,448,365,498 | 1,052,793,605,868 | 11,091,424,750 | 4,453,757,116,260 |
| Total comprehensive income for the year: | | | | | | |
| Profit (loss) for the year | - | - | - | 684,881,784,677 | (462,259,987) | 684,419,524,690 |
| Other comprehensive income (loss) for the year | - | - | (52,012,507,851) | - | 897,541,762 | (51,114,966,089) |
| | - | - | (52,012,507,851) | 684,881,784,677 | 435,281,775 | 633,304,558,601 |
| Transactions with shareholder: | | | | | | |
| Issue of ordinary shares | 77,700,000 | 776,919,657,040 | - | - | - | 776,997,357,040 |
| Dividends | - | - | - | (430,560,550,000) | - | (430,560,550,000) |
| Changes of consolidated entity (changes of non-controlling interests) | - | - | - | - | 41,325,000 | 41,325,000 |
| | 77,700,000 | 776,919,657,040 | - | (430,560,550,000) | 41,325,000 | 346,478,132,040 |
| Balance at December 31, 2019 | ₩ 175,816,700,000 | 3,827,604,377,184 | 111,435,857,647 | 1,307,114,840,545 | 11,568,031,525 | 5,433,539,806,901 |
| Balance at January 1, 2020 | ₩ 175,816,700,000 | 3,827,604,377,184 | 111,435,857,647 | 1,307,114,840,545 | 11,568,031,525 | 5,433,539,806,901 |
| Total comprehensive income for the year: | | | | | | |
| Profit (loss) for the year | - | - | - | 708,038,369,978 | (258,294,638) | 707,780,075,340 |
| Other comprehensive income (loss) for the year | - | - | (81,521,002,827) | - | (437,306,387) | (81,958,309,214) |
| | - | - | (81,521,002,827) | 708,038,369,978 | (695,601,025) | 625,821,766,126 |
| Transactions with shareholder: | | | | | | |
| Dividends | - | - | - | (240,024,958,840) | - | (240,024,958,840) |
| Changes of consolidated entity (changes of non-controlling interests) | - | (717,471,462) | - | - | (4,878,029,429) | (5,595,500,891) |
| | - | (717,471,462) | - | (240,024,958,840) | (4,878,029,429) | (245,620,459,731) |
| Balance at December 31, 2020 | ₩ 175,816,700,000 | 3,826,886,905,722 | 29,914,854,820 | 1,775,128,251,683 | 5,994,401,071 | 5,813,741,113,296 |

See accompanying notes to the consolidated financial statements.

Korea Investment & Securities Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(In won)

| | <u>Notes</u> | <u>2020</u> | <u>2019</u> |
|---|--------------|----------------------------|----------------------------|
| Cash flows from operating activities | | | |
| Profit for the year | ₩ | 707,780,075,340 | 684,419,524,690 |
| Adjustments for non-cash items | 36 | (786,231,303,559) | (499,783,494,638) |
| Changes in operating assets and liabilities | 36 | <u>(2,288,412,675,295)</u> | <u>(3,750,325,076,798)</u> |
| | | <u>(2,366,863,903,514)</u> | <u>(3,565,689,046,746)</u> |
| Interest received | | 1,089,245,406,632 | 969,107,215,439 |
| Interest paid | | (370,704,477,655) | (403,430,174,588) |
| Dividends received | | 115,724,444,341 | 5,734,792,325 |
| Income tax paid | | <u>(130,832,663,010)</u> | <u>(188,609,204,964)</u> |
| Net cash used in operating activities | | <u>(1,663,431,193,206)</u> | <u>(3,182,886,418,534)</u> |
| Cash flows from investing activities | | | |
| Acquisition of financial assets measured at fair value through other comprehensive income | | (1,916,156,341,635) | (3,550,467,221,672) |
| Disposal of financial assets measured at fair value through other comprehensive income | | 2,324,744,528,958 | 4,430,883,554,346 |
| Acquisitions of investments in associates | | (488,133,146,296) | (1,004,727,638,963) |
| Disposal of investments in associates | | 218,055,363,556 | 259,620,159,404 |
| Acquisitions of investments in subsidiaries | | (449,214,955,759) | (86,496,680,931) |
| Disposal of investments in subsidiaries | | 478,721,391,543 | 155,589,077,427 |
| Acquisitions of property and equipment | | (21,645,505,763) | (33,171,457,820) |
| Disposal of property and equipment | | 94,867,859 | 82,761,600 |
| Acquisitions of intangible assets | | (12,603,380,707) | (6,376,480,152) |
| Disposal of intangible assets | | 2,622,694,061 | 1,889,861,788 |
| Changes in loans receivable | | 226,577,162 | (239,169,560) |
| Changes in guarantee deposits | | 1,422,947,594 | (656,468,156) |
| Changes in advance payments | | <u>(8,099,549,604)</u> | <u>-</u> |
| Net cash provided by investing activities | | <u>130,035,490,969</u> | <u>165,930,297,311</u> |
| Cash flows from financing activities | | | |
| Net increase in borrowings | | 2,181,724,135,310 | 2,178,414,465,768 |
| Issue of debentures | | 476,050,800,000 | 503,456,000,000 |
| Redemption of debentures | | (200,000,000,000) | (100,000,000,000) |
| Payment of lease liabilities | | (26,202,097,989) | (30,493,210,108) |
| Issue of ordinary shares | | - | 776,997,357,040 |
| Dividends paid | | (240,024,958,840) | (430,560,550,000) |
| Increase in non-controlling interests (liabilities) | | 100,361,928,147 | 261,536,238,131 |
| Increase (decrease) in non-controlling interests (equity) | | <u>(5,595,500,891)</u> | <u>41,325,000</u> |
| Net cash provided by financing activities | | <u>2,286,314,305,737</u> | <u>3,159,391,625,831</u> |
| Effect of exchange rate changes on cash and cash equivalents | | <u>(7,400,650,006)</u> | <u>(250,442,838)</u> |
| Net increase in cash and cash equivalents | | 745,517,953,494 | 142,185,061,770 |
| Cash and cash equivalents at the beginning of the year | 5, 36 | <u>665,932,329,767</u> | <u>523,747,267,997</u> |
| Cash and cash equivalents at the end of the year | 5, 36 | <u>₩ 1,411,450,283,261</u> | <u>665,932,329,767</u> |

See accompanying notes to the consolidated financial statements.

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

1. **The Group**

(a) **Reporting Entity**

Korea Investment & Securities Co., Ltd. (the "Company") was incorporated on August 8, 1974, with capital of ₩500 million. The Company and its subsidiaries (collectively, "the Group") primarily engages in financial investment business including brokerage transactions, trading, and underwriting of securities in accordance with the Financial Investment Services and Capital Markets Act ("FSCMA"). As of December 31, 2020, the Group has 84 domestic branch offices, 7 overseas subsidiaries and 2 overseas branch offices.

Through the merger with Dongwon Securities Co., Ltd. on June 1, 2005 and a number of capital increase, the capital stock of the Company amounts to ₩175,817 million as of December 31, 2020.

As of December 31, 2020, Korea Investment Holdings Co., Ltd. owns the entire outstanding common stock of the Company.

(b) **Subsidiaries**

(i) Details of the subsidiaries as of December 31, 2020 and 2019 are as follows:

(in shares)

| Investor | Investee | December 31, 2020 | | December 31, 2019 | |
|---|--|-------------------|----------------|-------------------|---------------|
| | | Number of shares | Ownership (%) | Number of shares | Ownership (%) |
| Korea Investment & Securities Co., Ltd. | Korea Investment Management Co., Ltd. | 13,200,000 | 100.00 | 13,200,000 | 100.00 |
| | Korea Investment Value Asset Management Co., Ltd. | 2,626,000 | 100.00 | 2,484,000 | 100.00 |
| | Korea Investment & Securities Asia, Ltd. | 325,000,000 | 100.00 | 325,000,000 | 100.00 |
| | Korea Investment & Securities Europe, Ltd. | 5,000,000 | 100.00 | 5,000,000 | 100.00 |
| | Korea Investment & Securities America, Inc. | 200 | 100.00 | 200 | 100.00 |
| | Korea Investment & Securities Singapore Pte. Ltd. | 10,000,000 | 100.00 | 10,000,000 | 100.00 |
| | KIS Vietnam Securities Corporation | 258,917,281 | 99.72 | 188,990,716 | 99.63 |
| | PT Korea Investment & Sekuritas Indonesia | 172,500 | 86.25 | 150,000 | 75.00 |
| | KIM Investments Funds | 450,902 | 71.95 | 888,639 | 68.73 |
| | KIARA Asia Pacific Hedge Fund | 142,507 | 97.82 | 142,164 | 97.97 |
| | KIM Belgium Core Office Professional Investment Private Real Estate Investment Trust | 29,400,000 | 98.99 | 29,400,000 | 98.99 |
| | KIM PRIVATE PLACEMENT PHILADELPHIA REAL ESTATE INVESTMENT TRUST2 | 46,750,960,230 | 69.69 | 42,905,461,746 | 69.69 |
| | Mastern Private Real Estate Fund No.31 | 36,300,000,000 | 78.40 | 36,300,000,000 | 78.40 |
| | Hana Real Estate Investment Trusts No.76 | 24,667,570,000 | 92.50 | 24,667,570,000 | 92.50 |
| | KIAMCO UK Solar Power Private Fund Special Asset Trust 2 | 47,399,260,975 | 99.79 | 46,092,211,762 | 99.79 |
| | KTB Aircraft Private Investment Trust No.22-2 | 26,427,408,236 | 99.62 | 26,427,408,236 | 99.62 |
| | KIAMCO German Wind Private Fund Special Asset Trust | 47,495,905,985 | 76.54 | 48,013,001,250 | 76.54 |
| | Hana US LA Real Estate Trust No.1 | 43,128,492 | 67.73 | 43,128,492 | 67.73 |
| | Eugene Pridium 1 / Private Placement | 34,700,000,000 | 94.55 | 34,700,000,000 | 94.55 |
| | KIP KIS SEA-CHINA Fund | 184,500 | 90.00 | 47,250 | 90.00 |
| Hyundai Aviation Investment Private Trust No.19 | 57,853,362,359 | 99.81 | 56,894,819,155 | 99.81 | |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

1. **The Group, Continued**

(b) **Subsidiaries, Continued**

(i) Details of the subsidiaries as of December 31, 2020 and 2019 are as follows, Continued:

(in shares)

| Investor | Investee | December 31, 2020 | | December 31, 2019 | |
|---|--|-------------------|---------------|-------------------|---------------|
| | | Number of shares | Ownership (%) | Number of shares | Ownership (%) |
| Korea Investment & Securities Co., Ltd. | Korea Value Classic Professional Investment Type Private Corporate Security Investment Trust 1 | 30,000,000,000 | 71.08 | 30,000,000,000 | 64.85 |
| | Korea Value Diamond Professional Investment Type Private Corporate Security Investment Trust 1 | 10,125,088,900 | 47.03 | 10,125,088,900 | 24.11 |
| | KIM Global Infra Professional Private Investment No.1 | 24,011,497,340 | 96.87 | 18,706,702,773 | 96.87 |
| | Multi Asset Opportunity QI Investment Fund No. 10 | 50,355,331,044 | 89.01 | 47,286,655,565 | 88.89 |
| | Lindeman Partners Global Private Trust No.11 | 43,679,476,522 | 66.04 | 42,163,745,013 | 70.34 |
| | Korea Value Sapphire Value-up Professional Investment Type Private Corporate Security Investment Trust 1 | 2,803,521,676 | 36.21 | 5,084,902,866 | 32.33 |
| | Shinhan AIM Credit Fund2 | - | - | 25,235,604,735 | 98.87 |
| | Hyundai Infra Professional Investment Type Private Investment Trust No.8 | - | - | 22,998,983,568 | 99.14 |
| | AIP Midstream Specialized Privately Placed Fund Trust #1 | 38,014,480,524 | 75.27 | 35,208,890,790 | 75.27 |
| | Multi Asset Opportunity QI Investment Fund No. 12 | - | - | 31,791,297,539 | 88.89 |
| | Multi Asset Opportunity QI Investment Fund No. 11 | - | - | 47,021,829,971 | 88.89 |
| | MULTI ASSET GLOBAL PRIVATE EQUITY QI INVESTMENT FUND NO.3 | 6,300,000,000 | 87.66 | 6,300,000,000 | 87.66 |
| | IGIS Global Specialized Private Placement Real Estate Investment Trust 281-1 | 29,439,235 | 99.33 | 29,439,235 | 99.33 |
| | Multi Asset Opportunity QI Investment Fund No. 14 | 48,321,983,523 | 93.07 | 47,876,119,670 | 93.07 |
| | KIM TDF Target 2050 Fund(*1) | 5,000,000,000 | 37.63 | 5,000,000,000 | 98.04 |
| | Samsung SRA Professional Type Private Real Estate Investment Trust 52 | 83,878,609,724 | 66.85 | 59,000,000,000 | 100.00 |
| | Fine Snowman Qualified Private Investment Trust No.1 | 51,700,000,000 | 99.61 | 51,700,000,000 | 99.61 |
| | MultiAsset Australia FuelCo Professional Investment Type Private Investment Trust No.1 | 25,560,067,477 | 88.54 | 24,999,269,000 | 88.54 |
| | Korea Value Global Research Dividend Income Fund(Equity) | 5,000,000,000 | 84.83 | 5,000,000,000 | 86.31 |
| | KIM Tokyo Residence Real Estate Investment Trust | 39,869,306,412 | 39.92 | 39,869,306,412 | 39.92 |
| | NH-Amundi Global infra Private Fund No.21 | 50,000,000,000 | 70.47 | 50,000,000,000 | 70.47 |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

1. **The Group, Continued**

(b) **Subsidiaries, Continued**

(i) Details of the subsidiaries as of December 31, 2020 and 2019 are as follows, Continued:

| (in shares) | | December 31, 2020 | | December 31, 2019 | |
|---|--|-------------------|---------------|-------------------|---------------|
| | | Number of shares | Ownership (%) | Number of shares | Ownership (%) |
| Korea Investment & Securities Co., Ltd. | Reksa Dana KISI Equity fund | 16,777,960 | 99.94 | 16,777,960 | 99.95 |
| | Reksa Dana KISI Fixed income fund | 16,777,960 | 94.92 | 16,777,960 | 98.29 |
| | Reksa Dana KISI Money market fund | 16,777,960 | 84.51 | 16,777,960 | 99.57 |
| | PineStreet Global Corporate Finance Fund V-2 | 16,580,000,000 | 80.00 | - | - |
| | HDC Warehouse Fund 1 | 35,462,497,926 | 73.68 | - | - |
| | Kisflight Co., Ltd. and 105 other asset structured SPCs(*2) | - | - | - | - |
| Korea Investment Management Co., Ltd. | KIM Investments Funds | 442 | 0.03 | 442 | 0.03 |
| | KIM Global Infra Professional Private Investment No.1 | 775,514,648 | 3.13 | 604,182,314 | 3.13 |
| | KIM Tokyo Residence Real Estate Investment Trust | 20,000,000,000 | 20.03 | 20,000,000,000 | 20.03 |
| | KIM TDF Target 2050 Fund(*1) | 100,000,000 | 0.75 | 100,000,000 | 0.83 |
| | KIM Vietnam Fund Management | 2,500,000 | 100.00 | - | - |
| Korea Investment Value Asset Management Co., Ltd. | Korea Value Classic Professional Investment Type Private Corporate Security Investment Trust 1 | 5,000,000,000 | 11.85 | 5,000,000,000 | 10.60 |
| | Korea Value Diamond Professional Investment Type Private Corporate Security Investment Trust 1 | 5,062,544,451 | 23.52 | 5,000,000,000 | 11.91 |
| | Korea Value Sapphire Value-up Professional Investment Type Private Corporate Security Investment Trust 1 | 1,989,674,672 | 25.69 | 2,000,000,000 | 12.40 |
| | Korea Value Global Research Dividend Income Fund (Equity) | 200,000,000 | 3.39 | - | - |
| | | | | | |
| PT Korea Investment & Sekuritas Indonesia | PT KISI Asset management | 24,750 | 99.00 | 24,750 | 99.00 |

(*1) Although the Group's ownership is less than 50 percent, the Group as general partner has substantial power to influence related decisions of the entity and is exposed to significant changes in profit in which the Group can also influence, and therefore, the entity was classified as a subsidiary.

(*2) As a structured entity for asset-backed securities, the ownership interest rate is less than a majority, but the consolidation entity is exposed to substantial power and variable profits for the company, so it was deemed to have control.

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

1. **The Group, Continued**

(b) **Subsidiaries, Continued**

(ii) Details of subsidiaries as of December 31, 2020 are as follows:

| Subsidiaries(*) | Incorporation date | Location | Industry | Financial year end |
|--|--------------------|----------------------|------------------------------|--------------------|
| Korea Investment Management Co., Ltd. | June 26, 2000 | Seoul, Korea | Asset Management | Dec.31 |
| Korea Investment Value Asset Management Co., Ltd. | February 13, 2006 | Seoul, Korea | Asset Management | Dec.31 |
| Korea Investment & Securities Asia, Ltd. | December 2, 1997 | Hong Kong | Financial investment | Dec. 31 |
| Korea Investment & Securities Europe, Ltd. | April 24, 1995 | London, UK | Financial investment | Dec. 31 |
| Korea Investment & Securities America, Inc. | April 18, 2000 | New York, U.S.A | Financial investment | Dec. 31 |
| Korea Investment & Securities Singapore Pte. Ltd. | February 22, 2008 | Singapore | Financial investment | Dec. 31 |
| KIS Vietnam Securities Corporation | November 29, 2010 | Ho Chi Minh, Vietnam | Financial investment | Dec. 31 |
| PT Korea Investment & Sekuritas Indonesia | June 26, 2018 | Indonesia | Financial investment | Dec. 31 |
| PT KISI Asset management | April 18, 2019 | Indonesia | Asset Management | Dec. 31 |
| KIM Investments Funds | November 21, 2013 | Luxembourg | Collective investment scheme | Dec. 31 |
| KIARA Asia Pacific Hedge Fund | July 16, 2014 | Cayman Islands | Collective investment scheme | Dec. 31 |
| KIM Belgium Core Office Professional Investment Private Real Estate Investment Trust | March 21, 2018 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| KIM PRIVATE PLACEMENT PHILADELPHIA REAL ESTATE INVESTMENT TRUST2 | May 3, 2018 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| Mastern Private Real Estate Fund No.31 | June 27, 2018 | Seoul, Korea | Collective investment scheme | June 30 |
| Hana Real Estate Investment Trusts No.76 | June 1, 2018 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| KIAMCO UK Solar Power Private Fund Special Asset Trust 2 | September 17, 2018 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| KTB Aircraft Private Investment Trust No.22-2 | November 15, 2018 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| KIAMCO German Wind Private Fund Special Asset Trust | December 20, 2018 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| Hana US LA Real Estate Trust No.1 | December 31, 2018 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| Eugene Pridium 1 / Private Placement | December 31, 2018 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| KIP KIS SEA-CHINA Fund | October 25, 2018 | Seoul, Korea | Investment partnership | Dec. 31 |
| Hyundai Aviation Investment Private Trust No.19 | January 28, 2019 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| Korea Value Classic Professional Investment Type Private Corporate Security Investment Trust 1 | February 25, 2019 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| Korea Value Diamond Professional Investment Type Private Corporate Security Investment Trust 1 | March 20, 2019 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| KIM Global Infra Professional Private Investment No.1 | March 21, 2019 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| Multi Asset Opportunity QI Investment Fund No. 10 | March 21, 2019 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| Lindeman Partners Global Private Trust No.11 | March 28, 2019 | Seoul, Korea | Collective investment scheme | Dec. 31 |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

1. **The Group, Continued**

(b) **Subsidiaries, Continued**

(ii) Details of subsidiaries as of December 31, 2020 are as follows, Continued:

| Subsidiaries(*) | Incorporation date | Location | Industry | Financial year end |
|--|--------------------|--------------|------------------------------|--------------------|
| Korea Value Sapphire Value-up Professional Investment Type Private Corporate Security Investment Trust 1 | May 20, 2019 | Seoul, Korea | Collective investment scheme | Dec.31 |
| AIP Midstream Specialized Privately Placed Fund Trust #1 | May 9, 2019 | Seoul, Korea | Collective investment scheme | Dec.31 |
| MULTI ASSET GLOBAL PRIVATE EQUITY QI INVESTMENT FUND NO.3 | June 20, 2019 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| IGIS Global Specialized Private Placement Real Estate Investment Trust 281-1 | July 15, 2019 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| Multi Asset Opportunity QI Investment Fund No. 14 | August 30, 2019 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| KIM TDF Target 2050 Fund | September 5, 2019 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| Samsung SRA Professional Type Private Real Estate Investment Trust 52 | September 11, 2019 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| Fine Snowman Qualified Private Investment Trust No.1 | October 10, 2019 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| MultiAsset Australia FuelCo Professional Investment Type Private Investment Trust No.1 | October 14, 2019 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| Korea Value Global Research Dividend Income Fund(Equity) | December 2, 2019 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| KIM Tokyo Residence Real Estate Investment Trust | November 25, 2019 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| NH-Amundi Global infra Private Fund No.21 | December 18, 2019 | Seoul, Korea | Collective investment scheme | Dec. 31 |
| Reksa Dana KISI Equity fund | December 11, 2019 | Indonesia | Collective investment scheme | Dec. 31 |
| Reksa Dana KISI Fixed income fund | December 11, 2019 | Indonesia | Collective investment scheme | Dec. 31 |
| Reksa Dana KISI Money market fund | December 11, 2019 | Indonesia | Collective investment scheme | Dec. 31 |
| KIM Vietnam Fund Management | February 19, 2020 | Vietnam | Asset Management | Dec. 31 |
| HDC Warehouse Fund 1 | February 20, 2020 | Korea | Collective investment scheme | Dec. 31 |
| PineStreet Global Corporate Finance Fund V-2 | December 21, 2020 | Korea | Collective investment scheme | Dec. 31 |

(*) Subsidiaries that do not perform practical business activities, such as asset-backed structured enterprises, were excluded.

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In thousands of won)

1. **The Group, Continued**

(b) **Subsidiaries, Continued**

(iii) The condensed statement of financial position of subsidiaries as of December 31, 2020 and the condensed statement of comprehensive income for the year ended December 31, 2020 are as follows:

| Company(*) | 2020 | | | | | |
|--|---------------|-------------|-------------|--------------------|-------------------|-----------------------------------|
| | Assets | Liabilities | Equity | Operating Revenues | Net income (loss) | Total comprehensive income (loss) |
| Korea Investment Management Co., Ltd. | ₩ 193,942,370 | 50,379,089 | 143,563,281 | 123,232,728 | 35,385,645 | 35,158,483 |
| Korea Investment Value Asset Management Co., Ltd. | 666,191,620 | 4,197,344 | 661,994,276 | 16,461,260 | 5,256,063 | 5,184,608 |
| Korea Investment & Securities Asia, Ltd. | 512,697,111 | 149,531,218 | 363,165,893 | 135,054,803 | (586,877) | (23,874,505) |
| Korea Investment & Securities Europe, Ltd. | 3,009,598 | 332,716 | 2,676,882 | 1,476,359 | 571,301 | 388,795 |
| Korea Investment & Securities America, Inc. | 8,482,928 | 2,464,963 | 6,017,965 | 3,672,705 | 850,329 | 448,217 |
| Korea Investment & Securities Singapore Pte. Ltd. | 10,026,939 | 1,905,942 | 8,120,997 | 2,148,046 | 475,052 | (55,306) |
| KIS Vietnam Securities Corporation | 298,015,362 | 156,921,066 | 141,094,296 | 45,966,054 | 10,067,194 | 172,363 |
| PT Korea Investment & Sekuritas Indonesia | 59,541,830 | 18,715,163 | 40,826,667 | 7,105,865 | (1,250,224) | (1,250,224) |
| PT KISI Asset management | 3,057,782 | 111,784 | 2,945,998 | 850,723 | (542,248) | (542,248) |
| KIM Investments Funds KIARA Asia Pacific Hedge Fund | 413,759,098 | 164,460,347 | 249,298,751 | 180,711,913 | 38,742,627 | 38,742,627 |
| KIM Belgium Core Office Professional Investment Private Real Estate Investment Trust | 30,005,283 | 7,349 | 29,997,934 | 6,012,259 | 2,480,713 | 2,480,713 |
| KIM PRIVATE PLACEMENT PHILADELPHIA REAL ESTATE INVESTMENT TRUST2 | 64,123,951 | 32,861 | 64,091,090 | 28,151,695 | 4,483,944 | 4,483,944 |
| Mastern Private Real Estate Fund No.31 | 148,032,601 | 107,941,431 | 40,091,170 | 8,140,973 | 1,180,984 | 1,180,984 |
| Hana Real Estate Investment Trusts No.76 | 26,992,579 | 5,567 | 26,987,012 | 3,582,537 | 246,945 | 246,945 |
| KIAMCO UK Solar Power Private Fund Special Asset Trust 2 | 46,519,519 | 76,485 | 46,443,034 | 5,657,915 | 2,592,496 | 2,592,496 |
| KTB Aircraft Private Investment Trust No.22-2 | 28,476,936 | 2,111,907 | 26,365,029 | 5,156,481 | 616,749 | 616,749 |
| KIAMCO German Wind Private Fund Special Asset Trust | 64,687,892 | 1,678,529 | 63,009,363 | 9,925,387 | 3,092,958 | 3,092,958 |
| Hana US LA Real Estate Trust No.1 | 61,350,232 | 22,800 | 61,327,432 | 5,884,995 | 1,652,991 | 1,652,991 |
| Eugene Pridium 1 / Private Placement | 37,896,065 | 20,909 | 37,875,156 | 2,388,828 | 2,352,906 | 2,352,906 |
| KIP KIS SEA-CHINA Fund | 337,590,253 | 146,810,138 | 190,780,115 | 1,637,734 | (8,588,858) | (8,588,858) |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In thousands of won)

1. **The Group, Continued**

(b) **Subsidiaries, Continued**

(iii) The condensed statement of financial position of subsidiaries as of December 31, 2020 and the condensed statement of comprehensive income for the year ended December 31, 2020 are as follows, Continued:

| Company(*) | 2020 | | | | | |
|--|--------------|-------------|-------------|--------------------|-------------------|-----------------------------------|
| | Assets | Liabilities | Equity | Operating Revenues | Net income (loss) | Total comprehensive income (loss) |
| Hyundai Aviation Investment Private Trust No.19 | ₩ 57,408,727 | 8,417 | 57,400,310 | 25,354,839 | 3,070,190 | 3,070,190 |
| Korea Value Classic Professional Investment Type Private Corporate Security Investment Trust 1 | 45,756,182 | 1,063,573 | 44,692,609 | 5,708,611 | 5,058,994 | 5,058,994 |
| Korea Value Diamond Professional Investment Type Private Corporate Security Investment Trust 1 | 20,255,443 | 2,456,665 | 17,798,778 | 72,995,237 | (1,744,768) | (1,744,768) |
| KIM Global Infra Professional Private Investment No.1 | 22,685,513 | 20,589 | 22,664,924 | 4,762,981 | 844,392 | 844,392 |
| Multi Asset Opportunity QI Investment Fund No. 10 | 54,951,513 | 53,906 | 54,897,607 | 12,464,313 | (785,179) | (785,179) |
| Lindeman Partners Global Private Trust No.11 | 46,904,016 | 140,944 | 46,763,072 | 23,887,670 | (6,803,643) | (6,803,643) |
| Korea Value Sapphire Value-up Professional Investment Type Private Corporate Security Investment Trust 1 | 8,943,383 | 176 | 8,943,207 | 8,910,988 | 1,514,081 | 1,514,081 |
| AIP Midstream Specialized Privately Placed Fund Trust #1 | 50,211,979 | 70,690 | 50,141,289 | 12,986,900 | 3,526,467 | 3,526,467 |
| MULTI ASSET GLOBAL PRIVATE EQUITY QI INVESTMENT FUND NO.3 | 81,121,087 | 546,618 | 80,574,469 | 6,899,789 | 6,386,570 | 6,386,570 |
| IGIS Global Specialized Private Placement Real Estate Investment Trust 281-1 | 29,975,838 | 454,102 | 29,521,736 | 3,916,631 | 1,339,192 | 1,339,192 |
| Multi Asset Opportunity QI Investment Fund No. 14 | 50,866,106 | 54,983 | 50,811,123 | 3,902,635 | (468,629) | (468,629) |
| KIM TDF Target 2050 Fund | 16,394,530 | 718,641 | 15,675,889 | 2,465,424 | 1,643,801 | 1,643,801 |
| Samsung SRA Professional Type Private Real Estate Investment Trust 52 | 115,976,363 | 6,401,054 | 109,575,309 | 2,389,922 | (11,840,060) | (11,840,060) |
| Fine Snowman Qualified Private Investment Trust No.1 | 53,305,939 | 20,155 | 53,285,784 | 3,652,111 | 3,566,379 | 3,566,379 |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In thousands of won)

1. **The Group, Continued**

(b) **Subsidiaries, Continued**

(iii) The condensed statement of financial position of subsidiaries as of December 31, 2020 and the condensed statement of comprehensive income for the year ended December 31, 2020 are as follows, Continued:

| Company(*) | 2020 | | | | | |
|--|--------------|-------------|------------|--------------------|-------------------|-----------------------------------|
| | Assets | Liabilities | Equity | Operating Revenues | Net income (loss) | Total comprehensive income (loss) |
| MultiAsset Australia FuelCo Professional Investment Type Private Investment Trust No.1 | ₩ 29,384,692 | 184,738 | 29,199,954 | 7,323,603 | 1,243,388 | 1,243,388 |
| Korea Value Global Research Dividend Income Fund(Equity) | 6,673,944 | 5,357 | 6,668,587 | 761,752 | 743,144 | 743,144 |
| KIM Tokyo Residence Real Estate Investment Trust | 97,398,702 | 33,963 | 97,364,739 | 7,578,671 | 2,149,998 | 2,149,998 |
| NH-Amundi Global infra Private Fund No.21 | 74,834,112 | 1,300,317 | 73,533,795 | 26,633,153 | 8,969,182 | 8,969,182 |
| Reksa Dana KISI Equity fund | 17,617,844 | 327,357 | 17,290,487 | 1,462,700 | (1,021,748) | (1,021,748) |
| Reksa Dana KISI Fixed income fund | 20,949,986 | 20,507 | 20,929,479 | 2,913,372 | 2,418,643 | 2,418,643 |
| Reksa Dana KISI Money market fund | 28,999,201 | 10,689 | 28,988,512 | 1,886,905 | 1,526,892 | 1,526,892 |
| KIM Vietnam Fund Management | 1,788,303 | 435,808 | 1,352,495 | 363,414 | (1,319,891) | (1,319,891) |
| HDC Warehouse Fund 1 PineStreet Global Corporate Finance Fund V-2 | 47,656,711 | 200,279 | 47,456,432 | 9,680,620 | (671,244) | (671,244) |
| | 20,971,176 | 283,483 | 20,687,693 | 249,676 | (37,307) | (37,307) |

(*) Subsidiaries that do not perform practical business activities, such as asset-backed structured enterprises, were excluded.

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In thousands of won)

1. **The Group, Continued**

(b) **Subsidiaries, Continued**

(iv) The condensed statement of financial position of subsidiaries as of December 31, 2019 and the condensed statement of comprehensive income for the year ended December 31, 2019 are as follows:

| Company(*) | 2019 | | | | | |
|--|---------------|-------------|-------------|--------------------|-------------------|-----------------------------------|
| | Assets | Liabilities | Equity | Operating Revenues | Net income (loss) | Total comprehensive income (loss) |
| Korea Investment Management Co., Ltd. | ₩ 175,493,651 | 32,108,853 | 143,384,798 | 129,147,048 | 40,434,752 | 40,434,752 |
| Korea Investment value Asset Management Co., Ltd. | 518,169,911 | 3,353,501 | 514,816,410 | 17,644,602 | 5,303,643 | 5,303,643 |
| Korea Investment & Securities Asia, Ltd. | 542,476,422 | 155,436,024 | 387,040,398 | 34,882,200 | 5,433,803 | 15,907,438 |
| Korea Investment & Securities Europe, Ltd. | 2,359,599 | 71,512 | 2,288,087 | 1,103,070 | 15,322 | 93,154 |
| Korea Investment & Securities America, Inc. | 5,710,506 | 140,757 | 5,569,749 | 2,452,444 | (329,068) | (124,662) |
| Korea Investment & Securities Singapore Pte. Ltd. | 8,348,843 | 172,539 | 8,176,304 | 1,771,307 | (1,220,346) | 499,375 |
| KIS Vietnam Securities Corporation | 189,391,123 | 84,483,401 | 104,907,722 | 20,917,762 | 6,644,106 | 10,156,078 |
| PT Korea Investment & Sekuritas Indonesia | 47,996,737 | 2,769,859 | 45,226,878 | 5,726,876 | (1,227,724) | (1,221,130) |
| PT KISI Asset management | 3,811,639 | 53,223 | 3,758,416 | 154,438 | (393,242) | (393,242) |
| KIM Investments Funds KIARA Asia Pacific Hedge Fund | 160,834,960 | 828,317 | 160,006,643 | (12,821,099) | (1,852,550) | (1,852,550) |
| KIM Belgium Core Office Professional Investment Private Real Estate Investment Trust | 391,021,807 | 164,848,245 | 226,173,562 | 133,337,406 | 27,345,010 | 27,345,010 |
| KIM PRIVATE PLACEMENT PHILADELPHIA REAL ESTATE INVESTMENT TRUST2 | 29,997,775 | 7,354 | 29,990,421 | 5,017,577 | 67,067 | 67,067 |
| Mastern Private Real Estate Fund No.31 | 61,512,690 | 1,404,758 | 60,107,932 | 10,395,634 | (856,145) | (856,145) |
| Hana Real Estate Investment Trusts No.76 | 149,626,422 | 107,949,543 | 41,676,879 | 8,100,725 | (2,424,111) | (2,424,111) |
| KIAMCO UK Solar Power Private Fund Special Asset Trust 2 | 28,727,528 | 5,584 | 28,721,944 | 3,646,990 | 950,734 | 950,734 |
| KTB Aircraft Private Investment Trust No.22-2 | 46,811,161 | 1,268,941 | 45,542,220 | 4,831,732 | 1,579,090 | 1,579,090 |
| KIAMCO German Wind Private Fund Special Asset Trust | 28,362,596 | 881,787 | 27,480,809 | 3,852,767 | 951,325 | 951,325 |
| Hana US LA Real Estate Trust No.1 | 64,761,932 | 118,585 | 64,643,347 | 7,051,238 | 2,302,967 | 2,302,967 |
| Eugene Pridium 1 / Private Placement | 64,314,625 | 22,800 | 64,291,825 | 5,119,076 | 262,814 | 262,814 |
| KIP KIS SEA-CHINA Fund Hyundai Aviation Investment Private Trust No.19 | 36,700,176 | 3,043 | 36,697,133 | 1,189,816 | (2,867) | (2,867) |
| | 209,930,552 | 77,796,928 | 132,133,624 | 118,637 | (3,635,320) | (2,976,502) |
| | 54,993,876 | 7,916 | 54,985,960 | 6,249,183 | (134,794) | (134,794) |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In thousands of won)

1. **The Group, Continued**

(b) **Subsidiaries, Continued**

(iv) The condensed statement of financial position of subsidiaries as of December 31, 2019 and the condensed statement of comprehensive income for the year ended December 31, 2019 are as follows, Continued:

| Company(*) | 2019 | | | | | |
|--|--------------|-------------|-------------|--------------------|-------------------|-----------------------------------|
| | Assets | Liabilities | Equity | Operating Revenues | Net income (loss) | Total comprehensive income (loss) |
| Korea Value Classic Professional Investment Type Private Corporate Security Investment Trust 1 | ₩ 41,290,319 | 100,862 | 41,189,457 | 3,558,235 | (2,784,829) | (2,784,829) |
| Korea Value Diamond Professional Investment Type Private Corporate Security Investment Trust 1 | 27,396,238 | 149,194 | 27,247,044 | 27,446,995 | (3,388,659) | (3,388,659) |
| KIM Global Infra Professional Private Investment No.1 | 19,197,069 | 638,393 | 18,558,676 | 555,882 | (752,210) | (752,210) |
| Multi Asset Opportunity QI Investment Fund No. 10 | 52,317,837 | 205,625 | 52,112,212 | 713,440 | (760,779) | (760,779) |
| Lindeman Partners Global Private Trust No.11 | 54,999,321 | 31,089 | 54,968,232 | 12,958,983 | (8,879,725) | (8,879,725) |
| Korea Value Sapphire Value-up Professional Investment Type Private Corporate Security Investment Trust 1 | 16,616,090 | 322,974 | 16,293,116 | 3,540,972 | 909,675 | 909,675 |
| Shinhan AIM Credit Fund2 | 26,465,584 | 84,223 | 26,381,361 | 1,563,007 | 846,711 | 846,711 |
| Hyundai Infra Professional Investment Type Private Investment Trust No.8 | 23,565,767 | 226,232 | 23,339,535 | 3,423,169 | 141,991 | 141,991 |
| AIP Midstream Specialized Privately Placed Fund Trust #1 | 48,490,620 | 1,554,882 | 46,935,738 | 9,876,068 | 158,211 | 158,211 |
| Multi Asset Opportunity QI Investment Fund No. 12 | 35,088,347 | 120,272 | 34,968,075 | 457,561 | (479,625) | (479,625) |
| Multi Asset Opportunity QI Investment Fund No. 11 | 52,175,367 | 181,806 | 51,993,561 | 685,055 | (580,389) | (580,389) |
| Multi Asset Global Private Equity QI Investment Fund No.3 | 82,825,812 | 198,655 | 82,627,157 | 3,445,129 | 1,036,493 | 1,036,493 |
| IGIS Global Specialized Private Placement Real Estate Investment Trust 281-1 | 29,597,446 | 4,789 | 29,592,657 | 2,035,500 | (46,578) | (46,578) |
| Multi Asset Opportunity QI Investment Fund No. 14 | 50,877,666 | 65,539 | 50,812,127 | 1,150,930 | (377,223) | (377,223) |
| KIM TDF Target 2050 Fund | 5,367,403 | 1 | 5,367,402 | 227,350 | 209,187 | 209,187 |
| Samsung SRA Professional Type Private Real Estate Investment Trust 52 | 125,975,589 | 740,221 | 125,235,368 | 4,595,925 | (235,243) | (235,243) |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In thousands of won)

1. **The Group, Continued**

(b) **Subsidiaries, Continued**

(iv) The condensed statement of financial position of subsidiaries as of December 31, 2019 and the condensed statement of comprehensive income for the year ended December 31, 2019 are as follows, Continued:

| Company(*) | 2019 | | | | | |
|--|--------------|-------------|------------|--------------------|-------------------|-----------------------------------|
| | Assets | Liabilities | Equity | Operating Revenues | Net income (loss) | Total comprehensive income (loss) |
| Fine Snowman Qualified Private Investment Trust No.1 | ₩ 52,370,917 | 17,888 | 52,353,029 | 508,500 | 453,029 | 453,029 |
| MultiAsset Australia FuelCo Professional Investment Type Private Investment Trust No.1 | 28,734,842 | 237,566 | 28,497,276 | 641,493 | 262,276 | 262,276 |
| Korea Value Global Research Dividend Income Fund(Equity) | 6,069,622 | - | 6,069,622 | 44,539 | 44,539 | 44,539 |
| KIM Tokyo Residence Real Estate Investment Trust | 99,561,194 | 33,987 | 99,527,207 | 938,304 | (342,099) | (342,099) |
| NH-Amundi Global infra Private Fund No.21 | 71,052,420 | 2,806 | 71,049,614 | 4,526,158 | 97,273 | 97,273 |
| Reksa Dana KISI Equity fund | 20,069,144 | 463,710 | 19,605,434 | 140,257 | 70,767 | 70,767 |
| Reksa Dana KISI Fixed income fund | 20,061,113 | 10,145 | 20,050,968 | 202,989 | 185,566 | 185,566 |
| Reksa Dana KISI Money market fund | 19,659,447 | 3,514 | 19,655,933 | 60,750 | 45,357 | 45,357 |

(*) Subsidiaries that do not perform practical business activities, such as asset-backed structured enterprises, were excluded.

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

1. **The Group, Continued**

(b) **Subsidiaries, Continued**

(v) The details of subsidiaries newly included in consolidated financial statements for the years ended December 31, 2020 and 2019 are as follows:

| December 31, 2020 | |
|--|--|
| Subsidiaries | Reason |
| KIM Vietnam Fund Management | Newly acquired by Korea Investment Management Co., Ltd. |
| HDC Warehouse Fund 1 | Newly acquired |
| Tiger Alternative Qualified Investment Real Estate Trust No.18-2 | Newly acquired |
| Tiger Alternative Qualified Investment Real Estate Trust No.18-1 | Newly acquired |
| Tiger Alternative Investment 22 | Newly acquired |
| IGIS Global Specialized Private Placement Real Estate Investment Trust 357 | Newly acquired |
| Tiger Alternative Qualified Investment Real Estate Trust No.28 | Newly acquired |
| PineStreet Global Corporate Finance Fund V-2 | Newly acquired |
| KIS IB 37th Co., Ltd. and 78 other assets structured SPCs | In case that the Group can make or approve decisions such as the modification or disposal of underlying assets and if the Group are exposed to significant variable returns or have rights due to the provision of credit contributions or the purchase of subordinated bonds, each entity will be recognized as the consolidated entities |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

1. **The Group, Continued**

(b) **Subsidiaries, Continued**

(v) The details of subsidiaries newly included in consolidated financial statements for the years ended December 31, 2020 and 2019 are as follows, Continued:

| December 31, 2019 | |
|--|---|
| Subsidiaries | Reason |
| PT KISI Asset management | Newly acquired by PT Korea Investment & Securitاس Indonesia |
| SHBNPP Uijeongbu Light Rail Transit Professional Investment Type Private Special Asset Investment Trust | Newly acquired |
| Hyundai Aviation Investment Private Trust No.19 | Newly acquired |
| Korea Value Classic Professional Investment Type Private Corporate Security Investment Trust 1 | Newly acquired |
| Hana Alternative Asset Management VOYA QI Investment Fund No.1 | Newly acquired |
| Korea Value Diamond Professional Investment Type Private Corporate Security Investment Trust 1 | Newly acquired |
| KIM Global Infra Professional Private Investment No.1 | Newly acquired |
| Multi Asset Opportunity QI Investment Fund No. 10 | Newly acquired |
| Tiger Alternative Qualified Investment Real Estate Trust No.11 | Newly acquired |
| Lindeman Partners Global Private Trust No.11 | Newly acquired |
| Multi Asset Opportunity QI Investment Fund No.9(USD) | Newly acquired |
| Petra 7 Alpha Private Equity Fund | Newly acquired |
| Tiger Alternative Qualified Investment Real Estate Trust No.12 | Newly acquired |
| Tiger Alternative Qualified Investment Real Estate Trust No. 6 | Newly acquired |
| Korea Value Sapphire Value-up Professional Investment Type Private Corporate Security Investment Trust 1 | Newly acquired |
| INMARK France Professional Private Real Estate Investment Trust 18 | Newly acquired |
| Shinhan AIM Credit Fund2 | Newly acquired |
| Hyundai Infra Professional Investment Type Private Investment Trust No.8 | Newly acquired |
| AIP Midstream Specialized Privately Placed Fund Trust #1 | Newly acquired |
| Multi Asset Opportunity QI Investment Fund No. 12 | Newly acquired |
| Multi Asset Opportunity QI Investment Fund No. 11 | Newly acquired |
| KIM Corporate Loan Trust No.1 | Change in percentage of ownership |
| Multi Asset Global Private Equity QI Investment Fund No.3 | Newly acquired |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

1. **The Group, Continued**

(b) **Subsidiaries, Continued**

(v) The details of subsidiaries newly included in consolidated financial statements for the years ended December 31, 2020 and 2019 are as follows, Continued:

| December 31, 2019 | |
|--|--|
| Subsidiaries | Reason |
| METHEUS Professional Private Real Estate Investment Trust 1 | Newly acquired |
| INMARK UK Professional Private Real Estate Investment Trust 18 | Newly acquired |
| Petra 7 Beta Private Equity Fund | Newly acquired |
| Tiger Alternative Qualified Investment | Newly acquired |
| Real Estate Trust No.14 | Newly acquired |
| Multi Asset Opportunity QI Investment Fund No.15 | Newly acquired |
| IGIS Global Specialized Private Placement Real Estate Investment Trust 281-1 | Newly acquired |
| Multi Asset Opportunity QI Investment Fund No. 14 | Newly acquired |
| KIM TDF Target 2050 Fund | Newly acquired |
| Samsung SRA Professional Type Private Real Estate Investment Trust 52 | Newly acquired |
| Fine Snowman Qualified Private Investment Trust No.1 | Newly acquired |
| MultiAsset Australia FuelCo Professional Investment Type Private Investment Trust No.1 | Newly acquired |
| Korea Value Global Research Dividend Income Fund(Equity) | Newly acquired |
| KIM Tokyo Residence Real Estate Investment Trust | Newly acquired |
| NH-Amundi Global infra Private Fund No.21 | Newly acquired |
| Reksa Dana KISI Equity fund | Newly acquired |
| Reksa Dana KISI Fixed income fund | Newly acquired |
| Reksa Dana KISI Money market fund | Newly acquired |
| KIS IB PLUS 11th Co., Ltd. and 25 other asset structured SPCs | In case that the Group can make or approve decisions such as the modification or disposal of underlying assets and if the Group are exposed to significant variable returns or have rights due to the provision of credit contributions or the purchase of subordinated bonds, each entity will be recognized as the consolidated entities |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

1. **The Group, Continued**

(b) **Subsidiaries, Continued**

(vi) The details of subsidiaries excluded from consolidated financial statements for the years ended December 31, 2020 and 2019 are as follows:

| December 31, 2020 | |
|--|---|
| Subsidiaries | Reason |
| Multi Asset Opportunity QI Investment Fund No. 12 | Redemption |
| Multi Asset Opportunity QI Investment Fund No. 11 | Redemption |
| Tiger Alternative Qualified Investment Real Estate Trust No. 18-2 | Transferred to investments in associates due to decrease in the percentage of ownership |
| Tiger Alternative Qualified Investment Real Estate Trust No. 18-1 | Disposal |
| Hyundai Infra Professional Investment Type Private Investment Trust No. 8 | Redemption |
| Tiger Alternative Investment 22 | Disposal |
| IGIS Global Specialized Private Placement Real Estate Investment Trust 357 | Disposal |
| Tiger Alternative Qualified Investment Real Estate Trust No. 28 | Disposal |
| Shinhan AIM Credit Fund 2 | Redemption |
| SF The First 1st Co., Ltd. and 16 other asset structured SPCs | Extinguishment of a credit obligation |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

1. **The Group, Continued**

(b) **Subsidiaries, Continued**

(vi) The details of subsidiaries excluded from consolidated financial statements for the years ended December 31, 2020 and 2019 are as follows, Continued:

| December 31, 2019 | |
|---|--|
| Subsidiaries | Reason |
| KTB Aircraft Professional Investment Private Investment Trust No.22-1 | Disposal |
| Hanhwa Europe PPP Infrastructure Private Fund Special Asset Trust 1-2 | Transferred to financial assets measured at FVTPL due to decrease in the percentage of ownership |
| SHBNPP Uijeongbu Light Rail Transit Professional Investment Type Private Special Asset Investment Trust | Transferred to investments in associates due to decrease in the percentage of ownership |
| Tiger Alternative Qualified Investment Real Estate Trust No.12 | Transferred to investments in associates due to decrease in the percentage of ownership |
| Tiger Alternative Qualified Investment Real Estate Trust No. 6 | Transferred to investments in associates due to decrease in the percentage of ownership |
| Aarden Partners UK MSA Private Equity Fund | Transferred to financial assets measured at FVTPL due to decrease in the percentage of ownership |
| INMARK UK Professional Private Real Estate Investment Trust 18 | Disposal |
| METHEUS Professional Private Real Estate Investment Trust 1 | Disposal |
| Petra 7 Beta Private Equity Fund | Transferred to financial assets measured at FVTPL due to decrease in the percentage of ownership |
| Tiger Alternative Qualified Investment Real Estate Trust No.11 | Disposal |
| KIM Corporate Loan Trust No.1 | Disposal |
| Multi Asset Opportunity QI Investment Fund No.9(USD) | Disposal |
| Hana Alternative Asset Management VOYA QI Investment Fund No.1 | Disposal |
| INMARK France Professional Private Real Estate Investment Trust 18 | Transferred to investments in associates due to decrease in the percentage of ownership |
| Tiger Alternative Qualified Investment Real Estate Trust No.14 | Transferred to investments in associates due to decrease in the percentage of ownership |
| KIM AsiaPlus Securities Feeder Investment Trust(Bond) | Transferred to investments in associates due to decrease in the percentage of ownership |
| Petra 7 Alpha Private Equity Fund | Transferred to investments in associates due to decrease in the percentage of ownership |
| Multi Asset Opportunity QI Investment Fund No.15 | Disposal |
| KIS IB 14th Co., Ltd. and 15 other asset structured SPCs | Extinguishment of a credit obligation |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

2. Basis of Accounting

The consolidated financial statements have been prepared in accordance with Korean International Financial Reporting Standards ("K-IFRS"), as prescribed in the *Act on External Audits of Corporations in the Republic of Korea*.

(a) Basis of measurement

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

- Derivative financial instruments measured at fair value
- Financial instruments at fair value through profit or loss are measured at fair value
- Other comprehensive income financial instruments measured at fair value
- Conditional consideration assumed in a business combination measured at fair value
- Liabilities for defined benefit plans are recognized at the net of the total present value of defined benefit obligations less the fair value of plan assets

(b) Functional and presentation currency

The financial statements of individual companies in the Group are prepared in functional currency, the currency of the primary economic environment in which the operations of each individual entity are conducted. The consolidated financial statements of the Group are prepared and reported in won, the functional currency and presentation currency of the reporting entity parent.

(c) Use of estimates and judgments

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

The spread of the COVID-19 pandemic during 2020 has materially affected the global economy. Accordingly, it could adversely affect the Group's financial position and results of operations. The significant accounting estimates and assumptions used in preparing the consolidated financial statements of the Group may be adjusted due to changes in the level of uncertainty from COVID-19 in the future. The ultimate impact from COVID-19 on the Group's business, financial position or results of operations may differ from the estimates reflected in the accompanying consolidated financial statements.

Estimates and underlying assumptions are evaluated on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

Information about management judgements related to application of accounting policies that may significantly affect the financial statements and uncertainties in assumptions and estimates that have significant risk on adjustments occurring within the following accounting periods is as follows:

(i) Income taxes

There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recorded, based on its best estimate, current taxes and deferred taxes that the Group will be liable in the future for the operating results as of the financial year end. However, the final outcome in the future may be different from the amounts that were initially recorded. Such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made (Note 25).

(ii) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period (Note 41).

2. **Basis of Accounting, Continued**

(c) Use of estimates and judgments, Continued

(iii) Impairment of financial assets

Loss allowances for financial assets are measured based on assumptions about default risk and expected loss rate. The Group considers its historical experience, current market conditions, and forward-looking information as of the reporting date in setting these assumptions and selecting input variables used in the impairment model.

(iv) Provisions

As described in Note 22, the Group recognizes provisions. The amounts are estimated based on historical data.

(v) Defined benefit liability

The present value of defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions including the discount rate (Note 21).

3. **Change in Accounting Policies**

The Group applied the following new accounting standards from January 1, 2020.

New standards and interpretations adopted

i) Amendments to K-IFRS No. 1001 Presentation of Financial Statements and K-IFRS No. 1008 Accounting policies, changes in accounting estimates and errors – Definition of Material

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

ii) Amendments to K-IFRS No. 1103 Business Combination – Definition of a Business

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

iii) Amendments to K-IFRS No. 1107 Financial Instruments: Disclosure, K-IFRS No. 1109 Financial Instruments – Interest Rate Benchmark Reform

These amendments provide exceptions applying hedge accounting even though interest rate benchmark reform gives rise to uncertainties. In the exceptions, an entity shall assume that the interest rate benchmark on which the hedge item and hedging instrument are based is not altered as a result of interest rate benchmark reform when determining whether the expected cash flows is highly probable and whether an economic relationship between the hedged item and the hedging instrument exists and whether the hedge is highly effective. These amendments do not have a significant impact on the consolidated financial statements.

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

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 periods presented in these consolidated financial statements, except for the changes in accounting policies described in Note 3.

(a) Foreign currency transactions

In preparation of financial statements, transactions in non-functional currency are recognized using exchange rate at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate of period end. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction, and non-monetary assets and liabilities that are measured at fair value are translated using the exchange rate at the date when the fair value was determined.

All foreign exchange differences arising from the settlement of monetary items, other than those exchange arising from the differences arising from the settlement of monetary items, net investment in foreign business, conversion of financial liabilities designated as cash flow hedges, are recognized in profit or loss. If gains and losses on non-monetary items are recognized in other comprehensive income, the effects of changes in exchange rates included in those gains and losses are also recognized in other comprehensive income and in profit or loss in the case of changes in exchange rates.

(b) Cash and cash equivalents

The Group classified investments for which the period from the acquisition to maturity is within 3 months as cash and cash equivalents. Equity investments are excluded from cash and cash equivalents. However, redeemable preference shares, for which the period from the acquisition to redemption is short, are classified as cash and cash equivalents.

(c) Non-derivative financial assets

(i) Classification and measurement

In accordance with K-IFRS No.1109, non-derivative financial assets are classified into financial assets measured at fair value recognize changes in fair value through other comprehensive income or through profit or loss and financial assets measured at amortized cost. Classification of financial assets is determined based on business model, by which financial assets are generally managed, and the characteristic of contractual cash flow.

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice.
- These include whether management's strategy focuses on earning contractual interest income, maintaining specified interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

4. Significant Accounting Policies, Continued

(c) Non-derivative financial assets, Continued

(i) Classification and measurement, Continued

- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

Non-derivative financial assets are measured at fair value at initial recognition, and if not financial assets measured at fair value through profit or loss, any costs directly related to acquisition of financial assets are added to the fair value at initial recognition.

① Financial assets measured at amortized cost

Financial asset shall be measured at amortized cost if the financial asset is held within a business model whose objective is to hold financial assets the contractual cash flows are solely payments of principal and interest on the principal amount outstanding. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss.

② Financial assets measured at fair value through other comprehensive income

A financial asset shall be measured at fair value through other comprehensive income if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and when the contractual cash flows are solely payments of principal and interest on the principal amount outstanding.

Debt securities classified as financial assets measured at fair value through other comprehensive income recognize interest income using effective interest method, foreign exchange gains and losses and impairment as profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Investments in equity instrument that are not held for trading can be irrevocably elected to present the subsequent changes in fair value in other comprehensive income. This election is made by each financial instrument. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment incurred from financial assets measured at fair value through other comprehensive income. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

③ Financial assets measured at fair value through profit or loss

Financial assets shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income.

4. Significant Accounting Policies, Continued

(c) Non-derivative financial assets, Continued

(i) Classification and measurement, Continued

A financial asset can be irrevocably designated as financial assets measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis.

(ii) De-recognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. In the transaction in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of the financial assets, if the Group does not retain control over the asset, the Group derecognizes such financial asset; if the Group retains control over the asset, the Group continues to recognize the asset to the extent of its continuing involvement and the relevant liability is recorded.

When the Group transfers the rights to receive cash flows on a financial asset but retains substantially all of the risks and rewards of ownership, the Group continues to recognize the transferred asset and the proceeds from the transfer are recognized as a liability.

(iii) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously.

(d) Derivative financial instruments

Embedded contract, if the host contract is not a financial asset and meets certain requirements, are accounted for separate accounting treatment and shall be separated from the host contract.

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value and gains and losses on valuation result from changes in fair value are generally recognized as profit or loss. Gains and loss due to change in fair value of derivatives is recognized as follows:

(i) Hedge accounting

Derivative instruments are accounted for differently depending on whether hedge accounting is applied, and therefore, are classified into trading purpose derivatives and hedging purpose derivatives. A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. A cash flow hedge is a hedge of the exposure to variability in cash flows that (i) is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2020 and 2019

4. Significant Accounting Policies, Continued

(d) Derivative financial instruments, Continued

(i) Hedge accounting, Continued:

Forecasted transaction and (ii) could affect profit or loss. For trading purpose derivatives transactions, changes in the fair value of derivatives are recognized in profit or loss.

The Group does not hold any derivatives designated as hedging derivatives as of December 31, 2020 and 2019.

(ii) Embedded derivative instruments

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not clearly and closely related to those of the host contract and the host contract is not itself held for trading or designated at FVTPL, unless the Group aggregately designates the host contract and embedded derivative as a financial instrument at FVTPL.

These embedded derivatives are separated from the host contract and are carried at fair value, with changes in their fair value recognized in profit or loss.

(iii) Other derivative financial instruments

Changes in the fair value of other derivative financial instrument not designated as a hedging instrument are recognized immediately in profit or loss.

(e) Day 1 Profit or Loss

In the case of financial instruments categorized as Level 3, which are evaluated by using data not obtained from observable markets, the Group recognizes Day 1 Profit or Loss, which is the difference between the fair value at initial recognition and the transaction price. It is amortized by using the straight-line method over the life of the financial instruments.

(f) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate the difference between their cost and their residual values over their estimated useful lives, as follows:

| Property and equipment | Estimated useful lives |
|-------------------------------|-------------------------------|
| Buildings | 40 years |
| Vehicles | 5 years |
| Tools and equipment | 5 years |
| Leasehold improvements | 5 years |
| Other | 5 years |

The depreciation method, residual values and useful lives of property and equipment are reviewed at each financial year-end and, if appropriate, accounted for as changes in accounting estimates.

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2020 and 2019

4. Significant Accounting Policies, Continued

(g) 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. After recognition as an asset, investment property is carried at cost less accumulated depreciation and impairment losses. Investment property, except for land, is depreciated using the straight-line method over their useful lives of 40 years.

(h) Intangible Assets

Goodwill is measured as explained in Note 2. (c). (i) and carried at its cost less accumulated impairment losses. Intangible assets, except for goodwill, are initially recognized at its historical cost and carried at its cost less accumulated amortization and accumulated impairment losses.

Intangible assets are amortized using the straight-line method with no residual value over their estimated useful economic lives as described below since the asset is available for use.

| Intangible Assets | Estimated useful lives |
|--------------------------|-------------------------------|
| Development costs | 5 years |
| Software | 5 years |
| Membership rights | Indefinite |
| Others | 5, 20 years / Indefinite |

The amortization period and the amortization method for intangible assets with a finite useful life are reviewed at least at each financial year end. The management reviews the useful life of intangible assets that is not being amortized each period to determine whether events and circumstances continue to support an indefinite useful life. If management judges that previous estimates should be adjusted, the change is accounted for as a change in an accounting estimate.

(i) Impairment of Financial Assets

Based on forward-looking information, the Group evaluates expected credit loss on debt instruments measured at amortized cost and fair value through other comprehensive income. Impairment is determined based on whether significant increase in credit risk incurred or not. Financial assets migrate through the following three stages based on the change in credit risk since initial recognition and loss allowances for the financial assets are measured at the 12-month expected credit losses ("ECL") or the lifetime ECL, depending on the stage.

| Category | Provision for credit loss allowance |
|---|--|
| STAGE 1 When credit risk has not increased significantly since the initial recognition(*) | 12-months ECL: the ECL associated with the probability of default events occurring within the next 12 months |
| STAGE 2 When credit risk has increased significantly since the initial recognition | Lifetime ECL: a lifetime ECL associated with the probability of default events occurring over the remaining lifetime |
| STAGE 3 When assets are impaired | Same as above |

(*) The Group may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

4. Significant Accounting Policies, Continued

(h) Intangible Assets, Continued

(i) Impairment of Financial Assets, Continued

The Group only recognizes the cumulative changes in lifetime expected credit losses since the initial recognition as loss allowance for credit-impaired financial assets.

The Group measures the provision at an amount equal to lifetime expected credit losses, except for the following financial assets measured at 12-month expected credit losses:

- Debt securities determined at the end of the reporting period that the credit risk is low
- Other debt securities of which credit risks have not increased significantly since initial recognition (the risk of default occurring over the expected life of the financial asset).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is available without undue cost or effort. This includes qualitative, quantitative information and analysis based on our experience and known credit evaluation, including future oriented information.

The Group assumes that the credit risk of financial assets increases significantly if the past due date exceeds 30 days.

The Group considers that a default has occurred for financial assets in the following cases:

- If the debtor is unlikely to fully fulfil its credit obligation to the Group if the Group does not seek to recourse.
- If the number of days past due for a financial asset exceeds 90 days

Lifetime expected credit losses are expected credit losses resulting from all possible default events during the expected life of the financial instrument.

12-month expected credit losses are part of the lifetime expected credit losses that represent expected credit losses due to default events on financial instruments that may occur within 12 months of the reporting period (or if the expected life of the financial instrument is less than 12 months).

The longest period to consider when measuring expected credit losses is the maximum contractual period during which the Group is exposed to credit risk.

① Measurement of expected credit loss

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between all contractual cash flows payable under the contract and all contractual cash flows expected to be received). Expected credit losses are discounted at the effective interest rate of the relevant financial asset.

② Credit-impaired financial assets

At the end of each reporting period, the Group assesses whether the credit on financial assets measured at amortized cost and on debt securities measured at fair value through other comprehensive income are impaired. If one or more events occur that adversely affect the estimated future cash flows of the financial asset, the financial asset is considered as credit-impaired.

Evidence that financial asset is credit-impaired includes observable information as follow:

- Significant financial difficulties of the issuer or borrower
- Breach of contract, such as default in debt or past due of 90 days or more.

4. Significant Accounting Policies, Continued

(h) Intangible Assets, Continued

(i) Impairment of Financial Assets, Continued

- Inevitable mitigation of the original loan terms for economic or contractual reasons related to the financial difficulties of the borrower;
- Borrowers are more likely than not to bankrupt or possibility of other financial restructuring is high.
- Active markets for financial assets become inactive due to financial difficulties

③ Presentation of credit loss allowance in financial statements

The loss allowance for financial assets measured at amortized cost is deducted from the carrying amount of those assets. For debt instruments measured at fair value through other comprehensive income, the loss allowance is included in profit or loss and recognized in other comprehensive income.

(j) Impairment of Non-financial Assets

Goodwill or intangible assets with indefinite useful lives are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(k) Lease

The Group assesses whether the contract is, or contains, a lease at the initial contract date. If a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, the contract is, or contains, a lease. In determining whether a contract transfers control of the use of the identified asset, the Group uses the definition in K-IFRS No.1116 'Leases'.

(i) As a lessee

The Group, at the date of commencement or effective date of the contract change containing including lease component, shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component. However, the Group applies a practical expedient that does not separate the non-less component to a real estate lease and accounts for the non-less component related to the lease element as a single lease element.

The Group recognizes a right-of-use asset and 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 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 or the site on which it is located, less any lease incentives received.

4. Significant Accounting Policies, Continued

(k) Lease, Continued

(i) As a lessee, Continued

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownerships of the underlying asset to the Group by end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is measured at the present value of the lease payments that are not paid at the commencement date at the initial recognition using the interest rate implicit in the lease. If the interest rate cannot be readily determined, the present value use the lessee's incremental borrowing rate. The Group generally uses the Group's incremental borrowing rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

The lease payments included in the measurement of the lease liability consist of the following amounts:

- Fixed lease payments (including actual fixed lease payments)
- Variable lease payments that depend on an index or a rate (interest rate), initially measured using the index or rate as the commencement date
- Amounts expected to be payable under a residual value guarantee
- 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, or is recorded in profit or loss if 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 and equipment' and lease liabilities in 'other financial liabilities' in the consolidated statements of financial position, respectively.

Short-term leases 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, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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4. Significant Accounting Policies, Continued

(k) Lease, Continued

(ii) 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 operating 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 operating 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 a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies K-IFRS No.1105 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in K-IFRS No.1109 to the net investment in the lease (See Note 4(i)). The Group further regularly reviews estimates unguaranteed residual values used in calculating the gross investment in the lease.

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

The accounting policies applicable to the Group as a lessor in the comparative period were not different from K-IFRS No.1116.

(l) Non-derivative financial liabilities

(i) Classification and measurement

Financial liabilities at FVTPL are financial instruments held for trading. Financial liabilities are classified in financial liabilities measured at fair value through profit or loss if incurred principally for the purpose of repurchasing them in the near term. Derivatives that are not designated as hedges or bifurcated from financial instruments containing embedded derivatives are also categorized as financial liabilities measured at fair value through profit or loss.

The Group classifies non-derivative financial liabilities, except for financial liabilities measured at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of

financial assets do not qualify for derecognition, as financial liabilities carried at amortized cost and presented as 'deposits received', 'borrowings' and 'other financial liabilities' in the statement of financial position.

4. Significant Accounting Policies, Continued

(l) Non-derivative financial liabilities, Continued

(ii) Derecognition

Financial liabilities are removed from the consolidated statement of financial position when it is extinguished, for example, when the obligation specified in the contract is discharged, cancelled or expired or when the terms of an existing financial liability are substantially modified.

(m) Securities Borrowed and Securities Sold

The Group recognizes borrowed securities only in the memorandum accounts when borrowing securities from Korea Securities Depository ("KSD"). The Group records those securities as securities sold, which is categorized as financial liability at FVTPL, in the statement of financial position when those securities are sold. The changes in fair value of securities sold are recognized as 'gain (loss) on valuation and disposal of financial assets (liabilities)' in the statement of comprehensive income.

(n) Securities Purchased (Sold) under Resale (Repurchase) Agreements

When the Group purchases a security under the resale agreement, the purchased amount is recognized as a security purchased under the resale agreement as a type of loan in assets, while the sold amounts are recognized as the securities sold under the repurchase agreement in liabilities when the Group sells securities under repurchase agreements. Interest incurred when the security is sold or purchased, are recognized as interest income or interest expense.

(o) Provisions

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation and the increase in the provision due to passage of time is recognized as interest expense.

(p) Employee Benefits

The Group operates various pension schemes and the Group has both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The contributions are recognized as employee benefit expenses when an employee has rendered service.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds and that have terms to maturity approximating to the terms of the related pension obligation. The remeasurements of the net defined benefit liability are recognized in other comprehensive income.

If any plan amendments, curtailments, or settlements occur, past service costs or any gains or losses on settlement are recognized as profit or loss for the year.

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4. Significant Accounting Policies, Continued

(q) Revenue from Contracts with Customers

The Group recognizes revenue by applying the five-step revenue recognition model below to all contracts with customers within the scope of K-IFRS No.1115 Revenue from Contracts with Customers.

- Step 1. Identifying the contract
- Step 2. Identifying performance obligations
- Step 3. Determining the transaction price
- Step 4. Allocating the transaction price to performance obligations
- Step 5. Recognizing the revenue by satisfying performance obligations

In accordance with the purpose of the fee and the standard of accounting for the related financial instruments, the Group treats the fee separately as follows:

- ① Fees that comprise effective returns for financial instruments
Fees that form part of the effective interest rate for financial instruments are generally treated as adjustments to the effective interest rate. These fees include the borrower's financial position, guarantee, assessment and office processing related to collateral and other guarantee arrangements, compensation for activities such as preparation and preparation of related documents, and the opening fee received at the time of issue of financial liabilities. However, if a financial instrument is a fair value through profit or loss measurement instrument, the fee is recognized as revenue at initial recognition of the instrument.
- ② Fees related to performance obligations satisfied over time
Fees related to performance obligations satisfied over time recognize revenue over time because control of goods or services is transferred over time. Expenses charged as consideration for the provision of services for a certain period of time, such as asset management fees and business trust fees, are recognized as income when the services are provided.
- ③ Fees related to performance obligations satisfied at a point in time
Fees related to performance obligations satisfied at a point in time are recognized as revenue when the customer controls the promised asset and the entity satisfies the performance obligation. Fees and sales commission received in exchange for negotiating or participating in negotiations for a transaction for a third party, such as the sale of shares or other securities or the arrangement of the business transfer chart, shall be recognized as revenue when the transaction is completed.

(r) Financial Income and Expense

The Group's financial income and expense are comprised of:

- Interest income
- Interest expense
- Dividend income
- Net gain or loss on disposal of investment asset of debt instrument measured at fair value through other comprehensive income
- Net gain or loss on financial asset measured at fair value through profit or loss
- Foreign exchange gain or loss on financial assets and liabilities
- Impairment loss (or reverse on impairment loss) on financial assets measured at amortized cost or investment asset on debt instrument measured at fair value through other comprehensive income

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4. Significant Accounting Policies, Continued

(r) Financial Income and Expense, Continued

Interest income or interest expense was recognized using the effective interest method. Dividend income is recognized when the right is confirmed.

The effective interest method is an interest rate that accurately matches the estimated present value of future payments or receipts during the expected life of a financial instrument with the gross carrying amount of the financial asset or the amortized cost of the financial liability.

When calculating interest income or interest expense, the effective interest rate applies to the gross carrying amount of the asset (if the asset is not credit-impaired) or to the liability at amortized cost. However, for financial assets that have subsequently been credit-impaired since initial recognition, interest income is calculated by applying an effective interest rate to the financial asset at amortized cost. If the asset is no longer considered credit-impaired, the entity calculates interest income by applying an effective interest rate to the gross carrying amount.

(s) Income taxes

The tax expense for the period consists of current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively. The tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognized for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts as expected tax consequences at the recovery or settlement of the carrying amounts of the assets and liabilities. However, deferred tax assets and liabilities are not recognized if they arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

Deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax liability is recognized for taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, deferred tax asset is recognized for deductible temporary differences arising from such investments to the extent that it is probable the Temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Korea Investment Holdings Co., Ltd. ("the Parent Company") has adopted the consolidated tax return, which regards the Parent Company and its wholly owned domestic subsidiaries as a whole tax unit and levies taxes. Accordingly, the Group recognizes the amount of tax receivable from the Parent Company and the amount of tax payable to the Parent Company as accounts receivable and accounts payable, respectively.

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4. Significant Accounting Policies, Continued

(t) Operating Segment Information

Information of each operating segment is reported in a manner consistent with the operating segment reporting provided to the chief operating decision-maker (Note 45). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

(u) Trust Accounts

The Group separately accounts for trust accounts from existing accounts, and trust accounts are not included in the financial statements of the Group. The Group records the fee income from trust accounts as fee and commission income.

(v) Accounts Receivable and Accounts Payable on Brokerage Transactions

The Group recognizes the receivable from and payable to the Korea Exchange, the clearing house, and customers in total amounts, which the Group recognizes as other financial assets and other financial liabilities. The Group offsets the receivable and payable that arise between the Korea Exchange and the Group within the same day, and that arise between a customer and the Group within the same day and through the same account.

(w) New standards and interpretations issued but not yet effective

The following new standards have been published and are mandatory for the Group for annual periods beginning after January 1, 2020, and the Group has not early adopted them.

The following amended standards and interpretations are not expected to have significant impact on the Group's consolidated financial statements.

i) Amendments to K-IFRS No.1116 Leases – Practical expedient for COVID-19-Related Rent Exemption, Concessions, Suspension

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

ii) Amendments to K-IFRS No.1109 Financial Instruments, K-IFRS No.1039 Financial Instruments: Recognition and Measurement, K-IFRS No.1107 Financial Instruments: Disclosure, K-IFRS No.1104 Insurance Contracts and K-IFRS No.1116 Lease – Interest Rate Benchmark Reform

In relation to interest rate benchmark reform, the amendments provide practical relief such as allowing entities to change the effective interest rate instead of changing the carrying amount and apply hedge accounting without discontinuance although the interest rate benchmark is replaced in hedging relationship. The amendments should be applied for annual periods beginning on or after January 1, 2021, and earlier application is permitted.

4. **Significant Accounting Policies, Continued**

(w) New standards and interpretations not yet adopted, Continued

iii) Amendments to K-IFRS No.1103 Business Combination – Reference to the Conceptual Framework

The amendments update a reference of definition of assets and liabilities qualify for recognition in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of K-IFRS No.1037 Provisions, Contingent Liabilities and Contingent Assets, and K-IFRS No.2121 Levies. The amendments also confirm that contingent assets should not be recognized at the acquisition date. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application of permitted.

iv) Amendments to K-IFRS No.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, as profit or loss. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted.

v) Amendments to K-IFRS No.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 an allocation of both the incremental costs of fulfilling the contract and 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 is permitted.

vi) Annual improvements of K-IFRS 2018-2020 Cycle

Annual improvements of K-IFRS 2018-2020 Cycle should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted

- K-IFRS No.1101 First time Adoption of Korean International Financial Reporting Standards – Subsidiaries that are first-time adopters
- K-IFRS No.1109 Financial Instruments – Fees related to the 10% test for derecognition of financial liabilities
- K-IFRS No.1116 Leases – Lease incentives
- K-IFRS No.1041 Agriculture – Measuring fair value

vii) Amendments to K-IFRS No.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 management's expectations thereof. 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 the liability by the transfer of the entity's own equity instruments is recognized separately from the liability as an equity component of a compound financial instrument. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted.

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4. Significant Accounting Policies, Continued

(x) Approval of Issuance of the Financial Statements

The accompanying consolidated financial statements of the Group was approved for issuance by the board of directors on February 10, 2021 and will be finalized by the board of directors on March 10, 2021.

Korea Investment & Securities Co., Ltd. and Subsidiaries
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(In thousands of won)

5. Cash and Due from Banks

(a) The details of cash and due from banks as of December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | December 31, 2019 |
|---|------------------------|----------------------|
| Cash and cash equivalents | ₩ 1,411,450,283 | 665,932,330 |
| Deposits for commodities derivatives | 10,800,000 | 3,000,000 |
| Reserve for claims of customer's deposits | 320,600,000 | 175,600,000 |
| Deposits for exchange-traded derivatives | 1,929,262,744 | 1,753,776,401 |
| Long-term deposits | 644,659,010 | 2,381,903,050 |
| Restricted due from financial institutes | 34,500 | 44,500 |
| Other deposits | 880,395,462 | 272,192,348 |
| | <u>₩ 5,197,201,999</u> | <u>5,252,448,629</u> |

(b) Restricted deposits as of December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | December 31, 2019 |
|---|------------------------|----------------------|
| Deposits for commodities derivatives(*1) | ₩ 10,800,000 | 3,000,000 |
| Reserve for claims of customers' deposits (deposit)(*1) | 320,600,000 | 175,600,000 |
| Deposits for exchange-traded derivatives | 1,929,262,744 | 1,753,776,402 |
| Long-term deposits (pledged)(*2) | 368,104,000 | 2,111,436,520 |
| Restricted due from financial institutes(*3) | 34,500 | 42,500 |
| Other deposits(*4)(*5) | 870,818,548 | 262,964,033 |
| | <u>₩ 3,499,619,792</u> | <u>4,306,819,455</u> |

(*1) Reserve for claims of customers' deposits (of general deposits, exchange-traded derivatives and collective investment securities) is separately deposited in Korea Securities Finance Corporation ("KSFC") in order to comply with the Financial Investment Services and Capital Market Act ("FSCMA") and Regulations on Financial Investment Business and to respond to investor's demands such as return of customer's deposits received.

(*2) Long-term deposits of ₩5,000 million are collaterals for payment and settlement services, ₩363,104 million are related to securities lending and borrowing transactions and collaterals for over-the-counter derivative transactions and pledged in counterparty bank.

(*3) Restricted deposits due from financial institutes are subject to restriction in use.

(*4) Other deposits are deposits of deposits and evidence deposited in foreign currency and deposit amounts to purchase the corresponding stock, combined, bond type funds at the next day of sale according to direct sale of funds.

(*5) The Group deposits ₩1,000 million in Woori Bank's escrow account for the payment of share transfer.

Korea Investment & Securities Co., Ltd. and Subsidiaries
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(In thousands of won)

6. Financial assets measured at fair value through profit or loss

(a) The details of financial assets measured at fair value through profit or loss as of December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | December 31, 2019 |
|--|-------------------------|-----------------------|
| Equity instruments | ₩ 3,743,072,283 | 4,716,526,791 |
| Debt instruments | 27,759,733,579 | 24,622,175,178 |
| Reserve for claims of customers' deposits (trust)(*) | 5,859,258,092 | 1,853,526,251 |
| Investment in partnerships | 401,918,880 | 287,667,598 |
| Collective investment securities | 1,613,649,973 | 1,390,645,047 |
| Derivatives-linked securities | 179,773,651 | 228,168,079 |
| Receivables | 847,507,251 | 311,091,831 |
| | <u>₩ 40,404,913,709</u> | <u>33,409,800,775</u> |

(*) The amount is restricted and deposited into a trust account in KSFC in order to comply with the FSCMA and Regulation on Financial Investment Business and to respond to investor's demands such as return of customer's deposits. However, under Article 72 (3) for Enforcement Decree of FSCMA, beneficial interests of the trust amounting to ₩125,000 million are pledged as collateral to Industrial Bank of Korea, which is a settlement agent bank of the Group.

(b) The details of equity instruments of financial assets at fair value through profit or loss as of December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | | |
|-----------------------------|-----------------------------|-------------------------|--------------------|
| | Book value before valuation | Fair value (book value) | Gains or losses |
| Stocks in Korean won | ₩ 1,946,206,889 | 2,333,214,972 | 387,008,083 |
| Stocks in Foreign currency | 670,167,689 | 787,349,836 | 117,182,147 |
| Hybrid Bonds | 530,114,223 | 533,727,207 | 3,612,984 |
| Convertible preferred stock | 80,818,727 | 88,780,268 | 7,961,541 |
| | <u>₩ 3,227,307,528</u> | <u>3,743,072,283</u> | <u>515,764,755</u> |
| | December 31, 2019 | | |
| | Book value before valuation | Fair value (book value) | Gains or losses |
| Stocks in Korean won | ₩ 3,107,017,044 | 3,317,816,563 | 210,799,519 |
| Stocks in Foreign currency | 693,250,384 | 748,499,231 | 55,248,847 |
| Hybrid Bonds | 600,467,471 | 607,592,991 | 7,125,520 |
| Convertible preferred stock | 39,758,947 | 42,618,006 | 2,859,059 |
| | <u>₩ 4,440,493,846</u> | <u>4,716,526,791</u> | <u>276,032,945</u> |

Korea Investment & Securities Co., Ltd. and Subsidiaries
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December 31, 2020 and 2019

(In thousands of won)

6. Financial assets measured at fair value through profit or loss, Continued

(c) The details of debt instruments in financial assets measured at fair value through profit or loss as of December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | | | |
|--|-----------------------------|----------------|-------------------------|-----------------|
| | Book value before valuation | Face value | Fair value (book value) | Gains or losses |
| National and local government bonds | ₩ 5,053,362,599 | 4,967,595,879 | 5,046,637,590 | (6,725,009) |
| Special bonds | 5,579,029,025 | 5,562,041,589 | 5,574,408,462 | (4,620,563) |
| Corporate bonds | 10,434,731,865 | 10,321,744,818 | 10,428,468,727 | (6,263,138) |
| Corporate commercial papers | 3,178,590,267 | 3,177,518,000 | 3,185,021,059 | 6,430,792 |
| Electronic short-term bonds | 1,432,980,884 | 1,432,980,885 | 1,433,150,640 | 169,756 |
| Foreign currency bonds | 1,972,398,807 | 1,916,732,616 | 2,005,970,037 | 33,571,230 |
| Foreign currency electronic short-term bonds | 41,166,908 | 41,008,896 | 41,010,954 | (155,954) |
| Convertible bonds | 36,597,674 | 37,470,000 | 42,704,265 | 6,106,591 |
| Bond with warrant | 2,286,911 | 2,300,000 | 2,361,845 | 74,934 |
| | ₩ 27,731,144,940 | 27,459,392,683 | 27,759,733,579 | 28,588,639 |

| | December 31, 2019 | | | |
|--|-----------------------------|----------------|-------------------------|-----------------|
| | Book value before valuation | Face value | Fair value (book value) | Gains or losses |
| National and local government bonds | ₩ 5,601,967,947 | 5,555,524,781 | 5,679,434,565 | 77,466,618 |
| Special bonds | 2,879,482,679 | 2,873,049,609 | 2,882,767,737 | 3,285,058 |
| Corporate bonds | 8,131,666,000 | 8,072,115,583 | 8,136,075,461 | 4,409,461 |
| Corporate commercial papers | 2,700,269,428 | 2,700,269,425 | 2,702,017,770 | 1,748,342 |
| Electronic short-term bonds | 2,440,609,065 | 2,440,609,066 | 2,441,053,306 | 444,241 |
| Foreign currency bonds | 2,227,393,374 | 2,160,421,694 | 2,252,259,922 | 24,866,548 |
| Foreign currency electronic short-term bonds | 1,970,918 | 1,957,840 | 1,958,125 | (12,793) |
| Convertible bonds | 522,907,570 | 523,096,000 | 523,739,185 | 831,615 |
| Bond with warrant | 3,000,000 | 3,000,000 | 2,869,107 | (130,893) |
| | ₩ 24,509,266,981 | 24,330,043,998 | 24,622,175,178 | 112,908,197 |

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(In thousands of won)

6. Financial assets measured at fair value through profit or loss, Continued

(d) The details of reserve for claims of customers' deposits (trust) in financial assets measured at fair value through profit or loss as of December 31, 2020 and 2019 are as follows:

| | | December 31, 2020 | | | |
|---|---|-----------------------------------|----------------------|----------------------------|--------------------|
| | | Book value before valuation | Face value | Fair value (book value) | Gains or losses |
| General deposits | ₩ | 5,415,393,494 | 5,435,900,000 | 5,451,327,042 | 35,933,548 |
| Customers' deposits for exchange-traded derivatives transaction | | 403,299,372 | 406,100,000 | 407,931,050 | 4,631,678 |
| | ₩ | <u>5,818,692,866</u> | <u>5,842,000,000</u> | <u>5,859,258,092</u> | <u>40,565,226</u> |
| | | December 31, 2019 | | | |
| | | Book value before valuation | Face value | Fair value (book value) | Gains or losses |
| General deposits | ₩ | 1,526,241,628 | 1,584,100,000 | 1,554,203,725 | 27,962,097 |
| Customers' deposits for exchange-traded derivatives transaction | | 293,140,785 | 327,600,000 | 299,322,526 | 6,181,741 |
| | ₩ | <u>1,819,382,413</u> | <u>1,911,700,000</u> | <u>1,853,526,251</u> | <u>34,143,838</u> |

(e) The details of derivatives-linked securities of financial assets at fair value through profit or loss as of December 31, 2020 and 2019 are as follows:

| | | December 31, 2020 | | |
|-------------------------------------|---|--------------------------------|----------------------------|--------------------|
| | | Book value before valuation | Fair value (book value) | Gains or losses |
| Equity-linked securities | ₩ | 177,195,574 | 174,643,793 | (2,551,781) |
| Equity and derivatives-linked bonds | | 2,519,672 | 2,531,054 | 11,382 |
| Other derivatives-linked securities | | 3,178,524 | 2,970,178 | (208,346) |
| Credit value adjustments | | (514,795) | (371,374) | 143,421 |
| | ₩ | <u>182,378,975</u> | <u>179,773,651</u> | <u>(2,605,324)</u> |
| | | December 31, 2019 | | |
| | | Book value before valuation | Fair value (book value) | Gains or losses |
| Equity-linked securities | ₩ | 157,738,825 | 167,356,753 | 9,617,928 |
| Equity and derivatives-linked bonds | | 6,462,854 | 6,549,658 | 86,804 |
| Other derivatives-linked securities | | 2,185,189 | 3,178,525 | 993,336 |
| Other derivatives-linked bonds | | 49,214,770 | 51,442,730 | 2,227,960 |
| Exchange traded note | | 117,150 | 117,150 | - |
| Credit value adjustments | | (597,340) | (476,737) | 120,603 |
| | ₩ | <u>215,121,448</u> | <u>228,168,079</u> | <u>13,046,631</u> |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In thousands of won)

6. Financial assets measured at fair value through profit or loss, Continued

(f) The details of loans in financial assets at fair value through profit or loss as of December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | | |
|------------------|-----------------------------|-------------------------|-----------------|
| | Book value before valuation | Fair value (book value) | Gains or losses |
| Loans receivable | ₩ 881,329,469 | 847,507,251 | (33,822,218) |

| | December 31, 2019 | | |
|------------------|-----------------------------|-------------------------|-----------------|
| | Book value before valuation | Fair value (book value) | Gains or losses |
| Loans receivable | ₩ 323,680,066 | 311,091,831 | (12,588,235) |

7. Financial assets measured at fair value through other comprehensive income

(a) The details of financial assets measured at fair value through other comprehensive income as of December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | December 31, 2019 |
|-----------------------------|------------------------|----------------------|
| Equity instruments(*) | | |
| Stocks | ₩ 494,848,212 | 498,493,883 |
| Investment in partnerships | 818,000 | 818,000 |
| | <u>495,666,212</u> | <u>499,311,883</u> |
| Debt instruments | | |
| Government and Public bonds | 309,727,028 | 232,662,450 |
| Special bonds | 1,024,256,540 | 1,635,747,327 |
| Corporate bonds | 357,487,088 | 245,672,884 |
| | <u>1,691,470,656</u> | <u>2,114,082,661</u> |
| | <u>₩ 2,187,136,868</u> | <u>2,613,394,544</u> |

(*) This is designated as a fair value through other comprehensive income among investments in equity instruments.

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In thousands of won)

7. Financial assets measured at fair value through other comprehensive income, Continued

(b) The details of equity securities in financial assets measured at fair value through other comprehensive income as of December 31, 2020 and 2019 are as follows:

| December 31, 2020 | | | | |
|-------------------|--|--|-------------|--|
| Classification | Name of investment | Acquisition cost | Book value | Reason for Designation |
| Stock | INDUSTRIAL BANK OF KOREA | ₩ 39,272,429 | 23,116,600 | Business & strategic alliance |
| | Woori Bank | 324,480,000 | 263,099,200 | " |
| | THE KOREA SECURITIES FINANCE CORPORATION | 31,692,850 | 59,967,301 | Securities industry related organization |
| | KOREA EXCHANGE | 2,737,381 | 130,570,673 | " |
| | Korea Securities Depository | 731,735 | 14,633,094 | " |
| | KOREA MONEY BROKERAGE CORPORATION | 199,221 | 2,758,587 | " |
| | Korea Foss Securities co., Ltd. (formerly Fund Online Korea Co., Ltd.) | 1,998,000 | 692,308 | Business strategic alliance |
| | PT Bursa Efek Indonesia (BEI) | 10,517 | 10,449 | Securities industry related organization |
| | Subtotal | 401,122,133 | 494,848,212 | |
| | Investment in partnership | Korea Financial Investment Association | 818,000 | 818,000 |
| | | ₩ 401,940,133 | 495,666,212 | |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In thousands of won)

7. Financial assets measured at fair value through other comprehensive income, Continued

(b) The details of equity securities in financial assets measured at fair value through other comprehensive income as of December 31, 2020 and 2019 are as follows, Continued:

| December 31, 2019 | | | | |
|-------------------|--|--|--------------------|--|
| Classification | Name of investment | Acquisition cost | Book value | Reason for Designation |
| Stock | INDUSTRIAL BANK OF KOREA | ₩ 39,272,429 | 30,857,000 | Business & strategic alliance |
| | Woori Bank | 324,480,000 | 313,664,000 | " |
| | THE KOREA SECURITIES FINANCE CORPORATION | 8,687,230 | 29,245,871 | Securities industry related organization |
| | KOREA EXCHANGE | 2,737,381 | 106,472,208 | " |
| | Korea Securities Depository | 731,735 | 14,810,585 | " |
| | KOREA MONEY BROKERAGE CORPORATION | 199,221 | 2,543,970 | " |
| | Fund Online Korea Co., Ltd. | 1,998,000 | 889,030 | Business strategic alliance |
| | PT Bursa Efek Indonesia (BEI) | 10,517 | 11,219 | Securities industry related organization |
| | Subtotal | <u>378,116,513</u> | <u>498,493,883</u> | |
| | Investment in partnership | Korea Financial Investment Association | 818,000 | 818,000 |
| | | ₩ <u>378,934,513</u> | <u>499,311,883</u> | |

(c) No equity securities designated as measured at fair value through other comprehensive income were disposed for the years ended December 31, 2020 and 2019. Accumulated amounts in other comprehensive income and profit or loss on disposal are reclassified to retained earnings and are not reclassified to profit or loss.

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In thousands of won)

7. Financial assets measured at fair value through other comprehensive income, Continued

(d) The details of dividend income in financial assets measured at fair value through other comprehensive income for the years ended December 31, 2020 and 2019 are as follows:

| | 2020 | 2019 |
|---|--------------|------------|
| Dividend income recognized from assets held as of the end of the reporting period | ₩ 23,928,439 | 22,408,906 |

(e) The details of change in other comprehensive income in financial assets measured at fair value through other comprehensive income for the years ended December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | | | |
|-------------------|-------------------|--------------|-------------|----------------|
| | Beginning balance | Valuation | Disposal | Ending Balance |
| Equity securities | ₩ 134,253,255 | (26,650,522) | - | 107,602,733 |
| Debt securities | 7,415,505 | 2,146,542 | (1,710,704) | 7,851,343 |
| Subtotal | 141,668,760 | (24,503,980) | (1,710,704) | 115,454,076 |
| Tax | (38,980,915) | 6,738,595 | 470,444 | (31,771,876) |
| Total | ₩ 102,687,845 | (17,765,385) | (1,240,260) | 83,682,200 |

| | December 31, 2019 | | | |
|-------------------|-------------------|---------------|-------------|----------------|
| | Beginning balance | Valuation | Disposal | Ending Balance |
| Equity securities | ₩ 235,826,853 | (101,573,598) | - | 134,253,255 |
| Debt securities | 4,585,707 | 6,813,087 | (3,983,289) | 7,415,505 |
| Subtotal | 240,412,560 | (94,760,511) | (3,983,289) | 141,668,760 |
| Tax | (66,135,460) | 26,059,141 | 1,095,404 | (38,980,915) |
| Total | ₩ 174,277,100 | (68,701,370) | (2,887,885) | 102,687,845 |

Korea Investment & Securities Co., Ltd. and Subsidiaries
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December 31, 2020 and 2019

(In thousands of won)

7. Financial assets measured at fair value through other comprehensive income, Continued

(f) The details of change in loss allowance in financial assets measured at fair value through other comprehensive income for the years ended December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | | | |
|------------------------------------|-------------------|--------------|----------|----------|
| | 12-months | Lifetime ECL | | Total |
| | ECL | Not impaired | Impaired | |
| Beginning balance | ₩ 270,234 | - | - | 270,234 |
| Replacement | | | | |
| To 12-month ECL | - | - | - | - |
| To Lifetime ECL | - | - | - | - |
| To credit impaired financial asset | - | - | - | - |
| Provision (reversal) | 74,525 | - | - | 74,525 |
| Ending balance | ₩ 344,759 | - | - | 344,759 |
| | | | | |
| | December 31, 2019 | | | |
| | 12-months | Lifetime ECL | | Total |
| | ECL | Not impaired | Impaired | |
| Beginning balance | ₩ 349,921 | - | - | 349,921 |
| Replacement | | | | |
| To 12-month ECL | - | - | - | - |
| To Lifetime ECL | - | - | - | - |
| To credit impaired financial asset | - | - | - | - |
| Provision (reversal) | (79,687) | - | - | (79,687) |
| Ending balance | ₩ 270,234 | - | - | 270,234 |

Korea Investment & Securities Co., Ltd. and Subsidiaries
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December 31, 2020 and 2019

(In thousands of won)

7. Financial assets measured at fair value through other comprehensive income, Continued

(g) The details of change in book value in financial assets measured at fair value through other comprehensive income the years ended December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | | | |
|------------------------------------|-------------------|--------------|----------|-----------------|
| | 12-months ECL | Lifetime ECL | | Total |
| | | Not impaired | Impaired | |
| Beginning balance | ₩ 2,114,082,661 | - | - | 2,114,082,661 |
| Replacement | | | | |
| To 12-month ECL | - | - | - | - |
| To Lifetime ECL | - | - | - | - |
| To credit impaired financial asset | - | - | - | - |
| Acquisition | 1,893,150,722 | - | - | 1,893,150,722 |
| Disposal | (2,313,094,352) | - | - | (2,313,094,352) |
| Valuation | 2,146,542 | - | - | 2,146,542 |
| Others(*) | (4,814,917) | - | - | (4,814,917) |
| Ending balance | ₩ 1,691,470,656 | - | - | 1,691,470,656 |

(*) Other changes are due to effective interest amortization, etc.

| | December 31, 2019 | | | |
|------------------------------------|-------------------|--------------|----------|-----------------|
| | 12-months ECL | Lifetime ECL | | Total |
| | | Not impaired | Impaired | |
| Beginning balance | ₩ 2,978,672,947 | - | - | 2,978,672,947 |
| Replacement | | | | |
| To 12-month ECL | - | - | - | - |
| To Lifetime ECL | - | - | - | - |
| To credit impaired financial asset | - | - | - | - |
| Acquisition | 3,550,467,222 | - | - | 3,550,467,222 |
| Disposal | (4,430,883,554) | - | - | (4,430,883,554) |
| Valuation | 18,095,376 | - | - | 18,095,376 |
| Others(*) | (2,269,330) | - | - | (2,269,330) |
| Ending balance | ₩ 2,114,082,661 | - | - | 2,114,082,661 |

(*) Other changes are due to effective interest amortization, etc.

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In thousands of won)

8. Investments in Associates

(a) Investments in associates as of December 31, 2020 and 2019 are as follows:

| Company | Location | Ownership (%) | Financial year end | December 31, 2020 | | | Industry |
|--|----------|---------------|--------------------|-------------------|------------------|-----------------|------------------------|
| | | | | Acquisition cost | Net asset amount | Carrying amount | |
| Associates: | | | | | | | |
| True Friend Investment Advisory Co., Ltd.(*1) | China | 100.00 | December 31 | ₩ 3,322,800 | 2,826,422 | 2,826,422 | Finance investment |
| Global Dynasty Natural Resource Private Equity Fund | Korea | 22.39 | December 31 | 6,733,180 | - | - | Investment trust |
| Shanghai Fangzheng Stock Investment Partnership | China | 39.60 | December 31 | 30,938,044 | 52,666,407 | 52,666,407 | Investment trust |
| KIP Promising Service Industry Venture Fund | Korea | 22.22 | December 31 | 7,439,000 | 8,281,967 | 8,281,967 | Investment partnership |
| KIM Growth Corporation Professional Private Trust 1 | Korea | 30.00 | December 31 | 14,865,036 | 14,276,842 | 14,276,842 | Investment trust |
| KIM Growth Corporation Professional Mezzanine Private Trust 2 | Korea | 20.55 | December 31 | 3,004,145 | 3,246,154 | 3,558,210 | Investment trust |
| KIM Growth Company Professional Private Investment No.3 | Korea | 39.10 | December 31 | 25,884,014 | 27,635,920 | 27,635,920 | Investment trust |
| KIP Bright (Chengdu) Investment Partnership | China | 50.00 | December 31 | 30,187,946 | 29,359,489 | 29,359,489 | Investment trust |
| Korea Investment Industry 4.0 Venture Fund | Korea | 24.65 | December 31 | 16,100,000 | 22,747,234 | 22,747,234 | Investment trust |
| 2017 KIF-KIP Artificial Intelligence Venture Fund | Korea | 20.00 | December 31 | 8,232,840 | 9,842,262 | 9,842,262 | Investment partnership |
| EQ Partners Green Private Equity Fund | Korea | 26.43 | December 31 | 27,356,127 | 26,444,910 | 26,444,910 | Investment trust |
| IBK KIP Growth Stepstone No.1 Private Equity Fund | Korea | 20.00 | December 31 | 9,756,000 | 9,433,047 | 9,433,047 | Investment trust |
| Eugene Premier Professional Investment Type Private Investment Trust No.17 | Korea | 40.51 | December 31 | 28,957,927 | 32,060,213 | 32,060,213 | Investment trust |
| JB Japan Office Private Real Estate Fund 20 1st | Korea | 50.00 | December 31 | 18,800,000 | 20,974,258 | 20,974,258 | Investment trust |
| KIS-Emford New Tech Investment Fund 1 | Korea | 22.06 | December 31 | 3,000,000 | 2,841,446 | 2,841,446 | Investment partnership |
| KIM Private Placement London Core Office Real Estate Investment Trust | Korea | 23.35 | December 31 | 31,642,788 | 31,381,120 | 31,381,120 | Investment trust |
| KCLAVIS Meister Fund No.46(*1) | Korea | 64.52 | December 31 | 1,612,903 | 1,571,602 | 1,571,602 | Investment partnership |
| Hyundai YouFirst Private Real Estate Investment Trust No.23-1 | Korea | 48.81 | December 31 | 28,569,402 | 27,557,786 | 27,557,786 | Investment trust |
| AIP Euro green private real estate trust No.9 | Korea | 50.00 | December 31 | 46,419,188 | 46,605,648 | 46,610,036 | Investment trust |
| FG EURO GREEN Private Real Estate Fund No.3 | Korea | 25.51 | December 31 | 24,633,250 | 25,225,049 | 25,225,049 | Investment trust |

Korea Investment & Securities Co., Ltd. and Subsidiaries
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December 31, 2020 and 2019

(In thousands of won)

8. Investments in Associates, Continued

(a) Investments in associates as of December 31, 2020 and 2019 are as follows, Continued:

| Company | Location | Ownership (%) | Financial year end | December 31, 2020 | | | Industry |
|--|----------|---------------|--------------------|-------------------|------------------|-----------------|------------------------|
| | | | | Acquisition cost | Net asset amount | Carrying amount | |
| Woori Goseong Power EBL Private Special Asset Fund | Korea | 33.33 | December 31 | ₩ 30,227,700 | 30,235,416 | 30,235,416 | Investment trust |
| Hanwha Japan Photovoltaic Private Fund 2 | Korea | 33.33 | December 31 | 20,923,256 | 21,763,190 | 21,763,190 | Investment trust |
| Eugene Aviation Private Special Asset Investment Trust No. 11 (Aircraft)(*1) | Korea | 54.48 | December 31 | 4,475,922 | 4,393,468 | 4,393,468 | Investment trust |
| NH-Amundi Aviation Private Fund 1 | Korea | 28.67 | December 31 | 15,896,358 | 15,663,979 | 15,663,979 | Investment trust |
| NH-Amundi Aviation Private Fund 2 | Korea | 40.04 | December 31 | 15,427,122 | 15,210,363 | 15,210,363 | Investment trust |
| HANA PRIVATE REAL ESTATE INVESTMENT TRUST NO.58 | Korea | 35.26 | December 31 | 31,006,489 | 29,878,225 | 29,878,225 | Investment trust |
| NH-Amundi US Infrastructure Investment Trust II | Korea | 30.30 | December 31 | 24,181,229 | 23,870,054 | 23,870,172 | Investment trust |
| Anda Station Professional Investment Type Private Real Estate Fund No.1 | Korea | 31.80 | December 31 | 38,496,957 | 37,320,305 | 37,320,305 | Investment trust |
| Koramco Professional Investment No.69 | Korea | 40.00 | December 31 | 30,417,300 | 30,421,859 | 30,421,859 | Investment trust |
| WOORI ECOWASTE PRIVATE SPECIAL ASSET FUND | Korea | 25.20 | December 31 | 15,505,197 | 15,508,487 | 15,508,487 | Investment trust |
| KIS-SV New Tech Investment Fund 1 | Korea | 32.97 | December 31 | 3,000,000 | 2,889,555 | 2,889,555 | Investment partnership |
| EBEST AIP Fund No.1 | Korea | 36.36 | December 31 | 545,455 | 528,711 | 528,711 | Investment partnership |
| Samchully Midstream Private Placement Special Asset Fund 5-3 | Korea | 44.44 | December 31 | 48,052,589 | 46,695,517 | 46,695,517 | Investment trust |
| KTB Aircraft Professional Investment Private Investment Trust No.22-1 | Korea | 27.03 | December 31 | 21,525,867 | 22,177,686 | 19,899,256 | Investment trust |
| JB Australia NDIS Private Fund 1 | Korea | 49.50 | December 31 | 50,000,000 | 43,835,233 | 41,751,519 | Investment trust |
| NH Amundi Overseas Senior Loan Fund 4 | Korea | 30.00 | December 31 | 43,719,741 | 43,684,662 | 43,684,662 | Investment trust |
| Tiger Alternative Investment 8 | Korea | 39.35 | December 31 | 47,620,000 | 46,031,070 | 46,031,070 | Investment trust |
| Tiger Alternative Qualified Investment Real Estate Trust No.12 | Korea | 32.59 | December 31 | 25,599,507 | 23,545,480 | 23,545,480 | Investment trust |
| Tiger Alternative Qualified Investment Real Estate Trust No. 6 | Korea | 32.59 | December 31 | 24,400,493 | 22,413,562 | 22,413,562 | Investment trust |
| Hanon Private Equity Fund | Korea | 28.57 | December 31 | 6,000,000 | 6,307,272 | 6,541,618 | Investment partnership |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

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(In thousands of won)

8. Investments in Associates, Continued

(a) Investments in associates as of December 31, 2020 and 2019 are as follows, Continued:

| Company | Location | Ownership (%) | Financial year end | December 31, 2020 | | | Industry |
|---|----------|---------------|--------------------|-------------------|------------------|-----------------|------------------------|
| | | | | Acquisition cost | Net asset amount | Carrying amount | |
| KIS-BM New Tech Investment Fund 1 | Korea | 31.75 | December 31 | ₩ 2,000,000 | 1,943,455 | 1,943,455 | Investment partnership |
| T&F 2019 Bearing Startup and Venture Private Equity Fund | Korea | 23.54 | December 31 | 2,410,546 | 2,398,338 | 2,398,338 | Investment partnership |
| IBKC-EQP Innovative Technology Fund | Korea | 40.00 | December 31 | 5,383,038 | 4,879,044 | 4,879,044 | Investment partnership |
| Kiwoom Infra Core Debt Investment Private Trust No.2 | Korea | 27.05 | December 31 | 35,000,000 | 36,816,073 | 37,137,998 | Investment trust |
| Tiger Alternative Qualified Investment Real Estate Trust No.14 | Korea | 36.26 | December 31 | 50,000,000 | 45,803,802 | 45,803,802 | Investment trust |
| Multi Asset Opportunity QI Investment Fund No. 16(*3) | Korea | 56.90 | December 31 | 30,646,056 | 30,325,350 | 30,320,575 | Investment trust |
| KIM AsiaPlus Securities Feeder Investment Trust(Bond) | Korea | 22.47 | December 31 | 20,531,666 | 20,820,716 | 21,096,212 | Investment trust |
| INMARK France Professional Private Real Estate Investment Trust 18 | Korea | 35.83 | December 31 | 55,000,000 | 54,216,451 | 53,540,870 | Investment trust |
| Petra 7 Alpha Private Equity Fund(*3) | Korea | 51.92 | December 31 | 26,061,725 | 25,144,270 | 25,144,270 | Investment partnership |
| KIS-BM New Tech Investment Fund 2 | Korea | 31.95 | December 31 | 1,000,000 | 983,801 | 983,801 | Investment partnership |
| Kiwoom Hero Private Equity Fund 3 | Korea | 30.77 | December 31 | 2,000,000 | 1,957,695 | 1,957,695 | Investment partnership |
| Koreainvestment-Brickinvestment 1 New Technology Business Investment Fund | Korea | 20.62 | December 31 | 3,000,000 | 2,930,099 | 2,930,099 | Investment partnership |
| Tiger Alternative Qualified Investment Real Estate Trust No.18-2 | Korea | 23.51 | December 31 | 27,668,700 | 26,468,082 | 26,018,082 | Investment trust |
| KIM Global Flex Bond Securities Trust | Korea | 36.40 | December 31 | 20,000,000 | 21,171,555 | 21,310,019 | Investment trust |
| KIM Private Placement Smart Real Asset Investment Trust 1 | Korea | 20.00 | December 31 | 6,975,000 | 7,141,723 | 7,278,488 | Investment trust |
| Alpha US Notus Special Asset Private Investment Trust | Korea | 39.96 | December 31 | 58,605,759 | 59,045,032 | 59,045,032 | Investment trust |
| PineStreet Global Corporate Finance Fund V-1 | Korea | 30.30 | December 31 | 16,580,000 | 16,536,743 | 16,536,743 | Investment trust |

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8. Investments in Associates, Continued

(a) Investments in associates as of December 31, 2020 and 2019 are as follows, Continued:

| Company | Location | Ownership (%) | Financial year end | December 31, 2020 | | | Industry |
|---|-----------|---------------|--------------------|-------------------|------------------|-----------------|------------------|
| | | | | Acquisition cost | Net asset amount | Carrying amount | |
| A ONE GALAXY KOSDAQ VENTURE PROFESSIONAL INVESTOR PRIVATE INVESTMENT FUNDS | Korea | 49.50 | December 31 | ₩ 5,000,000 | 4,999,520 | 4,999,520 | Investment trust |
| KODEX Banks | Korea | 38.55 | December 31 | 77,541,023 | 83,687,620 | 83,687,620 | Investment trust |
| Kakao Bank, Corp. | Korea | 27.10 | December 31 | 632,507,504 | 757,976,842 | 778,301,186 | Bank |
| Korea Investment Aviation Professional Investors' Special Asset Investment Trust No.6(*2) | Korea | 4.83 | December 31 | 5,723,605 | 2,779,825 | 2,779,825 | Investment trust |
| KIM Target Income Global Bond Feeder Fund2(*1) | Korea | 28.78 | December 31 | 3,300,000 | 3,726,426 | 3,726,426 | Investment trust |
| KIM Target Income Global Allocation Feeder Fund2 | Korea | 64.52 | December 31 | 4,800,000 | 5,820,192 | 5,820,192 | Investment trust |
| KIM Global Socially Responsible ESG Companies Fund(Equity-Fund of Funds) | Korea | 22.51 | December 31 | 1,723,675 | 2,287,668 | 2,287,668 | Investment trust |
| GEC-KIP Technology and Innovation Fund | Singapore | 47.04 | December 31 | 6,863,962 | 5,949,908 | 5,949,908 | Investment trust |
| KIM US Dividend Aristocrats Fund (Equity) C-F(*2) | Korea | 4.19 | December 31 | 5,000,000 | 6,379,850 | 6,379,850 | Investment trust |
| Korea Value Platinum Equity Qualified Investor Private Investment Trust Type 2(*2) | Korea | 6.60 | December 31 | 534,800 | 629,877 | 629,877 | Investment trust |
| | | | | ₩ 1,970,332,831 | 2,110,171,827 | 2,126,427,229 | |

(*1) Although percentage of ownership exceeds 50%, the impact of consolidation on financial statements is insignificant. Therefore, it is classified as investments in associates.

(*2) Although percentage of ownership does not exceed 20%, the Group has significant influence over the investee through its ability to appoint directors. Therefore, it is classified as investments in associates.

(*3) Although its equity ratio exceeds 50%, it is classified as an investment in an associate because it does not have the ability to determine financial and operating policies according to its de facto control.

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8. Investments in Associates, Continued

(a) Investments in associates as of December 31, 2020 and 2019 are as follows, Continued:

| Company | Location | Ownership (%) | Financial year end | December 31, 2019 | | | Industry |
|--|----------|---------------|--------------------|-------------------|------------------|-----------------|--------------------------------|
| | | | | Acquisition cost | Net asset amount | Carrying amount | |
| True Friend Investment Advisory Co., Ltd.(*1) | China | 100 | December 31 | ₩ 3,322,800 | 2,792,253 | 2,792,253 | Finance investment |
| Global Dynasty Natural Resource Private Equity Fund | Korea | 22.39 | December 31 | 6,733,180 | - | - | Investment trust |
| Shanghai Fangzheng Stock Investment Partnership | China | 39.6 | December 31 | 42,096,593 | 54,433,557 | 54,433,557 | Investment trust |
| KIP Promising Service Industry Venture Fund | Korea | 22.22 | December 31 | 9,139,000 | 10,130,718 | 10,130,718 | Investment partnership |
| KIM Growth Company Professional Private Investment No.1 | Korea | 30 | December 31 | 16,461,768 | 15,782,517 | 15,782,517 | Investment trust |
| KIM Growth Corporation Professional Mezzanine Private Trust 2 | Korea | 21.37 | December 31 | 7,989,844 | 8,208,280 | 8,207,912 | Investment trust |
| KIM Growth Company Professional Private Investment No.3 | Korea | 39.1 | December 31 | 27,198,700 | 27,132,936 | 27,132,936 | Investment trust |
| KIP Bright (Chengdu) Investment Partnership | China | 50 | December 31 | 30,187,946 | 34,502,941 | 34,502,941 | Investment trust |
| Korea Investment Industry 4.0 Venture Fund | Korea | 24.65 | December 31 | 16,975,000 | 20,716,383 | 20,716,383 | Investment trust |
| 2017 KIF-KIP Artificial Intelligence Venture Fund | Korea | 20 | December 31 | 10,000,000 | 10,409,101 | 10,409,101 | Investment partnership |
| EQ Partners Green Private Equity Fund | Korea | 26.43 | December 31 | 27,356,127 | 26,703,567 | 26,703,567 | Investment Joint-stock Company |
| IBK KIP Growth Stepstone No.1 Private Equity Fund | Korea | 20 | December 31 | 4,576,000 | 4,103,379 | 4,103,379 | Investment Joint-stock Company |
| Eugene Premier Professional Investment Type Private Investment Trust No.17 | Korea | 40.51 | December 31 | 33,150,000 | 36,699,818 | 36,699,818 | Investment trust |
| JB Japan Office Private Real Estate Fund 20 1st | Korea | 50 | December 31 | 18,800,000 | 20,116,709 | 20,116,709 | Investment trust |
| KIS-Emford New Tech Investment Fund 1 | Korea | 22.06 | December 31 | 3,000,000 | 2,901,886 | 2,901,886 | Investment partnership |
| KIP KIS Global Fund | Korea | 30 | December 31 | 6,150,000 | 6,182,784 | 6,182,784 | Investment partnership |
| KIM Private Placement London Core Office Real Estate Investment Trust | Korea | 23.35 | December 31 | 31,642,788 | 31,505,461 | 31,505,461 | Investment trust |
| KCLAVIS Meister Fund No.46 (*1) | Korea | 64.52 | December 31 | 2,000,000 | 1,974,888 | 1,974,888 | Investment partnership |
| Hyundai YouFirst Private Real Estate Investment Trust No.23-1 | Korea | 48.81 | December 31 | 28,569,402 | 27,354,139 | 27,354,139 | Investment trust |
| AIP EURO GREEN PRIVATE REAL ESTATE TRUST NO.9(*3) | Korea | 50 | December 31 | 46,419,188 | 46,259,865 | 46,264,253 | Investment trust |
| FG EURO GREEN Private Real Estate Fund No.3 | Korea | 25.51 | December 31 | 24,633,250 | 24,929,637 | 24,929,637 | Investment trust |
| Woori Goseong Power EBL Private Special Asset Fund | Korea | 33.33 | December 31 | 30,227,700 | 30,233,299 | 30,233,299 | Investment trust |
| Hanwha Japan Photovoltaic Private Fund 2 | Korea | 33.33 | December 31 | 22,168,719 | 22,643,895 | 22,643,895 | Investment trust |

Korea Investment & Securities Co., Ltd. and Subsidiaries
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8. Investments in Associates, Continued

(a) Investments in associates as of December 31, 2020 and 2019 are as follows, Continued:

| Company | Location | Ownership (%) | Financial year end | December 31, 2019 | | | Industry |
|---|----------|---------------|--------------------|-------------------|------------------|-----------------|------------------------|
| | | | | Acquisition cost | Net asset amount | Carrying amount | |
| Eugene Aviation Private Special Asset Investment Trust No. 11 (Aircraft)(*1) | Korea | 54.48 | December 31 | ₩ 4,417,405 | 4,359,873 | 4,359,873 | Investment trust |
| NH-Amundi Aviation Private Fund 1 | Korea | 28.67 | December 31 | 15,680,226 | 15,509,876 | 15,509,876 | Investment trust |
| NH-Amundi Aviation Private Fund 2 | Korea | 40.04 | December 31 | 15,266,535 | 15,098,890 | 15,098,890 | Investment trust |
| HANA PRIVATE REAL ESTATE INVESTMENT TRUST NO.58 | Korea | 35.26 | December 31 | 27,303,152 | 27,310,518 | 27,310,518 | Investment trust |
| NH-Amundi US Infrastructure Investment Trust II | Korea | 30.3 | December 31 | 24,181,229 | 23,920,311 | 23,920,430 | Investment trust |
| Anda Station Professional Investment Type Private Real Estate Fund No.1 | Korea | 31.8 | December 31 | 38,496,957 | 37,869,607 | 37,869,607 | Investment trust |
| Koramco Professional Investment No.69 | Korea | 40 | December 31 | 30,417,300 | 30,421,859 | 30,421,859 | Investment trust |
| WOORI ECOWASTE PRIVATE SPECIAL ASSET FUND | Korea | 25.2 | December 31 | 15,051,539 | 15,050,222 | 15,050,222 | Investment trust |
| KIS-SV New Tech Investment Fund 1 | Korea | 32.97 | December 31 | 3,000,000 | 2,949,856 | 2,949,856 | Investment partnership |
| EBEST AIP Fund No.1 | Korea | 36.36 | December 31 | 800,000 | 790,221 | 790,221 | Investment partnership |
| Samchully Midstream Private Placement Special Asset Fund 5-3 | Korea | 44.44 | December 31 | 48,544,737 | 47,750,177 | 47,750,177 | Investment trust |
| KTB Aircraft Professional Investment Private Investment Trust No.22-1 | Korea | 27.03 | December 31 | 21,525,867 | 22,108,899 | 21,711,292 | Investment trust |
| JB Australia NDIS Private Fund 1 | Korea | 49.5 | December 31 | 50,000,000 | 41,751,519 | 41,751,519 | Investment trust |
| NH Amundi Overseas Senior Loan Fund 4 | Korea | 30 | December 31 | 42,073,090 | 42,546,722 | 42,546,722 | Investment trust |
| Tiger Alternative Investment 8 | Korea | 39.35 | December 31 | 47,620,000 | 46,557,161 | 46,557,161 | Investment trust |
| Tiger Alternative Professional Private Special Asset Investment Trust 5 | Korea | 47.55 | December 31 | 19,600,000 | 19,195,951 | 19,195,951 | Investment trust |
| Tiger Alternative Qualified Investment Real Estate Trust No.12 | Korea | 32.59 | December 31 | 25,599,507 | 24,587,737 | 24,587,737 | Investment trust |
| Tiger Alternative Qualified Investment Real Estate Trust No. 6 | Korea | 32.59 | December 31 | 24,400,493 | 23,436,618 | 23,436,618 | Investment trust |
| SHBNPP Uijeongbu Light Rail Transit Professional Investment Type Private Special Asset Investment Trust | Korea | 20.46 | December 31 | 20,703,984 | 20,604,594 | 20,525,901 | Investment trust |
| Hanon Private Equity Fund | Korea | 28.57 | December 31 | 6,000,000 | 6,016,025 | 6,250,371 | Investment partnership |
| KIS-BM New Tech Investment Fund 1 | Korea | 31.75 | December 31 | 2,000,000 | 1,983,931 | 1,983,931 | Investment partnership |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

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8. Investments in Associates, Continued

(a) Investments in associates as of December 31, 2020 and 2019 are as follows, Continued:

| Company | Location | Ownership (%) | Financial year end | December 31, 2019 | | | Industry |
|---|----------|---------------|--------------------|-------------------|------------------|-----------------|------------------------|
| | | | | Acquisition cost | Net asset amount | Carrying amount | |
| T&F 2020 Bearing Startup and Venture Private Equity Fund | Korea | 23.54 | December 31 | ₩ 2,410,546 | 2,400,817 | 2,400,817 | Investment partnership |
| IBKC-EQP Innovative Technology Fund | Korea | 40 | December 31 | 80,000 | - | - | Investment partnership |
| Kiwoom Infra Core Debt Investment Private Trust No.2 | Korea | 27.05 | December 31 | 35,000,000 | 36,658,994 | 36,980,919 | Investment trust |
| Tiger Alternative Qualified Investment Real Estate Trust No.14 | Korea | 36.26 | December 31 | 50,000,000 | 47,898,585 | 47,898,585 | Investment trust |
| Multi Asset Opportunity QI Investment Fund No. 16(*1) | Korea | 56.82 | December 31 | 3,321,050 | 3,308,263 | 3,308,263 | Investment trust |
| Shinhan AIM Real Estate Fund No.19(*3) | Korea | 53.55 | December 31 | 16,600,000 | 16,215,840 | 16,215,840 | Investment trust |
| KIM AsiaPlus Securities Feeder Investment Trust(Bond) | Korea | 28.5 | December 31 | 20,000,000 | 20,017,770 | 20,017,770 | Investment trust |
| INMARK France Professional Private Real Estate Investment Trust 18(*3) | Korea | 51.14 | December 31 | 78,500,000 | 76,927,994 | 76,018,014 | Investment trust |
| Petra 7 Alpha Private Equity Fund (*3) | Korea | 51.92 | December 31 | 26,061,725 | 25,396,995 | 25,396,995 | Investment partnership |
| Korea Kakao Bank, Corp. | Korea | 29 | December 31 | 489,531,600 | 486,829,039 | 505,120,491 | Bank |
| Korea Investment Aviation Professional Investors' Special Asset Investment Trust No.6(*2) | Korea | 4.83 | December 31 | 5,611,429 | 5,448,872 | 5,448,872 | Investment trust |
| KIM Target Income Global Bond Feeder Fund(*1) | Korea | 89.97 | December 31 | 5,000,000 | 5,407,100 | 5,407,100 | Investment trust |
| KIM Target Income Global Allocation Feeder Fund(*1) | Korea | 94.09 | December 31 | 5,000,000 | 5,546,250 | 5,546,250 | Investment trust |
| KIM 4th Industrial Revolution of Japan Fund(Equity)(*1) | Korea | 87.42 | December 31 | 4,500,000 | 4,456,851 | 4,456,851 | Investment trust |
| KIM Global Socially Responsible ESG Companies Fund(Equity-Fund of Funds)(*1) | Korea | 90.94 | December 31 | 1,700,000 | 1,872,247 | 1,872,247 | Investment trust |
| GEC-KIP Technology and Innovation Fund | China | 47.04 | December 31 | 6,863,962 | 6,412,345 | 6,412,345 | Investment trust |
| | | | | ₩ 1,681,660,338 | 1,680,336,542 | 1,697,802,124 | |

(*1) Although percentage of ownership exceeds 50%, the impact of consolidation on financial statements is insignificant. Therefore, it is classified as investments in associates.

(*2) Although percentage of ownership does not exceed 20%, the Group has significant influence over the investee through its ability to appoint directors. Therefore, it is classified as investments in associates.

(*3) Although its equity ratio exceeds 50%, it is classified as an investment in an associate because it does not have the ability to determine financial and operating policies according to its de facto control.

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

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(In thousands of won)

8. Investments in Associates, Continued

(b) Summary of financial information of associates as of December 31, 2020 and 2019 are as follows:

| Company | December 31, 2020 | | | | | |
|--|-------------------|-------------------|--------------|--------------------|-------------------|-----------------------------------|
| | Total assets | Total liabilities | Total equity | Operating revenues | Net income (loss) | Total comprehensive income (loss) |
| True Friend Investment Advisory Co., Ltd. | ₩ 2,908,079 | 81,657 | 2,826,422 | - | 902 | 34,169 |
| Global Dynasty Natural Resource Private Equity Fund | 131,953 | 1,971,984 | (1,840,031) | 143 | (32,138) | (32,138) |
| Shanghai Fangzheng Stock Investment Partnership | 133,030,287 | 34,310 | 132,995,977 | 25,088,428 | 23,015,422 | 25,262,779 |
| KIP Promising Service Industry Venture Fund | 40,146,736 | 2,877,884 | 37,268,852 | 3,923,948 | (669,380) | (669,380) |
| KIM Growth Corporation Professional Private Trust 1 | 47,775,229 | 185,757 | 47,589,472 | 14,951,963 | 15,059,694 | 15,059,694 |
| KIM Growth Corporation Professional Mezzanine Private Trust 2 | 15,796,438 | 68 | 15,796,370 | 3,822,520 | 5,532,470 | 5,532,470 |
| KIM Growth Company Professional Private Investment No.3 | 70,680,359 | 148 | 70,680,211 | 13,387,273 | 15,622,019 | 15,622,019 |
| KIP Bright (Chengdu) Investment Partnership | 58,718,977 | - | 58,718,977 | 1,816,020 | (10,748,868) | (10,286,905) |
| Korea Investment Industry 4.0 Venture Fund | 93,688,779 | 1,400,000 | 92,288,779 | 14,866,682 | 13,230,697 | 13,230,697 |
| 2017 KIF-KIP Artificial Intelligence Venture Fund | 49,440,844 | 229,534 | 49,211,310 | 7,857,536 | 6,001,605 | 6,001,605 |
| EQ Partners Green Private Equity Fund | 100,255,975 | 194,153 | 100,061,822 | 57 | (978,701) | (978,701) |
| IBK KIP Growth Stepstone No.1 Private Equity Fund | 47,819,784 | 654,547 | 47,165,237 | 2,396,912 | 748,341 | 748,341 |
| Eugene Premier Professional Investment Type Private Investment Trust No.17 | 79,427,931 | 292,881 | 79,135,050 | 5,744,952 | 3,566,298 | 3,566,298 |
| JB Japan Office Private Real Estate Fund 20 1st | 42,474,635 | 526,120 | 41,948,515 | 4,052,575 | 4,782,593 | 4,782,593 |
| KIS-Emford New Tech Investment Fund 1 | 12,881,223 | - | 12,881,223 | - | (273,994) | (273,994) |
| KIM Private Placement London Core Office Real Estate Investment Trust | 134,449,243 | 33,445 | 134,415,798 | 5,795,783 | 7,277,431 | 7,277,431 |
| KCLAVIS Meister Fund No.46 | 2,441,257 | 5,274 | 2,435,983 | 83,952 | 52,832 | 52,832 |
| Hyundai YouFirst Private Real Estate Investment Trust No.23-1 | 56,510,165 | 48,476 | 56,461,689 | 2,608,374 | 3,943,883 | 3,943,883 |
| AIP Euro green private real estate trust NO.9 | 97,330,135 | 4,122,378 | 93,207,757 | 7,889,005 | 8,817,581 | 8,817,581 |
| FG EURO GREEN Private Real Estate Fund No.3 | 98,986,773 | 86,059 | 98,900,714 | 5,924,864 | 6,744,910 | 6,744,910 |
| Woori Goseong Power EBL Private Special Asset Fund | 90,727,587 | 21,338 | 90,706,249 | 3,062,036 | 2,968,851 | 2,968,851 |
| Hanwha Japan Photovoltaic Private Fund 2 | 65,320,582 | 31,011 | 65,289,571 | 1,372,049 | 3,457,888 | 3,457,888 |
| Eugene Aviation Private Special Asset Investment Trust No. 11 (Aircraft) | 8,065,645 | 903 | 8,064,742 | 661,110 | 606,730 | 606,730 |

Korea Investment & Securities Co., Ltd. and Subsidiaries
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December 31, 2020 and 2019

(In thousands of won)

8. Investments in Associates, Continued

(b) Summary of financial information of associates as of December 31, 2020 and 2019 are as follows,
Continued:

| Company | December 31, 2020 | | | | | |
|---|-------------------|-------------------|--------------|--------------------|-------------------|-----------------------------------|
| | Total assets | Total liabilities | Total equity | Operating revenues | Net income (loss) | Total comprehensive income (loss) |
| NH-Amundi Aviation Private Fund 1 | ₩ 54,632,263 | 3,925 | 54,628,338 | 2,467,569 | 2,079,493 | 2,079,493 |
| NH-Amundi Aviation Private Fund 2 | 37,993,365 | 2,728 | 37,990,637 | 2,434,502 | 2,152,265 | 2,152,265 |
| HANA PRIVATE REAL ESTATE INVESTMENT TRUST NO.58 | 86,460,941 | 1,733,503 | 84,727,438 | 17,270,141 | (246,232) | (246,232) |
| NH-Amundi US Infrastructure Investment Trust II | 78,794,460 | 17,171 | 78,777,289 | 22,867,914 | 3,348,138 | 3,348,138 |
| Anda Station Professional Investment Type Private Real Estate Fund No.1 | 269,311,518 | 151,947,664 | 117,363,854 | 13,900,051 | 4,908,896 | 4,908,896 |
| Koramco Professional Investment No.69 | 220,071,256 | 144,016,608 | 76,054,648 | 14,076,848 | 4,694,253 | 4,694,253 |
| WOORI ECOWASTE PRIVATE SPECIAL ASSET FUND | 61,581,514 | 47,839 | 61,533,675 | 3,153,325 | 2,969,479 | 2,969,479 |
| KIS-SV New Tech Investment Fund 1 | 8,764,983 | - | 8,764,983 | - | (182,915) | (182,915) |
| EBEST AIP Fund No.1 | 1,453,956 | - | 1,453,956 | 19,622 | (19,151) | (19,151) |
| Samchully Midstream Private Placement Special Asset Fund 5-3 | 105,145,487 | 80,573 | 105,064,914 | 2,219,270 | 1,011,240 | 1,011,240 |
| KTB Aircraft Professional Investment Private Investment Trust No.22-1 | 90,325,807 | 8,267,349 | 82,058,458 | 10,751,788 | (2,030,436) | (2,030,436) |
| JB Australia NDIS Private Fund 1 | 88,602,858 | 55,687 | 88,547,171 | 862,689 | 4,209,103 | 4,209,103 |
| NH Amundi Overseas Senior Loan Fund 4 | 436,475,174 | 290,859,635 | 145,615,539 | 8,264,959 | 6,907,201 | 6,907,201 |
| Tiger Alternative Investment 8 | 117,017,123 | 25,514 | 116,991,609 | 5,316,497 | 8,321,898 | 8,321,898 |
| Tiger Alternative Qualified Investment Real Estate Trust No.12 | 72,398,808 | 150,319 | 72,248,489 | 6,760,581 | 3,253,036 | 3,253,036 |
| Tiger Alternative Qualified Investment Real Estate Trust No. 6 | 68,918,517 | 143,278 | 68,775,239 | 3,289,667 | 2,777,770 | 2,777,770 |
| Hanon Private Equity Fund | 22,142,412 | 66,960 | 22,075,452 | 2,402,040 | 2,065,689 | 2,065,689 |
| KIS-BM New Tech Investment Fund 1 | 6,121,883 | - | 6,121,883 | - | (127,501) | (127,501) |
| T&F 2019 Bearing Startup and Venture Private Equity Fund | 10,190,888 | 2,750 | 10,188,138 | 200,666 | (10,532) | 200,666 |
| IBKC-EQP Innovative Technology Fund | 12,448,975 | 251,366 | 12,197,609 | 382 | (1,059,985) | (1,059,985) |
| Kiwoom Infra Core Debt Investment Private Trust No.2 | 136,120,160 | 24,688 | 136,095,472 | 6,397,191 | 7,880,962 | 7,880,962 |
| Tiger Alternative Qualified Investment Real Estate Trust No.14 | 126,482,341 | 148,820 | 126,333,521 | 5,965,280 | (363,694) | (363,694) |
| Multi Asset Opportunity QI Investment Fund No. 16 | 53,349,955 | 54,250 | 53,295,705 | 1,809 | (549,548) | (549,548) |
| KIM AsiaPlus Securities Feeder Investment Trust(Bond) | 46,466,047 | 130,131 | 46,335,916 | 2,521,413 | 2,523,419 | 2,523,419 |

Korea Investment & Securities Co., Ltd. and Subsidiaries
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8. Investments in Associates, Continued

(b) Summary of financial information of associates as of December 31, 2020 and 2019 are as follows,
Continued:

| Company | December 31, 2020 | | | | | |
|---|-------------------|-------------------|---------------|--------------------|-------------------|-----------------------------------|
| | Total assets | Total liabilities | Total equity | Operating revenues | Net income (loss) | Total comprehensive income (loss) |
| INMARK France Professional Private Real Estate Investment Trust 18 | ₩ 165,938,743 | 14,625,558 | 151,313,185 | 11,420,060 | 10,416,723 | 10,416,723 |
| Petra 7 Alpha Private Equity Fund | 48,560,529 | 127,729 | 48,432,800 | 3,295 | (483,940) | (483,940) |
| KIS-BM New Tech Investment Fund 2 | 3,079,298 | - | 3,079,298 | - | (50,702) | (50,702) |
| Kiwoom Hero Private Equity Fund 3 | 6,379,769 | 17,261 | 6,362,508 | 148 | (137,492) | (137,492) |
| Koreainvestment-Brickinvestment 1 New Technology Business Investment Fund | 14,210,983 | - | 14,210,983 | - | (339,017) | (339,017) |
| Tiger Alternative Qualified Investment Real Estate Trust No.18-2 | 115,346,149 | 2,783,405 | 112,562,744 | 9,817,966 | (884,890) | (884,890) |
| KIM Global Flex Bond Securities Trust | 58,881,420 | 714,957 | 58,166,463 | 2,359,858 | 2,830,654 | 2,830,654 |
| KIM Private Placement Smart Real Asset Investment Trust 1 | 35,885,258 | 176,641 | 35,708,617 | 1,679,337 | 1,517,440 | 1,517,440 |
| Alpha US Notus Special Asset Private Investment Trust | 147,903,098 | 158,498 | 147,744,600 | 15,998,640 | 1,099,165 | 1,099,165 |
| PineStreet Global Corporate Finance Fund V-1 | 55,319,645 | 748,394 | 54,571,251 | 614,885 | (142,748) | (142,748) |
| A ONE GALAXY KOSDAQ VENTURE PROFESSIONAL INVESTOR PRIVATE INVESTMENT FUNDS | 10,100,000 | 969 | 10,099,031 | - | (969) | (969) |
| Kakao Bank, Corp. | 26,649,990,467 | 23,853,027,949 | 2,796,962,518 | 804,157,323 | 113,635,989 | 118,658,977 |
| KODEX Banks | 217,210,696 | 126,267 | 217,084,429 | 21,504,813 | 15,944,182 | 15,944,182 |
| Korea Investment Aviation Professional Investors' Special Asset Investment Trust No.6 | 57,627,347 | 18,829 | 57,608,518 | 1,188 | (57,633,946) | (57,633,946) |
| KIM Target Income Global Bond Feeder Fund2 | 13,996,512 | 1,938,756 | 12,057,756 | 706,215 | 696,105 | 696,105 |
| KIM Target Income Global Allocation Feeder Fund2 | 8,958,221 | 3,080 | 8,955,141 | 722,043 | 720,246 | 720,246 |
| KIM Global Socially Responsible ESG Companies Fund(Equity-Fund of Funds) | 13,748,053 | 3,543,748 | 10,204,305 | 1,585,300 | 797,794 | 797,794 |
| GEC-KIP Technology and Innovation Fund | 13,227,159 | 131,305 | 13,095,854 | - | (467,123) | (1,051,647) |
| KIM US Dividend Aristocrats Fund (Equity) | 150,455,434 | 1,164,497 | 149,290,937 | 7,162,955 | 5,649,746 | 5,649,746 |
| Korea Value Platinum Equity Qualified Investor Private Investment Trust Type 2 | 9,543,837 | 111 | 9,543,726 | 3,111,591 | 1,454,072 | 1,454,072 |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In thousands of won)

8. Investments in Associates, Continued

(b) Summary of financial information of associates as of December 31, 2020 and 2019 are as follows,
Continued:

| Company | December 31, 2019 | | | | | |
|--|-------------------|-------------------|--------------|--------------------|-------------------|-----------------------------------|
| | Total assets | Total liabilities | Total equity | Operating revenues | Net income (loss) | Total comprehensive income (loss) |
| Associates: | | | | | | |
| True Friend Investment Advisory Co., Ltd. | ₩ 2,874,437 | 82,184 | 2,792,253 | - | (356,411) | (293,902) |
| Global Dynasty Natural Resource Private Equity Fund | 164,092 | 1,971,984 | (1,807,892) | 184 | (34,389) | (34,389) |
| Shanghai Fangzheng Stock Investment Partnership | 137,467,773 | 9,295 | 137,458,478 | 20,289,990 | 18,752,180 | 20,047,050 |
| KIP Promising Service Industry Venture Fund | 48,377,317 | 2,789,085 | 45,588,232 | 7,551,299 | 4,041,638 | 4,041,638 |
| KIM Growth Company Professional Private Investment No.1 | 52,815,690 | 207,302 | 52,608,388 | 34,517,408 | 10,283,016 | 10,283,016 |
| KIM Growth Corporation Professional Mezzanine Private Trust 2 | 38,410,521 | 226 | 38,410,295 | 1,185,730 | 1,665,651 | 1,665,651 |
| KIM Growth Company Professional Private Investment No.3 | 69,393,897 | 92 | 69,393,805 | 300,904 | 1,054,961 | 1,054,961 |
| KIP Bright (Chengdu) Investment Partnership | 69,006,089 | 207 | 69,005,882 | 15,886,189 | 12,617,122 | 11,570,143 |
| Korea Investment Industry 4.0 Venture Fund | 84,464,599 | 415,274 | 84,049,325 | 14,277,769 | 12,204,688 | 12,204,688 |
| 2017 KIF-KIP Artificial Intelligence Venture Fund | 52,045,505 | - | 52,045,505 | 4,349,592 | 2,972,300 | 2,972,300 |
| EQ Partners Green Private Equity Fund | 101,382,617 | 342,094 | 101,040,523 | 3,118,512 | 1,575,696 | 1,575,696 |
| IBK KIP Growth Stepstone No.1 Private Equity Fund | 21,208,172 | 691,276 | 20,516,896 | 766,135 | (676,048) | (676,048) |
| Eugene Premier Professional Investment Type Private Investment Trust No.17 | 90,776,534 | 189,426 | 90,587,108 | 7,440,383 | 4,649,960 | 4,649,960 |
| JB Japan Office Private Real Estate Fund 20 1st | 40,236,793 | 3,376 | 40,233,417 | 2,193,050 | 4,134,525 | 4,134,525 |
| KIS-Emford New Tech Investment Fund 1 | 13,155,217 | - | 13,155,217 | - | (272,146) | (272,146) |
| KIP KIS Global Fund | 20,609,279 | - | 20,609,279 | 2,651,395 | 2,841,832 | 2,841,832 |
| KIM Private Placement London Core Office Real Estate Investment Trust | 134,981,846 | 33,453 | 134,948,393 | 9,088,707 | 8,061,194 | 8,061,194 |
| KCLAVIS Meister Fund No.46 | 3,067,616 | 6,540 | 3,061,076 | 79,247 | (32,381) | (32,381) |
| Hyundai YouFirst Private Real Estate Investment Trust No.23-1 | 56,092,757 | 48,310 | 56,044,447 | 3,588,361 | 3,606,413 | 3,606,413 |
| AIP EURO GREEN PRIVATE REAL ESTATE TRUST NO.9 | 92,610,388 | 94,171 | 92,516,217 | 5,436,801 | 5,418,266 | 5,418,266 |
| FG EURO GREEN Private Real Estate Fund No.3 | 97,828,551 | 86,069 | 97,742,482 | 6,091,758 | 7,026,467 | 7,026,467 |

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(In thousands of won)

8. Investments in Associates, Continued

(b) Summary of financial information of associates as of December 31, 2020 and 2019 are as follows,
Continued:

| Company | December 31, 2019 | | | | | | Total comprehensive income (loss) |
|--|-------------------|-------------------|--------------|--------------------|-------------------|--------------|-----------------------------------|
| | Total assets | Total liabilities | Total equity | Operating revenues | Net income (loss) | | |
| Woori Goseong Power EBL Private Special Asset Fund | ₩ 90,721,234 | 21,337 | 90,699,897 | 3,060,017 | 2,977,297 | 2,977,297 | |
| Hanwha Japan Photovoltaic Private Fund 2 | 67,963,905 | 32,222 | 67,931,683 | 47,715 | 3,425,527 | 3,425,527 | |
| Eugene Aviation Private Special Asset Investment Trust No. 11 (Aircraft) | 8,003,998 | 928 | 8,003,070 | 652,950 | 521,786 | 521,786 | |
| NH-Amundi Aviation Private Fund 1 | 54,094,324 | 3,422 | 54,090,902 | 1,807,201 | 1,668,903 | 1,668,903 | |
| NH-Amundi Aviation Private Fund 2 | 37,714,598 | 2,386 | 37,712,212 | 2,694,790 | 1,871,276 | 1,871,276 | |
| HANA PRIVATE REAL ESTATE INVESTMENT TRUST NO.58 | 86,794,727 | 9,348,686 | 77,446,041 | 7,311,891 | 4,734,931 | 4,734,931 | |
| NH-Amundi US Infrastructure Investment Trust II | 78,959,947 | 16,796 | 78,943,151 | 1,376,883 | 1,079,793 | 1,079,793 | |
| Anda Station Professional Investment Type Private Real Estate Fund No.1 | 268,203,290 | 149,112,005 | 119,091,285 | 14,337,569 | 5,534,328 | 5,534,328 | |
| Koramco Professional Investment No.69 | 220,071,256 | 144,016,608 | 76,054,648 | 10,257,979 | 4,712,426 | 4,712,426 | |
| WOORI ECOWASTE PRIVATE SPECIAL ASSET FUND | 59,762,262 | 46,865 | 59,715,397 | 2,978,528 | 2,811,875 | 2,811,875 | |
| KIS-SV New Tech Investment Fund 1 | 8,947,898 | - | 8,947,898 | - | (152,102) | (152,102) | |
| EBEST AIP Fund No.1 | 2,173,107 | - | 2,173,107 | - | (26,893) | (26,893) | |
| Samchully Midstream Private Placement Special Asset Fund 5-3 | 107,520,330 | 82,431 | 107,437,899 | 8,246,206 | 4,219,569 | 4,219,569 | |
| KTB Aircraft Professional Investment Private Investment Trust No.22-1 | 87,019,915 | 5,215,969 | 81,803,946 | 11,831,795 | 4,761,346 | 4,761,346 | |
| JB Australia NDIS Private Fund 1 | 84,369,670 | 31,602 | 84,338,068 | 852,358 | (15,296,932) | (15,296,932) | |
| NH Amundi Overseas Senior Loan Fund 4 | 141,895,023 | 72,618 | 141,822,405 | 9,260,495 | 8,554,772 | 8,554,772 | |
| Tiger Alternative Investment 8 | 118,354,225 | 25,514 | 118,328,711 | 7,264,005 | 2,848,712 | 2,848,712 | |
| Tiger Alternative Professional Private Special Asset Investment Trust 5 | 40,469,911 | 102,686 | 40,367,225 | 1,515,921 | (437,506) | (437,506) | |
| Tiger Alternative Qualified Investment Real Estate Trust No.12 | 75,654,312 | 207,693 | 75,446,619 | 28,211 | (3,104,581) | (3,104,581) | |
| Tiger Alternative Qualified Investment Real Estate Trust No. 6 | 72,112,416 | 197,965 | 71,914,451 | 26,973 | (2,957,619) | (2,957,619) | |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

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(In thousands of won)

8. Investments in Associates, Continued

(b) Summary of financial information of associates as of December 31, 2020 and 2019 are as follows,
Continued:

| Company | December 31, 2019 | | | | | |
|---|-------------------|-------------------|---------------|--------------------|-------------------|-----------------------------------|
| | Total assets | Total liabilities | Total equity | Operating revenues | Net income (loss) | Total comprehensive income (loss) |
| SHBNPP Uijeongbu Light Rail Transit Professional Investment Type Private Special Asset Investment Trust | ₩ 100,767,492 | 50,758 | 100,716,734 | 3,867,590 | 2,510,408 | 2,510,408 |
| Hanon Private Equity Fund | 21,191,036 | 134,949 | 21,056,087 | 7,127 | 2,024,593 | 2,024,593 |
| KIS-BM New Tech Investment Fund 1 | 6,249,383 | - | 6,249,383 | - | (50,617) | (50,617) |
| T&F 2020 Bearing Startup and Venture Private Equity Fund | 10,200,658 | 1,988 | 10,198,670 | 71,951 | (41,330) | (41,330) |
| IBKC-EQP Innovative Technology Fund | 200,128 | 254,795 | (54,667) | - | (254,666) | (254,666) |
| Kiwoom Infra Core Debt Investment Private Trust No.2 | 135,539,514 | 24,704 | 135,514,810 | 3,609,047 | 9,782,239 | 9,782,239 |
| Tiger Alternative Qualified Investment Real Estate Trust No.14 | 132,275,446 | 164,209 | 132,111,237 | 3,724 | (4,416,935) | (4,416,935) |
| Multi Asset Opportunity QI Investment Fund No. 16 | 5,825,998 | 3,454 | 5,822,544 | 1 | (22,506) | (22,506) |
| Shinhan AIM Real Estate Fund No.19 | 112,960,282 | 82,677,939 | 30,282,343 | 683,440 | (717,401) | (717,401) |
| KIM AsiaPlus Securities Feeder Investment Trust(Bond) | 70,220,107 | 116 | 70,219,991 | 6,939 | 62,337 | 62,337 |
| INMARK France Professional Private Real Estate Investment Trust 18 | 160,412,755 | 9,986,678 | 150,426,077 | 11,845,326 | 4,994,590 | 4,994,590 |
| Petra 7 Alpha Private Equity Fund | 49,054,420 | 134,822 | 48,919,598 | 18,558 | (1,280,402) | (1,280,402) |
| Korea Kakao Bank, Corp. | 22,724,107,740 | 21,045,386,917 | 1,678,720,823 | 664,940,288 | 13,732,930 | 16,165,622 |
| Korea Investment Aviation Professional Investors' Special Asset Investment Trust No.6 | 112,940,941 | 19,971 | 112,920,970 | 16,871,923 | (8,793,927) | (8,793,927) |
| KIM Target Income Global Bond Feeder Fund2 | 5,974,333 | 1 | 5,974,332 | 532,234 | 532,228 | 532,228 |
| KIM Target Income Global Allocation Feeder Fund2 | 5,882,573 | 2 | 5,882,571 | 753,210 | 753,187 | 753,187 |
| KIM 4th Industrial Revolution of Japan Fund(Equity) | 5,207,744 | 109,678 | 5,098,066 | 1,503,432 | 703,849 | 703,849 |
| KIM Global Socially Responsible ESG Companies Fund(Equity-Fund of Funds) | 2,112,848 | 53,895 | 2,058,953 | 415,913 | 197,177 | 197,177 |
| GEC-KIP Technology and Innovation Fund | 13,669,688 | 36,596 | 13,633,092 | - | (356,048) | (356,048) |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In thousands of won)

8. Investments in Associates, Continued

(c) The changes in investments in associates for the years ended December 31, 2020 and 2019 are as follows:

| Company | 2020 | | | | | | |
|--|-------------------|------------------------|---------|--------------|-----------------------------|---------------------------------|----------------|
| | Beginning balance | Acquisition (Disposal) | Replace | Dividends | Profit (loss) of associates | Changes in equity of associates | Ending balance |
| True Friend Investment Advisory Co., Ltd. | ₩ 2,792,253 | - | - | - | 901 | 33,268 | 2,826,422 |
| Shanghai Fangzheng Stock Investment Partnership | 54,433,557 | (11,907,691) | - | - | 9,250,588 | 889,953 | 52,666,407 |
| KIP Promising Service Industry Venture Fund | 10,130,718 | (1,700,000) | - | - | (148,751) | - | 8,281,967 |
| KIM Growth Corporation Professional Private Trust 1 | 15,782,517 | (1,494,644) | - | (10,345,074) | 10,334,043 | - | 14,276,842 |
| KIM Growth Corporation Professional Mezzanine Private Trust 2 | 8,207,912 | (4,799,502) | - | (1,971,573) | 2,121,373 | - | 3,558,210 |
| KIM Growth Company Professional Private Investment No.3 | 27,132,936 | (1,550,109) | - | (6,715,006) | 8,768,099 | - | 27,635,920 |
| KIP Bright (Chengdu) Investment Partnership | 34,502,941 | - | - | - | (5,374,434) | 230,982 | 29,359,489 |
| Korea Investment Industry 4.0 Venture Fund | 20,716,383 | (875,000) | - | (355,236) | 3,261,087 | - | 22,747,234 |
| 2017 KIF-KIP Artificial Intelligence Venture Fund | 10,409,101 | (1,767,160) | - | - | 1,200,321 | - | 9,842,262 |
| EQ Partners Green Private Equity Fund | 26,703,567 | - | - | - | (258,657) | - | 26,444,910 |
| IBK KIP Growth Stepstone No.1 Private Equity Fund | 4,103,379 | 5,180,000 | - | - | 149,668 | - | 9,433,047 |
| Eugene Premier Professional Investment Type Private Investment Trust No.17 | 36,699,818 | (4,811,396) | - | (1,273,034) | 1,444,825 | - | 32,060,213 |
| JB Japan Office Private Real Estate Fund 20 1st | 20,116,709 | - | - | (1,533,748) | 2,391,297 | - | 20,974,258 |
| KIS-Emford New Tech Investment Fund 1 | 2,901,886 | - | - | - | (60,440) | - | 2,841,446 |
| KIP-KIS Global Fund (*3) | 6,182,784 | (6,182,784) | - | - | - | - | - |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In thousands of won)

8. Investments in Associates, Continued

(c) The changes in investments in associates for the years ended December 31, 2020 and 2019 are as follows, Continued:

| Company | 2020 | | | | | | |
|--|-------------------|------------------------|---------|-------------|-----------------------------|---------------------------------|----------------|
| | Beginning balance | Acquisition (Disposal) | Replace | Dividends | Profit (loss) of associates | Changes in equity of associates | Ending balance |
| KIM Private Placement London Core Office Real Estate Investment Trust | ₩ 31,505,461 | - | - | (1,823,352) | 1,699,011 | - | 31,381,120 |
| KCLAVIS Meister Fund No.46 | 1,974,888 | (437,402) | - | - | 34,116 | - | 1,571,602 |
| Hyundai YouFirst Private Real Estate Investment Trust No.23-1 | 27,354,139 | - | - | (1,721,281) | 1,924,928 | - | 27,557,786 |
| AIP Euro green private real estate trust NO.9 | 46,264,253 | - | - | (4,063,175) | 4,408,958 | - | 46,610,036 |
| FG EURO GREEN Private Real Estate Fund No.3 | 24,929,637 | - | - | (1,424,906) | 1,720,318 | - | 25,225,049 |
| Woori Goseong Power EBL Private Special Asset Fund | 30,233,299 | - | - | (987,500) | 989,617 | - | 30,235,416 |
| Hanwha Japan Photovoltaic Private Fund 2 | 22,643,895 | (1,263,334) | - | (770,000) | 1,152,629 | - | 21,763,190 |
| Eugene Aviation Private Special Asset Investment Trust No. 11 (Aircraft) | 4,359,873 | 58,517 | - | (355,453) | 330,531 | - | 4,393,468 |
| NH-Amundi Aviation Private Fund 1 | 15,509,876 | 227,293 | - | (669,458) | 596,268 | - | 15,663,979 |
| NH-Amundi Aviation Private Fund 2 | 15,098,890 | 172,742 | - | (922,974) | 861,705 | - | 15,210,363 |
| HANA PRIVATE REAL ESTATE INVESTMENT TRUST NO.58 | 27,310,518 | 3,703,337 | - | (1,048,799) | (86,831) | - | 29,878,225 |
| NH-Amundi US Infrastructure Investment Trust II | 23,920,430 | - | - | (1,064,766) | 1,014,508 | - | 23,870,172 |
| Anda Station Professional Investment Type Private Real Estate Fund No.1 | 37,869,607 | - | - | (2,110,273) | 1,560,971 | - | 37,320,305 |
| Koramco Professional Investment No.69 | 30,421,859 | - | - | (1,877,701) | 1,877,701 | - | 30,421,859 |
| WOORI ECOWASTE PRIVATE SPECIAL ASSET FUND | 15,050,222 | 453,659 | - | (743,798) | 748,404 | - | 15,508,487 |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In thousands of won)

8. Investments in Associates, Continued

(c) The changes in investments in associates for the years ended December 31, 2020 and 2019 are as follows, Continued:

| Company | 2020 | | | | | | |
|---|-------------------|------------------------|---------|-------------|-----------------------------|---------------------------------|----------------|
| | Beginning balance | Acquisition (Disposal) | Replace | Dividends | Profit (loss) of associates | Changes in equity of associates | Ending balance |
| KIS-SV New Tech Investment Fund 1 | ₩ 2,949,856 | - | - | - | (60,301) | - | 2,889,555 |
| EBEST AIP Fund No.1 | 790,221 | (254,545) | - | - | (6,965) | - | 528,711 |
| Samchully Midstream Private Placement Special Asset Fund 5-3 | 47,750,177 | (482,800) | - | (1,021,300) | 449,440 | - | 46,695,517 |
| KTB Aircraft Professional Investment Private Investment Trust No.22-1 | 21,711,292 | - | - | (1,263,276) | (548,760) | - | 19,899,256 |
| JB Australia NDIS Private Fund 1 | 41,751,519 | - | - | - | - | - | 41,751,519 |
| NH Amundi Overseas Senior Loan Fund 4 | 42,546,722 | 1,679,680 | - | (2,613,900) | 2,072,160 | - | 43,684,662 |
| Tiger Alternative Investment 8 | 46,557,161 | - | - | (3,800,393) | 3,274,302 | - | 46,031,070 |
| Tiger Alternative Professional Private Special Asset Investment Trust 5 (*2) | 19,195,951 | (19,195,951) | - | - | - | - | - |
| Tiger Alternative Qualified Investment Real Estate Trust No.12 | 24,587,737 | - | - | (2,102,408) | 1,060,151 | - | 23,545,480 |
| Tiger Alternative Qualified Investment Real Estate Trust No. 6 | 23,436,618 | - | - | (1,928,320) | 905,264 | - | 22,413,562 |
| SHBNPP Uijeongbu Light Rail Transit Professional Investment Type Private Special Asset Investment Trust(*2) | 20,525,901 | (20,525,901) | - | - | - | - | - |
| Hanon Private Equity Fund | 6,250,371 | - | - | (298,950) | 590,197 | - | 6,541,618 |
| KIS-BM New Tech Investment Fund 1 | 1,983,931 | - | - | - | (40,476) | - | 1,943,455 |
| T&F 2019 Bearing Startup and Venture Private Equity Fund | 2,400,817 | - | - | - | (2,479) | - | 2,398,338 |
| IBKC-EQP Innovative Technology Fund | - | 5,303,038 | - | - | (423,994) | - | 4,879,044 |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In thousands of won)

8. Investments in Associates, Continued

(c) The changes in investments in associates for the years ended December 31, 2020 and 2019 are as follows, Continued:

| Company | 2020 | | | | | | |
|---|-------------------|------------------------|-------------|-------------|-----------------------------|---------------------------------|----------------|
| | Beginning balance | Acquisition (Disposal) | Replace | Dividends | Profit (loss) of associates | Changes in equity of associates | Ending balance |
| Kiwoom Infra Core Debt Investment Private Trust No.2 ₩ | 36,980,919 | - | - | (1,974,852) | 2,131,931 | - | 37,137,998 |
| Tiger Alternative Qualified Investment Real Estate Trust No.14 | 47,898,585 | - | - | (1,962,922) | (131,861) | - | 45,803,802 |
| Multi Asset Opportunity QI Investment Fund No. 16 | 3,308,263 | 27,325,006 | - | - | (312,694) | - | 30,320,575 |
| Shinhan AIM Real Estate Fund No.19 | 16,215,840 | (14,215,840) | (2,000,000) | - | - | - | - |
| KIM AsiaPlus Securities Feeder Investment Trust(Bond) | 20,017,770 | 531,666 | - | (531,666) | 1,078,442 | - | 21,096,212 |
| INMARK France Professional Private Real Estate Investment Trust 18 | 76,018,014 | (22,795,000) | - | (3,414,520) | 3,732,376 | - | 53,540,870 |
| Petra 7 Alpha Private Equity Fund | 25,396,995 | - | - | (1,484) | (251,241) | - | 25,144,270 |
| KIS-BM New Tech Investment Fund 2 | - | 1,000,000 | - | - | (16,199) | - | 983,801 |
| Tiger Alternative Qualified Investment Real Estate Trust No.18-2 (*1) | - | - | 27,668,700 | (1,442,544) | (208,074) | - | 26,018,082 |
| Kiwoom Hero Private Equity Fund 3 | - | 2,000,000 | - | - | (42,305) | - | 1,957,695 |
| KIM Global Flex Bond Securities Trust | - | 20,000,000 | - | - | 1,310,019 | - | 21,310,019 |
| Koreainvestment-Brickinvestment 1 New Technology Business Investment Fund | - | 3,000,000 | - | - | (69,901) | - | 2,930,099 |
| KIM Private Placement Smart Real Asset Investment Trust 1 | - | 6,975,000 | - | - | 303,488 | - | 7,278,488 |
| Alpha US Notus Special Asset Private Investment Trust | - | 58,605,759 | - | - | 439,273 | - | 59,045,032 |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In thousands of won)

8. Investments in Associates, Continued

(c) The changes in investments in associates for the years ended December 31, 2020 and 2019 are as follows, Continued:

| Company | 2020 | | | | | | |
|---|-------------------|------------------------|-------------|--------------|-----------------------------|---------------------------------|----------------|
| | Beginning balance | Acquisition (Disposal) | Replace | Dividends | Profit (loss) of associates | Changes in equity of associates | Ending balance |
| PineStreet Global Corporate Finance Fund V-1 | ₩ - | 16,580,000 | - | - | (43,257) | - | 16,536,743 |
| A ONE GALAXY KOSDAQ VENTURE PROFESSIONAL INVESTOR PRIVATE INVESTMENT FUNDS | - | 5,000,000 | - | - | (480) | - | 4,999,520 |
| KODEX Banks | - | - | 77,541,023 | - | 6,146,597 | - | 83,687,620 |
| Kakao Bank, Corp. | 505,120,491 | 142,975,904 | - | - | 127,956,158 | 2,248,633 | 778,301,186 |
| Korea Investment Aviation Professional Investors' Special Asset Investment Trust No.6 | 5,448,872 | 112,176 | - | (173,928) | (2,607,295) | - | 2,779,825 |
| KIM Target Income Global Bond Feeder Fund2 | 5,407,100 | (1,838,414) | - | - | 157,740 | - | 3,726,426 |
| KIM Target Income Global Allocation Feeder Fund2 | 5,546,250 | (221,850) | - | - | 495,792 | - | 5,820,192 |
| KIM 4th Industrial Revolution of Japan Fund(Equity)(*3) | 4,456,851 | (4,456,851) | - | - | - | - | - |
| KIM Global Socially Responsible ESG Companies Fund(Equity-Fund of Funds) | 1,872,247 | 23,675 | - | (23,675) | 415,421 | - | 2,287,668 |
| KIM US Dividend Aristocrats Fund (Equity) | - | 5,000,000 | - | - | 1,379,850 | - | 6,379,850 |
| Korea Value Platinum Equity Qualified Investor Private Investment Trust Type 2 | - | 534,800 | - | - | 95,077 | - | 629,877 |
| GEC-KIP Technology and Innovation Fund | 6,412,345 | (280,221) | - | - | 81,472 | (263,688) | 5,949,908 |
| | ₩ 1,697,802,124 | 185,385,857 | 103,209,723 | (64,331,245) | 201,221,622 | 3,139,148 | 2,126,427,229 |

(*1) The equity ratio has been reduced, replacing investments in subsidiaries with investments in associates.

(*2) It was excluded from investments in associates due to disposal in this term.

(*3) It was liquidated in this term and excluded from investments in associates.

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

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(In thousands of won)

8. Investments in Associates, Continued

(c) The changes in investments in associates for the years ended December 31, 2020 and 2019 are as follows, Continued:

| Company | 2019 | | | | | | |
|--|-------------------|------------------------|-------------|--------------|-----------------------------|---------------------------------|----------------|
| | Beginning balance | Acquisition (Disposal) | Replace | Dividends | Profit (loss) of associates | Changes in equity of associates | Ending balance |
| True Friend Investment Advisory Co., Ltd. | ₩ 3,086,155 | - | - | - | (356,411) | 62,509 | 2,792,253 |
| Korea Investment Partners Venture Fund No. 11(*4) | 310,432 | (231,257) | - | (75,860) | (3,315) | - | - |
| Shanghai Fangzheng Stock Investment Partnership | 43,388,782 | 3,106,144 | - | - | 7,425,862 | 512,769 | 54,433,557 |
| KIP Promising Service Industry Venture Fund | 9,232,576 | - | - | - | 898,142 | - | 10,130,718 |
| KIM Growth Company Professional Private Investment No.1 | 27,851,164 | (3,702,772) | - | (26,328,008) | 17,962,133 | - | 15,782,517 |
| KIM Growth Corporation Professional Mezzanine Private Trust 2 | 8,943,918 | (1,091,956) | - | - | 355,950 | - | 8,207,912 |
| KIM Growth Company Professional Private Investment No.3 | 20,659,947 | 6,060,500 | - | - | 412,489 | - | 27,132,936 |
| KIP Bright (Chengdu) Equity Investment Partnership | 28,717,870 | - | - | - | 6,308,560 | (523,489) | 34,502,941 |
| Korea Investment Industry 4.0 Venture Fund | 14,733,185 | 2,975,000 | - | - | 3,008,198 | - | 20,716,383 |
| 2017 KIF-KIP Artificial Intelligence Venture Fund | 5,814,641 | 4,000,000 | - | - | 594,460 | - | 10,409,101 |
| EQ Partners Green Private Equity Fund | 17,000,069 | 9,988,132 | - | (701,068) | 416,434 | - | 26,703,567 |
| IBK KIP Growth Stepstone No.1 Private Equity Fund | 4,088,589 | 150,000 | - | - | (135,210) | - | 4,103,379 |
| Eugene Premier Professional Investment Type Private Investment Trust No.17 | 34,815,967 | - | - | - | 1,883,851 | - | 36,699,818 |
| JB Japan Office Private Real Estate Fund 20 1st | 19,404,977 | - | - | (1,355,532) | 2,067,264 | - | 20,116,709 |
| KIS-Emford New Tech Investment Fund 1 | 2,961,918 | - | - | - | (60,032) | - | 2,901,886 |
| KIP KIS Global Fund | 4,430,234 | 900,000 | - | - | 852,550 | - | 6,182,784 |
| KIM Corporate Loan Trust No.1(*1) | 3,213,787 | - | (3,214,350) | (33,344) | 33,907 | - | - |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In thousands of won)

8. Investments in Associates, Continued

(c) The changes in investments in associates for the years ended December 31, 2020 and 2019 are as follows, Continued:

| Company | 2019 | | | | | | Ending balance |
|---|-------------------|------------------------|-----------|-------------|-----------------------------|---------------------------------|----------------|
| | Beginning balance | Acquisition (Disposal) | Replace | Dividends | Profit (loss) of associates | Changes in equity of associates | |
| KIM Private Placement London Core Office Real Estate Investment Trust | ₩ 29,985,002 | 1,642,788 | - | (2,004,319) | 1,881,990 | - | 31,505,461 |
| KCLAVIS Meister Fund No.46 | 1,995,778 | - | - | - | (20,890) | - | 1,974,888 |
| Hanhwa Europe PPP Infrastructure Private Fund Special Asset Trust 1-1(*5) | 7,632,626 | (7,372,988) | (125,957) | - | (133,681) | - | - |
| Hyundai YouFirst Private Real Estate Investment Trust No.23-1 | 27,577,052 | (430,598) | - | (1,552,601) | 1,760,286 | - | 27,354,139 |
| AIP EURO GREEN PRIVATE REAL ESTATE TRUST NO.9 | 11,884,053 | 34,536,000 | - | (2,865,036) | 2,709,236 | - | 46,264,253 |
| FG EURO GREEN Private Real Estate Fund No.3 | 24,633,250 | - | - | (1,495,743) | 1,792,130 | - | 24,929,637 |
| Woori Goseong Power EBL Private Special Asset Fund | 30,227,700 | - | - | (986,833) | 992,432 | - | 30,233,299 |
| Hanwha Japan Photovoltaic Private Fund 2 | 22,973,927 | (805,208) | - | (666,667) | 1,141,843 | - | 22,643,895 |
| Eugene Aviation Private Special Asset Investment Trust No. 11 (Aircraft) | 4,062,707 | 354,698 | - | (341,788) | 284,256 | - | 4,359,873 |
| NH-Amundi Aviation Private Fund 1 | 14,866,863 | 813,363 | - | (648,886) | 478,536 | - | 15,509,876 |
| NH-Amundi Aviation Private Fund 2 | 14,516,583 | 749,952 | - | (916,850) | 749,205 | - | 15,098,890 |
| HANA PRIVATE REAL ESTATE INVESTMENT TRUST NO.58 | 27,303,152 | - | - | (1,662,356) | 1,669,722 | - | 27,310,518 |
| NH-Amundi US Infrastructure Investment Trust II | 14,119,491 | 10,061,738 | - | (587,984) | 327,185 | - | 23,920,430 |
| Anda Station Professional Investment Type Private Real Estate Fund No.1 | 38,496,957 | - | - | (2,387,200) | 1,759,850 | - | 37,869,607 |
| Koramco Professional Investment No.69 | 30,417,300 | - | - | (1,880,411) | 1,884,970 | - | 30,421,859 |
| WOORI ECOWASTE PRIVATE SPECIAL ASSET FUND | 12,379,994 | 2,671,545 | - | (710,001) | 708,684 | - | 15,050,222 |

Korea Investment & Securities Co., Ltd. and Subsidiaries
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(In thousands of won)

8. Investments in Associates, Continued

(c) The changes in investments in associates for the years ended December 31, 2020 and 2019 are as follows, Continued:

| Company | 2019 | | | | | | Ending balance |
|---|-------------------|------------------------|------------|-------------|-----------------------------|---------------------------------|----------------|
| | Beginning balance | Acquisition (Disposal) | Replace | Dividends | Profit (loss) of associates | Changes in equity of associates | |
| KIS-SV New Tech Investment Fund 1 | ₩ | - 3,000,000 | - | - | (50,144) | - | 2,949,856 |
| EBEST AIP Fund No.1 | | - 800,000 | - | - | (9,779) | - | 790,221 |
| Samchully Midstream Private Placement Special Asset Fund 5-3 | | - 48,544,737 | - | (2,669,924) | 1,875,364 | - | 47,750,177 |
| KTB Aircraft Professional Investment Private Investment Trust No.22-1(*2) | | - (9,444,133) | 30,970,000 | (1,101,410) | 1,286,835 | - | 21,711,292 |
| JB Australia NDIS Private Fund 1 | | - 50,000,000 | - | (675,743) | (7,572,738) | - | 41,751,519 |
| NH Amundi Overseas Senior Loan Fund 4 | | - 42,073,090 | - | (2,092,800) | 2,566,432 | - | 42,546,722 |
| Tiger Alternative Investment 8 | | - 47,620,000 | - | (2,183,682) | 1,120,843 | - | 46,557,161 |
| Tiger Alternative Professional Private Special Asset Investment Trust 5 | | - 19,600,000 | - | (196,000) | (208,049) | - | 19,195,951 |
| Tiger Alternative Qualified Investment Real Estate Trust No.12(*2) | | - (7,679,852) | 33,279,358 | - | (1,011,769) | - | 24,587,737 |
| Tiger Alternative Qualified Investment Real Estate Trust No. 6 (*2) | | - (7,320,148) | 31,720,642 | - | (963,876) | - | 23,436,618 |
| SHBNPP Uijeongbu Light Rail Transit Professional Investment Type Private Special Asset Investment Trust(*2) | | - (30,504,119) | 51,208,103 | (697,932) | 519,849 | - | 20,525,901 |
| Hanon Private Equity Fund | | - (1,000,000) | 7,000,000 | (328,084) | 578,455 | - | 6,250,371 |
| KIS-BM New Tech Investment Fund 1 | | - 2,000,000 | - | - | (16,069) | - | 1,983,931 |
| T&F 2020 Bearing Startup and Venture Private Equity Fund | | - 2,410,546 | - | - | (9,729) | - | 2,400,817 |
| IBKC-EQP Innovative Technology Fund | | - 80,000 | - | - | (80,000) | - | - |
| Kiwoom Infra Core Debt Investment Private Trust No.2 | | - 35,000,000 | - | (665,338) | 2,646,257 | - | 36,980,919 |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In thousands of won)

8. Investments in Associates, Continued

(c) The changes in investments in associates for the years ended December 31, 2020 and 2019 are as follows, Continued:

| Company | 2019 | | | | | | Ending balance |
|---|-------------------|------------------------|-------------|-------------|-----------------------------|---------------------------------|----------------|
| | Beginning balance | Acquisition (Disposal) | Replace | Dividends | Profit (loss) of associates | Changes in equity of associates | |
| Tiger Alternative Qualified Investment Real Estate Trust No.14(*2) | ₩ - | - | 50,000,000 | (500,000) | (1,601,415) | - | 47,898,585 |
| Multi Asset Opportunity QI Investment Fund No. 16 | - | 3,321,050 | - | - | (12,787) | - | 3,308,263 |
| Shinhan AIM Real Estate Fund No.19 | - | 16,600,000 | - | - | (384,160) | - | 16,215,840 |
| KIM AsiaPlus Securities Feeder Investment Trust(Bond)(*2) | - | 10,000,000 | 10,000,000 | - | 17,770 | - | 20,017,770 |
| INMARK France Professional Private Real Estate Investment Trust 18(*2) | - | - | 78,500,000 | (5,036,223) | 2,554,237 | - | 76,018,014 |
| Petra 7 Alpha Private Equity Fund(*2) | - | - | 26,061,725 | - | (664,730) | - | 25,396,995 |
| Korea Kakao Bank, Corp. | - | 489,531,600 | - | - | 18,480,531 | (2,891,640) | 505,120,491 |
| Kim EMP Global Asset Allocation Equity Balanced Fund(*3) | 4,944,202 | (4,944,202) | - | - | - | - | - |
| Korea Investment Aviation Professional Investors' Special Asset Investment Trust No.6 | 5,109,799 | 412,680 | - | (675,863) | 602,256 | - | 5,448,872 |
| KIM Target Income Global Bond Feeder Fund | 4,901,150 | - | - | - | 505,950 | - | 5,407,100 |
| KIM Target Income Global Allocation Feeder Fund | 4,778,600 | - | - | - | 767,650 | - | 5,546,250 |
| KIM KINDEX Active Korea Treasury & Agency bonds ETF(*3) | 31,673,111 | (31,673,111) | - | - | - | - | - |
| KIM China Industry 4.0 Equity fund(*5) | 2,652,393 | - | (2,652,393) | - | - | - | - |
| KIM KOSPI Solution Fixed Income Balanced Fund(*5) | 4,908,950 | - | (4,908,950) | - | - | - | - |
| KIM 4th Industrial Revolution of Japan Fund(Equity) | 2,386,680 | 1,500,000 | - | - | 570,171 | - | 4,456,851 |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In thousands of won)

8. Investments in Associates, Continued

(c) The changes in investments in associates for the years ended December 31, 2020 and 2019 are as follows, Continued:

| Company | 2019 | | | | | | Ending balance |
|---|-------------------|------------------------|-------------|--------------|-----------------------------|---------------------------------|----------------|
| | Beginning balance | Acquisition (Disposal) | Replace | Dividends | Profit (loss) of associates | Changes in equity of associates | |
| KIM Global Socially Responsible ESG Companies Fund(Equity-Fund of Funds | ₩ - | 1,700,000 | - | - | 172,247 | - | 1,872,247 |
| KIP Bright (Chengdu) Investment Partnership(*3) | 32,483,391 | (29,947,999) | - | - | (2,432,577) | (102,815) | - |
| GEC-KIP Technology and Innovation Fund | - | 6,863,962 | - | - | (396,389) | (55,228) | 6,412,345 |
| | ₩ 655,564,922 | 722,919,182 | 307,838,178 | (64,023,486) | 78,501,222 | (2,997,894) | 1,697,802,124 |

(*1) The equity ratio has increased, replacing investments in associates with investments in subsidiaries.

(*2) The equity ratio has been reduced, replacing investments in subsidiaries with investments in associates.

(*3) It was excluded from investments in associates due to disposal in this term.

(*4) It was liquidated in this term and excluded from investments in associates.

(*5) Since the acquisition, the equity ratio has decreased and the account has been replaced by a financial asset measured at fair value through profit or loss.

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In thousands of won)

8. Investments in Associates, Continued

(d) The financial information of associates and the carrying amount of investments in associates for the years ended December 31, 2020 and 2019 are as follows:

| Company | 2020 | | | | | |
|--|------------------|----------------------|--------------------------|-------------------------------|---------|-----------------|
| | Net asset (A) | Ownership (%) (B) | Owned net asset (AxB) | Discontinued equity method | Others | Carrying amount |
| True Friend Investment Advisory Co., Ltd. | ₩ 2,826,422 | 100.00 | 2,826,422 | - | - | 2,826,422 |
| Global Dynasty Natural Resource Private Equity Fund | (1,840,031) | 22.39 | (411,947) | 411,947 | - | - |
| Shanghai Fangzheng Stock Investment Partnership | 132,995,977 | 39.60 | 52,666,407 | - | - | 52,666,407 |
| KIP Promising Service Industry Venture Fund | 37,268,853 | 22.22 | 8,281,967 | - | - | 8,281,967 |
| KIM Growth Corporation Professional Private Trust 1 | 47,589,472 | 30.00 | 14,276,842 | - | - | 14,276,842 |
| KIM Growth Corporation Professional Mezzanine Private Trust 2 | 15,796,370 | 20.55 | 3,246,154 | - | 312,056 | 3,558,210 |
| KIM Growth Company Professional Private Investment No.3 | 70,680,211 | 39.10 | 27,635,920 | - | - | 27,635,920 |
| KIP Bright (Chengdu) Investment Partnership | 58,718,977 | 50.00 | 29,359,489 | - | - | 29,359,489 |
| Korea Investment Industry 4.0 Venture Fund | 92,288,779 | 24.65 | 22,747,234 | - | - | 22,747,234 |
| 2017 KIF-KIP Artificial Intelligence Venture Fund | 49,211,310 | 20.00 | 9,842,262 | - | - | 9,842,262 |
| EQ Partners Green Private Equity Fund | 100,061,822 | 26.43 | 26,444,910 | - | - | 26,444,910 |
| IBK KIP Growth Stepstone No.1 Private Equity Fund | 47,165,237 | 20.00 | 9,433,047 | - | - | 9,433,047 |
| Eugene Premier Professional Investment Type Private Investment Trust No.17 | 79,135,050 | 40.51 | 32,060,213 | - | - | 32,060,213 |
| JB Japan Office Private Real Estate Fund 20 1st | 41,948,515 | 50.00 | 20,974,258 | - | - | 20,974,258 |
| KIS-Emford New Tech Investment Fund 1 | 12,881,223 | 22.06 | 2,841,446 | - | - | 2,841,446 |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In thousands of won)

8. Investments in Associates, Continued

(d) The financial information of associates and the carrying amount of investments in associates for the years ended December 31, 2020 and 2019 are as follows, Continued:

| Company | 2020 | | | | | Carrying amount |
|---|------------------|----------------------|--------------------------|-------------------------------|--------|-----------------|
| | Net asset (A) | Ownership (%) (B) | Owned net asset (AxB) | Discontinued equity method | Others | |
| KIM Private Placement London Core Office Real Estate Investment Trust | ₩ 134,415,798 | 23.35 | 31,381,120 | - | - | 31,381,120 |
| KCLAVIS Meister Fund No.46 | 2,435,983 | 64.52 | 1,571,602 | - | - | 1,571,602 |
| Hyundai YouFirst Private Real Estate Investment Trust No.23-1 | 56,461,689 | 48.81 | 27,557,786 | - | - | 27,557,786 |
| AIP Euro green private real estate trust NO.9 | 93,207,757 | 50.00 | 46,605,648 | - | 4,388 | 46,610,036 |
| FG EURO GREEN Private Real Estate Fund No.3 | 98,900,714 | 25.51 | 25,225,049 | - | - | 25,225,049 |
| Woori Goseong Power EBL Private Special Asset Fund | 90,706,249 | 33.33 | 30,235,416 | - | - | 30,235,416 |
| Hanwha Japan Photovoltaic Private Fund 2 | 65,289,571 | 33.33 | 21,763,190 | - | - | 21,763,190 |
| Eugene Aviation Private Special Asset Investment Trust No. 11 (Aircraft) | 8,064,742 | 54.48 | 4,393,468 | - | - | 4,393,468 |
| NH-Amundi Aviation Private Fund 1 | 54,628,338 | 28.67 | 15,663,979 | - | - | 15,663,979 |
| NH-Amundi Aviation Private Fund 2 | 37,990,637 | 40.04 | 15,210,363 | - | - | 15,210,363 |
| HANA PRIVATE REAL ESTATE INVESTMENT TRUST NO.58 | 84,727,438 | 35.26 | 29,878,225 | - | - | 29,878,225 |
| NH-Amundi US Infrastructure Investment Trust II | 78,777,289 | 30.30 | 23,870,054 | - | 118 | 23,870,172 |
| Anda Station Professional Investment Type Private Real Estate Fund No.1 | 117,363,854 | 31.80 | 37,320,305 | - | - | 37,320,305 |
| Koramco Professional Investment No.69 | 76,054,648 | 40.00 | 30,421,859 | - | - | 30,421,859 |
| WOORI ECOWASTE PRIVATE SPECIAL ASSET FUND | 61,533,675 | 25.20 | 15,508,487 | - | - | 15,508,487 |
| KIS-SV New Tech Investment Fund 1 | 8,764,983 | 32.97 | 2,889,555 | - | - | 2,889,555 |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In thousands of won)

8. Investments in Associates, Continued

(d) The financial information of associates and the carrying amount of investments in associates for the years ended December 31, 2020 and 2019 are as follows, Continued:

| Company | 2020 | | | | | |
|---|------------------|----------------------|--------------------------|-------------------------------|-------------|-----------------|
| | Net asset (A) | Ownership (%) (B) | Owned net asset (AxB) | Discontinued equity method | Others | Carrying amount |
| EBEST AIP Fund No.1 ₩ | 1,453,956 | 36.36 | 528,711 | - | - | 528,711 |
| Samchully Midstream Private Placement Special Asset Fund 5- 3 | 105,064,914 | 44.44 | 46,695,517 | - | - | 46,695,517 |
| KTB Aircraft Professional Investment Private Investment Trust No.22-1 | 82,058,458 | 27.03 | 22,177,686 | - | (2,278,430) | 19,899,256 |
| JB Australia NDIS Private Fund 1 | 88,547,171 | 49.50 | 43,835,233 | - | (2,083,714) | 41,751,519 |
| NH Amundi Overseas Senior Loan Fund 4 | 145,615,539 | 30.00 | 43,684,662 | - | - | 43,684,662 |
| Tiger Alternative Investment 8 | 116,991,609 | 39.35 | 46,031,070 | - | - | 46,031,070 |
| Tiger Alternative Qualified Investment Real Estate Trust No.12 | 72,248,489 | 32.59 | 23,545,480 | - | - | 23,545,480 |
| Tiger Alternative Qualified Investment Real Estate Trust No. 6 | 68,775,239 | 32.59 | 22,413,562 | - | - | 22,413,562 |
| Hanon Private Equity Fund | 22,075,452 | 28.57 | 6,307,272 | - | 234,346 | 6,541,618 |
| KIS-BM New Tech Investment Fund 1 | 6,121,883 | 31.75 | 1,943,455 | - | - | 1,943,455 |
| T&F 2019 Bearing Startup and Venture Private Equity Fund | 10,188,138 | 23.54 | 2,398,338 | - | - | 2,398,338 |
| IBKC-EQP Innovative Technology Fund | 12,197,609 | 40.00 | 4,879,044 | - | - | 4,879,044 |
| Kiwoom Infra Core Debt Investment Private Trust No.2 | 136,095,472 | 27.05 | 36,816,073 | - | 321,925 | 37,137,998 |
| Tiger Alternative Qualified Investment Real Estate Trust No.14 | 126,333,521 | 36.26 | 45,803,802 | - | - | 45,803,802 |
| Multi Asset Opportunity QI Investment Fund No. 16 | 53,295,705 | 56.90 | 30,325,350 | - | (4,775) | 30,320,575 |
| KIM AsiaPlus Securities Feeder Investment Trust (Bond) | 46,335,916 | 44.91 | 20,820,716 | - | 275,496 | 21,096,212 |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In thousands of won)

8. Investments in Associates, Continued

(d) The financial information of associates and the carrying amount of investments in associates for the years ended December 31, 2020 and 2019 are as follows, Continued:

| Company | 2020 | | | | | |
|---|------------------|----------------------|--------------------------|-------------------------------|------------|-----------------|
| | Net asset (A) | Ownership (%) (B) | Owned net asset (AxB) | Discontinued equity method | Others | Carrying amount |
| INMARK France Professional Private Real Estate Investment Trust 18 | ₩ 151,313,185 | 35.83 | 54,216,451 | - | (675,581) | 53,540,870 |
| Petra 7 Alpha Private Equity Fund | 48,432,800 | 51.92 | 25,144,270 | - | - | 25,144,270 |
| KIS-BM New Tech Investment Fund 2 | 3,079,298 | 31.95 | 983,801 | - | - | 983,801 |
| Kiwoom Hero Private Equity Fund 3 | 6,362,508 | 30.77 | 1,957,695 | - | - | 1,957,695 |
| Koreainvestment- Brickinvestment 1 New Technology Business Investment Fund | 14,210,983 | 20.62 | 2,930,099 | - | - | 2,930,099 |
| Tiger Alternative Qualified Investment Real Estate Trust No.18-2 | 112,562,744 | 23.51 | 26,468,082 | - | (450,000) | 26,018,082 |
| KIM Global Flex Bond Securities Trust | 58,166,463 | 36.40 | 21,171,555 | - | 138,464 | 21,310,019 |
| KIM Private Placement Smart Real Asset Investment Trust 1 | 35,708,617 | 20.00 | 7,141,723 | - | 136,765 | 7,278,488 |
| Alpha US Notus Special Asset Private Investment Trust | 147,744,600 | 39.96 | 59,045,032 | - | - | 59,045,032 |
| PineStreet Global Corporate Finance Fund V-1 | 54,571,251 | 30.30 | 16,536,743 | - | - | 16,536,743 |
| A ONE GALAXY KOSDAQ VENTURE PROFESSIONAL INVESTOR PRIVATE INVESTMENT FUNDS | 10,099,031 | 49.50 | 4,999,520 | - | - | 4,999,520 |
| KODEX Banks | 217,084,429 | 38.55 | 83,687,620 | - | - | 83,687,620 |
| Kakao Bank, Corp. | 2,796,962,518 | 27.10 | 757,976,842 | - | 20,324,344 | 778,301,186 |
| Korea Investment Aviation Professional Investors' Special Asset Investment Trust No.6 | 57,608,518 | 4.83 | 2,779,825 | - | - | 2,779,825 |
| KIM Target Income Global Bond Feeder Fund2 | 12,057,756 | 28.78 | 3,726,426 | - | - | 3,726,426 |
| KIM Target Income Global Allocation Feeder Fund2 | 8,955,141 | 64.52 | 5,820,192 | - | - | 5,820,192 |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In thousands of won)

8. Investments in Associates, Continued

(d) The financial information of associates and the carrying amount of investments in associates for the years ended December 31, 2020 and 2019 are as follows, Continued:

| Company | 2020 | | | | | |
|--|------------------------|----------------------|--------------------------|-------------------------------|-------------------|----------------------|
| | Net asset (A) | Ownership (%) (B) | Owned net asset (AxB) | Discontinued equity method | Others | Carrying amount |
| KIM Global Socially Responsible ESG Companies Fund(Equity-Fund of Funds) | ₩ 10,204,305 | 22.51 | 2,287,668 | - | - | 2,287,668 |
| GEC-KIP Technology and Innovation Fund | 13,095,854 | 47.04 | 5,949,908 | - | - | 5,949,908 |
| KIM US Dividend Aristocrats Fund (Equity) | 149,290,937 | 4.19 | 6,379,850 | - | - | 6,379,850 |
| Korea Value Platinum Equity Qualified Investor Private Investment Trust Type 2 | 9,543,726 | 6.60 | 629,877 | - | - | 629,877 |
| | ₩ <u>6,866,505,287</u> | | <u>2,109,759,880</u> | <u>411,947</u> | <u>16,255,402</u> | <u>2,126,427,229</u> |

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In thousands of won)

8. Investments in Associates, Continued

(d) The financial information of associates and the carrying amount of investments in associates for the years ended December 31, 2020 and 2019 are as follows, Continued:

| Company | 2019 | | | | | |
|--|------------------|----------------------|--------------------------|-------------------------------|--------|-----------------|
| | Net asset (A) | Ownership (%) (B) | Owned net asset (AxB) | Discontinued equity method | Others | Carrying amount |
| True Friend Investment Advisory Co., Ltd. | ₩ 2,792,253 | 100.00 | 2,792,253 | - | - | 2,792,253 |
| Global Dynasty Natural Resource Private Equity Fund | (1,807,892) | 22.39 | (404,752) | 404,752 | - | - |
| Shanghai Fangzheng Stock Investment Partnership | 137,458,478 | 39.60 | 54,433,557 | - | - | 54,433,557 |
| KIP Promising Service Industry Venture Fund | 45,588,232 | 22.22 | 10,130,718 | - | - | 10,130,718 |
| KIM Growth Company Professional Private Investment No.1 | 52,608,388 | 30.00 | 15,782,517 | - | - | 15,782,517 |
| KIM Growth Corporation Professional Mezzanine Private Trust 2 | 38,410,295 | 21.37 | 8,208,280 | - | (368) | 8,207,912 |
| KIM Growth Company Professional Private Investment No.3 | 69,393,805 | 39.10 | 27,132,936 | - | - | 27,132,936 |
| KIP Bright (Chengdu) Investment Partnership | 69,005,882 | 50.00 | 34,502,941 | - | - | 34,502,941 |
| Korea Investment Industry 4.0 Venture Fund | 84,049,325 | 24.65 | 20,716,383 | - | - | 20,716,383 |
| 2017 KIF-KIP Artificial Intelligence Venture Fund | 52,045,505 | 20.00 | 10,409,101 | - | - | 10,409,101 |
| EQ Partners Green Private Equity Fund | 101,040,523 | 26.43 | 26,703,567 | - | - | 26,703,567 |
| IBK KIP Growth Stepstone No.1 Private Equity Fund | 20,516,896 | 20.00 | 4,103,379 | - | - | 4,103,379 |
| Eugene Premier Professional Investment Type Private Investment Trust No.17 | 90,587,108 | 40.51 | 36,699,818 | - | - | 36,699,818 |
| JB Japan Office Private Real Estate Fund 20 1st | 40,233,417 | 50.00 | 20,116,709 | - | - | 20,116,709 |
| KIS-Emford New Tech Investment Fund 1 | 13,155,217 | 22.06 | 2,901,886 | - | - | 2,901,886 |
| KIP KIS Global Fund | 20,609,279 | 30.00 | 6,182,784 | - | - | 6,182,784 |

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(In thousands of won)

8. Investments in Associates, Continued

(d) The financial information of associates and the carrying amount of investments in associates for the years ended December 31, 2020 and 2019 are as follows, Continued:

| Company | 2019 | | | | | |
|---|------------------|----------------------|--------------------------|-------------------------------|--------|-----------------|
| | Net asset (A) | Ownership (%) (B) | Owned net asset (AxB) | Discontinued equity method | Others | Carrying amount |
| KIM Private Placement London Core Office Real Estate Investment Trust | ₩ 134,948,393 | 23.35 | 31,505,461 | - | - | 31,505,461 |
| KCLAVIS Meister Fund No.46 | 3,061,076 | 64.52 | 1,974,888 | - | - | 1,974,888 |
| Hyundai YouFirst Private Real Estate Investment Trust No.23-1 | 56,044,447 | 48.81 | 27,354,139 | - | - | 27,354,139 |
| AIP EURO GREEN PRIVATE REAL ESTATE TRUST NO.9 | 92,516,217 | 50.00 | 46,259,865 | - | 4,388 | 46,264,253 |
| FG EURO GREEN Private Real Estate Fund No.3 | 97,742,482 | 25.51 | 24,929,637 | - | - | 24,929,637 |
| Woori Goseong Power EBL Private Special Asset Fund | 90,699,897 | 33.33 | 30,233,299 | - | - | 30,233,299 |
| Hanwha Japan Photovoltaic Private Fund 2 | 67,931,683 | 33.33 | 22,643,895 | - | - | 22,643,895 |
| Eugene Aviation Private Special Asset Investment Trust No. 11 (Aircraft) | 8,003,070 | 54.48 | 4,359,873 | - | - | 4,359,873 |
| NH-Amundi Aviation Private Fund 1 | 54,090,902 | 28.67 | 15,509,876 | - | - | 15,509,876 |
| NH-Amundi Aviation Private Fund 2 | 37,712,212 | 40.04 | 15,098,890 | - | - | 15,098,890 |
| HANA PRIVATE REAL ESTATE INVESTMENT TRUST NO.58 | 77,446,041 | 35.26 | 27,310,518 | - | - | 27,310,518 |
| NH-Amundi US Infrastructure Investment Trust II | 78,943,151 | 30.30 | 23,920,311 | - | 119 | 23,920,430 |
| Anda Station Professional Investment Type Private Real Estate Fund No.1 | 119,091,285 | 31.80 | 37,869,607 | - | - | 37,869,607 |
| Koramco Professional Investment No.69 | 76,054,648 | 40.00 | 30,421,859 | - | - | 30,421,859 |
| WOORI ECOWASTE PRIVATE SPECIAL ASSET FUND | 59,715,397 | 25.20 | 15,050,222 | - | - | 15,050,222 |
| KIS-SV New Tech Investment Fund 1 | 8,947,898 | 32.97 | 2,949,856 | - | - | 2,949,856 |

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(In thousands of won)

8. Investments in Associates, Continued

(d) The financial information of associates and the carrying amount of investments in associates for the years ended December 31, 2020 and 2019 are as follows, Continued:

| Company | 2019 | | | | | |
|--|------------------|----------------------|--------------------------|-------------------------------|-----------|-----------------|
| | Net asset (A) | Ownership (%) (B) | Owned net asset (AxB) | Discontinued equity method | Others | Carrying amount |
| EBEST AIP Fund No.1 Samchully Midstream Private Placement Special Asset Fund 5-3 | ₩ 2,173,107 | 36.36 | 790,221 | - | - | 790,221 |
| KTB Aircraft Professional Investment Private Investment Trust No.22-1 | 107,437,899 | 44.44 | 47,750,177 | - | - | 47,750,177 |
| JB Australia NDIS Private Fund 1 | 81,803,946 | 27.03 | 22,108,899 | - | (397,607) | 21,711,292 |
| NH Amundi Overseas Senior Loan Fund 4 | 84,338,068 | 49.50 | 41,751,519 | - | - | 41,751,519 |
| Tiger Alternative Investment 8 | 141,822,405 | 30.00 | 42,546,722 | - | - | 42,546,722 |
| Tiger Alternative Professional Private Special Asset Investment Trust 5 | 118,328,711 | 39.35 | 46,557,161 | - | - | 46,557,161 |
| Tiger Alternative Qualified Investment Real Estate Trust No.12 | 40,367,225 | 47.55 | 19,195,951 | - | - | 19,195,951 |
| Tiger Alternative Qualified Investment Real Estate Trust No. 6 | 75,446,619 | 32.59 | 24,587,737 | - | - | 24,587,737 |
| SHBNPP Uijeongbu Light Rail Transit Professional Investment Type Private Special Asset Investment Trust | 71,914,451 | 32.59 | 23,436,618 | - | - | 23,436,618 |
| Hanon Private Equity Fund | 100,716,734 | 20.46 | 20,604,594 | - | (78,693) | 20,525,901 |
| KIS-BM New Tech Investment Fund 1 | 21,056,087 | 28.57 | 6,016,025 | - | 234,346 | 6,250,371 |
| T&F 2020 Bearing Startup and Venture Private Equity Fund | 6,249,383 | 31.75 | 1,983,931 | - | - | 1,983,931 |
| IBKC-EQP Innovative Technology Fund | 10,198,670 | 23.54 | 2,400,817 | - | - | 2,400,817 |
| Kiwoom Infra Core Debt Investment Private Trust No.2 | (54,667) | 40.00 | (21,866) | 21,866 | - | - |
| Tiger Alternative Qualified Investment Real Estate Trust No.14 | 135,514,810 | 27.05 | 36,658,994 | - | 321,925 | 36,980,919 |
| | 132,111,237 | 36.26 | 47,898,585 | - | - | 47,898,585 |

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(In thousands of won)

8. Investments in Associates, Continued

(d) The financial information of associates and the carrying amount of investments in associates for the years ended December 31, 2020 and 2019 are as follows, Continued:

| Company | 2019 | | | | | |
|---|------------------|----------------------|--------------------------|-------------------------------|------------|-----------------|
| | Net asset (A) | Ownership (%) (B) | Owned net asset (AxB) | Discontinued equity method | Others | Carrying amount |
| Multi Asset Opportunity QI Investment Fund No. 16 | ₩ 5,822,544 | 56.82 | 3,308,263 | - | - | 3,308,263 |
| Shinhan AIM Real Estate Fund No.19 | 30,282,343 | 53.55 | 16,215,840 | - | - | 16,215,840 |
| KIM AsiaPlus Securities Feeder Investment Trust(Bond) | 70,219,991 | 28.51 | 20,017,770 | - | - | 20,017,770 |
| INMARK France Professional Private Real Estate Investment Trust 18 | 150,426,077 | 51.14 | 76,927,994 | - | (909,980) | 76,018,014 |
| Petra 7 Alpha Private Equity Fund | 48,919,598 | 51.92 | 25,396,995 | - | - | 25,396,995 |
| Korea Kakao Bank, Corp. | 1,678,720,823 | 29.00 | 486,829,039 | - | 18,291,452 | 505,120,491 |
| Korea Investment Aviation Professional Investors' Special Asset Investment Trust No.6 | 112,920,970 | 4.83 | 5,448,872 | - | - | 5,448,872 |
| KIM Target Income Global Bond Feeder Fund | 5,974,332 | 90.51 | 5,407,100 | - | - | 5,407,100 |
| KIM Target Income Global Allocation Feeder Fund2 | 5,882,571 | 94.28 | 5,546,250 | - | - | 5,546,250 |
| KIM 4th Industrial Revolution of Japan Fund(Equity) | 5,098,066 | 87.42 | 4,456,851 | - | - | 4,456,851 |
| KIM Global Socially Responsible ESG Companies Fund(Equity-Fund of Funds | 2,058,953 | 90.93 | 1,872,247 | - | - | 1,872,247 |
| GEC-KIP Technology and Innovation Fund | 13,633,092 | 47.04 | 6,412,345 | - | - | 6,412,345 |
| | ₩ 5,158,019,555 | | 1,679,909,924 | 426,618 | 17,465,582 | 1,697,802,124 |

Korea Investment & Securities Co., Ltd. and Subsidiaries
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(In thousands of won)

8. Investments in Associates, Continued

(e) Accumulated unrecognized changes in equity due to discontinued use of equity method for the years ended December 31, 2020 and 2019 are as follows:

| | 2020 | |
|---|-------------------|---------------------------------|
| | Unrecognized loss | Unrecognized accumulated losses |
| Global Dynasty Natural Resource Private Equity Fund | ₩ (7,195) | (411,947) |
| | | |
| | 2019 | |
| | Unrecognized loss | Unrecognized accumulated losses |
| Global Dynasty Natural Resource Private Equity Fund | ₩ (193,390) | (404,752) |
| IBKC-EQP Innovative Technology Fund | (21,866) | (21,866) |

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(In thousands of won and in thousands of CNY)

8. Investments in Associates, Continued

(f) The amounts of investment commitment for investments in associates as of December 31, 2020 and 2019 are as follows:

| | Currency | Amount of Investment commitment | December 31, 2020 | | December 31, 2019 | |
|---|----------|---------------------------------|-------------------|---------------------|-------------------|---------------------|
| | | | Actual Investment | Residual Commitment | Actual Investment | Residual Commitment |
| Global Dynasty Natural Resource Private Equity Fund | KRW | ₩ 30,000,000 | 6,733,180 | 23,266,820 | 6,733,180 | 23,266,820 |
| KIP Promising Service Industry Venture Fund | KRW | 10,000,000 | 10,000,000 | - | 10,000,000 | - |
| KIM Growth Corporation Professional Private Trust 1 | KRW | 30,000,000 | 28,686,000 | 1,314,000 | 28,686,000 | 1,314,000 |
| KIM Growth Corporation Professional Mezzanine Private Trust 2 | KRW | 10,000,000 | 9,416,091 | 583,909 | 9,081,800 | 918,200 |
| Korea Investment Industry 4.0 Venture Fund | KRW | 17,500,000 | 17,500,000 | - | 14,000,000 | 3,500,000 |
| 2017 KIF-KIP Artificial Intelligence Venture Fund | KRW | 10,000,000 | 10,000,000 | - | 6,000,000 | 4,000,000 |
| KIM Growth Company Professional Private Investment No.3 | KRW | 43,000,000 | 40,309,300 | 2,690,700 | 27,198,700 | 15,801,300 |
| EQ Partners Green Private Equity Fund | KRW | 37,000,000 | 36,535,541 | 464,459 | 36,535,541 | 464,459 |
| IBK KIP Growth Stepstone No.1 Private Equity Fund | KRW | 20,000,000 | 10,296,000 | 9,704,000 | 4,576,000 | 15,424,000 |
| KIP KIS Global Fund | KRW | 15,000,000 | - | - | 6,150,000 | 8,850,000 |
| EBEST AIP Fund No.1 | KRW | 800,000 | 800,000 | - | 800,000 | - |
| Hanon Private Equity Fund | KRW | 7,000,000 | 7,000,000 | - | 7,000,000 | - |
| IBKC-EQP Innovative Technology Fund | KRW | 20,000,000 | 5,383,038 | 14,616,962 | 80,000 | 19,920,000 |
| KCLAVIS Meister Fund No.46 | KRW | 2,000,000 | 2,000,000 | - | 2,000,000 | - |
| T&F 2019 Bearing Startup and Venture Private Equity Fund | KRW | 2,500,000 | 2,500,000 | - | 2,500,000 | - |
| PETRA 7-Alpha Private Equity Fund | KRW | 26,061,725 | 26,061,725 | - | 26,061,725 | - |
| Kis-Emford New Tech Investment Fund 1 | KRW | 3,000,000 | 3,000,000 | - | 3,000,000 | - |
| Kis-Sq New Tech Investment Fund 1 | KRW | 3,000,000 | 3,000,000 | - | 3,000,000 | - |
| KIS-BM New Tech Investment Fund 1 | KRW | 2,000,000 | 2,000,000 | - | 2,000,000 | - |
| KIS-BM New Tech Investment Fund 2 | KRW | 1,000,000 | 1,000,000 | - | - | - |
| Koreainvestment-Brickinvestment 1 New Technology Business Investment Fund | KRW | 3,000,000 | 3,000,000 | - | - | - |

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(In thousands of won and in thousands of CNY)

8. Investments in Associates, Continued

(f) The amounts of investment commitment for investments in associates as of December 31, 2020 and 2019 are as follows, Continued:

| | Currency | Amount of Investment commitment | December 31, 2020 | | December 31, 2019 | |
|--|----------|---------------------------------------|----------------------|------------------------|----------------------|------------------------|
| | | | Actual Investment | Residual Commitment | Actual Investment | Residual Commitment |
| Kiwoom Hero Private Equity Fund 3 | KRW | ₩ 2,000,000 | 2,000,000 | - | - | - |
| | KRW | ₩ 294,861,725 | 227,220,875 | 52,640,850 | 195,402,946 | 93,458,779 |
| Shanghai Fangzheng Stock Investment Partnership | CNY | ¥ 244,664 | 240,550 | 4,114 | 250,985 | 23,977 |
| KIP Bright (Chengdu) Investment Partnership (LP) | CNY | 180,000 | 180,000 | - | 180,000 | - |
| | CNY | ¥ 424,664 | 420,550 | 4,114 | 430,985 | 23,977 |

Korea Investment & Securities Co., Ltd. and Subsidiaries
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(In thousands of won)

9. Financial assets measured at amortized cost

(a) Details of financial assets measured at amortized cost as of December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | December 31, 2019 |
|---|------------------------|----------------------|
| Loans and receivables at amortized cost | ₩ 6,571,903,361 | 5,670,332,586 |
| Debt securities at amortized cost | 146,288,550 | 226,148,702 |
| | <u>₩ 6,718,191,911</u> | <u>5,896,481,288</u> |

(b) Details of loans and receivables at amortized cost as of December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | | |
|----------------------------|------------------------|---------------------|----------------------|
| | Receivables | Loss allowance | Book value |
| Call loan | ₩ 4,312,500 | - | 4,312,500 |
| Broker's loans(*1) | 3,250,780,112 | (6,577,278) | 3,244,202,834 |
| Loans receivable | 2,554,505,863 | (23,576,406) | 2,530,929,457 |
| Loans to employees(*2) | 974,309 | - | 974,309 |
| Advances for customers(*3) | 10,677,192 | (10,677,192) | - |
| Privately placed bonds | 803,511,448 | (12,027,187) | 791,484,261 |
| Others | 11,585,117 | (11,585,117) | - |
| | <u>₩ 6,636,346,541</u> | <u>(64,443,180)</u> | <u>6,571,903,361</u> |

(*1) With borrowings from KSFC and the own funds, the Group provides margin accounts to customers for margin purchase of securities. Cash or marketable securities equivalent to 140 ~ 160% of such loan is held as collateral for margin transactions. When related collateral falls below 140 ~ 160% of the corresponding margin, additional cash or securities are then provided by customers as collateral.

(*2) The loan consists of the amount of the loan related to the housing loan, the mortgage loan, etc.

(*3) Advances for customers shall consist of the advance payments on acceptances and guarantees of bonds, advances payments on loss compensations and advance payments on acceptances and guarantees. Advance payments on acceptances and guarantees of bonds is calculated as the advance payment occurred on acceptances and guarantees of bonds if a large amount of accident compensation occurs due to the insolvency of the issuing company. Advances payments on loss compensations is an indemnity receivables that the company paid in advance in the event that a customer loses money due to embezzlement and arbitrarily selling of executives and employees.

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In thousands of won)

9. Financial assets measured at amortized cost, Continued

(b) Details of loans and receivables at amortized cost as of December 31, 2020 and 2019 are as follows,
Continued:

| | December 31, 2019 | | |
|----------------------------|-------------------|----------------|---------------|
| | Receivables | Loss allowance | Book value |
| Call loan | ₩ 4,242,401 | - | 4,242,401 |
| Broker's loans(*1) | 2,818,553,198 | (7,598,453) | 2,810,954,745 |
| Loans receivable | 2,357,503,129 | (16,794,623) | 2,340,708,506 |
| Loans to employees(*2) | 1,154,946 | - | 1,154,946 |
| Advances for customers(*3) | 8,002,519 | (8,002,519) | - |
| Privately placed bonds | 513,766,683 | (529,695) | 513,236,988 |
| Others | 11,620,117 | (11,585,117) | 35,000 |
| | ₩ 5,714,842,993 | (44,510,407) | 5,670,332,586 |

(*1) With borrowings from KSFC and the own funds, the Group provides margin accounts to customers for margin purchase of securities. Cash or marketable securities equivalent to 140 ~ 160% of such loan is held as collateral for margin transactions. When related collateral falls below 140 ~ 160% of the corresponding margin, additional cash or securities are then provided by customers as collateral.

(*2) The loan consists of the amount of the loan related to the housing loan, the mortgage loan, etc.

(*3) Advances for customers shall consist of the advance payments on acceptances and guarantees of bonds, advances payments on loss compensations and advance payments on acceptances and guarantees. Advance payments on acceptances and guarantees of bonds is calculated as the advance payment occurred on acceptances and guarantees of bonds if a large amount of accident compensation occurs due to the insolvency of the issuing company. Advances payments on loss compensations is an indemnity receivables that the company paid in advance in the event that a customer loses money due to embezzlement and arbitrarily selling of executives and employees.

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(In thousands of won)

9. Financial assets measured at amortized cost, Continued

(c) Changes in allowance for credit losses of loans and receivables at amortized cost for the years ended December 31, 2020 and 2019 are as follows:

| | 2020 | | | |
|------------------------------------|------------------|--------------|-------------|-------------|
| | 12-months ECL | Lifetime ECL | | Total |
| | | Not impaired | Impaired | |
| Beginning balance | ₩ 14,464,317 | - | 30,046,090 | 44,510,407 |
| Replacement | | | | |
| To 12-month ECL | - | - | - | - |
| To Lifetime ECL | - | - | - | - |
| To credit impaired financial asset | (556,650) | - | 556,650 | - |
| Provision (reversal) | 17,960,836 | - | 5,703,649 | 23,664,485 |
| Others(*) | (2,636,391) | - | (1,095,321) | (3,731,712) |
| Ending Balance | ₩ 29,232,112 | - | 35,211,068 | 64,443,180 |

(*) Others are effect of exchange rate changes.

| | 2019 | | | |
|------------------------------------|------------------|--------------|-------------|-------------|
| | 12-months ECL | Lifetime ECL | | Total |
| | | Not impaired | Impaired | |
| Beginning balance | ₩ 9,130,560 | 35,170 | 29,639,305 | 38,805,035 |
| Replacement | | | | |
| To 12-month ECL | - | - | - | - |
| To Lifetime ECL | - | - | - | - |
| To credit impaired financial asset | (44,325) | - | 44,325 | - |
| Provision (reversal) | 5,377,487 | (35,170) | 3,598,784 | 8,941,101 |
| Write-Off | - | - | (2,605,926) | (2,605,926) |
| Others(*) | 595 | - | (630,398) | (629,803) |
| Ending Balance | ₩ 14,464,317 | - | 30,046,090 | 44,510,407 |

(*) Others are effect of exchange rate changes.

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December 31, 2020 and 2019

(In thousands of won)

9. Financial assets measured at amortized cost, Continued

(d) Changes in carrying amount of loans and receivables at amortized cost for the years ended December 31, 2020 and 2019 are as follows:

| | | 2020 | | | Total |
|------------------------------------|---|----------------------|--------------|-------------------|----------------------|
| | | 12-months ECL | Lifetime ECL | | |
| | | | Not impaired | Impaired | |
| Beginning balance | ₩ | 5,684,032,247 | - | 30,810,746 | 5,714,842,993 |
| Replacement | | | | | |
| To 12-month ECL | | - | - | - | - |
| To Lifetime ECL | | - | - | - | - |
| To credit impaired financial asset | | (43,000,000) | - | 43,000,000 | - |
| Execution and repayment | | 920,211,302 | - | 2,387,566 | 922,598,868 |
| Others(*) | | - | - | (1,095,320) | (1,095,320) |
| Ending Balance | ₩ | <u>6,561,243,549</u> | <u>-</u> | <u>75,102,992</u> | <u>6,636,346,541</u> |

(*) Others are amortization using effective interest method of private bond's discounted present value and effect of exchange rate changes.

| | | 2019 | | | Total |
|------------------------------------|---|----------------------|--------------|-------------------|----------------------|
| | | 12-months ECL | Lifetime ECL | | |
| | | | Not impaired | Impaired | |
| Beginning balance | ₩ | 4,716,365,105 | 1,450,000 | 30,936,206 | 4,748,751,311 |
| Replacement | | | | | |
| To 12-month ECL | | - | - | - | - |
| To Lifetime ECL | | - | - | - | - |
| To credit impaired financial asset | | (2,500,000) | - | 2,500,000 | - |
| Execution and repayment | | 970,156,450 | (1,450,000) | 610,863 | 969,317,313 |
| Write-Off | | - | - | (2,605,925) | (2,605,925) |
| Others(*) | | 10,692 | - | (630,398) | (619,706) |
| Ending Balance | ₩ | <u>5,684,032,247</u> | <u>-</u> | <u>30,810,746</u> | <u>5,714,842,993</u> |

(*) Others are amortization using effective interest method of private bond's discounted present value and effect of exchange rate changes.

(e) There is no gain or loss incurred from disposal of the loans and receivables at amortized cost for the years ended December 31, 2020 and 2019.

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December 31, 2020 and 2019

(In thousands of won)

9. Financial assets measured at amortized cost, Continued

(f) Details of debt securities at amortized cost as of December 31, 2020 and 2019 are as follows:

| | | December 31, 2020 | | | |
|-----------------------------|---|--------------------|--------------------|------------------|--------------------|
| | | Face value | Amortized cost | Loss allowance | Book value |
| Government and Public bonds | ₩ | 20,000,000 | 19,568,298 | (600) | 19,567,698 |
| Corporate bonds | | 127,000,000 | 127,000,000 | (279,148) | 126,720,852 |
| | ₩ | <u>147,000,000</u> | <u>146,568,298</u> | <u>(279,748)</u> | <u>146,288,550</u> |
| | | December 31, 2019 | | | |
| | | Face value | Amortized cost | Loss allowance | Book value |
| Government and Public bonds | ₩ | 20,000,000 | 19,381,913 | (600) | 19,381,313 |
| Corporate bonds | | 207,000,000 | 207,000,000 | (232,611) | 206,767,389 |
| | ₩ | <u>227,000,000</u> | <u>226,381,913</u> | <u>(233,211)</u> | <u>226,148,702</u> |

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9. Financial assets measured at amortized cost, Continued

(g) Change in loss allowance of debt securities at amortized cost for the years ended December 31, 2020 and 2019 are as follows:

| | 2020 | | | |
|------------------------------------|------------------|--------------|----------|---------|
| | 12-months ECL | Lifetime ECL | | Total |
| | | Not impaired | Impaired | |
| Beginning balance | ₩ 233,211 | - | - | 233,211 |
| Replacement | | | | |
| To 12-month ECL | - | - | - | - |
| To Lifetime ECL | - | - | - | - |
| To credit impaired financial asset | - | - | - | - |
| Provision (reversal) | 46,537 | - | - | 46,537 |
| Ending balance | ₩ 279,748 | - | - | 279,748 |
| | | | | |
| | 2019 | | | |
| | 12-months ECL | Lifetime ECL | | Total |
| | | Not impaired | Impaired | |
| Beginning balance | ₩ 229,740 | - | - | 229,740 |
| Replacement | | | | |
| To 12-month ECL | - | - | - | - |
| To Lifetime ECL | - | - | - | - |
| To credit impaired financial asset | - | - | - | - |
| Provision (reversal) | 3,471 | - | - | 3,471 |
| Ending balance | ₩ 233,211 | - | - | 233,211 |

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(In thousands of won)

9. Financial assets measured at amortized cost, Continued

(h) Change in carrying amount of loss allowance of debt securities at amortized cost for the years ended December 31, 2020 and 2019 are as follows:

| | 2020 | | | |
|------------------------------------|------------------|--------------|----------|--------------|
| | 12-months ECL | Lifetime ECL | | Total |
| | | Not impaired | Impaired | |
| Beginning balance | ₩ 226,381,913 | - | - | 226,381,913 |
| Replacement | | | | |
| To 12-month ECL | - | - | - | - |
| To Lifetime ECL | - | - | - | - |
| To credit impaired financial asset | - | - | - | - |
| Acquisition | - | - | - | - |
| Disposal | (80,000,000) | - | - | (80,000,000) |
| Others(*) | 186,385 | - | - | 186,385 |
| Ending balance | ₩ 146,568,298 | - | - | 146,568,298 |

(*) Others : Due to effective interest amortization etc.

| | 2019 | | | |
|------------------------------------|------------------|--------------|----------|-------------|
| | 12-months ECL | Lifetime ECL | | Total |
| | | Not impaired | Impaired | |
| Beginning balance | ₩ 188,605,167 | - | - | 188,605,167 |
| Replacement | | | | |
| To 12-month ECL | - | - | - | - |
| To Lifetime ECL | - | - | - | - |
| To credit impaired financial asset | - | - | - | - |
| Acquisition | 37,600,000 | - | - | 37,600,000 |
| Disposal | - | - | - | - |
| Others(*) | 176,746 | - | - | 176,746 |
| Ending balance | ₩ 226,381,913 | - | - | 226,381,913 |

(*) Others : Due to effective interest amortization etc.

(i) There is no gain or loss incurred from disposal of the debt securities at amortized cost for the years ended December 31, 2020 and 2019.

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(In thousands of won)

10. Property and Equipment

(a) The details of property and equipment as of December 31, 2020 and 2019 are as follows:

| | | December 31, 2020 | | |
|-------------------------|---|--------------------|--------------------------|--------------------|
| | | Acquisition cost | Accumulated depreciation | Carrying amount |
| Land | ₩ | 187,676,845 | - | 187,676,845 |
| Buildings | | 128,152,743 | (66,052,251) | 62,100,492 |
| Vehicles | | 614,210 | (252,253) | 361,957 |
| Furniture and equipment | | 117,838,114 | (83,850,506) | 33,987,608 |
| Others | | 71,950,429 | (55,463,844) | 16,486,585 |
| Right-of-use assets | | 99,020,773 | (33,331,140) | 65,689,633 |
| | ₩ | <u>605,253,114</u> | <u>(238,949,994)</u> | <u>366,303,120</u> |
| December 31, 2019 | | | | |
| | | Acquisition cost | Accumulated depreciation | Carrying amount |
| Land | ₩ | 187,677,081 | - | 187,677,081 |
| Buildings | | 127,808,076 | (62,698,148) | 65,109,928 |
| Vehicles | | 612,599 | (286,936) | 325,663 |
| Furniture and equipment | | 109,361,500 | (76,319,319) | 33,042,181 |
| Others | | 68,130,284 | (53,433,492) | 14,696,792 |
| Right-of-use assets | | 77,817,861 | (15,593,965) | 62,223,896 |
| | ₩ | <u>571,407,401</u> | <u>(208,331,860)</u> | <u>363,075,541</u> |

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(In thousands of won)

10. Property and Equipment, Continued

(b) Changes in property and equipment for the years ended December 31, 2020 and 2019 are as follows:

| | 2020 | | | | | Ending balance |
|-------------------------|-------------------|-------------|-------------|--------------|-------------|----------------|
| | Beginning balance | Acquisition | Disposal | Depreciation | Others(*) | |
| Land | ₩ 187,677,081 | - | - | - | (236) | 187,676,845 |
| Buildings | 65,109,928 | 760,967 | - | (3,331,050) | (439,353) | 62,100,492 |
| Vehicles | 325,663 | 260,478 | (102,576) | (158,902) | 37,294 | 361,957 |
| Furniture and equipment | 33,042,181 | 11,400,340 | (56,389) | (10,394,553) | (3,971) | 33,987,608 |
| Others | 14,696,792 | 9,223,722 | (164,048) | (6,458,425) | (811,456) | 16,486,585 |
| Right-of-use assets | 62,223,896 | 37,559,379 | (6,091,298) | (27,138,051) | (864,293) | 65,689,633 |
| | ₩ 363,075,541 | 59,204,886 | (6,414,311) | (47,480,981) | (2,082,015) | 366,303,120 |

(*) Represents exchange rate fluctuation effect of foreign subsidiaries, transfer between investment property and property and equipment due to changes in leasable areas and increase in estimated costs of restoration.

| | 2019 | | | | | | Ending balance |
|-------------------------|-------------------|--|-------------|-------------|--------------|-----------|----------------|
| | Beginning balance | Impact upon change in accounting standards | Acquisition | Disposal | Depreciation | Others(*) | |
| Land | ₩ 187,677,081 | - | - | - | - | - | 187,677,081 |
| Buildings | 65,802,877 | - | 2,577,888 | - | (3,279,210) | 8,373 | 65,109,928 |
| Vehicles | 271,810 | - | 238,322 | (93,435) | (175,870) | 84,836 | 325,663 |
| Furniture and equipment | 16,354,029 | - | 24,448,463 | (2,008) | (7,855,519) | 97,216 | 33,042,181 |
| Others | 15,962,017 | (897,482) | 5,906,786 | (3,340) | (6,428,891) | 157,702 | 14,696,792 |
| Right-of-use assets | - | 37,167,195 | 61,336,126 | (5,957,225) | (30,322,200) | - | 62,223,896 |
| | ₩ 286,067,814 | 36,269,713 | 94,507,585 | (6,056,008) | (48,061,690) | 348,127 | 363,075,541 |

(*) Represents exchange rate fluctuation effect of foreign subsidiaries, transfer between investment property and property and equipment due to changes in leasable areas and increase in estimated costs of restoration.

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(In thousands of won)

10. Property and Equipment, Continued

(c) The details of insurance policies as of December 31, 2020 and 2019 are as follows:

| | Insured amount | | Insured property | Insurance company |
|--|---|-------------------|-----------------------|---|
| | December 31, 2020 | December 31, 2019 | | |
| Package insurance | ₩ 177,062,609 | 181,127,820 | | |
| Gas accident compensation insurance | 80 million per person 300 million per accident | | Buildings and others | |
| Elevator accident indemnity insurance | 80 million per person 10 million per accident | | | Meritz Fire and Marine Insurance Co, Ltd. |
| Insurance for electronic instrument | 26,761,305 | 12,360,043 | Electronic equipment | LOTTE INSURANCE CO., LTD. |
| Financial transaction compensation insurance | 500,000 | 500,000 | Financial transaction | |
| Personal information insurance | 1,000,000 | 1,000,000 | Customer information | |
| Burglary insurance | 5,550,000 | 5,780,000 | Cash and securities | DB Insurance Co, Ltd. |

Also, the Group has insurance coverage for automobile liability insurance policies for vehicles and package insurance policies.

11. Intangible Assets

(a) The details of intangible assets as of December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | | | |
|-------------------|-------------------|--------------------------|-----------------------------|-----------------|
| | Acquisition cost | Accumulated amortization | Accumulated impairment loss | Carrying amount |
| Goodwill | ₩ 233,046,004 | - | - | 233,046,004 |
| Development costs | 56,162,333 | (34,206,908) | - | 21,955,425 |
| Software | 3,376,896 | (1,307,557) | - | 2,069,339 |
| Memberships | 25,581,614 | - | (5,583,231) | 19,998,383 |
| Others | 21,064,816 | (1,530) | - | 21,063,286 |
| | ₩ 339,231,663 | (35,515,995) | (5,583,231) | 298,132,437 |

| | December 31, 2019 | | | |
|-------------------|-------------------|--------------------------|-----------------------------|-----------------|
| | Acquisition cost | Accumulated amortization | Accumulated impairment loss | Carrying amount |
| Goodwill | ₩ 231,702,926 | - | - | 231,702,926 |
| Development costs | 47,610,238 | (28,418,912) | - | 19,191,326 |
| Software | 2,850,109 | (1,115,714) | - | 1,734,395 |
| Memberships | 25,821,887 | - | (6,307,912) | 19,513,975 |
| Others | 21,098,621 | (1,439) | - | 21,097,182 |
| | ₩ 329,083,781 | (29,536,065) | (6,307,912) | 293,239,804 |

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11. Intangible Assets, Continued

(b) Changes in intangible assets for the years ended December 31, 2020 and 2019 are as follows:

| | 2020 | | | | | | Ending balance |
|-------------------|-------------------|-------------|-------------|--------------|-----------------------------|-----------|----------------|
| | Beginning balance | Acquisition | Disposal | Amortization | Reversal of Impairment loss | Others(*) | |
| Goodwill | ₩231,702,926 | 1,738,484 | - | - | - | (395,406) | 233,046,004 |
| Development costs | 19,191,326 | 8,455,967 | - | (6,466,100) | - | 774,232 | 21,955,425 |
| Software | 1,734,395 | 869,081 | - | (247,042) | - | (287,095) | 2,069,339 |
| Memberships | 19,513,975 | 2,347,657 | (2,047,782) | - | 207,833 | (23,300) | 19,998,383 |
| Others | 21,097,182 | 32,063 | (14,638) | (51,133) | - | (188) | 21,063,286 |
| | ₩293,239,804 | 13,443,252 | (2,062,420) | (6,764,275) | 207,833 | 68,243 | 298,132,437 |

(*) Others represent fluctuations in exchange rate differences caused by overseas subsidiaries.

| | 2019 | | | | | | Ending balance |
|-------------------|-------------------|-------------|-------------|--------------|-----------|--|----------------|
| | Beginning balance | Acquisition | Disposal | Amortization | Others(*) | | |
| Goodwill | ₩ 231,329,356 | - | - | - | 373,570 | | 231,702,926 |
| Development costs | 19,942,019 | 5,602,422 | - | (6,231,479) | (121,636) | | 19,191,326 |
| Software | 1,585,012 | 621,346 | (24,840) | (209,298) | (237,825) | | 1,734,395 |
| Memberships | 21,308,875 | 70,765 | (1,865,000) | - | (665) | | 19,513,975 |
| Others | 21,159,863 | 9,207 | (14,638) | (56,940) | (310) | | 21,097,182 |
| | ₩ 295,325,125 | 6,303,740 | (1,904,478) | (6,497,717) | 13,134 | | 293,239,804 |

(*) Others represent fluctuations in exchange rate differences caused by overseas subsidiaries.

(c) Goodwill is allocated to each cash generating unit as of December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | December 31, 2019 |
|---|-------------------|-------------------|
| Korea Investment Management Co., Ltd. | ₩ 214,578,306 | 214,578,306 |
| Korea Investment Value Asset Management Co., Ltd. | 11,011,366 | 11,011,366 |
| KIS Vietnam Securities Corporation | 2,126,888 | 2,257,843 |
| PT Korea Investment & Sekuritas Indonesia | 3,590,960 | 3,855,411 |
| KIM Vietnam Fund Management | 1,738,484 | - |
| | ₩ 233,046,004 | 231,702,926 |

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11. Intangible Assets, Continued

(d) The Group performed an impairment assessment of Korea Investment Management Co., Ltd. goodwill acquired through a business combination.

(i) Specific evaluation method

The recoverable amount used in the impairment assessment was assessed based on the value in use, and the value in use was taken into account of the characteristics of the financial institution and applied the traditional approach (DCF method).

(ii) Measurement date and projection period

Measurement date for the calculation of recoverable amount is December 31, 2020 and its projection period for cash flow estimates is adjusted to 5 years. Value after the projection period was calculated by using terminal value.

(iii) Discount rate and terminal growth rate

The required rates 9.50% of return expected by shareholders were applied to the discount rates. Expected terminal growth rate after the projection period is decided to apply to 1%.

(iv) Applications index

The key indicators applied to calculate total recoverable amount of cash generating unit are as follows:

| | 2021 | 2022 | 2023 | 2024 | 2025 |
|----------------------------|-------|-------|-------|-------|-------|
| The rate of GDP growth | 2.80% | 2.60% | 2.40% | 2.50% | 2.60% |
| The rate of CPI growth | 1.30% | 1.90% | 1.70% | 1.80% | 1.70% |
| Nominal wage increase rate | 3.40% | 4.10% | 4.00% | 4.10% | 4.10% |

(v) Total recoverable amount and total book value of Korea Investment Management Co., Ltd. are as follows:

| | Amount |
|--------------------------|---------------|
| Total recoverable amount | ₩ 801,188,000 |
| Total book value | 308,259,600 |
| Total surplus amount | ₩ 492,928,400 |

(e) Intangible assets with indefinite useful lives as of December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | December 31, 2019 |
|--|-------------------|-------------------|
| Registration fee to Korea Financial Telecommunications & Clearings Institute | ₩ 20,996,997 | 20,996,997 |
| Golf memberships | 16,454,762 | 15,958,489 |
| Sports memberships | 187,844 | 187,844 |
| Other memberships | 3,355,777 | 3,367,642 |
| | ₩ 40,995,380 | 40,510,972 |

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12. Investment Property

(a) The details of investment property as of December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | | |
|-----------|-------------------|--------------------------|-----------------|
| | Acquisition cost | Accumulated depreciation | Carrying amount |
| Land | ₩ 97,262,782 | - | 97,262,782 |
| Buildings | 72,255,883 | (7,978,271) | 64,277,612 |
| | ₩ 169,518,665 | (7,978,271) | 161,540,394 |

| | December 31, 2019 | | |
|-----------|-------------------|--------------------------|-----------------|
| | Acquisition cost | Accumulated depreciation | Carrying amount |
| Land | ₩ 97,262,545 | - | 97,262,545 |
| Buildings | 72,215,794 | (6,261,221) | 65,954,573 |
| | ₩ 169,478,339 | (6,261,221) | 163,217,118 |

(b) Changes in investment property for the years ended December 31, 2020 and 2019 are as follows:

| | | 2020 | | | | Ending balance |
|-----------|---|-------------------|-------------|--------------|---------------------|----------------|
| | | Beginning Balance | Acquisition | Depreciation | Reclassification(*) | |
| Land | ₩ | 97,262,545 | - | - | 237 | 97,262,782 |
| Buildings | | 65,954,573 | - | (1,805,471) | 128,510 | 64,277,612 |
| | ₩ | 163,217,118 | - | (1,805,471) | 128,747 | 161,540,394 |

(*) Represents transfer between investment property, and property and equipment due to changes in leasable areas.

| | | 2019 | | | | Ending balance |
|-----------|---|-------------------|----------|--------------|---------------------|----------------|
| | | Beginning Balance | Disposal | Depreciation | Reclassification(*) | |
| Land | ₩ | 97,262,545 | - | - | - | 97,262,545 |
| Buildings | | 68,344,653 | - | (2,607,291) | 217,211 | 65,954,573 |
| | ₩ | 165,607,198 | - | (2,607,291) | 217,211 | 163,217,118 |

(*) Represents transfer between investment property, and property and equipment due to changes in leasable areas.

(c) The fair values of the investment property recognized at cost as of December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | December 31, 2019 |
|-----------|-------------------|-------------------|
| Land | ₩ 96,280,727 | 113,778,648 |
| Buildings | 66,130,985 | 73,040,812 |
| | ₩ 162,411,712 | 186,819,460 |

(d) Rent income from investment property is ₩9,340,507 thousand for the year ended December 31, 2020 (₩9,157,793 thousand for the year ended December 31, 2019).

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13. Lease

(a) The details of right-of-use assets as of December 31, 2020 and 2019 are as follows:

| | | 2020 | | | | | Ending balance |
|-------------------------|---|-------------------|-------------------|--------------------|---------------------|------------------|-------------------|
| | | Beginning Balance | Acquisition | Disposal | Depreciation | Other | |
| Buildings | ₩ | 20,151,752 | 30,384,352 | (4,017,992) | (14,833,785) | (864,294) | 30,820,033 |
| Vehicles | | 767,284 | 1,682,847 | (543,506) | (708,300) | - | 1,198,325 |
| Machinery and Equipment | | 40,435,545 | 4,450,013 | (1,529,791) | (11,164,972) | - | 32,190,795 |
| Recovery allowance | | 869,315 | 1,042,167 | (8) | (430,994) | - | 1,480,480 |
| | ₩ | <u>62,223,896</u> | <u>37,559,379</u> | <u>(6,091,297)</u> | <u>(27,138,051)</u> | <u>(864,294)</u> | <u>65,689,633</u> |

| | | 2019 | | | | | Ending balance |
|-------------------------|---|-------------------|-----------------------------------|-------------------|--------------------|---------------------|-------------------|
| | | Beginning Balance | Adoption effect of K-IFRS No.1116 | Acquisition | Disposal | Depreciation | |
| Buildings | ₩ | - | 23,252,977 | 15,315,426 | (4,044,221) | (14,372,430) | 20,151,752 |
| Vehicles | | - | 695,432 | 664,843 | (3,556) | (589,435) | 767,284 |
| Machinery and Equipment | | - | 12,321,304 | 45,000,550 | (1,888,982) | (14,997,327) | 40,435,545 |
| Recovery allowance | | - | 897,482 | 355,307 | (20,466) | (363,008) | 869,315 |
| | ₩ | <u>-</u> | <u>37,167,195</u> | <u>61,336,126</u> | <u>(5,957,225)</u> | <u>(30,322,200)</u> | <u>62,223,896</u> |

(b) Estimated future cash outflows of lease liabilities as of December 31, 2020 and 2019 are as follows:

| | | 2020 | | | | | | Present value discount | Deduction balance | |
|-------------------------|---|------------------|------------------|------------------|------------------|-------------------|--------------|------------------------|--------------------|-------------------|
| | | Up to 1 months | 1~3 months | 3~6 months | 6~12 months | 1~5 years | Over 5 years | Total | | |
| Buildings | ₩ | 6,187,850 | 2,223,345 | 2,981,854 | 4,753,985 | 17,129,512 | - | 33,276,546 | (847,176) | 32,429,370 |
| Vehicles | | 16,363 | 125,803 | 181,438 | 343,188 | 580,120 | - | 1,246,912 | (20,580) | 1,226,332 |
| Machinery and Equipment | | 834,784 | 1,662,892 | 2,123,253 | 4,127,437 | 26,538,499 | - | 35,286,865 | (1,218,262) | 34,068,603 |
| | ₩ | <u>7,038,997</u> | <u>4,012,040</u> | <u>5,286,545</u> | <u>9,224,610</u> | <u>44,248,131</u> | <u>-</u> | <u>69,810,323</u> | <u>(2,086,018)</u> | <u>67,724,305</u> |

| | | 2019 | | | | | | Present value discount | Deduction balance | |
|-------------------------|---|------------------|------------------|------------------|------------------|-------------------|--------------|------------------------|--------------------|-------------------|
| | | Up to 1 months | 1~3 months | 3~6 months | 6~12 months | 1~5 years | Over 5 years | Total | | |
| Buildings | ₩ | 2,601,523 | 1,974,355 | 2,732,602 | 4,237,953 | 9,683,226 | - | 21,229,659 | (545,592) | 20,684,067 |
| Vehicles | | 51,083 | 91,713 | 117,252 | 209,104 | 375,222 | - | 844,374 | (16,873) | 827,501 |
| Machinery and Equipment | | 745,326 | 1,490,652 | 1,976,986 | 3,884,739 | 34,627,481 | - | 42,725,184 | (1,880,776) | 40,844,408 |
| | ₩ | <u>3,397,932</u> | <u>3,556,720</u> | <u>4,826,840</u> | <u>8,331,796</u> | <u>44,685,929</u> | <u>-</u> | <u>64,799,217</u> | <u>(2,443,241)</u> | <u>62,355,976</u> |

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13. Lease, Continued

(c) The gains and losses related to the use of leases for the years ended December 31, 2020 and 2019 are as follows:

| | 2020 | 2019 |
|--|--------------|------------|
| Depreciation expenses on right-of use assets | ₩ 27,138,051 | 30,322,200 |
| Interest costs on lease liabilities | 1,288,163 | 854,373 |
| Expenses relating to short-term leases(*) | 2,704 | 1,429,129 |
| Expenses relating to leases of low-value assets(*) | 1,402,261 | 1,380,103 |
| Expenses relating to variable lease payments that are not included in the measurement of lease liabilities | - | - |

(*) Expenses relating to short-term leases and leases of low-value assets are the same as the current term cash outflow, and the total cash outflow of leases for the year ended December 31, 2020 is ₩27,495,066 thousand (₩33,176,793 thousand for the year ended December 31, 2019).

(d) The details of operating lease payments to be received after the reporting date are as follows:

| | December 31, 2020 | | | | | | |
|-------------------|-------------------|---------------|---------------|----------------|--------------|-----------------|-----------|
| | Up to 1 months | 1~3 months | 3~6 months | 6~12 months | 1~5 years | Over 5 years | Total |
| Head office | ₩ 114,321 | 228,642 | 342,963 | 685,926 | - | - | 1,371,852 |
| Cheongnyang ni | 7,168 | 14,336 | 21,504 | 18,810 | 48,000 | - | 109,818 |
| Seomyeon | 5,154 | 10,307 | 15,461 | - | - | - | 30,922 |
| | ₩ 126,643 | 253,285 | 379,928 | 704,736 | 48,000 | - | 1,512,592 |

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14. Other financial assets measured at amortized cost

(a) Details of Other financial assets measured at amortized cost as of December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | December 31, 2019 |
|-------------------------|------------------------|----------------------|
| Accounts receivable | ₩ 2,043,825,827 | 2,653,135,438 |
| Accrued income | 180,913,368 | 205,951,979 |
| Guarantee deposits paid | 57,280,034 | 57,530,152 |
| Others | 43,024,156 | 12,459,111 |
| Present value discount | (6,505,986) | (7,972,682) |
| Loss allowance | (69,640,570) | (35,437,872) |
| | <u>₩ 2,248,896,829</u> | <u>2,885,666,126</u> |

(b) Details of changes in other financial assets measured at amortized cost for the years ended December 31, 2020 and 2019 are as follows:

| | 2020 | | | |
|------------------------------------|--------------------|----------------|-------------------|-------------------|
| | 12-months | Lifetime ECL | | Total |
| | ECL | Not impaired | Impaired | |
| Beginning balance | ₩ 2,045,927 | 188,986 | 33,202,959 | 35,437,872 |
| Replacement | | | | |
| To 12-month ECL | - | - | - | - |
| To Lifetime ECL | - | - | - | - |
| To credit impaired financial asset | (9,831) | - | 9,831 | - |
| Provision (reversal) | 1,211,074 | 45,068 | 32,952,667 | 34,208,809 |
| Write-off | - | - | (6,111) | (6,111) |
| Ending balance | <u>₩ 3,247,170</u> | <u>234,054</u> | <u>66,159,346</u> | <u>69,640,570</u> |
| | | | | |
| | | | | |
| | 2019 | | | |
| | 12-months | Lifetime ECL | | Total |
| | ECL | Not impaired | Impaired | |
| Beginning balance | ₩ 812,967 | 189 | 24,183,332 | 24,996,488 |
| Replacement | | | | |
| To 12-month ECL | - | - | - | - |
| To Lifetime ECL | - | 174,442 | (174,442) | - |
| To credit impaired financial asset | - | - | - | - |
| Provision (reversal) | 1,232,960 | 14,355 | 9,217,472 | 10,464,787 |
| Write-off | - | - | (23,403) | (23,403) |
| Ending balance | <u>₩ 2,045,927</u> | <u>188,986</u> | <u>33,202,959</u> | <u>35,437,872</u> |

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14. Other financial assets measured at amortized cost, Continued

(c) Details of changes in carrying amount of other financial assets measured at amortized cost for the years ended 2020 and 2019 are as follows:

| | 2020 | | | |
|------------------------------------|------------------------|------------------|-------------------|----------------------|
| | 12-months ECL | Lifetime ECL | | Total |
| | | Not impaired | Impaired | |
| Beginning book value | ₩ 2,886,949,308 | 951,731 | 33,202,959 | 2,921,103,998 |
| Replacement | | | | |
| To 12-month ECL | - | - | - | - |
| To Lifetime ECL | - | - | - | - |
| To credit impaired financial asset | (798,307) | (18,425) | 816,732 | - |
| Increase during 2020 | (629,261,899) | 220,520 | 26,480,892 | (602,560,487) |
| Write-off | - | - | (6,111) | (6,111) |
| Ending book value | ₩ <u>2,256,889,102</u> | <u>1,153,826</u> | <u>60,494,472</u> | <u>2,318,537,400</u> |
| | | | | |
| | 2019 | | | |
| | 12-months ECL | Lifetime ECL | | Total |
| | | Not impaired | Impaired | |
| Beginning book value | ₩ 1,334,444,713 | 9,469 | 24,881,101 | 1,359,335,283 |
| Replacement | | | | |
| To 12-month ECL | - | - | - | - |
| To Lifetime ECL | - | 872,210 | (872,210) | - |
| To credit impaired financial asset | - | - | - | - |
| Increase during 2019 | 1,552,504,595 | 70,052 | 9,217,471 | 1,561,792,118 |
| Write-off | - | - | (23,403) | (23,403) |
| Ending book value | ₩ <u>2,886,949,308</u> | <u>951,731</u> | <u>33,202,959</u> | <u>2,921,103,998</u> |

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15. Other Non-financial Assets

The details of other non-financial assets as of December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | December 31, 2019 |
|------------------|---------------------|-------------------|
| Advance payments | ₩ 28,381,212 | 13,690,840 |
| Prepaid expenses | 23,865,189 | 9,587,557 |
| | <u>₩ 52,246,401</u> | <u>23,278,397</u> |

16. Deposits Received

The details of deposits received as of December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | December 31, 2019 |
|---|------------------------|----------------------|
| Customers' deposits for brokerage | ₩ 6,746,670,077 | 1,848,179,255 |
| Customers' deposits for exchange-traded derivatives trading | 2,018,642,915 | 1,674,941,887 |
| Customers' deposits for subscriptions | 24,284 | 24,284 |
| Customers' deposits for savings | 30,731,880 | 22,685,344 |
| Customers' deposits for REPO | 10,307 | 10,333 |
| Customers' deposits for collective investment securities | 394,119,981 | 214,254,502 |
| Deposits for foreign stocks investment | 4,866,487 | 3,139,178 |
| Other deposits received | 27,009 | 20,502 |
| | <u>₩ 9,195,092,940</u> | <u>3,763,255,285</u> |

17. Financial liabilities measured at fair value through profit or loss

The Group classifies securities sold as financial liabilities measured at fair value through profit or loss. Securities sold as of December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | | |
|--------------------|-----------------------------|-------------------------|---------------------|
| | Book value before valuation | Fair value (book value) | Gains or losses |
| Equity instruments | ₩ 704,377,174 | 816,013,209 | (111,636,035) |
| Debt instruments | 1,967,014,279 | 1,951,198,872 | 15,815,407 |
| | <u>₩ 2,671,391,453</u> | <u>2,767,212,081</u> | <u>(95,820,628)</u> |
| | December 31, 2019 | | |
| | Book value before valuation | Fair value (book value) | Gains or losses |
| Equity instruments | ₩ 951,361,522 | 985,896,442 | (34,534,920) |
| Debt instruments | 3,021,929,297 | 2,999,574,575 | 22,354,722 |
| | <u>₩ 3,973,290,819</u> | <u>3,985,471,017</u> | <u>(12,180,198)</u> |

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18. Derivative Financial Instruments

The Group is using derivative financial instruments to mitigate the risks from value changes in derivatives-linked securities, exchange rates and interest rates arisen from the Group's assets and liabilities. The Group is also trading derivative financial instruments within the transaction limit set for the purpose of generating revenues.

The details of derivative financial instruments as of December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | | | December 31, 2019 | | |
|--------------------------|-------------------------|----------------------|----------------------|-----------------------|--------------------|--------------------|
| | Notional Amount(*1) | Assets | Liabilities | Notional Amount(*1) | Assets | Liabilities |
| Interest Rate | | | | | | |
| Futures(*2) | ₩ 3,210,715,986 | - | - | 2,438,866,704 | - | - |
| Swaps | 8,613,431,040 | 275,970,043 | 100,936,777 | 7,912,890,079 | 170,818,462 | 78,488,302 |
| | <u>11,824,147,026</u> | <u>275,970,043</u> | <u>100,936,777</u> | <u>10,351,756,783</u> | <u>170,818,462</u> | <u>78,488,302</u> |
| Currency | | | | | | |
| Forwards | 16,272,184,249 | 396,221,625 | 481,231,963 | 18,124,241,681 | 163,817,617 | 138,299,048 |
| Futures(*2) | 741,903,839 | - | - | 745,780,248 | - | - |
| Swaps | 2,192,939,819 | 28,672,971 | 157,252,358 | 870,063,981 | 12,532,481 | 2,643,378 |
| | <u>19,207,027,907</u> | <u>424,894,596</u> | <u>638,484,321</u> | <u>19,740,085,910</u> | <u>176,350,098</u> | <u>140,942,426</u> |
| Stock and Index | | | | | | |
| Futures(*2) | 1,979,190,219 | - | - | 3,229,169,217 | - | - |
| Swaps | 5,735,894,604 | 142,318,361 | 431,095,239 | 7,359,443,941 | 192,384,485 | 328,086,200 |
| Options | 15,738,480,815 | 149,443,655 | 447,139,930 | 29,135,621,736 | 220,570,958 | 296,095,669 |
| | <u>23,453,565,638</u> | <u>291,762,016</u> | <u>878,235,169</u> | <u>39,724,234,894</u> | <u>412,955,443</u> | <u>624,181,869</u> |
| Bond | | | | | | |
| Forwards | 70,000,000 | 2,681,235 | - | - | - | - |
| Swaps | 6,191,259,570 | 139,138,964 | 142,367,650 | 4,700,932,164 | 10,276,863 | 94,584,950 |
| | <u>6,261,259,570</u> | <u>141,820,199</u> | <u>142,367,650</u> | <u>4,700,932,164</u> | <u>10,276,863</u> | <u>94,584,950</u> |
| Credit | | | | | | |
| Swaps | 1,420,814,080 | 13,254,499 | 4,716,300 | 1,349,300,373 | 13,464,167 | 4,877,984 |
| Commodity | | | | | | |
| Futures(*2) | 140,579,958 | - | - | 57,653,676 | - | - |
| Options | 6,002,550 | - | 8,879,386 | 22,939,620 | - | 9,731,309 |
| | <u>146,582,508</u> | <u>-</u> | <u>8,879,386</u> | <u>80,593,296</u> | <u>-</u> | <u>9,731,309</u> |
| Other | | | | | | |
| Swaps | 380,797,605 | 65,425,054 | 50,706,545 | 268,713,329 | 77,168,233 | 2,588,994 |
| Credit value adjustments | - | (17,953,996) | (639,758) | - | (15,208,501) | (1,419,752) |
| | <u>₩ 62,694,194,334</u> | <u>1,195,172,411</u> | <u>1,823,686,390</u> | <u>76,215,616,749</u> | <u>845,824,765</u> | <u>953,976,082</u> |

(*1) Notional amounts are translated by applying the standard rate of exchange at the end of the reporting period. In case of transactions between Korean won and a foreign currency, the basis is the contractual price of the foreign currency. Also, for transactions between different foreign currencies, the basis is the contractual price of basic rate of exchange.

(*2) Futures transactions are settled daily and reflected in deposits.

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19. Financial Liabilities designated as measured at fair value through profit or loss

The Group designates equity-linked securities sold, equity-linked derivatives-linked bonds sold, other derivative-linked securities sold, other derivatives-linked bonds sold, credit derivative-linked bonds sold and exchange traded notes sold as financial liabilities designated as measured at fair value through profit or loss.

Equity-linked securities sold and others are structured financial instruments whose rate of return is linked to price changes of stock price index or stock price, interest rate, foreign exchange rate, credit rate or commodity price. These securities are hybrid financial instruments in which debt financial instrument and derivative financial instrument are combined. The Group does not account for derivatives embedded in the hybrid financial instruments separately, instead, derivatives are designated as financial liabilities designated as measured at fair value through profit or loss to evaluate the whole contract.

(a) The Group's financial liabilities designated as measured at fair value through profit or loss as of December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | | |
|--|-----------------------------|-------------------------|-----------------|
| | Book value before valuation | Fair value (Book value) | Gains or Losses |
| Equity-linked securities sold | ₩ 3,586,500,974 | 3,682,888,913 | (96,387,939) |
| Equity-linked derivative-linked bonds sold | 3,653,842,080 | 3,668,847,143 | (15,005,063) |
| Other derivative-linked securities sold | 303,621,947 | 271,276,717 | 32,345,230 |
| Other derivative-linked bonds sold | 2,480,608,125 | 2,383,707,105 | 96,901,020 |
| Exchange traded notes sold | 145,522,850 | 127,756,108 | 17,766,742 |
| Credit derivative-linked bonds sold | 1,002,863,300 | 1,001,888,600 | 974,700 |
| Day1 profit or loss | 223,562,337 | 58,274,558 | 165,287,779 |
| Credit value adjustments | (27,112,139) | (28,823,001) | 1,710,862 |
| | ₩ 11,369,409,474 | 11,165,816,143 | 203,593,331 |
| | December 31, 2019 | | |
| | Book value before valuation | Fair value (Book value) | Gains or Losses |
| Equity-linked securities sold | ₩ 5,358,264,219 | 5,688,092,673 | (329,828,454) |
| Equity-linked derivative-linked bonds sold | 4,197,786,127 | 4,210,630,121 | (12,843,994) |
| Other derivative-linked securities sold | 430,161,318 | 456,032,731 | (25,871,413) |
| Other derivative-linked bonds sold | 2,321,921,931 | 2,367,990,141 | (46,068,210) |
| Exchange traded notes sold | 243,246,342 | 235,184,973 | 8,061,369 |
| Credit derivative-linked bonds sold | 900,000,000 | 902,863,300 | (2,863,300) |
| Day1 profit or loss | 329,399,301 | 119,805,113 | 209,594,188 |
| Credit value adjustments | (42,794,370) | (27,112,139) | (15,682,231) |
| | ₩ 13,737,984,868 | 13,953,486,913 | (215,502,045) |

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19. Financial Liabilities designated as measured at fair value through profit or loss, Continued

(b) The details of changes in the credit value adjustments of the financial liabilities designated as measured at fair value through profit or loss for the years ended 2020 and 2019 are as follows:

| | 2020 | 2019 |
|--|--------------|--------------|
| Beginning credit value adjustments | ₩ 27,112,139 | 42,794,370 |
| Total changes in credit value adjustments | | |
| Changes in credit value adjustments - Other comprehensive income | 3,654,911 | (1,098,626) |
| Changes in credit value adjustments - Profit or loss | (1,944,049) | (14,583,605) |
| Ending credit value adjustments | ₩ 28,823,001 | 27,112,139 |

(c) The details of changes in credit value adjustments recognised in other comprehensive income of the financial liabilities designated as measured at fair value through profit or loss for the years ended 2020 and 2019 are as follows:

| | 2020 | 2019 |
|--|-------------|-------------|
| Beginning balance | ₩ (796,504) | - |
| Decrease credit value adjustments recognised in other comprehensive income | 3,654,911 | (1,098,626) |
| Income tax effect | (1,005,100) | 302,122 |
| Ending balance | ₩ 1,853,307 | (796,504) |

20. Borrowings

(a) The details of borrowings as of December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | December 31, 2019 |
|---|-------------------|-------------------|
| Call money | ₩ - | 190,000,000 |
| Borrowings from KSFC | 690,000,000 | 250,000,000 |
| Commercial paper | 2,357,000,000 | 115,500,000 |
| Electronic short-term bonds | 1,448,741,650 | 2,342,647,200 |
| Other borrowings | 446,816,616 | 288,213,053 |
| Securities sold under repurchase agreements | 11,931,080,886 | 9,408,735,874 |
| Debentures | 1,480,198,686 | 1,203,177,107 |
| Short-term notes issued | 7,563,722,899 | 6,713,359,257 |
| | ₩ 25,917,560,737 | 20,511,632,491 |

(b) The details of call money as of December 31, 2020 and 2019 are as follows:

| | Interest rate (%) | December 31, 2020 | December 31, 2019 |
|-------------------------------------|-------------------|-------------------|-------------------|
| Industrial Bank of Korea and others | 1.42 ~ 1.95 | ₩ - | 190,000,000 |

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20. Borrowings, Continued

(c) The details of borrowings from KSFC as of December 31, 2020 and 2019 are as follows:

| | <u>Maturity</u> | <u>Interest rate (%)</u> | | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|----------------------------|--------------------------|---|--------------------------|--------------------------|
| Notes Discounted from KSFC | 2021.01.04 | 0.75 | ₩ | 90,000,000 | 100,000,000 |
| Loans to finance securities-secured loans | 2021.01.01 ~ 2021.06.08 | 0.96 ~ 1.72 | | <u>600,000,000</u> | <u>150,000,000</u> |
| | | | ₩ | <u>690,000,000</u> | <u>250,000,000</u> |

(d) The details of commercial paper as of December 31, 2020 and 2019 are as follows:

| | <u>Interest rate (%)</u> | | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-----------------------|--------------------------|---|--------------------------|--------------------------|
| Woori Bank and others | 1.05 ~ 2.86 | ₩ | 2,357,000,000 | 115,500,000 |

(e) The details of electronic short-term bonds as of December 31, 2020 and 2019 are as follows:

| | <u>Interest rate (%)</u> | | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|---|--------------------------|--------------------------|
| BNK Investment & Securities and others | 1.30 ~ 1.65 | ₩ | 1,448,741,650 | 2,342,647,200 |

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20. Borrowings, Continued

(f) The details of debentures as of December 31, 2020 and 2019 are as follows:

| | Date issued | Maturity | Interest Rate (%) | December 31, 2020 | December 31, 2019 |
|---|--------------------|--------------------|-------------------|------------------------|----------------------|
| The 8-2nd bearer, coupon and non-guaranteed bond | September 4, 2015 | September 4, 2020 | 2.33 | ₩ - | 80,000,000 |
| The 9th bearer, coupon and non-guaranteed bond | September 23, 2015 | September 23, 2020 | 2.31 | - | 120,000,000 |
| The 11-2nd bearer, coupon and non-guaranteed bond | February 25, 2016 | February 25, 2021 | 2.14 | 20,000,000 | 20,000,000 |
| The 12nd bearer, coupon and non-guaranteed bond | April 6, 2016 | April 6, 2021 | 2.10 | 80,000,000 | 80,000,000 |
| The 14th bearer, coupon and non-guaranteed bond | March 20, 2019 | March 20, 2021 | 2.71 | 200,000,000 | 200,000,000 |
| The 15th bearer, coupon and non-guaranteed bond | July 27, 2019 | July 27, 2021 | 2.45 | 200,000,000 | 200,000,000 |
| The 16th bearer, coupon and non-guaranteed bond | February 28, 2020 | February 28, 2022 | 2.14 | 300,000,000 | 300,000,000 |
| The 17th bearer, coupon and non-guaranteed bond | August 29, 2020 | August 29, 2022 | 1.52 | 200,000,000 | 200,000,000 |
| The 18th non-guaranteed subordinated bond | July 9, 2020 | July 9, 2026 | 3.30 | 470,000,000 | - |
| KIS Vietnam Securities Corporation bond | October 31, 2020 | October 31, 2020 | 8.20 | 11,492,400 | 5,000,000 |
| Less : Discount on debentures | | | | (1,293,715) | (1,822,893) |
| | | | | <u>₩ 1,480,198,685</u> | <u>1,203,177,107</u> |

(g) The details of short-term notes issued as of December 31, 2020 and 2019 are as follows:

| Maturity | Interest rate (%) | December 31, 2020 | December 31, 2019 |
|-----------------------|-------------------|-------------------|-------------------|
| On demand ~ 12 months | 0.30 ~ 2.00 | ₩ 7,563,722,899 | 6,713,359,257 |

(h) Changes in borrowings for the years ended December 31, 2020 and 2019 are as follows:

| | 2020 | | |
|---|-------------------------|----------------------|-----------------------|
| | Borrowings | Debentures | Total |
| January 1, 2020 | ₩ 19,308,455,384 | 1,203,177,107 | 20,511,632,491 |
| Changes from financing cash flows | | | |
| Borrowing of debt | 3,014,686,841 | 476,340,800 | 3,491,027,641 |
| Redemption of debt | (799,481,606) | (200,000,000) | (999,481,606) |
| | <u>2,215,205,235</u> | <u>276,340,800</u> | <u>2,491,546,035</u> |
| Changes from operating cash flows | 3,068,523,911 | - | 3,068,523,911 |
| Discount on debenture Amortized | - | 970,779 | 970,779 |
| Effects from fluctuations in exchange rates | (154,822,479) | (290,000) | (155,112,479) |
| December 31, 2020 | <u>₩ 24,437,362,051</u> | <u>1,480,198,686</u> | <u>25,917,560,737</u> |

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20. Borrowings, Continued

(h) Changes in borrowings for the years ended December 31, 2020 and 2019 are as follows, Continued:

| | 2019 | | |
|---|-------------------------|----------------------|-----------------------|
| | Borrowings | Debentures | Total |
| January 1, 2019 | ₩ 17,621,219,494 | 798,987,124 | 18,420,206,618 |
| Changes from financing cash flows | | | |
| Borrowing of debt | 3,434,428,069 | 503,456,000 | 3,937,884,069 |
| Redemption of debt | (1,256,013,603) | (100,000,000) | (1,356,013,603) |
| | <u>2,178,414,466</u> | <u>403,456,000</u> | <u>2,581,870,466</u> |
| Changes from operating cash flows | (476,817,842) | - | (476,817,842) |
| Discount on debenture amortized | - | 733,983 | 733,983 |
| Effects from fluctuations in exchange rates | (14,360,734) | - | (14,360,734) |
| December 31, 2019 | ₩ <u>19,308,455,384</u> | <u>1,203,177,107</u> | <u>20,511,632,491</u> |

21. Defined Benefit Liabilities

(1) Defined Benefit Plans

(a) Net defined benefit liabilities consist of defined benefit pension schemes and retirement consolation benefits and the details as of December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | December 31, 2019 |
|--|--------------------|-------------------|
| Present value of defined benefit obligation | ₩ 81,084,056 | 79,176,372 |
| Fair value of plan assets | (77,018,966) | (72,244,040) |
| Liabilities in the statement of financial position | ₩ <u>4,065,090</u> | <u>6,932,332</u> |

(b) Changes in the present value of defined benefit obligations for the years ended December 31, 2020 and 2019 are as follows:

| | 2020 | 2019 |
|------------------------------------|---------------------|-------------------|
| Beginning balance | ₩ 79,176,372 | 69,849,533 |
| Current service cost | 9,742,260 | 9,294,232 |
| Interest cost | 2,009,563 | 1,998,199 |
| Remeasurements: | | |
| Changes in demographic assumptions | 1,029,179 | 4,182 |
| Changes in financial assumptions | (4,173,551) | 2,189,437 |
| Experience adjustments | 77,884 | 1,206,055 |
| Payments from plans: | | |
| Benefits paid | (6,647,703) | (5,321,979) |
| Transfer from associates | - | 101,335 |
| Transfer to associates | (129,948) | (144,622) |
| Ending balance | ₩ <u>81,084,056</u> | <u>79,176,372</u> |

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21. Defined Benefit Liabilities, Continued

(1) Defined Benefit Plans, Continued

(c) Changes in the fair value of plan assets for the years ended December 31, 2020 and 2019 are as follows:

| | 2020 | 2019 |
|---|--------------|-------------|
| Beginning balance | ₩ 72,244,040 | 67,663,238 |
| Interest income | 1,948,524 | 2,051,533 |
| Remeasurements: | | |
| Return on plan assets (excluding amounts included in interest income) | 2,320,017 | 535,067 |
| Contributions of employer | 7,290,000 | 7,360,000 |
| Payments from plans: | | |
| Benefits paid | (6,653,666) | (5,322,511) |
| Transfer from associates | - | 101,335 |
| Transfer to associates | (129,949) | (144,622) |
| Ending balance | ₩ 77,018,966 | 72,244,040 |

(d) Details of plan assets as of December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | | December 31, 2019 | |
|------------------|-------------------|-----------------|-------------------|-----------------|
| | Amount | Composition (%) | Amount | Composition (%) |
| Cash equivalents | ₩ 292,007 | 0.38 | ₩ 3,230,187 | 4.47 |
| Time deposits | 20,965,414 | 27.22 | 20,420,809 | 28.26 |
| Bond type fund | 13,653,488 | 17.73 | 13,650,669 | 18.90 |
| Others | 42,108,057 | 54.67 | 34,942,375 | 48.37 |
| | ₩ 77,018,966 | 100.00 | ₩ 72,244,040 | 100.00 |

(e) Key actuarial assumptions used as of December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | December 31, 2019 |
|----------------------------------|-------------------|-------------------|
| Discount rate | 2.05 ~ 2.97% | 2.24 ~ 2.82% |
| Expected salary increase rate(*) | 1.58 ~ 13.33% | 1.83 ~ 13.33% |

(*) The expected salary increase rate is calculated with consideration of the Group's salary contracts, promotion experience index, inflation and others.

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21. Defined Benefit Liabilities, Continued

(1) Defined Benefit Plans, Continued

(f) The sensitivity analyses for significant actuarial assumptions used to determine the present value of the defined benefit obligation as of December 31, 2020 are as follows:

| | Effect on the present value of defined benefit obligation | | |
|-------------------------------|---|---------------|-------------|
| | Change in assumption | Increase | Decrease |
| Discount rate | 1.00% | ₩ (6,896,192) | 8,042,858 |
| Expected salary increase rate | 1.00% | 8,044,143 | (7,023,144) |

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. The sensitivity of the present value of the defined benefit obligation to changes in actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations. The methods and assumptions used in preparing the sensitivity analyses did not change compared to the previous period.

(2) Defined Contribution Plans

Recognized expense related to the defined contribution plan for the years ended December 31, 2020 and 2019 are ₩27,679,914 thousand and ₩23,413,641 thousand, respectively.

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22. Provisions

(a) Details of provisions as of December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | December 31, 2019 |
|--|---------------------|-------------------|
| Provisions for restoration costs | ₩ 9,411,431 | 8,382,733 |
| Provisions for lawsuits | 2,102,456 | 2,283,569 |
| Provisions for other liabilities and charges | 511,000 | 326,149 |
| Provisions for off-balance sheet items | | |
| Provisions for undrawn commitment | 663,837 | 628,907 |
| Provisions for guarantees | 2,361,517 | 1,530,142 |
| | <u>₩ 15,050,241</u> | <u>13,151,500</u> |

(b) Changes in provisions for off-balance sheet items for the years ended December 31, 2020 and 2019 are as follows:

| | 2020 | | | | | | | |
|----------------------|---------------------|-----------------|----------|------------------|--------------------------|--------------|----------|----------------|
| | Financial Guarantee | | | | Undrawn commitments etc. | | | |
| | 12-months ECL | Lifetime ECL | | Total | 12-months ECL | Lifetime ECL | | Total |
| | Not impaired | Impaired | | Not impaired | Impaired | | | |
| Beginning Balance | ₩ 1,530,142 | - | - | 1,530,142 | 628,907 | - | - | 628,907 |
| Replacement | | | | | | | | |
| To 12-months ECL | - | - | - | - | - | - | - | - |
| To Lifetime ECL | - | - | - | - | - | - | - | - |
| Provision (reversal) | 831,375 | - | - | 831,375 | 34,930 | - | - | 34,930 |
| Ending balance | <u>₩ 2,361,517</u> | <u>-</u> | <u>-</u> | <u>2,361,517</u> | <u>663,837</u> | <u>-</u> | <u>-</u> | <u>663,837</u> |
| | 2019 | | | | | | | |
| | Financial Guarantee | | | | Undrawn commitments etc. | | | |
| | 12-months ECL | Lifetime ECL | | Total | 12-months ECL | Lifetime ECL | | Total |
| | | Not impaired | Impaired | | Not impaired | Impaired | | |
| Beginning Balance | ₩ 1,571,601 | - | - | 1,571,601 | 506,353 | - | - | 506,353 |
| Replacement | | | | | | | | |
| To 12-months ECL | - | - | - | - | - | - | - | - |
| To Lifetime ECL | - | - | - | - | - | - | - | - |
| Provision (reversal) | (41,459) | - | - | (41,459) | 122,554 | - | - | 122,554 |
| Ending balance | <u>₩ 1,530,142</u> | <u>-</u> | <u>-</u> | <u>1,530,142</u> | <u>628,907</u> | <u>-</u> | <u>-</u> | <u>628,907</u> |

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22. Provisions, Continued

(c) Changes in balance for off-balance sheet items for the years ended December 31, 2020 and 2019 are as follows:

| | 2020 | | | | | | | |
|---------------------------------------|---------------------|-----------------|--------------|---------------|--------------------------|-----------------|----------|--------------|
| | Financial Guarantee | | | | Undrawn commitments etc. | | | |
| | Lifetime ECL | | | | Lifetime ECL | | | |
| | 12-months ECL | Not impaired | Impaired | Total | 12-months ECL | Not impaired | Impaired | Total |
| Beginning Balance | ₩ 2,492,679,307 | - | - | 2,492,679,307 | 234,649,129 | - | - | 234,649,129 |
| Replacement | | | | | | | | |
| To 12-months ECL | - | - | - | - | - | - | - | - |
| To Lifetime ECL | - | - | - | - | - | - | - | - |
| To Credit impaired financial asset | (47,000,000) | - | 47,000,000 | - | - | - | - | - |
| Decrease | (447,392,912) | - | (47,000,000) | (494,392,912) | (35,644,257) | - | - | (35,644,257) |
| Ending balance | ₩ 1,998,286,395 | - | - | 1,998,286,395 | 199,004,872 | - | - | 199,004,872 |
| | 2019 | | | | | | | |
| | Financial Guarantee | | | | Undrawn commitments etc. | | | |
| | Lifetime ECL | | | | Lifetime ECL | | | |
| | 12-months ECL | Not impaired | Impaired | Total | 12-months ECL | Not impaired | Impaired | Total |
| Beginning Balance | ₩ 2,662,070,745 | - | - | 2,662,070,745 | 232,241,860 | - | - | 232,241,860 |
| Replacement | | | | | | | | |
| To 12-months ECL | - | - | - | - | - | - | - | - |
| To Lifetime ECL | - | - | - | - | - | - | - | - |
| To Credit impaired financial asset | - | - | - | - | - | - | - | - |
| Increase (Decrease) | (169,391,438) | - | - | (169,391,438) | 2,407,269 | - | - | 2,407,269 |
| Ending balance | ₩ 2,492,679,307 | - | - | 2,492,679,307 | 234,649,129 | - | - | 234,649,129 |

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22. Provisions, Continued

(d) Changes in provisions for the years ended December 31, 2020 and 2019 are as follows:

| | 2020 | 2019 |
|--------------------------|-------------|-----------|
| Beginning | ₩ 8,382,733 | 7,171,454 |
| Provision | 1,042,167 | 355,371 |
| Reversal | (921,082) | (357,897) |
| Reestimation adjustments | 866,106 | 1,182,638 |
| Unwinding or discount | 41,507 | 31,167 |
| Ending | ₩ 9,411,431 | 8,382,733 |

Provisions for restoration costs are the present value of estimated costs to be incurred for restoration of the leased properties. Actual expenses are expected to be incurred at the end of each lease contract and five years of depreciation period of leased properties are used as discount period. Also, the average restoration expense (excluding top and bottom 10%) based on actual two-year historical data and the three-year historical average inflation rate are used to estimate the estimated costs.

23. Other Financial Liabilities

Details of other financial liabilities as of December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | December 31, 2019 |
|---|-------------------|-------------------|
| Accounts payable | ₩ 1,817,190,781 | 2,404,178,042 |
| Accrued expenses | 329,930,694 | 382,469,546 |
| Other withheld | 1,102,216,733 | 1,237,244,442 |
| Leasehold deposits received | 8,853,193 | 8,901,236 |
| Financial guarantees | 105,560,758 | 112,959,101 |
| Non-controlling interests (liabilities) | 465,012,261 | 364,650,333 |
| Lease liabilities | 67,724,305 | 62,355,976 |
| Others | 274,991 | 31,743 |
| | ₩ 3,896,763,716 | 4,572,790,419 |

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24. Other Non-Financial Liabilities

Details of other non-financial liabilities as of December 31, 2020 and 2019 are as follows:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|------------------|--------------------------|--------------------------|
| Accounts payable | ₩ 174,021,934 | 54,760,630 |
| Accrued expenses | 17,153,198 | 18,201,952 |
| Taxes withheld | 38,911,565 | 34,123,774 |
| Unearned revenue | <u>68,688,253</u> | <u>75,072,991</u> |
| | <u>₩ 298,774,950</u> | <u>182,159,347</u> |

25. Tax Expense and Deferred Tax Assets (Liabilities)

(a) Tax expense for the years ended December 31, 2020 and 2019 are as follows:

| | <u>2020</u> | <u>2019</u> |
|--|----------------------|--------------------|
| Current tax on profit for the year(*1) | ₩ 240,641,064 | 192,719,508 |
| Changes in deferred tax assets (liabilities) (*2) | (7,382,520) | 37,052,195 |
| Tax recognized directly in equity(*3) | <u>30,921,726</u> | <u>22,085,549</u> |
| Tax expense | <u>₩ 264,180,270</u> | <u>251,857,252</u> |

(*1) Adjustment of prior year tax return and additional refund of income taxes are included.

(*2) Changes in deferred tax assets (liabilities) due to temporary differences are as follows:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Ending balance of deferred tax assets (liabilities) | ₩ (62,903,067) | (70,285,587) |
| Beginning balance of deferred tax assets (liabilities) | <u>(70,285,587)</u> | <u>(33,233,392)</u> |
| Changes in deferred tax assets (liabilities) | <u>₩ (7,382,520)</u> | <u>37,052,195</u> |

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25. Tax Expense and Deferred Tax Assets (Liabilities), Continued

(a) Tax expense for the years ended December 31, 2020 and 2019 are as follows, Continued:

(*3) Deferred taxes allocated directly to equity are as follows:

| | December 31, 2020 | | December 31, 2019 | |
|--|------------------------|-------------------|-----------------------|-------------------|
| | Temporary differences | Tax effect | Temporary differences | Tax effect |
| Gain (loss) on valuation of financial assets measured at fair value through other comprehensive income | ₩ (26,214,684) | 7,209,039 | (98,743,800) | 27,154,545 |
| Loss allowance on financial assets measured at fair value through other comprehensive income | 74,526 | (20,495) | (79,687) | 21,914 |
| Changes in accumulated comprehensive income of equity method investees | 3,689,519 | (1,014,618) | (2,996,085) | 796,340 |
| Foreign currency differences | (99,033,418) | 27,234,190 | 31,678,156 | (6,977,139) |
| Changes in the credit value adjustments of the financial liabilities designated as measured at fair value through profit or loss | 3,654,912 | (1,005,101) | (1,098,626) | 302,122 |
| Remeasurements of net defined benefit liabilities | 5,386,417 | (1,481,289) | (2,858,013) | 787,767 |
| | <u>₩ (112,442,728)</u> | <u>30,921,726</u> | <u>(74,098,055)</u> | <u>22,085,549</u> |

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25. Tax Expense and Deferred Tax Assets (Liabilities), Continued

(b) Reconciliation of profit before tax and tax expense for the years ended December 31, 2020 and 2019 are as follows:

| | 2020 | 2019 |
|--|---------------|--------------|
| Profit before tax | ₩ 971,960,345 | 936,276,777 |
| Tax based on statutory rate | 256,927,095 | 247,114,114 |
| Adjustments: | | |
| Adjustment of prior year tax return | 364,526 | 6,935,300 |
| Additional refund of income taxes | (528,461) | (13,948) |
| Non-deductible expense (2020: ₩16,890,076 thousand 2019: ₩24,533,683 thousand) | 4,644,771 | 6,746,804 |
| Non-taxable income (2020: ₩40,049,603 thousand 2019: ₩44,137,818 thousand) | (11,013,641) | (12,137,900) |
| Consolidated tax return effect | (1,984,564) | (8,609,363) |
| Others (difference of tax rate and others) | 15,770,544 | 11,822,245 |
| Tax expense | ₩ 264,180,270 | 251,857,252 |
| Effective tax rate | 27.18% | 26.90% |

(c) The changes in accumulated temporary differences and deferred income tax assets (liabilities) for the years ended December 31, 2020 and 2019 are as follows:

| | 2020 | | | | | |
|--|-----------------------------------|---------------------|----------------|--|---------------------|----------------|
| | Accumulated temporary differences | | | Deferred income tax assets (liabilities)(*4) | | |
| | Beginning balance | Increase (decrease) | Ending balance | Beginning balance | Increase (decrease) | Ending balance |
| Joint compensation fund(*1) | ₩ (440,213) | - | (440,213) | - | - | - |
| Accrued income | (86,149,035) | 24,727,067 | (61,421,968) | (23,690,985) | 6,799,944 | (16,891,041) |
| Gain on valuation of financial assets(*2) | (267,473,031) | (24,736,813) | (292,209,844) | (73,555,084) | (6,802,623) | (80,357,707) |
| Comprehensive income (loss) on valuation of financial assets | (115,643,363) | 28,116,004 | (87,527,359) | (31,801,925) | 7,731,901 | (24,070,024) |
| Present value discount | 9,885,416 | (933,840) | 8,951,576 | 2,718,489 | (256,806) | 2,461,683 |
| Investments in associates(*3) | 11,274,884 | (147,273,178) | (135,998,294) | 3,100,593 | (40,500,124) | (37,399,531) |
| Investments in subsidiaries (*3) | (62,026,591) | (81,812,036) | (143,838,627) | (17,057,313) | (22,498,309) | (39,555,622) |
| Severance insurance deposits | (69,744,670) | (6,672,677) | (76,417,347) | (19,179,784) | (1,834,986) | (21,014,770) |
| Defined benefit liabilities | 72,692,873 | 1,769,222 | 74,462,095 | 19,990,540 | 486,536 | 20,477,076 |
| Provisions | 5,030,136 | 4,746,079 | 9,776,215 | 1,383,287 | 1,305,172 | 2,688,459 |
| Provisions for others | - | 511,000 | 511,000 | - | 140,525 | 140,525 |
| Provisions for restoration costs | 7,513,418 | 1,026,252 | 8,539,670 | 2,066,190 | 282,219 | 2,348,409 |
| Accrued expenses | 18,926,123 | (765,419) | 18,160,704 | 5,204,684 | (210,490) | 4,994,194 |
| Loans to employees and deposits | 10,634 | (3,847) | 6,787 | 2,924 | (1,058) | 1,866 |

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25. Tax Expense and Deferred Tax Assets (Liabilities), Continued

(c) The changes in accumulated temporary differences and deferred income tax assets (liabilities) for the years ended December 31, 2020 and 2019 are as follows, Continued:

| | 2020 | | | | | |
|--|-----------------------------------|---------------------|----------------|--|---------------------|----------------|
| | Accumulated temporary differences | | | Deferred income tax assets (liabilities)(*4) | | |
| | Beginning balance | Increase (decrease) | Ending balance | Beginning balance | Increase (decrease) | Ending balance |
| Intangible assets | ₩ 8,287,796 | (1,220,777) | 7,067,019 | 2,279,144 | (335,714) | 1,943,430 |
| Deemed cost of land | (112,685,311) | - | (112,685,311) | (30,988,461) | - | (30,988,461) |
| Allowance for advanced depreciation | (61,346,918) | - | (61,346,918) | (16,870,402) | - | (16,870,402) |
| Gain (loss) on valuation of derivatives | (241,493,078) | 426,528,913 | 185,035,835 | (66,410,596) | 117,295,451 | 50,884,855 |
| Gain (loss) on valuation of derivatives-linked securities | (6,602,981) | 7,958,363 | 1,355,382 | (1,815,820) | 2,188,550 | 372,730 |
| Gain (loss) on valuation of derivatives-linked securities sold | 328,482,452 | (287,669,083) | 40,813,369 | 90,332,674 | (79,108,998) | 11,223,676 |
| Other non-operating income (*1) | 37,379,022 | - | 37,379,022 | - | - | - |
| Depreciation | 167,805 | 6,996 | 174,801 | 46,146 | 1,924 | 48,070 |
| Amortization | (20,996,996) | - | (20,996,996) | (5,774,174) | - | (5,774,174) |
| Written-off of bad debts | 503,445 | 121,062 | 624,507 | 138,447 | 33,292 | 171,739 |
| Assets for financial guarantee contracts | (162,404,751) | (19,401,665) | (181,806,416) | (44,661,307) | (5,335,457) | (49,996,764) |
| Liabilities for financial guarantee contracts | 162,010,592 | 21,687,915 | 183,698,507 | 44,552,913 | 5,964,176 | 50,517,089 |
| Deposits after expiration of statute of limitations | 6,295,718 | 721,262 | 7,016,980 | 1,731,322 | 198,348 | 1,929,670 |
| Unearned commission income | 24,184,623 | (7,929,843) | 16,254,780 | 6,650,771 | (2,180,706) | 4,470,065 |
| Accrued Expenses | 254,823,642 | 5,895,138 | 260,718,780 | 70,076,502 | 1,621,163 | 71,697,665 |
| Others | 40,893,230 | 81,449,415 | 122,342,645 | 11,245,638 | 22,398,590 | 33,644,228 |
| | ₩ (218,645,129) | 26,845,510 | (191,799,619) | (70,285,587) | 7,382,520 | (62,903,067) |
| Deferred tax assets (total) | | | | 261,520,264 | (1,504,835) | 260,015,429 |
| Deferred tax liabilities (total) | | | | (331,805,851) | 8,887,355 | (322,918,496) |

(*1) Deferred tax assets have not been recognized, due to the uncertainty that these will be realized in the future.

(*2) Deferred tax effect has not been recognized for deductible temporary differences of ₩307,268 thousand in temporary differences related to evaluation of financial assets measured at fair value, due to the uncertainty that these will be realized in the future.

(*3) Deferred tax effect has not been recognized for deductible temporary differences of ₩3,053,347 thousand in temporary differences related to investments in associates and subsidiaries, due to the uncertainty that these will be realized in the future.

(*4) The tax effects of accumulated temporary differences are calculated by applying the applicable tax rate for the years in which the temporary differences are expected to reverse. The revised tax rate as enacted in 2020 will be effective from 2020, which is 27.5% (including residence tax).

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25. Tax Expense and Deferred Tax Assets (Liabilities), Continued

(c) The changes in accumulated temporary differences and deferred income tax assets (liabilities) for the years ended December 31, 2020 and 2019 are as follows, Continued:

| | 2019 | | | | | |
|--|-----------------------------------|---------------------|----------------|--|---------------------|----------------|
| | Accumulated temporary differences | | | Deferred income tax assets (liabilities)(*4) | | |
| | Beginning balance | Increase (decrease) | Ending balance | Beginning balance | Increase (decrease) | Ending balance |
| Joint compensation fund (*1) | ₩ (440,213) | - | (440,213) | - | - | - |
| Accrued income | (64,178,717) | (21,970,318) | (86,149,035) | (17,649,147) | (6,041,838) | (23,690,985) |
| Gain on valuation of financial assets(*2) | (4,470,735) | (263,002,296) | (267,473,031) | (1,229,452) | (72,325,632) | (73,555,084) |
| Comprehensive income (loss) on valuation of financial assets | (202,331,525) | 86,688,162 | (115,643,363) | (55,641,170) | 23,839,245 | (31,801,925) |
| Present value discount | 13,283,658 | (3,398,242) | 9,885,416 | 3,653,006 | (934,517) | 2,718,489 |
| Investments in associates (*3) | (3,829,335) | 15,104,219 | 11,274,884 | (213,398) | 3,313,991 | 3,100,593 |
| Investments in subsidiaries (*3) | (29,105,801) | (32,920,790) | (62,026,591) | (8,004,095) | (9,053,218) | (17,057,313) |
| Severance insurance deposits | (62,895,477) | (6,849,193) | (69,744,670) | (17,296,256) | (1,883,528) | (19,179,784) |
| Defined benefit liabilities | 63,195,966 | 9,496,907 | 72,692,873 | 17,378,891 | 2,611,649 | 19,990,540 |
| Provisions | 39,213,861 | (34,183,725) | 5,030,136 | 10,783,812 | (9,400,525) | 1,383,287 |
| Provisions for restoration costs | 6,273,971 | 1,239,447 | 7,513,418 | 1,725,342 | 340,848 | 2,066,190 |
| Accrued expenses | 16,768,726 | 2,157,397 | 18,926,123 | 4,611,399 | 593,285 | 5,204,684 |
| Loans to employees and deposits | 36,747 | (26,113) | 10,634 | 10,105 | (7,181) | 2,924 |
| Intangible assets | 9,603,480 | (1,315,684) | 8,287,796 | 2,640,957 | (361,813) | 2,279,144 |
| Deemed cost of land | (112,685,311) | - | (112,685,311) | (30,988,461) | - | (30,988,461) |
| Allowance for advanced depreciation | (61,346,918) | - | (61,346,918) | (16,870,402) | - | (16,870,402) |
| Loss on valuation of derivatives | 428,346,644 | (669,839,722) | (241,493,078) | 117,795,327 | (184,205,923) | (66,410,596) |
| Loss on valuation of derivatives-linked securities | 19,041,283 | (25,644,264) | (6,602,981) | 5,236,353 | (7,052,173) | (1,815,820) |
| Gain (loss) on valuation of derivatives-linked securities sold | (415,840,758) | 744,323,210 | 328,482,452 | (114,356,209) | 204,688,883 | 90,332,674 |
| Day 1 profit or loss | - | - | - | - | - | - |
| Other non-operating income(*1) | 37,379,022 | - | 37,379,022 | - | - | - |
| Depreciation | 160,855 | 6,950 | 167,805 | 44,235 | 1,911 | 46,146 |
| Amortization | (20,996,996) | - | (20,996,996) | (5,774,174) | - | (5,774,174) |
| Written-off of bad debts | 579,661 | (76,216) | 503,445 | 159,407 | (20,960) | 138,447 |
| Assets for financial guarantee contracts | (141,255,583) | (21,149,168) | (162,404,751) | (38,845,285) | (5,816,022) | (44,661,307) |

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(In thousands of won)

25. Tax Expense and Deferred Tax Assets (Liabilities), Continued

(c) The changes in accumulated temporary differences and deferred income tax assets (liabilities) for the years ended December 31, 2020 and 2019 are as follows, Continued:

| | 2019 | | | | | |
|---|-----------------------------------|---------------------|----------------|--|---------------------|----------------|
| | Accumulated temporary differences | | | Deferred income tax assets (liabilities)(*4) | | |
| | Beginning balance | Increase (decrease) | Ending balance | Beginning balance | Increase (decrease) | Ending balance |
| Liabilities for financial guarantee contracts | ₩ 127,810,188 | 34,200,404 | 162,010,592 | 35,147,802 | 9,405,111 | 44,552,913 |
| Deposits after expiration of statute of limitations | 6,710,555 | (414,837) | 6,295,718 | 1,845,402 | (114,080) | 1,731,322 |
| Unearned commission income | - | 24,184,623 | 24,184,623 | - | 6,650,771 | 6,650,771 |
| Accrued Expenses | 197,267,000 | 57,556,642 | 254,823,642 | 54,248,425 | 15,828,077 | 70,076,502 |
| Others | 66,748,245 | (25,855,015) | 40,893,230 | 18,354,194 | (7,108,556) | 11,245,638 |
| | ₩ (86,957,507) | (131,687,622) | (218,645,129) | (33,233,392) | (37,052,195) | (70,285,587) |
| Deferred tax assets (total) | | | | 273,634,657 | (12,114,393) | 261,520,264 |
| Deferred tax liabilities (total) | | | | (306,868,049) | (24,937,802) | (331,805,851) |

(*1) Deferred tax assets have not been recognized, due to the uncertainty that these will be realized in the future.

(*2) Deferred tax effect has not been recognized for deductible temporary differences of ₩307,268 thousand in temporary differences related to evaluation of financial assets measured at fair value, due to the uncertainty that these will be realized in the future.

(*3) Deferred tax effect has not been recognized for deductible temporary differences of ₩3,053,347 thousand in temporary differences related to investments in associates and subsidiaries, due to the uncertainty that these will be realized in the future.

(*4) The tax effects of accumulated temporary differences are calculated by applying the applicable tax rate for the years in which the temporary differences are expected to reverse. The revised tax rate as enacted in 2019 will be effective from 2019, which is 27.5% (including residence tax).

Korea Investment & Securities Co., Ltd. and Subsidiaries
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(In thousands of won)

25. Tax Expense and Deferred Tax Assets (Liabilities), Continued

(d) Current tax assets (liabilities) before offsetting as of December 31, 2020 and 2019 are as follows:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Application of the consolidated tax return(*) | | |
| Korea Investment & Securities Co., Ltd. | ₩ (160,192,315) | (44,993,700) |
| Korea Investment Management Co., Ltd. | (12,036,166) | (8,864,829) |
| Korea Investment Value Asset Management Co., Ltd. | (1,793,453) | (902,101) |
| | <u>(174,021,934)</u> | <u>(54,760,630)</u> |
| Others | | |
| Current tax assets | 7,469,550 | 3,348,168 |
| Current tax liabilities | (2,966,390) | (896,495) |
| | <u>₩ (169,518,774)</u> | <u>(52,308,957)</u> |

(*) Current tax assets and liabilities are offset when they relate to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Current tax assets (liabilities) after offsetting are recognized as receivables from or accounts payable to Korea Investment Holdings Co., Ltd. due to the application of the consolidated tax return.

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(In thousands of won, except per share data)

26. Equity

(a) Details of capital stock as of December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | December 31, 2019 |
|---|-------------------|-------------------|
| Authorized number of shares (In shares) | 1,600,000,000 | 1,600,000,000 |
| Par value per share (won) | ₩ 5,000 | 5,000 |
| Common shares issued (In shares) | 35,163,340 | 35,163,340 |
| Capital stock-common shares | ₩ 175,816,700 | 175,816,700 |

(b) The changes in the number of issued shares for the years ended December 31, 2020 and 2019 are as follows:

| <i>(In shares)</i> | 2020 | 2019 |
|--------------------|------------|------------|
| Beginning | 35,163,340 | 35,147,800 |
| Capital increase | - | 15,540 |
| Ending | 35,163,340 | 35,163,340 |

(c) Details of capital surplus as of December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | December 31, 2019 |
|---|-------------------|-------------------|
| Paid-in capital in excess of par value | ₩ 3,510,257,498 | 3,510,257,498 |
| Other capital surplus(carry-over from merger) | 316,629,407 | 317,346,879 |
| | ₩ 3,826,886,905 | 3,827,604,377 |

(d) Details of accumulated other comprehensive income as of December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | December 31, 2019 |
|---|-------------------|-------------------|
| Change in fair value- Debt instruments measured at fair value through other comprehensive income | ₩ 5,942,175 | 5,572,161 |
| Changes in accumulated comprehensive income of equity method investees | (3,128,143) | (5,803,044) |
| Foreign currency differences | (51,948,913) | 19,850,315 |
| Change in fair value- Equity instruments measured at fair value through other comprehensive income | 77,989,976 | 97,311,604 |
| Gains (or losses) on disposal- Equity instruments measured at fair value through other comprehensive income | 2,385,080 | 2,385,080 |
| Change in credit risk- Debt instruments measured at fair value through other comprehensive income | 1,853,307 | (796,504) |
| Remeasurements of net defined benefit liabilities | (3,178,627) | (7,083,755) |
| | ₩ 29,914,855 | 111,435,857 |

Korea Investment & Securities Co., Ltd. and Subsidiaries
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26. Equity, Continued

(e) Retained earnings

(i) Details of retained earnings as of December 31, 2020 and 2019 are as follows:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|----------------------------------|--------------------------|--------------------------|
| Legal reserves | | |
| Earned surplus reserve(*) | ₩ 87,869,500 | 87,869,500 |
| Reserve for credit losses | 86,476,600 | 72,448,651 |
| Voluntary reserves | 359,493,153 | 359,493,153 |
| Unappropriated retained earnings | <u>1,241,288,999</u> | <u>787,303,537</u> |
| | <u>₩ 1,775,128,252</u> | <u>1,307,114,841</u> |

(*) The Commercial Act of the Republic of Korea requires the Group to appropriate, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued capital stock. The reserve is not available for the payment of cash dividends but may be transferred to capital stock or used to reduce accumulated deficit, if any, with a resolution of the general meeting of shareholder. When capital reserves and legal reserves exceed 1.5 times of capital stock of the Group, they are deductible from capital reserves and legal reserves within the range of exceeded amounts.

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26. Equity, Continued

(e) Retained earnings, Continued

(ii) Regulatory reserve for credit losses

The Group is required to maintain a reserve in the amount short of total required accumulated allowances on losses for supervisory purposes as a reserve for credit losses. The accumulated allowance on losses required for supervisory purposes is determined by using the minimum reserve rate in Regulation on Financial Investment Business.

The reserve for credit losses is similar to voluntary reserve for retained earnings. When the existing reserve for credit losses exceeds the required reserve at the end of the reporting period, the excess amount can be reversed. When undisposed deficit exists, reserve for credit losses is waived until the undisposed deficit is reversed.

① The details of the regulatory reserve for credit losses to be appropriated as of December 31, 2020 and 2019 are as follows:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-----------------------------------|--------------------------|--------------------------|
| Beginning | ₩ 86,476,601 | 72,448,652 |
| Amounts to be reserved (reversed) | <u>(12,415,257)</u> | <u>14,027,949</u> |
| Ending | ₩ <u>74,061,344</u> | <u>86,476,601</u> |

② The adjusted profit of the year after reflection of reserve for credit losses for the years ended December 31, 2020 and 2019 are as follows:

| | <u>2020</u> | <u>2019</u> |
|---|----------------------|---------------------|
| Profit for the year | ₩ 707,780,075 | 684,419,525 |
| Amounts to be reversed (reserved) | <u>12,415,257</u> | <u>(14,027,949)</u> |
| Adjusted profit after provision of reserve for credit losses(*) | ₩ <u>720,195,332</u> | <u>670,391,576</u> |

(*) Adjusted profit after reserve for credit losses is not in accordance with K-IFRS and calculated on the assumption that provision or reversal of reserve for credit losses before tax is adjusted to the profit.

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27. Fee and Commission Income and Fee and Commission Expense

The details of fee and commission income, and fee and commission expense for the years ended December 31, 2020 and 2019 are as follows:

| | 2020 | 2019 |
|---|------------------------|----------------------|
| Fee and commission income | | |
| Brokerage commissions | ₩ 480,863,565 | 247,298,005 |
| Underwriting commissions | 101,836,858 | 79,011,973 |
| Brokerage commissions on collective investment securities | 79,057,502 | 92,792,945 |
| Collective investment scheme management commission | 103,636,192 | 103,636,193 |
| Asset management fees | 56,936,788 | 48,015,270 |
| Commissions on merger & acquisition | 219,116,438 | 135,356,740 |
| Guarantee commissions | 66,318,031 | 55,518,751 |
| Trust fees and commissions received from trust accounts | 28,248,572 | 29,396,499 |
| Other commissions | 92,778,507 | 106,046,759 |
| | <u>1,228,792,453</u> | <u>897,073,135</u> |
| Fee and commission expense | | |
| Fee for brokerage transactions | (88,339,100) | (59,408,352) |
| Introducing broker commission | (10,047,790) | (7,318,912) |
| Other commissions | (112,069,067) | (80,748,114) |
| | <u>(210,455,957)</u> | <u>(147,475,378)</u> |
| Net fee and commission income | ₩ <u>1,018,336,496</u> | <u>749,597,757</u> |

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(In thousands of won)

28. Interest Income and Interest Expense

The details of interest income and interest expense for the years ended December 31, 2020 and 2019 are as follows:

| | 2020 | 2019 |
|--|----------------------|----------------------|
| Interest income | | |
| Cash and due from banks | ₩ 76,655,730 | 76,872,885 |
| Financial assets measured at fair value through profit or loss | 629,308,424 | 577,922,329 |
| Financial assets measured at fair value through other comprehensive income | 29,095,203 | 46,834,404 |
| Bonds measured at amortized cost | 548,548 | 531,053 |
| Loans measured at amortized cost | 365,739,534 | 348,119,470 |
| Other financial assets measured at amortized cost | 7,903,646 | 9,001,825 |
| | <u>1,109,251,085</u> | <u>1,011,990,535</u> |
| Interest expenses | | |
| Deposits received | (9,857,020) | (14,107,310) |
| Borrowings | (310,692,806) | (359,360,574) |
| Others | (18,217,905) | (31,861,311) |
| | <u>(338,767,731)</u> | <u>(405,329,195)</u> |
| Net interest income | ₩ <u>770,483,354</u> | <u>606,661,340</u> |

29. Dividend Income

The details of dividend income for the years ended December 31, 2020 and 2019 are as follows:

| | 2020 | 2019 |
|--|---------------------|-------------------|
| Financial assets measured at fair value through profit or loss | ₩ 48,291,040 | 47,338,828 |
| Financial assets measured at fair value through other comprehensive income | 23,928,439 | 22,408,906 |
| | <u>₩ 72,219,479</u> | <u>69,747,734</u> |

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30. Gain (loss) on Valuation and Disposal of Financial Assets (Liabilities)

The details of gain (loss) on valuation and disposal of financial assets (liabilities) for the years ended December 31, 2020 and 2019 are as follows:

| | 2020 | | |
|---|-------------------------|-------------------------|----------------------|
| | Profit | Loss | Net income |
| Financial assets measured at fair value through profit or loss | ₩ 1,381,411,554 | (605,547,447) | 775,864,107 |
| Derivative financial assets | 9,394,388,548 | (9,979,176,107) | (584,787,559) |
| Financial assets measured at fair value through other comprehensive income(*) | 13,688,529 | (328,417) | 13,360,112 |
| Financial liabilities measured at fair value through profit or loss | 144,702,575 | (374,764,191) | (230,061,616) |
| Financial liabilities designated as measured at fair value through profit or loss | 458,882,992 | (643,782,658) | (184,899,666) |
| | <u>₩ 11,393,074,198</u> | <u>(11,603,598,820)</u> | <u>(210,524,622)</u> |

(*) The valuation of equity and debt instruments designated as measured at fair value through other comprehensive income, and the profit or loss on disposal of equity instruments designated as measured at fair value through other comprehensive income are excluded because they are recognized as capital items.(Note 7)

| | 2019 | | |
|---|------------------------|------------------------|--------------------|
| | Profit | Loss | Net income |
| Financial assets measured at fair value through profit or loss | ₩ 986,982,489 | (324,721,106) | 662,261,383 |
| Derivative financial assets | 5,900,006,028 | (4,812,567,704) | 1,087,438,324 |
| Financial assets measured at fair value through other comprehensive income(*) | 15,807,996 | (542,417) | 15,265,579 |
| Financial liabilities measured at fair value through profit or loss | 130,127,986 | (255,518,068) | (125,390,082) |
| Financial liabilities designated as measured at fair value through profit or loss | 306,667,180 | (1,734,862,852) | (1,428,195,672) |
| | <u>₩ 7,339,591,679</u> | <u>(7,128,212,147)</u> | <u>211,379,532</u> |

(*) The valuation of equity and debt instruments designated as measured at fair value through other comprehensive income, and the profit or loss on disposal of equity instruments designated as measured at fair value through other comprehensive income are excluded because they are recognized as capital items.(Note 7)

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31. Provision and Reversal for Credit Loss Allowance

The details of provision and reversal for credit loss allowance due to expected credit losses recognized for the years ended December 31, 2020 and 2019 are as follows:

| | <u>2020</u> | <u>2019</u> |
|---|-----------------------|---------------------|
| Provision for credit loss allowance: | | |
| Financial assets measured at fair value through other comprehensive income | ₩ (74,525) | - |
| Financial assets measured at amortized cost | (23,837,741) | (8,944,572) |
| Other financial assets measured at amortized cost | (34,208,809) | (10,567,793) |
| Provision for off balance sheet items | <u>(1,260,956)</u> | <u>(1,302,198)</u> |
| | <u>(59,382,031)</u> | <u>(20,814,563)</u> |
| Reversal for credit loss allowance | | |
| Financial assets measured at fair value through other comprehensive income | - | 79,687 |
| Financial assets measured at amortized cost | 126,719 | - |
| Other financial assets measured at amortized cost | - | 103,006 |
| Provision for off balance sheet items | <u>394,652</u> | <u>1,221,103</u> |
| | <u>521,371</u> | <u>1,403,796</u> |
| | <u>₩ (58,860,660)</u> | <u>(19,410,767)</u> |

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32. Other Operating Income and Other Operating Expenses

The details of other operating income and other operating expenses for the years ended December 31, 2020 and 2019 are as follows:

| | 2020 | 2019 |
|--|---------------------|---------------------|
| Other operating income | | |
| Financial assets measured at fair value through profit or loss | | |
| Distribution income from investment funds | ₩ 51,555,958 | 42,476,415 |
| Reversal of provisions for lawsuits | 2,283,569 | - |
| Reversal of provisions for restoration costs | 921,082 | 357,897 |
| Others | 28,876,151 | 22,645,530 |
| | <u>83,636,760</u> | <u>65,479,842</u> |
| Other operating expenses | | |
| Contribution to provisions for lawsuits | (2,102,456) | (2,283,569) |
| Increase in provisions for restoration costs | (903,866) | (1,213,870) |
| Others | (33,973,534) | (14,952,576) |
| | <u>(36,979,856)</u> | <u>(18,450,015)</u> |
| Net other operating income | ₩ <u>46,656,904</u> | <u>47,029,827</u> |

33. Selling and Administrative Expenses

The details of selling and administrative expenses for the years ended December 31, 2020 and 2019 are as follows:

| | 2020 | 2019 |
|--|----------------------|--------------------|
| Salaries | ₩ 409,776,691 | 420,592,349 |
| Retirement benefits | 37,594,796 | 32,860,040 |
| Welfare expense | 51,171,904 | 48,359,793 |
| Electronic data operating expense | 31,466,724 | 20,832,708 |
| Rent | 4,762,365 | 4,367,600 |
| Commission and fees | 56,880,958 | 44,195,797 |
| Entertainment expenses | 14,820,366 | 14,089,369 |
| Advertising | 36,263,313 | 39,113,221 |
| Depreciation of investment property | 1,805,471 | 2,607,291 |
| Depreciation of property and equipment | 47,480,981 | 48,061,690 |
| Research expenses | 3,073,228 | 3,088,110 |
| Training expenses | 2,227,768 | 2,470,685 |
| Amortization | 6,764,275 | 6,497,717 |
| Taxes and dues | 32,530,238 | 33,233,594 |
| Others | 63,089,264 | 59,618,325 |
| | <u>₩ 799,708,342</u> | <u>779,988,289</u> |

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34. Non-operating Income and Non-operating Expenses

The details of non-operating income and non-operating expenses for the years ended December 31, 2020 and 2019 are as follows:

| | 2020 | 2019 |
|--|-----------------------|---------------------|
| Non-operating income: | | |
| Gain on disposal of property and equipment | ₩ 39,268 | 14,777 |
| Gain on disposal of intangible assets | 140,085 | - |
| Gain on equity method investments(*) | 211,051,995 | 94,033,851 |
| Gain on disposal of investments in associates and subsidiaries | 12,998,325 | 9,023,149 |
| Rent | 9,340,507 | 9,157,793 |
| Others | 5,040,447 | 11,267,182 |
| | <u>₩ 238,610,627</u> | <u>123,496,752</u> |
| Non-operating expenses | | |
| Loss on disposal of property and equipment | ₩ (267,420) | (30,309) |
| Loss on disposal of intangible assets | (782) | - |
| Loss on equity method investments | (9,830,373) | (15,532,628) |
| Loss on disposal of investments in associates and subsidiaries | (2,437,645) | (2,139,217) |
| Donation | (2,687,414) | (1,863,987) |
| Others | (12,306,513) | (3,921,105) |
| | <u>₩ (27,530,147)</u> | <u>(23,487,246)</u> |

(*) For the year ended December 31, 2020, Kakao Bank, Corp. issued new shares through third party allocation, and the resulting difference in equity change of ₩99,943,353 thousand was recognized as gain on equity method investments.

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35. Accumulated Other Comprehensive Income

The changes in accumulated other comprehensive income for the years ended December 31, 2020 and 2019 are as follows:

| | 2020 | | | |
|---|----------------------|---------------------|--------------------|---------------------|
| | Beginning | Changes | Adjustments | Ending |
| Change in fair value- Debt instruments measured at fair value through other comprehensive income | ₩ 7,685,739 | 2,221,068 | (1,710,704) | 8,196,103 |
| Tax effect | (2,113,577) | (610,795) | 470,444 | (2,253,928) |
| Subtotal | <u>5,572,162</u> | <u>1,610,273</u> | <u>(1,240,260)</u> | <u>5,942,175</u> |
| Changes in accumulated comprehensive income of equity method investees | (8,004,199) | 3,689,519 | - | (4,314,680) |
| Tax effect | 2,201,155 | (1,014,618) | - | 1,186,537 |
| Subtotal | <u>(5,803,044)</u> | <u>2,674,901</u> | <u>-</u> | <u>(3,128,143)</u> |
| Foreign currency differences | 27,379,745 | (99,033,418) | - | (71,653,673) |
| Tax effect | (7,529,430) | 27,234,190 | - | 19,704,760 |
| Subtotal | <u>19,850,315</u> | <u>(71,799,228)</u> | <u>-</u> | <u>(51,948,913)</u> |
| Change in fair value- Equity instruments measured at fair value through other comprehensive income | 134,253,255 | (26,650,522) | - | 107,602,733 |
| Tax effect | (36,941,651) | 7,328,894 | - | (29,612,757) |
| Subtotal | <u>97,311,604</u> | <u>(19,321,628)</u> | <u>-</u> | <u>77,989,976</u> |
| Gains (or losses) on disposal- Equity instruments measured at fair value through other comprehensive income | 3,289,766 | - | - | 3,289,766 |
| Tax effect | (904,686) | - | - | (904,686) |
| Subtotal | <u>2,385,080</u> | <u>-</u> | <u>-</u> | <u>2,385,080</u> |
| Change in credit risk- Financial liabilities measured at fair value through profit or loss | (1,098,626) | 3,654,912 | - | 2,556,286 |
| Tax effect | 302,122 | (1,005,101) | - | (702,979) |
| Subtotal | <u>(796,504)</u> | <u>2,649,811</u> | <u>-</u> | <u>1,853,307</u> |
| Remeasurements of net defined benefit liabilities | (9,767,881) | 5,386,417 | - | (4,381,464) |
| Tax effect | 2,684,126 | (1,481,289) | - | 1,202,837 |
| Subtotal | <u>(7,083,755)</u> | <u>3,905,128</u> | <u>-</u> | <u>(3,178,627)</u> |
| Total | <u>₩ 111,435,858</u> | <u>(80,280,743)</u> | <u>(1,240,260)</u> | <u>29,914,855</u> |

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35. Accumulated Other Comprehensive Income, Continued

The changes in accumulated other comprehensive income for the years ended December 31, 2020 and 2019 are as follows, Continued:

| | 2019 | | | |
|---|----------------------|---------------------|--------------------|--------------------|
| | Beginning | Changes | Adjustments | Ending |
| Change in fair value- Debt instruments measured at fair value through other comprehensive income | ₩ 4,935,628 | 6,733,400 | (3,983,289) | 7,685,739 |
| Tax effect | (1,357,297) | (1,851,684) | 1,095,404 | (2,113,577) |
| Subtotal | <u>3,578,331</u> | <u>4,881,716</u> | <u>(2,887,885)</u> | <u>5,572,162</u> |
| Changes in accumulated comprehensive income of equity method investees | (5,008,114) | (2,996,085) | - | (8,004,199) |
| Tax effect | 1,404,815 | 796,340 | - | 2,201,155 |
| Subtotal | <u>(3,603,299)</u> | <u>(2,199,745)</u> | <u>-</u> | <u>(5,803,044)</u> |
| Foreign currency differences | (4,298,411) | 31,678,156 | - | 27,379,745 |
| Tax effect | (552,291) | (6,977,139) | - | (7,529,430) |
| Subtotal | <u>(4,850,702)</u> | <u>24,701,017</u> | <u>-</u> | <u>19,850,315</u> |
| Change in fair value- Equity instruments measured at fair value through other comprehensive income | 235,826,853 | (101,573,598) | - | 134,253,255 |
| Tax effect | (64,874,390) | 27,932,739 | - | (36,941,651) |
| Subtotal | <u>170,952,463</u> | <u>(73,640,859)</u> | <u>-</u> | <u>97,311,604</u> |
| Gains (or losses) on disposal- Equity instruments measured at fair value through other comprehensive income | 3,289,766 | - | - | 3,289,766 |
| Tax effect | (904,686) | - | - | (904,686) |
| Subtotal | <u>2,385,080</u> | <u>-</u> | <u>-</u> | <u>2,385,080</u> |
| Change in credit risk- Financial liabilities measured at fair value through profit or loss | - | (1,098,626) | - | (1,098,626) |
| Tax effect | - | 302,122 | - | 302,122 |
| Subtotal | <u>-</u> | <u>(796,504)</u> | <u>-</u> | <u>(796,504)</u> |
| Remeasurements of net defined benefit liabilities | (6,909,867) | (2,858,014) | - | (9,767,881) |
| Tax effect | 1,896,359 | 787,767 | - | 2,684,126 |
| Subtotal | <u>(5,013,508)</u> | <u>(2,070,247)</u> | <u>-</u> | <u>(7,083,755)</u> |
| Total | <u>₩ 163,448,365</u> | <u>(49,124,622)</u> | <u>(2,887,885)</u> | <u>111,435,858</u> |

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36. Supplemental Cash Flows Information

(a) Cash and cash equivalents as of December 31, 2020 and 2019 are as follows:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Cash on hand | ₩ 218,182 | 12,219,105 |
| Ordinary deposits | 111,246,975 | 46,501,738 |
| Checking deposits | 11,969,822 | 627,577 |
| Time deposits and installment deposits | 46,314,786 | 24,790,078 |
| Certificates of deposit | - | 9,837,109 |
| Foreign currency deposits | 1,183,305,201 | 490,862,185 |
| MMDA | 24,235,347 | 29,648,427 |
| Other deposits | 34,159,970 | 51,446,111 |
| | <u>₩ 1,411,450,283</u> | <u>665,932,330</u> |

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36. Supplemental Cash Flows Information, Continued

(b) Adjustments for non-cash items of cash flows from operating activities for the years ended December 31, 2020 and 2019 are as follows:

| | 2020 | 2019 |
|--|------------------------|----------------------|
| Interest income | ₩ (1,109,251,085) | (1,011,990,535) |
| Interest expenses | 338,767,731 | 405,329,194 |
| Dividend income | (72,219,479) | (69,747,734) |
| Tax expenses | 264,180,270 | 251,857,252 |
| Gains on valuation of financial assets (liabilities) at fair value through profit or loss | (662,248,932) | (534,615,744) |
| Gains on valuation of financial liabilities designated as measured at fair value through profit or loss | (350,013,466) | (261,227,952) |
| Losses on valuation of financial assets (liabilities) at fair value through profit or loss | 190,903,788 | 193,308,226 |
| Losses on valuation of financial liabilities designated as measured at fair value through profit or loss | 149,844,814 | 475,540,177 |
| Gains on valuation of derivative financial assets (liabilities) held for trading | (1,077,560,334) | (977,759,252) |
| Losses on valuation of derivative financial assets (liabilities) held for trading | 1,590,522,514 | 1,066,680,307 |
| Gains on valuation of loans and receivables | (4,366,528) | - |
| Losses on valuation of loans and receivables | 43,369,747 | 12,588,235 |
| Gains on disposal of financial assets measured at fair value through other comprehensive income | (13,688,529) | (15,807,996) |
| Losses on disposal of financial assets measured at fair value through other comprehensive income | 328,417 | 542,417 |
| Provision (reversal) for credit loss allowance | 58,860,660 | 19,410,767 |
| Gains on equity method investments | (211,051,995) | (94,033,850) |
| Losses on equity method investments | 9,830,373 | 15,532,628 |
| Losses (gains) on disposal of investments in associates | (9,984,460) | (3,421,304) |
| Losses (gains) on disposal of investments in subsidiaries | (576,220) | (3,462,629) |
| Depreciation of property and equipment | 47,480,981 | 48,061,690 |
| Amortization of intangible assets | 6,764,275 | 6,497,717 |
| Depreciation of investment property | 1,805,471 | 2,607,291 |
| Losses (gains) on disposal of property and equipment & intangible assets | 228,152 | 15,532 |
| Reversal of impairment losses on intangible assets | (207,833) | - |
| Losses (gains) on foreign currency translations | (12,293,189) | (28,261,278) |
| Others | 34,343,553 | 2,573,346 |
| | ₩ <u>(786,231,304)</u> | <u>(499,783,495)</u> |

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36. Supplemental Cash Flows Information, Continued

(c) Changes in operating assets and liabilities of cash flows for the years ended December 31, 2020 and 2019 are as follows:

| | 2020 | 2019 |
|---|-------------------|-----------------|
| Deposits in financial institutions | ₩ 765,105,277 | 1,646,445,990 |
| Financial assets measured at fair value through profit or loss | (6,436,333,704) | (5,497,476,125) |
| Derivative financial instruments | (9,042,031) | (803,880,591) |
| Financial assets measured at amortized cost | 80,000,000 | (37,600,000) |
| Loans at amortized cost | (925,823,074) | (1,146,380,983) |
| Other assets | 471,283,103 | (1,511,395,834) |
| Deposits received | 5,431,837,655 | (135,485,850) |
| Financial liabilities measured at fair value through profit or loss | (1,314,079,563) | 1,074,341,877 |
| Financial liabilities designated as measured at fair value through profit or loss | (2,597,267,522) | 1,404,618,495 |
| Securities sold under repurchase agreements | 3,068,523,911 | (476,817,842) |
| Net defined benefit liabilities | (7,384,240) | (7,115,204) |
| Deferred income tax credits | - | 604,244 |
| Other liabilities | (815,232,487) | 1,739,816,746 |
| | ₩ (2,288,412,675) | (3,750,325,077) |

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36. Supplemental Cash Flow Information, Continued

(d) Significant non-cash activities for the years ended December 31, 2020 and 2019 are as follows:

| | 2020 | 2019 |
|---|--------------|--------------|
| Transfers among property and investment property | ₩ 128,747 | 217,211 |
| Replacement of right-of-use assets and lease liabilities | 18,935,794 | 92,546,096 |
| Replacement of provisions for restoration costs | 389,867 | 355,307 |
| Replacement of financial assets measured at fair value through profit or loss and investments in associates | 17,500,000 | 7,208,030 |
| Gain or loss on valuation of financial assets measured at fair value through other comprehensive income | (26,214,684) | (98,743,800) |
| Tax effect on gain or loss on valuation of financial assets measured at fair value through other comprehensive income | 7,209,039 | 27,154,544 |
| Loss allowance on financial assets measured at fair value through other comprehensive income | 74,526 | (312,567) |
| Tax effect on loss allowance on financial assets measured at fair value through other comprehensive income | (20,495) | 85,956 |
| Changes in accumulated other comprehensive income resulting from remeasurements of defined benefit plans | 5,386,417 | (2,858,014) |
| Tax effects from remeasurements of defined benefit plans | (1,481,289) | 787,767 |
| Changes in accumulated comprehensive income of equity method investees | 3,689,519 | (2,996,085) |
| Tax effects of changes in accumulated comprehensive income of equity method investees | (1,014,618) | 796,340 |
| Foreign currency differences | (99,033,418) | 31,678,156 |
| Tax effects of foreign currency differences | 27,234,190 | (6,977,139) |

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37. Assets Pledged as Collateral

The details of financial assets pledged as collateral as of December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | | Remark |
|--|-------------------------|-----------------------|---|
| | Book value(*1) | Collateral Amount(*2) | |
| Stock | ₩ 73,595,100 | 55,579,000 | Guarantee for trading of over-the-counter derivatives |
| | 2,034,905,924 | 1,581,804,362 | Guarantee for lending and borrowing securities |
| | 3,535,283 | 3,535,283 | Asset collateral for the overdraft of transaction account |
| Bond | 13,000,204,255 | 11,017,193,065 | Guarantee for trading securities under repurchase agreements (*3) |
| | 7,134,702,606 | 6,171,339,527 | Guarantee for lending and borrowing securities |
| | 889,417,074 | 848,561,909 | Deposits on KRX |
| | 3,343,957,154 | 3,198,167,708 | Guarantee for trading of derivatives |
| | 15,891,367 | 15,891,367 | Asset collateral for the overdraft of transaction account |
| CP | 154,260,795 | 154,260,795 | Guarantee for lending and borrowing securities |
| Other collective investment securities | 5,757,046 | 5,757,046 | Guarantee for lending and borrowing securities |
| | <u>₩ 26,656,226,604</u> | <u>23,052,090,062</u> | |

(*1) Includes financial assets measured at fair value through profit or loss and securities borrowed.

(*2) Collateral amount is the appraised amount calculated by multiplying a certain ratio to the market price of stocks and bonds. Securities, whose market price is not available, are valued at par value.

(*3) The repurchase agreement is a transaction to sell securities to customers with a condition that the Group repurchases the securities at the sale price plus a lender's return (interest and others). When a transfer of a financial asset does not qualify for derecognition, the related asset continues to be recognized, and the amount of securities sold is recognized as liabilities.

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37. Assets Pledged as Collateral, Continued

The details of financial assets pledged as collateral as of December 31, 2020 and 2019 are as follows,
Continued:

| | December 31, 2019 | | Remark |
|-------|-------------------------|-----------------------|--|
| | Book value(*1) | Collateral Amount(*2) | |
| Stock | ₩ 124,348,175 | 94,166,450 | Guarantee for trading of over-the-counter derivatives |
| | 2,497,998,014 | 1,998,786,558 | Guarantee for lending and borrowing securities |
| | 20,762,042 | 20,762,042 | Asset collateral for the overdraft of transaction account |
| | | | Guarantee for trading securities under repurchase agreements(*3) |
| Bond | 7,280,188,380 | 6,245,410,570 | Guarantee for lending and borrowing securities |
| | 6,125,678,205 | 5,009,663,308 | Deposits on KRX |
| | 606,898,143 | 580,023,100 | |
| | 4,072,476,206 | 3,828,352,736 | Guarantee for trading of derivatives |
| | 136,037,714 | 136,037,714 | Asset collateral for the overdraft of transaction account |
| | <u>₩ 20,864,386,879</u> | <u>17,913,202,478</u> | |

(*1) Includes financial assets measured at fair value through profit or loss and securities borrowed.

(*2) Collateral amount is the appraised amount calculated by multiplying a certain ratio to the market price of stocks and bonds. Securities, whose market price is not available, are valued at par value.

(*3) The repurchase agreement is a transaction to sell securities to customers with a condition that the Group repurchases the securities at the sale price plus a lender's return (interest and others). When a transfer of a financial asset does not qualify for derecognition, the related asset continues to be recognized, and the amount of securities sold is recognized as liabilities.

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38. Contingent Liabilities and Commitments

(a) The Group has entered into various agreements with various financial institutions as of December 31, 2020 and 2019 are as follows:

| | Financial Institutions | Credit facility | |
|---|---|-----------------------|-----------------------|
| | | December 31, 2020 | December 31, 2019 |
| Overdraft (including daily overdraft) | Industrial Bank of Korea and other six financial institutes | ₩ 540,000,000 | 615,000,000 |
| General loan | Industrial Bank of Korea and other four banks | 1,285,000,000 | 495,000,000 |
| Working capital loan (general) | KSFC | 500,000,000 | 500,000,000 |
| Working capital loan (trust) | KSFC | Limit of trust amount | Limit of trust amount |
| Note trading at a discount (general) | KSFC | 200,000,000 | 200,000,000 |
| Note trading at a discount | KSFC | Limit of trust amount | Limit of subscription |
| Loans to financial securities-secured loans | KSFC | 800,000,000 | 500,000,000 |

(b) As of December 31, 2020, the Group is involved in 38 lawsuits as a defendant involving ₩166,288,035 thousand and in 14 lawsuits as a plaintiff claiming ₩122,089,288 thousand. Related to cases pended as a defendant, the Group is reporting ₩2,102,456 thousand as provisions for restoration costs, ₩11,585,117 thousand as advances payments on loss compensations and loss allowance. Although the final impact of the lawsuit on the Group is not predictable, it is not expected to have significant impact on the Group's consolidated financial statements.

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38. Contingent Liabilities and Commitments, Continued

(c) As of December 31, 2020, the Group has agreements to purchase the commercial papers issued by Kiwi Dujong 1st co., Ltd. and others if the commercial papers are not sold in the market until the issue date under the condition that the credit ratings of the commercial papers maintain a certain level. The details of the commercial papers purchase agreements, as of December 31, 2020, are as follows:

| Name | Amounts | Termination date |
|--|---------------|------------------|
| SM Asan 1st Party and Partners Co., Ltd. | ₩ 65,000,000 | 2021-08-31 |
| HI EULUV | 20,000,000 | 2022-05-28 |
| JM Asset Securitization je 1 cha Co., Ltd. | 50,000,000 | 2022-07-21 |
| HNL2 2nd Co., Ltd. | 51,800,000 | 2023-04-27 |
| IQOS the 2nd Co., Ltd./ WAbest Co., Ltd. | 40,000,000 | 2021-10-28 |
| SF the First Co., Ltd. | 80,000,000 | 2023-06-20 |
| KIS IB Plus 7th Co., Ltd. | 100,000 | 2021-07-27 |
| IQOS the 2nd Co., Ltd./ WAbest Co., Ltd. | 30,300,000 | 2022-06-20 |
| KIS IB Plus 11th Co., Ltd. | 20,000,000 | 2023-06-20 |
| Multiplex Series No.8 Limited Company | 20,000,000 | 2022-12-20 |
| | ₩ 407,200,000 | 2021-08-30 |

In accordance with the commercial papers purchase agreements, the Group has commercial papers amounting to ₩107,786,315 thousand as of December 31, 2020 (₩203,695,693 thousand as of December 31, 2019) at face amount.

(d) Payment guarantees and other commitments provided the Group as of December 31, 2020 and 2019 are as follows:

| | Beneficiary | December 31, 2020 | December 31, 2019 |
|----------------------------------|--|-------------------|-------------------|
| Credit line and others | Doosan Machine Tools Co., Ltd. and others | ₩ 199,004,872 | 234,649,129 |
| Loan commitment for unsold house | KIS IB the34th Co., Ltd. and others | 1,038,397,710 | 949,700,000 |
| Loan purchase commitment | Godeok Wonhee 1 st Co., Ltd. and others | 660,475,000 | 914,575,000 |
| | | ₩ 1,897,877,582 | 2,098,924,129 |

Korea Investment & Securities Co., Ltd. and Subsidiaries
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38. Contingent Liabilities and Commitments, Continued

(e) The Group's securities borrowed and securities loaned as of December 31, 2020 and 2019 are as follows:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> | <u>Valuation basis</u> |
|-------------------------------------|--------------------------|--------------------------|------------------------|
| Securities borrowed | | | |
| Stocks | ₩ 1,199,875,207 | 1,326,512,582 | Fair value |
| Stocks in foreign currency | 188,860,808 | 177,588,856 | Fair value |
| National and local government bonds | 3,036,882,949 | 2,646,191,469 | Fair value |
| Securities loaned | | | |
| Stocks(*) | 789,447,518 | 1,357,090,280 | Fair value |
| Foreign currency stocks | 202,218,912 | 175,203,497 | Fair value |
| National and local government bonds | - | 116,292,720 | Fair value |

(*) Securities loaned include ₩139,950,324 thousand of the Group's financial assets measured at fair value through profit or loss. Through securities lending transactions, the Group transfers its ownership to borrowers on condition that the borrowers return the same kind and amount of securities after certain time. As the transfer of the financial asset does not qualify for derecognition, it continues to be recognized as an asset.

(f) As of December 31, 2020, the Group has been provided with ₩210,055,000 thousand of fidelity guarantees by Seoul Guarantee Insurance Co., Ltd.

(g) The securities in custody as of December 31, 2020 and 2019 are as follows:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> | <u>Valuation basis</u> |
|------------------------|--------------------------|--------------------------|------------------------|
| Trustor securities | ₩ 133,590,988,935 | 76,291,839,089 | Fair value |
| Saver securities | 144,555,120 | 120,310,408 | Fair value |
| Beneficiary securities | 48,315,046,580 | 42,284,833,047 | Basis price(*) |
| Other securities | 7,389,082,839 | 6,509,448,176 | Fair value |
| | <u>₩ 189,439,673,474</u> | <u>125,206,430,720</u> | |

(*) The price was announced by the Financial Investment Association and regarded as fair value.

Korea Investment & Securities Co., Ltd. and Subsidiaries
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39. Related Party Transactions

(a) The Group's related parties as of December 31, 2020 are as follows:

| Classification | Corporate name |
|----------------|---|
| Parent | Korea Investment Holdings Co., Ltd |
| Associates | True Friend Investment Advisory Co., Ltd. Global Dynasty Natural Resource Private Equity Fund Shanghai Fangzheng Stock Investment Partnership KIP Promising Service Industry Venture Fund KIM Growth Corporation Professional Private Trust 1 KIM Growth Corporation Professional Mezzanine Private Trust 2 KIM Growth Company Professional Private Investment No.3 KIP Bright (Chengdu) Investment Partnership Korea Investment Industry 4.0 Venture Fund 2017 KIF-KIP Artificial Intelligence Venture Fund EQ Partners Green Private Equity Fund IBK KIP Growth Stepstone No.1 Private Equity Fund Eugene Premier Professional Investment Type Private Investment Trust No.17 JB Japan Office Private Real Estate Fund 20 1st KIS-Emford New Tech Investment Fund 1 KIM Private Placement London Core Office Real Estate Investment Trust KCLAVIS Meister Fund No.46 Hyundai YouFirst Private Real Estate Investment Trust No.23-1 AIP Euro green private real estate trust NO.9 FG EURO GREEN Private Real Estate Fund No.3 Woori Goseong Power EBL Private Special Asset Fund Hanwha Japan Photovoltaic Private Fund 2 Eugene Aviation Private Special Asset Investment Trust No. 11 (Aircraft) NH-Amundi Aviation Private Fund 1 NH-Amundi Aviation Private Fund 2 HANA PRIVATE REAL ESTATE INVESTMENT TRUST NO.58 NH-Amundi US Infrastructure Investment Trust II Anda Station Professional Investment Type Private Real Estate Fund No.1 Koramco Professional Investment No.69 WOORI ECOWASTE PRIVATE SPECIAL ASSET FUND KIS-SV New Tech Investment Fund 1 EBEST AIP Fund No.1 Samchully Midstream Private Placement Special Asset Fund 5-3 KTB Aircraft Professional Investment Private Investment Trust No.22-1 JB Australia NDIS Private Fund 1 NH Amundi Overseas Senior Loan Fund 4 Tiger Alternative Investment 8 Tiger Alternative Qualified Investment Real Estate Trust No.12 Tiger Alternative Qualified Investment Real Estate Trust No. 6 Hanon Private Equity Fund True Friend Investment Advisory Co., Ltd. Global Dynasty Natural Resource Private Equity Fund Shanghai Fangzheng Stock Investment Partnership KIP Promising Service Industry Venture Fund KIS-BM New Tech Investment Fund 1 T&F 2019 Bearing Startup and Venture Private Equity Fund IBKC-EQP Innovative Technology Fund Kiwoom Infra Core Debt Investment Private Trust No.2 Tiger Alternative Qualified Investment Real Estate Trust No.14 Multi Asset Opportunity QI Investment Fund No. 16 KIM AsiaPlus Securities Feeder Investment Trust(Bond) INMARK France Professional Private Real Estate Investment Trust 18 |

Korea Investment & Securities Co., Ltd. and Subsidiaries
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December 31, 2020 and 2019

39. Related Party Transactions, Continued

(a) The Group's related parties as of December 31, 2020 are as follows, Continued:

| Classification | Corporate name |
|--|---|
| Associates | Petra 7 Alpha Private Equity Fund |
| | KIS-BM New Tech Investment Fund 2 |
| | Tiger Alternative Qualified Investment Real Estate Trust No.18-2 |
| | Kiwoom Hero Private Equity Fund 3 |
| | KIM Global Flex Bond Securities Trust |
| | Koreainvestment-Brickinvestment 1 New Technology Business Investment Fund |
| | KIM Private Placement Smart Real Asset Investment Trust 1 |
| | Alpha US Notus Special Asset Private Investment Trust |
| | PineStreet Global Corporate Finance Fund V-1 |
| | A ONE GALAXY KOSDAQ VENTURE PROFESSIONAL INVESTOR PRIVATE INVESTMENT FUNDS |
| | KODEX Banks |
| | Kakao Bank, Corp. |
| | GEC-KIP Technology and Innovation Fund |
| | Korea Investment Aviation Professional Investors' Special Asset Investment Trust No.6 |
| | KIM Target Income Global Bond Feeder Fund2 |
| | KIM Target Income Global Allocation Feeder Fund2 |
| | KIM Global Socially Responsible ESG Companies Fund (Equity-Fund of Funds) |
| KIM US Dividend Aristocrats Fund (Equity) C-F | |
| Korea Value Platinum Equity Qualified Investor Private Investment Trust Type 2 | |
| Entities under common control | Korea Investment Partners Co., Ltd |
| | Korea Investment Savings Bank |
| | Korea Investment Capital Co., Ltd |
| | KIARA CAPITAL II PTE. Ltd |
| | KIARA ADVISORS PTE. Ltd |
| | Korea Investment Private Equity |
| Others | Korea Investment & Real Estate Trust. Co., Ltd |
| | KIM Re-up Fund |
| Affiliates belonging to the large enterprise group(*1) | KIM Core Competency Leveraged Fund |
| | Woori New technology Private Equity Fund and others |

(*1) The Group has included affiliates belonging to the large enterprise group designated by the Fair Trade Commission in the scope of related parties.

Korea Investment & Securities Co., Ltd. and Subsidiaries
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(In thousands of won)

39. Related Party Transactions, Continued

(b) Significant transactions with related parties for the years ended December 31, 2020 and 2019 are as follows:

| Counterparty | Account | 2020 | | 2019 | |
|---|----------------------------|-----------|-----------|---------|-----------|
| | | Revenue | Expense | Revenue | Expense |
| Parent: | | | | | |
| Korea Investment Holdings Co., Ltd | Rent income | ₩ 740,931 | - | 734,658 | - |
| | Non-operating income(*1) | 263,308 | - | 215,403 | - |
| | Fee and commission revenue | 880 | - | 880 | - |
| | Interest expense | - | 2,944,147 | - | 1,953,741 |
| Associates: | | | | | |
| KIS-Emford New Tech Investment Fund 1 | Fee and commission revenue | 81,600 | - | 81,600 | - |
| KIS-BM New Tech Investment Fund 1 | Fee and commission revenue | 44,190 | - | - | - |
| KIS-BM New Tech Investment Fund 2 | Fee and commission revenue | 17,828 | - | - | - |
| KIS-SV New Tech Investment Fund 1 | Fee and commission revenue | 54,637 | - | 27,375 | - |
| Koreainvestment-Brickinvestment 1 New Technology Business Investment Fund | Fee and commission revenue | 36,116 | - | - | - |
| KIM AsiaPlus Securities Feeder Investment Trust(Bond) | Fee and commission revenue | 71,631 | - | 24,468 | - |
| Kim EMP Global Asset Allocation Equity Balanced Fund | Fee and commission revenue | - | - | 3,131 | - |
| Korea Investment Aviation Professional Investors' Special Asset Investment Trust No.6 | Fee and commission revenue | 248,975 | - | 238,462 | - |
| KIM KINDEX Active Korea Treasury & Agency bonds ETF | Fee and commission revenue | - | - | 15,810 | - |
| KIM Target Income Global Bond Feeder Fund2 | Fee and commission revenue | 12,445 | - | 12,058 | - |
| KIM Target Income Global Allocation Feeder Fund2 | Fee and commission revenue | 12,622 | - | 12,097 | - |
| KIM China Industry 4.0 Equity fund | Fee and commission revenue | - | - | 36,829 | - |
| KIM KOSPI Solution Fixed Income Balanced Fund | Fee and commission revenue | - | - | 18,190 | - |
| KIM Global Socially Responsible ESG Companies Fund(Equity-Fund of Funds) | Fee and commission revenue | 8,516 | - | 3,217 | - |
| KIM 4th Industrial Revolution of Japan Fund(Equity) | Fee and commission revenue | 29,285 | - | 23,255 | - |
| KIM US Dividend Aristocrats Fund (Equity) | Fee and commission revenue | 14,437 | - | - | - |
| Korea Value Platinum Equity Qualified Investor Private Investment Trust Type 2 | Fee and commission revenue | 10,800 | - | - | - |

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39. Related Party Transactions, Continued

(b) Significant transactions with related parties for the years ended December 31, 2020 and 2019 are as follows, Continued:

| Counterparty | Account | 2020 | | 2019 | |
|---|-----------------------------|-----------|-----------|-----------|-----------|
| | | Revenue | Expense | Revenue | Expense |
| Associates: | | | | | |
| Kakao Bank, Corp. | Interest income | ₩ - | - | 366 | - |
| | Fee and commission revenue | 3,168 | - | 3,168 | - |
| | Payment fee | - | 6,843,000 | - | 1,632,163 |
| | Fee and commission expense | - | 3,476,628 | - | 3,912,416 |
| Entities under common control: | | | | | |
| Korea Investment Partners Co., Ltd | Non-operating income(*1) | 79,029 | - | 26,509 | - |
| | Payment fee(*3) | - | 2,750,102 | - | - |
| Korea Investment Savings Bank | Interest income | 232,602 | - | 2,310,265 | - |
| | Fee and commission revenue | 2,200 | - | 2,200 | - |
| | Non-operating income(*1) | 398,489 | - | 511,650 | - |
| | Interest on deposits | - | 3,271 | - | 8,944 |
| Korea Investment Capital Co., Ltd | Non-operating income(*1) | 287,963 | - | 306,753 | - |
| | loss on disposition of bond | - | - | - | 1,500 |
| Korea Investment & Real Estate Trust. Co., Ltd | Non-operating income(*1) | 4,524 | - | - | - |
| | Interest expense | - | 334,272 | - | 69,073 |
| KIARA ADVISORS PTE. LTD. | Payment fee | - | - | - | 7,435,233 |
| Korea Investment Private Equity | Non-operating income(*1) | 11,414 | - | 431 | - |
| Affiliates belonging to the large enterprise group: | | | | | |
| EQP POSCO Global No.1 Natural Resources Private Equity Fund(*2) | Dividend income | 830,672 | - | 1,014,724 | - |
| | loss on disposition | - | 1,131,309 | - | - |
| Woori New technology Private Equity Fund(*2) | Dividend income | 141,293 | - | 1,114,608 | - |
| KIP Global Pharma-Ecosystem Private Equity Fund(*2) | Dividend income | 1,064,518 | - | 4,758,325 | - |
| | loss on disposition | - | 1,684,481 | - | - |
| EQ Partners No.2 Corporate Restructuring PEF(*2) | Dividend income | 4,018,100 | - | - | - |
| | loss on disposition | - | 2,315,523 | - | - |

Korea Investment & Securities Co., Ltd. and Subsidiaries
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39. Related Party Transactions, Continued

(b) Significant transactions with related parties for the years ended December 31, 2020 and 2019 are as follows, Continued:

| Counterparty | Account | 2020 | | 2019 | |
|---|---------------------|---------------------|-------------------|-------------------|-------------------|
| | | Revenue | Expense | Revenue | Expense |
| Others: | | | | | |
| KIM Re-up Fund(*2) | Dividend income | ₩ 3,099,191 | - | - | - |
| KIM Core Competency Leveraged Fund (*2) | Dividend income | 1,068,606 | - | - | - |
| | Loss on Disposition | - | 95,751 | - | - |
| | | <u>₩ 12,889,970</u> | <u>21,578,484</u> | <u>11,496,432</u> | <u>15,013,070</u> |

(*1) Electronic data operating expense and trademark settlement received from the parent company, subsidiaries, and entities under common control.

(*2) KIM Re-up Fund has been made an additional investments for ₩10,000,000 thousand and reimbursed for ₩2,582,330 thousand, EQP POSCO Global No.1 Natural Resources Private Equity Fund, Woori New technology Private Equity Fund, KIP Global Pharma-Ecosystem Private Equity Fund, KIM Core Competency Leveraged Fund, EQ Partners No.2 Corporate Restructuring PEF has been reimbursed for ₩4,513,124 thousand, ₩1,152,000 thousand, ₩1,525,000 thousand, ₩4,101,900 thousand and ₩1,442,927 thousand respectively during 2020.

(*3) The expenses that KIP KIS SEA-CHINA Fund paid to Korea Investment Partners Co., Ltd were included.

Korea Investment & Securities Co., Ltd. and Subsidiaries
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39. Related Party Transactions, Continued

(c) Significant receivables and payables, and allowances arising from related party transactions as of December 31, 2020 and 2019 are as follows:

| Counterparty | Account | December 31, 2020 | | December 31, 2019 | |
|---|------------------------------|-------------------|-------------|-------------------|-------------|
| | | Receivables | Payables | Receivables | Payables |
| Parent: | | | | | |
| Korea Investment Holdings Co., Ltd. | Borrowings | ₩ - | 87,040,000 | - | 57,890,000 |
| | Accounts payable(*) | - | 174,021,934 | - | 54,760,631 |
| | Accrued interest expense | - | 1,187,440 | - | 1,022,861 |
| | Leasehold deposits received | - | 347,478 | - | 347,478 |
| Associates: | | | | | |
| Global Dynasty Natural Resource Private Equity Fund | Others | 680,441 | - | 680,441 | - |
| | Loss allowance | (680,441) | - | (680,441) | - |
| KIS-SV New Tech Investment Fund 1 | Unearned commission | - | - | - | 32,311 |
| Koreainvestment-Brickinvestment 1 New Technology Business Investment Fund | Unearned commission | - | 65,296 | - | - |
| Kakao Bank, Corp. | Passbook deposits | 1,028,410 | - | 217,741 | - |
| Korea Investment Aviation Professional Investors' Special Asset Investment Trust No.6 | Accrued income | 16,435 | - | 17,707 | - |
| KIM Target Income Global Bond Feeder Fund2 | Accrued income | 1,062 | - | 1,545 | - |
| KIM Target Income Global Allocation Feeder Fund2 | Accrued income | 1,534 | - | 1,558 | - |
| KIM 4th Industrial Revolution of Japan Fund(Equity) | Accrued income | - | - | 4,595 | - |
| KIM Global Socially Responsible ESG Companies Fund(Equity-Fund of Funds) | Accrued income | 670 | - | 548 | - |
| KIM AsiaPlus Securities Feeder Investment Trust(Bond) | Accrued income | 7,164 | - | 6,892 | - |
| KIM US Dividend Aristocrats Fund (Equity) | Accrued income | 4,611 | - | - | - |
| Korea Value Platinum Equity Qualified Investor Private Investment Trust Type 2 | Accrued income | 4,586 | - | - | - |
| Affiliates belonging to the large enterprise group: | | | | | |
| Korea Investment Savings Bank | Long-term deposits | 8,000,000 | - | 65,000,000 | - |
| | Accrued income | 76,951 | - | 1,559,894 | - |
| | Customer's deposits received | - | 1,348,156 | - | 1,604,210 |
| KIARA ADVISORS PTE. LTD. | Accrued expenses | - | 1,193,288 | - | 4,457,655 |
| Korea Investment & Real Estate Trust. Co., Ltd | Borrowings | - | - | - | 34,950,000 |
| | Accrued expenses payable | - | - | - | 73,956 |
| | | ₩ 9,141,423 | 265,203,592 | 66,810,480 | 155,139,102 |

(*) Accounts payable to Korea Investment Holdings Co., Ltd. due to the application of the consolidated tax return.

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39. Related Party Transactions, Continued

(d) The commission incomes incurred from the management of related parties' pension schemes for the years ended December 31, 2020 and 2019 are ₩162,429 thousand and ₩148,901 thousand, respectively. The fees receivables as of December 31, 2020 and 2019 are ₩158,585 thousand and ₩149,190 thousand as of December 31, 2020 and 2019, respectively.

(e) Financial transactions with related parties

| Counterparty | | December 31, 2020 | | | | |
|-------------------------------------|---------------|-------------------|----------------------|-----------------------|----------------|----------------|
| | | Rights Offering | Buying of securities | Selling of securities | Deposit | Termination |
| Parent: | | | | | | |
| Korea Investment Holdings Co., Ltd. | Borrowings | - | - | - | USD 80,000,000 | USD 50,000,000 |
| Entities under common control: | | | | | | |
| Korea Investment Savings Bank | Time Deposits | ₩ | - | - | 3,000,000 | 60,000,000 |

| Counterparty | | December 31, 2019 | | | | |
|-------------------------------------|---------------|-------------------|----------------------|-----------------------|----------------|----------------|
| | | Rights Offering | Buying of securities | Selling of securities | Deposit | Termination |
| Parent: | | | | | | |
| Korea Investment Holdings Co., Ltd. | Capital stock | ₩ | 777,000,000 | - | - | - |
| | Securities | | - | 489,531,600 | - | - |
| | Borrowings | | - | - | - | - |
| Entities under common control: | | | | | USD 50,000,000 | USD 20,000,000 |
| Korea Investment Savings Bank | Time Deposits | ₩ | - | - | 69,000,000 | 111,000,000 |

(f) The key management compensation for the years ended December 31, 2020 and 2019 are as follows:

| | 2020 | | | |
|----------------------|-----------------------------|---------------------|-----------|-----------|
| | Short-term employee benefit | Retirement benefits | Total | |
| Registered directors | ₩ | 6,478,430 | 2,017,987 | 8,496,417 |
| | 2019 | | | |
| | Short-term employee benefit | Retirement benefits | Total | |
| Registered directors | ₩ | 5,508,976 | 911,667 | 6,420,643 |

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40. Carrying Amounts of Financial Instruments by Category

Financial assets and liabilities are measured at fair value or amortized cost. Measurement policies for each category of financial assets and financial liabilities are disclosed in Note 4, 'Significant accounting policies'.

The carrying amounts of financial assets and liabilities by category as of December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | | | | |
|---|--|---|--|--|----------------|
| | Financial assets(liabilities) at fair value through profit or loss | Financial liabilities designated as measured at fair value through profit or loss | Financial assets measured at fair value through other comprehensive income | Financial assets(liabilities) measured at amortized cost | Total |
| Financial assets: | | | | | |
| Cash and due from banks | ₩ - | - | - | 5,197,201,999 | 5,197,201,999 |
| Financial assets measured at fair value through profit or loss | 40,404,913,709 | - | - | - | 40,404,913,709 |
| Derivative financial assets | 1,195,172,411 | - | - | - | 1,195,172,411 |
| Financial assets measured at amortized cost | - | - | - | 6,718,191,911 | 6,718,191,911 |
| Financial assets measured at fair value through other comprehensive income | - | - | 2,187,136,868 | - | 2,187,136,868 |
| Other financial assets measured at amortized cost | - | - | - | 2,248,896,829 | 2,248,896,829 |
| | ₩ 41,600,086,120 | - | 2,187,136,868 | 14,164,290,739 | 57,951,513,727 |
| Financial liabilities: | | | | | |
| Deposits received | ₩ - | - | - | 9,195,092,940 | 9,195,092,940 |
| Financial liabilities measured at fair value through profit or loss | 2,767,212,081 | - | - | - | 2,767,212,081 |
| Derivative financial liabilities | 1,823,686,390 | - | - | - | 1,823,686,390 |
| Financial liabilities designated as measured at fair value through profit or loss | - | 11,165,816,143 | - | - | 11,165,816,143 |
| Borrowings | - | - | - | 25,917,560,737 | 25,917,560,737 |
| Other financial liabilities | - | - | - | 3,896,763,716 | 3,896,763,716 |
| | ₩ 4,590,898,471 | 11,165,816,143 | - | 39,009,417,393 | 54,766,132,007 |

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40. Carrying Amounts of Financial Instruments by Category, Continued

The carrying amounts of financial assets and liabilities by category as of December 31, 2020 and 2019 are as follows, Continued:

| | December 31, 2019 | | | | |
|---|---|---|---|--|----------------|
| | Financial assets (liabilities) at fair value through profit or loss | Financial liabilities designated as measured at fair value through profit or loss | Financial assets measured at fair value through other comprehensive income | Financial assets (liabilities) measured at amortized cost | Total |
| Financial assets: | | | | | |
| Cash and due from banks | ₩ - | - | - | 5,252,448,629 | 5,252,448,629 |
| Financial assets measured at fair value through profit or loss | 33,409,800,775 | - | - | - | 33,409,800,775 |
| Derivative financial assets | 845,824,765 | - | - | - | 845,824,765 |
| Financial assets measured at amortized cost | - | - | - | 5,896,481,288 | 5,896,481,288 |
| Financial assets measured at fair value through other comprehensive income | - | - | 2,613,394,544 | - | 2,613,394,544 |
| Other financial assets measured at amortized cost | - | - | - | 2,885,666,126 | 2,885,666,126 |
| | ₩ 34,255,625,540 | - | 2,613,394,544 | 14,034,596,043 | 50,903,616,127 |
| Financial liabilities: | | | | | |
| Deposits received | ₩ - | - | - | 3,763,255,285 | 3,763,255,285 |
| Financial liabilities measured at fair value through profit or loss | 3,985,471,017 | - | - | - | 3,985,471,017 |
| Derivative financial liabilities | 953,976,083 | - | - | - | 953,976,083 |
| Financial liabilities designated as measured at fair value through profit or loss | - | 13,953,486,913 | - | - | 13,953,486,913 |
| Borrowings | - | - | - | 20,511,632,491 | 20,511,632,491 |
| Other financial liabilities | - | - | - | 4,572,790,419 | 4,572,790,419 |
| | ₩ 4,939,447,100 | 13,953,486,913 | - | 28,847,678,195 | 47,740,612,208 |

Korea Investment & Securities Co., Ltd. and Subsidiaries
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41. Fair Value of Financial Instruments

(1) Fair Value of Financial Instruments

The book value and fair value of the Group's financial assets and liabilities as of December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | | December 31, 2019 | |
|---|-------------------------|-----------------------|-----------------------|-----------------------|
| | Book value | Fair value | Book value | Fair value |
| Financial assets: | | | | |
| Cash and due from banks(*) | ₩ 5,197,201,999 | 5,197,201,999 | 5,252,448,629 | 5,252,448,629 |
| Financial assets measured at fair value through profit or loss | 40,404,913,709 | 40,404,913,709 | 33,409,800,775 | 33,409,800,775 |
| Derivative financial assets | 1,195,172,411 | 1,195,172,411 | 845,824,765 | 845,824,765 |
| Financial assets measured at fair value through other comprehensive income | 2,187,136,868 | 2,187,136,868 | 2,613,394,544 | 2,613,394,544 |
| Financial assets measured at amortized cost(*) | 6,718,191,911 | 6,724,452,020 | 5,896,481,288 | 5,888,260,389 |
| Other financial assets measured at amortized cost(*) | 2,248,896,829 | 2,248,896,829 | 2,885,666,126 | 2,885,666,126 |
| | <u>₩ 57,951,513,727</u> | <u>57,957,773,836</u> | <u>50,903,616,127</u> | <u>50,895,395,228</u> |
| Financial liabilities: | | | | |
| Deposits received(*) | ₩ 9,195,092,940 | 9,195,092,940 | 3,763,255,285 | 3,763,255,285 |
| Financial liabilities measured at fair value through profit or loss | 2,767,212,081 | 2,767,212,081 | 3,985,471,017 | 3,985,471,017 |
| Derivative financial liabilities | 1,823,686,390 | 1,823,686,390 | 953,976,083 | 953,976,083 |
| Financial liabilities designated as measured at fair value through profit or loss | 11,165,816,143 | 11,165,816,143 | 13,953,486,913 | 13,953,486,913 |
| Borrowings(*) | 25,917,560,737 | 25,927,255,295 | 20,511,632,491 | 20,521,460,076 |
| Other financial liabilities(*) | 3,896,763,716 | 3,896,763,716 | 4,572,790,419 | 4,572,790,419 |
| | <u>₩ 54,766,132,007</u> | <u>54,775,826,565</u> | <u>47,740,612,208</u> | <u>47,750,439,793</u> |

(*) The fair values of cash and due from banks, financial assets measured at amortized cost, other financial assets measured at amortized cost, deposits received, borrowings and other financial liabilities with maturity dates less than one year are disclosed at their book values because the difference between their book values and fair values is not significant.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For each class of financial assets and financial liabilities, the Group discloses the fair value of that class of assets and liabilities in a way that permits it to be compared with its carrying amount at the end of each reporting period. The best evidence of fair value of financial instruments is a quoted price in an active market.

41. Fair Value of Financial Instruments, Continued

(1) Fair Value of Financial Instruments, Continued

The Group believes that valuation methods used for measuring the fair values of financial instruments are reasonable and that the fair values recognized in the statements of financial position are appropriate. However, the fair values of the financial instruments recognized in the statements of financial position may be different if other valuation methods or assumptions are used. Additionally, as there is a variety of valuation techniques and assumptions used in measuring fair value, it may be difficult to reasonably compare the fair value with that of other financial institutions.

(a) The valuation techniques and assumptions for fair value calculations of financial instruments

The Group is provided with the fair values of bonds and unlisted stocks by external valuation institutions, and the valuation technique and assumptions for fair value calculations of each financial instrument used by the external institutions are described below. In addition, there has been no significant change in these valuation techniques.

i) Corporate bonds, special bonds and others

Condensed model using credit ratings and transaction data is used. The yield curve computed by Jarrow- Lando-Turnbull Model is used to discount the future cash flows in order to result in the fair values.

ii) Beneficiary certificates

Beneficiary certificates are valued by the prices which fund management companies disclose.

iii) Unlisted stocks

Fair value of unlisted stocks is calculated by using profit approach, market approach and asset approach.

iv) Derivatives (derivative-linked securities included)

The fair value valuation method for derivatives can be categorized as follows. For derivatives traded in an active market, the quoted prices are considered as fair values. For relatively simple derivatives, fair values are measured by using valuation model with observable data from market. When valuation amounts from independent valuation institutions are used, the average value of the valuation amounts from two or more independent valuation institutions is used. For calculation of the fair value of more complex derivatives, the fair values are measured by using valuation model with inputs that are not based on observable market data, and the Group verifies the accuracy of this valuation model through regular examinations.

(b) Use of quoted price in active market

The Group measures the fair values of stocks, national and local government bonds and ELW in financial assets measured at fair value through profit or loss by referring to the quoted price in the active market. The valuation technique is used to calculate the fair values of the rest of the financial instruments measured at fair value through profit or loss and the financial instruments measured at fair value through other comprehensive income other than those mentioned above.

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41. Fair Value of Financial Instruments, Continued

(2) Day 1 Profit or Loss

If the Group uses a valuation technique that uses data not obtained from observable markets for the fair value at initial recognition of financial instruments, there could be a difference between the transaction price and the amount determined using that valuation technique. In these circumstances, the fair value of financial instruments is recognized as the transaction price and the difference is amortized by using the straight-line method over the life of the financial instruments. If the fair value of the financial instruments can be subsequently determined using observable market inputs, the remaining deferred amount is immediately recognized in profit or loss.

The aggregate difference yet to be recognized in profit or loss at the beginning and end of the year and the changes during the year are as follows:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Balances at the beginning of the year (A) | ₩ 119,805,113 | 110,731,392 |
| Incurred during the year (B) | 103,775,171 | 218,667,909 |
| Amounts recognized in profit or loss during the year (C) | <u>(165,305,726)</u> | <u>(209,594,188)</u> |
| Balances at the end of the year (A+B+C) | ₩ <u>58,274,558</u> | <u>119,805,113</u> |

(3) Fair Value Hierarchy

Assets measured at fair value or for which the fair value is disclosed are categorized within the fair value hierarchy, and the defined levels are as follows:

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

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41. Fair Value of Financial Instruments, Continued

(3) Fair Value Hierarchy, Continued

(a) Fair value hierarchy of financial instruments measured at fair value as of December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | | | |
|---|-------------------------|-----------------------|-----------------------|----------------------|
| | Book value | Level 1 | Level 2 | Level 3 |
| Financial assets: | | | | |
| Financial assets measured at fair value through profit or loss | ₩ 40,404,913,709 | 9,996,504,897 | 27,969,729,672 | 2,438,679,140 |
| Derivative financial assets | 1,195,172,411 | 144,127,931 | 700,864,639 | 350,179,841 |
| Financial assets measured at fair value through other comprehensive income | <u>2,187,136,868</u> | <u>1,045,545,359</u> | <u>932,151,501</u> | <u>209,440,008</u> |
| | <u>₩ 43,787,222,988</u> | <u>11,186,178,187</u> | <u>29,602,745,812</u> | <u>2,998,298,989</u> |
| Financial liabilities: | | | | |
| Financial liabilities measured at fair value through profit or loss | ₩ 2,767,212,081 | 2,767,212,081 | - | - |
| Derivative financial liabilities | 1,823,686,390 | 433,396,123 | 739,421,099 | 650,869,168 |
| Financial liabilities designated as measured at fair value through profit or loss | <u>11,165,816,143</u> | <u>127,756,108</u> | <u>3,651,038,011</u> | <u>7,387,022,024</u> |
| | <u>₩ 15,756,714,614</u> | <u>3,328,364,312</u> | <u>4,390,459,110</u> | <u>8,037,891,192</u> |
| December 31, 2019 | | | | |
| | Book value | Level 1 | Level 2 | Level 3 |
| Financial assets: | | | | |
| Financial assets measured at fair value through profit or loss | ₩ 33,409,800,775 | 10,310,108,329 | 21,328,102,316 | 1,771,590,130 |
| Derivative financial assets | 845,824,765 | 165,330,728 | 347,168,561 | 333,325,476 |
| Financial assets measured at fair value through other comprehensive income | <u>2,613,394,544</u> | <u>1,116,240,642</u> | <u>1,342,374,192</u> | <u>154,779,710</u> |
| | <u>₩ 36,869,020,084</u> | <u>11,591,679,699</u> | <u>23,017,645,069</u> | <u>2,259,695,316</u> |
| Financial liabilities: | | | | |
| Financial liabilities measured at fair value through profit or loss | ₩ 3,985,471,017 | 3,985,471,017 | - | - |
| Derivative financial liabilities | 953,976,083 | 289,734,779 | 219,430,728 | 444,810,576 |
| Financial liabilities designated as measured at fair value through profit or loss | <u>13,953,486,913</u> | <u>235,184,973</u> | <u>4,209,481,836</u> | <u>9,508,820,104</u> |
| | <u>₩ 18,892,934,013</u> | <u>4,510,390,769</u> | <u>4,428,912,564</u> | <u>9,953,630,680</u> |

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41. Fair Value of Financial Instruments, Continued

(3) Fair Value Hierarchy, Continued

(b) Fair value hierarchy of financial instruments for which the fair value is disclosed as of December 31, 2020 and 2019 is as follows:

| | December 31, 2020 | | | |
|---|-------------------------|----------------------|-----------------------|-----------------------|
| | Book value | Level 1 | Level 2 | Level 3 |
| Financial assets | | | | |
| Cash and due from banks(*1) | ₩ 5,197,201,999 | 1,411,450,283 | - | 3,785,751,716 |
| Financial assets measured at amortized cost(*2) | 6,718,191,911 | - | 109,297,113 | 6,615,154,907 |
| Other financial assets measured at amortized cost(*1) | 2,248,896,829 | - | - | 2,248,896,829 |
| | <u>₩ 14,164,290,739</u> | <u>1,411,450,283</u> | <u>109,297,113</u> | <u>12,649,803,452</u> |
| Financial liabilities | | | | |
| Deposits(*1) | ₩ 9,195,092,940 | - | 9,195,092,940 | - |
| Borrowings(*2) | 25,917,560,737 | - | 25,927,255,295 | - |
| Other financial liabilities(*1) | 3,896,763,716 | - | - | 3,896,763,716 |
| | <u>₩ 39,009,417,393</u> | <u>-</u> | <u>35,122,348,235</u> | <u>3,896,763,716</u> |

(*1) The book value was disclosed as fair value because book value was considered a reasonable approximation of fair value.

(*2) Public bonds measured at amortized cost and public bonds out of loans and borrowings were separately calculated at fair value, and for the remaining items, the book value was disclosed as fair value because book value was considered a reasonable approximation of fair value.

| | December 31, 2019 | | | |
|---|-------------------------|--------------------|-----------------------|-----------------------|
| | Book value | Level 1 | Level 2 | Level 3 |
| Financial assets | | | | |
| Cash and due from banks(*1) | ₩ 5,252,448,629 | 665,932,330 | - | 4,586,516,299 |
| Financial assets measured at amortized cost(*2) | 5,896,481,288 | - | 108,854,868 | 5,779,405,521 |
| Other financial assets measured at amortized cost(*1) | 2,885,666,126 | - | - | 2,885,666,126 |
| | <u>₩ 14,034,596,043</u> | <u>665,932,330</u> | <u>108,854,868</u> | <u>13,251,587,946</u> |
| Financial liabilities | | | | |
| Deposits(*1) | ₩ 3,763,255,285 | - | 3,763,255,285 | - |
| Borrowings (*2) | 20,511,632,491 | - | 20,521,460,076 | - |
| Other financial liabilities(*1) | 4,572,790,419 | - | - | 4,572,790,419 |
| | <u>₩ 28,847,678,195</u> | <u>-</u> | <u>24,284,715,361</u> | <u>4,572,790,419</u> |

(*1) The book value was disclosed as fair value because book value was considered a reasonable approximation of fair value.

(*2) Public bonds measured at amortized cost and public bonds out of loans and borrowings were separately calculated at fair value, and for the remaining items, the book value was disclosed as fair value because book value was considered a reasonable approximation of fair value.

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41. Fair Value of Financial Instruments, Continued

(4) Changes in Recurring Fair Value Measurements Categorized Within Level 3 of the Fair Value Hierarchy

(a) Changes in financial instruments with level 3 fair value for the years ended December 31, 2020 and 2019 are as follows:

| | 2020 | | | |
|-----------------------------------|--|-----------------|---|---|
| | Financial assets measured at fair value through profit or loss | Net derivatives | Financial liabilities measured at fair value through other comprehensive income | Financial liabilities designated as measured at fair value through profit or loss |
| Beginning balance | ₩ 1,771,590,130 | (111,485,100) | 154,779,710 | (9,508,820,104) |
| Total gains or losses | | | | |
| Profit or loss | 18,731,228 | (85,249,002) | - | 14,204,410 |
| Other comprehensive income (loss) | - | - | 31,654,678 | 3,654,911 |
| Purchases and issues | 4,285,562,484 | 31,319,780 | 23,005,620 | (6,043,313,244) |
| Sales and Settlements | (3,637,204,702) | (135,275,005) | - | 8,147,252,003 |
| Ending Balance | ₩ 2,438,679,140 | (300,689,327) | 209,440,008 | (7,387,022,024) |

| | 2019 | | | |
|-----------------------------------|--|-----------------|---|---|
| | Financial assets measured at fair value through profit or loss | Net derivatives | Financial liabilities measured at fair value through other comprehensive income | Financial liabilities designated as measured at fair value through profit or loss |
| Beginning balance | ₩ 1,003,412,015 | (351,303,220) | 142,309,559 | (8,638,312,643) |
| Total gains or losses | | | | |
| Profit or loss | (29,499,048) | 507,538,357 | - | (1,166,089,470) |
| Other comprehensive income (loss) | - | - | 12,470,151 | (1,098,626) |
| Purchases and issues | 6,193,653,965 | 5,706,720 | - | (11,455,491,651) |
| Sales and Settlements | (5,395,976,802) | (273,426,957) | - | 11,752,172,286 |
| Ending Balance | ₩ 1,771,590,130 | (111,485,100) | 154,779,710 | (9,508,820,104) |

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41. Fair Value of Financial Instruments, Continued

(4) Changes in Recurring Fair Value Measurements Categorized Within Level 3 of the Fair Value Hierarchy, Continued

(b) The amounts recognized in profit or loss related to the level 3 fair value changes and gains or losses of remaining financial assets and liabilities at the end of the reporting period recorded as gain (loss) on valuation and disposal of financial assets (liabilities) for the years ended December 31, 2020 and 2019 are as follows:

| | 2020 | | | |
|--|--|---|-----------------|---|
| | Financial assets measured at fair value through profit or loss | Financial liabilities measured at fair value through other comprehensive income | Net derivatives | Financial liabilities designated as measured at fair value through profit or loss |
| Total gains or losses included in profit or loss | ₩ 18,731,228 | - | (85,249,002) | 14,204,410 |
| Total gains or losses included in profit or loss for financial instruments held at the end of the reporting period | 7,629,534 | - | (78,569,699) | 196,111,223 |
| | 2019 | | | |
| | Financial assets measured at fair value through profit or loss | Financial liabilities measured at fair value through other comprehensive income | Net derivatives | Financial liabilities designated as measured at fair value through profit or loss |
| Total gains or losses included in profit or loss | ₩ (29,499,048) | - | 507,538,357 | (1,166,089,470) |
| Total gains or losses included in profit or loss for financial instruments held at the end of the reporting period | (61,173,544) | - | 137,878,590 | (210,176,979) |

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41. Fair Value of Financial Instruments, Continued

(5) Valuation Techniques and Inputs

Valuation techniques and inputs used in the recurring, non-recurring fair value measurements and disclosed fair values categorized within Level 2 and Level 3 of the fair value hierarchy as of December 31, 2020 and 2019 are as follows. The valuation techniques and inputs were not disclosed when the book value was disclosed as fair value because the book value was considered as a reasonable approximation of fair value.

| | | December 31, 2020 | | | | |
|---|---|-----------------------|-------|---|--|---|
| | | Fair value | Level | Valuation techniques | Level | |
| | | | | | Inputs | Range |
| Recurring fair value measurements: | | | | | | |
| Financial assets measured at fair value through profit or loss | | | | | | |
| | ₩ | 27,969,729,672 | 2 | DCF Model, Monte Carlo Simulation Model, FDM Model | - | - |
| | | 2,438,679,140 | 3 | DCF Model, Monte Carlo Simulation Model, FDM Model, Black-Derman-Toy(BDT) Model | Stock index volatility, Rate spread, Credit loss, Correlation coefficient between underlying asset | Volatility 1.00 ~ 100% / Rate(credit) spread 1.970 ~ 6.089% / Correlation coefficient -100 ~ 100% |
| Derivative financial assets | | | | | | |
| | | 700,864,639 | 2 | DCF Model, Embedded forward rate calculation | - | - |
| | | 350,179,841 | 3 | DCF Model, Monte Carlo Simulation Model, FDM Model | Stock index volatility, Rate spread, Credit loss, Correlation coefficient between underlying asset | Volatility 1.00 ~100% / Rate(credit) spread 0.0 ~ 25.0% / Correlation coefficient -100 ~100% |
| Financial assets measured at fair value through other comprehensive income | | | | | | |
| | | 932,151,501 | 2 | DCF Model, Asset Liability Model, Binominal Model | - | - |
| | | 209,440,008 | 3 | DCF Model | Discount rate Growth rate | 10.5 ~ 12.6% 1%, |
| | ₩ | <u>32,601,044,801</u> | | | | |
| Derivative financial liabilities | | | | | | |
| | ₩ | 739,421,099 | 2 | DCF Model, Embedded forward rate calculation | - | - |
| | | 650,869,168 | 3 | DCF Model, Monte Carlo Simulation Model, FDM Model | Stock index volatility, Rate spread, Credit loss, Correlation coefficient between underlying asset | Volatility 1.00 ~ 100% / Rate(credit) spread 0.00 ~ 25.00% / Correlation coefficient -100 ~ 100% |
| Financial liabilities designated as measured at fair value through profit or loss | | | | | | |
| | | 3,651,038,011 | 2 | Monte Carlo Simulation Model, FDM Model | - | - |
| | | 7,387,022,024 | 3 | Monte Carlo Simulation Model, FDM Model | Stock index volatility, Rate spread, Credit loss, Correlation coefficient between underlying asset | Volatility 1.00 ~ 100% / Rate(credit) spread 0.00 ~ 25.00% / Correlation coefficient -100 ~ 100% |
| | ₩ | <u>12,428,350,302</u> | | | | |
| Disclosed at fair value: | | | | | | |
| Public bonds measured at amortized cost | | | | | | |
| | ₩ | 109,297,113 | 2 | DCF Model | - | - |
| Loans measured at amortized cost | | | | | | |
| | | 1,267,882,816 | 3 | DCF Model | Discount rate | 2.05 ~ 15.77% |
| | ₩ | <u>1,377,179,929</u> | | | | |
| Borrowings (Public bonds) | | | | | | |
| | ₩ | 1,489,893,244 | 2 | DCF Model | - | - |

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41. Fair Value of Financial Instruments, Continued

(5) Valuation Techniques and Inputs, Continued

| | | December 31, 2019 | | | | |
|---|---|-----------------------|-------|---|--|---|
| | | Fair value | Level | Valuation techniques | Level | |
| | | | | | Inputs | Range |
| Recurring fair value measurements: | | | | | | |
| Financial assets measured at fair value through profit or loss | | | | | | |
| | ₩ | 21,328,102,316 | 2 | DCF Model, Monte Carlo Simulation Model, FDM Model | - | - |
| | | 1,771,590,130 | 3 | DCF Model, Monte Carlo Simulation Model, FDM Model, Black-Derman-Toy(BDT) Model | Stock index volatility, Rate spread, Credit loss, Correlation coefficient between underlying asset | Volatility 1.00 ~ 100% / Rate(credit) spread 1.745 ~ 9.188% / Correlation coefficient -100 ~ 100% |
| Derivative financial assets | | | | | | |
| | | 347,168,561 | 2 | DCF Model, Embedded forward rate calculation | - | - |
| | | 333,325,476 | 3 | DCF Model, Monte Carlo Simulation Model, FDM Model | Stock index volatility, Rate spread, Credit loss, Correlation coefficient between underlying asset | Volatility 1.00 ~ 100% / Rate(credit) spread 0.00 ~ 25.00% / Correlation coefficient -100 ~ 100% |
| Financial assets measured at fair value through other comprehensive income | | | | | | |
| | | 1,342,374,192 | 2 | DCF Model, Asset Liability Model, Binominal Model | - | - |
| | | 154,779,710 | 3 | DCF Model | Discount rate Growth rate | 10.59 ~ 15.32% 2%, |
| | ₩ | <u>25,277,340,385</u> | | | | |
| Derivative financial liabilities | | | | | | |
| | ₩ | 219,430,728 | 2 | DCF Model, Embedded forward rate calculation | - | - |
| | | 444,810,576 | 3 | DCF Model, Monte Carlo Simulation Model, FDM Model | Stock index volatility, Rate spread, Credit loss, Correlation coefficient between underlying asset | Volatility 1.00 ~ 100% / Rate(credit) spread 0.00 ~ 25.00% / Correlation coefficient -100 ~ 100% |
| Financial liabilities designated as measured at fair value through profit or loss | | | | | | |
| | | 4,209,481,836 | 2 | Monte Carlo Simulation Model, FDM Model | - | - |
| | | 9,508,820,104 | 3 | Monte Carlo Simulation Model, FDM Model | Stock index volatility, Rate spread, Credit loss, Correlation coefficient between underlying asset | Volatility 1.00 ~ 100% / Rate(credit) spread 0.00 ~ 25.00% / Correlation coefficient -100 ~ 100% |
| | ₩ | <u>14,382,543,244</u> | | | | |
| Disclosed at fair value: | | | | | | |
| Public bonds measured at amortized cost | | | | | | |
| | ₩ | 108,854,868 | 2 | DCF Model | - | - |
| Loans measured at amortized cost | | | | | | |
| | | 1,034,209,760 | 3 | DCF Model | Discount rate | 2.5 ~ 18.9% |
| | ₩ | <u>1,143,064,628</u> | | | | |
| Borrowings (Public bonds) | | | | | | |
| | ₩ | 1,208,004,692 | 2 | DCF Model | - | - |

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41. Fair Value of Financial Instruments, Continued

(6) Valuation Process for Fair Value Measurements Categorized Within Level 3 of the Fair Value Hierarchy

For measurements of fair value, the Group uses both in-house model and external valuation results by external valuation agencies.

In-house model is determined through designing the model by operation department as verified by the risk management department. The inputs of the fair value measurement are derived by the risk management system. Back-Office departments assess the fair value based on the designed, verified model, and derived inputs, and apply the results in accounting. The results applied in accounting are compared against the valuation results of the operation department and risk management department and significant differences are reviewed.

In regard to fair value method based on external valuation agencies, the fair value is estimated by using the average price of the price per contract unit provided by two or more external valuation agencies and derived based on contractual terms and credit ratings of the counterparty and others.

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41. Fair Value of Financial Instruments, Continued

(7) Sensitivities Analysis of Recurring Fair Value Measurements Categorized Within Level 3 of the Fair Value Hierarchy

Sensitivity analysis of financial instruments is performed to measure favourable and unfavourable changes in the fair value of financial instruments which are affected by the unobservable inputs, using a statistical technique. When the fair value is affected by more than two inputs, the amounts represent the most favourable or most unfavourable.

The results of the sensitivity analysis for the effect on profit or loss from changes in inputs for each financial instrument as of December 31, 2020 and 2019 are as follows. In respect to financial assets measured at fair value through profit or loss and financial liabilities designated as measured at fair value through profit or loss, which have mutual hedging effect and financial assets measured at fair value through profit or loss whose result of analysis is not significant are excluded.

| | December 31, 2020 | | | |
|---|---------------------|-------------------|----------------------|---------------------|
| | Favourable changes | | Unfavourable changes | |
| | Profit or loss | Equity | Profit or loss | Equity |
| Financial assets: | | | | |
| Derivative financial assets(*1) | ₩ 803,982 | 803,982 | (803,982) | (803,982) |
| Financial assets measured at fair value through profit or loss(*2) | 341,901 | 341,901 | (331,208) | (331,208) |
| Financial assets measured at fair value through other comprehensive income(*2) | - | 15,022,614 | - | (10,302,462) |
| | ₩ <u>1,145,883</u> | <u>16,168,497</u> | <u>(1,135,190)</u> | <u>(11,437,652)</u> |
| Financial liabilities: | | | | |
| Derivative financial liabilities(*1) | ₩ 6,754,097 | 6,754,097 | (5,142,634) | (5,142,634) |
| Financial liabilities designated as measured at fair value through profit or loss(*1) | 65,625,865 | 65,625,865 | (65,625,865) | (65,625,865) |
| | ₩ <u>72,379,962</u> | <u>72,379,962</u> | <u>(70,768,499)</u> | <u>(70,768,499)</u> |

(*1) Changes in their fair value are calculated by increasing or decreasing the volatility of the underlying assets, which are significant unobservable inputs, by 10%.

(*2) Changes in their fair value are calculated by increasing or decreasing the correlation between growth rate (-1 ~ 1%) and discount rate (-1 ~ 1%), which are significant unobservable inputs.

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41. Fair Value of Financial Instruments, Continued

(7) Sensitivities Analysis of Recurring Fair Value Measurements Categorized Within Level 3 of the Fair Value Hierarchy, Continued

| | December 31, 2019 | | | |
|---|----------------------|--------------------|----------------------|----------------------|
| | Favourable changes | | Unfavourable changes | |
| | Profit or loss | Equity | Profit or loss | Equity |
| Financial assets: | | | | |
| Derivative financial assets(*1) | ₩ 12,611,210 | 12,611,210 | (12,611,210) | (12,611,210) |
| Financial assets measured at fair value through profit or loss(*2) | 1,153,538 | 1,153,538 | (1,673,711) | (1,673,711) |
| Financial assets measured at fair value through other comprehensive income(*2) | - | 13,220,514 | - | (8,712,010) |
| | ₩ <u>13,764,748</u> | <u>26,985,262</u> | <u>(14,284,921)</u> | <u>(22,996,931)</u> |
| Financial liabilities: | | | | |
| Derivative financial liabilities(*1) | ₩ 14,243,031 | 14,243,031 | (14,243,031) | (14,243,031) |
| Financial liabilities designated as measured at fair value through profit or loss(*1) | 160,691,129 | 160,691,129 | (160,691,129) | (160,691,129) |
| | ₩ <u>174,934,160</u> | <u>174,934,160</u> | <u>(174,934,160)</u> | <u>(174,934,160)</u> |

(*1) Changes in their fair value are calculated by increasing or decreasing the volatility of the underlying assets, which are significant unobservable inputs, by 10%.

(*2) Changes in their fair value are calculated by increasing or decreasing the correlation between growth rate (-1 ~ 1%) and discount rate (-1 ~ 1%), which are significant unobservable inputs.

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42. Financial Asset Transfer Transactions

As of December 31, 2020, there is no transaction that the Group has continuing involvement although the Group transferred and derecognized the financial assets from the financial statements. Details of transferred financial assets that are not derecognized in its entirety such as securities sold under repurchase agreements, securities loaned and others are described in Notes 37 and 38.

43. Financial Risk Management

43.1 Summary

(1) Overview of Financial Risk Management Policy

The financial risks that the Group is exposed to are credit risk, liquidity risk, market risk, operational risk and others.

The note regarding financial risk management provides information about the risks that the Group is exposed to, including the objectives, policies and processes for assessing and managing the risks and net operating capital ratio management. Additional quantitative information is disclosed throughout these notes to financial statements.

The Group's risk management system focuses on increasing transparency, developing the risk management environment, preventing transmission of risk to other related subsidiaries, and the pre-emptive response to risk due to rapid changes in the financial environment to support the Group's long-term strategy and business decisions efficiently. Credit risk, liquidity risk, market risk, operational risk, and credit concentration risk are recognized as the Group's key risks. These risks are measured and managed by quantifying regulatory capital and VaR (Value at Risk) using a statistical method.

(2) Risk Management Organization

(a) Board of directors

Board of directors are the ultimate decision-making authority that appoint and dismiss risk management committee, establish and amend the risk management committee policies, establish the Group's criteria for risk limit, decide on basic policy of risk management, approve large-scale investments.

(b) Risk management committee

The risk management committee is formed by the chief executive officer and two or more directors appointed by board of directors (including one or more external director). The risk management committee executes the operations delegated by board of directors in accordance with risk management committee policy. The risk management committee formulates and revises the risk management committee regulations, decides on company-wide limits, etc. and conducts preliminary deliberations on matters for Board of Directors resolution such as investment in entities exceeding a set amount, acquiring and disposing of investment assets, approval of corporate credit, etc.

(c) Risk management working level committee

Risk management working level committee, as a decision-making organization in risk management, appoints its members among the Group's executives, heads of business units and departments through recommendation by chief risk office, and deliberate and decide about major risk-related policies and matters delegated by the risk management committee. (allocation of risk limits and position limits for each sector, review of new products, investment in entities below a set amount, acquisition and disposal of investment assets, etc.)

43. Financial Risk Management, Continued

43.1 Summary, Continued

(2) Risk Management Organization, Continued

(d) Chief Risk Officer (CRO)

Chief Risk Officer oversees all risk management tasks and exercise comprehensive authority over Risk Management Division

(e) Risk management division

Risk management division carries out procedures required for risk management of the Group, such as supporting the risk management committee, reporting the Group's risk level and computing financial stability ratio.

(f) Department Risk Managers

Department Risk Managers monitor and report on risk exposure and position limits in their departments

(3) Risk Management System

The Group built the integrated risk management system for risk management advancement, which is designed for reasonable price valuation that reflects risks and the management of risk limit to raise the soundness of assets and allocate resources efficiently. Moreover, the Group constructed Risk Adjusted Performance Measure (RAPM) system to make sure the risk management is the center of the operation.

Additionally, the Group restructured the company-wide information system by upgrading the Risk Data Mart (the "RDM") and improved its assessment system for measuring the fair value and risks of over-the-counter derivatives. Moreover, the Group has upgraded and computerized its database to improve the effectiveness of the system and enhance follow-up measures.

(4) Risk Management Strategy and Policy

As an allocation of risk capital and risk limit establishment process, the risk capital is allocated through resolution of board meetings and risk management committee meetings, and the amount of risk capital is anticipated for each risk sector, business sector and department by reflecting annual management strategy and business plans.

Moreover, the limit is reallocated through the quarterly practical-affair council meetings in order to reflect the changes in market and environment on efficient limitation management.

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43. Financial Risk Management, Continued

43.2 Credit Risk

(1) Overview of Credit Risk

The Group is exposed to certain level of credit risk and the credit risk is the risk of possible loss to portfolio due to counterparty's default, breach of covenant and loss of credibility. Credit risk exposure occurs in investment activities such as loans, debt instruments, derivative transactions, and non-trading accounts, or can exist in relating to off-balance accounts.

(2) Credit Risk Management

The Group only works with counterparties whose credit rating is above certain level in order to mitigate risks of counterparty's default, breach of covenant and loss of credibility, and sets sufficient amount of collaterals. Also, credit risk is constantly managed through computation of credit VaR and credit exposure management. Exceptional transactions are to be authorized by risk management council.

The Group manages the counterparty's credit ratings by using investment ratings. Information on investment ratings are obtained from both independent credit-rating agency and internal credit ratings. When information on investment ratings cannot be obtained, internal credit ratings are decided by using other public financial information and its own transaction information on major clients.

The Group monitors the credit concentration risk by managing credit risk limits on a counterparty or a group of counterparties in order to prevent excessive exposure concentration.

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43. Financial Risk Management, Continued

43.2 Credit Risk, Continued

(3) Maximum Exposure to Credit Risk

(a) Statement of financial position items

The maximum exposure to credit risk related to financial instruments on the statements of financial position as of December 31, 2020 and 2019, are as follows. The maximum exposure is expressed in gross amount, which the risk mitigation effect through collateral and other credit reinforcements are not considered.

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Cash and due from banks(*) | | |
| Cash equivalent | ₩ 1,411,232,100 | 653,713,225 |
| Deposits | 3,785,751,715 | 4,586,516,299 |
| Financial assets measured at fair value through profit or loss | | |
| Debt securities | 27,759,733,580 | 24,622,175,178 |
| Reserve for claims of customers' deposits (trust) | 5,859,258,092 | 1,853,526,251 |
| Investment in partnership | 401,918,880 | 287,667,598 |
| Collective investment securities | 1,613,649,973 | 1,390,645,047 |
| Derivatives-linked securities | 179,773,651 | 228,168,079 |
| Loans | 847,507,251 | 311,091,831 |
| Derivative financial instruments | 1,195,172,411 | 845,824,765 |
| Financial assets measured at fair value through other comprehensive income | | |
| Debt securities | 1,691,470,657 | 2,114,082,661 |
| Financial assets measured at amortized cost | | |
| Debt securities | 6,571,903,361 | 5,670,332,586 |
| Loans | 146,288,550 | 226,148,702 |
| Other financial assets measured at amortized cost | 2,248,896,829 | 2,885,666,126 |
| | <u>₩ 53,712,557,050</u> | <u>45,675,558,348</u> |

(*) Cash is not included.

(b) Off-balance accounts

The maximum exposure to credit risk related to the off-balance accounts as of December 31, 2020 and 2019 are as follows:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Commercial paper purchase agreements(*) | ₩ 299,413,685 | 628,404,307 |
| Payment guarantees, etc. | 1,897,877,582 | 2,098,924,129 |
| | <u>₩ 2,197,291,267</u> | <u>2,727,328,436</u> |

(*) As of December 31, 2020, commercial papers of ₩107,786,315 thousand (₩203,695,093 thousand in 2019), purchased by the Group in accordance with commercial paper purchase agreements are not included.

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43. Financial Risk Management, Continued

43.2 Credit Risk, Continued

(4) Credit Risk Concentration Analysis

(a) Loans

- (i) Most of counterparties of loan transactions, before considering collateral and other credit reinforcements, are concentrated in Korea. The ratios of individuals and corporations of loans and allowances as of December 31, 2020 and 2019 are as follows:

| | | December 31, 2020 | | | |
|--------------|---|----------------------|---------------|---------------------|----------------------|
| | | Loans | Ratio (%) | Allowances | Book value |
| Individuals | ₩ | 3,229,363,167 | 43.15 | (16,045,025) | 3,213,318,142 |
| Corporations | | 4,254,490,625 | 56.85 | (48,398,155) | 4,206,092,470 |
| | ₩ | <u>7,483,853,792</u> | <u>100.00</u> | <u>(64,443,180)</u> | <u>7,419,410,612</u> |
| | | December 31, 2019 | | | |
| | | Loans | Ratio (%) | Allowances | Book value |
| Individuals | ₩ | 2,751,399,217 | 45.66 | (14,391,525) | 2,737,007,692 |
| Corporations | | 3,274,535,607 | 54.34 | (30,118,882) | 3,244,416,725 |
| | ₩ | <u>6,025,934,824</u> | <u>100.00</u> | <u>(44,510,407)</u> | <u>5,981,424,417</u> |

- (ii) The details of the Group's loans by industry as of December 31, 2020 and 2019 are as follows:

| | | December 31, 2020 | | | |
|-------------------|---|----------------------|---------------|---------------------|----------------------|
| | | Loans | Ratio (%) | Allowances | Book value |
| Manufacturing | ₩ | 107,825,892 | 1.44 | (374,220) | 107,451,672 |
| Financial service | | 2,626,449,745 | 35.09 | (15,910,004) | 2,610,539,741 |
| Service | | 651,959,845 | 8.71 | (11,569,768) | 640,390,077 |
| Construction | | 443,544,582 | 5.93 | (14,579,970) | 428,964,612 |
| Others(*) | | 3,654,073,728 | 48.83 | (22,009,218) | 3,632,064,510 |
| | ₩ | <u>7,483,853,792</u> | <u>100.00</u> | <u>(64,443,180)</u> | <u>7,419,410,612</u> |

(*) All loans and allowances of individual counterparties are classified as others.

| | | December 31, 2019 | | | |
|-------------------|---|----------------------|---------------|---------------------|----------------------|
| | | Loans | Ratio (%) | Allowances | Book value |
| Manufacturing | ₩ | 183,750,539 | 3.05 | (2,422,229) | 181,328,310 |
| Financial service | | 1,798,930,670 | 29.85 | (2,840,401) | 1,796,090,269 |
| Service | | 510,855,214 | 8.48 | (8,781,936) | 502,073,278 |
| Construction | | 531,451,964 | 8.82 | (13,462,204) | 517,989,760 |
| Others(*) | | 3,000,946,437 | 49.80 | (17,003,637) | 2,983,942,800 |
| | ₩ | <u>6,025,934,824</u> | <u>100.00</u> | <u>(44,510,407)</u> | <u>5,981,424,417</u> |

(*) All loans and allowances of individual counterparties are classified as others.

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43. Financial Risk Management, Continued

43.2 Credit Risk, Continued

(4) Credit Risk Concentration Analysis, Continued

(b) Securities (debt instruments)

Most of securities (debt instruments), before considering collateral and other credit reinforcements, are concentrated in securities issued in Korea. The details of the Group's securities (debt instruments) by industry as of December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | | December 31, 2019 | |
|---|-------------------------|---------------|-----------------------|---------------|
| | Amount | Ratio (%) | Amount | Ratio (%) |
| Financial assets measured at fair value through profit or loss: | | | | |
| Government and government funded institutions | ₩ 10,696,257,857 | 28.41 | 8,644,465,236 | 28.14 |
| Banking and insurance | 16,758,403,268 | 44.51 | 9,966,394,087 | 32.44 |
| Others | 8,359,673,051 | 22.20 | 9,771,322,830 | 31.82 |
| | <u>35,814,334,176</u> | <u>95.12</u> | <u>28,382,182,153</u> | <u>92.40</u> |
| Financial assets measured at fair value through other comprehensive income: | | | | |
| Government and government funded institutions | 1,333,983,569 | 3.54 | 1,868,409,777 | 6.08 |
| Banking and insurance | 357,487,042 | 0.95 | 245,672,838 | 0.79 |
| Others | 46 | - | 46 | - |
| | <u>1,691,470,657</u> | <u>4.49</u> | <u>2,114,082,661</u> | <u>6.87</u> |
| Financial assets measured at amortized cost: | | | | |
| Government and government funded institutions | 19,568,298 | 0.05 | 19,381,313 | 0.06 |
| Banking and insurance | 86,720,252 | 0.23 | 124,367,389 | 0.40 |
| Others | 40,000,000 | 0.11 | 82,400,000 | 0.27 |
| | <u>146,288,550</u> | <u>0.39</u> | <u>226,148,702</u> | <u>0.73</u> |
| | <u>₩ 37,652,093,383</u> | <u>100.00</u> | <u>30,722,413,516</u> | <u>100.00</u> |

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43. Financial Risk Management, Continued

43.2 Credit Risk, Continued

(5) Credit Quality of Financial Assets

(a) Loans

(i) Classification of loans and receivables at amortized cost by the measurement method of expected credit losses as of December 31, 2020 and 2019 are as follows:

| | | December 31, 2020 | | | | | |
|------------------------|---|----------------------|--------------|-------------------|----------------------|---------------------------|----------------------|
| | | Lifetime ECL | | | Total | Allowance for credit loss | Book value |
| | | 12-months ECL | Not impaired | Impaired(*) | | | |
| Call Loan | ₩ | 4,312,500 | - | - | 4,312,500 | - | 4,312,500 |
| Broker's loans | | 3,244,202,822 | - | 6,577,290 | 3,250,780,112 | (6,577,278) | 3,244,202,834 |
| Loans receivable | | 2,508,602,469 | - | 45,903,394 | 2,554,505,863 | (23,576,406) | 2,530,929,457 |
| Loans to employees | | 803,151,448 | - | 360,000 | 803,511,448 | (12,027,187) | 791,484,261 |
| Advances for customers | | 974,309 | - | - | 974,309 | - | 974,309 |
| Privately placed bonds | | - | - | 10,677,192 | 10,677,192 | (10,677,192) | - |
| Others | | - | - | 11,585,117 | 11,585,117 | (11,585,117) | - |
| | ₩ | <u>6,561,243,548</u> | <u>-</u> | <u>75,102,993</u> | <u>6,636,346,541</u> | <u>(64,443,180)</u> | <u>6,571,903,361</u> |

(*) Impaired loans consist of bonds guarantee, advances for customers and others. The Group recognized impairment losses for the difference between the carrying amount and the present value of the estimated future cash flows.

| | | December 31, 2019 | | | | | |
|------------------------|---|----------------------|--------------|-------------------|----------------------|---------------------------|----------------------|
| | | Lifetime ECL | | | Total | Allowance for credit loss | Book value |
| | | 12-months ECL | Not impaired | Impaired(*) | | | |
| Call Loan | ₩ | 4,242,401 | - | - | 4,242,401 | - | 4,242,401 |
| Broker's loans | | 2,810,190,088 | - | 8,363,110 | 2,818,553,198 | (7,598,453) | 2,810,954,745 |
| Loans receivable | | 2,355,003,129 | - | 2,500,000 | 2,357,503,129 | (16,794,623) | 2,340,708,506 |
| Loans to employees | | 513,406,683 | - | 360,000 | 513,766,683 | (529,695) | 513,236,988 |
| Advances for customers | | 1,154,946 | - | - | 1,154,946 | - | 1,154,946 |
| Privately placed bonds | | - | - | 8,002,519 | 8,002,519 | (8,002,519) | - |
| Others | | 35,000 | - | 11,585,117 | 11,620,117 | (11,585,117) | 35,000 |
| | ₩ | <u>5,684,032,247</u> | <u>-</u> | <u>30,810,746</u> | <u>5,714,842,993</u> | <u>(44,510,407)</u> | <u>5,670,332,586</u> |

(*) Impaired loans consist of bonds guarantee, advances for customers and others. The Group recognized impairment losses for the difference between the carrying amount and the present value of the estimated future cash flows.

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43. Financial Risk Management, Continued

43.2 Credit Risk, Continued

(5) Credit Quality of Financial Assets, Continued

(a) Loans, Continued

(ii) Mitigation effect of credit risk on loans due to collateral and credit enhancement as of December 31, 2020 and 2019 are as follows:

| | | December 31, 2020 | | | | | |
|---------------|---|--|----------------------------------|-------------------------------|----------|---------------|---------------|
| | | Financial assets measured at fair value through profit or loss | Loans measured at amortized cost | | | Subtotal | Total |
| | | | 12-month expected credit loss | Lifetime expected credit loss | | | |
| | | | | Not impaired | impaired | | |
| Securities(*) | ₩ | - | 4,727,702,760 | - | - | 4,727,702,760 | 4,727,702,760 |
| Guarantee | | 462,971,913 | 26,934,089 | - | - | 26,934,089 | 489,906,002 |
| Total | ₩ | 462,971,913 | 4,754,636,849 | - | - | 4,754,636,849 | 5,217,608,762 |

(*) It includes securities provided to KSFC as collateral in relation to margin financing loan.

| | | December 31, 2019 | | | | | |
|---------------|---|--|----------------------------------|-------------------------------|----------|---------------|---------------|
| | | Financial assets measured at fair value through profit or loss | Loans measured at amortized cost | | | Subtotal | Total |
| | | | 12-month expected credit loss | Lifetime expected credit loss | | | |
| | | | | Not impaired | impaired | | |
| Securities(*) | ₩ | - | 4,596,674,831 | - | - | 4,596,674,831 | 4,596,674,831 |
| Guarantee | | 265,644,643 | 397,726,475 | - | - | 397,726,475 | 663,371,118 |
| Total | ₩ | 265,644,643 | 4,994,401,306 | - | - | 4,994,401,306 | 5,260,045,949 |

(*) It includes securities provided to KSFC as collateral in relation to margin financing loan.

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43. Financial Risk Management, Continued

43.2 Credit Risk, Continued

(5) Credit Quality of Financial Assets, Continued

(b) Securities (debt instruments)

(i) Classification of securities exposed to credit risk (debt instruments) by the measurement method of expected credit losses as of December 31, 2020 and 2019 are as follows:

| | | December 31, 2020 | | | | | |
|---|---|-------------------------------|--------------|-----------------------|--------------------------|------------------|----------------------|
| | | Lifetime expected credit loss | | Balance of securities | Credit loss allowance(*) | Book value | |
| | | 12-month expected credit loss | Not impaired | | | | Impaired |
| Financial assets measured at fair value through other comprehensive income(*) | ₩ | 1,691,470,657 | - | - | 1,691,470,657 | - | 1,691,470,657 |
| Financial assets measured at amortized cost | | 146,568,298 | - | - | 146,568,298 | (279,748) | 146,288,550 |
| | ₩ | <u>1,838,038,955</u> | <u>-</u> | <u>-</u> | <u>1,838,038,955</u> | <u>(279,748)</u> | <u>1,837,759,207</u> |

(*) Expected credit loss of Financial assets measured at fair value through other comprehensive income presented in accumulated other comprehensive income is ₩344,760 thousand.

| | | December 31, 2019 | | | | | |
|---|---|-------------------------------|--------------|-----------------------|--------------------------|------------------|----------------------|
| | | Lifetime expected credit loss | | Balance of securities | Credit loss allowance(*) | Book value | |
| | | 12-month expected credit loss | Not impaired | | | | Impaired |
| Financial assets measured at fair value through other comprehensive income(*) | ₩ | 2,114,082,661 | - | - | 2,114,082,661 | - | 2,114,082,661 |
| Financial assets measured at amortized cost | | 226,381,913 | - | - | 226,381,913 | (233,211) | 226,148,702 |
| | ₩ | <u>2,340,464,574</u> | <u>-</u> | <u>-</u> | <u>2,340,464,574</u> | <u>(233,211)</u> | <u>2,340,231,363</u> |

(*) Expected credit loss of Financial assets measured at fair value through other comprehensive income presented in accumulated other comprehensive income is ₩349,921 thousand.

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43. Financial Risk Management, Continued

43.2 Credit Risk, Continued

(5) Credit Quality of Financial Assets, Continued

(b) Securities (debt instruments), Continued

(ii) The credit quality of securities (debt instruments) that are neither past due nor impaired as of December 31, 2020 and 2019 are as follows:

| | | December 31, 2020 | | | |
|-------------------------|---|---|---|---|-----------------------|
| | | Financial assets measured at fair value through profit or loss | Financial assets measured at fair value through other comprehensive income | Financial assets measured at amortized cost (*1) | Total |
| Grade 1 | ₩ | 7,023,364,514 | 634,726,157 | - | 7,658,090,671 |
| Grade 2 | | 1,968,662,156 | 30,197,819 | - | 1,998,859,975 |
| Grade 3 | | 1,820,341,681 | 30,327,328 | - | 1,850,669,009 |
| Grade 4 | | 3,352,088,034 | 163,879,160 | 20,000,000 | 3,535,967,194 |
| Grade 5 | | 826,148,310 | 10,512,514 | 36,000,000 | 872,660,824 |
| Grade 6 | | 2,590,730,032 | - | 15,000,000 | 2,605,730,032 |
| Grade 7 | | 305,733,116 | - | - | 305,733,116 |
| Grade 8 | | 489,329,749 | - | - | 489,329,749 |
| Grade 9 | | 87,929,594 | - | 16,000,000 | 103,929,594 |
| Grade 10 | | 3,490,055 | - | - | 3,490,055 |
| Unclassified assets(*2) | | <u>17,346,516,935</u> | <u>821,827,679</u> | <u>59,568,298</u> | <u>18,227,912,912</u> |
| | ₩ | <u>35,814,334,176</u> | <u>1,691,470,657</u> | <u>146,568,298</u> | <u>37,652,373,131</u> |

(*1) Financial assets measured at amortized cost are the amount before applying credit loss allowance.

(*2) Investment in partnership, collective investment in securities, securities with high credit quality such as treasury bonds and local government bonds, derivatives-linked securities and reserve for claims of customers' deposits are classified as unclassified assets.

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43. Financial Risk Management, Continued

43.2 Credit Risk, Continued

(5) Credit Quality of Financial Assets, Continued

(b) Securities (debt instruments), Continued

(ii) The credit quality of securities (debt instruments) that are neither past due nor impaired as of December 31, 2020 and 2019 are as follows, Continued:

| | | December 31, 2019 | | | |
|-------------------------|---|---|---|---|-----------------------|
| | | Financial assets measured at fair value through profit or loss | Financial assets measured at fair value through other comprehensive income | Financial assets measured at amortized cost (*1) | Total |
| Grade 1 | ₩ | 4,557,941,688 | 140,469,396 | - | 4,698,411,084 |
| Grade 2 | | 1,173,493,169 | - | - | 1,173,493,169 |
| Grade 3 | | 1,503,915,946 | - | - | 1,503,915,946 |
| Grade 4 | | 3,323,439,789 | 32,477,091 | 56,000,000 | 3,411,916,880 |
| Grade 5 | | 778,763,766 | 72,726,352 | 36,000,000 | 887,490,118 |
| Grade 6 | | 2,809,818,714 | - | 15,000,000 | 2,824,818,714 |
| Grade 7 | | 296,755,021 | - | - | 296,755,021 |
| Grade 8 | | 89,035,241 | - | - | 89,035,241 |
| Grade 9 | | 82,063,832 | - | 16,000,000 | 98,063,832 |
| Grade 10 | | 6,215,364 | - | - | 6,215,364 |
| Unclassified assets(*2) | | <u>13,760,739,623</u> | <u>1,868,409,822</u> | <u>103,381,913</u> | <u>15,732,531,358</u> |
| | ₩ | <u>28,382,182,153</u> | <u>2,114,082,661</u> | <u>226,381,913</u> | <u>30,722,646,727</u> |

(*1) Financial assets measured at amortized cost are the amount before applying credit loss allowance.

(*2) Investment in partnership, collective investment in securities, securities with high credit quality such as treasury bonds and local government bonds, derivatives-linked securities and reserve for claims of customers' deposits are classified as unclassified assets.

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43. Financial Risk Management, Continued

43.2 Credit Risk, Continued

(5) Credit Quality of Financial Assets, Continued

(b) Securities (debt instruments), Continued

The grades of credit quality of securities (debt instruments) are as follows:

| Credit quality | External rating agencies |
|----------------|--------------------------|
| Grade 1 | AAA |
| Grade 2 | AA+ |
| Grade 3 | AA0 |
| Grade 4 | AA- |
| Grade 5 | A+ |
| Grade 6 | A0 |
| Grade 7 | A- |
| Grade 8 | BBB+ |
| Grade 9 | BBB0 |
| Grade 10 | BBB- |

The Group gives internal credit ratings to the investment qualified companies with external rating agencies' current ratings of BBB- or higher.

Counterparties with current ratings of AAA to AA- (short-term quality: A1) are automatically matched to internal grades 1 to 4. Companies with internal grades 5 to 10 are automatically matched to current ratings from A+ to BBB- (short-term quality: A2+ to A3-), and internal ratings are given differently according to the result by the Group's internal rating standards for companies.

(iii) Mitigation effect of credit risk on securities (debt securities) due to collateral and credit enhancement as of December 31, 2020 and 2019 are as follows:

| | Collateral types | December 31, 2020 | December 31, 2019 |
|--|------------------|------------------------|----------------------|
| Financial assets measured at fair value through profit or loss | Guarantee | ₩ 9,097,470,128 | 9,106,354,258 |
| Financial assets measured at fair value through other comprehensive income | Guarantee | 198,416,000 | 599,206,283 |
| Financial assets measured at amortized cost | Guarantee | - | 173,081,498 |
| | | ₩ <u>9,295,886,128</u> | <u>9,878,642,039</u> |

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43. Financial Risk Management, Continued

43.2 Credit Risk, Continued

(5) Credit Quality of Financial Assets, Continued

(c) Account receivables and payables from securities transactions

Account receivables recognized for securities trading, which are classified as other financial assets measured at amortized cost and other financial assets, as of December 31, 2020 and 2019 are as follows:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Account receivables from securities transactions ₩ | 1,887,106,800 | 1,404,450,250 |

The Group recognizes receivables and payables between Korea Exchange and customers regarding securities brokerage transactions on the trade date. The Group is exposed to credit risks for the period between the trade date and settlement date of investment brokerage business, which is standardized by related regulations (generally less than two business days from the trade date). As a central counterparty, Korea Exchange mitigates the payment default risk by managing Joint Compensation Fund, and the Group mitigates customer default risk through margin requirements system. Also, the Group can collect the receivables through covering. Therefore, the credit risk that the Group actually bears is linked to the price fluctuation risk of securities between the trade date and the settlement date.

The Group recognizes assets and liabilities on trade date for regular-way transactions and is exposed to the market risk and credit risk for the period from trade date and settlement date.

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43. Financial Risk Management, Continued

43.3 Liquidity Risk

(a) Overview of Liquidity Risk

Liquidity risk is the risk of insolvency or loss due to a disparity between the inflow and outflow of funds, unexpected outflow of funds, and obtaining funds at a high price or disposing of securities at an unfavourable price due to lack of available funds. The Group manages its liquidity risk through analysis of the contractual maturity of all financial assets, liabilities and off-balance items such as commitments and financial guarantee contracts. The Group discloses them by maturity groups: On demand, up to six months, between over six months and twelve months, between one year and five years, and over five years.

Cash flows disclosed for the maturity analysis are undiscounted contractual principal and interest to receive (pay) and, thus, differ from the amount in the financial statements which are based on the present value of expected cash flows in some cases. The amount to be disclosed is determined by referring to the index at the end of the reporting period when the receivables or payables amounts are not confirmed.

(b) Liquidity Risk Management Policy

The liquidity risk is managed by Liquidity Risk Management Policy and related guidelines which are applied to the risk management policies and procedures that address all the possible risks that arise from the overall business of the Group. For the purpose of liquidity management, the accumulated liquidity gap ratio and liquidity ratio on all transactions affecting the inflows and outflows of funds and transactions of off-balance are measured. The Group sets reasonable fund level and allocates certain amount of fund available for use to each department so the total use of fund does not exceed the reasonable level. Status of short-term fund is reported to management on a daily basis.

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43. Financial Risk Management, Continued

43.3 Liquidity Risk, Continued

(c) Analysis on Remaining Contractual Maturities of Financial Assets and Liabilities

The remaining contractual maturities of financial assets and liabilities as of December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | | | | | |
|---|---------------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|
| | On demand | Up to 6 months | 6~12 months | 1~5 years | Over 5 years | Total |
| Liabilities: | | | | | | |
| Deposits received | ₩ (9,195,092,940) | - | - | - | - | (9,195,092,940) |
| Financial liabilities measured at fair value through profit or loss | (60,408,128) | (1,265,883,375) | (261,610,100) | (335,803,140) | (843,507,338) | (2,767,212,081) |
| Financial liabilities designated as measured at fair value through profit or loss | (28,823,001) | (988,818,732) | (2,960,395,624) | (3,933,024,250) | (3,254,754,536) | (11,165,816,143) |
| Derivative financial liabilities | - | (795,471,125) | (521,522,747) | (338,581,787) | (168,110,731) | (1,823,686,390) |
| Borrowings(*1) | (16,442,847,207) | (3,536,388,439) | (3,276,014,915) | (2,287,295,104) | (477,706,998) | (26,020,252,663) |
| Other financial liabilities | (3,499,672,237) | (342,244,283) | (8,179,794) | (40,760,069) | - | (3,890,856,383) |
| | <u>₩ (29,226,843,513)</u> | <u>(6,928,805,954)</u> | <u>(7,027,723,180)</u> | <u>(6,935,464,350)</u> | <u>(4,744,079,603)</u> | <u>(54,862,916,600)</u> |
| Off-balance items: | | | | | | |
| Commercial paper purchase commitment(*2) | ₩ - | (299,413,685) | - | - | - | (299,413,685) |
| Payment guarantee(*3) | (1,897,877,582) | - | - | - | - | (1,897,877,582) |
| Investment partnership agreement(*4) | - | (53,327,723) | - | - | - | (53,327,723) |
| | <u>₩ (1,897,877,582)</u> | <u>(352,741,408)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(2,250,618,990)</u> |

(*1) Cash flows of interest are included.

(*2) It is based on assumption that cash outflows occur on the earliest date of the agreements.

(*3) Occurrence of loss sharing is uncertain and it is included in 'on demand' category.

(*4) It is based on assumption that cash outflows occur on the earliest date of the agreements.

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43. Financial Risk Management, Continued

43.3 Liquidity Risk, Continued

(c) Analysis on Remaining Contractual Maturities of Financial Assets and Liabilities, Continued

The remaining contractual maturities of financial assets and liabilities as of December 31, 2020 and 2019 are as follows, Continued:

| | December 31, 2019 | | | | | |
|---|---------------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|
| | On demand | Up to 6 months | 6~12 months | 1~5 years | Over 5 years | Total |
| Liabilities: | | | | | | |
| Deposits received | ₩ (3,763,255,285) | - | - | - | - | (3,763,255,285) |
| Financial liabilities measured at fair value through profit or loss | (72,990,871) | (1,334,139,102) | (1,663,825,049) | (1,613,193) | (912,902,802) | (3,985,471,017) |
| Financial liabilities designated as measured at fair value through profit or loss | (29,846,440) | (732,758,189) | (3,615,730,287) | (6,226,577,819) | (3,348,574,178) | (13,953,486,913) |
| Derivative financial liabilities | (29,175,231) | (320,206,223) | (295,398,581) | (196,561,144) | (112,634,902) | (953,976,081) |
| Borrowings(*1) | (12,695,159,770) | (5,004,868,427) | (1,737,602,325) | (1,116,321,166) | - | (20,553,951,688) |
| Other financial liabilities | <u>(2,655,717,688)</u> | <u>(1,307,565,805)</u> | <u>(8,018,570)</u> | <u>(43,616,333)</u> | - | <u>(4,014,918,396)</u> |
| | <u>₩ (19,246,145,285)</u> | <u>(8,699,537,746)</u> | <u>(7,320,574,812)</u> | <u>(7,584,689,655)</u> | <u>(4,374,111,882)</u> | <u>(47,225,059,380)</u> |
| Off-balance items: | | | | | | |
| Commercial paper purchase commitment(*2) | ₩ - | (628,404,307) | - | - | - | (628,404,307) |
| Payment guarantee(*3) | (2,098,924,129) | - | - | - | - | (2,098,924,129) |
| Investment partnership agreement(*4) | - | (95,970,465) | - | - | - | (95,970,465) |
| | <u>₩ (2,098,924,129)</u> | <u>(724,374,772)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(2,823,298,901)</u> |

(*1) Cash flows of interest are included.

(*2) It is based on assumption that cash outflows occur on the earliest date of the agreements.

(*3) Occurrence of loss sharing is uncertain and it is included in 'on demand' category.

(*4) It is based on assumption that cash outflows occur on the earliest date of the agreements.

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43. Financial Risk Management, Continued

43.4 Market Risk

(1) Overview of Market Risk

Market risk is the risk of possible losses which arise from changes in market factors, such as interest rate, stock price, foreign exchange rate, commodity value and others that affect the fair value of securities, derivative financial instrument, and others. The most significant risks associated with trading positions are interest rate risks (interest rate risks from debt instruments or interest rate bearing securities), and other risks are stock price risks and currency risks. In addition, the Group is exposed to credit risks associated with non-trading positions. Market risk is daily managed by establishing the limits considering products' natures such as position limits for each business units, departments and dealers, loss limits, market VaR limits from the standard method designated by the Regulation on Financial Investment Business and internal model calculated by risk management system and sensitivity limits (duration, delta, gamma, vega, and others).

(2) Value at Risk ("VaR")

Market VaR determined by the standard method as of December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | December 31, 2019 |
|---|------------------------|----------------------|
| Stock | ₩ 675,908,864 | 530,277,549 |
| Interest rate | 418,541,118 | 547,584,913 |
| Collective investment securities and others | 846,019,922 | 857,080,799 |
| Foreign currency | 39,718,894 | 37,044,461 |
| Option | 34,225,212 | 22,879,800 |
| Commodity | 11,735,852 | 3,647,158 |
| | <u>₩ 2,026,149,862</u> | <u>1,998,514,680</u> |

(3) Risk Management by Market Risk Factors

The Group's market risk is comprised of interest rate risk, foreign exchange rate risk and stock price risk.

(a) Interest rate risk

Trading position interest rate risk usually arises from debt instruments denominated in Korean won. The Group's trading strategy is to benefit from short-term movements in the prices of debt instruments arising from changes in interest rates.

The product prices of the Group's trading accounts are disclosed daily. The risks related to trading accounts are managed by using market value based method such as market VaR and sensitivity analysis.

(b) Foreign exchange rate risk

Foreign exchange rate risk arises through ownership of assets and liabilities, denominated in currencies other than Korean won, from non-trading positions, or through foreign currency forward agreements, currency swaps and foreign currency trading securities.

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43. Financial Risk Management, Continued

43.4 Market Risk, Continued

(3) Risk Management by Market Risk Factors, Continued

(b) Foreign exchange rate risk, Continued

The Group computes foreign currency's net position regularly to follow the Regulation on Financial Investment Business and reports to the financial supervisory service.

Also, the Group manages the risk for total position exposed to foreign exchange rate including non-trading position by using market price based method such as market VaR and sensitivity analysis.

(c) Stock price risk

Stock price risk arises in the Group's foreign currency stocks and Korean won stocks.

Hedging instruments of equity linked securities and equity linked warrant comprise most of stock trading portfolio and certain security proprietary trading ("prop trading") is composed of trading securities on the exchange, futures contracts maturing in a month or two, and others under the restriction of position limitation, sale at loss, loss limitation, and others. Marketable stocks among non-trading positions and stock beneficiary certificates are included in stock price risk and market VaR is computed.

Risk management committee allocates position and loss limitations, and risk management department monitors asset management department's possible breach of limitations and other special matters on a daily basis.

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43. Financial Risk Management, Continued

43.5 Operational Risk

(1) Concept

The Group defines operation risk to the extent of financial risk and non-financial risks incurred by unreasonable or wrong internal process, labor, system and external incidents.

(2) Operational Risk Management

The purpose of operational risk management is not only to comply with supervisory and regulatory requirements but also to promote a risk management culture, strengthen internal controls, innovate processes and provide timely feedback to management and employees. The Group defines the process clearly by maintaining internal regulations, sets work manual to systematize works and evaluate each space department's management risks in order to check on the department's risk management.

Contingency plan is designed for important risk management factors such as IT systems in order to prepare for emergency situations and to keep the work continuity.

43.6 Capital Adequacy

The Group complies with the regulation of Net Capital Ratio ("NCR") in accordance with the Financial Investment Services and Capital Markets Act ("FSCMA"). If the NCR, which is net capital (= assets - liabilities - non cashable assets + supplementary capital) to total risk amounts (= market risk + credit risk + operating risk), decreases below 100%, Financial Supervisory Service can force the Group to take actions to increase the ratio.

As of December 31, 2020, the Group's NCR complies with the minimum requirement pursuant to FSCMA.

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44. Offsetting Financial Assets and Financial Liabilities

The Group is subject to enforceable master netting arrangements or similar agreements for derivative transactions and others. Details of the Group's recognized financial assets and liabilities subject to enforceable master netting arrangements or similar agreements as of December 31, 2020 and 2019 are as follows:

| | December 31, 2020 | | | |
|---|--------------------|------------------|--|--|
| | Gross amount | Offset amount | Net amounts presented in the statement of financial position | Amounts not offset |
| | | | Recognized financial instruments | Financial collateral (Including cash collateral) |
| | | | | Net amount |
| Financial assets | | | | |
| Securities Lent Over-the-counter ("OTC") derivative assets(*) | ₩ 789,447,518 | - | 789,447,518 | - |
| Accounts receivable (Customers) | 1,021,157,083 | - | 1,021,157,083 | (93,481,244) |
| Accounts receivable (KRX) | 7,771,117,433 | (6,284,966,495) | 1,486,150,938 | - |
| Accounts receivable (Payment and settlement) | 7,693,577,164 | (7,658,256,686) | 35,320,478 | - |
| | ₩ 18,018,413,630 | (14,678,958,473) | 3,339,455,157 | (93,481,244) |
| | | | (1,387,314,339) | 1,858,659,574 |
| Financial liabilities | | | | |
| Bonds sold under repurchase agreements (with institutions) | ₩ (2,224,316,585) | - | (2,224,316,585) | - |
| OTC derivative liabilities(*) | (1,370,952,459) | - | (1,370,952,459) | 143,021,182 |
| Accounts payable (Customers) | (7,579,215,250) | 6,284,966,495 | (1,294,248,755) | - |
| Accounts payable (KRX) | (7,869,249,057) | 7,658,256,686 | (210,992,371) | - |
| Deposits received (Payment and settlement) | (740,701,828) | 735,735,292 | (4,966,536) | - |
| | ₩ (19,784,435,179) | 14,678,958,473 | (5,105,476,706) | 143,021,182 |
| | | | 2,822,183,406 | (2,140,272,118) |

(*) Financial collateral to OTC derivative instruments includes collateral that does not have master netting arrangements.

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44. Offsetting Financial Assets and Financial Liabilities, Continued

The Group is subject to enforceable master netting arrangements or similar agreements for derivative transactions and others. Details of the Group's recognized financial assets and liabilities subject to enforceable master netting arrangements or similar agreements as of December 31, 2020 and 2019 are as follows, Continued:

| | December 31, 2019 | | | | | |
|--|-------------------|-----------------|--|----------------------------------|---|-----------------|
| | Gross amount | Offset amount | Net amounts presented in the statement of financial position | Amounts not offset | | Net amount |
| | | | | Recognized financial instruments | Financial collateral (Including cash collaterals) | |
| Financial assets | | | | | | |
| Securities Lent | ₩ 666,236,972 | - | 666,236,972 | (666,236,972) | - | - |
| OTC derivative assets(*) | 675,277,141 | - | 675,277,141 | (343,998,888) | (93,423,974) | 237,854,279 |
| Accounts receivable (Customers) | 1,919,431,476 | (739,743,792) | 1,179,687,684 | - | - | 1,179,687,684 |
| Accounts receivable (KRX) | 2,057,634,621 | (2,007,551,629) | 50,082,992 | - | - | 50,082,992 |
| Accounts receivable (Payment and settlement) | 668,720,362 | (477,634,259) | 191,086,103 | - | - | 191,086,103 |
| ₩ | 5,987,300,572 | (3,224,929,680) | 2,762,370,892 | (1,010,235,860) | (93,423,974) | 1,658,711,058 |
| Financial liabilities | | | | | | |
| Bonds sold under repurchase agreements (with institutions) | ₩ (2,770,495,484) | - | (2,770,495,484) | 2,770,495,484 | - | - |
| OTC derivative liabilities(*) | (651,292,161) | - | (651,292,161) | 343,998,888 | 59,757,011 | (247,536,262) |
| Accounts payable (Customers) | (1,894,918,814) | 739,743,792 | (1,155,175,022) | - | - | (1,155,175,022) |
| Accounts payable (KRX) | (2,021,937,145) | 2,007,551,629 | (14,385,516) | - | - | (14,385,516) |
| Deposits received (Payment and settlement) | (484,263,428) | 477,634,259 | (6,629,169) | - | - | (6,629,169) |
| ₩ | (7,822,907,032) | 3,224,929,680 | (4,597,977,352) | 3,114,494,372 | 59,757,011 | (1,423,725,969) |

(*) Financial collateral to OTC derivative instruments includes collateral that does not have master netting arrangements.

45. Operating Segment Information

(1) Overall Segment Information and Operating Segment

(a) Types of products and services from which each reportable segment derives its revenues

Operating segments are presented on business basis. As of December 31, 2020, the Group is organized into four major operating segments: wealth management, corporate finance, asset management and overseas. In addition, these business divisions are based on the nature of the products and services provided, the type or class of customer, and the Group's management organization.

The details of each segment are as follows:

- i) Wealth management: securities trading, brokerage, deputy and others of securities for individual and corporate customers
- ii) Corporate finance: investment bank segment all around the asset management including security underwriting, M&A advisory and OTC derivatives business
- iii) Asset management: asset management business of Korea Investment Management Co., Ltd. and Korea Investment Value Asset Management Co., Ltd.
- iv) Overseas: overseas subsidiaries.

(b) Results of operating segment

Accounting policies of operating segments are same with those of the Group. The Group monitors the outcome of each operating segments for evaluation and decision making for resource allocations. The outcome of each operating segment is evaluated based on the operating profits differently measured from the operating profits on financial statements. The Group's tax is managed at corporate level and is not allocated to the operating segment.

(c) Factors management uses to identify reporting segment

The Group's operating segments are classified based on the risks and benefits arising from the difference in services. The Group's operating segments are managed independently by the nature of service and each one is treated as a strategic operating segment.

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45. Operating Segment Information, Continued

(2) Financial Information by Operating Segment

Financial information by operating segment for the years ended December 31, 2020 and 2019 are as follows:

| | 2020 | | | | | |
|--|-------------------|-------------------|------------------|--------------|------------------------|----------------|
| | Wealth management | Corporate finance | Asset management | Overseas | Intragroup adjustments | Total |
| Total profit | ₩ 910,940,560 | 14,522,962,986 | 147,237,285 | 196,369,352 | 415,868,406 | 16,193,378,589 |
| Profit before tax | 245,685,127 | 587,019,691 | 54,256,082 | 11,614,912 | 73,384,533 | 971,960,345 |
| Interest income | 175,592,682 | 781,566,384 | 476,179 | 32,625,858 | 118,989,982 | 1,109,251,085 |
| Interest expenses | (8,354,497) | (290,736,845) | (252,904) | (5,611,622) | (33,811,863) | (338,767,731) |
| Net fee and commission income | 402,218,253 | 531,766,739 | 113,663,072 | 19,176,519 | (48,488,087) | 1,018,336,496 |
| Net gains (losses) on valuation and disposal of financial assets (liabilities) | 187,369,229 | (382,587,701) | 773,349 | (7,775,063) | (8,304,436) | (210,524,622) |
| Selling and administrative expenses | (409,771,327) | (297,991,683) | (64,918,692) | (25,946,335) | (1,080,305) | (799,708,342) |
| Others | (101,369,213) | 245,002,797 | 4,515,078 | (854,445) | 46,079,242 | 193,373,459 |
| | 2019 | | | | | |
| | Wealth management | Corporate finance | Asset management | Overseas | Intragroup adjustments | Total |
| Total profit | ₩ 622,640,919 | 9,439,067,458 | 150,006,450 | 67,053,256 | 121,624,369 | 10,400,392,452 |
| Profit before tax | 85,007,800 | 793,520,804 | 62,151,569 | 10,575,441 | (14,978,837) | 936,276,777 |
| Interest income | 160,247,646 | 761,142,002 | 1,224,040 | 23,165,400 | 66,211,447 | 1,011,990,535 |
| Interest expenses | (12,910,956) | (370,696,824) | (445,205) | (2,817,016) | (18,459,193) | (405,329,194) |
| Net fee and commission income | 236,477,148 | 398,252,050 | 126,964,155 | 10,613,070 | (22,708,666) | 749,597,757 |
| Net gains (losses) on valuation and disposal of financial assets (liabilities) | 132,876,075 | 102,678,959 | (497,921) | 2,703,968 | (26,381,549) | 211,379,532 |
| Selling and administrative expenses | (364,579,787) | (324,827,831) | (68,616,189) | (20,765,904) | (1,198,579) | (779,988,290) |
| Others | (67,102,326) | 226,972,448 | 3,522,689 | (2,324,077) | (12,442,297) | 148,626,437 |

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46. Interests in Unconsolidated Structured Entities

(a) Information about interests in unconsolidated structured entities, which the Group does not have control over, including the nature, purpose and activities of the structured entity and how the structured entity is financed, are as follows:

| Nature | Purpose | Activities | Financing method |
|----------------------|---|--|--|
| Asset securitization | Receipt of commission fee from credit offering on SPC, an agreement to purchase ABCP and others. | i) Implementation of an asset securitization plan ii) Purchase and collection of securitized assets iii) Issuance and redemption of ABS and ABCP | i) Issuance of ABS and ABCP based on securitized assets |
| Project financing | i) Project Financing funding for social overhead capital (SOC) and real estate ii) Loans to SPC for merger and acquisition | i) Construction of SOC facilities and real estate ii) M&A financing | i) Loan agreements, credit granting and investment commitments |
| Investment fund | i) Investments in securities ii) Investments in private equity funds and partnerships. | i) Management and operation of fund assets ii) Payment of fund remuneration and distribution of operating income | i) Sale of beneficiary securities ii) Capital contribution from general partners and limited partners |

(b) Details of the size of the interest in unconsolidated structured entities and the nature of risks related as of December 31, 2020 and 2019 are as follows:

| Nature | December 31, 2020 | | |
|--|---|--------------------------|---------------------------------|
| | Asset securitization | Project financing | Investment fund |
| Total assets of unconsolidated structured entities | ₩ 705,366,412 | 13,813,401,661 | 14,906,041,021 |
| Assets recognized in the consolidated financial statements | | | |
| Loans measured at amortized cost | - | 760,675,239 | - |
| Financial assets measured at fair value through profit or loss | 107,786,315 | 610,503,274 | 674,949,860 |
| Investment in associate | - | - | 1,344,751,032 |
| | ₩ 107,786,315 | 1,371,178,513 | 2,019,700,892 |
| Maximum exposure to loss(*) | | | |
| Investments | ₩ 107,786,315 | 1,371,178,513 | 2,019,700,892 |
| Purchase agreement | 299,413,685 | - | - |
| Credit offerings | 1,717,772,710 | 199,004,872 | - |
| Investment commitment | - | - | 53,327,686 |
| | ₩ 2,124,972,710 | 1,570,183,385 | 2,073,028,578 |
| The way that the maximum exposure to loss is determined | Amount of credit offerings and purchase agreement | Amount of loan agreement | Amount of investment commitment |

(*) Maximum exposure to loss includes the investments recognized in the consolidated financial statements and the amounts which are probable to be determined when certain conditions are met by agreements including purchase agreements, credit offerings and others.

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46. Interests in Unconsolidated Structured Entities, Continued

(b) Details of the size of the interest in unconsolidated structured entities and the nature of risks related as of December 31, 2020 and 2019 are as follows, Continued:

| Nature | December 31, 2019 | | |
|--|---|--------------------------|---------------------------------|
| | Asset securitization | Project financing | Investment fund |
| Total assets of unconsolidated structured entities | ₩ 15,343,433,679 | 22,631,232,101 | 10,558,184,917 |
| Assets recognized in the financial statements of the Group | | | |
| Loans measured at amortized cost | 284,251,907 | 651,505,990 | - |
| Financial assets measured at fair value through profit or loss | 203,695,693 | - | 738,284,690 |
| Investment in associate | - | - | 1,189,889,380 |
| | ₩ 487,947,600 | 651,505,990 | 1,928,174,070 |
| Maximum exposure to loss(*) | | | |
| Investments | ₩ 487,947,600 | 651,505,990 | 1,928,174,070 |
| Purchase agreement | 628,404,307 | - | - |
| Credit offerings | 1,864,275,000 | 234,649,129 | - |
| Investment commitment | - | - | 97,348,388 |
| | ₩ 2,980,626,907 | 886,155,119 | 2,025,522,458 |
| The way that the maximum exposure to loss is determined | Amount of credit offerings and purchase agreement | Amount of loan agreement | Amount of investment commitment |

(*) Maximum exposure to loss includes the investments recognized in the consolidated financial statements and the amounts which are probable to be determined when certain conditions are met by agreements including purchase agreements, credit offerings and others.

Korea Investment & Securities Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In thousands of won)

47. Business Combination

The Group acquired 95% of the total shares of KIM Vietnam Fund Management at ₩3,126,334 thousand and included the company in a subsidiary on February 19, 2020. The Group acquired 4% shares at ₩131,334 thousand on June 12, 2020 and 1% additional shares at ₩32,856 thousand on July 22, 2020. The Group owns 2.5 million shares which are 100% of the outstanding shares as of December 31, 2020.

The consideration transferred paid to KIM Vietnam Fund Management, and the fair value of assets acquired and liabilities assumed at the date of acquisition are as follows:

| Classification | Amount |
|--|-------------|
| Consideration transferred | |
| Cash | ₩ 3,126,334 |
| Fair value of assets acquired and liabilities assumed(*) | |
| Cash and cash equivalent | 1,278,989 |
| Other financial assets measured at amortized cost | 4,157 |
| Other financial liabilities | (101) |
| Other non-financial liabilities | (875) |
| Fair value of identifiable net assets | 1,282,170 |
| Non-controlling interest | (64,108) |
| Controlling interest | 1,218,062 |
| Goodwill | 1,908,272 |
| | ₩ 3,126,334 |

(*) The goodwill as of December 31, 2020 is subject to change according to the result of fair value measurement of the identifiable assets and liabilities for distribution consideration transferred.

The operating revenues and net loss of KIM Vietnam Fund Management included in the consolidated statement of comprehensive income after the acquisition date are as follows:

| Classification | Amount |
|--------------------|-------------|
| Operation revenues | ₩ 363,414 |
| Net income (loss) | (1,319,891) |

If KIM Vietnam Fund Management was included in the consolidated statement of comprehensive income from January 1, 2020, the operation revenues and net loss from the company are as follows:

| Classification | Amount |
|--------------------|-------------|
| Operation revenues | ₩ 366,641 |
| Net income (loss) | (1,330,001) |

Cash flow related to the business combination is as follows:

| Classification | Amount |
|--------------------------------------|---------------|
| Consideration transferred | ₩ (3,126,334) |
| Cash held by the acquired subsidiary | 1,278,989 |
| Net cash flow | ₩ (1,847,345) |

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