

# **Meritz Securities Co., Ltd. and its subsidiaries**

Consolidated financial statements  
for the year ended December 31, 2020  
with the independent auditor's report

The logo for Meritz, featuring the word "meritz" in a bold, lowercase, red sans-serif font. The letter "i" has a red dot above it.

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## **Independent Auditors' Report**

Based on a report originally issued in Korean

The Board of Directors and Stockholders  
Meritz Securities Co., Ltd.

### ***Opinion***

We have audited the consolidated financial statements of Meritz Securities Co., Ltd. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as of December 31, 2020, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising 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 its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

### ***Basis for Opinion***

We conducted our audit 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.

As described in note 49 to the consolidated financial statements, the ongoing COVID-19 pandemic has increased uncertainty and may have negative impacts on business performance and profits in financial investment industry, but the potential overall impact on the Group's consolidated financial statements and performance cannot be reliably determined as of now. Our opinion is not modified in respect of this matter.

### ***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statement as of and for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### **(1) Fair value measurement of financial instruments classified as level 3**

Reasons why the matter was determined to be a key audit matter :

The Group classifies and discloses fair value of the financial instruments as level 3 when the inputs that give significant impact on the result of fair value for the financial instruments used valuation method are based on unobservable inputs.

As of December 31, 2020, the financial assets and liabilities classified as level 3 are KRW 2,997,690 million and KRW 2,954,683 million, respectively. (Note 45.1.2, Fair value of financial assets and liabilities)

We identified the following risk and determined fair value measurement of financial instruments classified as level 3 is a key audit matter since the significant judgment and estimation by management are included, and uncertainties in estimates exist.

- Risk of misstatement in fair value due to incorrect application of financial instruments valuation techniques and unobservable inputs (volatility of underlying assets, correlation and discount rate)

The following are the primary procedures we performed to address this key audit matter.

- We evaluated the design and tested the operating effectiveness of certain internal controls on the fair value measurement of financial instruments. These included the development and verification of valuation techniques and controls related to change in valuation techniques, the calculation and application of unobservable inputs, and controls related to change in unobservable inputs.
- We evaluated valuation techniques and unobservable inputs for the extracted samples, and we compared the fair value measured with independently developed valuation techniques and unobservable inputs with the fair value assessed by the Group. For this procedure, valuation specialists with professional skill and knowledge, if necessary, were involved.

## **(2) Assessment of the allowances for credit losses for loans**

Reasons why the matter was determined to be a key audit matter :

The Group measures the allowances for credit losses for loans through estimating probability of default in respect of borrowers' credit rating, loss given default and forward-looking information. We identified the following risk and determined the allowances for credit losses for loans is a key audit matter since the credit rating is required high level judgment in considering qualitative and quantitative factors.

The Group recognized an allowance for credit losses for loans amounting to KRW 192,802 million as of December 31, 2020. (Note 11, Loans)

- Risk of misstatement in allowances for credit losses for loans due to management's bias or error on determination of credit rating.

The following are the primary procedures we performed to address this key audit matter.

- We evaluated the design and tested the operating effectiveness of certain internal controls on allowances for credit losses for loans measurement. These included controls related to comparing internal credit ratings with credit ratings from credit rating company and evaluation of probability of default of credit rating company.
- We compared if any significant difference existed between the credit graded by management and re-measured credit ratings of borrower based on Loan to Value (LTV), default information and others.
- We evaluated how the probability of default, loss given default and forward-looking information were reflected on allowances for credit losses for loans through specialists with professional skills and knowledge.

### ***Other Matters***

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.

The consolidated financial statements of the Group for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 5, 2020.

### ***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 the internal controls that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements as of and for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Min-Gyu Kim.

/s/ KPMG Samjong Accounting Corp.

*Min Gyu Kim*

Seoul, Korea  
March 10, 2021

This report is effective as of March 10, 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.

# **Meritz Securities Co., Ltd. and its subsidiaries**

Consolidated financial statements  
for the years ended December 31, 2020 and 2019

“The accompanying consolidated financial statements, including all footnotes and disclosures, have been prepared by, and are the responsibility of, the Group.”

Alexander Heemoon Choi  
Chief Executive Officer  
Meritz Securities Co., Ltd.

**Meritz Securities Co., Ltd. and its subsidiaries**  
**Consolidated statements of financial position**  
**as of December 31, 2020 and 2019**

(Korean won in thousands)

	Notes	December 31, 2020	December 31, 2019
<b>Assets</b>			
Cash and due from banks	7, 38, 39, 42, 44, 45, 48	₩ 2,222,507,308	₩ 2,102,864,141
Financial assets measured at FVTPL	8, 24, 38, 39, 44, 45, 46, 48	24,740,241,541	18,565,092,602
Financial assets measured at FVOCI	9, 44, 45, 48	648,920,062	421,091,310
Investments in associates and joint ventures	10	1,666,295,119	1,529,332,155
Loans	11, 38, 44, 45, 46, 48	11,177,655,377	12,771,177,829
CMA	12, 44, 45, 48	-	1,998,004
Lease assets	13, 44, 45, 48	1,300,298,950	1,309,898,616
Property and equipment	14	43,119,386	46,831,736
Investment property	15	6,838,530	9,504,252
Intangible assets	16	39,657,542	36,495,895
Defined benefit assets	22	-	127,097
Tax assets	36	182,270,631	143,753,532
Other assets	17, 38, 44, 45, 46, 48	1,819,186,755	1,171,770,221
<b>Total assets</b>		<b>₩ 43,846,991,201</b>	<b>₩ 38,109,937,390</b>
<b>Liabilities</b>			
Deposits	18, 38, 44, 45, 48	₩ 1,954,874,966	₩ 2,326,563,911
Financial liabilities measured at FVTPL	19, 24, 38, 44, 45, 46, 48	7,849,760,644	7,338,967,235
Borrowings	20, 38, 44, 45, 46, 48	26,474,744,774	22,732,741,220
Provisions	21, 40	16,036,649	27,390,219
Defined benefit liabilities	22	332,246	-
Tax liabilities	36	178,775,912	159,644,294
Other liabilities	23, 38, 44, 45, 46, 48	2,583,683,037	1,505,351,203
<b>Total liabilities</b>		<b>39,058,208,228</b>	<b>34,090,658,082</b>
<b>Equity</b>			
Issued capital	25	776,139,916	717,488,890
Hybrid bond	25	249,886,460	199,909,080
Capital surplus and adjustments	26, 27	1,548,087,012	1,406,942,024
Accumulated other comprehensive income	28	122,063,901	87,400,407
Retained earnings	29	1,918,191,404	1,507,794,407
(Regulatory reserve for credit loss)			
232,974,833 thousands won as of Dec, 31, 2020			
164,847,248 thousands won as of Dec, 31, 2019			
(Planned (reversal of) regulatory reserve for credit loss)			
(-) 85,459,223 thousands won as of Dec, 31, 2020			
68,127,585 thousands won as of Dec, 31, 2019			
<b>Equity attributable to owners of the company</b>		<b>4,614,368,693</b>	<b>3,919,534,808</b>
<b>Non-controlling interests</b>		<b>174,414,280</b>	<b>99,744,500</b>
<b>Total equity</b>		<b>4,788,782,973</b>	<b>4,019,279,308</b>
<b>Total liabilities and equity</b>		<b>₩ 43,846,991,201</b>	<b>₩ 38,109,937,390</b>

The accompanying notes are an integral part of the consolidated financial statements



**Meritz Securities Co., Ltd. and its subsidiaries**  
**Consolidated statements of profit or loss and other comprehensive income**  
**for the years ended December 31, 2020 and 2019**

(Korean won in thousands)

	Notes	Year ended December 31, 2020	Year ended December 31, 2019
<b>Operating revenue:</b>			
Commission income	30	₩ 582,921,985	₩ 468,405,942
Gain on valuation and disposal of financial instruments	31	2,499,891,222	1,427,909,503
Gain on derivative valuation and transactions	24, 31	10,517,419,308	7,405,788,870
Interest income	32	1,099,735,693	1,209,480,927
Gain on valuation and disposal of loans	11	11,420,454	23,105,015
Gain on foreign exchange transactions		1,444,026,719	929,592,663
Lease income	13	148,320,290	129,130,634
Others	34	301,142,006	319,172,900
		<u>16,604,877,677</u>	<u>11,912,586,454</u>
<b>Operating expenses:</b>			
Commission expenses	30	(67,853,053)	(63,370,695)
Loss on valuation and disposal of financial instruments	31	(2,840,700,555)	(2,159,236,852)
Loss on derivative valuation and transactions	24, 31	(9,974,821,893)	(6,763,111,684)
Interest expenses	32	(424,883,745)	(503,106,240)
Loss on valuation and disposal of loans	11	(67,967,766)	(93,785,025)
Loss on foreign exchange transactions		(1,493,485,456)	(858,962,614)
General and administrative expenses	33	(605,441,095)	(478,798,224)
Lease expense	13	(80,667,167)	(67,396,577)
Others	34	(221,058,347)	(244,876,571)
		<u>(15,776,879,077)</u>	<u>(11,232,644,482)</u>
<b>Operating income</b>		<b>827,998,600</b>	<b>679,941,972</b>
Other income	35	81,526,925	113,073,381
Other expenses	35	(142,358,457)	(26,008,604)
Income before income taxes		<u>767,167,068</u>	<u>767,006,749</u>
<b>Income tax expense</b>	36	<b>(202,032,626)</b>	<b>(212,420,667)</b>
<b>Net income</b>	29	<b>₩ 565,134,442</b>	<b>₩ 554,586,082</b>
(Planned (reversal of) regulatory reserve for credit loss)			
(-) 85,459,223 thousands won for the year ended Dec, 31, 2020			
68,127,585 thousands won for the year ended Dec, 31, 2019			
(Adjusted net income after reserves for credit losses)			
643,725,612 thousands won for the year ended Dec, 31, 2020			
480,855,595 thousands won for the year ended Dec, 31, 2019			
<b>Other comprehensive income</b>			
Items that will not be reclassified subsequently to profit or loss:			
Gain (loss) on valuation of equity securities measured at FVOCI	9	₩ 37,196,505	₩ 11,514,467
Gain (loss) on disposal of equity securities measured at FVOCI		970	462,146
Gain (loss) on valuation of financial liabilities designated as measured at FVTPL		536,472	(133,867)
Remeasurement gain (loss) on defined benefit plan	22	(871,207)	(345,468)
Items that may be reclassified subsequently to profit or loss:			
Gain (loss) on valuation of debt securities measured at FVOCI	9	176,273	(2,541,363)
Decrease in valuation of investment stock using the equity method		(1,263,197)	-
Exchange differences on translation of foreign operations		(1,111,352)	(323,130)
		<u>34,664,464</u>	<u>8,632,785</u>
<b>Total comprehensive income</b>		<b>₩ 599,798,906</b>	<b>₩ 563,218,867</b>
Net income attributable to :			
Owners of the Company		₩ 558,266,389	₩ 548,983,180
Non-controlling interests		6,868,053	5,602,902
		<u>₩ 565,134,442</u>	<u>₩ 554,586,082</u>
Total other comprehensive income attributable to :			
Owners of the Company		₩ 34,664,464	₩ 8,632,785
Non-controlling interests		-	-
		<u>₩ 34,664,464</u>	<u>₩ 8,632,785</u>
Total Comprehensive income attributable to :			
Owners of the Company		₩ 592,930,853	₩ 557,615,965
Non-controlling interests		6,868,053	5,602,902
		<u>₩ 599,798,906</u>	<u>₩ 563,218,867</u>
<b>Basic earnings per share (won)</b>	37	<b>₩ 865</b>	<b>₩ 924</b>
<b>Diluted earnings per share (won)</b>	37	<b>₩ 804</b>	<b>₩ 840</b>

The accompanying notes are an integral part of the consolidated financial statements

**Meritz Securities Co., Ltd. and its subsidiaries**  
**Consolidated statements of changes in equity**  
**for the years ended December 31, 2020 and 2019**  
(Korean won in thousands)

	Issued capital	Hybrid bond	Capital surplus	Accumulated other comprehensive income	Retained earnings	Non-controlling interests	Total
Balance at January 1, 2019	₩ 717,488,890	₩ -	₩ 1,406,151,364	₩ 79,358,926	₩ 1,170,369,588	₩ 99,744,500	₩ 3,473,113,268
Dividends	-	-	-	-	(139,365,861)	-	(139,365,861)
Redemption of convertible callable preferred stock	-	-	-	-	(72,783,804)	-	(72,783,804)
Total comprehensive income:							
Net income	-	-	-	-	548,983,180	5,602,902	554,586,082
Other comprehensive income:							
Gain (loss) on valuation of equity securities measured at FVOCI	-	-	-	11,514,467	-	-	11,514,467
Gain (loss) on disposal of equity securities measured at FVOCI	-	-	-	-	462,146	-	462,146
Gain (loss) on valuation of debt securities measured at FVOCI	-	-	-	(2,541,363)	-	-	(2,541,363)
Remeasurements of the net defined benefit liabilities	-	-	-	(345,468)	-	-	(345,468)
Gain (loss) on valuation of financial liabilities designated as measured at FVTPL	-	-	-	(263,025)	129,158	-	(133,867)
Exchange differences on translation of foreign operations	-	-	-	(323,130)	-	-	(323,130)
Issue of hybrid bond	-	199,909,080	-	-	-	-	199,909,080
Allocated expense of stock options	-	-	845,310	-	-	-	845,310
Conversion expense of convertible callable preferred stock to common stock	-	-	(30,650)	-	-	-	(30,650)
Transaction costs on issue of subsidiaries shares	-	-	(24,000)	-	-	-	(24,000)
Dividends paid of hybrid bond	-	-	-	-	-	(5,602,902)	(5,602,902)
Balance at December 31, 2019	₩ 717,488,890	₩ 199,909,080	₩ 1,406,942,024	₩ 87,400,407	₩ 1,507,794,407	₩ 99,744,500	₩ 4,019,279,308

	Issued capital	Hybrid bond	Capital surplus	Accumulated other comprehensive income	Retained earnings	Non-controlling interests	Total
Balance at January 1, 2020	₩ 717,488,890	₩ 199,909,080	₩ 1,406,942,024	₩ 87,400,407	₩ 1,507,794,407	₩ 99,744,500	₩ 4,019,279,308
Dividends	-	-	-	-	(135,745,772)	-	(135,745,772)
Total comprehensive income:							
Net income	-	-	-	-	558,266,389	6,868,053	565,134,442
Other comprehensive income:							
Gain (loss) on valuation of equity securities measured at FVOCI	-	-	-	37,196,505	-	-	37,196,505
Gain (loss) on disposal of equity securities measured at FVOCI	-	-	-	-	970	-	970
Gain (loss) on valuation of debt securities measured at FVOCI	-	-	-	176,273	-	-	176,273
Remeasurements of the net defined benefit liabilities	-	-	-	(871,207)	-	-	(871,207)
Gain (loss) on valuation of financial liabilities designated as measured at FVTPL	-	-	-	536,472	-	-	536,472
Gain (loss) on valuation of investment stock using the equity method	-	-	-	(1,263,197)	-	-	(1,263,197)
Exchange differences on translation of foreign operations	-	-	-	(1,111,352)	-	-	(1,111,352)
Capital increase with consideration	58,651,026	-	141,030,891	-	-	-	199,681,917
Issue of hybrid bond	-	49,977,380	-	-	-	-	49,977,380
Issue of hybrid bond of subsidiaries	-	-	-	-	-	74,669,780	74,669,780
Dividends paid of hybrid bond	-	-	-	-	(12,124,590)	-	(12,124,590)
Dividends paid of hybrid bond of subsidiaries	-	-	-	-	-	(6,868,053)	(6,868,053)
Allocated expense of stock options	-	-	114,050	-	-	-	114,050
Sale of treasury stock	-	-	47	-	-	-	47
Balance at December 31, 2020	₩ 776,139,916	₩ 249,886,460	₩ 1,548,087,012	₩ 122,063,901	₩ 1,918,191,404	₩ 174,414,280	₩ 4,788,782,973

The accompanying notes are an integral part of the consolidated financial statements

**Meritz Securities Co., Ltd. and its subsidiaries**  
**Consolidated statements of cash flows**  
**for the years ended December 31, 2020 and 2019**  
(Korean won in thousands)

	Year ended December 31, 2020	Year ended December 31, 2019
<b>Operating activities:</b>		
Net income before income taxes	₩ 767,167,068	₩ 767,006,749
Adjustments to non-cash items :		
Gain on valuation of Financial assets measured at FVTPL	(41,347,872)	(129,319,751)
Gain on derivative valuation	(199,747,190)	(215,802,059)
Loss on valuation of financial assets designated at fair value through profit or loss	119,248,881	280,192,877
Loss (gain) on evaluation of other financial instruments	(10)	8,840
Provision of allowance for doubtful accounts	66,753,942	99,814,792
Provision of other allowance for doubtful accounts	4,438,222	954,311
Loss (gain) on foreign currency translation	36,619,957	(58,641,683)
Depreciation of property and equipment	15,634,432	14,841,267
Amortization of intangible assets	3,889,953	3,735,363
Depreciation expenses on operating lease assets	60,035,569	49,146,888
(Reversal of) Impairment losses on financial assets measured at FVOCI	85,014	(2,769,349)
Loss (gain) on disposal of financial assets measured at FVOCI	(3,143)	562,652
Contribution to provision (reversal)	(11,502,537)	8,807,986
Provision (reversal) of credit risk adjustments	3,686,701	(2,003,845)
Reversal of day 1 profit or loss adjustments	(45,142,563)	(45,552,947)
Post-employment benefit	4,666,802	4,375,115
Loss (gain) on valuation of incentives	8,569,459	(1,697,327)
Compensation expenses associated with stock option	(897,106)	27,212
Loss (gain) on disposal of property and equipment	25,869	(24,764,853)
Gain on disposal of investment property	(1,562,867)	(1,888,840)
Gain on disposal of intangible assets	(403,993)	(70,337)
Gain on disposal of investments in associates, subsidiaries and joint venture	(11,022,301)	(34,680,641)
Reversal of impairment losses on intangible assets	(2,066,000)	-
Loss (gain) in equity method	78,449,390	(22,253,714)
Loss on redemption of debentures	446,929	-
Interest income	(1,144,017,265)	(1,255,429,426)
Interest expense	424,883,745	503,106,240
Dividend income	(32,598,982)	(36,379,884)
	(662,876,964)	(865,681,113)
Changes in operating assets and liabilities:		
Cash and due from banks	(120,133,866)	(151,573,273)
Financial assets at fair value through profit or loss	(5,845,885,452)	(5,624,645,284)
Loans	260,897,037	(1,665,295,414)
CMA	1,998,004	2,995,324
Lease assets	(51,370,982)	(150,906,724)
Other assets	(645,441,198)	(161,614,863)
Deposits	(114,490,277)	(87,946,585)
Financial liabilities at fair value through profit or loss	294,997,392	1,399,178,209
Provisions	-	(161,686)
Defined benefit liabilities	(5,376,754)	(4,142,982)
Other liabilities	831,581,345	417,615,541
	(5,393,224,751)	(6,026,497,737)
Interest received	1,076,134,054	1,201,550,196
Interest paid	(395,567,080)	(485,944,477)
Dividends received	32,534,058	43,852,548
Income tax paid	(234,549,767)	(177,966,602)
<b>Net cash flows used in operating activities</b>	<b>(4,810,383,382)</b>	<b>(5,543,680,436)</b>

(Continued)

**Meritz Securities Co., Ltd. and its subsidiaries**  
**Consolidated statements of cash flows**  
**for the years ended December 31, 2020 and 2019 (cont'd)**  
(Korean won in thousands)

	<b>Year ended December 31, 2020</b>	<b>Year ended December 31, 2019</b>
<b>Investing activities:</b>		
Disposal of financial assets measured at FVOCI	₩ 151,022,733	₩ 872,692,369
Disposal of investment in associates and joint venture	558,118,086	403,081,616
Receipt of dividends from associates	61,316,504	34,850,007
Disposal of property and equipment	331,405	81,561,401
Disposal of investment property	4,041,397	4,224,755
Decrease in intangible assets	758,373	1,106,435
Decrease in guarantee deposits	6,654,961	1,780,254
Disposal of investments in subsidiaries (Note 42)	(15,358,616)	(7,294,962)
Acquisition of financial assets measured at FVOCI	(327,682,219)	(468,181,142)
Acquisition of investment in associates and joint venture	(903,656,476)	(1,469,286,999)
Acquisition of property and equipment	(6,650,301)	(16,088,117)
Acquisition of intangible assets	(5,091,776)	(4,136,099)
Increase in guarantee deposits	(6,522,535)	(5,261,995)
<b>Net cash flows used in investing activities</b>	<b>(482,718,464)</b>	<b>(570,952,477)</b>
<b>Financing activities:</b>		
Net increase in borrowings	4,137,364,860	5,092,457,851
Net increase in short-term bonds	-	429,367,077
Issue of bonds	3,625,633,117	2,185,892,041
Issue of hybrid bond	49,977,380	199,909,080
Capital increase with consideration	199,681,917	-
Issue of hybrid bond of subsidiaries	74,669,780	-
Sale of treasury stock	46	-
Net decrease in short-term bonds	(497,327,000)	-
Redemption of bonds	(2,120,544,650)	(1,562,498,954)
Dividends paid	(135,745,772)	(139,365,861)
Dividends paid of hybrid bond	(11,400,000)	-
Redemption of convertible callable preferred stock	-	(72,783,804)
Dividends paid of hybrid bond of subsidiaries	(6,502,800)	(5,602,902)
Transaction costs on issue of shares	-	(30,650)
Transaction costs on issue of subsidiaries shares	-	(24,000)
Payment of lease liability principal	(8,998,284)	(4,215,007)
<b>Net cash flows provided by financing activities</b>	<b>5,306,808,594</b>	<b>6,123,104,871</b>
<b>Net increase in cash and cash equivalents</b>	<b>13,706,748</b>	<b>8,471,958</b>
<b>Effect from exchange rate changes on cash and cash equivalents</b>	<b>(4,428,076)</b>	<b>155,861</b>
<b>Cash and cash equivalents at the beginning of the year (Note 7)</b>	<b>990,456,666</b>	<b>981,828,847</b>
<b>Cash and cash equivalents at the end of the year (Note 7, 42)</b>	<b>₩ 999,735,338</b>	<b>₩ 990,456,666</b>

The accompanying notes are an integral part of the consolidated financial statements

**Meritz Securities Co., Ltd. and its subsidiaries**  
**Notes to the consolidated financial statements**  
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**1. Group information**

Meritz Securities Co., Ltd. (the "Company") was established on February 24, 1973 under the name of Hanil Securities Co., Ltd. and primarily engages in the securities business including brokerage services, proprietary trading and underwriting of securities. The Company changed its name to Hanjin Investment Securities Co., Ltd. on October 1, 1990 and finally changed its name to Meritz Securities Co., Ltd. on March 1, 2000.

The Company merged its subsidiary, Meritz Investment Bank Co., Ltd. ("Meritz IB") on April 1, 2010. The Company is terminated allowance to engage in Meritz IB's businesses, which include various financial services related to the issuance of commercial papers, providing corporate loans and payment guarantees and other related services, on April 5, 2020 according to the *Act on the structural improvement of the financial industry*. Finally, the company renamed to Meritz Securities Co., Ltd on April 6, 2020.

The Company is allowed to engage in Meritz IB's businesses, which include various financial services related to the issuance of commercial papers, providing corporate loans and payment guarantees and other related services according to the *Financial Investment Services and Capital Markets Act*. The Company has been designated as a comprehensive financial investment business entity in November 2017 to engage in the credit offering business with corporates. The Company operates through a network of the main office and 7 domestic branches which involve sales departments.

The Company prepared consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") in accordance with K-IFRS 1110 *Consolidated Financial Statements* (see Note 2). Investments in associates and joint ventures are accounted for using the equity method in the consolidated financial statements.

The Company is listed on the Korea Exchange ("KRX"), and the major shareholders of the Company as of December 31, 2020 are as follows:

Shareholders	Number of shares		Percentage of ownership (%)	
	Common Stock	Preferred Stock	Common Stock	Preferred Stock
Meritz Financial Group Inc. ("Meritz FG") (*)	328,355,866	-	48.58	-
Cho Jeong Ho	6,424,646	-	0.95	-
Treasury stock	43,138,182	-	6.38	-
Others	298,043,033	70,939,063	44.09	100.00
	675,961,727	70,939,063	100.00	100.00

(\*) The 58,651,026 shares are increased due to capital increase through third party allocation in 2020.

**2. Scope of consolidation**

**2.1 The Company's equity ownership in its consolidated subsidiaries as of the reporting date is summarized as follows:**

Investee	December 31, 2020				
	Country	Ownership (%)	Company	Main Business	Type of control
Meritz Capital Co., Ltd.	Korea	100.00	Financial business	Credit specialized financial business	Equity holding
RREEF Special Invest GmbH trust of security contract	Korea	100.00	Investment fund and trust	Investment in securities etc.	Equity holding
Kukje Active High Yield Private Investment Trust 3 (*)	Korea	99.86	Investment fund and trust	Investment in securities etc.	Equity holding
Koreit Separate Taxation High-Yield PE No.4	Korea	100.00	Investment fund and trust	Investment in securities etc.	Equity holding
Sparx Separate Taxation High-Yield No.1	Korea	99.82	Investment fund and trust	Investment in securities etc.	Equity holding
Yurie SPAC Plus IPO Private Investment Trust 1st	Korea	97.16	Investment fund and trust	Investment in securities etc.	Equity holding

**Meritz Securities Co., Ltd. and its subsidiaries**  
**Notes to the consolidated financial statements**  
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**2.1 The Company's equity ownership in its consolidated subsidiaries as of the reporting date is summarized as follows: (cont' d)**

Investee	Country	Ownership (%)	Company	Main Business	Type of control
Olion IPO Multi Strategy Investment Trust 2nd	Korea	92.93	Investment fund and trust	Investment in securities etc	Equity holding
Olion IPO Multi Strategy Investment Trust 2nd C-I	Korea	100.00	Investment fund and trust	Investment in securities etc	Equity holding
Pharos Investment Private Trust 1st	Korea	52.11	Investment fund and trust	Investment in securities etc	Equity holding
Skywalk EXTENSION Private Investment Trust 2nd	Korea	90.66	Investment fund and trust	Investment in securities etc	Equity holding
Bros IPO Investment Private Trust 1st	Korea	100.00	Investment fund and trust	Investment in securities etc	Equity holding
Human Investment Trust	Korea	100.00	Investment fund and trust	Investment in securities etc	Equity holding
Kukje Active High Yield Private Investment Trust 2 (*)	Korea	99.86	Investment fund and trust	Investment in securities etc	Equity holding
Brain KOSDAQ Venture Investment Private Trust 2nd C-I	Korea	95.08	Investment fund and trust	Investment in securities etc	Equity holding
Koreit KOSDAQ Venture Investment Private Trust 2nd C-I	Korea	93.77	Investment fund and trust	Investment in securities etc	Equity holding
Mercury Kosdaq Venture 2 (*)	Korea	95.37	Investment fund and trust	Investment in securities etc	Equity holding
Global One KOSDAQ Venture Investment Private Trust 1st	Korea	97.05	Investment fund and trust	Investment in securities etc	Equity holding
Owl Public offer Investment Private Trust 2nd	Korea	100.00	Investment fund and trust	Investment in securities etc	Equity holding
Mercury Kosdaq Venture Private Fund no.1 (*)	Korea	100.00	Investment fund and trust	Investment in securities etc	Equity holding
Kiwoom Milestone GRMC Investment Private Trust 1st	Korea	100.00	Investment fund and trust	Investment in securities etc	Equity holding
Skywalk EXTENSION Private Investment Trust 1st	Korea	79.99	Investment fund and trust	Investment in securities etc	Equity holding
W KOSDAQ Venture(M) 2nd Fund	Korea	98.89	Investment fund and trust	Investment in securities etc	Equity holding
SKYWALK ALPHA-X HEDGE FUND NO.1	Korea	80.54	Investment fund and trust	Investment in securities etc	Equity holding
DB HAWKEYE PRIVATE FUND 1	Korea	87.01	Investment fund and trust	Investment in securities etc	Equity holding
SPARX IPO Private Fund Trustee 3 (Equity Mixed)	Korea	96.66	Investment fund and trust	Investment in securities etc	Equity holding
SKYWALK ALPHA-Q HEDGE FUND NO.1	Korea	100.00	Investment fund and trust	Investment in securities etc	Equity holding
Mercury IPO Konex HighYield Private Fund 5	Korea	99.50	Investment fund and trust	Investment in securities etc	Equity holding
Dareum IPO High-yield 1	Korea	95.69	Investment fund and trust	Investment in securities etc	Equity holding
KGT high-yield IPO Private Investment Trust 2	Korea	99.50	Investment fund and trust	Investment in securities etc	Equity holding
Hize high-yield IPO Private Investment Trust 2	Korea	99.67	Investment fund and trust	Investment in securities etc	Equity holding
GG INVESTMENT IPO 2	Korea	100.00	Investment fund and trust	Investment in securities etc	Equity holding
IPARTNERS Prime private fund No.10	Korea	69.44	Investment fund and trust	Investment in securities etc	Equity holding
IPARTNERS Prime private fund No.10_Class c	Korea	71.35	Investment fund and trust	Investment in securities etc	Equity holding
WooriAltamira Trust	Korea	99.90	Investment fund and trust	Investment in securities etc	Equity holding
Kiwoom Milestone Europe Real Estate Investment Trust 5th	Korea	100.00	Investment fund and trust	Investment in securities etc	Equity holding
Korean Alternative Investment Smart Education Investment Private Trust 1st	Korea	99.32	Investment fund and trust	Investment in securities etc	Equity holding
INMARK UK Private Real Estate Investment Trust 19-1	Korea	100.00	Investment fund and trust	Investment in securities etc	Equity holding
AIP Upstream Specialized Privately Placed Fund Trust #1	Korea	100.00	Investment fund and trust	Investment in securities etc	Equity holding

**Meritz Securities Co., Ltd. and its subsidiaries**  
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**2.1 The Company's equity ownership in its consolidated subsidiaries as of the reporting date is summarized as follows: (cont' d)**

Investee	Country	Ownership (%)	Company	Main Business	Type of control
IGIS Global Private Real Estate Investment Trust 304	Korea	100.00	Investment fund and trust	Investment in securities etc	Equity holding
Adamas Venture Opportunities Fund LP	Cayman Islands	100.00	Investment fund and trust	Investment in securities etc	Equity holding
IGIS Global Private Real Estate Investment Trust 311	Korea	100.00	Investment fund and trust	Investment in securities etc	Equity holding
genesis north america power company no.1 PEF	Korea	99.60	Investment fund and trust	Investment in securities etc	Equity holding
Genesis Upstream, Co., Ltd.	Korea	100.00	Investment fund and trust	Investment in securities etc	Equity holding
GM Presidio, LLC	United States	100.00	Investment fund and trust	Investment in securities etc	Equity holding
Presidio Co-Investors A LLC	United States	100.00	Investment fund and trust	Investment in securities etc	Equity holding
Milestone India Professional Investor's Private Real Estate Investment Limited Liability Company	Korea	100.00	Investment fund and trust	Investment in securities etc	Equity holding
Kiwoom New Zealand Professional Private Trust 1	Korea	100.00	Investment fund and trust	Investment in securities etc	Equity holding
Milestone Private Placement Special Asset Investment Trust 1	Korea	100.00	Investment fund and trust	Investment in securities etc	Equity holding
MS Securitization Specialty Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	General loan
Zephyrus Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
Nice Dongtan 1st Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
SH 1st, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of backed asset	General loan
GyeongjuYongGang 1st, Securitization	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
M Square Jungdong 3rd, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	General loan
South Lake 1st, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
MCBH 1st, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
GPI 2nd, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	General loan
HJJ 2nd, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
TCS 1st, Securitization	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
TCS 1st, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	General loan
The Tempest Co.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	General loan
Maplebay, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of securities on real estates	General loan
M Square M port 1st, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
GPI 6th, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	General loan
SLT JanghangDaeto 1st, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
YG Leaders 1st, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
MS Dasa, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
Haeyoodong 2nd, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	General loan
Haeyoodong 1st, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
Cygnus 2nd, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	General loan
JYP, Securitization	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment

**Meritz Securities Co., Ltd. and its subsidiaries**  
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**2.1 The Company's equity ownership in its consolidated subsidiaries as of the reporting date is summarized as follows: (cont' d)**

Investee	Country	Ownership (%)	Company	Main Business	Type of control
WBRK Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
M Square Jije Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
SLT Suseong, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
SLT Galsan, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
SLT Samseong, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
SLT Spare, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	General loan
SLT Jochon, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	General loan
SLT Mokgam, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
MS Smart, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
Meri Milano, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	General loan
SLT Gurae 1st, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
SLT Eoyeon, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
DKY 1st, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
SLT Shinhwa, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	General loan
GPI11 Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	General loan
GPI12 Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	General loan
Just White, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
KSL 1st, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	General loan
Grasslands 1st Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	General loan
Grasslands 2nd, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
Just Yellow, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	General loan
M Square Sangam Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	General loan
Swipe 1st, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	General loan
GM The One, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
M Dragon, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
Eessen 1st, Securitization	Korea	0.00	Special purpose Company	Securitization of loans on real estates	General loan
KSL 2nd, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	General loan
Suseong Landmark H, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
Vienna Rose, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
SLT Nonhyeon, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
Project Hyoseong City 1st, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
M Square Cloud, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
SLT Yangju, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
GPI14 Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment



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**2.1 The Company's equity ownership in its consolidated subsidiaries as of the reporting date is summarized as follows: (cont' d)**

Investee	Country	Ownership (%)	Company	Main Business	Type of control
GM New York 1st, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
SLT Myeonggok 1st, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
VVertigo 1st, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
M Start 1st, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	General loan
SLT Believe 2nd, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
JSM 1st, Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
Classic Blue, Co., Ltd	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
HJ 9th, Co., Ltd	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
CHUNGLA WAVE 1ST, Co., Ltd	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
WECM1 Co., Ltd	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
TS The first Co., Ltd	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
Saint Luis Co., Ltd	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
SMARTNAMSAN 1ST, Co., Ltd	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
Msinapolis, Co., Ltd	Korea	0.00	Special purpose Company	Securitization of loans on real estates	General loan
GPI15 Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
M Square Haan Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	General loan
GPI16 Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	General loan
SH manchon No.1 Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
UJB 3th co., LTD	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
Uporia 1st Co., Ltd	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
MCP4 1ST, Co., Ltd	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
Uporia 4th Co., Ltd	Korea	0.00	Special purpose Company	Securitization of loans on real estates	General loan
Nice chungyangri, Co., Ltd	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
M Square Sosa Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
GPI18 Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of loans on real estates	General loan
Ecobeer co., ltd	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
RS Doahn Co., Ltd	Korea	0.00	Special purpose Company	Securitization of loans on real estates	Mortgage loan commitment
DS Doahn Co., Ltd	Korea	0.00	Special purpose Company	Securitization of loans on real estates	General loan
Meritz Auto Sixth Securitization Specialty Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of backed asset	ABS holding, a shareholder with the right of residuary estate
Meritz Auto Seventh Securitization Specialty Co., Ltd.	Korea	0.00	Special purpose Company	Securitization of backed asset	ABS holding, a shareholder with the right of residuary estate

(\*) The name of fund is changed from 'Yurie Separate Taxation High-Yield PE No.1' to 'Kukje Active High Yield Private Investment Trust 3', from 'BNK High Yield Investment 1st' to 'Kukje Active High Yield Private Investment Trust 2', from 'Capstone KOSDAQ Venture Investment Private Trust 11th' to 'Mercury Kosdaq Venture 2', and from 'Capstone Investment Private Trust 15th' to 'Mercury Kosdaq Venture Private Fund no.1'.

**Meritz Securities Co., Ltd. and its subsidiaries**  
**Notes to the consolidated financial statements**  
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**2.1.1 The entities included in or excluded from the scope of consolidation for the year ended December 31, 2020 are as follows:**

	<u>Subsidiaries</u>	<u>Reason for consolidation</u>
Included in the consolidation	Milestone Private Placement Special Asset Investment Trust 1	(*1)
	W KOSDAQ Venture(M) 2nd Fund	(*1)
	SKYWALK ALPHA-X HEDGE FUND NO.1	(*1)
	DB HAWKEYE PRIVATE FUND 1	(*1)
	SPARX IPO Private Fund Trustee 3 (Equity Mixed)	(*1)
	SKYWALK ALPHA-Q HEDGE FUND NO.1	(*1)
	Mercury IPO Konex HighYield Private Fund 5	(*1)
	Dareum IPO High-yield 1	(*1)
	KGT high-yield IPO Private Investment Trust 2	(*1)
	Hize high-yield IPO Private Investment Trust 2	(*1)
	GG INVESTMENT IPO 2	(*1)
	IPARTNERS Prime private fund No.10	(*1)
	IPARTNERS Prime private fund No.10_Class c	(*1)
	OAI No.1	(*2)
	Classic Blue, Co., Ltd	(*2)
	HJ 9th, Co., Ltd	(*2)
	CHUNGLA WAVE 1ST, Co., Ltd	(*2)
	WECM1 Co., Ltd	(*2)
	TS The first Co., Ltd	(*2)
	Saint Luis Co., Ltd	(*2)
	SMARTNAMSAN 1ST, Co., Ltd	(*2)
	Msinepolis, Co., Ltd	(*2)
	GPI15 Co., Ltd.	(*2)
	GPI9 Co., Ltd.	(*2)
	M Square Haan Co., Ltd.	(*2)
	GPI16 Co., Ltd.	(*2)
	SH manchon No.1 Co., Ltd.	(*2)
	M Square Sosa 2nd Co., Ltd.	(*2)
	UJB 3th co., LTD	(*2)
	Uporia 1st Co., Ltd	(*2)
	MCP4 1ST, Co., Ltd	(*2)
	Uporia 4th Co., Ltd	(*2)
	Nice chungyangri, Co., Ltd	(*2)
	M Square Sosa Co., Ltd.	(*2)
	GPI18 Co., Ltd.	(*2)
	Ecobeer co., ltd	(*2)
	RS Doahn Co., Ltd	(*2)
	DS Doahn Co., Ltd	(*2)
	Meritz Auto Seventh Securitization Specialty Co., Ltd.	(*2)
	Excluded from the consolidation	Global One Lux Private Equity FUND 2
	IGIS Global Private Real Estate Investment Trust 262	(*3)
	Yurie Separate Taxation High-Yield Private Investment Trust 2nd	(*3)
	Eugene Separate Taxation High-Yield PE No.7	(*3)
	Bluetech Multi Fund Specialty Investment Trust 1st	(*3)
	IPARTNERS KOSDAQ Venture Investment Private Trust	(*3)
	Shinhan AIM Real Estate Fund No.11	(*3)
	M Square Higs 1st, Co., Ltd.	(*3)
	IFD the 2nd Co., Ltd.	(*3)
	DM Land mark 1st, Co., Ltd.	(*3)
	M Square The Ocean Co., Ltd.	(*3)
	Draco 2nd, Co., Ltd.	(*3)
	GPI7 Co., Ltd.	(*3)
	Wonderful GM 26th	(*3)
	Yongin Sungbok 7th	(*3)
	SLT Pinpoint Sindorim, Co., Ltd.	(*3)

**Meritz Securities Co., Ltd. and its subsidiaries**  
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**2.1.1 The entities included in or excluded from the scope of consolidation for the year ended December 31, 2020 are as follows: (cont'd)**

Excluded from the consolidation	Subsidiaries	Reason for consolidation
	AJ Holdings Co., Ltd.	(*3)
	M Square Gasan Co., Ltd.	(*3)
	GreatGM 9th, Co., Ltd.	(*3)
	ShiningRoad, Co., Ltd.	(*3)
	Luby 1st, Co., Ltd.	(*3)
	HamanLogistics, Co., Ltd.	(*3)
	M Square Jeongwang Co., Ltd.	(*3)
	M Gongpyung 15-16 1st, Co., Ltd.	(*3)
	M Square Sosa 2nd Co., Ltd.	(*3)
	M Songdo 1st Co., Ltd.	(*3)
	M Square Anyang Co., Ltd.	(*3)
	SL Tiered Advisors Co., Ltd.	(*3)
	JNT 4th, Co., Ltd.	(*3)
	JNT 5th Co., Ltd.	(*3)
	A Star 1st, Co., Ltd.	(*3)
	SLT Biztower, Co., Ltd.	(*3)
	MS JinjeobBupyeong, Co., Ltd.	(*3)
	GPI 3rd, Co., Ltd.	(*3)
	HY Best, Co., Ltd.	(*3)
	Great Dujeong 1st, Co., Ltd.	(*3)
	M Seongnae 1st, Co., Ltd.	(*3)
	OAI No.1	(*3)
	Smart-S 10th Securitization	(*3)
	M Cheongdam 1st, Co., Ltd.	(*3)
	M Square Jungdong 2nd, Co., Ltd.	(*3)
	M Ansan 1st, Co., Ltd.	(*3)
	DragonRiver 1st, Co., Ltd.	(*3)
	GPI 1st, Co., Ltd.	(*3)
	SuseoDaeto Finance 2nd, Co., Ltd.	(*3)
	M Square JanghangDaeto, Co., Ltd.	(*3)
	Platform ESS 1st, Co., Ltd.	(*3)
	GPI10 Co., Ltd.	(*3)
	GPI13 Co., Ltd.	(*3)
	A Star 2nd, Co., Ltd.	(*3)
	GPI9 Co., Ltd.	(*3)
	Meritz Securitization Specialty Co., Ltd.	(*3)
	Meritz Auto Second Securitization Specialty Co., Ltd.	(*3)

(\*1) These are structured entities with the objective of raising capital from investors and allocating returns by investing in basic assets and are included in the consolidation scope, because the Group has existing rights to direct the relevant activities, and is not only exposed to variable returns, but also has the ability to use its power to affect the investees' returns.

(\*2) These are structured entities with the objective of investing in loans related to real estates and are included in the consolidation scope, because the Group has existing rights to direct the relevant activities, and is not only exposed to variable returns, but also has the ability to use its power to affect the investees' returns.

(\*3) The Group lost control of these entities due to liquidations, terminations of transactions, and decreases in equity ratios caused by redemptions of loans, the underlying asset.

**2.1.2 Meritz Capital Co., Ltd**

Meritz Capital Co., Ltd. was established on March 20, 2012 and engages in the instalment financing business, facilities leasing business since May 11, 2012 and the new technology financial business since December 22, 2014 in accordance with *Specialized Credit Finance Business Act*. The Company holds 100 % of common shares of Meritz Capital Co., Ltd. by a comprehensive stock exchange on April 28, 2017.

**2.1.3 Kukje Active High Yield Private Investment Trust 3 and other 29 entities**

Kukje Active High Yield Private Investment Trust 3 and other 29 entities are the collective investment vehicles that invest more than a certain percentage of funds in bonds including those with ratings of BBB+ or under in accordance with the related laws and regulations or invest initial public offering to make a profit.

### 2.1.3 Kukje Active High Yield Private Investment Trust 3 and other 29 entities (cont'd)

The acquisition dates and the percentage ownership of the Group are as follows:

Subsidiaries	Acquisition date	Ownership (%)
Kukje Active High Yield Private Investment Trust 3	September 12, 2014	99.86
Koreit Separate Taxation High-Yield PE No.4	October 27, 2014	100.00
Sparx Separate Taxation High-Yield No.1	December 2, 2015	99.82
Yurie SPAC Plus IPO Private Investment Trust 1st	March 22, 2017	97.16
Olion IPO Multi Strategy Investment Trust 2nd	March 22, 2017	92.93
Olion IPO Multi Strategy Investment Trust 2nd C-I	March 22, 2017	100.00
Pharos Investment Private Trust 1st	April 11, 2017	52.11
Skywalk EXTENSION Private Investment Trust 2nd	September 11, 2017	90.66
Bros IPO Investment Private Trust 1st	August 3, 2016	100.00
Human Investment Trust	August 18, 2016	100.00
Kukje Active High Yield Private Investment Trust 2	October 21, 2016	99.86
Brain KOSDAQ Venture Investment Private Trust 2nd C-I	May 3, 2018	95.08
Koreit KOSDAQ Venture Investment Private Trust 2nd C-I	May 3, 2018	93.77
Mercury Kosdaq Venture 2	July 25, 2018	95.37
Global One KOSDAQ Venture Investment Private Trust 1st	July 25, 2018	97.05
Owl Public offer Investment Private Trust 2nd	September 4, 2018	100.00
Mercury Kosdaq Venture Private Fund no.1	December 11, 2018	100.00
Skywalk EXTENSION Private Investment Trust 1st	May 16, 2019	79.99
W KOSDAQ Venture(M) 2nd Fund	February 17, 2020	98.89
SKYWALK ALPHA-X HEDGE FUND NO.1	June 15, 2020	80.54
DB HAWKEYE PRIVATE FUND 1	June 15, 2020	87.01
SPARX IPO Private Fund Trustee 3 (Equity Mixed)	July 24, 2020	96.66
SKYWALK ALPHA-Q HEDGE FUND NO.1	August 25, 2020	100.00
Mercury IPO Konex HighYield Private Fund 5	September 22, 2020	99.50
Dareum IPO High-yield 1	September 22, 2020	95.69
KGT high-yield IPO Private Investment Trust 2	September 22, 2020	99.50
Hize high-yield IPO Private Investment Trust 2	September 22, 2020	99.67
GG INVESTMENT IPO 2	September 24, 2020	100.00
IPARTNERS Prime private fund No.10	September 17, 2020	69.44
IPARTNERS Prime private fund No.10 Class C	September 17, 2020	71.35

### 2.1.4 Meritz Auto Sixth Securitization Specialty Co., Ltd and other entities

The company is established to securitize the financial lease asset of consolidated companies. The Group is a shareholder with the right for remaining assets, and holds all asset backed securities issued by an asset-backed company.

### 2.1.5 MS Securitization Specialty Co., Ltd and structured entities

Structured entities enter into secured loan commitment contracts with the Group and they operate mortgage loans through issuing ABCP.

### 2.1.6 RREEF Special Invest GmbH trust of securities contract

The Group consigned government and public bonds to NH Bank for 5 years from June 2, 2015 to provide as collateral, and designated the first-party beneficiary as the secured party.

### 2.1.7 Kiwoom Milestone GRMC Investment Private Trust 1st

It is a collective investment organization, established on November 29, 2018, with the objective of creating revenue by investing in loans secured by accounts receivable. The Group owns 100% shares of the entity as of December 31, 2020.

#### **2.1.8 Kiwoom Milestone Europe Real Estate Investment Trust 5th**

It is a collective investment organization, established on July 27, 2018, with the objective of creating revenue by investing in real estate mortgage loans in London, England. The Group owns 100% shares of the entity as of December 31, 2020.

#### **2.1.9 WooriAltamira Trust**

It is a collective investment organization, established on August 29, 2018, with the objective of creating revenue by investing in housing mortgage loans in Hong Kong. The Group owns 99.9% shares of the entity as of December 31, 2020.

#### **2.1.10 Korean Alternative Investment Smart Education Investment Private Trust 1st**

It is a collective investment organization, established on October 11, 2018, with the objective of creating revenue by investing in private bonds for participation in gaining profit from facility deposit. The Group owns 99.32% shares of the entity as of December 31, 2020.

#### **2.1.11 INMARK UK Private Real Estate Investment Trust 19-1**

It is a collective investment organization, established on April 5, 2019, with the objective of creating revenue by investing in real estate mortgage bonds in London for participation in gaining profit from facility deposit. The Group owns 100% shares of the entity as of December 31, 2020.

#### **2.1.12 AIP Upstream Specialized Privately Placed Fund Trust #1**

It is a collective investment organization, established on July 4, 2019, with the objective of creating revenue by investing in bonds issued for acquisition of U.S oil and gas fields for participation in gaining profit. The Group owns 100% shares of the entity as of December 31, 2020.

#### **2.1.13 IGIS Global Private Real Estate Investment Trust 304**

It is a collective investment organization, established on August 1, 2019, with the objective of creating revenue by investing in real estate mortgage bonds in Frankfurt, Germany for participation in gaining profit. The Group owns 100% shares of the entity as of December 31, 2020.

#### **2.1.14 Adamas Venture Opportunities Fund LP**

It is a collective investment organization, established on May 6, 2019, with the objective of creating revenue by investing in REPO based on listed Indonesian stocks for participation in gaining profit. The Group owns 100% shares of the entity as of December 31, 2020.

#### **2.1.15 IGIS Global Private Real Estate Investment Trust 311**

It is a collective investment organization, established on September 9, 2019, with the objective of creating revenue by investing in real estate mortgage bonds in Essen, Germany for participation in gaining profit from facility deposit. The Group owns 100% shares of the entity as of December 31, 2020.

#### **2.1.16 Genesis North America power company no.1 PEF and other entities**

It is a collective investment organization with the objective of creating revenue by investing in bonds issued for acquisition of U.S oil and gas fields for participation in gaining profit from facility deposit. The Group owns 99.6% shares of the entity as of December 31, 2020.

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**2.1.17 Milestone India Private Real Estate Investment LLC**

It is a collective investment organization, established on November 19, 2019, with the objective of creating revenue by investing in real estate mortgage bonds in India for participation in gaining profit from facility deposit. The Group owns 100% shares of the entity as of December 31, 2020.

**2.1.18 Kiwoom New Zealand Professional Private Trust 1**

It is a collective investment organization, established on December 11, 2019, with the objective of creating revenue by investing in real estate mortgage bonds in Oakland, New Zealand for participation in gaining profit from facility deposit. The Group owns 100% shares of the entity as of December 31, 2020.

**2.1.19 Milestone India Professional Investor's Private Real Estate Investment Limited Liability Company**

It is a collective investment organization, established on January 14, 2020, with the objective of creating revenue by investing in coal mining company in Utah, United States. The Group owns 100% shares of the entity as of December 31, 2020.

**2.2 The summary of financial information in its consolidated subsidiaries as of December 31, 2020 and 2019 are as follows (Korean won in thousands):**

Investee	December 31, 2020			
	Assets	Liabilities	Operating revenue	Net income (loss)
Meritz Capital Co., Ltd	₩ 6,602,447,239	₩ 5,651,685,696	₩ 504,163,219	₩ 133,855,476
RREEF Special Invest GmbH trust of security contract	2,227,742	-	39,373	24,436
Kukje Active High Yield Private Investment Trust 3	76,587,234	17,353	7,883,154	7,359,156
Koreit Separate Taxation High-Yield PE No.4	7,271,031	3,831	1,038,419	920,149
Sparx Separate Taxation High-Yield No.1	63,300,770	19,002	4,357,288	3,981,136
Yurie SPAC Plus IPO Private Investment Trust 1st	3,616,781	917	285,076	230,037
Olion IPO Multi Strategy Investment Trust 2nd C-I	4,235,242	305,895	212,431	132,675
Pharos Investment Private Trust 1st	7,501,812	16,019	2,555,231	1,328,560
Skywalk EXTENSION Private Investment Trust 2nd	3,246,211	1,868	182,921	133,162
Bros IPO Investment Private Trust 1st	4,056,727	7,500	679,566	569,055
Human Investment Trust	4,220,133	3,768	883,995	776,232
Kukje Active High Yield Private Investment Trust 2	72,367,470	2,150	7,460,344	6,915,298
Brain KOSDAQ Venture Investment Private Trust 2nd C-I	37,557,466	11,856,979	19,702,988	5,146,959
Koreit KOSDAQ Venture Investment Private Trust 2nd C-I	16,393,969	24,542	6,380,809	895,464
Mercury Kosdaq Venture 2	4,334,661	21,792	1,623,362	687,728
Global One KOSDAQ Venture Investment Private Trust 1st	4,269,177	607,868	5,205,683	5,109,693
Owl Public offer Investment Private Trust 2nd	3,716,210	8,492	1,092,657	1,021,836
Mercury Kosdaq Venture Private Fund no.1	6,447,770	793,537	1,170,418	900,290
Kiwoom Milestone GRMC Investment Private Trust 1st	60,036,888	1,847	15,436,773	3,870,502
Skywalk EXTENSION Private Investment Trust 1st	4,971,621	7,392	167,750	102,880
W KOSDAQ Venture(M) 2nd Fund	9,704,292	919,904	2,366,250	1,511,973
SKYWALK ALPHA-X HEDGE FUND NO.1	153,078,434	86,927	6,033,167	4,880,387
DB HAWKEYE PRIVATE FUND 1	14,448,558	7,662	979,143	883,156
SPARX IPO Private Fund Trustee 3 (Equity Mixed)	1,033,569	1,300	129,158	25,255
SKYWALK ALPHA-Q HEDGE FUND NO.1	3,086,453	4,697	103,443	82,972

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**2.2 The summary of financial information in its consolidated subsidiaries as of December 31, 2020 and 2019 are as follows (Korean won in thousands): (cont'd)**

Investee	December 31, 2020			
	Assets	Liabilities	Operating revenue	Net income (loss)
Mercury IPO Konex HighYield Private Fund 5	₩ 22,193,570	₩ 1,293,570	₩ 1,340,529	₩ 1,189,312
Dareum IPO High-yield 1	31,227,343	986,726	1,204,448	1,122,012
KGT high-yield IPO Private Investment Trust 2	5,219,149	1,372	234,277	217,777
Hize high-yield IPO Private Investment Trust 2	20,669,159	461,029	615,777	564,923
GG INVESTMENT IPO 2	20,700,194	164,239	713,466	595,955
IPARTNERS Prime private fund No.10_Class c	6,246,491	1,925,117	198,150	121,375
MS Securitization Specialty Co., Ltd. And other 84 entities	4,013,968,796	4,168,939,424	331,943,009	(99,373,264)

Investee	December 31, 2019			
	Assets	Liabilities	Operating revenue	Net income (loss)
Meritz Capital Co., Ltd.	₩ 6,026,309,658	₩ 5,277,205,318	₩ 569,562,150	₩ 102,860,472
RREEF Special Invest GmbH trust of security contract	2,173,433	-	93,904	68,078
Eugene Separate Taxation High-Yield PE No.7	12,796,274	23,471	1,295,694	1,039,628
Yurie Separate Taxation High-Yield PE No.1	9,143,800	1,608	1,637,732	1,379,457
Yurie Separate Taxation High-Yield Private Investment Trust 2nd	7,481,481	4,297	1,699,909	1,375,112
Koreit Separate Taxation High-Yield PE No.4	8,783,128	4,738	1,527,227	1,221,372
Sparx Separate Taxation High-Yield No.1	19,929,876	5,120	1,985,473	1,567,935
Yurie SPAC Plus IPO Private Investment Trust 1st	4,003,654	1,111	143,685	53,657
Olion IPO Multi Strategy Investment Trust 2nd C-I	4,311,997	301,691	171,644	99,603
Pharos Investment Private Trust 1st	5,240,110	81,614	365,248	213,331
Bluetech Multi Fund Specialty Investment Trust 1st	1,189,859	1,931	57,143	24,104
Skywalk EXTENSION Private Investment Trust 2nd	5,017,796	2,885	197,677	94,120
Bros IPO Investment Private Trust 1st	4,014,916	7,607	223,535	155,596
Human Investment Trust	4,007,832	3,929	425,736	324,125
Kukje IPO separate taxation High-yield Fund 2nd	33,751,360	618	1,081,776	878,261
Brain KOSDAQ Venture Investment Private Trust 2nd C-I	18,220,317	22,090	8,607,930	2,472,940
Koreit KOSDAQ Venture Investment Private Trust 2nd C-I	15,503,749	29,786	4,762,448	824,283
Capstone KOSDAQ Venture Investment Private Trust 11th	3,626,024	150,883	1,094,933	796,213
Global One KOSDAQ Venture Investment Private Trust 1st	3,460,608	299,205	1,187,705	926,840
Owl Public offer Investment Private Trust 2nd	4,813,789	4,130	342,286	234,726
IPARTNERS KOSDAQ Venture Investment Private Trust	5,560,489	10,285	636,188	414,028
Capstone Investment Private Trust 15th	5,703,031	691,997	672,523	457,469
Kiwoom Milestone GRMC Investment Private Trust 1st	57,642,709	1,796	13,622,232	3,084,869
Global One Lux Private Equity FUND 2	23,206,616	23,054	3,850,180	1,519,298
Skywalk EXTENSION Private Investment Trust 1st	5,126,740	7,541	151,250	82,766
Smart-S 10th Securitization	23,396	-	5,736,422	1,284,561
Meritz Securitization Specialty Co., Ltd.	848,271	-	-	-
Yongin Sungbok 7th and other entities	4,490,933,171	4,554,255,996	252,290,921	(41,534,648)

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**3. Unconsolidated structured entities**

**3.1 Details of the nature of the Group's interests in unconsolidated structured entities as of December 31, 2020 are as follows:**

	<u>Purposes</u>	<u>Financing method</u>	<u>Controlling type</u>
Asset-Backed Security SPC	Securitization of assets	Issuance of ABS /ABCP secured underlying assets	Purchase commitment, etc.
Real estate finance	Develop real estate and invest in social overhead capital facilities	Loan commitment, credit line commitment	Loan commitment, credit line commitment
Shipping finance and acceptance finance	Financing to acquire vessels and to raise fund for acquisition the ownership	Investment and borrowing	Loan commitment
Investment fund and trust	Investment in securities, etc.	Sales of beneficiary certificates, investment by general partners and limited partners	Holding beneficiary certificates, investment

**3.2 Details of the Group's maximum exposure to loss from its interests in unconsolidated structured entities as of December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	December 31, 2020			
	<u>Special purpose company</u>	<u>Real estate finance</u>	<u>Shipping finance and acceptance finance</u>	<u>Investment fund and trust</u>
Total assets of unconsolidated structured entities	₩ 853,475,856	₩ 6,908,712,933	₩ 1,995,597,145	₩ 5,420,358,089
Assets:				
Loans receivable	₩ 164,928,276	₩ 917,123,322	₩ 392,731,750	₩ -
Securities	14,000,001	188,446,840	-	1,599,762,132
	<u>₩ 178,928,277</u>	<u>₩ 1,105,570,162</u>	<u>₩ 392,731,750</u>	<u>₩ 1,599,762,132</u>
Maximum exposure to loss:				
Holding assets	₩ 178,928,277	₩ 1,105,570,162	₩ 392,731,750	₩ 1,599,762,132
ABCP purchase commitment	-	-	-	-
Conditional securities acquisition arrangement	-	-	-	-
Conditional loan arrangement	-	125,000,000	-	-
Unexecuted brokers' loan	-	567,766,939	10,280,000	-
Loan commitment	-	131,000,000	-	54,450,000
	<u>₩ 178,928,277</u>	<u>₩ 1,929,337,101</u>	<u>₩ 403,011,750</u>	<u>₩ 1,654,212,132</u>



**Meritz Securities Co., Ltd. and its subsidiaries**  
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**3.2 Details of the Group's maximum exposure to loss from its interests in unconsolidated structured entities as of December 31, 2020 and 2019 are as follows (Korean won in thousands) (cont'd) :**

	December 31, 2019			
	Special purpose company	Real estate finance	Shipping finance and acceptance finance	Investment fund and trust
Total assets of unconsolidated structured entities	₩ 527,963,871	₩ 4,117,600,377	₩ 559,587,176	₩ 2,708,879,011
Assets:				
Loans receivable	₩ 49,695,153	₩ 1,068,609,282	₩ 120,123,889	₩ -
Securities	11,579,347	320,979,012	-	1,546,362,816
	<u>₩ 61,274,500</u>	<u>₩ 1,389,588,294</u>	<u>₩ 120,123,889</u>	<u>₩ 1,546,362,816</u>
Maximum exposure to loss:				
Holding assets	₩ 61,274,500	₩ 1,389,588,294	₩ 120,123,889	₩ 1,546,362,816
ABCP purchase commitment	388,612,000	-	-	-
Conditional securities acquisition arrangement	-	-	20,500,000	-
Conditional loan arrangement	-	250,000,000	-	-
Unexecuted brokers' loan	20,498,548	1,200,514,151	343,665,596	-
Loan commitment	-	140,240,000	-	-
	<u>₩ 470,385,048</u>	<u>₩ 2,980,342,445</u>	<u>₩ 484,289,485</u>	<u>₩ 1,546,362,816</u>

**4. Summary of significant accounting policies**

**4.1 Basis of preparation**

The Group prepares statutory financial statements in the Korean language in accordance with Korean International Financial Reporting Standards (K-IFRS) enacted by the *Act on External Audit of Stock Companies*. The accompanying consolidated financial statements have been translated into English from the Korean language financial statements. In the event of any differences in interpreting the financial statements or the independent auditors' report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail.

Significant accounting policies used to prepare the consolidated financial statements are as follows. These policies are equally applied to the consolidated financial statements for the years ended December 31, 2020 and 2019 except for standards which are effective for the annual periods beginning on or after January 1, 2020.

- Amendments to K-IFRS 1103 Business Combination – Definition of Business

The standard clarifies the matters to be considered when deciding whether to conduct business in a business combination through amendment, and provides specific guidelines and examples. This amendments should be applied for annual periods beginning on or after January 1, 2020, and earlier application is permitted. The amendment does not have a significant impact on the consolidated financial statements.

- Amendments to K-IFRS 1001 Presentation of Financial Statements and K-IFRS 1008 Accounting policies, changes in accounting estimates and errors – Definition of Material

The amendments clarify the definition of materiality and amended K-IFRS 1001 and K-IFRS 1008 in accordance with the clarified definition of Material. This amendments should be applied for annual periods beginning on or after January 1, 2020, and earlier application is permitted. The amendment does not have a significant impact on the consolidated financial statements.

#### **4.1 Basis of preparation (cont'd)**

The Group has not early adopted any other standard, interpretation, or amendment that has been issued but is not yet effective.

Management of the Group is using many assumptions and reasonable estimates to create the consolidated financial statements on the basis of K-IFRS. In applying the accounting policies of the Group, the management's judgment is required under K-IFRS. Parts that require significant judgments and complexity or parts of which estimations and assumptions have significant impact on the preparation of the consolidated financial statements are disclosed in note 5.

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below

- Amendments to K-IFRS 1116 Lease – 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. A lessee that makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying this Standard if the change were not a lease modification. This amendments should be applied for annual periods beginning on or after June 1, 2020, and earlier application is permitted. The Group expects the amendments to have no significant impact on its financial statements.

#### **4.2 Principles of consolidation**

##### **4.2.1 Subsidiaries**

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Subsidiaries are no longer consolidated from the date on which the Group loses control over them. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain the benefits from its activities. The Group consolidates special purpose entities if the substance of its relationship with them indicates that it has control over them. The Group considers the existence and influence of exercisable or convertible voting rights when evaluating its subsidiaries.

All significant intercompany transactions and account balances among consolidated companies are eliminated on consolidation. Unrealized gains or losses included in loans and borrowings arising from transactions between consolidated companies are eliminated on consolidation. The related accounts receivable and payable are also eliminated on consolidation. The accounting Policies of subsidiaries can be revised on consolidation in consistency policies the Group has adopted.

##### **4.2.2 Non-controlling interests**

Non-controlling interests must be presented in the consolidated statement of financial position within equity, separate from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Some puttable financial instruments or some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation are not accounted as the residual equity in consolidated financial statements, therefore, those non-controlling interests are classified as financial liabilities in the consolidated financial statement.

##### **4.2.3 Investments in associates**

Associates are the entities that the Group has significant effect on, but has no controlling power and the Group generally owned its equity in 20–50% of their shares with voting rights by the Group. The Group's consolidated financial statements reflects investment in an associate in using the equity method and the amount of Investment in an associate include goodwill which is acquisition cost less any accumulated impairment losses.

#### **4.2.3 Investments in associates (cont'd)**

After acquiring shares of an associate, the Group's share of the current income (loss) of the associate is recognized as current income (loss) of the Group, and the Group's share of changes in the retained earnings of the associate is recognized as the retained earnings of the Group. If the Group's share of the loss of the associate is the same as or above the Group's investment interest including other plain bond of the associate, the Group no longer recognizes a loss unless the Group is liable for paying or has to pay the associate's debt.

When signs of damage are not aroused, the Group's share in the investee's unrealized profits and losses resulting from transactions between the Group and its investee are eliminated to the extent of the interest in the investee. And when necessary, adjustments are made to the financial statements of associates to bring their accounting policies in line with those used by the Group.

#### **4.3 Operating segment reporting**

Operating segments are disclosed in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing the performance of the operating segments.

#### **4.4 Foreign exchange**

##### **4.4.1 Functional currency**

When preparing for the consolidated financial statements, the Group measures and recognizes all the transactions according to the functional currency, used to conduct operating activities in the primary economic environment. Consolidated Financial statements are expressed in Korean won.

##### **4.4.2 Translation of foreign currency transactions and balances at the end of the reporting period**

Transactions in foreign currencies are initially recorded at the functional currency rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange prevailing at the reporting date and its exchange differences are recognized in net income for the period in which they arise. The Group applies a year-end exchange rate to non-monetary assets and liabilities measured at fair value in the consolidated statements of financial position. If valuation gain or loss on fair value is recognized as current income, foreign currency translation gain or loss is recognized in current income. If valuation gain or loss on non-monetary items is recognized in other comprehensive income, foreign currency translation gain or loss is recognized in other comprehensive income. Non-monetary items not measured at fair value are translated using the exchange rates as of the date of the initial transaction and have no exchange differences.

Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the predictable future (therefore forming part of the net investment in the foreign operation), are recognized initially in other comprehensive income and reclassified from equity to net income on disposal or partial disposal of the net investment.

##### **4.4.3 Translation of the Group's foreign operation**

As of the reporting date, the assets and liabilities of subsidiaries are translated into the Group's presentation currency, Korean won (KRW), at the rate of exchange as of the reporting date, and their statements of profit or loss and other comprehensive income are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken directly to a separate component of equity.

#### **4.5 Cash and cash equivalents**

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

#### **4.6 Financial instruments – initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### **4.6.1 Financial instruments – Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under K-IFRS 1115.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

##### **4.6.2 Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

###### **4.6.2.1 Financial assets at amortized cost (debt instruments)**

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

###### **4.6.2.2 Financial assets at fair value through OCI (debt instruments)**

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling
- And
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

#### **4.6.2.2 Financial assets at fair value through OCI (debt instruments) (cont'd)**

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and other comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

#### **4.6.2.3 Financial assets designated at fair value through OCI (equity instruments)**

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under K-IFRS 1032 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

#### **4.6.2.4 Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes derivatives and equity instruments that do not make an irrevocable choice to treat changes in fair value through other comprehensive income.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

#### **4.6.3 Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

#### **4.6.3 Derecognition (cont'd)**

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### **4.6.4 Impairment of financial assets**

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

#### **4.7 Regular way trades**

Equity securities, debt securities, derivatives, which are traded in the KRX or qualified foreign exchange markets, are treated as regular way trades. The Group's specific accounting policies about regular way trades are described below.

##### **4.7.1 Proprietary trading**

As for proprietary trading, purchase or sale of the asset that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognized or derecognized on the trading date.

##### **4.7.2 Trading on consignment**

As for trading on consignment, the Group serves a clientele of investors who trade public stocks and other securities and recognizes the brokerage fees on the trading date. Until the settlement date of the trading on consignment, the Group does not offset the receivables and payables to customers and offsets the receivables and payables to the KRX.

#### **4.8 Derivative financial instruments and hedge accounting**

Derivatives instruments are initially recognized at fair value on the contract date and are subsequently revalued at their fair value. Derivative instruments are accounted differently depending on whether hedge accounting is applied, and therefore, are classified into trading purpose derivatives and hedging purpose derivatives. In a hedge relationship, when a hedge item is any asset, liability or unrecognized fixed contract, which is exposed at the possibility that its some or entire fair value is fluctuated by the specified risks, fair value hedge accounting is applied. In another way, when a hedge item is any asset, liability or expected highly probable transaction, which is exposed at the possibility that its cash flow is fluctuated by the specified risk, cash flow hedge accounting is applied. For trading purpose derivative transaction, changes in the fair value of derivatives are recognized in net income.

At the inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship. Also, at the inception of the hedge relationship, a formal assessment is undertaken to ensure that the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item and the actual result.

#### **4.8.1 Fair value hedges**

The change in the fair value of an interest rate hedging derivative is recognized in finance costs in the statement of comprehensive income. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognized in finance costs in the statement of comprehensive income.

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value is amortized through the statement of comprehensive income over the remaining term up to maturity. Effective interest rate amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in the statement of comprehensive income.

#### **4.8.2 Cash flow hedges**

The effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in finance costs in the statement of comprehensive income.

Amounts recognized as other comprehensive income are transferred to the statement of comprehensive income when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized as other comprehensive income are transferred to the initial carrying amount of the nonfinancial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in equity are transferred to the statement of comprehensive income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

#### **4.8.3 Embedded derivatives**

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives. When their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured by fair value through profit or loss.

#### **4.9 'Day 1' profit or loss recognition**

When the transaction price is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognizes the differences between the transaction price and fair value (a 'Day 1' profit or loss) in 'net trading income'.

In case where fair value is determined using data which is not observable, the difference between the transaction price and model value is deferred and amortized over the life of the associated instrument using the straight-line method.

#### **4.10 Interest income and interest expense**

The Group recognizes interest income and interest expense using the effective interest rate method on an accrual basis. When a financial instrument bearing interest is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at its original effective interest rate of the instrument, and continues unwinding the discount as interest income.

**Meritz Securities Co., Ltd. and its subsidiaries**  
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#### **4.11 Fees and commission revenue**

The Group generates fees and commission is from a wide range of services provided to the counterparty. Fees and commission revenue is recognized for the transfer of promised goods or services to customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. In accordance with the 5 step revenue recognition model below. However, fees and commission which are part of the effective interest on the financial instrument, are recognized by the effective interest rate method.

Step 1 : Identify the contracts with a customer

Step 2 : Identify performance obligations in the contract

Step 3 : Determine the transaction price

Step 4 : Allocate the transaction price to the performance obligations in the contract

Step 5 : Recognize revenue when (or as) the entity satisfies a performance obligation (or as they are satisfied over time)

#### **4.12 Dividend income**

Dividend income is recognized when the Group's right to receive the payment is established.

#### **4.13 Bonds purchased under resale agreements and bonds sold under repurchase agreements**

Securities purchased under agreements to resell at a specified future date ("reverse repos") are recorded in the statement of financial position as bonds purchased under repurchase agreements in the other loans. Conversely, securities sold under agreements to repurchase at a specified future date ("repos") are recorded in the statement of financial position as bonds sold under repurchase agreements in the other borrowing liabilities. Interest income and expense incurred from reverse repo and repo transactions are recorded as interest income on loan and interest expense on borrowings, respectively in the statement of comprehensive income.

#### **4.14 Property and equipment**

Property and equipment is stated at cost including transaction costs, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. Land is not depreciated. The estimated useful lives are as follows:

	Useful life (years)
Buildings	40
Vehicles	4
Furniture and fixtures	4
Right-of-use assets	Lease commencement date ~ Lease end date

Property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in 'Other operating income' in the statement of comprehensive income in the year the asset is derecognized.

#### **4.15 Investment properties**

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at depreciated cost.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized through profit or loss in the period of derecognition. And transfers are made to or from investment property only when there is a change in use.



#### **4.15 Investment properties (cont'd)**

While land is not depreciated, buildings are depreciated based on the depreciation method and useful lives of tangible assets (buildings). The estimated useful lives and residual values and depreciation method are reviewed at the end of each reporting period, and when it is deemed appropriate to change them, the effect of any change is accounted for as a change in accounting estimates.

#### **4.16 Intangible assets**

##### **4.16.1 Software**

Software acquired separately are measured on initial recognition at cost. The software with finite lives are carried at cost less any accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful life of the asset.

##### **4.16.2 Intangible assets with indefinite useful lives**

Intangible assets with indefinite useful lives are not amortized, but are annually tested for impairment. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

#### **4.17 Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If indication exists, or when annual impairment testing for an asset is required, the Group estimates the assets recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

After recognition of the impairment of non-financial assets, if there is a change in the assumptions used to determine the asset's recoverable amount, a previously recognized impairment loss is reversed. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the statement of comprehensive income.

#### **4.18 Lease**

In exchange for consideration in the contract, if the control over the use of the identified asset is transferred for a period of time, the contract is a lease or includes a lease.

##### **– Lessee**

At the date of the agreement or the effective date of the modification containing the lease element, the Group allocates the consideration of the contract to each lease element on the basis of its relative stand-alone price. The Group accounts for the non-lease element related to the lease element as a single lease element by applying practical expedient that does not separate the non-lease element for real estate leases.

The Group recognizes the right-of-use asset and the lease liability at the commencement date of the lease. The right-of-use asset is measured at cost, which comprises the amount of the initial measurement of the lease liability, lease payments made at or before the commencement date (less any lease incentives received), initial direct costs, and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located.

#### **4.18 Lease (cont'd)**

The right-of-use asset is subsequently depreciated on a straight-line basis from the commencement of the lease to the end of the lease term. However, if the lessor transfers the ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the lessee depreciates the right-of-use same as a fixed asset from the commencement date to the end of the useful life of the underlying asset. The right-of-use asset may be reduced by an impairment of the underlying asset of adjusted by remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that cannot be readily determined, the Group uses its incremental borrowing rate. The Group generally uses the incremental borrowing rate.

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

- Fixed payments (including in-substance fixed payments)
- Variable lease payments that depend on an index(or a rate), initially measured using the index or rate as at the commencement date
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise extension option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminated the lease

Lease liabilities are amortized using the effective interest method. The lease liability is remeasured if the future lease payments change depending on changes in the index(or a rate), changes in the expected amount to be paid under the residual value guarantee, and changes in the assessment of whether the purchase or extension option is reasonably certain to be exercised or not to exercise the terminate option.

When remeasuring a lease liability, the related right-of-use asset is adjusted and if the carrying amount of the right-of-use asset decreases to zero (0), the remeasurement amount is recognized in profit or loss.

In the statement of financial position, the Group classified the lease liabilities that do not meet the definition of investment property as 'other financial liabilities.

The Group has chosen a practical expedient that does not recognize the right-of-use asset and lease liabilities for short-term lease with leases with a lease term less than 12 months and leases for which the underlying asset is of low value. The Group recognizes the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

#### **4.19 Employee benefits**

##### **4.19.1 Short-term employee benefits**

The Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by the employees. Also, short-term employee benefits to be paid within 12 months from the end of the reporting period are recognized in profit or loss.

##### **4.19.2 Retirement benefits**

###### **- Defined benefit pension plans**

The Group classifies all pension plans under defined benefit pension plans ("DB plan") except for pension plans under the defined contribution pension plan ("DC plan"). The retirement benefit liabilities recognized in the consolidated statements of financial position represents the present value of the defined benefit obligation reduced by the fair value of plan assets.

#### **4.19.2 Retirement benefits (cont'd)**

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method by an independent actuary. The present value of defined benefit obligation is computed by discounting expected future cash outflows with market rate of return measured against the yield of high-graded corporate bond whose date of payment and maturity is similar to that of a defined benefit obligation. Actuarial gains and losses, incurred from the change in actuarial assumptions and the difference between the assumptions and the actual results, are recognized in other comprehensive income for the period.

If the calculated net value is an asset when the fair value of plan assets is deducted from the present value of defined benefit liabilities, the asset is recognized up to accumulated unrealized past service cost and the present value of an economic benefit available in the form of a refund from the pension plan or a saving of future contributions.

Unrecognized prior service cost, a change in the present value of defined benefit pension plan for employees' past services which is incurred by introduction or changes of severance payment, is immediately recognized in current expense for the period in which it arises.

##### **- Defined contribution pension plans**

As the Group operates a DC plan, the amount of contribution that the Group has to pay is recognized as the employee benefit expense.

#### **4.20 Income tax expenses and deferred tax assets and liabilities**

Income taxes comprise of current and deferred taxes. All items related to taxes, other than those recognized directly in equity, are accounted for in the statement of comprehensive income. Accordingly, items recognized directly in equity and the related income taxes are accounted for in the 'Other operating income'.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. If the applied tax laws require an interpretation, the Group calculates income tax payable expected to be paid to the taxation authorities based on the opinion made when the taxes were reported.

Deferred tax is provided on the temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred liabilities are recognized for all taxable temporary differences, except:

When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit loss.

In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### **4.21 Recognition and measurement of financial liabilities**

Financial liabilities are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

##### **4.21.1 Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as of fair value through profit or loss. Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. All financial liabilities including an embedded derivative separated from the host contract are reclassified as financial liabilities at fair value through profit or loss except for financial liabilities designated as effective hedging instruments or financial guarantee contracts. After initial recognition, the changes in the fair value of the financial liabilities at fair value through profit or loss and the related interest expenses are recognized as profit or loss. The Group has designated derivative-linked securities sold by the Group as financial liabilities at fair value through profit or loss.

##### **4.21.2 Financial liabilities measured at amortized cost**

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost. The difference between the amounts received less transaction costs and the amount repaid is amortized using the effective interest rate method and recognized as interest expense over the term of the borrowing.

Commissions paid in accordance with the terms of the borrowing agreements are recognized as transaction costs for the borrowings when it is highly probable that a portion or entirety of borrowings are made. The recognition of expenses thereof is deferred until the borrowings are withdrawn. If there is no evidence that it is highly probable a portion or entirety of the borrowings will be made, the payments are recorded as prepaid expenses for liquidity services and are amortized over the contractual period.

##### **4.21.3 Derecognition of financial liabilities**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income. Meanwhile, the group has designated derivatives linked securities sold by the group as financial liabilities at fair value through profit or loss.

#### **4.22 Fair value of financial instruments**

Financial assets and financial liabilities traded in active markets at the reporting date are based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models. These techniques incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments. Valuation techniques which provide reliable estimates on mark-to-market prices are applied.

#### **4.22 Fair value of financial instruments (cont'd)**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for similar assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

#### **4.23 Provisions**

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

The amount recognized as a provision is the best estimate of the expenditure required to fulfill the present obligation at the end of the reporting period, taking into account the inevitable risks and uncertainties about the events and circumstances involved. If the time value of money is important, the provision is assessed at the present value of the expected expenditure to fulfill the obligation.

If a third party is expected to payback some or all of the expenditure required to settle the provision, the repayment amount is recognized and accounted for as a separate asset only when it is almost certain that it will be reimbursed.

The balance of provisions is reviewed at the end of each reporting period and adjusted to reflect the best estimate at the end of the reporting period. When it is no longer likely that the outflow of resources embodying economic benefits for the fulfillment of obligations, the relevant provision is reversed.

#### **4.24 Capital stock**

Common stock issued is classified as a capital stock in the statement of financial position and additional stock issuance costs or incremental costs related to the stock issuance are recorded as a deduction from issued capital net of tax effects.

Preferred stocks are classified as equity if they do not have to be redeemed or are redeemed only at our option, and if the payment of dividends is determined at our discretion. Dividends are recognized when the dividend is approved at the company's general shareholders' meeting. Preferred shares are classified as liabilities for which shareholders can claim repayment of a fixed or definable amount on or after a certain date or are obligated to repay. The dividend is recognized as interest expense and in profit or loss when incurred.

#### **4.25 Dividends**

Dividends on common stock are deducted from the Group's equity and recognized as a liability when the shareholders' meeting of the Group approves the dividends.

#### **4.26 Transaction under common control**

The Group accounts transactions under common control based on book value. Assets and liabilities of participated entities are recognized book value of the date of transaction, and the difference between payment and book value is reflected in capital

#### **4.27 Share-based payments**

The Group indirectly measures the fair value of the goods or services received or the fair value of the goods or services received in a share-settled stock payment transaction that grants stocks or stock options to employees in exchange for the goods or services received. The amount is recognized as employee benefits and equity during the vesting period. If the vesting condition of the stock option is a vesting condition other than a service provision condition or a market condition, the employee cost is adjusted so that it is ultimately determined based on the actual quantity of the stock option.

In the case of cash-settled share-based compensation transactions in which cash is paid in exchange for the goods or services received, the goods or services received and the liabilities borne in return are measured at fair value. These are recognized as employee benefit expenses and liabilities during the vesting period. In addition, the fair value of the liability is remeasured at the end of each reporting period and at the final settlement date until the liability is settled, and the change in fair value is recognized as employee benefits.

#### **4.28 Criteria of calculating earnings per share (EPS)**

The Group calculates basic income per share of common stock and diluted income per share in profit or loss for the year and is presented in the statement of comprehensive income. Basic income per share is calculated by dividing the net income attributable to common stocks by the weighted average number of common stocks in circulation during the reporting period. Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of all dilutive potential common shares.

### **5. Significant judgements and accounting estimates**

The preparation of the Group's consolidated financial statements requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Group's accounting policies, the management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements.

#### **5.1 Impairment of financial assets**

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

#### **5.2 Impairment of non-financial assets**

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

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**5.3 Income taxes**

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

**5.4 Tax for the promotion of collaborative investment cooperation**

In accordance with the tax for the promotion of collaborative investment cooperation, when a certain amount of taxable income of five years from 2018 is not used for investment and wage increases, the Group will be obligated to pay additional income taxes calculated based on the methods provided in the Tax Law. As a result, the Group reflects the effect of tax for the promotion of collaborative investment cooperation on the income tax for the corresponding years, and the tax liability of the Group may vary depending on the level of investment and wage growth in each year.

**6. Operating segment information**

**6.1 General Information**

The Group is organized into three operating segments based on their products and services and the details are presented below:

- a) Securities business: Brokerage service, proprietary trading and underwriting of securities
- b) Merchant banking: Issue, discount and trading of promissory note or bond, investment and loan of facilities or working capital, payment guarantees, and management of CMA (\*)
- c) Credit-Specialized financial business: Equipment rental business, credit card business, installment financing business, new technology business financing etc.
- d) Head office : Head office segment exclude segments above
- e) Others: The proportion of operating segment of the consolidated subsidiaries was not important in terms of the Group.

(\*) The merchant banking, which was led by the merger with the Meritz Investment Bank Co., Ltd, ended on April 5, 2020.

**6.2 Financial Information by division**

**6.2.1 The financial information of the operating segments for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Year ended December 31, 2020						
	Securities business	Merchant banking	Credit-specialized financial business	Head Office	Others	Consolidated adjustments	Total
Total revenue	₩ 16,676,374,251	₩ 7,537,312	₩ 634,394,148	₩ (717,085,795)	₩ 498,685,978	₩ (413,501,291)	₩ 16,686,404,603
Total expense	(15,991,331,321)	(6,942,221)	(453,828,467)	607,546,762	(533,369,062)	458,686,774	(15,919,237,535)
Income (loss) before income tax expense	685,042,930	595,091	180,565,681	(109,539,033)	(34,683,084)	45,185,483	767,167,068
income tax expense (**1)	(181,038,003)	(157,266)	(46,710,204)	28,948,153	(187,100)	(2,888,206)	(202,032,626)
Net income (loss)	₩ 504,004,927	₩ 437,825	₩ 133,855,477	₩ (80,590,880)	₩ (34,870,184)	₩ 42,297,277	₩ 565,134,442
Total Assets(**2)	35,318,142,325	-	6,602,447,239	-	4,687,667,184	(2,761,265,546)	43,846,991,202
Total Liabilities(**2)	30,771,023,719	-	5,651,685,696	-	4,188,492,720	(1,552,993,906)	39,058,208,229

  

	Year ended December 31, 2019						
	Securities business	Merchant banking	Credit-specialized financial business	Head Office	Others	Consolidated adjustments	Total
Total revenue	₩ 11,448,610,773	₩ 50,427,656	₩ 591,292,094	₩ 33,265,110	₩ 351,667,212	₩ (449,603,010)	₩ 12,025,659,835
Total expense	(10,915,811,505)	(23,547,025)	(452,037,114)	184,119,922	(358,993,782)	307,616,418	(11,258,653,086)
Income (loss) before income tax expense	532,799,268	26,880,631	139,254,980	217,385,032	(7,326,570)	(141,986,592)	767,006,749
income tax expense (**1)	(124,355,029)	(6,273,923)	(36,394,508)	(50,737,536)	(2,494)	5,342,823	(212,420,667)
Net income (loss)	₩ 408,444,239	₩ 20,606,708	₩ 102,860,472	₩ 166,647,696	₩ (7,329,064)	₩ (136,643,769)	₩ 554,586,082
Total Assets(**2)	28,407,012,142	1,327,055,225	6,026,309,658	-	4,582,752,728	(2,233,192,362)	38,109,937,391
Total Liabilities(**2)	24,940,627,493	809,115,186	5,277,205,318	-	4,383,237,382	(1,319,527,297)	34,090,658,082

**6.2.1 The financial information of the operating segments for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands) (cont'd):**

(\*1) The amount is allocated to net income before income tax of each segment for 2020 and 2019.

(\*2) The total assets and liabilities represent the amount as of December 31, 2020 and 2019.

The measured amounts in each segment are reported to the chief operating decision maker for the purpose of assessing the performance of each segments.

**6.2.2 The geographic operating revenue information and the geographic non-current assets information for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Year ended December 31, 2020		Year ended December 31, 2019	
	Domestic	Overseas	Domestic	Overseas
Operating revenue	₩ 16,601,878,383	₩ 2,999,294	₩ 11,907,491,953	₩ 5,094,501
Non-current assets (*)	89,615,458	-	92,831,883	-

(\*) Represents the amount as of December 31, 2020 and 2019.

**7. Cash and deposits**

Cash and due from banks as of December 31, 2020 and 2019 are as follows (Korean won in thousands):

	December 31, 2020	December 31, 2019
Cash and cash equivalents:		
Current deposits	₩ 1,233,665	₩ 720,275
Demand deposits	386,600,902	146,840,128
Foreign currency deposit	80,214,779	64,206,344
Time deposits	51,000,000	-
MMDA	82,000,000	58,800,000
Others	398,685,991	719,889,919
	<u>999,735,337</u>	<u>990,456,666</u>
Due from banks in Korean won:		
Reserve for claims of customers' deposits(*)	237,000,000	100,000,000
Margin on securities market	43,100,000	14,000,000
Guarantee deposits for securities Borrowed	174,731,900	52,395,700
Guarantee deposits for trading futures and options	150,635,444	101,023,646
Long - term deposits	302,000,000	725,774,725
Restricted deposits etc.	188,500	201,000
Other deposits	315,116,127	119,012,404
	<u>1,222,771,971</u>	<u>1,112,407,475</u>
	<u>₩ 2,222,507,308</u>	<u>₩ 2,102,864,141</u>

(\*) Pursuant to the *Financial Investment Services and Capital Markets Act*, the Group is required to place a deposit on a daily basis in Korea Securities Finance Corporation ("KSFC") as a reserve against customers' deposits for the trading of stocks, derivatives and for other purposes. These deposits should exceed the amount which is calculated by deducting cash commission guarantee from total customers' deposit.



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**8. Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss as of December 31, 2020 and 2019 are as follows (Korean won in thousands):

	Book value (Fair value)	
	December 31, 2020	December 31, 2019
Fair value through profit or loss measurement item:		
Equity securities and investments	₩ 835,310,364	₩ 681,310,003
Debt securities:		
Government and public bonds	10,074,455,674	4,920,198,813
Special purpose bonds	5,877,103,836	5,719,709,615
Corporate bonds	1,823,151,956	2,519,303,360
Collective investment securities	2,151,941,471	1,635,570,628
Commercial papers	182,483,933	261,328,981
Asset backed short-term bonds	53,015,305	111,412,465
Foreign currency securities	726,197,198	827,267,941
Loans	1,146,911,405	613,667,457
Hybrid financial instruments	189,292,369	298,685,339
Reserve for claims of customers' deposits (trust) (*)	994,104,732	521,456,929
Collective fund for default loss	27,223,780	28,230,808
Equity linked securities	103,462,576	81,672,004
Others	109,431,886	116,243,692
Credit risk adjustments	(161,615)	(101,045)
Deferred day 1 profit or loss	2,391,191	(3,280,256)
	<u>24,296,316,061</u>	<u>18,332,676,734</u>
Derivative assets held for trading:		
Interest rate derivatives	49,291,511	34,985,624
Foreign currency derivatives	225,310,995	64,572,339
Equity derivatives	63,729,865	48,275,451
Stock price index derivatives	62,938	387,053
Others	91,294,581	87,508,824
Credit risk adjustments	(1,356,847)	(1,220,455)
Deferred day 1 profit or loss	15,592,437	(2,092,968)
	<u>443,925,480</u>	<u>232,415,868</u>
	<u>₩ 24,740,241,541</u>	<u>₩ 18,565,092,602</u>

(\*) Pursuant to the *Financial Investment Services and Capital Markets Act*, the Group is required to place a deposit on a daily basis in Korea Securities Finance Corporation ("KSFC") as a reserve against customers' deposits for the trading of stocks, derivatives and for other purposes. These deposits should exceed the amount which is calculated by deducting cash commission guarantee from total customers' deposit.

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**9. Financial assets measured at FVOCI**

**9.1 Financial assets measured at FVOCI as of December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Book value (Fair value)	
	December 31, 2020	December 31, 2019
Equity securities and investments (*)	₩ 283,258,542	₩ 215,195,226
Debt securities:		
Special purpose bonds	40,244,905	81,168,343
Corporate bonds	325,436,616	124,727,740
	₩ 648,920,063	₩ 421,091,309

(\*) Equity securities acquired by law for contribution and acquisition, donation and public or business collaboration purposes were classified as fair value through other comprehensive income financial assets.

**9.2 Gain (loss) on valuation of financial assets measured at FVOCI as of December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	December 31, 2020				
	Acquisition cost	Amortized cost	Accumulated expected credit losses	Fair value	Gain(loss) on valuation
Equity securities					
marketable stock	₩ -	₩ -	₩ -	₩ -	₩ -
Non marketable stock	109,411,289	109,411,289	-	283,258,542	173,847,253
	109,411,289	109,411,289	-	283,258,542	173,847,253
Debt securities:					
Special purpose bonds	40,268,763	40,234,487	(44,275)	40,224,905	34,693
Corporate bonds	325,635,936	325,526,459	(436,142)	325,436,616	346,299
	365,904,699	365,760,946	(480,417)	365,661,521	380,992
	₩ 475,315,988	₩ 475,172,235	₩ (480,417)	₩ 648,920,063	₩ 174,228,245

	December 31, 2019				
	Acquisition cost	Amortized cost	Accumulated expected credit losses	Fair value	Gain(loss) on valuation
Equity securities					
marketable stock	₩ 1,265	₩ -	₩ -	₩ 2,533	₩ 1,268
Non marketable stock	92,633,768	-	-	215,192,693	122,558,925
	92,635,033	-	-	215,195,226	122,560,193
Debt securities:					
Special purpose bonds	81,261,495	81,153,484	-	81,168,343	14,859
Corporate bonds	125,000,000	125,000,000	(395,403)	124,727,740	123,143
	206,261,495	206,153,484	(395,403)	205,896,083	138,002
	₩ 298,896,528	₩ 206,153,484	₩ (395,403)	₩ 421,091,309	₩ 122,698,195

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**9.3 Changes in valuation gain (loss) on valuation of financial assets measured at FVOCI for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Year ended December 31, 2020				
	Beginning balance	Reclassification	Changes in credit losses	Gain (loss) on valuation	Ending balance
Equity securities:					
Marketable equity securities	₩ 1,268	₩ (1,268)	₩ -	₩ -	₩ -
Non-marketable equity securities	122,558,925	-	-	51,288,328	173,847,253
Income tax effect	(33,630,516)	348	-	(14,090,903)	(47,721,071)
	<u>88,929,677</u>	<u>(920)</u>	<u>-</u>	<u>37,197,425</u>	<u>126,126,182</u>
Debt securities					
Special purpose bonds	14,859	(14,858)	44,275	(9,583)	34,693
Corporate bonds	123,143	204,922	40,738	(22,504)	346,299
Income tax effect	(37,868)	(52,153)	(23,328)	8,766	(104,583)
	<u>100,134</u>	<u>137,911</u>	<u>61,685</u>	<u>(23,321)</u>	<u>276,409</u>
	<u>₩ 89,029,811</u>	<u>₩ 136,991</u>	<u>₩ 61,685</u>	<u>₩ 37,174,104</u>	<u>₩ 126,402,591</u>

	Year ended December 31, 2019				
	Beginning balance	Reclassification	Changes in credit losses	Gain (loss) on valuation	Ending balance
Equity securities:					
Marketable equity securities	₩ 49,986	₩ (48,145)	₩ -	₩ (573)	₩ 1,268
Non-marketable equity securities	106,597,223	(527,013)	-	16,488,715	122,558,925
Income tax effect	(29,232,000)	157,650	-	(4,556,166)	(33,630,516)
	<u>77,415,209</u>	<u>(417,508)</u>	<u>-</u>	<u>11,931,976</u>	<u>88,929,677</u>
Debt securities					
Special purpose bonds	24,333	32,113	-	(41,587)	14,859
Corporate bonds	3,296,703	(156,872)	(2,452,678)	(564,010)	123,143
Commercial papers	317,892	(1,221)	(316,671)	-	-
Income tax effect	(997,430)	34,531	758,960	166,071	(37,868)
	<u>2,641,498</u>	<u>(91,449)</u>	<u>(2,010,389)</u>	<u>(439,526)</u>	<u>100,134</u>
	<u>₩ 80,056,707</u>	<u>₩ (508,957)</u>	<u>₩ (2,010,389)</u>	<u>₩ 11,492,450</u>	<u>₩ 89,029,811</u>

**9.4 There were equity securities measured at FVOCI derecognized in 2020 and 2019 (₩1,265 thousands in 2020, ₩835,111 thousands in 2019) and ₩1,338 thousands and ₩637,443 thousands were recognized as a gain or loss on disposal in 2020 and 2019 respectively.**

**9.5 Residual maturity profiles of debt securities in financial assets measured at FVOCI as of December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Year ended December 31, 2020			
	No later than 1 year	After 1 year but no later than 5 years	After 5 year but no later than 10 years	Total
Special purpose bonds	₩ 40,224,905	₩ -	₩ -	₩ 40,224,905
Corporate bonds	325,436,616	-	-	325,436,616
	<u>₩ 365,661,521</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 365,661,521</u>

  

	December 31, 2019			
	No later than 1 year	After 1 year but no later than 5 years	After 5 year but no later than 10 years	Total
Special purpose bonds	₩ 81,168,343	₩ -	₩ -	₩ 81,168,343
Corporate bonds	50,020,100	74,707,640	-	124,727,740
	<u>₩ 131,188,443</u>	<u>₩ 74,707,640</u>	<u>₩ -</u>	<u>₩ 205,896,083</u>

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**9.6 Changes in expected credit losses on debt securities in financial assets measured at FVOCI for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Year ended December 31, 2020			
	12 month expected credit losses	Lifetime expected credit losses	Impaired loans Lifetime expected credit losses	Total
Beginning accumulated expected credit losses	₩ 395,403	₩ -	₩ -	₩ 395,403
Transfer to 12 month expected credit losses	-	-	-	-
Transfer to lifetime expected credit losses	-	-	-	-
Transfer to lifetime Impaired loans Lifetime expected credit losses	-	-	-	-
Utilized	-	-	-	-
Provision (reversal) for possible loan losses	85,014	-	-	85,014
Ending accumulated expected credit losses	₩ 480,417	₩ -	₩ -	₩ 480,417

	Year ended December 31, 2019			
	12 month expected credit losses	Lifetime expected credit losses	Impaired loans Lifetime expected credit losses	Total
Beginning accumulated expected credit losses	₩ 3,164,752	₩ -	₩ -	₩ 3,164,752
Transfer to 12 month expected credit losses	-	-	-	-
Transfer to lifetime expected credit losses	-	-	-	-
Transfer to lifetime Impaired loans Lifetime expected credit losses	-	-	-	-
Utilized	-	-	-	-
Provision (reversal) for possible loan losses	(2,769,349)	-	-	(2,769,349)
Ending accumulated expected credit losses	₩ 395,403	₩ -	₩ -	₩ 395,403

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**9.7 Changes in gross book value on debt securities in financial assets measured at FVOCI for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Year ended December 31, 2020			
	12 month expected credit losses	Lifetime expected credit losses	Impaired loans Lifetime expected credit losses	Total
Beginning accumulated expected credit losses	₩ 205,896,082	₩ -	₩ -	₩ 205,896,082
Transfer to 12 month expected credit losses	-	-	-	-
Transfer to lifetime expected credit losses	-	-	-	-
Transfer to lifetime Impaired loans lifetime expected credit losses	-	-	-	-
Execution and collection	159,887,713	-	-	159,887,713
Foreign transactions and other changes	(122,274)	-	-	(122,274)
Ending accumulated expected credit losses	₩ 365,661,521	₩ -	₩ -	₩ 365,661,521
	Year ended December 31, 2019			
	12 month expected credit losses	Lifetime expected credit losses	Impaired loans Lifetime expected credit losses	Total
Beginning accumulated expected credit losses	₩ 610,292,987	₩ -	₩ -	₩ 610,292,987
Transfer to 12 month expected credit losses	-	-	-	-
Transfer to lifetime expected credit losses	-	-	-	-
Transfer to lifetime Impaired loans lifetime expected credit losses	-	-	-	-
Execution and collection	(453,601,325)	-	-	(453,601,325)
Foreign transactions and other changes	49,204,421	-	-	49,204,421
Ending accumulated expected credit losses	₩ 205,896,082	₩ -	₩ -	₩ 205,896,082

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**10. Investments in associates and joint ventures**

**10.1 Details of investments in associates and joint ventures as of December 31, 2020 and 2019 are as follows (Korean won in thousands):**

Associates	Location	Ownership (%)	Book value	
			December 31, 2020	December 31, 2019
Korea Asset Classic Private Investment Trust 2nd (*1)	Korea	7.50	₩ 299,145	₩ 294,010
Meritz Korea Private Investment Trust 1st (*3)	Korea	0.00	-	98,790
Meritz Korea Private Investment Trust 2nd (*3)	Korea	0.00	-	93,827
Airplane fund 5 (*1)	Korea	20.81	13,858,031	37,430,642
Airplane fund 6 (*1)	Korea	8.87	1	10,013,088
Hana Special Situation Professional Private Real Estate Investment Trust 30th (*3)	Korea	0.00	-	4,022,171
Meritz Professional Private Real Estate Investment Trust 8th (*1)	Korea	0.64	234,250	306,762
Meritz Professional Private Real Estate Investment Trust 7th (*1)	Korea	0.63	502,547	510,354
M Plus Sky Private Investment Trust 4th (*1)	Korea	8.74	3,302,682	3,562,371
Heungguk Flight Private Investment Trust 10th (*1)	Korea	7.82	9,953,694	12,600,799
Heungguk Flight Private Investment Trust 11th(*1)	Korea	54.84	1	10,209,012
Skywalk Convertible Private Investment Trust 2nd (*3)	Korea	0.00	-	884,808
AI Partners Energy Infra Private Investment Trust 1st (*1)	Korea	50.00	18,902,939	26,347,214
IPARTNERS SS NPL Private Investment Trust 3th (*3)	Korea	0.00	-	2,082,323
Heungguk Flight Private Investment Trust 12th (*1)	Korea	32.40	58,183,544	72,602,317
Heungguk Flight Private Investment Trust 13th (*1)	Korea	46.37	2,321,962	11,617,676
Mastern Europe Real Estate Investment Trust 5th (*1)	Korea	26.53	24,155,205	57,044,700
Mastern Europe Real Estate Investment Trust 10th (*1)	Korea	49.89	114,690,826	112,824,251
JB IPO Private Fund Trustee 3 I	Korea	20.00	764,823	-
Asiageuroseuje1hosamo Investment Limited Partnership	Korea	45.45	4,707,945	4,758,436
MERITZ NS GLOBAL BIO FUND (*2)	Korea	16.35	2,067,012	1,990,802
Kclavis Meister 38th (*1)	Korea	81.82	863,366	878,013
Genesis North America PowerCompany 1st	Korea	24.40	10,665,491	11,162,030
Gongpyeong 15-16 PFV (*2)	Korea	13.66	1	1

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**10.1 Details of investments in associates and joint ventures as of December 31, 2020 and 2019 are as follows (Korean won in thousands): (cont'd)**

Associates	Location	Ownership (%)	Book value	
			December 31, 2020	December 31, 2019
New Wave Medical Investment Union (*3)	Korea	0.00	₩ -	₩ 1,024,421
Seocho Art PFV (*3)	Korea	0.00	-	1,067,843
OST Partners, Co., Ltd.(*2)	Korea	17.50	1	1
Y&P Growth Fund 1 (*3)	Korea	0.00	-	1,003,823
Rhinos-Meritz fund (*2)	Korea	16.62	1,623,611	2,407,539
Higs Frontier, Co., Ltd (*2)	Korea	19.00	1	1
Meritz-Koreit fund 1 (*3)	Korea	0.00	-	2,022,745
ASEAN Platform Fund No. 1 (*2)	Korea	10.36	973,184	989,595
Meritz Behigh Fund (*3)	Korea	0.00	-	209,116
TK Build, Co., Ltd (*2)	Korea	15.00	1	1
Meritz-DS Fund (*2)	Korea	22.73	971,483	995,188
Rhinos-Meritz fund 2 (*2)	Korea	16.93	951,943	799,389
Bric-Orbit 8th New Technology Investment Union	Korea	21.28	1,070,115	105,716
Cheongna Logistics, Co., Ltd. (*2)	Korea	19.00	1	1
KCGI Private Equity Fund 1-12	Korea	39.92	19,682,434	19,985,922
Chungmu-ro PFV Co., Ltd (*2)	Korea	18.00	1	-
GAHA YOU&I CO., LTD (*2)	Korea	16.67	1	-
Hangang Landmark PFV Co., Ltd. (*2)	Korea	17.40	485,374	-
DAON CONSTRUCTION, Co., Ltd. (*2,4)	Korea	19.00	1	-
Attila Infrastructure Private Equity Fund I	Korea	28.57	1,907,622	-
Galmae PFV Co., Ltd. (*2)	Korea	19.50	659,458	-
New wave fund 2 (*2)	Korea	14.69	1,491,376	-
Songgang Construction (*2)	Korea	10.00	1	-
DAE-SAN ENG CO.,LTD (*2,4)	Korea	85.00	3,000,000	-
Meritz Alphaview fund 1 (*2)	Korea	10.44	497,439	-
Next V City PFV Co., Ltd. (*2)	Korea	19.00	898,718	-
triple space, Co., Ltd. (*2)	Korea	13.30	1	-
Star Hub Seungdoo Development (*2)	Korea	12.80	1	-
Meritz Kingo fund 1 (*2)	Korea	15.99	1,998,528	-
Meritz Kclavis fund 1 (*2)	Korea	22.22	1,006,253	-
Yuamkopain wood Enterprise Financial Stability corporate Investment Limited PA	Korea	33.33	18,163,528	16,101,704
Hyundai Ufirst Private Placement Fund No.32	Korea	40.00	30,909,862	-

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**10.1 Details of investments in associates and joint ventures as of December 31, 2020 and 2019 are as follows (Korean won in thousands): (cont'd)**

Associates	Location	Ownership (%)	Book value	
			December 31, 2020	December 31, 2019
AIP Euro Green Private Real Estate Investment Trust 7th (*1)	Korea	44.03	₩ 74,583,178	₩ 75,074,465
AIP Euro Green Private Real Estate Investment Trust 8th (*1)	Korea	63.13	40,657,970	41,554,839
Kiwoom Milestone US Professional Private Real Estate Trust 18 (*1)	Korea	60.00	94,870,270	98,667,338
Midas Global DEBT Private Real Estate Investment Trust 6th (*1)	Korea	30.07	31,883,934	35,593,076
Mastern Private Real Estate Investment Trust 40th (*3)	Korea	0.00	-	27,530,446
IGIS Global Private Real Estate Investment Trust 254 (*1)	Korea	60.00	72,281,751	71,433,569
UP Global Private Real Estate Fund VI (*1)	Korea	60.00	35,859,953	37,827,316
Platform Partners ESS Private Special Asset Investment Trust 1st (*3)	Korea	0.00	-	23,634,016
NH Presidio Investments LLC (*2)	United States	19.00	22,719,052	23,420,000
Mastern Private Real Estate Investment Trust 61th (*1)	Korea	69.51	10,632,175	10,689,212
IGIS Global Private Real Estate Investment Trust 301 (*1)	Korea	60.00	268,754,351	167,728,443
Edelweiss Alternative Solutions Trust (*1)	India	70.00	164,898,916	175,245,735
PineStreet Global Corporate Finance PEF Trust No.2 (*1)	Korea	9.53	25,260,347	129,772,870
IGIS US Private Real Estate Investment Trust 292 (*1)	Korea	60.00	112,694,819	112,576,059
IGIS US Private Real Estate Investment Trust 266 (*1)	Korea	60.00	65,914,980	70,537,370
Pacific Private Placement REF 36 (*1)	Korea	60.00	33,561,076	-
Germany Office Real Estate Private Placement Fund No.28 (*1)	Korea	60.00	13,660,303	-
PIA Private Real Estate Investment Trust No. 6-1 (*1)	Korea	60.00	158,526,519	-
PIA Private Real Estate Investment Trust No. 6-2 (*1)	Korea	60.00	52,772,082	-
WooriG Professional Investor's Private Real Estate Investment Trust No. 2	Korea	48.95	34,999,040	-
			<u>₩ 1,666,295,119</u>	<u>₩ 1,529,332,156</u>

(\*1) Classified as joint venture after the consent of all participants that make important decisions. The joint venture is financed by the participants and invests in stocks and real estate and distributes the revenue to the investors.

(\*2) The Group can be executive officer or director designated by associates can be participated in Associates and has significant control. Thus, it is classified as investments in associates.

(\*3) All shares have been sold or collected in 2020.

(\*4) The percentage of ownership is the Group's revenue distribution percentage in accordance with contracts of the shareholders.



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**10.2 Changes in investments in associates and joint venture for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):**

Year ended December 31, 2020									
Beginning balance	Acquisition	Disposal (*1)	Gain or loss on equity method	Receipt of dividends	Impairment	Capital changes in equity method	Other (*2)	Ending balance	
₩ 1,529,332,156	₩ 903,656,476	₩ (627,329,890)	₩ (78,449,390)	₩ (61,316,505)	₩ -	₩ (1,741,140)	₩ 2,143,412	₩ 1,666,295,119	

(\*1) During the current period, KRW 80,145,441 thousands decreased due to changes in the scope of consolidation.

(\*2) During the current period, the Attila Infrastructure Private Equity Fund I's investments were reclassified from financial assets measured at fair value through profit or loss to investments in related (joint) companies.

Year ended December 31, 2019									
Beginning balance	Acquisition	Disposal (*)	Gain or loss on equity method	Receipt of dividends	Impairment	Capital changes in equity method	Other	Ending balance	
₩ 595,164,467	₩ 1,469,286,999	₩ (514,104,496)	₩ 22,253,714	₩ (34,850,007)	₩ -	₩ -	₩ (8,418,521)	₩ 1,529,332,156	

(\*) During the previous period, KRW 140,057,133 thousands decreased due to changes in the scope of consolidation.

**10.3 Condensed financial statements as of December 31, 2020 and 2019 and for the years then ended are as follows (Korean won in thousands):**

Associates	December 31, 2020			
	Assets	Liabilities	Revenue	Net profit(loss)
Korea Asset Classic Private Investment Trust 2nd	₩ 3,990,924	₩ 2,321	₩ 1,095,868	₩ 947,697
Airplane fund 5	66,637,482	33,566	23,798,628	(115,138,922)
Airplane fund 6	19,242	19,242	5,895,474	(111,758,658)
Meritz Professional Private Real Estate Investment Trust 8th	36,478,767	9,368	10,326,738	1,170,240
Meritz Professional Private Real Estate Investment Trust 7th	80,330,107	23,018	12,652,531	3,262,858
M Plus Sky Private Investment Trust 4th	37,785,686	222	3,131,792	1,946,811
Heungguk Flight Private Investment Trust 10th	127,311,842	19,658	37,377,274	(14,027,875)
Heungguk Flight Private Investment Trust 11th	1,904	1,904	3,406,973	(16,714,410)
AI Partners Energy Infra Private Investment Trust 1st	38,027,040	28,049	15,533,650	358,872
Heungguk Flight Private Investment Trust 12th	179,735,695	161,562	17,969,575	(36,485,885)
Heungguk Flight Private Investment Trust 13th	5,057,853	50,906	710,522	(19,644,136)
Mastern Europe Real Estate Investment Trust 5th	91,267,556	219,648	22,128,253	(101,679,417)
Mastern Europe Real Estate Investment Trust 10th	237,900,331	265,876	50,063,697	24,211,167
JB IPO Private Fund Trustee 3 I	3,827,156	3,227	1,088,006	1,015,090
Asiageuroseuje1hosamo Investment Limited Partnership	10,357,478	-	-	(112,128)
MERITZ NS GLOBAL BIO FUND	12,788,513	147,237	5,449,739	4,833,519
Kclavis Meister 38th	1,064,312	9,086	73	(17,877)
Genesis North America PowerCompany 1st	43,955,834	243,542	2,722,866	2,194,283
Gongpyeong 15-16 PFV	401,693,104	469,430,006	53,081	(57,110,489)
OST Partners, Co., Ltd.	133,948,339	155,522,461	15,804,326	(8,776,169)
Rhinos-Meritz fund	9,770,892	-	2,730,946	(1,256,003)
Higs Frontier, Co., Ltd	2,502,698	2,705,548	-	(124,419)
ASEAN Platform Fund No. 1	9,391,223	-	261	(158,371)
TK Build, Co., Ltd	123,965,667	135,817,814	-	(11,723,930)

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**10.3 Condensed financial statements as of December 31, 2020 and 2019 and for the years then ended are as follows (Korean won in thousands) (cont'd):**

Associates	December 31, 2020			
	Assets	Liabilities	Revenue	Net profit(loss)
Meritz-DS Fund	₩ 4,274,526	₩ -	₩ 1,394	₩ (104,301)
Rhinos-Meritz fund 2	5,621,820	-	-	900,929
Bric-Orbit 8th New Technology Investment Union	5,029,541	-	386,983	332,229
Cheongna Logistics, Co., Ltd.	18,889,609	20,360,339	-	(1,007,792)
KCGI Private Equity Fund 1-12	49,906,498	602,000	273	(760,237)
Chungmu-ro PFV Co., Ltd	90,045,421	95,640,398	-	(10,594,977)
GAHA YOU&I CO., LTD	11,796,412	15,725,126	-	(4,648,414)
Hangang Landmark PFV Co., Ltd.	2,789,508	-	-	(2,210,492)
DAON CONSTRUCTION, Co., Ltd	48,636,270	49,874,451	1,234,905	(1,248,181)
Attila Infrastructure Private Equity Fund I	6,789,375	112,700	-	(4,486)
Galmae PFV Co., Ltd.	70,604,601	67,222,764	-	(1,618,163)
New wave fund 2	10,151,298	-	23,775	(58,702)
Songgang Construction	28,224,596	29,295,295	-	(1,370,699)
DAE-SAN ENG CO.,LTD	49,252,925	44,717,925	-	-
Meritz Alphaview fund 1	4,765,464	-	122	(24,536)
Next V City PFV Co., Ltd.	34,730,095	30,000,000	-	(269,905)
triple space, Co., Ltd.	8,253,045	8,588,151	-	(335,206)
Star Hub Seungdoo Development	4,050,400	4,076,230	-	(25,930)
Meritz Kingo fund 1	12,500,795	-	-	(9,205)
Meritz Kclavis fund 1	4,530,000	1,862	-	(1,862)
Yuamkopain wood Enterprise Financial Stability corporate Investment Limited PA	57,382,286	428,484	1,441,170	556,948
Hyundai Ufirst Private Placement Fund No.32	77,401,671	127,015	1,892	2,274,656
AIP Euro Green Private Real Estate Investment Trust 7th	172,709,118	977	49,916,197	16,858,782
AIP Euro Green Private Real Estate Investment Trust 8th	65,849,807	106,851	13,868,485	5,628,459
Kiwoom Milestone US Professional Private Real Estate Trust 18	159,711,045	12,973	71,578,139	6,836,038
Midas Global DEBT Private Real Estate Investment Trust 6th	116,833,471	139,188	9,458,933	6,797,813
IGIS Global Private Real Estate Investment Trust 254	125,029,819	3,493,014	23,611,752	7,026,331
UP Global Private Real Estate Fund VI	59,803,238	36,650	13,383,714	4,198,560
NH Presidio Investments LLC(*)	117,921,138	10,826	-	5,551,369
Mastern Private Real Estate Investment Trust 61th	20,973,434	5,678,023	1,923	(82,052)
IGIS Global Private Real Estate Investment Trust 301	457,459,598	5,724,296	130,067,674	45,674,696
Edelweiss Alternative Solutions Trust(*)	271,434,960	1,286,116	30,345,003	28,065,984
PineStreet Global Corporate Finance PEF Trust No.2	268,054,622	230,907	14,348,288	13,305,789
IGIS US Private Real Estate Investment Trust 292	188,429,531	32,146	87,317,186	9,554,835
IGIS US Private Real Estate Investment Trust 266	110,944,931	10,910	29,908,199	5,549,594
Pacific Private Placement REF 36	56,522,701	20,084	12,490,156	6,226,126
Germany Office Real Estate Private Placement Fund No.28	23,130,140	57,943	4,198,121	2,193,546
PIA Private Real Estate Investment Trust No. 6-1	279,475,321	157,094	51,805,582	13,893,912
PIA Private Real Estate Investment Trust No. 6-2	93,248,753	71,799	35,261,290	6,378,479
WooriG Professional Investor's Private Real Estate Investment Trust No. 2	71,500,000	1,961	-	(1,961)

(\*) This is the consolidated financial information as of September 30, 2020 and for the nine months then ended.

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**10.3 Condensed financial statements as of December 31, 2020 and 2019 and for the years then ended are as follows (Korean won in thousands) (cont'd):**

Associates	December 31, 2019			
	Assets	Liabilities	Revenue	Net profit(loss)
Korea Asset Classic Private Investment Trust 2nd	₩ 3,922,297	₩ 2,167	₩ 134,092	₩ 67,511
Meritz Korea Private Investment Trust 1st	75,303,720	48,900	14,724,438	6,973,664
Meritz Korea Private Investment Trust 2nd	12,893,271	3,727	25,264,726	10,755,705
Airplane fund 5	180,867,532	33,179	28,257,138	9,240,216
Airplane fund 6	112,938,530	20,765	24,377,585	12,717,306
Hana Special Situation Professional Private Real Estate Investment Trust 30th	44,244,379	502	2,598,688	2,510,956
Meritz Professional Private Real Estate Investment Trust 8th	45,953,509	11,974	8,963,698	2,053,541
Meritz Professional Private Real Estate Investment Trust 7th	81,577,617	23,024	22,299,162	2,750,565
M Plus Sky Private Investment Trust 4th	39,105,312	553,399	4,325,445	1,642,905
Heungguk Flight Private Investment Trust 10th	161,165,522	20,995	43,366,439	9,657,863
Heungguk Flight Private Investment Trust 11th	18,618,491	2,057	5,177,815	1,377,301
Skywalk Convertible Private Investment Trust 2nd	3,540,006	775	265,155	239,231
AI Partners Energy Infra Private Investment Trust 1st	52,731,390	35,508	6,777,413	2,866,075
IPARTNERS SS NPL Private Investment Trust 3th	20,844,408	16,575,645	785,081	168,762
Heungguk Flight Private Investment Trust 12th	224,226,936	151,582	16,445,998	8,249,690
Heungguk Flight Private Investment Trust 13th	25,086,254	16,796	2,100,870	1,234,289
Mastern Europe Real Estate Investment Trust 5th	198,595,684	215,205	12,947,730	(6,819,521)
Mastern Europe Real Estate Investment Trust 10th	228,187,988	133,287	2,534,685	(2,445,299)
Asiageuroseuje1hosamo Investment Limited Partnership	10,472,906	3,300	-	(283,118)
MERITZ NS GLOBAL BIO FUND	16,644,916	151,111	7,922,989	7,265,807
Kclavis Meister 38th	1,082,189	9,086	92	(17,861)
Genesis North America PowerCompany 1st	46,028,694	281,145	2,632,129	2,064,971
Gongpyeong 15-16 PFV	259,710,663	271,345,051	15,599	(14,595,932)
New Wave Medical Investment Union	3,162,466	2,640	242,574	194,326
Seocho Art PFV	48,898,791	44,001,209	5,022	(102,418)
OST Partners, Co., Ltd.	91,283,580	100,081,533	10,879	(16,797,953)
Y&P Growth Fund 1	7,228,022	495	178,044	27,527
Rhinos-Meritz fund	14,488,570	-	2,459,233	2,452,570
Higs Frontier, Co., Ltd	2,501,774	2,580,205	1,550	(78,706)
Meritz-Koreit fund 1	13,822,091	-	2,806,265	2,636,930
ASEAN Platform Fund No. 1	9,549,594	-	152	(100,406)
Meritz Behigh Fund	5,447,464	-	258,026	237,464

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**10.3 Condensed financial statements as of December 31, 2020 and 2019 and for the years then ended are as follows (Korean won in thousands): (cont'd)**

Associates	December 31, 2019			
	Assets	Liabilities	Revenue	Net profit(loss)
TK Build, Co., Ltd	₩ 10,149,920	₩ 10,278,137	₩ -	₩ (128,317)
Meritz-DS Fund	4,378,827	-	44	(21,173)
Rhinos-Meritz fund 2	4,720,891	-	-	(3,609)
Brick-Orbit 8 New Technology Business Investment Fund	4,968,654	-	98	(2,687)
Cheongna Logistics, Co., Ltd.	13,024,473	13,487,410	-	(463,037)
KCGI Private Equity Fund 1-12	50,077,494	12,760	-	(35,266)
Yuamkopain wood Enterprise Financial Stability corporate Investment Limited PA	48,702,304	392,361	(263,865)	(263,865)
AIP Euro Green 7th	111,984,874	115,245	8,671,189	6,572,349
AIP Euro Green 8th	65,816,111	106,874	15,360,762	5,557,170
Kiwoom Milestone US Professional Private Real Estate Trust 18	170,922,351	6,476,788	59,480,560	7,302,981
Midas Global DEBT Private Real Estate Investment Trust 6th	118,427,300	70,258	10,482,563	7,249,178
Mastern Private Real Estate Investment Trust 40th	139,645,565	73,972,937	5,959,172	2,119,634
IGIS Global Private Real Estate Investment Trust 254	119,119,655	63,707	19,581,715	6,041,228
UP Global Private Real Estate Fund VI	63,084,029	38,502	2,780,974	(419,717)
Platform Partners ESS Private Special Asset Investment Trust 1st	32,354,641	482,159	1,401,762	1,363,704
NH Presidio Investments LLC	23,420,000	-	-	-
Mastern Private Real Estate Investment Trust 61th	20,987,431	5,609,969	438	(1,022,538)
IGIS Global Private Real Estate Investment Trust 301	286,913,083	7,365,679	54,882,861	21,782,361
Edelweiss Alternative Solutions Trust	175,245,735	-	-	-
PineStreet Global Corporate Finance PEF Trust No.2	259,567,076	21,336	2,708,756	660,740
IGIS US Private Real Estate Investment Trust 292	187,642,949	16,184	4,506,927	2,048,555
IGIS US Private Real Estate Investment Trust 266	117,567,782	5,499	1,929,340	395,283

(\*) This is the consolidated financial information as of September 30, 2019 and for the nine months then ended.

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**11. Loans**

**11.1. Details of loans as of December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	December 31, 2020		
	Face value	Allowance for credit losses	Book value
Loans:			
RP purchased	₩ 2,133,333,578	₩ -	₩ 2,133,333,578
Brokers' loan	662,644,355	(1,520,770)	661,123,585
Loans to employees	3,614,641	(68,673)	3,545,968
Loans	8,574,535,931	(187,268,138)	8,387,267,793
Loans purchased	2,000	(65)	1,935
Privately-placed corporate bonds	5,200,000	(308,579)	4,891,421
Payment on behalf of another company	3,636,044	(3,636,044)	-
Deferred loan fees	(12,508,903)	-	(12,508,903)
	<u>₩ 11,370,457,646</u>	<u>₩ (192,802,269)</u>	<u>₩ 11,177,655,377</u>

	December 31, 2019		
	Face value	Allowance for credit losses	Book value
Loans:			
RP purchased	₩ 1,515,000,000	₩ -	₩ 1,515,000,000
Brokers' loan	654,651,360	(117,759)	654,533,601
Loans to employees	3,179,387	(68,673)	3,110,714
Loans	10,801,232,951	(193,004,981)	10,608,227,970
Loans purchased	14,883,829	(77,482)	14,806,347
Privately-placed corporate bonds	-	-	-
Payment on behalf of another company	3,637,207	(3,637,207)	-
Deferred loan fees	(24,500,803)	-	(24,500,803)
	<u>₩ 12,968,083,931</u>	<u>₩ (196,906,102)</u>	<u>₩ 12,771,177,829</u>

**11.2. Brokers' loans**

The Group provides loans to clients who either make margin transactions for purchasing securities or entrust their investment securities to the Group and records them as credit loans granted and loans secured by securities, respectively. Credit loans granted are secured with the securities purchased by clients and cash in clients' deposit account, which amount to 140 - 150% of the original loan. When the collateral value is insufficient to secure the loan and its accrued income, the Group requests for additional collateral cash or securities.

In addition, the Group asks for an opening guarantee deposit in connection with brokers' loans and the deposits are recorded as a liability item guarantee deposit received.

**11.3. Residual maturity profiles of debt securities as of December 31, 2020 and 2019 are as follows (Korean won in thousands) :**

	December 31, 2020	December 31, 2019
No later than 1 year	₩ 5,845,648,425	₩ 5,738,476,310
After 1 year but no later than 3 years	3,183,209,154	5,020,866,262
After 1 year but no later than 5 years	1,714,177,932	1,714,437,939
After 5 years	639,931,038	518,804,225
	<u>₩ 11,382,966,549</u>	<u>₩ 12,992,584,736</u>

(\*) Loans related to incident expense of deferred loans is excluded.

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**11.4. Changes in allowance for possible loan losses for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands) :**

	Year ended December 31, 2020			
	12 month expected credit losses	Lifetime expected credit losses	Impaired loans Lifetime expected credit losses	Total
Beginning balance	₩ 79,157,836	₩ 22,637,536	₩ 95,110,730	₩ 196,906,102
Transfer to 12 month expected credit losses	2,004,724	(2,004,724)	-	-
Transfer to lifetime expected credit losses	(2,477,423)	2,482,332	(4,909)	-
Transfer to Impaired loans lifetime expected credit losses	(2,691,118)	(9,806,097)	12,497,215	-
Bad debts written off	-	-	(60,862,882)	(60,862,882)
Collection of loans written-off in prior periods	-	-	3,209,329	3,209,329
Utilized	-	-	(1,297,640)	(1,297,640)
Unwinding effect	-	-	(7,143,859)	(7,143,859)
Provision (reversal) for allowance	(5,346,709)	(93,162)	67,431,090	61,991,219
Ending balance	₩ 70,647,310	₩ 13,215,885	₩ 108,939,074	₩ 192,802,269

	Year ended December 31, 2019			
	12 month expected credit losses	Lifetime expected credit losses	Impaired loans Lifetime expected credit losses	Total
Beginning balance	₩ 77,479,913	₩ 18,023,033	₩ 71,118,484	₩ 166,621,430
Transfer to 12 month expected credit losses	1,323,081	(1,323,081)	-	-
Transfer to lifetime expected credit losses	(3,704,365)	3,917,479	(213,114)	-
Transfer to Impaired loans lifetime expected credit losses	(5,215,532)	(5,152,666)	10,368,198	-
Bad debts written off	-	-	(47,882,487)	(47,882,487)
Collection of loans written-off in prior periods	-	-	1,756,374	1,756,374
Utilized	-	-	(12,945,456)	(12,945,456)
Unwinding effect	-	-	(4,410,621)	(4,410,621)
Provision for allowance	9,274,739	7,172,771	77,319,352	93,766,862
Ending balance	₩ 79,157,836	₩ 22,637,536	₩ 95,110,730	₩ 196,906,102

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**11.5. Changes in gross book value for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands) :**

	Year ended December 31, 2020			Total
	12 month expected credit losses	Lifetime expected credit losses	Impaired loans Lifetime expected credit losses	
Beginning balance	₩ 12,105,791,976	₩ 528,172,390	₩ 358,620,368	₩ 12,992,584,734
Transfer to 12 month expected credit losses	99,231,199	(99,231,199)	-	-
Transfer to lifetime expected credit losses	(168,271,613)	168,278,693	(7,080)	-
Transfer to impaired loans lifetime expected credit losses	(90,956,397)	(130,551,018)	221,507,415	-
Execution and collection	(1,318,800,366)	(107,171,435)	(115,878,819)	(1,541,850,620)
Foreign transactions and Other changes	(6,904,684)	-	(60,862,881)	(67,767,565)
Ending balance	₩ 10,620,090,115	₩ 359,497,431	₩ 403,379,003	₩ 11,382,966,549

	Year ended December 31, 2019			Total
	12 month expected credit losses	Lifetime expected credit losses	Impaired loans Lifetime expected credit losses	
Beginning balance	₩ 12,394,685,961	₩ 327,819,893	₩ 125,461,728	₩ 12,847,967,582
Transfer to 12 month expected credit losses	40,283,527	(40,283,527)	-	-
Transfer to lifetime expected credit losses	(275,660,140)	276,005,834	(345,694)	-
Transfer to impaired loans lifetime expected credit losses	(344,602,017)	(44,369,274)	388,971,291	-
Execution and collection	284,860,334	8,999,464	(155,466,957)	138,392,841
Foreign transactions and Other changes	6,224,311	-	-	6,224,311
Ending balance	₩ 12,105,791,976	₩ 528,172,390	₩ 358,620,368	₩ 12,992,584,734

**11.6 Changes in incidental income or incident expense of deferred loans for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Year ended December 31, 2020			Ending balance
	Beginning balance	Income or expense incurred	Depreciation	
Incidental income	₩ (65,488,044)	₩ (42,833,037)	₩ 66,996,079	₩ (41,325,002)
Incidental expense	40,987,241	18,357,418	(30,528,560)	28,816,099
	₩ (24,500,803)	₩ (24,475,619)	₩ 36,467,519	₩ (12,508,903)

  

	Year ended December 31, 2019			Ending balance
	Beginning balance	Income or expense incurred	Depreciation	
Incidental income	₩ (76,235,400)	₩ (53,189,607)	₩ 63,936,963	₩ (65,488,044)
Incidental expense	48,323,574	27,645,907	(34,982,240)	40,987,241
	₩ (27,911,826)	₩ (25,543,700)	₩ 28,954,723	₩ (24,500,803)

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**11.7. Gain (loss) related to loans for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands) :**

	Year ended December 31, 2020	Year ended December 31, 2019
Gain on disposal of loans	₩ 10,618,322	₩ 23,105,014
Others	802,132	-
	<u>11,420,454</u>	<u>23,105,014</u>
Loss on disposal of loans	(5,976,546)	(18,164)
Provision for doubtful accounts	(61,991,219)	(93,766,862)
	<u>(67,967,765)</u>	<u>(93,785,026)</u>
	<u>₩ (56,547,311)</u>	<u>₩ (70,680,012)</u>

**12. CMA**

Details of CMA assets as of December 31, 2020 and 2019 are as follows (Korean won in thousands):

	December 31, 2020	December 31, 2019
Financial assets measured at FVTPL		
CMA-notes discounted	₩ -	₩ 1,998,004

**13. Lease**

**13.1. Details of lease assets as of December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	December 31, 2020			
	Acquisition cost	Allowance for lease	Accumulated depreciation	Book value
Financial lease	₩ 916,018,540	₩ (7,671,158)	₩ -	₩ 908,347,382
Operating lease	510,829,860	-	(124,155,645)	386,674,215
Advances for acquisition of assets to be leased	<u>5,277,353</u>	<u>-</u>	<u>-</u>	<u>5,277,353</u>
	<u>₩ 1,432,125,753</u>	<u>₩ (7,671,158)</u>	<u>₩ (124,155,645)</u>	<u>₩ 1,300,298,950</u>
	December 31, 2019			
	Acquisition cost	Allowance for lease	Accumulated depreciation	Book value
Financial lease	₩ 1,015,001,772	₩ (10,890,138)	₩ -	₩ 1,004,111,634
Operating lease	391,363,022	-	(90,865,192)	300,497,830
Advances for acquisition of assets to be leased	<u>5,289,151</u>	<u>-</u>	<u>-</u>	<u>5,289,151</u>
	<u>₩ 1,411,653,945</u>	<u>₩ (10,890,138)</u>	<u>₩ (90,865,192)</u>	<u>₩ 1,309,898,615</u>



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**13.2. Details of total lease investment and the present value of minimum financial lease as of December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	December 31, 2020		December 31, 2019	
	Total lease investment	Minimum financial lease	Total lease investment	Minimum financial lease
No later than 1 year	₩ 123,134,519	₩ 122,027,163	₩ 121,936,142	₩ 120,807,311
After 1 year but no later than 5 years	789,661,299	768,445,970	886,553,801	859,527,831
After 5 years	5,492,668	5,224,803	9,402,536	9,083,459
	<u>₩ 918,288,486</u>	<u>₩ 895,697,936</u>	<u>₩ 1,017,892,479</u>	<u>₩ 989,418,601</u>

**13.3. Unearned interests of financial lease as of December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	December 31, 2020	December 31, 2019
Total lease investment	₩ 918,288,486	₩ 1,017,892,479
Net lease investment	916,018,540	1,015,001,772
Unearned interest	<u>₩ 2,269,946</u>	<u>₩ 2,890,707</u>

**13.4. Unsecured residual value of financial lease as of December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	December 31, 2020	December 31, 2019
	₩ 3,049,771	₩ 1,913,179

**13.5. The estimated future operating lease revenues as of December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	December 31, 2020	December 31, 2019
No later than 1 year	₩ 51,241,790	₩ 34,377,640
After 1 year but no later than 5 years	342,120,800	269,660,091
After 5 years	656,926	322,684
	<u>₩ 394,019,516</u>	<u>₩ 304,360,415</u>

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**13.6. Changes in allowance for lease for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Year ended December 31, 2020			
	12 month expected credit losses	Lifetime expected credit losses	Impaired loans Lifetime expected credit losses	Total
Beginning balance	₩ 2,593,059	₩ 1,764,016	₩ 6,533,063	₩ 10,890,138
Transfer to 12 month expected credit losses	148,334	(148,334)	-	-
Transfer to lifetime expected credit losses	(194,073)	194,073	-	-
Transfer to lifetime Impaired loans Lifetime expected credit losses	(22,563)	(443,039)	465,602	-
Bad debts written off	-	-	(3,701,555)	(3,701,555)
Recovery of amortized bond	-	-	421,947	421,947
Disposal	-	-	(799,284)	(799,284)
Unwinding effect	-	-	(271,534)	(271,534)
Provision (reversal) for allowance	(374,176)	(51,999)	1,557,621	1,131,446
Ending balance	₩ 2,150,581	₩ 1,314,717	₩ 4,205,860	₩ 7,671,158

	Year ended December 31, 2019			
	12 month expected credit losses	Lifetime expected credit losses	Impaired loans Lifetime expected credit losses	Total
Beginning balance	₩ 3,693,438	₩ 5,554,471	₩ 6,633,842	₩ 15,881,751
Transfer to 12 month expected credit losses	156,958	(156,958)	-	-
Transfer to lifetime expected credit losses	(236,644)	236,644	-	-
Transfer to lifetime Impaired loans Lifetime expected credit losses	(22,845)	(288,883)	311,728	-
Bad debts written off	-	-	(8,726,709)	(8,726,709)
Recovery of amortized bond	-	-	363,533	363,533
Unwinding effect	-	-	(556,462)	(556,462)
Provision (reversal) for allowance	(997,848)	(3,581,259)	8,507,132	3,928,025
Ending balance	₩ 2,593,059	₩ 1,764,016	₩ 6,533,063	₩ 10,890,138

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**13.7. Changes in gross book values in lease assets for the year ended December 31, 2020 and 2019 is as follows (Korean won in thousands):**

	Year ended December 31, 2020			
	12 month expected credit losses	Lifetime expected credit losses	Impaired loans Lifetime expected credit losses	Total
Beginning balance	₩ 807,056,377	₩ 190,506,128	₩ 17,439,267	₩ 1,015,001,772
Transfer to 12 month expected credit losses	22,156,760	(22,156,760)	-	-
Transfer to lifetime expected credit losses	(53,514,592)	53,514,592	-	-
Transfer to impaired loans lifetime expected credit losses	(2,545,052)	(6,163,303)	8,708,355	-
Execution and collection	(40,564,489)	(38,461,177)	(16,256,011)	(95,281,677)
Foreign transactions and other changes	-	-	(3,701,555)	(3,701,555)
Ending balance	₩ 732,589,004	₩ 177,239,480	₩ 6,190,056	₩ 916,018,540

	Year ended December 31, 2019			
	12 month expected credit losses	Lifetime expected credit losses	Impaired loans Lifetime expected credit losses	Total
Beginning balance	₩ 803,945,783	₩ 178,499,695	₩ 18,344,515	₩ 1,000,789,993
Transfer to 12 month expected credit losses	20,887,384	(20,887,384)	-	-
Transfer to lifetime expected credit losses	(47,072,904)	47,072,904	-	-
Transfer to impaired loans lifetime expected credit losses	(3,090,914)	(5,711,360)	8,802,274	-
Execution and collection	32,387,028	(8,467,727)	(9,707,522)	14,211,779
Foreign transactions and other changes	-	-	-	-
Ending balance	₩ 807,056,377	₩ 190,506,128	₩ 17,439,267	₩ 1,015,001,772

**13.8. Gain (loss) related to lease for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Year ended December 31, 2020	Year ended December 31, 2019
Interest on financial lease	₩ 44,281,572	₩ 45,948,499
Commissions on operating lease	97,974,056	74,987,310
Gain on disposal of lease	6,064,661	8,194,824
	148,320,289	129,130,633
Operating lease depreciation	(60,035,569)	(49,146,888)
Lease commission expense	(3,080)	(45,994)
Loss on disposal of lease	(5,108,009)	(3,394,966)
Provision for allowance	(1,131,446)	(3,928,024)
Others	(14,389,063)	(10,880,705)
	(80,667,167)	(67,396,577)
	₩ 67,653,122	₩ 61,734,056

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**14. Property and equipment**

**14.1. Details of property and equipment as of December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	December 31, 2020		
	Acquisition cost	Accumulated depreciation	Book value
Land	₩ 1,303,389	₩ -	₩ 1,303,389
Buildings	1,727,538	(1,011,906)	715,632
Vehicles	206,107	(97,954)	108,153
Furniture and fixtures	55,187,978	(37,716,969)	17,471,009
Right-of-use assets	36,534,975	(13,609,284)	22,925,691
Others	595,511	-	595,511
	<u>₩ 95,555,498</u>	<u>₩ (52,436,113)</u>	<u>₩ 43,119,385</u>

	December 31, 2019		
	Acquisition cost	Accumulated depreciation	Book value
Land	₩ 1,303,389	₩ -	₩ 1,303,389
Buildings	1,727,538	(968,717)	758,821
Vehicles	807,973	(416,449)	391,524
Furniture and fixtures	53,155,745	(35,905,172)	17,250,573
Right-of-use assets	34,470,161	(7,938,243)	26,531,918
Others	595,511	-	595,511
	<u>₩ 92,060,317</u>	<u>₩ (45,228,581)</u>	<u>₩ 46,831,736</u>

**14.2. Changes in property and equipment for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Year ended December 31, 2020					
	Beginning balance	Addition (*1)	Disposal	Depreciation	Transfer (*2)	Ending balance
Land	₩ 1,303,389	₩ -	₩ -	₩ -	₩ -	₩ 1,303,389
Buildings	758,821	-	-	(43,189)	-	715,632
Vehicles	391,524	116,449	-	(27,426)	(372,394)	108,153
Furniture and fixture	17,250,573	6,618,393	(62,903)	(6,335,054)	-	17,471,009
Right-of-use assets	26,531,918	5,436,424	(26,691)	(9,015,960)	-	22,925,691
Others	595,511	-	-	-	-	595,511
	<u>₩ 46,831,736</u>	<u>₩ 12,171,266</u>	<u>₩ (89,594)</u>	<u>₩ (15,421,629)</u>	<u>₩ (372,394)</u>	<u>₩ 43,119,385</u>

(\*1) ₩74,007 thousands of tangible assets based on the recognition of provision for restoration cost are included in the acquisition of furniture and fixtures.

(\*2) Transfer for vehicles is the transferred amount to lease transactions between the consolidated entities.

	Year ended December 31, 2019					
	Beginning balance	Addition (*1)	Disposal	Depreciation	Transfer (*2)	Ending balance
Land	₩ 58,045,667	₩ -	₩ (56,742,278)	₩ -	₩ -	₩ 1,303,389
Buildings	27,126,993	-	(26,028,127)	(340,045)	-	758,821
Vehicles	523,269	-	(13)	(89,720)	(42,012)	391,524
Furniture and fixture	7,680,018	16,084,026	(1,061,266)	(5,223,162)	(229,043)	17,250,573
Right-of-use assets	4,960,425	31,079,198	(479,561)	(9,028,144)	-	26,531,918
Others	591,421	4,090	-	-	-	595,511
	<u>₩ 98,927,793</u>	<u>₩ 47,167,314</u>	<u>₩ (84,311,245)</u>	<u>₩ (14,681,071)</u>	<u>₩ (271,055)</u>	<u>₩ 46,831,736</u>

(\*1) ₩2,751,299 thousands of tangible assets based on the recognition of provision for restoration cost are included in the acquisition of furniture and fixtures.

(\*2) Transfer for vehicles is the transferred amount to lease transactions between the consolidated entities.

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**15. Investment property**

**15.1. Details of investment property as of December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	December 31, 2020		
	Acquisition cost	Accumulated depreciation	Book value
Land	₩ 4,135,601	₩ -	₩ 4,135,601
Buildings	5,890,436	(3,187,507)	2,702,929
	<u>₩ 10,026,037</u>	<u>₩ (3,187,507)</u>	<u>₩ 6,838,530</u>

  

	December 31, 2019		
	Acquisition cost	Accumulated depreciation	Book value
Land	₩ 5,495,601	₩ -	₩ 5,495,601
Buildings	8,020,058	(4,011,408)	4,008,650
	<u>₩ 13,515,659</u>	<u>₩ (4,011,408)</u>	<u>₩ 9,504,251</u>

**15.2. Changes in the net carrying amount of investment properties for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Year ended December 31, 2020			
	Beginning balance	Disposal	Depreciation	Ending Balance
Land	₩ 5,495,601	₩ (1,360,000)	₩ -	₩ 4,135,601
Buildings:				
Acquisition cost	8,020,058	(2,129,622)	-	5,890,436
Accumulated depreciation	(4,011,408)	1,011,092	(187,191)	(3,187,507)
	<u>₩ 9,504,251</u>	<u>₩ (2,478,530)</u>	<u>₩ (187,191)</u>	<u>₩ 6,838,530</u>

  

	Year ended December 31, 2019			
	Beginning balance	Disposal	Depreciation	Ending Balance
Land	₩ 7,250,323	₩ (1,754,722)	₩ -	₩ 5,495,601
Buildings:				
Acquisition cost	8,671,865	(651,807)	-	8,020,058
Accumulated depreciation	(3,876,087)	70,612	(205,933)	(4,011,408)
	<u>₩ 12,046,101</u>	<u>₩ (2,335,917)</u>	<u>₩ (205,933)</u>	<u>₩ 9,504,251</u>

**15.3. The fair value of the land and buildings provided by an independent property appraisal firm is amounted to ₩3,604,960 thousand and ₩4,641,957 thousand as of December 31, 2020, respectively.**

**15.4. The rental income and depreciation arising from the Group's investment properties for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Year ended December 31, 2020	Year ended December 31, 2019
Rental income	₩ 340,592	₩ 552,827
Depreciation	(187,191)	(205,933)

**15.5. ₩3,100 million of the right to fixed collateral is established for lease deposit on investment property as of December 31, 2020.**

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**16. Intangible assets**

**16.1 Intangible assets as of December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	December 31, 2020			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Book value
Software	₩ 59,098,567	₩ (49,067,993)	₩ -	₩ 10,030,574
Membership	14,468,824	-	(1,995,933)	12,472,891
Others	21,127,011	(3,972,933)	-	17,154,078
	<u>₩ 94,694,402</u>	<u>₩ (53,040,926)</u>	<u>₩ (1,995,933)</u>	<u>₩ 39,657,543</u>

	December 31, 2019			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Book value
Software	₩ 54,675,891	₩ (45,694,922)	₩ -	₩ 8,980,969
Membership	14,888,801	-	(4,179,625)	10,709,176
Others	20,261,801	(3,456,050)	-	16,805,751
	<u>₩ 89,826,493</u>	<u>₩ (49,150,972)</u>	<u>₩ (4,179,625)</u>	<u>₩ 36,495,896</u>

**16.2 Changes in carrying amounts of intangible assets for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Year ended December 31, 2020					
	Beginning balance	Addition	Decrease	Depreciation	Impairment losses(*)	Ending balance
Software	₩ 8,980,969	₩ 4,422,675	₩ -	₩ (3,373,070)	₩ -	₩ 10,030,574
Membership	10,709,176	52,095	(354,380)	-	2,066,000	12,472,891
Others	16,805,751	865,210	-	(516,883)	-	17,154,078
	<u>₩ 36,495,896</u>	<u>₩ 5,339,980</u>	<u>₩ (354,380)</u>	<u>₩ (3,889,953)</u>	<u>₩ 2,066,000</u>	<u>₩ 39,657,543</u>

(\*) During current period, some recognized impairment losses were reversed by increases in the recoverable value (market price).

	Year ended December 31, 2019					
	Beginning balance	Addition	Decrease	Depreciation	Ending balance	
Software	₩ 7,937,467	₩ 4,419,808	₩ -	₩ (3,376,306)	₩ 8,980,969	
Membership	11,701,426	43,848	(1,036,098)	-	10,709,176	
Others	16,157,592	1,007,215	-	(359,056)	16,805,751	
	<u>₩ 35,796,485</u>	<u>₩ 5,470,871</u>	<u>₩ (1,036,098)</u>	<u>₩ (3,735,362)</u>	<u>₩ 36,495,896</u>	

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**17. Other assets**

**17.1. Other assets as of December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	December 31, 2020		December 31, 2019	
Other financial assets:				
Receivable from proprietary trading	₩	281,409,481	₩	162,181,303
Receivable from trading on consignment		378,260,226		206,876,505
Other receivable		54,576,624		69,375,132
Accrued income		167,460,603		166,519,415
Guarantee deposits		21,611,313		21,753,681
Unsettled spot exchange		791,249,005		357,148,150
Unsettled difference		40		828,995
Allowance for losses		(9,760,311)		(6,262,268)
Present value discount		(800,022)		(705,752)
		<u>1,684,006,959</u>		<u>977,715,161</u>
Other non-financial assets:				
Advanced payment		102,156,517		139,883,655
Prepaid expenses		32,525,563		40,951,574
Others		497,716		13,219,832
		<u>135,179,796</u>		<u>194,055,061</u>
	₩	<u>1,819,186,755</u>	₩	<u>1,171,770,222</u>

**17.2. Changes in allowance for other assets for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Year ended December 31, 2020			
	12 month expected credit losses	Lifetime expected credit losses	Impaired loans Lifetime expected credit losses	Total
Beginning balance	₩ 1,329,940	₩ 304,559	₩ 4,627,769	₩ 6,262,268
Transfer to 12 month expected credit losses	38,037	(38,037)	-	-
Transfer to lifetime expected credit losses	(13,359)	13,393	(34)	-
Transfer to lifetime Impaired loans Lifetime expected credit losses	(4,726)	(148,483)	153,209	-
Bad debts written off	-	-	(940,179)	(940,179)
Recovery of amortized bond	-	-	-	-
Provision for allowance	402,064	104,218	3,931,940	4,438,222
Ending balance	<u>₩ 1,751,956</u>	<u>₩ 235,650</u>	<u>₩ 7,772,705</u>	<u>₩ 9,760,311</u>
	Year ended December 31, 2019			
	12 month expected credit losses	Lifetime expected credit losses	Impaired loans Lifetime expected credit losses	Total
Beginning balance	₩ 1,350,166	₩ 290,660	₩ 3,957,366	₩ 5,598,192
Transfer to 12 month expected credit losses	12,113	(12,113)	-	-
Transfer to lifetime expected credit losses	(23,551)	23,909	(358)	-
Transfer to lifetime Impaired loans Lifetime expected credit losses	(8,183)	(108,712)	116,895	-
Bad debts written off	-	-	(290,236)	(290,236)
Recovery of amortized bond	-	-	-	-
Provision for (reversal of) allowance	(605)	110,814	844,103	954,312
Ending balance	<u>₩ 1,329,940</u>	<u>₩ 304,559</u>	<u>₩ 4,627,769</u>	<u>₩ 6,262,268</u>

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**18. Deposits**

Deposits as of December 31, 2020 and 2019 are as follows (Korean won in thousands):

	December 31, 2020	December 31, 2019
Customers' claims on deposits	₩ 1,376,356,198	₩ 651,908,266
Guarantee Deposit	499,792,190	632,140,481
Leasehold deposits provided	-	241,330,133
CMA deposits	-	2,075,579
Notes payable	-	802,656,104
Others	78,726,578	9,848,442
Subtotal	1,954,874,966	2,339,959,005
Discounted present value	-	(13,395,093)
Total	₩ 1,954,874,966	₩ 2,326,563,912

**19. Financial liabilities measured at FVTPL**

Financial liabilities measured at FVTPL as of December 31, 2020 and 2019 are as follows (Korean won in thousands):

	Book value (fair value)	
	December 31, 2020	December 31, 2019
Financial liabilities measured at FVTPL:		
Stock	₩ 1,149,663,213	₩ 539,030,094
Bonds:		
Government bonds	2,760,486,750	2,263,813,226
Special purpose bonds	138,501,765	104,608,227
Others	273,613,552	54,882,285
	4,322,265,280	2,962,333,832
Derivatives liabilities held-for-trading:		
Interest	6,821,821	9,006,225
Currency	180,698,405	63,247,217
Stock	79,065,374	58,135,261
Stock index	1,750,453	1,095,790
Others	126,604,427	79,235,827
Credit risk adjustments	(843,237)	(271,039)
Deferred Day1 profit or loss adjustments	(110,788,954)	(158,437,136)
	283,308,289	52,012,145
Financial liabilities designated at FVTPL:		
Equity linked securities sold (*)	2,573,578,639	3,568,133,793
Derivative linked securities sold (*)	175,037,499	363,436,466
Others	339,361,286	235,326,289
Credit risk value adjustments	(15,227,117)	(18,549,602)
Deferred day 1 profit or loss adjustments	171,436,767	176,274,312
	3,244,187,074	4,324,621,258
	₩ 7,849,760,643	₩ 7,338,967,235

(\*) The Group designates equity linked securities sold and derivative linked securities sold as financial liability at fair value through profit or loss without separating embedded derivative from the host contract.



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**20. Borrowings**

**20.1. Borrowings as of December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Lender	Interest rate (%)	December 31, 2020	December 31, 2019
Borrowings:				
Call money	KB Bank and others	0.72~0.74	₩ 210,000,000	₩ 254,200,000
Commercial paper	KTB Investment & Securities and others	0.99~2.80	2,115,000,000	1,590,000,000
Commercial Paper (ABCP)	Shinhan Financial Investments and others	1.25~3.42	1,297,880,000	2,546,291,600
Repurchase agreements sold	Woori Bank and others	0.10~0.90	12,493,127,166	8,729,091,614
Repurchase agreements sold (Foreign currency)	Hana Bank and others	-0.20~1.10	1,160,093,692	974,506,922
Borrowing from KSFC	KSFC	0.75~1.16	486,523,463	779,109,086
Others	NH bank and others	1.49~6.90	408,247,145	398,786,274
			<u>18,170,871,466</u>	<u>15,271,985,496</u>
Debentures :				
Asset backed short-term bonds	KTB Investment & Securities and others	0.70~2.12	1,138,973,000	1,808,097,080
Debentures	KB Securities and others	1.306~4.20	7,164,900,308	5,652,658,643
			<u>8,303,873,308</u>	<u>7,460,755,723</u>
			<u>₩ 26,474,744,774</u>	<u>₩ 22,732,741,219</u>

**20.2. Debentures as of December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Interest rate (%)	Date of issue	Maturity	December 31, 2020	December 31, 2019
Unwarranted subordinated debentures	4.66	2013-03-29	2020-03-29	₩ -	₩ 50,000,000
Unwarranted subordinated debentures	4.02	2014-11-25	2020-05-25	-	80,000,000
Debentures guaranteed by holding company	2.12	2015-04-24	2020-04-24	-	30,000,000
Debentures guaranteed by holding company	2.45	2015-05-27	2020-05-27	-	40,000,000
Debentures guaranteed by holding company	2.04	2015-06-24	2020-06-24	-	20,000,000
Debentures guaranteed by holding company	2.47	2015-06-24	2020-06-24	-	20,000,000
Debentures guaranteed by holding company	2.44	2016-01-14	2021-01-14	20,000,000	20,000,000
Debentures guaranteed by holding company	2.10	2016-05-25	2021-05-25	20,000,000	20,000,000
Non guaranteed debentures	2.91	2016-08-26	2021-08-26	20,000,000	20,000,000
Non guaranteed debentures	3.38	2017-04-07	2020-04-06	-	30,000,000
Non guaranteed debentures	3.05	2017-10-17	2020-04-17	-	20,000,000
Non guaranteed debentures	3.33	2017-10-17	2020-10-16	-	20,000,000
Asset-backed debentures	2.57	2017-11-28	2020-01-28	-	10,000,000
Asset-backed debentures	2.60	2017-11-28	2020-04-28	-	10,000,000
Asset-backed debentures	2.60	2017-11-28	2020-05-28	-	10,000,000
Asset-backed debentures	2.65	2017-11-28	2020-07-28	-	10,000,000
Asset-backed debentures	2.70	2017-11-28	2020-09-28	-	10,000,000
Asset-backed debentures	2.75	2017-11-28	2020-12-28	-	10,000,000
Asset-backed debentures	2.76	2017-11-28	2021-02-28	10,000,000	10,000,000
Non guaranteed debentures	3.01	2017-12-11	2020-01-10	-	10,000,000
Non guaranteed debentures	3.26	2017-12-11	2020-06-11	-	30,000,000
Non guaranteed debentures	2.87	2018-01-22	2020-01-22	-	90,000,000
Non guaranteed debentures	2.93	2018-01-22	2020-02-21	-	30,000,000
Non guaranteed debentures	3.26	2018-01-22	2020-07-22	-	40,000,000
Debentures guaranteed by holding company	2.52	2018-02-08	2020-02-07	-	40,000,000
Debentures guaranteed by holding company	2.78	2018-02-08	2021-02-08	60,000,000	60,000,000
Non guaranteed debentures	2.90	2018-02-13	2020-02-13	-	20,000,000
Debentures guaranteed by holding company	2.57	2018-02-23	2020-02-21	-	90,000,000
Debentures guaranteed by holding company	2.84	2018-02-23	2021-02-23	40,000,000	40,000,000
Debentures guaranteed by holding company	2.60	2018-03-14	2020-03-13	-	30,000,000
Non guaranteed debentures	2.92	2018-03-14	2020-03-13	-	100,000,000
Non guaranteed debentures	3.29	2018-03-14	2020-09-14	-	40,000,000
Debentures guaranteed by holding company	2.57	2018-03-28	2020-03-27	-	50,000,000
Non guaranteed debentures	3.23	2018-03-28	2020-09-28	-	40,000,000
Non guaranteed debentures	2.78	2018-04-06	2020-04-06	-	90,000,000

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**20.2. Debentures as of December 31, 2020 and 2019 are as follows (Korean won in thousands) (cont'd):**

	Interest rate (%)	Date of issue	Maturity	December 31, 2020	December 31, 2019
Non guaranteed debentures	3.14	2018-04-06	2020-10-06	₩ -	₩ 60,000,000
Debentures guaranteed by holding company	2.51	2018-04-11	2020-04-10	-	30,000,000
Debentures guaranteed by holding company	2.75	2018-04-11	2021-04-09	10,000,000	10,000,000
Debentures guaranteed by holding company	2.41	2018-04-23	2020-01-23	-	50,000,000
Debentures guaranteed by holding company	2.76	2018-04-23	2021-04-23	10,000,000	10,000,000
Non guaranteed debentures	2.82	2018-04-23	2020-05-22	-	10,000,000
Non guaranteed debentures	2.96	2018-04-23	2020-07-23	-	40,000,000
Non guaranteed debentures	3.16	2018-04-23	2020-10-23	-	10,000,000
Non guaranteed debentures	2.79	2018-05-04	2020-05-04	-	40,000,000
Non guaranteed debentures	2.99	2018-05-04	2020-08-04	-	30,000,000
Non guaranteed debentures	3.17	2018-05-04	2020-11-04	-	30,000,000
Debentures guaranteed by holding company	2.84	2018-05-14	2021-05-14	10,000,000	10,000,000
Debentures guaranteed by holding company	3.23	2018-05-14	2023-05-12	70,000,000	70,000,000
Debentures guaranteed by holding company	2.58	2018-05-23	2020-08-21	-	30,000,000
Non guaranteed debentures	2.91	2018-05-30	2020-08-28	-	30,000,000
Non guaranteed debentures	2.72	2018-06-22	2020-06-22	-	30,000,000
Non guaranteed debentures	2.90	2018-06-22	2020-09-22	-	80,000,000
Non guaranteed debentures	3.08	2018-06-22	2020-12-22	-	30,000,000
Non guaranteed debentures	2.81	2018-07-27	2020-10-27	-	50,000,000
Non guaranteed debentures	2.97	2018-07-27	2021-01-27	60,000,000	60,000,000
Non guaranteed debentures	2.97	2018-07-27	2021-01-26	20,000,000	20,000,000
Debentures guaranteed by holding company	2.66	2018-07-27	2021-07-27	50,000,000	50,000,000
Non guaranteed debentures	2.77	2018-08-08	2020-11-06	-	60,000,000
Non guaranteed debentures	2.88	2018-08-08	2021-01-08	90,000,000	90,000,000
Non guaranteed debentures	2.93	2018-08-08	2021-02-08	50,000,000	50,000,000
Debentures guaranteed by holding company	2.58	2018-08-13	2021-08-13	30,000,000	30,000,000
Non guaranteed debentures	2.51	2018-09-11	2020-11-11	-	30,000,000
Non guaranteed debentures	2.57	2018-09-11	2020-12-11	-	50,000,000
Non guaranteed debentures	2.71	2018-09-11	2021-03-10	20,000,000	20,000,000
Non guaranteed debentures	2.71	2018-09-11	2021-03-11	80,000,000	80,000,000
Non guaranteed debentures	2.76	2018-09-11	2021-04-09	60,000,000	60,000,000
Non guaranteed debentures	2.80	2018-09-11	2021-05-11	50,000,000	50,000,000
Non guaranteed debentures	2.75	2018-10-30	2021-03-30	30,000,000	30,000,000
Non guaranteed debentures	2.87	2018-10-30	2021-08-30	40,000,000	40,000,000
Non guaranteed debentures	2.77	2018-11-08	2021-04-08	40,000,000	40,000,000
Non guaranteed debentures	2.81	2018-11-08	2021-05-07	50,000,000	50,000,000
Non guaranteed debentures	2.85	2018-11-08	2021-06-08	60,000,000	60,000,000
Non guaranteed debentures	2.89	2018-11-08	2021-07-08	40,000,000	40,000,000
Non guaranteed debentures	2.65	2018-12-07	2021-08-06	100,000,000	100,000,000
Non guaranteed debentures	2.65	2018-12-07	2021-08-05	20,000,000	20,000,000
Debentures guaranteed by holding company	2.45	2018-12-07	2021-12-07	20,000,000	20,000,000
Non guaranteed debentures (*)	2.38	2019-03-12	2022-03-11	80,000,000	120,000,000
Non guaranteed debentures	2.15	2019-04-04	2022-04-04	140,000,000	140,000,000
Non guaranteed debentures	2.15	2019-04-18	2022-04-18	140,000,000	140,000,000
Non guaranteed debentures	2.02	2019-05-24	2022-05-24	120,000,000	120,000,000
Non guaranteed debentures (*)	1.91	2019-06-11	2022-06-10	60,000,000	80,000,000
Non guaranteed debentures (*)	2.17	2019-06-11	2024-06-11	30,000,000	40,000,000
Non guaranteed debentures (*)	1.88	2019-07-17	2023-01-17	90,000,000	100,000,000
Non guaranteed debentures	1.49	2019-08-09	2022-02-09	60,000,000	60,000,000
Non guaranteed debentures	1.57	2019-08-09	2023-02-09	60,000,000	60,000,000
Non guaranteed debentures	1.54	2019-08-23	2021-09-23	20,000,000	20,000,000
Non guaranteed debentures (*)	1.66	2019-08-23	2023-02-23	20,000,000	30,000,000
Non guaranteed debentures	1.66	2019-09-05	2021-09-03	40,000,000	40,000,000
Non guaranteed debentures	1.76	2019-09-19	2021-03-19	50,000,000	50,000,000
Non guaranteed debentures	1.76	2019-09-19	2021-04-19	40,000,000	40,000,000
Non guaranteed debentures	2.17	2019-09-19	2024-09-19	60,000,000	60,000,000
Non guaranteed debentures	1.66	2019-10-11	2021-05-11	50,000,000	50,000,000
Non guaranteed debentures	1.67	2019-10-11	2021-06-11	70,000,000	70,000,000
Non guaranteed debentures	1.71	2019-10-11	2022-10-11	40,000,000	40,000,000
Non guaranteed debentures (*)	1.81	2019-10-30	2021-02-26	40,000,000	50,000,000
Non guaranteed debentures	2.17	2019-10-30	2023-10-30	40,000,000	40,000,000
Non guaranteed debentures	1.84	2019-11-13	2021-06-11	10,000,000	10,000,000
Non guaranteed debentures	1.89	2019-11-13	2021-11-12	20,000,000	20,000,000
Non guaranteed debentures	1.81	2019-11-29	2021-01-29	10,000,000	10,000,000
Non guaranteed debentures	1.81	2019-11-29	2021-02-26	50,000,000	50,000,000
Non guaranteed debentures	1.82	2019-11-29	2021-03-29	20,000,000	20,000,000
Non guaranteed debentures	1.80	2019-12-16	2020-12-16	-	60,000,000

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**20.2 Debentures as of December 31, 2020 and 2019 are as follows (Korean won in thousands) (cont'd):**

	Interest rate (%)	Date of issue	Maturity	December 31, 2020	December 31, 2019
Non guaranteed debentures	1.82	2019-12-16	2021-03-16	₩ 20,000,000	₩ 20,000,000
Non guaranteed debentures	2.04	2019-12-16	2023-12-15	70,000,000	70,000,000
Non guaranteed debentures	1.81	2019-12-24	2020-12-24	-	20,000,000
Non guaranteed debentures	1.81	2019-12-24	2021-01-08	30,000,000	30,000,000
Non guaranteed debentures	1.81	2019-12-24	2021-01-22	10,000,000	10,000,000
Non guaranteed debentures	1.81	2019-12-24	2021-03-24	10,000,000	10,000,000
Non guaranteed debentures	1.76	2020-01-10	2021-07-09	40,000,000	-
Non guaranteed debentures (*)	1.80	2020-01-10	2022-01-10	10,000,000	-
Non guaranteed debentures	1.81	2020-01-21	2021-07-21	20,000,000	-
Non guaranteed debentures	1.85	2020-01-21	2022-01-20	20,000,000	-
Non guaranteed debentures	1.92	2020-01-21	2023-01-20	10,000,000	-
Non guaranteed debentures	1.81	2020-01-30	2021-07-30	20,000,000	-
Non guaranteed debentures	1.85	2020-01-30	2022-01-28	50,000,000	-
Non guaranteed debentures	1.92	2020-01-30	2023-01-30	30,000,000	-
Non guaranteed debentures (*)	1.70	2020-02-19	2021-08-19	60,000,000	-
Non guaranteed debentures	1.72	2020-02-19	2022-02-21	50,000,000	-
Non guaranteed debentures	1.81	2020-02-19	2023-02-20	70,000,000	-
Non guaranteed debentures	2.20	2020-02-19	2025-02-19	20,000,000	-
Non guaranteed debentures	1.72	2020-02-21	2021-08-20	10,000,000	-
Non guaranteed debentures	1.81	2020-02-21	2022-02-21	60,000,000	-
Non guaranteed debentures (*)	2.20	2020-02-21	2022-02-18	10,000,000	-
Asset-backed debentures	1.31	2020-03-19	2021-01-18	10,000,000	-
Asset-backed debentures	1.31	2020-03-19	2021-02-18	10,000,000	-
Asset-backed debentures	1.31	2020-03-19	2021-03-18	20,000,000	-
Asset-backed debentures	1.33	2020-03-19	2021-04-18	10,000,000	-
Asset-backed debentures	1.34	2020-03-19	2021-05-18	10,000,000	-
Asset-backed debentures	1.35	2020-03-19	2021-06-18	10,000,000	-
Asset-backed debentures	1.36	2020-03-19	2021-07-18	10,000,000	-
Asset-backed debentures	1.37	2020-03-19	2021-08-18	10,000,000	-
Asset-backed debentures	1.38	2020-03-19	2021-09-18	10,000,000	-
Asset-backed debentures	1.40	2020-03-19	2021-10-18	10,000,000	-
Asset-backed debentures	1.41	2020-03-19	2021-11-18	10,000,000	-
Asset-backed debentures	1.42	2020-03-19	2021-12-18	10,000,000	-
Asset-backed debentures	1.44	2020-03-19	2022-01-18	10,000,000	-
Asset-backed debentures	1.45	2020-03-19	2022-02-18	10,000,000	-
Asset-backed debentures	1.46	2020-03-19	2022-03-18	10,000,000	-
Asset-backed debentures	1.48	2020-03-19	2022-04-18	10,000,000	-
Asset-backed debentures	1.51	2020-03-19	2022-06-18	10,000,000	-
Asset-backed debentures	1.54	2020-03-19	2022-09-18	10,000,000	-
Debentures guaranteed by holding company	1.79	2020-04-14	2021-04-14	20,000,000	-
Debentures guaranteed by holding company	1.81	2020-04-14	2023-04-14	20,000,000	-
Debentures guaranteed by holding company	1.80	2020-04-23	2021-04-22	160,000,000	-
Debentures guaranteed by holding company	1.81	2020-04-23	2021-10-22	20,000,000	-
Debentures guaranteed by holding company	1.62	2020-05-25	2021-07-23	20,000,000	-
Debentures guaranteed by holding company	1.56	2020-06-05	2021-12-03	70,000,000	-
Debentures guaranteed by holding company	1.61	2020-06-05	2022-06-03	10,000,000	-
Debentures guaranteed by holding company	1.75	2020-06-05	2023-06-05	30,000,000	-
Non guaranteed debentures	1.91	2020-06-25	2021-06-25	20,000,000	-
Non guaranteed debentures	1.85	2020-07-09	2021-08-09	30,000,000	-
Non guaranteed Privately-placed corporate bonds	1.91	2020-07-23	2023-07-23	50,000,000	-
Non guaranteed debentures	1.83	2020-07-23	2021-07-23	30,000,000	-
Non guaranteed debentures	1.82	2020-07-29	2021-07-29	40,000,000	-
Non guaranteed debentures	1.87	2020-07-29	2022-07-22	10,000,000	-
Non guaranteed Privately-placed corporate bonds	1.88	2020-08-20	2023-08-20	20,000,000	-
Non guaranteed debentures	1.84	2020-08-28	2021-11-26	10,000,000	-
Non guaranteed debentures	1.91	2020-09-09	2021-09-09	100,000,000	-
Non guaranteed debentures	1.86	2020-09-21	2021-09-21	50,000,000	-
Non guaranteed debentures	1.87	2020-09-28	2021-09-28	30,000,000	-
Non guaranteed debentures	1.87	2020-09-28	2021-12-28	50,000,000	-
Non guaranteed debentures	1.86	2020-10-16	2022-01-14	40,000,000	-
Non guaranteed debentures	1.87	2020-10-16	2022-02-16	10,000,000	-
Non guaranteed debentures	2.10	2020-10-16	2022-03-16	20,000,000	-
Non guaranteed debentures	1.92	2020-10-16	2022-10-14	20,000,000	-
Non guaranteed debentures	1.85	2020-10-20	2021-12-20	40,000,000	-
Non guaranteed debentures	1.85	2020-10-20	2022-01-20	10,000,000	-
Non guaranteed debentures	1.86	2020-10-20	2022-02-18	10,000,000	-
Non guaranteed debentures	1.87	2020-10-20	2022-03-18	20,000,000	-

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**20.2 Debentures as of December 31, 2020 and 2019 are as follows (Korean won in thousands) (cont'd):**

	Interest rate (%)	Date of issue	Maturity	December 31, 2020	December 31, 2019
Non guaranteed debentures	1.92	2020-10-23	2022-07-22	₩ 30,000,000	₩ -
Non guaranteed debentures	1.88	2020-10-29	2022-03-29	20,000,000	-
Non guaranteed debentures	1.93	2020-10-29	2022-10-28	10,000,000	-
Non guaranteed debentures	1.89	2020-11-09	2022-05-09	50,000,000	-
Non guaranteed debentures	1.91	2020-11-09	2022-08-09	20,000,000	-
Non guaranteed debentures	1.94	2020-11-09	2022-10-28	10,000,000	-
Non guaranteed debentures	1.94	2020-11-09	2022-11-09	20,000,000	-
Non guaranteed debentures	1.86	2020-11-12	2022-02-11	40,000,000	-
Non guaranteed debentures	1.93	2020-11-25	2022-11-25	150,000,000	-
Non guaranteed debentures	1.93	2020-11-25	2022-12-23	10,000,000	-
Non guaranteed debentures	1.94	2020-11-25	2023-05-25	80,000,000	-
Non guaranteed debentures	1.86	2020-12-08	2022-06-08	50,000,000	-
Non guaranteed debentures	1.90	2020-12-08	2022-12-08	90,000,000	-
Non guaranteed debentures	1.90	2020-12-08	2022-12-07	20,000,000	-
Non guaranteed debentures	1.93	2020-12-08	2023-06-08	30,000,000	-
Non guaranteed debentures	1.93	2020-12-08	2023-06-07	10,000,000	-
Non guaranteed debentures	2.55	2018-08-03	2021-08-03	210,000,000	210,000,000
Non guaranteed debentures (*)	2.62	2018-10-15	2021-10-15	310,000,000	320,000,000
Unwarranted subordinated debentures	4.00	2019-03-15	2026-03-15	210,000,000	210,000,000
Unwarranted subordinated debentures	3.95	2019-05-30	2026-05-30	110,000,000	110,000,000
Unwarranted subordinated debentures	4.20	2019-05-30	2029-05-30	190,000,000	190,000,000
Unwarranted subordinated debentures	3.90	2020-01-30	2027-01-30	84,000,000	-
Unwarranted subordinated debentures	4.10	2020-01-30	2030-01-30	30,000,000	-
Non guaranteed debentures (*)	2.85	2020-04-27	2021-04-27	180,000,000	-
Non guaranteed debentures	3.05	2020-05-22	2022-05-20	300,000,000	-
Non guaranteed debentures	1.70	2020-06-26	2022-01-26	40,000,000	-
Non guaranteed debentures	1.66	2020-09-16	2022-03-16	160,000,000	-
Non guaranteed debentures	1.58	2020-10-21	2022-04-21	100,000,000	-
Non guaranteed debentures	1.83	2020-10-21	2022-10-21	80,000,000	-
Non guaranteed debentures	2.01	2020-10-21	2023-10-20	20,000,000	-
Non guaranteed debentures	1.65	2020-11-19	2022-11-18	100,000,000	-
Non guaranteed debentures	1.89	2020-11-19	2023-11-17	100,000,000	-
Discount on debenture issued				(9,099,692)	(7,341,357)
				<u>₩ 7,164,900,308</u>	<u>₩ 5,652,658,643</u>

(\*) During the current period, a total of KRW 160,000 million was repaid for 10 unguaranteed corporate bonds, and redemption gains of KRW 438 million and redemption losses of KRW 733 million were recognized.

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**21. Provisions**

**21.1. Provisions as of December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	December 31, 2020	December 31, 2019
Provision for financial guarantee contract	₩ 1,610,055	₩ 3,285,754
Allowances for unused commitments	9,778,693	19,604,146
Reserve for restoration costs	4,389,314	4,240,348
Provision for possible losses from lawsuits	258,586	259,971
	<u>₩ 16,036,648</u>	<u>₩ 27,390,219</u>

**21.2. Changes in provision for financial guarantee contract for the year ended December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Year ended December 31, 2020			
	12 month expected credit losses	Lifetime expected credit losses	Impaired loans lifetime expected credit losses	Total
Beginning balance	₩ 3,285,754	₩ -	₩ -	₩ 3,285,754
Transfer to 12 month expected credit losses	-	-	-	-
Transfer to lifetime expected credit losses	-	-	-	-
Transfer to Impaired loans lifetime expected credit losses	-	-	-	-
Provisions for debt guarantee transferred in (reversal)	(1,675,699)	-	-	(1,675,699)
Ending balance	<u>₩ 1,610,055</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 1,610,055</u>

	Year ended December 31, 2019			
	12 month expected credit losses	Lifetime expected credit losses	Impaired loans lifetime expected credit losses	Total
Beginning balance	₩ 870,006	₩ -	₩ -	₩ 870,006
Transfer to 12 month expected credit losses	-	-	-	-
Transfer to lifetime expected credit losses	-	-	-	-
Transfer to Impaired loans lifetime expected credit losses	-	-	-	-
Provisions for debt guarantee transferred in (reversal)	2,415,748	-	-	2,415,748
Ending balance	<u>₩ 3,285,754</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 3,285,754</u>

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**21.3. Changes in allowances for unused commitments for the year ended December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Year ended December 31, 2020			
	12 month expected credit losses	Lifetime expected credit losses	Impaired loans lifetime expected credit losses	Total
Beginning balance	₩ 19,379,034	₩ 225,112	₩ -	₩ 19,604,146
Transfer to 12 month expected credit losses	-	-	-	-
Transfer to lifetime expected credit losses	(229,651)	229,651	-	-
Transfer to Impaired loans lifetime expected credit losses	-	-	-	-
Provisions for debt guarantee transferred in (reversal)	(10,270,632)	445,179	-	(9,825,453)
Ending balance	₩ 8,878,751	₩ 899,942	₩ -	₩ 9,778,693

	Year ended December 31, 2019			
	12 month expected credit losses	Lifetime expected credit losses	Impaired loans lifetime expected credit losses	Total
Beginning balance	₩ 12,931,319	₩ 40,295	₩ -	₩ 12,971,614
Transfer to 12 month expected credit losses	(267,989)	267,989	-	-
Transfer to lifetime expected credit losses	-	-	-	-
Transfer to Impaired loans lifetime expected credit losses	-	-	-	-
Provisions for debt guarantee transferred in (reversal)	6,715,704	(83,172)	-	6,632,532
Ending balance	₩ 19,379,034	₩ 225,112	₩ -	₩ 19,604,146

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**21.4. Changes in provision for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Year ended December 31, 2020				
	Beginning balance	Addition (*)	Provision (Reversal)	Use	Ending balance
Reserve for restoration costs	₩ 4,240,348	₩ 74,007	₩ 74,959	₩ -	₩ 4,389,314
Provision for possible losses from lawsuits	259,971	-	(1,385)	-	258,586
	<u>₩ 4,500,319</u>	<u>₩ 74,007</u>	<u>₩ 73,574</u>	<u>₩ -</u>	<u>₩ 4,647,900</u>

(\*) This is the amount for tangible assets based on the recognition of provision for restoration cost in 2020.

	Year ended December 31, 2019				
	Beginning balance	Addition (*)	Provision (Reversal)	Use	Ending balance
Reserve for restoration costs	₩ 1,802,371	₩ 2,751,299	₩ (151,636)	₩ (161,686)	₩ 4,240,348
Provision for possible losses from lawsuits	294,760	-	(34,789)	-	259,971
	<u>₩ 2,097,131</u>	<u>₩ 2,751,299</u>	<u>₩ (186,425)</u>	<u>₩ (161,686)</u>	<u>₩ 4,500,319</u>

(\*) This is the amount for tangible assets based on the recognition of provision for restoration cost in 2019.

**22. Defined benefit liabilities**

**22.1. Defined benefit liabilities as of December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	December 31, 2020	December 31, 2019
Present value of defined benefit liabilities	₩ 23,920,619	₩ 20,003,053
Fair value of plan assets	(23,588,372)	(20,130,150)
Defined benefit obligation	<u>₩ 332,247</u>	<u>₩ (127,097)</u>

**22.2. Changes in defined benefit liabilities for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Year ended December 31, 2020	Year ended December 31, 2019
Beginning balance	₩ 20,003,053	₩ 16,901,691
Current service cost	4,670,186	4,410,093
Interest expense	488,491	472,047
Re-measurement:		
Experience adjustments	829,757	235,323
Actuarial changes arising from changes in demographic assumptions	297,201	401
Actuarial changes arising from changes in financial assumptions	(92,338)	348,458
Payment	(2,275,731)	(2,364,960)
Ending balance	<u>₩ 23,920,619</u>	<u>₩ 20,003,053</u>

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**22.3. Changes in plan assets for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Year ended December 31, 2020	Year ended December 31, 2019
Beginning balance	₩ 20,130,150	₩ 18,044,852
Expected return on plan assets	491,875	507,025
Re-measurement:		
Interest income from plan assets (Excluding the amount included in the interest income above)	(134,676)	(199,748)
Contributions by employer	5,426,445	4,271,773
Payment	(2,325,422)	(2,493,752)
Ending balance	<u>₩ 23,588,372</u>	<u>₩ 20,130,150</u>

**22.4. Changes in the remeasurement of defined benefit liabilities for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Year ended December 31, 2020	Year ended December 31, 2019
Beginning balance	₩ (1,188,579)	₩ (843,112)
Re-measurement on defined benefit liabilities	(1,034,620)	(584,182)
Re-measurement on plan assets	(134,676)	(199,748)
Other	(32,370)	307,423
Income tax effect	330,458	131,040
Ending balance	<u>₩ (2,059,787)</u>	<u>₩ (1,188,579)</u>

**22.5. The details of defined benefit liabilities for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Year ended December 31, 2020	Year ended December 31, 2019
Current service cost	₩ 4,670,186	₩ 4,410,093
Interest expense (income)	(3,384)	(34,978)
Defined benefit of severance payment	<u>₩ 4,666,802</u>	<u>₩ 4,375,115</u>

**22.6. The principal actuarial assumptions as of December 31, 2020 and 2019 are as follows:**

	December 31, 2020	December 31, 2019
Discount rate	2.74%	2.67%
Expected return ratio on plan assets	2.74%	2.67%
Future ratio of salary increase	2.00%+promotion rate	2.00%
Retirement rate by age	13.11%~38.20%	14%~32.33%
Mortality rate	0.002% ~ 0.099%	0.002% ~ 0.099%

**22.7. Sensitivity analysis for actuarial assumptions in defined benefit liabilities as of December 31, 2020 is as follows (Korean won in thousands):**

	December 31, 2020	1% Increase	1% Decrease
Fluctuation of future salary increase rate	₩ 23,920,619	25,118,368	22,757,852
Fluctuation of discount rate	₩ 23,920,619	22,778,511	25,189,068

**22.8. As of December 31, 2020, the weighted average maturity of the defined benefit obligation is 5.525 years.**



22.9. As of the end of the reporting period, plan assets are accumulated in cash, deposits, interest rate guaranteed retirement pensions, ELB/DLB, and etc.

### 23. Other liabilities

23.1. Details of other liabilities as of December 31, 2020 and 2019 are as follows (Korean won in thousands):

	December 31, 2020	December 31, 2019
Other financial liabilities:		
Account payable for proprietary trading	₩ 187,845,467	₩ 98,126,063
Account payable for trading on consignment	377,059,366	205,540,005
Accounts payables	87,885,212	65,758,800
Accrued expense payables	599,400,421	494,815,113
Accrued dividend	1,861,016	771,172
Leasehold deposits received	2,415,000	3,415,000
Unsettled spot exchange	791,213,106	357,136,635
Unsettled difference	3,569,442	4,172,962
Lease liability	32,207,855	35,554,799
Lease deposits	245,547,071	-
Present value discount of other assets	(12,815,109)	(2,294,588)
Debts related to financial guarantee contract	65,130,580	94,408,971
Redeemable equity for non-controlling shareholders	41,814,133	4,572,981
	<u>2,423,133,560</u>	<u>1,361,977,913</u>
Other non-financial liabilities:		
Advance receipts	34,825,949	19,658,448
Unearned income	108,021,327	103,708,711
Withholding tax	13,764,762	14,751,023
Others	3,937,440	5,255,107
	<u>160,549,478</u>	<u>143,373,289</u>
	<u>₩ 2,583,683,038</u>	<u>₩ 1,505,351,202</u>

23.2. The amount of lease payment and interest expenses for lease liability which recognized as of December 31, 2020 and 2019 are as follows (Korean won in thousands):

	Year ended December 31, 2020	Year ended December 31, 2019
Lease payment	₩ 8,998,284	₩ 4,215,007
Interest expenses for lease liability	865,922	815,133

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**24. Derivative instruments**

The Group uses derivative financial instruments such as interest rate swaps to exchange interest rates, currency swaps to hedge against exchange rate fluctuations, stock index options or stock index futures to generate profits.

**24.1. The notional amount of derivative assets and liabilities outstanding as of December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	December 31, 2020		
	Notional amount	Asset	Liability
Exchange-traded derivatives:			
Interest rates:			
Interest futures	₩ 3,593,963,578	₩ 505,106	₩ 829,378
Currency:			
Currency futures	392,209,474	574	824,035
Stock :			
Stock futures	1,578,053,472	11,170,760	1,949,098
Stock option purchased	963,596,093	55,285,912	-
Stock option sold	3,071,434,201	-	79,898,643
Commodity:			
Commodity futures	5,226,492	86,298	76,116
	<u>9,604,483,310</u>	<u>67,048,650</u>	<u>83,577,270</u>
Over-the-counter derivatives:			
Interest rates:			
Interest rate forward	370,000,000	12,730,811	1,303,420
Interest rate swap	249,152,519,200	36,001,218	4,678,522
Currency:			
Currency forward	6,082,635,342	159,467,664	128,179,611
Currency swap	1,392,071,892	64,750,148	50,971,338
Currency option purchased	34,800,896	311,595	-
Currency option sold	34,800,896	-	311,371
Stock:			
Stock swap	20,389,892	2,926,450	917,183
Options purchased	31,106,539	6,116,479	-
Options sold	-	-	-
Others:			
Other forward	20,000,000	5,293,935	5,295,507
Other swap	4,397,628,945	89,278,529	8,074,066
	<u>261,535,953,602</u>	<u>376,876,829</u>	<u>199,731,018</u>
	<u>₩ 271,140,436,912</u>	<u>₩ 443,925,479</u>	<u>₩ 283,308,288</u>

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**24.1 The notional amount of derivative assets and liabilities outstanding as of December 31, 2020 and 2019 are as follows (Korean won in thousands) (cont'd) :**

	December 31, 2019		
	Notional amount	Asset	Liability
Exchange-traded derivatives:			
Interest rates:			
Interest futures	₩ 2,471,859,920	₩ 2,267,659	₩ 306,634
Interest option purchased	-	-	-
Interest option sold	-	-	-
Currency:			
Currency futures	163,467,912	260,370	196,579
Currency option purchased	-	-	-
Currency option sold	-	-	-
Stock :			
Stock futures	1,059,069,755	12,357,535	884,034
Stock option purchased	1,201,521,924	45,021,176	-
Stock option sold	3,310,801,838	-	58,528,247
Commodity:			
Commodity futures	6,711,409	55,703	115,326
Commodity option purchased	-	-	-
Commodity option sold	-	-	-
	<u>8,213,432,758</u>	<u>59,962,443</u>	<u>60,030,820</u>
Over-the-counter derivatives:			
Interest rates:			
Interest rate forward	349,038,800	3,075,948	5,411,705
Interest rate swap	216,478,317,580	29,584,786	3,282,400
Interest rate option sold	-	-	-
Currency:			
Currency forward	5,444,826,865	52,857,738	54,243,425
Currency swap	1,029,710,484	10,765,089	9,816,784
Stock:			
Stock swap	7,011,049	137,521	129,942
Options purchased	60,010,030	4,651,970	-
Options sold	17,853,394	-	859,292
Others:			
Other swap	5,575,165,886	71,380,374	(81,762,224)
Options purchased	-	-	-
Options sold	-	-	-
	<u>228,961,934,088</u>	<u>172,453,426</u>	<u>(8,018,676)</u>
	<u>₩ 237,175,366,846</u>	<u>₩ 232,415,869</u>	<u>₩ 52,012,144</u>

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**24.2. Gain (loss) on valuation of trading derivative financial instruments for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Year ended December 31, 2020	Year ended December 31, 2019
Exchange-traded derivatives:		
Interest rates	₩ (3,241,044)	₩ 2,058,810
Currency	(1,778,788)	1,000,334
Stock	3,750,633	(13,821,218)
Stock index	72,006,666	6,195,204
Others	10,182	(59,624)
	<u>70,747,649</u>	<u>(4,626,494)</u>
Over-the-counter derivatives:		
Interest rates	17,194,135	5,200,458
Currency	38,908,373	4,615,343
Stock	2,699,309	(4,958,197)
Others	70,197,723	215,570,946
	<u>128,999,540</u>	<u>220,428,550</u>
	<u>₩ 199,747,189</u>	<u>₩ 215,802,056</u>

**25. Capital stock**

**25.1.** The Company is authorized to issue 1,000,000,000 shares of common stock and has 675,961,727 and 70,939,063 shares of common and preferred stock issued and outstanding in the amount of ₩675,961,727 and ₩100,178,189 thousands as of December 31, 2020 (Cancellation by profit redemption is excluded).

On July 30, 2018 and July 1, 2019, the Company redeemed 13,804,345 (the first issue) and 15,434,781 (the second issue) of redeemable convertible preference shares on which the redemption right can be exercised by profit retirement. Therefore, the face values of the preferred stock capital and the number of issued shares do not match.

In addition, there is no preferred stock transferred to common stock in 2020 and common stock 11,669,629 preferred stock is transferred to common stock in 2019.

Changes in capital stock for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	Year ended December 31, 2020	
	Issued shares	Capital stock
January 1, 2020	688,249,764	₩ 717,488,890
Issued convertible preferred stock	-	-
Paid-in capital increase (*)	58,651,026	58,651,026
December 31, 2020	<u>746,900,790</u>	<u>₩ 776,139,916</u>

(\*) Issued new stocks to Meritz Financial Group on a third-party allocation increase.

	Year ended December 31, 2019	
	Issued shares	Capital stock
January 1, 2019	703,684,545	₩ 717,488,890
Issued convertible preferred stock	(15,434,781)	-
December 31, 2019	<u>688,249,764</u>	<u>₩ 717,488,890</u>

**25.2. The Company has issued redeemable convertible preference shares, and has secured repayment rights for them. Besides, as no contractual obligation to deliver financial assets such as cash exits, they have been classified as equity. The details of redeemable convertible preference shares issued are as follows (excluding repayments prior to the previous period):**

(1) 2nd issue

Classification	Details
Purpose of issue	Cumulative non-participating preferred stock
Total issued stock	15,434,781
Issue price per a share	₩4,600
Voting rights	No voting rights
Dividend rate	In the event of a dividend resolution in each fiscal year, dividends shall be paid within the scope of divisible profits. The initial dividend rate at the time of initial issuance of the shares will be determined as 2.609% higher than the average interest rate of 2 year maturity AA- grade unsecured public offering bonds issued by financial institution II from the 'return on bond market valuation (Matrix)' which is announced by the Korea Financial Investment Association. Dividends on the stock are to be paid in cash. The payment of the dividend may be postponed at the discretion of the issuing company to the extent permitted under the applicable statutory decree.
The right of redemption	The issuing company has the right to redeem all or part of the shares from the date of the second anniversary of the shares.
The right of conversion	<p>① The right of conversion : Owned by preferred stock holder</p> <p>② The conversion date : from December 30, 2019 to June 30, 2047 (subject to change in accordance with the manner or procedure permitted by statute)</p> <p>③ Ratio for conversion : A common stock for a preferred stock (However, conversion value is adjusted when there is a reason for adjustments)</p>

The second cumulative non-participating preference stocks of 15,434,781 shares were redeemed by profit retirement upon expiration of the redemption right exercise period as of July 1, 2019.

(2) 3rd issue

Classification	Details
Purpose of issue	Cumulative non-participating preferred stock
Total issued stock	23,913,042
Issue price per a share	₩4,600
Voting rights	No voting rights
Dividend rate	In the event of a dividend resolution in each fiscal year, dividends shall be paid within the scope of divisible profits. The initial dividend rate is 3.9%. Dividends on the stock are to be paid in cash. The payment of the dividend may be postponed at the discretion of the issuing company to the extent permitted under the applicable statutory decree.
The right of redemption	The issuing company has the right to redeem all or part of the shares from the date of the 3rd anniversary of the shares.
The right of conversion	<p>① The right of conversion : Owned by preferred stock holder</p> <p>② The conversion date : from June 30, 2018 to June 30, 2047 (subject to change in accordance with the manner or procedure permitted by statute)</p> <p>③ Ratio for conversion : A common stock for 1.00678 preferred stock (Conversion ratio adjusted from 1:1 during the current period due to capital increase)</p>

The 11,669,629 of issued stock is converted to common stock in 2019.

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**25.2. The Company has issued redeemable convertible preference shares, and has secured repayment rights for them. Besides, as no contractual obligation to deliver financial assets such as cash exits, they have been classified as equity. The details of redeemable convertible preference shares issued are as follows (excluding repayments prior to the previous period) (cont'd):**

(3) 4th issue

Classification	Details
Purpose of issue	Cumulative non-participating preferred stock
Total issued stock	21,739,130
Issue price per a share	₩4,600
Voting rights	With voting rights
Dividend rate	In the event of a dividend resolution in each fiscal year, dividends shall be paid within the scope of divisible profits. The initial dividend rate is 3.9%. Dividends on the stock are to be paid in cash. The payment of the dividend may be postponed at the discretion of the issuing company to the extent permitted under the applicable statutory decree.
The right of redemption	The issuing company has the right to redeem all or part of the shares from the date of the 3rd anniversary of the shares.
The right of conversion	<p>① The right of conversion : Owned by preferred stock holder</p> <p>② The conversion date : from June 30, 2018 to June 30, 2047 (subject to change in accordance with the manner or procedure permitted by statute)</p> <p>③ Ratio for conversion : A common stock for 1.00678 preferred stock (Conversion ratio adjusted from 1:1 during the current period due to capital increase)</p>

(4) 5th issue

Classification	Details
Purpose of issue	Cumulative non-participating preferred stock
Total issued stock	8,695,652
Issue price per a share	₩9,200
Voting rights	No voting rights
Dividend rate	In the event of a dividend resolution in each fiscal year, dividends shall be paid within the scope of divisible profits. The initial dividend rate at the time of initial issuance of the shares will be determined as 1.542 times multiplied by the average interest rate of 2 year maturity A0 grade unsecured public offering bonds issued by financial institution II from the 'return on bond market valuation (Matrix)' which is announced by the Korea Financial Investment Association. Dividends on the stock are to be paid in cash. The payment of the dividend may be postponed at the discretion of the issuing company to the extent permitted under the applicable statutory decree.
The right of redemption	The issuing company has the right to redeem all or part of the shares from the date of the second anniversary of the shares.
The right of conversion	<p>① The right of conversion : Owned by preferred stock holder</p> <p>② The conversion date : from June 30, 2022 to June 30, 2024 (subject to change in accordance with the manner or procedure permitted by statute)</p> <p>③ Ratio for conversion : A common stock for 1.00678 preferred stock (Conversion ratio adjusted from 1:1 during the current period due to capital increase)</p>

The Company's shareholder, Meritz Financial Holding Co., has signed a contract with shareholders of Cube EM 1st Co., Ltd. The contract includes settlements of redeemable convertible preferred stocks, exercises of investors' put options, and contracts for the preferred right of the largest shareholders.

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**25.2. The Company has issued redeemable convertible preference shares, and has secured repayment rights for them. Besides, as no contractual obligation to deliver financial assets such as cash exits, they have been classified as equity. The details of redeemable convertible preference shares issued are as follows (excluding repayments prior to the previous period) (cont'd):**

(5) 6th issue

Classification	Details
Purpose of issue	Cumulative non-participating preferred stock
Total issued stock	5,434,782
Issue price per a share	₩9,200
Voting rights	No voting rights
Dividend rate	In the event of a dividend resolution in each fiscal year, dividends shall be paid within the scope of divisible profits. The initial dividend rate at the time of initial issuance of the shares will be determined as 1.456 times multiplied by the average interest rate of 3 year maturity A0 grade unsecured public offering bonds issued by financial institution II from the 'return on bond market valuation (Matrix)' which is announced by the Korea Financial Investment Association. Dividends on the stock are to be paid in cash. The payment of the dividend may be postponed at the discretion of the issuing company to the extent permitted under the applicable statutory decree.
The right of redemption	The issuing company has the right to redeem all or part of the shares from the date of the 3rd anniversary of the shares.
The right of conversion	<p>① The right of conversion : Owned by preferred stock holder</p> <p>② The conversion date : from June 30, 2022 to June 30, 2024 (subject to change in accordance with the manner or procedure permitted by statute)</p> <p>③ Ratio for conversion : A common stock for 1.0069 preferred stock (Conversion ratio adjusted from 1:1 during the current period due to capital increase)</p>

The Company's shareholder, Meritz Financial Holding Co., has signed a contract with shareholders of Cube EM 5th Co., Ltd. The contract includes settlements of redeemable convertible preferred stocks, exercises of investors' put options, and contracts for the preferred right of the largest shareholders.

(6) 7th issue

Classification	Details
Purpose of issue	Cumulative non-participating preferred stock
Total issued stock	7,608,695
Issue price per a share	₩9,200
Voting rights	No voting rights
Dividend rate	In the event of a dividend resolution in each fiscal year, dividends shall be paid within the scope of divisible profits. The initial dividend rate at the time of initial issuance of the shares will be determined as 1.405 times multiplied by the average interest rate of 4 year maturity A0 grade unsecured public offering bonds issued by financial institution II from the 'return on bond market valuation (Matrix)' which is announced by the Korea Financial Investment Association. Dividends on the stock are to be paid in cash. The payment of the dividend may be postponed at the discretion of the issuing company to the extent permitted under the applicable statutory decree.
The right of redemption	The issuing company has the right to redeem all or part of the shares from the date of the 3rd anniversary of the shares.
The right of conversion	<p>① The right of conversion : Owned by preferred stock holder</p> <p>② The conversion date : from June 30, 2022 to June 30, 2024 (subject to change in accordance with the manner or procedure permitted by statute)</p> <p>③ Ratio for conversion : A common stock for 1.00678 preferred stock (Conversion ratio adjusted from 1:1 during the current period due to capital increase)</p>

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**25.2. The Company has issued redeemable convertible preference shares, and has secured repayment rights for them. Besides, as no contractual obligation to deliver financial assets such as cash exits, they have been classified as equity. The details of redeemable convertible preference shares issued are as follows (excluding repayments prior to the previous period) (cont'd):**

The Company's shareholder, Meritz Financial Holding Co., has signed a contract with shareholders of Cube EM 3rd Co., Ltd. and Cube EM 5th Co., Ltd. The contract includes settlements of redeemable convertible preferred stocks, exercises of investors' put options, and contracts for the preferred right of the largest shareholders.

7) 8th issue

Classification	Details
Purpose of issue	Cumulative non-participating preferred stock
Total issued stock	15,217,391
Issue price per a share	₩9,200
Voting rights	No voting rights
Dividend rate	In the event of a dividend resolution in each fiscal year, dividends shall be paid within the scope of divisible profits. The initial dividend rate at the time of initial issuance of the shares will be determined as 1.320 times the average interest rate of 5 year maturity A0 grade unsecured public offering bonds issued by financial institution II from the 'return on bond market valuation (Matrix)' which is announced by the Korea Financial Investment Association. Dividends on the stock are to be paid in cash. The payment of the dividend may be postponed at the discretion of the issuing company to the extent permitted under the applicable statutory decree.
The right of redemption	The issuing company has the right to redeem all or part of the shares from the date of the 4th anniversary of the shares.
The right of conversion	<p>① The right of conversion : Owned by preferred stock holder</p> <p>② The conversion date : from June 30, 2022 to June 30, 2024 (subject to change in accordance with the manner or procedure permitted by statute)</p> <p>③ Ratio for conversion : A common stock for 1.00678 preferred stock (Conversion ratio adjusted from 1:1 during the current period due to capital increase)</p>

The Company's shareholder, Meritz Financial Holding Co., has signed a contract with shareholders of Cube EM 4th Co., Ltd. The contract includes settlements of redeemable convertible preferred stocks, exercises of investors' put options, and contracts for the preferred right of the largest shareholders.

**25.3. Hybrid bond which classified as a capital as of December 31, 2020 and 2019 consist of the following (Korean won in thousands):**

	Date of issue	Maturity	Interest Rate (%)	December 31, 2020	December 31, 2019
Private bond type hybrid bond 1st	2019.12.20	2049.12.20	4.80	₩ 200,000,000	₩ 200,000,000
Private bond type hybrid bond 2nd	2020.01.31	2050.01.31	4.80	50,000,000	-
Issue price				(113,540)	(90,920)
				₩ 249,886,460	₩ 199,909,080

As of the end of the current year, Meritz Fire & Marine Insurance Co., Ltd., a related party of the consolidated company, owns the 1st private equity type new capital securities of KRW 150,000,000 thousands.



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**25.4. Above private bond type hybrid bond has no contractual obligation to deliver financial assets such as cash exits, they have been classified as equity. The details of private bond type hybrid bond are as follows:**

Classification	Details
Revaluation interest rate	Revaluate rate of interest for every 10 years, adding with interest rate to the final quoted yield of 10-year treasury bond
Interest payment condition	Payment is made every three months, and interest payments can be postponed at the option of company. When the interest payment is postponed, the interest rate, applied to the principal, additionally paid to the unpaid interest.
Maturity	The maturity term is 30 years, and if private bond type hybrid bond is not redeemed at the option, maturity is automatically extended for 30 years based on Consolidated Group's decision.

**26. Other capital**

**26.1. Other capital as of December 31, 2020 and 2019 consist of the following (Korean won in thousands):**

	December 31, 2020	December 31, 2019
Paid in capital in excess of par value	₩ 1,548,539,361	₩ 1,407,508,470
Gain on disposal of treasury stock	3,456,338	3,456,342
Others (*)	1,961,311	1,961,311
Treasury stock	(9,717,829)	(9,717,880)
Stock options (*)	3,847,831	3,733,781
	<u>₩ 1,548,087,012</u>	<u>₩ 1,406,942,024</u>

(\*) See share-based payment transaction (Note 27)

**26.2. Changes in other capital for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Year ended December 31, 2020	Year ended December 31, 2019
Beginning balance	₩ 1,406,942,024	₩ 1,406,151,364
Allocated expense of share based payment	114,050	845,310
Conversion expense of convertible callable preferred stock to common stock	-	(30,650)
Sale of treasury stock	47	-
Transaction costs on issue of shares	-	(24,000)
Paid-in capital increase	141,030,891	-
Ending balance	<u>₩ 1,548,087,012</u>	<u>₩ 1,406,942,024</u>

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**27. Share-based payment transaction**

The Group and Meritz Financial Group Inc., the holding company of the Group, granted stock options based on the special resolution at the general meeting of shareholders in accordance with the Korean commercial code.

**27.1. The details of stock options granted by the Group as of December 31, 2020 are summarized as follows (Korean won and number of shares):**

Part	Basic Shares	Stock options granted	Settlement date	Number of shares that can be exercised	Exercise price	Contracted service provision period	Exercisable period	Fair value as of grant date (*)
Share-based payment	Meritz Securities Co., Ltd	2,900,000	2015.03.20	2,900,000	₩ 4,380	2015.01.01 ~2019.12.31	2020.01.01 ~2024.12.31	₩ 1,109
Share-based payment	Meritz Securities Co., Ltd	2,000,000	2018.03.16	1,918,496	5,000	2018.01.01 ~2022.12.31	2023.01.01 ~2027.12.31	287
Cash-settled share-based payment	Meritz Financial Group Inc.	1,232,000	2015.03.20	1,155,480	10,820	2015.01.01 ~2019.12.31	2020.01.01 ~2024.12.31	319

(\*) The fair value of the share-based payment is the fair value as of grant date, and the fair value of the cash-settled share-based payment is the fair value as of the settlement date.

**27.2. Changes in stock options granted during the years ended December 31, 2020 and 2019 are summarized as follows (number of shares):**

	Year ended December 31, 2020		Year ended December 31, 2019	
	Meritz Securities Co., Ltd.	Meritz Financial Group Inc.	Meritz Securities Co., Ltd.	Meritz Financial Group Inc.
Beginning balance	4,818,496	1,209,051	4,900,000	1,209,051
Number of options granted	-	-	-	-
Number of options decreased(*)	-	(53,571)	(81,504)	-
Ending balance	4,818,496	1,155,480	4,818,496	1,209,051

(\*) This is the adjusted amount due to the decrease in the number of grants due to the retirement of treasury stocks (retirement of profits) of Meritz Financial Group in 2020 and the redemption of redeemable convertible preferred stock in 2019.

**27.3. Stock option granted by the Group is evaluated by using binomial model of option pricing model, and major inputs of evaluation model are as follows.**

Part	Basic shares	Date	Closing price (*1)	Option price	Expected volatility (*2)	Risk free interest rate	Dividend yield ratio
Share-based payment	Meritz Securities Co., Ltd.	2015.03.20	₩ 5,010	₩ 4,380	24.43%	2.12%	4.90%
Share-based payment	Meritz Securities Co., Ltd.	2018.03.16	4,510	5,000	14.60%	2.60%	4.41%
Cash-settled share-based payment	Meritz Financial Group Inc.	2015.03.20	9,810	10,820	13.38%	1.28%	5.61%

(\*1) The closing price of the share-based payment is the closing price as of grant date, and the closing price of the cash-settled share-based payment is the closing price as of the settlement date.

(\*2) The estimated share volatility is assessed based on equity volatility for the past 5 years.

**27.4.** As the Group was granted stock options, it accounted for ₩5,931,357 thousands and ₩ 5,817,307 thousands as other components of equity as at December 31, 2020 and 2019, respectively. Also, the group accounted for ₩ 369,055 thousands and ₩ 1,380,210 thousand as expenses payable. The Group has accounted for share-based payments ₩ 897,106 thousands and ₩ 27,212 thousands as sales and administrative expense for the year ended December 31, 2020 and 2019.

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**27.5.** The Group applies the best practices of the financial investment company's performance compensation system and accordingly, a portion of executive compensation, tied to daily average stock prices, is deferred and paid in cash. These payments are other long-term employee benefits and are accounted as liability, which is measured at fair value at the end of every reporting period. Fair value changes are recognized in profit or loss. For the fair value of the liability, Monte Carlo Simulation is utilized by using the stock price prediction method. Details of the cash-settled share-based payments as of December 31, 2020 are as follows (Korean won in thousands):

	Book value	Before fair value assessment	Variation of fair value	Intrinsic value of liability
₩	49,852,458	₩ 50,549,269	₩ (696,811)	₩ 48,512,586

**27.6.** The Group applies the best practices of the financial investment company's performance compensation system and accordingly, a portion of executive compensation, tied to the Company's ROE, is deferred and paid in cash. These payments are other long-term employee benefits and are accounted as liability, which is measured at fair value at the end of every reporting period. Fair value changes are recognized in profit or loss. Fair value of liability is estimated by using the target ROE and discounted by applying AA- grade rate of return of unsecured financial institution bond which is disclosed by the Korea Financial Investment Association. As of December 31, 2020, details of the performance compensation are as follows (Korean won in thousands):

	Book value	Before fair value assessment	Variation of fair value
₩	98,267,353	₩ 88,025,009	₩ 10,242,344

**28. Accumulated other comprehensive income**

Accumulated other comprehensive income as of December 31, 2020 and 2019 consist of the following (Korean won in thousands):

	December 31, 2020	December 31, 2019
Gain on valuation of equity securities measured at FVOCI:		
Equity securities	₩ 173,847,253	₩ 122,560,193
Income tax effect	(47,721,071)	(33,630,517)
	126,126,182	88,929,676
Gain on valuation of debt securities measured at FVOCI:		
Debt securities	380,991	138,003
Income tax effect	(104,582)	(37,868)
	276,409	100,135
Gain (loss) on valuation of investment stock using the equity method :		
Gain (loss) on valuation of investment stock using the equity method	(1,741,140)	-
Income tax effect	477,943	-
	(1,263,197)	-
Exchange differences on translation of foreign operations:		
Exchange differences on translation of foreign operations	(1,977,233)	(445,145)
Income tax effect	542,750	122,014
	(1,434,483)	(323,131)
Remeasurement of the defined benefit liability:		
Actuarial loss	(2,809,168)	(1,607,503)
Income tax effect	749,381	418,923
	(2,059,787)	(1,188,580)
Other:		
Credit risk fluctuation effect of financial liabilities designated at FVTPL	577,165	(162,286)
Income tax effect	(158,388)	44,591
	418,777	(117,695)
₩	122,063,901	₩ 87,400,405

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**29. Retained earnings**

**29.1. Retained earnings as of December 31, 2020 and 2019 consist of the following (Korean won in thousands):**

	December 31, 2020	December 31, 2019
Legal reserve	₩ 86,945,230	₩ 73,192,272
Regulatory reserve for credit losses	232,974,833	164,847,248
Voluntary reserves	253,511,974	124,098,188
Unappropriated retained earnings	1,344,759,368	1,145,656,700
	<u>₩ 1,918,191,405</u>	<u>₩ 1,507,794,408</u>

**29.2. Changes in unappropriated retained earnings for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Year ended December 31, 2020	Year ended December 31, 2019
Beginning balance	₩ 1,145,656,700	₩ 972,415,932
Regulatory reserve for credit losses	(68,127,585)	(68,289,326)
Voluntary reserves	(129,413,787)	(154,415,535)
Cash dividends	(135,745,771)	(139,365,861)
Reserve of legal reserve	(13,752,958)	(14,262,993)
Dividends paid of hybrid bond	(12,124,590)	-
Reclassification of financial liabilities designated at FVTPL	-	129,157
Gain (loss) on disposal of equity securities measured at FVOCI	970	462,146
Net income of non-controlling interests	558,266,389	548,983,180
Ending balance	<u>₩ 1,344,759,368</u>	<u>₩ 1,145,656,700</u>

**29.3.** In case the total sum of allowance for credit losses does not meet the amount prescribed in the Regulations 3-8 on Financial Investment Business, the Group is required to compensate for the difference, if any, at the reporting date as a regulatory reserve for credit losses. In case the amount of the existing regulatory reserve for credit losses exceeds the amount needed to be set aside as of the current period, the difference, if any, shall be reversed. If there is an undisposed deficit, the Group can accumulate reserves for credit losses after disposing of the deficit.

**29.3.1. Changes in regulatory reserve for credit losses for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Year ended December 31, 2020	Year ended December 31, 2019
Appropriated regulatory reserve for credit losses	₩ 232,974,833	₩ 164,847,248
Required amount of regulatory reserve for credit losses	(85,459,223)	68,127,585
Ending of regulatory reserve for credit losses	<u>₩ 147,515,610</u>	<u>₩ 232,974,833</u>

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**29.3.2. Provision of regulatory reserve for credit losses and adjusted income after the provision of regulatory reserve for credit losses for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Year ended December 31, 2020	Year ended December 31, 2019
Net income	₩ 558,266,389	₩ 548,983,180
Planned provision of regulatory reserve for credit losses	85,459,223	(68,127,585)
Adjusted income after provision of regulatory reserve for credit losses (*)	₩ 643,725,612	₩ 480,855,595
Earnings per share (won)	₩ 1,005	₩ 804

(\*) Adjusted income after provision of regulatory reserve for credit losses is hypothetical amount not in accordance with K-IFRS. The amount was calculated by adding (deducting) provision from net income.

**29.4 The details of dividends accounted for in the statements of appropriation of retained earnings for the years ended December 31, 2020 and 2019 are as follows:**

**29.4.1 Dividend calculation details (Korean won in thousands):**

	Year ended December 31, 2020			
	Number of shares to be assigned(*)	Fixed dividend rate	Dividend per share (won)	Total dividend
Common stock	632,823,545	32%	₩ 320	₩ 202,503,534
preferred stock 3rd	12,243,413	18%	179	2,196,468
preferred stock 4th	21,739,130	18%	179	3,900,000
preferred stock 5th	8,695,652	29%	289	2,512,000
preferred stock 6th	5,434,782	34%	342	1,857,000
preferred stock 7th	7,608,695	42%	416	3,164,000
preferred stock 8th	15,217,391	43%	430	6,538,000
	<u>703,762,608</u>			<u>₩ 222,671,002</u>

	Year ended December 31, 2019			
	Number of shares to be assigned(*)	Fixed dividend rate	Dividend per share (won)	Total dividend
Common stock	574,172,506	20%	₩ 200	₩ 114,834,501
preferred stock 3rd	12,243,413	18%	179	2,196,468
preferred stock 4th	21,739,130	18%	179	3,900,000
preferred stock 5th	8,695,652	33%	332	2,887,803
preferred stock 6th	5,434,782	41%	409	2,225,000
preferred stock 7th	7,608,695	42%	415	3,164,000
preferred stock 8th	15,217,391	43%	429	6,538,000
	<u>645,111,569</u>			<u>₩ 135,745,772</u>

(\*) Treasury stock held by the Company is excluded as of December 31, 2020 and 2019.

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**29.4.2. Dividend payout ratio (Korean won in thousands):**

	Year ended December 31, 2020	Year ended December 31, 2019
Total dividend	₩ 222,671,002	₩ 135,745,771
Net income attributable to controlling interests	558,266,389	548,983,180
Dividend payout ratio	39.89%	24.73%

**29.4.3. Dividend yield ratio (\*1) (Korean won in one):**

	Year ended December 31, 2020	Year ended December 31, 2019
A dividend per share	₩ 320	₩ 200
Average of pre-dividend closing price per share(*2)	3,866	3,985
Dividend yield ratio	8.30%	5.00%

(\*1) Since preferred stocks were not listed, the dividend yield rate was calculated only for common stock.

(\*2) The arithmetic average of the closing price announced in the previous week until 2 days ago from the dividend date.

**30. Net fees and commission income**

Net fees and commission income for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	Year ended December 31, 2020	Year ended December 31, 2019
Fees and commission income:		
Brokerage commissions	₩ 106,473,983	₩ 60,915,798
Underwriting commissions	13,327,447	13,332,048
Brokerage commissions on collective investment securities	5,922,239	6,946,138
Management fees on wrap account and asset management	10,183,976	2,580,029
Finance commissions	285,752,090	218,286,961
Fees on trust accounts	3,132,330	2,529,306
Commissions on CMA	1,019	8,022
Others	158,128,900	163,807,641
	<u>582,921,984</u>	<u>468,405,943</u>
Fees and commission expense:		
Trading commissions	(9,355,736)	(9,624,488)
Lending and borrowing transaction commissions	(17,332,782)	(21,134,275)
Others	(41,164,535)	(32,611,932)
	<u>(67,853,053)</u>	<u>(63,370,695)</u>
	<u>₩ 515,068,931</u>	<u>₩ 405,035,248</u>

**31. Gain (loss) on financial assets and liabilities**

**31.1. Gain (loss) on financial assets does not include interest income and dividends income. Interest income and dividends income are disclosed separately in Notes 32 and 34, respectively.**



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**31.3. Gain (loss) on financial assets and liabilities designated at fair value through profit or loss for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Year ended December 31, 2020				
	Gain on disposal	Loss on Disposal	Gain on valuation	Loss on valuation	Net gain (loss)
Financial liabilities designated at fair value through profit or loss:					
Equity linked securities sold	₩ 13,180,262	₩ (174,924,145)	₩ 7,089,689	₩ (118,434,455)	₩ (273,088,649)
Derivative linked securities sold	2,234,347	(10,468,791)	5,808,972	(1,416,446)	(3,841,918)
Others	27,878,709	(55,957,834)	158,615	(12,455,255)	(40,375,765)
	<u>₩ 43,293,318</u>	<u>₩ (241,350,770)</u>	<u>₩ 13,057,276</u>	<u>₩ (132,306,156)</u>	<u>₩ (317,306,332)</u>

	Year ended December 31, 2019				
	Gain on disposal	Loss on Disposal	Gain on valuation	Loss on valuation	Net gain (loss)
Financial liabilities designated at fair value through profit or loss:					
Equity linked securities sold	₩ 83,983	₩ (674,459,414)	₩ 1,075,209	₩ (270,000,188)	₩ (943,300,410)
Derivative linked securities sold	4,156,445	(18,091,906)	1,726,843	(10,820,128)	(23,028,746)
Others	1,594,228	(21,061,629)	2,928,815	(5,103,427)	(21,642,013)
	<u>₩ 5,834,656</u>	<u>₩ (713,612,949)</u>	<u>₩ 5,730,867</u>	<u>₩ (285,923,743)</u>	<u>₩ (987,971,169)</u>

**31.4. Gain (loss) on financial assets measured at FVOCI for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Year ended December 31, 2020			
	Gain on disposal	Loss on disposal	Reversal of expected credit losses	Net gain (loss)
Bonds	₩ 20,130	(16,987)	₩ (85,013)	₩ (81,870)

	Year ended December 31, 2019			
	Gain on disposal	Loss on disposal	Reversal of expected credit losses	Net gain (loss)
Bonds	₩ 832	(563,484)	2,452,678	₩ 1,890,026
Corporate note	-	-	316,671	316,671
	<u>₩ 832</u>	<u>₩ (563,484)</u>	<u>₩ 2,769,349</u>	<u>₩ 2,206,697</u>



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**31.5 Gain (loss) on other financial liabilities for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Year ended December 31, 2020		
	Gain on valuation	Loss on valuation	Net gain
Other financial liabilities	₩ 15	₩ (5)	₩ 10

  

	Year ended December 31, 2019		
	Gain on valuation	Loss on valuation	Net gain (loss)
Other financial liabilities	₩ 1,061	₩ (9,901)	₩ (8,840)

**31.6 The ₩438,447 thousands of gain on early repayment of bonds and ₩732,887 thousands of loss on early repayment of bonds are incurred during reporting period.**

**31.7 Gain (loss) on financial derivatives for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Year ended December 31, 2020				
	Gain on disposal/ redemption	Loss on disposal/ redemption	Gain on valuation	Loss on valuation	Net gain(loss)
Exchange-traded derivatives:					
Futures	₩ 1,207,348,116	₩ (1,136,023,957)	₩ 46,204,615	₩ (34,089,669)	₩ 83,439,105
Option	434,264,803	(340,091,602)	75,935,011	(17,302,309)	152,805,903
Over-the-counter derivatives:	8,398,349,699	(8,220,996,833)	355,317,064	(226,317,523)	306,352,407
	<u>₩ 10,039,962,618</u>	<u>₩ (9,697,112,392)</u>	<u>₩ 477,456,690</u>	<u>₩ (277,709,501)</u>	<u>₩ 542,597,415</u>

  

	Year ended December 31, 2019				
	Gain on disposal/ redemption	Loss on disposal/ redemption	Gain on valuation	Loss on valuation	Net gain(loss)
Exchange-traded derivatives:					
Futures	₩ 778,953,345	₩ (584,274,290)	₩ 24,553,158	₩ (28,847,073)	₩ 190,385,140
Option	197,067,907	(327,087,235)	37,535,925	(37,868,505)	(130,351,908)
Over-the-counter derivatives:	6,011,119,403	(5,648,904,003)	356,559,131	(136,130,579)	582,643,952
	<u>₩ 6,987,140,655</u>	<u>₩ (6,560,265,528)</u>	<u>₩ 418,648,214</u>	<u>₩ (202,846,157)</u>	<u>₩ 642,677,184</u>

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**32. Net interest income**

Net interest income for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	Year ended December 31, 2020	Year ended December 31, 2019
Interest income:		
Cash and due from banks	₩ 21,040,906	₩ 24,975,065
Financial assets at fair value through profit or loss	382,543,458	382,081,437
Financial assets measured at FVOCI	3,046,137	23,588,633
Loans, etc.	669,946,666	746,494,896
CMA	8,306	66,798
Others	23,150,219	32,274,098
	<u>1,099,735,692</u>	<u>1,209,480,927</u>
Interest expense:		
Deposits	(5,432,549)	(23,430,612)
Borrowings	(193,408,993)	(272,112,789)
Bonds	(193,257,077)	(189,246,520)
Others	(32,785,126)	(18,316,319)
	<u>(424,883,745)</u>	<u>(503,106,240)</u>
	<u>₩ 674,851,947</u>	<u>₩ 706,374,687</u>

**33. Selling and administrative expense**

Selling and administrative expenses for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	Year ended December 31, 2020	Year ended December 31, 2019
Payroll expenses:		
Salary expenses	₩ 396,842,395	₩ 298,364,851
Post-employment benefits (DB)	4,666,802	4,375,115
Post-employment benefits (DC)	6,264,681	4,997,531
Early retirement benefits	389,740	3,008,277
Compensation Expenses Associated with Stock Option	(897,106)	27,212
	<u>407,266,512</u>	<u>310,772,986</u>
General and administrative expenses:		
Employee benefits	36,436,897	36,346,902
Electronic data processing expenses	10,388,219	9,528,704
Rental expense	8,442,406	4,273,312
Commission expense	49,149,812	37,489,083
Entertainment expenses	8,518,870	8,877,968
Advertising expense	2,663,079	2,430,749
Depreciation	15,634,432	14,841,267
Training expenses	109,277	196,281
Amortization	3,889,953	3,735,363
Taxes and dues	46,703,487	32,561,049
Others	16,238,152	17,744,561
	<u>198,174,584</u>	<u>168,025,239</u>
	<u>₩ 605,441,096</u>	<u>₩ 478,798,225</u>

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**34. Other operating income (expense)**

Other operating income (expense) for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	Year ended December 31, 2020	Year ended December 31, 2019
Other operating income:		
Dividends on financial assets at FVTPL	₩ 28,609,890	₩ 32,978,280
Dividends on financial assets measured at FVOCI	3,702,494	3,401,603
Dividends from subsidiaries	286,598	-
Reversal of other provisions	11,502,537	240,294
Reversal of credit risk adjustments	572,198	2,473,051
Reversal of deferred day 1 profit or loss adjustments	256,198,821	277,527,530
Others	269,468	2,552,141
	<u>301,142,006</u>	<u>319,172,899</u>
Other operating expenses:		
Provision for other doubtful accounts	(4,438,222)	(954,311)
Provision for other provisions	-	(9,048,280)
Provision for credit risk adjustments	(4,258,899)	(469,206)
Amortization of deferred day 1 profit or loss adjustments	(211,056,258)	(231,974,583)
Others	(1,304,968)	(2,430,192)
	<u>(221,058,347)</u>	<u>(244,876,572)</u>
	<u>₩ 80,083,659</u>	<u>₩ 74,296,327</u>

**35. Non-operating income (expense)**

Non-operating income (expense) for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	Year ended December 31, 2020	Year ended December 31, 2019
Non-operating income:		
Gain on disposal property and equipment	₩ 30,238	₩ 25,946,385
Gains on disposition of real-estate investment	1,562,867	1,888,840
Rental fee income	340,592	552,827
Share of earnings from investments in associates and joint ventures	51,539,827	33,769,164
Gain on disposal subsidiaries and associates	22,880,658	46,832,336
Recovery of impairment losses on intangible assets	2,066,000	-
Others	3,106,743	4,083,828
	<u>81,526,925</u>	<u>113,073,380</u>
Non-operating expense:		
Loss on disposal property and equipment	(61,536)	(1,181,533)
Loss on disposal intangible assets	(880)	(49,913)
Share of losses from investments in associates and joint ventures	(129,989,217)	(11,515,450)
Loss on disposal subsidiaries and associates	(11,858,357)	(12,151,696)
Others	(448,467)	(1,110,013)
	<u>(142,358,457)</u>	<u>(26,008,605)</u>
	<u>₩ (60,831,532)</u>	<u>₩ 87,064,775</u>

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**36. Income taxes**

**36.1. The major components of income tax expense for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Year ended December 31, 2020	Year ended December 31, 2019
Current income taxes	₩ 290,449,559	₩ 244,760,590
Adjustments of prior year's income tax	(2,813,157)	1,590,541
Changes in deferred income taxes due to temporary differences	(72,190,541)	(28,846,320)
Deferred income tax income from unrecognized deferred income tax assets(liabilities)	(281,575)	(1,773,754)
Current and deferred income taxes recognized directly to equity :		
Gain (loss) on valuation of equity securities measured at FVOCI	(14,090,554)	(4,398,517)
Gain (loss) on disposal of equity securities measured at FVOCI	(368)	(175,297)
Gain (loss) on valuation of debt securities measured at FVOCI	(43,338)	200,602
Credit losses of debt securities measured at FVOCI	(23,376)	758,960
Gain (loss) on valuation financial liabilities designated at FVTPL	(202,979)	50,624
Gain (loss) on sales of treasury stock	1	-
Gain on Valuation of Investment Stock Using the Equity Method	477,943	-
Loss (gain) on effect of foreign currency translation	420,553	122,198
Remeasurement of the defined benefit liability	330,458	131,040
Income tax expense financial debt security measured at FVOCI to retained gain	₩ 202,032,626	₩ 212,420,667

**36.2. Details of the relationship between income tax expense and income before income taxes for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Year ended December 31, 2020	Year ended December 31, 2019
Income before income taxes	₩ 767,167,068	₩ 767,006,749
Income taxes at statutory tax rate (*)	200,608,944	200,564,856
Adjustments:		
Non-deductible expenses and others	2,132,000	2,904,305
Non-taxable income and others	(5,246,260)	(2,145,296)
Income tax on undistributed corporate earnings	14,818,990	13,727,804
Adjustments of prior year's income tax	(2,813,157)	1,590,541
Others	(7,467,891)	(4,221,543)
Income tax expense	₩ 202,032,626	₩ 212,420,667
Effective income tax rate	26.33%	27.69%

(\*) Tax rates applicable, at the aggregate of income tax rate and local tax rate, are 11% for income below ₩200 million, 22% for income above ₩200 million and below ₩20 billion, 24.2% for income above ₩20 billion and below ₩300 billion and 27.5% for income above ₩300 billion

**36.3. The details of tax liabilities as of December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	December 31, 2020	December 31, 2019
Deferred income tax assets	₩ 182,270,631	₩ 143,753,532
Income tax assets	182,270,631	143,753,532
Current income tax liabilities	178,775,912	159,644,294
Income tax liabilities	178,775,912	159,644,294

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**36.4. Temporary differences and deferred income tax assets (liabilities) as of December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	December 31, 2020	December 31, 2019
Finance lease receivables	₩ (4,860,416)	₩ (6,225,247)
Financial assets measured at FVTPL	849,550	-
Gain (loss) on valuation of financial liabilities measured at FVTPL	18,098,474	(8,980,494)
Gain (loss) on valuation of financial assets measured at FVTPL	(22,997,607)	(21,615,026)
Financial instruments designated at FVTPL	2,457,313	415,117
Gain (loss) on valuation of derivatives-combined securities sold	(18,482,429)	13,261,185
Gain (loss) on valuation of derivatives-combined securities	469,174	(318,694)
Loss on valuation of derivative instruments	(20,069,747)	(10,819,360)
Deferred loan fee	3,971,167	7,862,508
Deferred day 1 profit or loss	11,711,319	6,368,934
Gain (loss) on foreign transactions	(781,201)	(9,035,932)
Allowance for loan losses	132,151	194,828
Lease assets	(3,123,921)	(2,693,471)
Withdrawal of sales transaction	-	(224,313)
Financial assets measured at FVOCI	(46,980,182)	(31,027,284)
Accrued income	(8,626,381)	197,494
Accrued expenses	131,715,164	109,251,530
Credit risk-adjusted	(3,994,494)	(4,801,765)
Property and equipment, intangible assets	(7,951,848)	(8,266,482)
Subsidiaries and associates	(12,936,546)	(40,595,112)
Allowance accounts	16,773,093	7,984,956
Retirement pension premium	(5,693,239)	(4,812,434)
Defined benefit liabilities	6,286,338	5,224,797
Treasury stock	65,811,814	65,411,133
Loss on merger	-	2,106,356
Lease liabilities	7,182,567	7,793,462
Others	27,061,744	21,129,647
	<u>₩ 136,021,857</u>	<u>₩ 97,786,333</u>
Unrecognized deferred tax liabilities	46,248,774	45,967,199
Deferred Income Taxes Assets	182,270,631	143,753,532
Deferred income tax assets before offsetting	292,519,868	247,201,947
Deferred income tax liabilities before offsetting	(110,249,237)	(103,448,415)

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**36.5. Changes in the temporary differences and deferred income tax assets (liabilities) for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Year ended December 31, 2020		
	Beginning balance (*1)	Changes	Ending balance
Financial lease receivables	₩ (25,723,585)	₩ 5,639,222	₩ (20,084,363)
Financial assets measured at FVTPL	-	3,094,901	3,094,901
Gain (loss) on valuation of financial liabilities measured at FVTPL	(24,199,091)	90,131,600	65,932,509
Gain (loss) on valuation of financial assets measured at FVTPL	(98,935,366)	14,903,353	(84,032,013)
Financial instruments designated at FVTPL	1,512,818	7,439,142	8,951,960
Gain (loss) on valuation of derivatives-combined securities sold	48,327,933	(115,659,187)	(67,331,254)
Gain (loss) on valuation of derivatives-combined securities	(1,161,422)	2,870,617	1,709,195
Gain (loss) on valuation of derivative instruments	(39,553,362)	(34,534,059)	(74,087,421)
Deferred loan fee	25,611,352	(12,720,291)	12,891,061
Deferred day 1 profit or loss	23,210,399	19,453,786	42,664,185
Gain (loss) on foreign transactions	(31,130,581)	28,736,701	(2,393,880)
Allowance for loan losses	710,015	(228,592)	481,423
Lease assets	(11,130,047)	(1,778,718)	(12,908,765)
Withdrawal of sales transaction	(817,468)	817,468	-
Financial assets measured at FVOCI	(112,954,326)	(58,251,017)	(171,205,343)
Accrued income	(45,712,565)	14,332,410	(31,380,155)
Accrued expenses	338,722,457	155,796,601	494,519,058
Credit risk-adjusted	(17,499,142)	2,947,250	(14,551,892)
Property and equipment, intangible assets	(30,487,817)	1,226,338	(29,261,479)
Subsidiaries and associates	(156,308,876)	102,852,714	(53,456,162)
Allowance accounts	29,788,272	31,989,493	61,777,765
Retirement pension premium	(19,088,309)	(2,575,463)	(21,663,772)
Defined benefit liabilities	20,003,053	3,917,566	23,920,619
Treasury stock	250,425,472	-	250,425,472
Loss from merger	7,676,225	(7,676,225)	-
Lease liabilities	28,401,828	(2,235,830)	26,165,998
Others	86,730,653	16,627,439	103,358,092
	<u>₩ 246,418,520</u>	<u>₩ 267,117,219</u>	<u>₩ 513,535,739</u>
Unrecognized deferred tax liabilities (*2)	₩ (175,984,682)	₩ -	₩ (175,984,682)
Deferred income tax assets	109,798,515	72,472,116	182,270,631

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**36.5. Changes in the temporary differences and deferred income tax assets (liabilities) for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands) (cont'd):**

	Year ended December 31, 2019		
	Beginning balance (*1)	Changes	Ending balance
Financial lease receivables	₩ (29,316,702)	₩ 3,593,117	₩ (25,723,585)
Financial assets measured at FVTPL	-	-	-
Gain (loss) on valuation of financial liabilities measured at FVTPL	3,225,258	(37,094,858)	(33,869,600)
Gain (loss) on valuation of financial assets measured at FVTPL	(26,845,715)	(51,926,247)	(78,771,962)
Financial instruments designated at FVTPL	(2,728,010)	4,240,828	1,512,818
Gain (loss) on valuation of derivatives-combined securities sold	(360,427,039)	408,754,972	48,327,933
Gain (loss) on valuation of derivatives-combined securities	736,264	(1,897,686)	(1,161,422)
Gain (loss) on valuation of derivative instruments	303,729,562	(343,282,924)	(39,553,362)
Deferred loan fee	27,362,696	(1,751,344)	25,611,352
Deferred day 1 profit or loss	27,523,482	(4,313,083)	23,210,399
Gain (loss) on foreign transactions	(2,220,030)	(31,028,199)	(33,248,229)
Allowance for loan losses	76,500	633,515	710,015
Lease assets	(9,406,190)	(1,723,857)	(11,130,047)
Withdrawal of sales transaction	(817,468)	-	(817,468)
Financial assets measured at FVOCI	(96,520,139)	(16,569,298)	(113,089,437)
Accrued income	9,717,827	(6,623,452)	3,094,375
Accrued expenses	298,279,049	114,028,912	412,307,961
Credit risk-adjusted	(15,679,788)	(1,819,354)	(17,499,142)
Property and equipment, intangible assets	(28,761,258)	(1,476,798)	(30,238,056)
Subsidiaries and associates	(172,238,145)	15,929,269	(156,308,876)
Allowance accounts	21,906,945	7,878,560	29,785,505
Retirement pension premium	(16,344,136)	(2,080,191)	(18,424,327)
Defined benefit liabilities	16,901,691	3,101,362	20,003,053
Treasury stock	250,425,472	-	250,425,472
Loss from merger	22,054,755	(14,378,530)	7,676,225
Lease liabilities	-	28,401,828	28,401,828
Others	45,164,806	36,095,524	81,260,330
	<u>₩ 265,799,687</u>	<u>₩ 106,692,066</u>	<u>₩ 372,491,753</u>
Unrecognized deferred tax liabilities (*2)	₩ (173,784,682)	₩ (2,200,000)	₩ (175,984,682)
Deferred income tax assets	113,113,552	30,639,980	143,753,532

(\*1) Beginning temporary difference and deferred income taxes have been calculated reflecting the changes in the accounting standards and final income tax return.

(\*2) The deferred income tax liabilities, caused by the temporary difference in shares in Meritz Capital, were not recognized.

Deferred income tax assets (liabilities) are measured at the average tax rates that are expected to be applied in the year when the related temporary differences are expected to reverse, based on tax rates (and tax laws) that have been enacted at the reporting date.

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**37. Earnings per share**

The Group presents basic earnings per share attributable to its common stock holders in the statement of comprehensive income. Basic earnings per share amounts are calculated by dividing the net profit for the period attributable to common stock holders of the parent by the weighted average number of common shares outstanding during the period.

**37.1. Basic earnings per share amounts for the years ended December 31, 2020 and 2019 are as follows (Korean won):**

	Year ended December 31, 2020	Year ended December 31, 2019
Net income attributable to controlling interests	₩ 558,266,388,844	₩ 548,983,180,141
Dividends of convertible callable preferred stock	(20,162,393,778)	(22,695,081,832)
Dividends of hybrid bond	(12,124,590,161)	-
Net income attributable to the common stock controlling interests	₩ 525,979,404,905	₩ 526,288,098,309
Weighted average number of common stock outstanding (*)	608,145,239	569,459,102
Basic earnings per share	₩ 865	₩ 924

(\*) Weighted average number of common stock outstanding is calculated by deducting treasury stock from total issued stock.

**37.2. Diluted earnings per share amounts for the years ended December 31, 2020 and 2019 are as follows (Korean won):**

	Year ended December 31, 2020	Year ended December 31, 2019
Net income attributable to controlling common equity	₩ 525,979,404,905	₩ 526,288,098,309
Redeemable convertible preferred stock dividend	20,162,393,778	22,695,081,832
Dilution gain on controlling common equity (A)	₩ 546,141,798,683	₩ 548,983,180,141
Weighted average number of ordinary shares outstanding	608,145,239	569,459,102
Weighted average number of diluted shares_ stock options	-	232,435
Weighted average number of diluted shares _convertible preferred stock	71,420,678	83,306,451
Weighted average number of common shares outstanding considering dilution effect (B)	679,565,917	652,997,988
Diluted earnings per share (A/B)	₩ 804	₩ 840



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**38. Assets and liabilities denominated in foreign currencies**

Significant assets and liabilities denominated in foreign currencies as of December 31, 2020 and 2019 are as follows:

	December 31, 2020		
	Currency	Amount in foreign currency in unit	Korean won equivalent (in thousands)
Assets in foreign currencies:			
Cash and due from banks	USD	150,316,378	₩ 163,544,221
	EUR	53,403,950	71,467,302
	HKD	424,375,078	59,561,042
	JPY	1,630,150,210	17,186,022
	GBP	24,450	36,245
	CNH	21,237,410	3,545,798
	AUD	111,725	93,465
	CAD	409,042	349,036
	SGD	151,672	124,708
	TRY	28,571	4,210
	VND	3,512,528,000	165,440
Financial assets measured at FVTPL	USD	922,835,071	1,004,044,557
	EUR	118,197,936	158,177,205
	JPY	187,904,000	1,980,997
	HKD	30,226,188	4,242,245
	VND	419,400,000,000	19,753,740
	CNH	2,087,400	348,512
	AUD	93,714,053	78,397,428
Loans	USD	897,378,463	976,347,767
	EUR	87,135,214	116,607,829
	AUD	34,823,116	29,131,626
	HKD	1,414,464,363	198,520,073
	GBP	42,241,978	62,619,509
	NZD	62,661,089	49,154,491
Other assets	USD	421,964,975	459,097,893
	EUR	229,437	307,042
	HKD	11,078,688	1,554,894
	JPY	26,058,666	274,726
			₩ 3,476,638,023
Liabilities in foreign currency:			
Deposits	USD	316,923,702	₩ 344,812,988
	EUR	123,350,744	165,072,899
	CNH	4,730,709	789,839
	HKD	7,002,123	982,748
	JPY	147,541,128	1,555,467
	AUD	2	2
	SGD	24,946	20,511
	CAD	177,155	151,166
	VND	4,616,000	217
Financial liabilities at measured at FVTPL	USD	450,180,745	489,796,650
Borrowings	USD	941,172,581	1,023,995,768
	EUR	101,699,190	136,097,924
Other liabilities	USD	380,401,636	413,876,980
	EUR	445	596
	HKD	5,723,160	803,246
	JPY	54,742,735	577,131
			₩ 2,578,534,132

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**38. Assets and liabilities denominated in foreign currencies (cont'd)**

Significant assets and liabilities denominated in foreign currencies as of December 31, 2020 and 2019 are as follows (cont'd):

	December 31, 2019			Korean won Equivalent (in thousands)
	Currency	Amount in foreign currency in unit		
Assets in foreign currencies:				
Cash and due from banks				
	USD	91,931,965	₩	106,438,829
	EUR	16,223,107		21,048,346
	HKD	236,927,134		35,221,588
	JPY	1,018,933,401		10,836,051
	GBP	24,450		37,132
	CNH	11,813,340		1,957,943
	AUD	151,905		123,095
	CAD	138,327		122,635
	SGD	6,566,248		5,637,452
	TRY	28,571		5,562
	VND	1,619,143,035		80,957
Financial assets measured at FVTPL				
	USD	984,061,571		1,139,346,487
	EUR	15,000,000		19,461,450
	HKD	13,168,000		1,957,555
	SGD	27,231,893		23,379,941
	VND	534,534,580,800		26,726,729
	AUD	65,000,000		52,672,100
Loans				
	USD	621,345,446		719,393,758
	EUR	211,526,114		274,440,325
	AUD	91,708,941		74,315,423
	HKD	1,441,414,301		214,280,650
	GBP	44,317,009		67,303,799
	NZD	74,921,061		58,369,500
Other assets				
	USD	162,637,413		188,301,596
	EUR	56,888		73,808
	AUD	9,841,472		7,974,939
			₩	<u>3,049,507,650</u>
Liabilities in foreign currency:				
Deposits				
	USD	487,209,185	₩	564,090,795
	EUR	35,500,046		46,058,824
	CNH	4,630,100		767,393
	HKD	956,307		142,165
	JPY	5,547,111		58,992
	AUD	2		2
	SGD	3,650,464		3,134,106
	CAD	23,945		21,229
Financial liabilities at measured at FVTPL				
	USD	415,722,582		481,323,605
Borrowings				
	USD	826,544,062		956,972,715
	EUR	13,514,569		17,534,207
Other liabilities				
	USD	170,874,901		197,838,961
	HKD	72,750,198		10,815,044
	VND	222,800,302		11,140
			₩	<u>2,278,769,178</u>

39. Restricted balances in due from banks and pledged assets

39.1. Restricted balances in due from banks as of December 31, 2020 and 2019 are summarized as follows (Korean won in thousands):

	Counterparty	Others information	December 31, 2020	December 31, 2019
Cash and Deposits:				
Restricted due from financial institutions	KB Bank and others	Deposits for checking accounts	₩ 86,000	84,500
Long-term deposits	Woori Bank and others	Pledged for settlement and loan transactions	153,000,000	138,700,000
Certificate of deposits	KB Bank and others	Pledged for loan transactions	-	187,074,725
Reserve for claims of customers' deposits	Korea Securities Finance Corporation ("KSFC")	(*)	237,000,000	100,000,000
Margin on securities market	KRX		43,100,000	14,000,000
Guarantee deposits for loan transaction	Korea Securities Depository and others		174,731,900	52,395,700
Guarantee deposits for trading futures and options (brokerage)	KRX		150,635,444	101,023,645
Financial asset at fair value through profit or loss:				
Reserve for claims of customers' deposits(Trust)	KSFC	(*)	994,104,732	521,456,929
Collective fund for default loss	KRX		27,223,780	28,230,808
			<u>₩ 1,779,881,856</u>	<u>₩ 1,142,966,307</u>

(\*) Pursuant to the *Financial Investment Services and Capital Markets Act*, the Group is required to place a deposit on a daily basis in Korea Securities Finance Corporation ("KSFC") as a reserve against customers' deposits for the trading of stocks, derivatives and for other purposes. These deposits should exceed the amount which is calculated by deducting cash commission guarantee from total customers' deposit.

39.2. Details of securities pledged as collateral for operating activities including derivative transactions, loan transactions and borrowings as of the reporting date are as follows (Korean won in thousands):

Pledged to	Description of pledged asset	December 31, 2020	
		Pledged amount(*1)	Pledged for
KRX	Bonds	₩ 607,254,557	Derivative transaction
KSD & KSFC	Cash, Deposits, ETF beneficiary certificate, Stocks, CP, Bonds	6,155,167,293	Lending and borrowing transactions
KSFC and others	Bonds	13,396,722,111	Bonds under repurchase agreements(*2)
Woori bank	Desoposits, Bonds	26,091,639	Payment fund
RREEF Special Invest GmbH	Bonds	1,885,465	Withholdings
		<u>₩ 20,187,121,065</u>	

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**39.2. Details of securities pledged as collateral for operating activities including derivative transactions, loan transactions and borrowings as of the reporting date are as follows (Korean won in thousands) (cont'd) :**

Pledged to	Description of pledged asset	December 31, 2019	
		Pledged amount(*1)	Pledged for
KRX	Bonds	₩ 562,741,352	Derivative transaction
KSD & KSFC	Cash, Deposits, ETF beneficiary certificate, Stocks, CP, Bonds	4,937,027,050	Lending and borrowing transactions
KSFC and others	Bonds	10,051,539,707	Bonds under repurchase agreements (*2)
Woori bank	Desposits, Bonds	26,723,922	Payment fund
RREEF Special Invest GmbH	Bonds	1,885,465	Withholdings
		<u>₩ 15,579,917,496</u>	

(\*1) The amount calculated from the closing price of collateral or based on External Credit Assessment Institution's valuation. The collateral is included in borrowing securities.

(\*2) A Repurchase agreement is a transaction in which a consolidated entity sells securities to a customer on the condition that it repurchases the sum of the amount of interest, such as interest, and the amount of the original sale after a certain period of time. As the elimination condition for the transfer of financial assets is not met, the related assets are recognized continuously and the amount of the sale is recognized as a liability. The liability is amounted to ₩ 13,653,221 million and ₩ 9,703,599 million as of December 31, 2020 and 2019, respectively

**40. Guarantees and commitments**

**40.1. The Group has the following agreements with several banks as of December 31, 2020 (Korean won in thousands, USD):**

Agreement	Bank	Currency	Maximum limit	Maturity date
Intraday overdraft	Woori Bank	KRW	50,000,000	2021.09.03
Intraday overdraft	Hana Bank	KRW	10,000,000	2021.10.29
Intraday overdraft	Shinhan Bank	KRW	20,000,000	2021.09.05
Intraday overdraft	KB Bank	KRW	5,000,000	2021.11.19
Overdraft	Daegu Bank	KRW	5,000,000	2021.07.01
Loans on limit	Woori Bank	KRW	30,000,000	2021.09.03
Loans on limit	NH Bank	KRW	50,000,000	2021.03.04
Loans on limit	Daegu Bank	KRW	20,000,000	2021.12.18
Limit transaction of commercial paper	Meritz Fire & Marine Insurance Co, Ltd	KRW	150,000,000	2021.03.25
Exhortation guarantee	Meritz Financial Group	KRW	860,000,000	-
Performance payment guarantee	Seoul guarantee Insurance	KRW	11,266,547	Individual contract
Usance letter of credit	The Korea Development Bank	USD	10,000,000	2021.06.09
At sight letter of credit	Woori Bank	USD	7,000,000	2021.07.05
Commitment with limit	Industrial and Commercial Bank of China	KRW	20,000,000	2021.10.19
Commitment with limit	China Bank	KRW	20,000,000	2021.01.04
Commitment with limit	Woori Bank	KRW	30,000,000	2021.05.04
Commitment with limit	The Korea Development Bank	KRW	50,000,000	2021.08.07
Note discounted	KSFC	KRW	200,000,000	2024.10.31
Note discounted	KSFC	-	Within the Subscription money	2024.10.31
Agency operating funds	KSFC	KRW	400,000,000	2021.03.02

**Meritz Securities Co., Ltd. and its subsidiaries**  
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**40.1. The Group has the following agreements with several banks as of December 31, 2020 (Korean won in thousands, USD) (cont'd) :**

Agreement	Bank	Currency	Maximum limit	Maturity date
Agency operating funds (trust)	KSFC	-	Within the scope of trust funds	2021.03.02
Financial capital distribution	KSFC	KRW	300,000,000	2022.03.29
Mortgage financing	KSFC	KRW	700,000,000	2021.04.30
Mortgage financing	KSFC	KRW	130,000,000	2021.08.28
Call half the day	KSFC	KRW	200,000,000	2021.03.03
Financial bond dealer	KSFC	KRW	500,000,000	2021.03.31

**40.2. Lawsuit**

The Group is involved in 31 lawsuits (plaintiff: 13 cases, defendant: 18 cases) with the total claim amounting ₩55,194 million. The Group provided provisions estimated from previous experiences in similar lawsuits (balance of provisions: ₩259 million) as of December 31, 2020 (Note 21).

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**40.3. The Group's purchase agreements as of December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	December 31, 2020	
	Maximum limit	Balance
ABCP purchase commitment (*1,4)	₩ -	₩ -
Conditional loan commitment(*4)	125,000,000	125,000,000
Conditional commitments for securities acceptance (*4)	-	-
Loans on limit (*4)	5,123,432,876	2,690,679,444
Loan commitment (*2,4)	354,650,000	354,650,000
	5,603,082,876	3,170,329,444
Duplicate commitment amount (*3)	-	-
	<u>₩ 5,603,082,876</u>	<u>₩ 3,170,329,444</u>

	December 31, 2019	
	Maximum limit	Balance
ABCP purchase commitment (*1,4)	₩ 388,612,000	₩ 388,612,000
Conditional loan commitment(*4)	331,200,000	331,200,000
Conditional commitments for securities acceptance (*4)	20,500,000	20,500,000
Loans on limit (*4)	8,317,986,414	5,947,779,434
Loan commitment (*2,4)	389,522,500	389,522,500
	9,447,820,914	7,077,613,934
Duplicate commitment amount (*3)	-	-
	<u>₩ 9,447,820,914</u>	<u>₩ 7,077,613,934</u>

(\*1) The Group purchased residual commercial papers that are issued but not sold through liquidity-providing commitments. Liquidity-providing commitments can be exercised when the credit ratings of underlying assets of commercial papers and financial institutions are not below the required level.

(\*2) The amount is the sum of the contractual amounts of secured loans executed by the Group according to mortgage loan commitments as of December 31, 2020 and 2019

(\*3) The amount represents two or more commitments being provided to the same counterparty.

(\*4) As of December 31, 2020, the details of the consolidated subsidiaries are as follows:

Details of the Group's agreements as of December 31, 2020 are as follows (Korean won in thousands):

	Opponent	Maximum limit	Balance
	Conditional loan commitment	Magok Mice PFV	₩ 125,000,000

**Meritz Securities Co., Ltd. and its subsidiaries**  
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**40.3 Details of the Group's agreements as of December 31, 2020 are as follows (Korean won in thousands) (cont'd):**

	Opponent	Maximum limit	Balance
Loans on limit	Smart Park Co., Ltd.	₩ 15,760,000	₩ 940,000
	Hwacheon industrial estate	33,000,000	1,600,000
	GEOJE BIG ISLAND PFV Co., Ltd	36,000,000	14,625,000
	Gyeongju D&C	108,000,000	76,516,000
	Golden Summit Co.,Ltd	27,500,000	25,000,000
	DaewonPlus rnc 4th	28,500,000	24,800,000
	Mento D&C	17,000,000	14,000,000
	BRUNNEN	16,000,000	5,800,000
	SL Development&Construction	15,600,000	15,600,000
	MKB Developer	3,600,000	3,600,000
	World D&C	20,000,000	14,000,000
	With B D&C	36,000,000	36,000,000
	Jinsan Co.,Ltd	17,400,000	5,400,000
	Changsungarcprime Co.,Ltd	5,519,842	5,519,842
	7th Avenue Nashville Hotel Owner LLC	222,507,900	109,783,725
	DB US PRIVATE LOAN FUND 1	33,184,200	12,757,598
	Edelweiss Alternative Solutions Trust	124,536	124,536
	PWV Mezz Two LLC	600,000	600,000
	Galmae PFV Co., Ltd.	75,000,000	66,500,000
	Gapeul Co.,Ltd	28,000,000	23,000,000
	Geomyeong Construction	26,800,000	20,640,000
	Gun Young Construction Co.,Ltd	19,140,000	17,800,000
	Ground D Holdings Co., Ltd.	34,000,000	17,200,000
	Namu E&C Co., Ltd.	19,800,000	9,514,000
	Nine With Co., Ltd.	15,300,000	7,000,000
	Nest E&C	22,500,000	15,480,000
	DAE MYOUNG GAEBAL	27,000,000	22,800,000
	Daeshin Construction Co.,Ltd,		
	Kyeyangencplus	28,600,000	19,080,000
	Daewon Holdings Co., Ltd.	20,000,000	10,400,000
	The Uplus Corp	20,000,000	13,000,000
	The First Tower Segyo Co. Ltd.	36,700,000	2,400,000
	DUKSAN HOLDINGS CO.,LTD	16,500,000	4,280,000
	DOSHI GONGGAM CO.LTD	19,000,000	1,500,000
	DOHYUN D&C, HJ Construction Co.,Ltd, etc.	20,000,000	1,260,000
	Dongraehotel	35,400,000	23,600,000
	Dongil Corporation	23,300,000	13,336,000
	The Art Development.co.Ltd	39,900,000	21,230,000
	DK Project 4th Co., Ltd	81,240,000	24,410,000
	Raum Urban Development	52,700,000	40,000,000
	ROMAN Co.,Ltd.	25,400,000	10,740,000
	ROMERSPARK	26,200,000	18,590,000

**Meritz Securities Co., Ltd. and its subsidiaries**  
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**40.3 Details of the Group's agreements as of December 31, 2020 are as follows (Korean won in thousands) (cont'd):**

	Opponent	Maximum limit	Balance
Loans on limit	Richan Co., Ltd.	₩ 15,000,000	₩ 800,000
	Must All	23,800,000	17,480,000
	MERIDIAN	22,000,000	9,142,000
	Morgan H&C Co., Ltd.	31,600,000	14,760,000
	Mirae Development Co., Ltd	24,700,000	23,500,000
	Banghwa Wonil	8,802,572	6,057,813
	VC Babylon Co., Ltd.	25,000,000	16,822,120
	B&M Asset Management	2,754,000	254,002
	BYD Development Company.,Ltd	4,300,000	3,000
	SAI Marketing Co., Ltd.	63,200,000	44,140,000
	Samwon Development	23,200,000	11,150,000
	SEOJEONG Co. Ltd.	21,000,000	4,300,000
	SONGSANDNC co.,Ltd	39,600,000	18,660,000
	Suseodaeto development	100,500,000	1,500,000
	Suwongalleria PFV	29,000,000	7,330,000
	Smartkiwoomhubcity corp	23,000,000	23,000,000
	City Field Co., Ltd.	30,000,000	16,200,000
	SINDAESAN	31,400,000	17,900,000
	Sinbi Investment Development Coporation	10,000,000	3,620,000
	Sinseo AMC	75,000,000	44,562,833
	Shinam New Town	48,567,020	13,473,460
	Shinamdong dongja02 housing redevelopment project	32,348,555	8,289,015
	Sinjindnc	25,000,000	11,360,000
	CNC INVEST CO.,LTD.	46,670,000	4,504,000
	CNKP Co., Ltd.	45,200,000	12,660,000
	IVY Development. Co.,Ltd	23,500,000	22,500,000
	NRcapital Co.,Ltd.	12,500,000	7,000,000
	YANGJU PFV	76,020,000	51,030,000
	AGRAPH Co., Ltd	25,000,000	16,800,000
	AJOTIS	33,844,000	8,969,000
	Hbindustry	20,500,000	5,430,000
	HJS Logis Co. Ltd.	44,000,000	13,000,000
	HG Development Co., Ltd.	39,100,000	27,440,000
	AT Co. Ltd.	53,100,000	26,560,000
	Mspartners	16,700,000	4,480,000
	OST Partners, Co., Ltd.	200,400,000	174,600,000
	Okfinancial.co.ltd	13,500,000	9,000,000
	Oncheon Development Co., Ltd	34,600,000	30,000,000
	Y&C Holdings	25,000,000	25,000,000
	Yongin 8 District	24,550,000	13,550,000
	Wonmyeong Construction. Co, Ltd	49,000,000	16,800,000
	WINNERS CONSTRUCTION CO., LTD	22,770,000	6,570,000
	Withworking	26,300,000	22,288,000
	Yoon Seoul development	10,400,000	1,760,000
	ES INDUSTRY	22,000,000	22,000,000



**Meritz Securities Co., Ltd. and its subsidiaries**  
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**40.3 Details of the Group's agreements as of December 31, 2020 are as follows (Korean won in thousands) (cont'd):**

	Opponent	Maximum limit	Balance
Loans on limit	EQ Green 2nd Limited	₩ 2,500,000	₩ 2,500,000
	Intrus Value Add Private Real Estate Investment Trust 2nd	21,100,000	14,690,000
	Intrus Value Add Private Real Estate Investment Trust 3th	5,000,000	4,163,000
	Jangwon.co.ltd	50,600,000	12,300,000
	Genesis management, lcn.	350,000	253,470
	JEDECO	6,900,000	150,000
	Jade D&C, Co., Ltd.	23,300,000	13,780,000
	JM Investment Co., Ltd.	23,400,000	3,400,000
	J.K. CITY DEVELOPMENT CO.,LTD	76,000,000	2,700,000
	Geunhwae&c	42,500,000	42,500,000
	New Dongnam Industry Co., Ltd.	35,600,000	26,700,000
	Daewonmiraero	42,000,000	42,000,000
	DRCND	35,200,000	29,700,000
	SEAUM.Co.Ltd	144,400,000	87,600,000
	New-city Industrial Development Co., Ltd	12,800,000	4,700,000
	Daelim Holdings	21,600,000	10,900,000
	Rios Development Co., Ltd.	27,000,000	19,400,000
	MEDICASTLE	15,400,000	4,260,000
	MIRAE DEVELOPMENT	31,790,000	6,030,000
	BUM UNG	19,220,000	17,900,000
	BA PLUS Co.,Ltd.	54,000,000	7,500,000
	Seung ho	19,140,000	17,800,000
	Sgdevelopment	16,000,000	9,500,000
	MNSPrime	62,800,000	52,480,000
	YOOLIMI&D	30,400,000	10,000,000
	Jizelem Co., Ltd.	2,000,000	2,000,000
	Cheong Sol Development Company	19,500,000	10,500,000
	PART A	21,600,000	13,800,000
	ANGANG ENGINEEGING & DEVELOPMENT	156,000,000	116,200,000
	MJ development	49,200,000	43,800,000
	Onabe Development Co., Ltd.	10,150,000	250,000
	Yoolimdnc	15,400,000	15,400,000
	JS CITY DEVELOPMENT CO.,LTD.	65,480,000	48,220,000
	Hangang Development Co., Ltd.	9,640,000	260,000
	GD Development Co., Ltd.	20,800,000	960,000
	GIDC Co., Ltd.	85,000,000	17,425,000
	GSS1 Co., Ltd.	34,724,751	19,233,080
	GH Global	51,100,000	3,700,000
	CD101	6,134,000	5,125,000
	Chungra	53,000,000	10,230,000
	HGSPC	16,200,000	3,300,000
	Kabod Co., Ltd	20,000,000	7,780,000
	KN development	20,000,000	17,000,000
	K&C Development Co.,Ltd	8,000,000	300,000
	Tamshnd	31,000,000	18,000,000

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**40.3 Details of the Group's agreements as of December 31, 2020 are as follows (Korean won in thousands) (cont'd):**

	Opponent	Maximum limit	Balance
Loans on limit	Taeyeong D&C Co.,Ltd	₩ 16,500,000	₩ 6,420,000
	Todam Construction. Co, Ltd	55,000,000	34,000,000
	TmaxData Co., Ltd.	120,000,000	5,000,000
	Parako investment develop.co., Ltd	34,300,000	3,115,000
	PANCITY Co., Ltd	27,600,000	27,600,000
	PEARLTHECITY INC.	19,600,000	8,653,460
	FERAZ Realty Co.,Ltd.	67,200,000	36,900,000
	Foreidium Co., Ltd.	15,000,000	1,400,000
	4bros	69,300,000	46,970,000
	FOR YOU Development	80,000,000	5,242,990
	High-end Development Group Co.,Ltd	28,100,000	19,400,000
	HAJU Inc.	32,000,000	22,200,000
	HANKOOK GNC	25,200,000	13,720,000
	Hanryeo Construction	48,800,000	35,700,000
	Haejin Asset Management	7,600,000	5,400,000
	Luckyrainbow	1,561,500	1,561,500
	Hyeonseong Co., Ltd.	21,880,000	13,000,000
	Hongwon Development Co.,Ltd	16,660,000	1,335,000
		<u>5,123,432,876</u>	<u>2,690,679,444</u>
Loan commitment etc.	Bupyeong D&C Co., Ltd.	16,700,000	16,700,000
	SAMGYE GAMBUN UNION	35,000,000	35,000,000
	YULHA UNION	100,000,000	100,000,000
	Pohang TNI corp	110,000,000	110,000,000
	PTM2	21,000,000	21,000,000
	Woori Bank	17,500,000	17,500,000
	Mastern Private Investment Trust 102th	54,450,000	54,450,000
		<u>354,650,000</u>	<u>354,650,000</u>
		<u>₩ 5,603,082,876</u>	<u>₩ 3,170,329,444</u>

**40.4. The Group's securities received as deposits held on behalf of clients as of December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	December 31, 2020	December 31, 2019
Securities received as deposit:		
Consigner	₩ 19,925,402,653	₩ 15,743,534,800
Savers	3,836,830	2,883,236
Beneficiary	7,431,459,641	6,393,616,814
	<u>27,360,699,124</u>	<u>22,140,034,850</u>
Securities loaned:		
Stock	1,171,523,854	902,779,101
Bonds	449,944,040	-
	<u>1,621,467,894</u>	<u>902,779,101</u>
Securities borrowed:		
Stock	645,692,128	623,620,881
Bonds	1,661,226,016	1,055,917,140
	<u>2,306,918,144</u>	<u>1,679,538,021</u>
Written-off loan	168,785,767	154,975,465

**Meritz Securities Co., Ltd. and its subsidiaries**  
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**41. Related party disclosures**

**41.1. Significant related parties for the year ended December 31, 2020 are as follows.**

	<u>Company</u>
Parent company	Meritz Financial Group Inc.
Associates (*1)	Korea Asset Classic Private Investment Trust 2nd Airplane fund 5 Airplane fund 6 Meritz Professional Private Real Estate Investment Trust 8th Meritz Professional Private Real Estate Investment Trust 7th M Plus Sky Private Investment Trust 4th Heungguk Flight Private Investment Trust 10th Heungguk Flight Private Investment Trust 11th AI Partners Energy Infra Private Investment Trust 1st Heungguk Flight Private Investment Trust 12th Heungguk Flight Private Investment Trust 13th Mastern Europe Real Estate Investment Trust 5th Mastern Europe Real Estate Investment Trust 10th Asiageuroseuje1hosamo Investment Limited Partnership JB IPO Private Fund Trustee 3 I MERITZ NS GLOBAL BIO FUND Kclavis Meister 38th Genesis North America PowerCompany 1st Gongpyeong 15-16 PFV OST Partners, Co., Ltd. Rhinos-Meritz fund Higs Frontier, Co., Ltd ASEAN Platform Fund No. 1 TK Build, Co., Ltd Meritz-DS Fund Rhinos-Meritz fund 2 Bric-Orbit 8th New Technology Investment Union Cheongna Logistics, Co., Ltd. KCGI Private Equity Fund 1-12 Chungmu-ro PFV Co., Ltd. GAHA YOU&I CO., LTD Hangang Landmark PFV Co., Ltd. DAON CONSTRUCTION, Co., Ltd. Galmae PFV Co., Ltd. Attila Infrastructure Private Equity Fund I New wave fund 2 Songgang Construction DAE-SAN ENG CO.,LTD Meritz Alphaview fund 1 Next V City PFV Co., Ltd. Triple space, Co., Ltd. Star Hub Seungdoo Development

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**41.1. Significant related parties for the year ended December 31, 2020 are as follows. (cont'd)**

	Company	
Associates (*1)	Meritz Kingo fund 1	
	Meritz Kclavis fund 1	
	AIP Euro Green Private Real Estate Investment Trust 7th	
	AIP Euro Green Private Real Estate Investment Trust 8th	
	Kiwoom Milestone US Professional Private Real Estate Trust 18	
	Midas Global DEBT Private Real Estate Investment Trust 6th	
	IGIS Global Private Real Estate Investment Trust 254	
	UP Global Private Real Estate Fund VI	
	NH Presidio Investments LLC	
	Mastern Private Real Estate Investment Trust 61th	
	IGIS Global Private Real Estate Investment Trust 301	
	Edelweiss Alternative Solutions Trust	
	IGIS US Private Real Estate Investment Trust 292	
	IGIS US Private Real Estate Investment Trust 266	
	Pacific Private Placement REF 36	
	Germany Office Real Estate Private Placement Fund No.28	
	PIA Private Real Estate Investment Trust No. 6-1	
	PIA Private Real Estate Investment Trust No. 6-2	
	WooriG Professional Investor's Private Real Estate Investment Trust No. 2	
	Yuamkopain wood Enterprise Financial Stability corporate Investment Limited PA	
	PineStreet Global Corporate Finance PEF Trust No.2	
	Hyundai Ufirst Private Placement Fund No.32	
	Other related parties (*2)	Meritz Fire & Marine Insurance Co., Ltd
		Meritz Asset Management Co., Ltd
		Meritz Alternative Investment Management Co., Ltd.
		Meritz DM Investment Trust on Special Asset 1st
		Meritz China Security Investment CI
Meritz Vietnam Security Investment Trust		
Meritz Private Real Estate Fund 20		
Meritz Private Real Estate Fund 21		
Ecodaisy		
DK Project 4th Co., Ltd		
GSS1 Co., Ltd.		
GPI8 Co., Ltd.		
PT.Meritz Korindo Insurance		
Meritz Korea stockholder Investment trusts 1st C-2		
Hi Light Professional Private Investment Trust 1		
Sun&Tree IPO Private investment trust-1		
Hizeasset IPO Private Investment Trust 2		
Trinity Unicorn Private Investment Trust 1st		
Kclavis Private Investment Trust 2nd		
Eastspring Best growth Private Investment Trust 2nd		
Meritz Private Real Estate Fund 19		

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**41.1. Significant related parties for the year ended December 31, 2020 are as follows. (cont'd)**

	Company
Other related parties (*2)	Hi High Yield Plus Public Offerings Professional Private Securities Investment Trust 6 PTR America NASDAQ 100 Core Private Investment Trust 1 Meritz China Security Investment C4 Meritz Korea engagement Private Investment C Meritz salaryman stockholder C Meritz salaryman stockholder C-P2 Meritz Emerging Market Securities Ae Meritz Korea smallcap Securities Investment trusts CI Meritz Korea Opportunity Private Securities Meritz Global High Dividend Securities Ae Meritz Global Infra stockholder C Meritz Global Bond stockholder Ae Meritz Global Healthcare Investment Trust on Securities 1st (C4) Meritz the woman security Investment CF Meritz Korea stockholder C-P2 Kingo Bio Growth 3rd Fund KAI-DI Hiddentag Fund Mugunghwa Trust Co., Ltd (*3)

(\*1) Classified as a joint venture because the important decisions of the entities are made with the unanimous consent of participants or consolidated company has a significant influence on the important decision-making process.

(\*2) As a subsidiary of Meritz Financial Group Co., Ltd., it has a related party relationship with the consolidated subsidiary (except Mugunghwa Trust)

(\*3) In relation to the loans executed by the consolidated company, it was judged that the consolidated company had the right to appoint an executive of Mugunghwa Trust Co., Ltd., which had a significant influence.

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**41.2. Significant transactions with related parties for the years ended December 31, 2020 and 2019 are summarized as follows (Korean won in thousands):**

	Company	Year ended December 31, 2020		Year ended December 31, 2019	
		Income	Expense	Income	Expense
Parent company	Meritz Financial Group	₩ 90,000	₩ 29,441,464	₩ -	₩ 22,436,302
Associates	Mastern Private Real Estate Investment Trust 40th	173,221	-	1,446,165	-
	Gongpyeong 15-16 PFV	3,565,600	-	3,667,036	-
	OST Partners, Co., Ltd.	3,952,382	135,941	205,029	-
	Cheongna Logistics, Co., Ltd.	144,566	-	17,059	-
	Higs Frontier, Co., Ltd	-	224	-	-
	TK Build, Co., Ltd	7,719	-	-	-
	GAHA YOU&I CO., LTD	713,959	25,817	-	-
	DAON CONSTRUCTION, Co., Ltd.	-	96,813	-	-
	DAE-SAN ENG CO.,LTD	2,740,881	1,032,673	-	-
	Galmae PFV Co., Ltd.	2,315,047	185,008	-	-
	triple space, Co., Ltd.	-	59,164	-	-
	Star Hub Seungdoo Development	-	19,183	-	-
Others	Meritz Fire & Marine Insurance Co., Ltd	1,000	7,959,300	-	10,178,280
	Meritz Asset Management Co., Ltd	-	19,271	-	22,084
	DK Project 4th Co., Ltd	2,541,270	90,565	863,950	-
	MKH 1st	-	-	428,573	-
	GPI8 Co., Ltd.	4,983,647	-	3,065,002	-
	GSS1 Co., Ltd.	1,196,737	-	891,619	-
	BK NOHYOUNG 1ST	-	-	531,645	-
	BK NOHYOUNG 2nd	-	-	531,645	-
	Ecodaisy	326,005	52,474	-	-
	Mugunghwa Trust Co., Ltd	1,763,115	-	-	-
		₩ 24,515,149	₩ 39,117,897	₩ 11,647,723	₩ 32,636,666

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**41.3 Outstanding balances with related parties as of December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Company	December 31, 2020		December 31, 2019	
		Assets	Liabilities	Assets	Liabilities
Parent company	Meritz Financial Group	₩ -	₩ 34,506,813	₩ -	₩ 38,180,683
Associates	Mastern Private Real Estate Investment Trust 40th IPARTNERS SS NPL Private Real Estate Investment Trust No.3	-	-	16,232,769	84,870
	Gongpyeong 15-16 PFV	-	-	157,849,582	1,034,335
	OST Partners, Co., Ltd.	72,930,272	3,054,254	59,186,409	1,857,700
	Cheongna Logistics, Co., Ltd.	2,419,322	-	10,537,869	-
	Higs Frontier, Co., Ltd	1,451,593	-	1,451,817	-
	TK Build, Co., Ltd	1,099,692	-	2,419,695	-
	GAHA YOU&I CO., LTD	1,644,183	2,603	-	-
	DAON Construction, Co., Ltd.	2,903,187	-	-	-
	DAE-SAN ENG CO.,LTD	30,866,889	2,125,552	-	-
	Galmae PFV Co., Ltd.	57,677,583	1,783,124	-	-
	triple space, Co., Ltd.	2,040,836	-	-	-
	Star Hub Seungdo Development	650,817	-	-	-
Others	Meritz Fire & Marine Insurance Co., Ltd (*)	118,798	109,503,248	-	174,131,141
	Meritz Asset Management Co., Ltd	-	5,987	-	-
	DK Project 4th Co., Ltd	48,577,785	560,207	23,690,028	492,003
	MKH 1st	-	-	-	129,826
	GPI8 Co., Ltd.	67,600,526	-	72,222,111	-
	GSS1 Co., Ltd.	18,241,764	-	7,822,808	-
	Ecodaisy	20,009,353	-	-	-
	Mugunghwa Trust Co., Ltd	60,000,000	955,068	-	-
	Shinhan 5th special purpose acquisition company	-	-	500,000	-
		<u>₩ 388,232,600</u>	<u>₩ 152,496,856</u>	<u>₩ 367,758,091</u>	<u>₩ 215,910,558</u>

(\*) In addition to the above, the outstanding balances of hybrid bond with related parties by Meritz Fire & Marine Insurance Co., Ltd is ₩230,000,000 thousands and ₩230,000,000 thousands in 2020 and 2019 respectively.

**Meritz Securities Co., Ltd. and its subsidiaries**  
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**41.4 The details of funds transaction with the related parties for the years ended December 31, 2020 and 2019 are summarized as follows (Korean won in thousands):**

Company	Year ended December 31, 2020			
	Loan	Collection	Borrowing	Repayment
Meritz Fire & Marine Insurance Co., Ltd	₩ -	₩ -	₩ -	₩ 64,750,000
Mastern Private Real Estate Investment Trust 40th IPARTNERS SS NPL Private Real Estate Investment Trust No.3	-	16,200,000	-	-
Gongpyeong 15-16 PFV	30,720,000	88,720,000	-	-
OST Partners, Co., Ltd.	13,800,000	-	-	-
Cheongna Logistics, Co., Ltd.	-	8,150,000	-	-
Higs Frontier, Co., Ltd	-	-	-	-
TK Build, Co., Ltd	-	1,363,636	-	-
GAHA YOU&I CO., LTD	1,690,000	-	-	-
DAON CONSTRUCTION, Co., Ltd.	3,000,000	-	-	-
DAE-SAN ENG CO.,LTD	35,000,000	3,000,000	-	-
Galmae PFV Co., Ltd.	58,500,000	-	-	-
triple space, Co., Ltd.	2,100,000	-	-	-
Star Hub Seungdoo Development	670,000	-	-	-
DK Project 4th Co., Ltd	24,800,000	-	-	-
GPI8 Co., Ltd.	-	3,602,880	-	-
GSS1 Co., Ltd.	9,514,956	-	-	-
Ecodaisy	20,000,000	-	-	-
Mugunghwa Trust Co., Ltd	60,000,000	-	-	-
Shinhan 5th special purpose acquisition company	-	-	-	-
BK NOHYOUNG 1st	-	-	-	-
BK NOHYOUNG 2nd	-	-	-	-
	₩ 259,794,956	₩ 137,036,516	₩ -	₩ 64,750,000



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**41.4 The details of funds transaction with the related parties for the years ended December 31, 2020 and 2019 are summarized as follows (Korean won in thousands) (cont'd) :**

Company	Year ended December 31, 2019			
	Loan	Collection	Borrowing	Repayment
Meritz Fire & Marine Insurance Co., Ltd	₩ -	₩ -	₩ 100,000,000	₩ 45,016,498
Mastern Private Real Estate Investment Trust 40th IPARTNERS SS NPL Private Real Estate Investment Trust No.3	5,250,000	12,700,000	-	-
Gongpyeong 15-16 PFV	182,350,000	24,340,000	-	-
OST Partners, Co., Ltd.	60,000,000	-	-	-
Cheongna Logistics, Co., Ltd.	10,650,000	-	-	-
Higs Frontier, Co., Ltd	1,500,000	-	-	-
TK Build, Co., Ltd	2,500,000	-	-	-
GAHA YOU&I CO., LTD	-	-	-	-
DAON CONSTRUCTION, Co., Ltd.	-	-	-	-
DAE-SAN ENG CO.,LTD	-	-	-	-
Galmae PFV Co., Ltd.	-	-	-	-
triple space, Co., Ltd.	-	-	-	-
Star Hub Seungdo Development	-	-	-	-
DK Project 4th Co., Ltd	24,150,000	1,200,000	-	-
GPI8 Co., Ltd.	72,057,600	-	-	-
GSS1 Co., Ltd.	6,684,792	-	-	-
Ecodaisy	-	-	-	-
Mugunghwa Trust Co., Ltd	52,000,000	52,000,000	-	-
Shinhan 5th special purpose acquisition company	500,000	-	-	-
BK NOHYOUNG 1ST	18,250,000	18,250,000	-	-
BK NOHYOUNG 2nd	18,250,000	18,250,000	-	-
	<u>₩ 470,142,392</u>	<u>₩ 126,740,000</u>	<u>₩ 100,000,000</u>	<u>₩ 45,016,498</u>

**Meritz Securities Co., Ltd. and its subsidiaries**  
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**41.5. The balance of the agreements provided to related parties of the consolidated company as of December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	December 31, 2020	December 31, 2019
Commitment for loans on limit	₩ 285,121,086	₩ 462,675,589
Mortgage loan commitment	-	30,240,000
	<u>₩ 285,121,086</u>	<u>₩ 492,915,589</u>

The balance of the agreements provided by related parties of consolidated company as of December 31, 2020 and 2019 are as follows (Korean won in thousands):

	December 31, 2020	December 31, 2019
Limit transaction of Commercial Paper	₩ 150,000,000	₩ -

**41.6. The balance of the loan receivable transferred under bond transfer agreements with the related parties for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Year ended December 31, 2020	Year ended December 31, 2019
Meritz Fire & Marine Insurance Co., Ltd	₩ 280,000,000	₩ -

**41.7. Details of compensation paid to key management personnel are shown below. The key management personnel is composed of registered directors and non-registered directors who have the authority and responsibilities of corporate activities (Korean won in thousands):**

	Year ended December 31, 2020	Year ended December 31, 2019
Short-term salary	₩ 50,358,280	₩ 41,753,621
Severance payment	2,436,628	2,033,942
	<u>₩ 52,794,908</u>	<u>₩ 43,787,563</u>

## **42. Statements of cash flows**

**42.1. Cash and cash equivalents in the statements of cash flows as of December 31, 2020 and 2019 are summarized as follows (Korean won in thousands):**

	December 31, 2020	December 31, 2019
Cash	₩ -	₩ -
Cash equivalents	999,735,337	990,456,666
Cash and Cash equivalents on statement of financial position	999,735,337	990,456,666
Overdraft used for cash management purposes	-	-
Cash and Cash equivalents on cash flow statements	<u>₩ 999,735,337</u>	<u>₩ 990,456,666</u>

**Meritz Securities Co., Ltd. and its subsidiaries**  
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**42.2. Significant non-cash transactions for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Year ended December 31, 2020	Year ended December 31, 2019
Gain (loss) on valuation of financial assets measure at FVOCI	₩ 51,445,033	₩ 15,181,408
Transferred between profit/loss from disposal of fair value measurement instruments	1,338	637,443
Actuarial valuation of the net defined benefit liabilities	(1,169,296)	(783,930)
Present value discount of other assets	307,132	799,919
Transferred between gain(loss) on valuation of financial liabilities measured at FVTPL and other comprehensive income	739,451	(362,493)
Transferred between gain(loss) on valuation of financial liabilities measure at FVTPL and retained earnings	-	178,001
Unpaid dividends of hybrid bond	724,590	-
Present value discount of withholdings	7,734,107	19,755
Replacement of finance lease receivables and tangible assets	65,504,616	-
Replacement of advance payment and tangible assets	84,541	-
Replacement of advance payment and intangible assets	248,204	1,334,773
Replacement of Right-of-use assets and accounts receivable	296,100	-
Initial recognition of provisions for restoration costs	74,007	2,751,299
Bad debts written off	-	56,899,431
Increase in non-controlling interests	6,502,800	5,602,902
Decrease in loss on foreign currency transactions	(1,531,904)	(445,329)
Decrease in valuation of Investment Stock Using the Equity Method	(1,741,140)	-
Removed internal transactions of auto lease	(346,782)	(87,751)
Recognition of lease-related assets and liabilities	5,497,582	37,005,543
Exercise call option for convertible bonds	-	1,206,100
Conversion of convertible preferred stock into common stock	15,566,476	3,826,443

**Meritz Securities Co., Ltd. and its subsidiaries**  
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**42.3. Net cash flows from the disposal of subsidiaries for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Year ended December 31, 2020	Year ended December 31, 2019
Proceed from disposal	₩ 50,373,850	₩ -
Cash and cash equivalent in subsidiaries	(65,732,466)	(7,294,962)
Net cash flow	₩ (15,358,616)	₩ (7,294,962)

**42.4. Changes in liabilities arising from financing activities for the years ended December 31, 2020 are as follows (Korean won in thousands):**

	January 1, 2020	Cash flow	Change in scope of consolidation	Non-cash flow changes			December 31, 2020
				New or Prepayment	Changes of exchange rate	Amortization of discount on debentures	
Call money	₩ 254,200,000	₩ (44,200,000)	₩ -	₩ -	₩ -	₩ -	₩ 210,000,000
Borrowing from bank	50,000,000	(50,000,000)	-	-	-	-	-
Borrowing from KSFC	779,109,086	(292,585,623)	-	-	-	-	486,523,463
Repurchase agreements sold	9,703,598,537	3,970,508,011	-	-	(20,885,690)	-	13,653,220,858
Other borrowings	4,485,077,874	554,887,689	(1,217,593,201)	-	-	-	3,822,372,362
Asset backed short-term bonds	1,808,097,080	(497,327,000)	(171,797,080)	-	-	-	1,138,973,000
Debentures	5,652,658,643	1,505,088,467	-	-	-	7,153,198	7,164,900,308
Lease liability	33,260,211	(8,998,284)	-	5,474,331	-	865,922	30,602,180
	₩ 22,766,001,431	₩ 5,137,373,260	₩ (1,389,390,281)	₩ 5,474,331	₩ (20,885,690)	₩ 8,019,120	₩ 26,506,592,171

**43. Trust accounts**

**43.1.** The Group engages in the investment trust services and separately maintains the books of accounts and financial statements in connection with the trust operations (the trust accounts) from those of the Group accounts in accordance with the *Financial Investment Services and Capital Markets Act*.

Details of the financial information in relation to trust accounts as of December 31, 2020 are as follows (Korean won in thousands):

	Specific money trust	Property trust	Total
Cash and due from banks	₩ 774,293,797	₩ -	₩ 774,293,797
Negotiable instruments	128,100,515	38,269,395	166,369,910
Monetary claims	-	1,597,937,700	1,597,937,700
Other assets	1,788,289	-	1,788,289
	₩ 904,182,601	₩ 1,636,207,095	₩ 2,540,389,696
Other liabilities	₩ 2,484,315	₩ -	₩ 2,484,315
Trust and the original	901,698,286	1,636,207,095	2,537,905,381
	₩ 904,182,601	₩ 1,636,207,095	₩ 2,540,389,696

**43.2. Details of transactions with trust accounts as of December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	December 31, 2020	December 31, 2019
Fees on trust accounts	₩ 3,132,330	₩ 2,529,306
Accrued fees on trust accounts	308,629	273,502



#### **45. Fair value of financial assets and liabilities**

**45.1.1.** Fair value means a price that a market participant receives by selling an asset or pays by transferring a liability in an ordinary transaction on the date of transaction. Fair value measurement estimates the price in the ordinary transaction between the market participants, who sell the asset and transfer the liability, at an active market on the date of transaction. The Group calculates the fair values of assets/liabilities by making the best use of market values and making the least use of inputs that are not based on the observable market data.

Fair values classification:

The Group classifies fair value measurements of financial assets or liabilities by reference to the source of inputs used to derive the fair values. The classification is as follows:

	<u>Details</u>
(Level 1)	In case assets or liabilities are measured by quoted prices (unadjusted) in active markets, fair value of the assets or liabilities is classified as Level 1. The assets of liabilities classified as Level 1 include stock transacted in KRX, ETF, listed option, stock warrant, stock transacted in foreign, etc.
(Level 2)	In case assets or liabilities are measured by valuation techniques and all significant inputs are based on the observable market data, fair value of the assets or liabilities is classified as Level 2. The assets of liabilities classified as Level 2 include bond, interest rate swap, foreign exchange forward, etc.
(Level 3)	In case assets or liabilities are measured by valuation techniques and all significant inputs are based on the no observable market data, fair value of the assets or liabilities is classified as Level 3. The assets of liabilities classified as Level 3 include unlisted stock, option related over-the-counter securities, DLS, separate deposit from investors, etc.

The Group calculates the fair values of assets/liabilities by using an internal valuation model or receives fair market values assessed by independent external appraisers.

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**45.1.2. Details of the carrying amount and fair value of financial instruments as of December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	December 31, 2020			
	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at FVTPL:				
Equity securities	₩ 801,378,919	₩ -	₩ 102,275,902	₩ 903,654,821
Debt securities	-	18,668,063,445	-	18,668,063,445
Collective investment securities	2,046,470,895	81,170,670	24,299,906	2,151,941,471
Loans	-	-	1,142,496,396	1,142,496,396
Others	-	48,925,439	1,381,234,489	1,430,159,928
Derivative assets	67,048,650	312,752,036	64,124,794	443,925,480
Financial assets measured at FVOCI:				
Equity securities	-	-	283,258,542	283,258,542
Debt securities	-	365,661,520	-	365,661,520
	<u>₩ 2,914,898,464</u>	<u>₩ 19,476,573,110</u>	<u>₩ 2,997,690,029</u>	<u>₩ 25,389,161,603</u>
Financial liabilities:				
Financial liabilities measured at FVTPL				
Equity securities	₩ 1,149,663,213	₩ -	₩ -	₩ 1,149,663,213
Debt securities	-	2,898,988,515	-	2,898,988,515
Others	273,613,552	-	-	273,613,552
Derivative liabilities	83,577,270	245,356,197	(45,625,179)	283,308,288
Financial liabilities designated at FVTPL	-	243,879,178	3,000,307,896	3,244,187,074
	<u>₩ 1,506,854,035</u>	<u>₩ 3,388,223,890</u>	<u>₩ 2,954,682,717</u>	<u>₩ 7,849,760,642</u>

(\*1) There was no transfer between level 1 and level 2 in 2020. The Group recognizes a transfer at the end of the reporting period when an event or circumstance causing the transfer among fair value levels is incurred.

(\*2) The balance of financial instruments measured at costs since there was no quoted price of the same financial instrument in an active market or fair value was not reliably estimable, amounts to ₩39,342,843 thousands (excluding reserve of collective fund for default loss). Of the financial instruments measured at cost for the year ended December 31, 2020, ₩2,084,051 thousands of book value was derecognized, and ₩209,256 thousands was recognized as a gain or loss on disposal.

(\*3) This is the amount including gains and losses on the first deferred day incurred in financial instruments with a level 3 fair value hierarchy.

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**45.1.2. Details of the carrying amount and fair value of financial instruments as of December 31, 2020 and 2019 are as follows (Korean won in thousands) (cont'd):**

	December 31, 2019			
	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at FVTPL:				
Equity securities	₩ 666,361,823	₩ -	₩ 102,419,550	₩ 768,781,373
Debt securities	-	14,271,749,805	-	14,271,749,805
Collective investment securities	1,528,575,941	-	106,994,686	1,635,570,627
Loans	-	-	606,373,842	606,373,842
Others	-	157,720,283	892,480,802	1,050,201,085
Derivative assets	59,962,443	114,630,206	57,823,220	232,415,869
Financial assets measured at FVOCI:				
Equity securities	2,534	-	215,192,692	215,195,226
Debt securities	-	205,896,083	-	205,896,083
CMA	-	-	1,998,004	1,998,004
	<u>₩ 2,254,902,741</u>	<u>₩ 14,749,996,377</u>	<u>₩ 1,983,282,796</u>	<u>₩ 18,988,181,914</u>
Financial liabilities:				
Financial liabilities measured at FVTPL:				
Equity securities	₩ 539,030,094	₩ -	₩ -	₩ 539,030,094
Debt securities	-	2,368,421,453	-	2,368,421,453
Others	54,882,285	-	-	54,882,285
Derivative liabilities	60,030,820	113,835,553	(121,854,229)	52,012,144
Financial liabilities designated at FVTPL	-	170,312,047	4,154,309,211	4,324,621,258
	<u>₩ 653,943,199</u>	<u>₩ 2,652,569,053</u>	<u>₩ 4,032,454,982</u>	<u>₩ 7,338,967,234</u>

(\*1) There was no transfer between level 1 and level 2 in 2019. The Group recognizes a transfer at the end of the reporting period when an event or circumstance causing the transfer among fair value levels is incurred.

(\*2) The balance of financial instruments measured at costs since there was no quoted price of the same financial instrument in an active market or fair value was not reliably estimable, amounts to ₩49,453,005 thousands (excluding reserve of collective fund for default loss). Of the financial instruments measured at cost for the year ended December 31, 2019, ₩2,640,015 thousands of book value was derecognized, and ₩723,719 thousands was recognized as a gain or loss on disposal.

(\*3) This is the amount including gains and losses on the first deferred day incurred in financial instruments with a level 3 fair value hierarchy.



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**45.2. Details of inputs used in fair value, valuation technique, and measurement of fair value classified into level 2 among financial assets and liabilities, currently measured at fair value as of December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	December 31, 2020	December 31, 2019	Valuation technique	Inputs
Financial assets:				
Financial assets measured at FVTPL:				
Debt securities	₩ 18,668,063,445	₩ 14,271,749,805	DCF model	Discount rate, interest rate
Collective investment securities	81,170,670	-	DCF model	Discount rate, interest rate
Others	48,925,439	157,720,283	DCF model	Discount rate, interest rate
Derivative assets	312,752,036	114,630,206	DCF model, etc.	Interest rate, exchange rate, stock price
Financial assets measure at FVOCI :				
Debt securities	365,661,521	205,896,083	DCF model, etc.	Discount rate, interest rate
	<u>₩ 19,476,573,111</u>	<u>₩ 14,749,996,377</u>		
Financial liabilities:				
Financial liabilities measured at FVTPL:				
Debt securities	₩ 2,898,988,515	₩ 2,368,421,453	DCF model	Discount rate, interest rate
Derivative liabilities	245,356,197	113,835,553	DCF model	Discount rate, exchange rate, stock price
Financial liabilities designated at FVTPL	243,879,178	170,312,047	DCF model	Discount rate, interest rate
	<u>₩ 3,388,223,890</u>	<u>₩ 2,652,569,053</u>		

**45.3.1. Changes in the fair value of level 3 financial assets and liabilities for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	Year ended December 31, 2020						
	Beginning balance	Profit/Loss	Other comprehensive income	Interlevel movement (*)	Purchase/issuance	Disposal/redemption	Ending balance
Assets:							
Financial assets measure at FVTPL	₩ 1,708,268,880	₩ 77,385,756	₩ -	₩ (159,995,421)	₩ 13,621,345,875	₩ (12,596,698,397)	₩ 2,650,306,693
Derivative assets	57,823,220	81,954,484	-	-	45,108,043	(120,760,953)	64,124,794
Financial assets measured at FVOCI:							
Equity instrument	215,192,692	-	51,288,329	-	16,777,521	-	283,258,542
CMA	1,998,004	1,996	-	-	-	(2,000,000)	-
	<u>₩ 1,983,282,796</u>	<u>₩ 159,342,236</u>	<u>₩ 51,288,329</u>	<u>₩ (159,995,421)</u>	<u>₩ 13,683,231,439</u>	<u>₩ (12,719,459,350)</u>	<u>₩ 2,997,690,029</u>
Liabilities:							
Derivative instruments	₩ (121,854,229)	₩ (73,197,443)	₩ -	₩ -	₩ 21,476,412	₩ (18,444,805)	₩ (45,625,179)
Financial liabilities designated at FVTPL	4,154,309,211	(62,655,944)	735,202	-	4,849,601,869	(6,065,523,926)	3,000,307,896
	<u>₩ 4,032,454,982</u>	<u>₩ (135,853,387)</u>	<u>₩ 735,202</u>	<u>₩ -</u>	<u>₩ 4,871,078,281</u>	<u>₩ (6,083,968,731)</u>	<u>₩ 2,954,682,717</u>

(\*) There is no transfer to Level 3 of the fair value hierarchy in 2020, and it is the amount that has moved from Level 3 to Level 1 as unlisted stocks are listed. The Group recognizes changes in levels at the end of the reporting period in which events or changes in circumstances that result in a shift between levels of fair value have occurred.

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**45.3.1. Changes in the fair value of level 3 financial assets and liabilities for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands) (cont'd):**

	Year ended December 31, 2019						
	Beginning balance	Profit/Loss	Other comprehensive income	Interlevel movement (*)	Purchase/issuance	Disposal/redemption	Ending balance
<b>Assets:</b>							
Financial assets measure at FVTPL	₩ 1,209,288,259	₩ 60,915,367	₩ -	₩ (4,563,997)	₩ 13,503,932,385	₩ (13,061,303,134)	₩ 1,708,268,880
Derivative assets	31,007,991	36,492,820	-	-	2,880,240	(12,557,831)	57,823,220
Financial assets: measured at FVOCI:							
Equity instrument	199,930,991	-	16,516,111	-	-	(1,254,410)	215,192,692
CMA	4,995,324	2,680	-	-	4,000,000	(7,000,000)	1,998,004
	<u>₩ 1,445,222,565</u>	<u>₩ 97,410,867</u>	<u>₩ 16,516,111</u>	<u>₩ (4,563,997)</u>	<u>₩ 13,510,812,625</u>	<u>₩ (13,082,115,375)</u>	<u>₩ 1,983,262,796</u>
<b>Liabilities:</b>							
Derivative instruments	₩ 234,691,620	₩ 227,454,512	₩ -	₩ -	₩ (235,121,407)	₩ 106,030,070	₩ (121,854,229)
Financial liabilities designated at FVTPL	3,440,116,590	(703,748,769)	(185,098)	-	6,240,447,331	(6,230,188,577)	4,154,309,221
	<u>₩ 3,674,808,210</u>	<u>₩ (476,294,257)</u>	<u>₩ (185,098)</u>	<u>₩ -</u>	<u>₩ 6,005,325,924</u>	<u>₩ (6,124,158,507)</u>	<u>₩ 4,032,454,982</u>

(\*) There is no transfer to Level 3 of the fair value hierarchy in 2019, and it is the amount that has moved from Level 3 to Level 1 as unlisted stocks are listed. The Group recognizes changes in levels at the end of the reporting period in which events or changes in circumstances that result in a shift between levels of fair value have occurred.

**45.3.2. Details of the changes in the fair value of the financial assets that were measured at fair value and classified as level 3 in fair value hierarchy, current profits or losses in 2020 and 2019 were recognized as follows (Korean won in thousands):**

	December 31, 2020		December 31, 2019	
	Profit and loss for the current term	Gain and loss on valuation	Profit and loss for the current term	Gain and loss on valuation
<b>Assets:</b>				
Financial assets measured at FVTPL	₩ 77,385,756	₩ 1,929,258	₩ 60,915,367	₩ 45,086,303
Derivative instruments	81,954,484	17,190,667	36,492,820	43,511,450
CMA	1,996	-	2,680	(1,997)
	<u>159,342,236</u>	<u>19,119,925</u>	<u>97,410,867</u>	<u>88,595,756</u>
<b>Liabilities:</b>				
Derivative instruments	(73,197,443)	78,730,301	227,454,512	(78,065,975)
Financial liabilities designated at FVTPL	(62,655,944)	(112,180,709)	(703,748,769)	(280,421,977)
	<u>(135,853,387)</u>	<u>(33,450,408)</u>	<u>(476,294,257)</u>	<u>(358,487,952)</u>
	<u>₩ 23,488,849</u>	<u>₩ (14,330,483)</u>	<u>₩ (378,883,390)</u>	<u>₩ (269,892,196)</u>

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**45.3.3 Details of fair value, valuation technique, and inputs used to develop those measurements classified into level 3 assets and liabilities disclosure but not measured at fair value as of December 31, 2020 are as follows (Korean won in thousands):**

	December 31, 2020				
	Fair value	Valuation technique	Inputs	Significant unobservable inputs	Sensitivity of the input to fair value Range
Financial assets:					
Financial assets measured at FVTPL	₩ 2,650,306,693	DCF, Monte-Carlo Simulation Cox, Ross and Rubinstein Model etc.	Risk free rate, dividend rate, discount rate, default rate etc.	Recovery rate Volatility correlation	Fair value increased due to the increase in recovery rate Fair value increased or decreased due to the increase in volatility Fair value increased or decreased to the increase in correlation coefficient
Derivative assets	64,124,794	Binomial model, Black Scholes model, Monte-Carlo Simulation Reduced Form Model etc.	Risk free rate, dividend rate, discount rate, default rate etc.	Volatility correlation	Fair value increased or decreased due to the increase in volatility Fair value increased or decreased to the increase in correlation coefficient
Financial assets designated at FVOCI	283,258,542	DCF, Past deal method, Cost method etc.	-	Growth rate Discount rate	Fair value increased due to the increase in growth rate Fair value decreased due to the increase in discount rate
	<u>₩ 2,997,690,029</u>				
Financial liabilities:					
Derivative liabilities	₩ (45,625,179)	Binomial model Monte-Carlo Simulation, Hull&White 1 factor etc.	Risk free rate, dividend rate, discount rate, stock price	Volatility correlation	Fair value increased or decreased due to the increase in volatility Fair value increased or decreased to the increase in correlation coefficient
Financial liabilities designated at FVTPL	3,000,307,896	Monte-Carlo Simulation, Reduced form, Hull&White 1 factor, Black-Scholes Model, etc.	Risk free rate, dividend rate, discount rate, default rate	Recovery rate Volatility correlation	Fair value increased due to the increase in recovery rate Fair value increased or decreased due to the increase in volatility Fair value increased or decreased to the increase in correlation coefficient
	<u>₩ 2,954,682,717</u>				

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**45.3.4. Based on changes in fair values of financial assets according to changes in unobservable input variables by using statistics method, the sensitivity analysis of financial assets is conducted separately on favorable changes and unfavorable changes. If fair value is influenced by more than 2 input variables, the fair value is calculated on the basis of the most favorable or the most unfavorable amount. As of December 31, 2020, the result of sensitivity analysis according to changes in input variables by financial asset is as follows (Korean won in thousands):**

	Computation effect of volatility	Favorable change	Unfavorable change
<b>Assets:</b>			
Financial assets measured at FVTPL	Adjustment of 10% in unobservable inputs (volatility, recovery rate)	₩ 18,587,463	₩ (17,063,060)
Derivative assets	Adjustment of 10% in unobservable inputs (volatility, recovery rate)	7,417,224	(7,171,609)
Financial assets designated at FVOCI	Adjustment 1% of growth rate, discount rate	17,669,773	(11,899,931)
		<u>43,674,460</u>	<u>(36,134,600)</u>
<b>Liabilities:</b>			
Derivative instruments	Adjustment of 10% in unobservable inputs (volatility, recovery rate)	15,479,890	(15,514,844)
Financial liabilities designated at FVTPL	Adjustment of 10% in unobservable inputs (volatility, recovery rate)	35,531,240	(36,503,921)
		<u>51,011,130</u>	<u>(52,018,765)</u>
		<u>₩ 94,685,590</u>	<u>₩ (88,153,365)</u>

**45.4.1. The hierarchical fair values of the financial assets, which were not measured at fair value but of which the fair values were disclosed, in the statements of financial position as of December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	December 31, 2020				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets:</b>					
Cash and due from banks (*)	₩ 2,222,507,308	₩ -	₩ 2,222,507,308	₩ -	₩ 2,222,507,308
Loans	11,177,655,377	-	-	10,761,961,814	10,761,961,814
Lease	908,347,382	-	-	908,837,729	908,837,729
Other financial assets (*)	1,684,006,959	-	-	1,684,006,959	1,684,006,959
	<u>₩ 15,992,517,026</u>	<u>₩ -</u>	<u>₩ 2,222,507,308</u>	<u>₩ 13,354,806,502</u>	<u>₩ 15,577,313,810</u>
<b>Financial liabilities:</b>					
Deposits (*)	₩ 1,954,874,966	₩ -	₩ 1,954,874,966	₩ -	₩ 1,954,874,966
Borrowings (*)	18,170,871,466	-	18,170,871,466	-	18,170,871,466
Bonds	8,303,873,308	-	8,395,300,023	-	8,395,300,023
Other financial liabilities (*)	2,423,133,560	-	-	2,423,133,560	2,423,133,560
	<u>₩ 30,852,753,300</u>	<u>₩ -</u>	<u>₩ 28,521,046,455</u>	<u>₩ 2,423,133,560</u>	<u>₩ 30,944,180,015</u>
	December 31, 2019				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets:</b>					
Cash and due from banks (*)	₩ 2,102,864,141	₩ -	₩ 2,102,864,141	₩ -	₩ 2,102,864,141
Loans	12,771,177,829	-	-	13,032,087,018	13,032,087,018
Lease	1,004,111,634	-	-	999,396,462	999,396,462
Other financial assets (*)	977,715,161	-	-	977,715,161	977,715,161
	<u>₩ 16,855,868,765</u>	<u>₩ -</u>	<u>₩ 2,102,864,141</u>	<u>₩ 15,009,198,641</u>	<u>₩ 17,112,062,782</u>
<b>Financial liabilities:</b>					
Deposits (*)	₩ 2,326,563,912	₩ -	₩ 2,326,563,912	₩ -	₩ 2,326,563,912
Borrowings (*)	15,271,985,496	-	15,271,985,496	-	15,271,985,496
Bonds	7,460,755,723	-	7,341,983,344	-	7,341,983,344
Other financial liabilities (*)	1,361,977,913	-	-	1,361,977,913	1,361,977,913
	<u>₩ 26,421,283,044</u>	<u>₩ -</u>	<u>₩ 24,940,532,752</u>	<u>₩ 1,361,977,913</u>	<u>₩ 26,302,510,665</u>

(\*) Book value was considered to be a reasonable approximation of fair value due to book value was disclosed as fair value.

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**45.4.2. The following valuation methods and input variables were applied to the financial assets classified as level 2 of the financial assets, which were not measured at fair value but of which the fair values were disclosed, in the statements of financial position as of December 31, 2020 and 2019 (Korean won in thousands).**

	December 31, 2020	December 31, 2019	Valuation method	Input variables
Financial liabilities:				
Debentures	₩ 8,395,300,023	₩ 7,341,983,344	DCF method	Discount rate

**45.4.3. The following valuation methods, input variables and unobservable input were applied to the financial assets classified as level 3 of the financial assets, which were not measured at fair value but of which the fair values were disclosed, in the statements of financial position as of December 31, 2020 and 2019 (Korean won in thousands).**

	December 31, 2020	December 31, 2019	Valuation method	Input variable	Unobservable input variable
Financial assets					
Loans	₩ 10,761,961,814	₩ 13,032,087,018	DCF method	Discount rate	Credit risk
Lease assets	908,837,729	999,396,462	DCF method	Discount rate	Credit risk
	<u>₩ 11,670,799,543</u>	<u>₩ 14,031,483,480</u>			

**46. Offsetting of financial assets and liabilities**

Details of financial assets subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2020 and 2019 are as follows (Korean won in thousands):

	December 31, 2020					
	Gross amounts of recognized financial instruments	Gross amounts of recognized financial instruments set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position (*)		
				Financial assets recognized in the statement of financial position	Cash collateral received	Net amount
<b>Assets</b>						
Derivatives	₩ 429,689,890	₩ -	₩ 429,689,890	₩ (174,497,909)	₩ (99,123,655)	₩ 156,068,326
Loans						
Repurchase agreement	2,133,333,578	-	2,133,333,578	-	(2,133,333,578)	-
Other assets						
Receivable spot exchange	791,249,005	-	791,249,005	(791,026,655)	-	222,350
Difference of uncollected	7,021,061	(7,021,021)	40	-	-	40
Receivable from proprietary trading	714,145,885	(432,736,404)	281,409,481	-	-	281,409,481
Receivable from trading on consignment	1,115,506,290	(737,246,064)	378,260,226	-	-	378,260,226
	<u>₩ 5,190,945,709</u>	<u>₩ (1,177,003,489)</u>	<u>₩ 4,013,942,220</u>	<u>₩ (965,524,564)</u>	<u>₩ (2,232,457,233)</u>	<u>₩ 815,960,423</u>
<b>Liabilities:</b>						
Derivatives	₩ 734,301,766	₩ -	₩ 734,301,766	₩ (174,497,909)	₩ (385,323,699)	₩ 174,480,158
Securities sold	4,322,265,280	-	4,322,265,280	-	(4,322,265,280)	-
Borrowings						
Repurchase agreement	13,653,220,858	-	13,653,220,858	-	(13,653,220,858)	-
Other liabilities						
Payable spot exchange	791,213,106	-	791,213,106	(791,026,655)	-	186,451
Difference of unsettled	10,590,463	(7,021,021)	3,569,442	-	-	3,569,442
Accounts payable for proprietary trading	620,581,872	(432,736,404)	187,845,468	-	-	187,845,468
Accounts payable for trading on consignment	1,114,305,430	(737,246,064)	377,059,366	-	-	377,059,366
	<u>₩ 21,246,478,775</u>	<u>₩ (1,177,003,489)</u>	<u>₩ 20,069,475,286</u>	<u>₩ (965,524,564)</u>	<u>₩ (18,360,809,837)</u>	<u>₩ 743,140,885</u>

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**46. Offsetting of financial assets and liabilities (cont'd)**

	December 31, 2019					
	Gross amounts of recognized financial instruments	Gross amounts of recognized financial instruments set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position (*)		Net amount
				Financial assets recognized in the statement of financial position	Cash collateral received	
<b>Assets</b>						
Derivatives	₩ 235,729,291	₩ -	₩ 235,729,291	₩ (88,369,185)	₩ (14,516,385)	₩ 132,843,721
<b>Loans</b>						
Repurchase agreement	1,515,000,000	-	1,515,000,000	-	(1,515,000,000)	-
<b>Other assets</b>						
Receivable spot exchange	357,148,150	-	357,148,150	(357,071,085)	-	77,065
Difference of uncollected	9,477,269	(8,648,275)	828,994	-	-	828,994
Receivable from proprietary trading	375,473,323	(213,292,019)	162,181,304	-	-	162,181,304
Receivable from trading on consignment	464,099,431	(257,222,926)	206,876,505	-	-	206,876,505
	<u>₩ 2,956,927,464</u>	<u>₩ (479,163,220)</u>	<u>₩ 2,477,764,244</u>	<u>₩ (445,440,270)</u>	<u>₩ (1,529,516,385)</u>	<u>₩ 502,807,589</u>
<b>Liabilities:</b>						
Derivatives	₩ 446,046,609	₩ -	₩ 446,046,609	₩ (88,369,185)	₩ (260,018,727)	₩ 97,658,697
Securities sold	2,962,333,832	-	2,962,333,832	-	(2,962,333,832)	-
<b>Borrowings</b>						
Repurchase agreement	9,703,598,537	-	9,703,598,537	-	(9,703,598,537)	-
<b>Other liabilities</b>						
Payable spot exchange	357,136,635	-	357,136,635	(357,071,085)	-	65,550
Difference of unsettled	12,821,237	(8,648,275)	4,172,962	-	-	4,172,962
Accounts payable for proprietary trading	311,418,082	(213,292,019)	98,126,063	-	-	98,126,063
Accounts payable for trading on consignment	462,762,931	(257,222,926)	205,540,005	-	-	205,540,005
	<u>₩ 14,256,117,863</u>	<u>₩ (479,163,220)</u>	<u>₩ 13,776,954,643</u>	<u>₩ (445,440,270)</u>	<u>₩ (12,925,951,096)</u>	<u>₩ 405,563,277</u>

(\*) The rights to offset exist only in case of default and others. Accordingly, the amounts are not offset in the statement of financial position as they do not meet the criteria for offsetting.

**47. Deferred day 1 profit or loss**

Changes in deferred day 1 profit or loss, for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	Year ended December 31, 2020		Year ended December 31, 2019	
	Assets	Liabilities	Assets	Liabilities
Beginning	₩ 5,373,224	₩ 17,837,177	₩ 3,497,505	₩ 25,605,055
Increase	(9,312,527)	77,137,669	13,844,157	30,400,116
Decrease	(14,044,325)	(34,327,033)	(11,968,438)	(38,168,994)
Ending	<u>₩ (17,983,628)</u>	<u>₩ 60,647,813</u>	<u>₩ 5,373,224</u>	<u>₩ 17,837,177</u>

## **48. Risk management**

The Group is exposed to credit risk, liquidity risk, market risk and operational risk of its financial instruments. Risk management is the basic activities to effectively use the Group's limited capital under the rapidly changing financial circumstances. The ultimate goal of risk management is to maximize the Group's shareholder value while minimizing the sudden fluctuation of its income through a proper balance between risks and returns.

The basic policies for managing risk are as follows:

- (i) Set the limits and comply with them for each risk, and strike a balance between risk and return.
- (ii) When a conflict exists between risk and return, the Group should seek to increase return without exceeding the risk limits.
- (iii) Spread the risks to prevent them from being concentrated in specific areas.
- (iv) Analyze the effect of various market fluctuations on parts of or entire portfolio on a regular basis.
- (v) Separate risk management segment, operating segment, and segment that deals with trade-confirmation and payments to maintain independence from one another.

Risk management committee is responsible for setting maximum permissible limits for each risk, and the risk management conference is responsible for checking compliance with the limit and the risk levels.

Risk management committee is the top decision-making body within the Board of Directors for risk management. Through risk management committee, the Group establishes the control system of risk management from top management to operating segment. However, risk management conference is a subordinate committee for risk management and practices risk management by business unit in detail.

Risk management center consists of risk management team and credit risk analysis team. Risk management team manages market risk, liquidity risk, operational risk and capital and credit risk analysis team to perform credit risk analysis of counterparties and assessment on loan contracts. Risk management center deals with monitoring of risk position, risk measurement, identification of assets exposed to risk and forecasting change of risk position.

### **48.1. Credit risk**

Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations. Credit risk arises from on-balance and off-balance accounts including loans, financial guarantees, securities and derivatives. The purpose to manage the credit risk is to control the relevant losses upon the counterparties' default, for a certain period, within the allowable range.

Credit risk management is performed by the risk management committee and judging committee, risk management conference and credit risk management department which is a subordinate organization of the risk management center.

Risk management committee establishes risk management strategy through the periodical report on asset management and portfolio construction. Judging committee is delegated to deal with all the matters. Credit risk management department, which is separated from operating segments, manages the overall credit risk of the Group and operates the credit risk management system.

#### **48.1.1. Credit risk management**

##### **48.1.1.1. Loans**

Performing comprehensive analysis on economic environments and changes, the Group reduces credit concentration by setting credit limits on same counterparties to ensure asset quality.

The Group measures and manages risk indicators of each operating segment. Also, the Group regularly examines the counterparties whose credit ratings are likely to be degraded.

As to large credit, the Group examines the customer's credit and adequacy of credit evaluation as part of the subsequent management process. In addition, the Group conducts focused examinations on industries or groups with increasing credit risks and performs sample inspections on small loans.

##### **48.1.1.2. Debt securities**

The Group controls credit exposure of debt securities through either the agencies' ratings of creditworthiness or its own rating. The debt securities are held as a means of maintaining resources in order to keep high credit rating as well as to meet the demands of financing.

#### **48.1.2. Risk reduction policy**

##### **48.1.2.1. Collateral**

The Group manages various policies and practices so as to reduce credit risks. Acquisition of collateral on loans is conventional method to reduce credit, and collaterals for secured loans are mainly deposits and financial instruments such as debt securities or equity securities. Collaterals on financial assets other than loans are decided by the attributes of the financial instruments. Debt securities are usually unsecured; asset backed securities or other similar instruments are secured by financial instrument portfolio.

##### **48.1.2.2. Derivatives**

Considering the notional exposure, the amount exposed to credit risk remains within small limits. Credit exposure is managed and controlled through limiting the counterparty risks such as latent exposure to market fluctuations.

##### **48.1.2.3. Master netting arrangement**

The Group limits credit exposure by entering into a 'master netting agreement' with the counterparties in the high volume trading. Generally such an agreement is settled by gross, and therefore assets and liabilities related to it are not offset in the financial statements of position. However, in case the remaining contracts are settled net at the end because default occurs, credit risk related to profitable contracts decreases. Due to the impact of individual trades, total credit exposure can vary substantially in the short term.



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**48.1.3. Maximum exposure to credit risk**

The maximum exposure to credit risk as of December 31, 2020 and 2019 are as follows. The Group does not consider risk reduction obtained by collaterals or other. Equity securities are excluded in financial assets measured at FVTPL and Financial assets measured at FVOCI. (Korean won in thousands):

	December 31, 2020		December 31, 2019	
On balance accounts:				
Cash and due from banks	₩	2,222,507,308	₩	2,102,864,141
Financial assets measured at FVTPL		20,217,161,681		15,382,018,296
Derivative instruments		318,069,491		172,263,042
Financial assets measured at FVOCI		365,661,520		205,896,083
Loans		11,382,966,549		12,992,584,735
CMA management assets		-		1,998,004
Lease assets		916,018,540		1,015,001,772
Other financial assets		1,694,567,292		984,683,180
	₩	<u>37,116,952,381</u>	₩	<u>32,857,309,253</u>
Off balance accounts(*)				
Commitments on loans	₩	3,170,329,443	₩	6,668,501,934
ABCP Purchase agreement		-		409,112,000
	₩	<u>3,170,329,443</u>	₩	<u>7,077,613,934</u>

(\*) The amounts provided to the same counterparty for two or more contracts have been excluded.

**48.1.4. Credit risk exposure**

**48.1.4.1. Gross book values of loans, finance lease assets, and other financial assets measured under the expected credit losses measurement method by internal credit rating are as follows (Korean won in thousands):**

	December 31, 2020			
	12 month expected credit losses	Lifetime expected credit losses	Impaired loans Lifetime expected credit losses	Total
Loans:				
AAA	₩ 188,200,000	₩ -	₩ -	₩ 188,200,000
AA- to AA+	512,630,338	-	-	512,630,338
A-To A+	2,173,972,667	20,789,360	-	2,194,762,027
BBB- to BBB+	3,595,846,416	62,142,571	-	3,657,988,987
BB- to BB+	108,742,176	30,263,653	59,571,000	198,576,829
B- to B+	-	-	247,427,781	247,427,781
Unrated	4,040,698,518	246,301,847	96,380,222	4,383,380,587
	<u>10,620,090,115</u>	<u>359,497,431</u>	<u>403,379,003</u>	<u>11,382,966,549</u>
Lease				
Unrated	732,589,004	177,239,480	6,190,056	916,018,540
Other financial assets				
Unrated	1,681,662,346	5,447,010	7,457,936	1,694,567,292
	<u>₩ 13,034,341,465</u>	<u>₩ 542,183,921</u>	<u>₩ 417,026,995</u>	<u>₩ 13,993,552,381</u>

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**48.1.4.1. Gross book values of loans, finance lease assets, and other financial assets measured under the expected credit losses measurement method by internal credit rating are as follows (Korean won in thousands) (cont'd) :**

	December 31, 2019			
	12 month expected credit losses	Lifetime expected credit losses	Impaired loans Lifetime expected credit losses	Total
Loans:				
AAA	₩ 332,652,673	₩ -	₩ -	₩ 332,652,673
AA- to AA+	950,350,761	-	-	950,350,761
A-To A+	3,105,799,517	-	-	3,105,799,517
BBB- to BBB+	3,571,923,219	211,924,118	-	3,783,847,337
BB- to BB+	289,000,539	1,153,698	70,535	290,224,772
B- to B+	-	23,609,160	238,053,640	261,662,800
Unrated	3,856,065,266	291,485,416	120,496,193	4,268,046,875
	<u>12,105,791,975</u>	<u>528,172,392</u>	<u>358,620,368</u>	<u>12,992,584,735</u>
Lease				
BBB- to BBB+	2,496,359	-	109,953	2,606,312
BB- to BB+	5,392	13,304	39,961	58,657
Unrated	812,647,325	188,110,812	11,578,666	1,012,336,803
	<u>815,149,076</u>	<u>188,124,116</u>	<u>11,728,580</u>	<u>1,015,001,772</u>
Other financial assets				
Unrated	969,067,079	8,142,511	7,473,590	984,683,180
	<u>₩ 13,890,008,130</u>	<u>₩ 724,439,019</u>	<u>₩ 377,822,538</u>	<u>₩ 14,992,269,687</u>

(\*) Other assets which did not meet the definition of accounts receivables were excluded.

**48.1.4.2. Off-balance accounts exposure measured under the expected credit losses measurement method classified by internal credit rating is as follows (Korean won in thousands):**

	December 31, 2020			
	12 month expected credit losses	Lifetime expected credit losses	Impaired loans Lifetime expected credit losses	Total
Commitments on loans:				
AAA	₩ 27,820,288	₩ -	₩ -	₩ 27,820,288
AA- to AA+	22,500,000	-	-	22,500,000
A-To A+	1,534,433,912	-	-	1,534,433,912
BBB- to BBB+	1,513,779,311	68,204,833	-	1,581,984,144
BB- to BB+	1,253,470	2,337,629	-	3,591,099
	<u>₩ 3,099,786,981</u>	<u>₩ 70,542,462</u>	<u>₩ -</u>	<u>₩ 3,170,329,443</u>

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**48.1.4.2. Off-balance accounts exposure measured under the expected credit losses measurement method classified by internal credit rating is as follows (Korean won in thousands) (cont'd):**

	December 31, 2019			
	12 month expected credit losses	Lifetime expected credit losses	Impaired loans Lifetime expected credit losses	Total
Commitments on loans:				
AAA	₩ 263,168,713	₩ -	₩ -	₩ 263,168,713
AA- to AA+	19,390,000	-	-	19,390,000
A-To A+	2,703,785,931	-	-	2,703,785,931
BBB- to BBB+	3,552,746,210	24,814,294	-	3,577,560,504
BB- to BB+	104,596,786	-	-	104,596,786
	<u>6,643,687,640</u>	<u>24,814,294</u>	<u>-</u>	<u>6,668,501,934</u>
ABCP purchase agreement				
AAA	388,612,000	-	-	388,612,000
BB- to BB+	20,500,000	-	-	20,500,000
	<u>409,112,000</u>	<u>-</u>	<u>-</u>	<u>409,112,000</u>
	<u>₩ 7,052,799,640</u>	<u>₩ 24,814,294</u>	<u>₩ -</u>	<u>₩ 7,077,613,934</u>

**48.1.4.3. Debt securities measured at FVOCI which measured under the expected credit losses measurement method classified by internal credit rating is as follows (Korean won in thousands):**

	December 31, 2020			
	12 month expected credit losses	Lifetime expected credit losses	Impaired loans Lifetime expected credit losses	Total
AAA	₩ 310,661,661	₩ -	₩ -	₩ 310,661,661
AA- to AA+	35,044,460	-	-	35,044,460
A-To A+	19,955,399	-	-	19,955,399
	<u>₩ 365,661,520</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 365,661,520</u>
	December 31, 2019			
	12 month expected credit losses	Lifetime expected credit losses	Impaired loans Lifetime expected credit losses	Total
Public bonds and financial bonds	₩ 81,168,343	₩ -	₩ -	₩ 81,168,343
AA- to AA+	35,163,000	-	-	35,163,000
A-To A+	89,564,740	-	-	89,564,740
	<u>₩ 205,896,083</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 205,896,083</u>

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**48.1.5. Details of the credit soundness of due from banks and debt securities as of December 31, 2020 and 2019 are as follows (Korean won in thousands):**

	December 31, 2020	December 31, 2019
Bonds:		
Government, public and specific bonds	₩ 13,053,893,574	₩ 8,688,302,641
AAA	4,783,968,366	4,150,989,434
AA- to AA+	340,916,067	743,424,006
A- to A+	103,533,039	228,809,207
Less A-	141,394,896	81,374,652
Unrated	8,858,265	6,108,419
	<u>18,432,564,207</u>	<u>13,899,008,359</u>
CP:		
A1	228,094,374	180,122,362
A2 to A3	7,404,863	192,619,084
	<u>235,499,237</u>	<u>372,741,446</u>
Loans and notes discounted :		
AA- to AA+	8,408,019	18,776,456
A- to A+	319,058,334	93,797,446
BBB- to BBB+	651,445,136	502,013,277
BB- to BB+	109,938,224	1,078,281
Unrated	58,061,692	-
	<u>1,146,911,405</u>	<u>615,665,460</u>
Hybrid financial instruments, etc:		
AA- to AA+	191,028,615	176,547,248
A- to A+	45,779,994	70,377,239
BBB- to BBB+	20,120,784	1,006,938
B- to B+	247,382	232,914
Unrated	145,010,057	248,436,696
	<u>402,186,832</u>	<u>496,601,035</u>
	<u>₩ 20,217,161,681</u>	<u>₩ 15,384,016,300</u>

(\*) The Group surveyed the credit soundness of debt securities in financial assets. In case of other financial assets, credit risk is not taken into consideration or the rating of credit soundness cannot be calculated due to their nature of business.

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**48.1.6. Details of industrial credit exposure classified by Korean Standard Industrial Classification as of December 31, 2020 and 2019 consist of the following (Korean won in thousands):**

	December 31, 2020						Total
	Finance and insurance	Manufacturing	Wholesale and retailing	Construction	Others		
Cash and due from banks	₩ 2,222,507,308	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 2,222,507,308
Financial assets measured at FVTPL (*)	5,991,515,264	128,844,054	12,880,480	29,770,506	14,054,151,377	-	20,217,161,681
Derivative instrument assets (*)	318,069,491	-	-	-	-	-	318,069,491
Financial assets measured at FVOCI (*)	365,661,520	-	-	-	-	-	365,661,520
Loans	4,266,676,052	298,864,756	97,762,588	787,101,424	5,932,561,729	-	11,382,966,549
Lease assets	59,925,738	40,294,604	84,151,068	16,144,173	715,502,957	-	916,018,540
Other financial assets	1,072,658,526	-	-	-	621,908,766	-	1,694,567,292
	<u>₩ 14,297,013,899</u>	<u>₩ 468,003,414</u>	<u>₩ 194,794,136</u>	<u>₩ 833,016,103</u>	<u>₩ 21,324,124,829</u>	<u>₩ -</u>	<u>₩ 37,116,952,381</u>

(\*) The Group excluded financial assets below, since they had no significant credit risk.

- Financial assets held-for-trading: Stocks and collective investment securities
- Financial assets designated at fair value through profit and loss: Reserve for claims of customers' deposits (trust)
- Financial assets available-for-sale: Stocks, collective investment securities, foreign currency securities and others
- Derivative financial assets: Options purchased of stock

	December 31, 2019						Total
	Finance and insurance	Manufacturing	Wholesale and retailing	Construction	Others		
Cash and due from banks	₩ 2,102,864,141	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 2,102,864,141
Financial assets measured at FVTPL (*)	5,722,781,939	293,277,342	3,803,208	57,975,608	9,304,180,199	-	15,382,018,296
Derivative instrument assets (*)	172,263,042	-	-	-	-	-	172,263,042
Financial assets measured at FVOCI (*)	124,727,740	-	-	-	81,168,343	-	205,896,083
Loans	4,501,211,797	60,719,290	100,251,059	1,033,862,903	7,296,539,686	-	12,992,584,735
CMA	1,998,004	-	-	-	-	-	1,998,004
Lease assets	64,732,829	48,502,706	94,823,404	22,411,210	784,531,623	-	1,015,001,772
Other financial assets	520,158,447	-	-	-	464,524,733	-	984,683,180
	<u>₩ 13,210,737,939</u>	<u>₩ 402,499,338</u>	<u>₩ 198,877,671</u>	<u>₩ 1,114,249,721</u>	<u>₩ 17,930,944,584</u>	<u>₩ -</u>	<u>₩ 32,857,309,253</u>

(\*) The Group excluded financial assets below, since they had no significant credit risk.

- Financial assets held-for-trading: Stocks and collective investment securities
- Financial assets designated at fair value through profit and loss: Reserve for claims of customers' deposits (trust)
- Financial assets available-for-sale: Stocks, collective investment securities, foreign currency securities and others
- Derivative financial assets: Options purchased of stock

## **48.2. Liquidity risk**

### **48.2.1. Procedures of the liquidity risk management**

The Group defines liquidity risk as the possibility of incurring losses due to a temporary shortage in funds caused by a maturity mismatch or an unexpected capital outlay. Liquidity risk soars when funding rates rise, or assets are sold below a normal price, or a good investment opportunity is missed. The purpose to manage liquidity risk is to early identify the potential risk factors upon raising and operating the Group's funds and to obtain a stable revenue base maintaining an appropriate level of the Group's liquidity by systematically managing the risk.

The targets of liquidity risk management are all assets and liabilities outstanding in the Group's statements of financial position.

The Group's principles of the liquidity risk management are as follows:

- Set up and comply with tolerable limits to liquidity risk.
- Prepare insufficient liquidity by forecasting cash requirements regularly.
- Establish an emergency plan against a liquidity crisis to prepare for an unexpected liquidity risk.
- Evaluate and manage the effect of a large amount of money that is loaned out, invested, or procured on liquidity risks.

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**48.2.2. The residual maturity of non-derivative financial instruments as of December 31, 2020 and 2019 consists of the following (Korean won in thousands):**

	December 31, 2020						
	Within 1 week	After 1 week ~ but no later than 1 month	After 1 month~ but no later than 3 months	After 3 months~ but no later than 6 months	After 6 months~ but no later than 1 year	After 1 year	Total
<b>Assets:</b>							
Cash and due from banks	₩ 1,764,081,915	₩ 12,529,918	₩ 140,000,000	₩ 50,000,000	₩ 150,000,000	₩ 105,895,475	₩ 2,222,507,308
Financial assets measured at FVTPL	10,562,441,486	3,183,046,500	220,092,196	51,195,045	101,564,126	6,098,822,328	20,217,161,681
Financial assets measured at FVOCI	85,964	76,125,000	19,955,400	35,044,460	-	234,450,696	365,661,520
Loans (*1)	1,721,771,393	153,444,551	1,346,702,621	657,441,840	1,965,909,704	5,537,696,440	11,382,966,549
Lease assets	2,887,068	5,255,727	15,425,281	32,331,592	66,919,188	793,199,684	916,018,540
Other financial assets (*2)	1,458,288,213	16,771,466	146,906,868	8,194,727	13,811,685	50,594,333	1,694,567,292
	<u>₩ 15,509,556,039</u>	<u>₩ 3,447,173,162</u>	<u>₩ 1,889,082,366</u>	<u>₩ 834,207,664</u>	<u>₩ 2,298,204,703</u>	<u>₩ 12,820,658,956</u>	<u>₩ 36,798,882,890</u>
<b>Liabilities:</b>							
Deposits (*2)	₩ 1,667,165,549	₩ -	₩ 52,056,795	₩ 142,348,450	₩ 85,587,550	₩ 7,716,622	₩ 1,954,874,966
Financial liabilities held-for- trading	25,563,336	67,999,882	420,178,157	624,433,664	2,041,419,455	1,142,670,786	4,322,265,280
Financial liabilities designated at fair value through profit or loss (*3)	-	150,257,008	453,355,455	91,587,845	131,810,652	2,260,966,464	3,087,977,424
Borrowings	7,465,552,091	4,444,676,053	1,667,027,920	996,325,909	897,513,823	2,699,775,670	18,170,871,466
Debentures	-	864,523,000	894,050,000	1,059,800,000	1,590,600,000	3,904,000,000	8,312,973,000
Lease liabilities	-	490,471	951,030	174,077	6,749,666	23,842,611	32,207,855
Other financial liabilities	1,363,996,536	18,346,695	223,469,548	14,984,493	370,852,424	412,091,118	2,403,740,814
	<u>₩ 10,522,277,512</u>	<u>₩ 5,546,293,109</u>	<u>₩ 3,711,088,905</u>	<u>₩ 2,929,654,438</u>	<u>₩ 5,124,533,570</u>	<u>₩ 10,451,063,271</u>	<u>₩ 38,284,910,805</u>

(\*1) Deferred loan fees and present value discounts are excluded from loans.

(\*2) Present value discounts of other assets and due from banks are excluded.

(\*3) The credit risk assessment adjustment for financial liabilities designated at fair value through profit or loss and Day 1 profit or loss adjustment are excluded.

(\*4) Commitments mentioned in Note 40-3 are the expected maximum exposure which the Group may have to pay in accordance with the contracts in the future. The Group expects that the actual payment will be less than the maximum exposure according to its past transactions and the nature of the commitments. It is difficult for the Group to reasonably estimate the actual timing, amount and probability of settlement of the commitments.

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**48.2.2. The residual maturity of non-derivative financial instruments as of December 31, 2020 and 2019 consists of the following (Korean won in thousands) (cont'd) :**

	December 31, 2019							Total
	Within 1 week	After 1 week ~ but no later than 1 month	After 1 month~ but no later than 3 months	After 3 months~ but no later than 6 months	After 6 months~ but no later than 1 year	After 1 year		
<b>Assets:</b>								
Cash and due from banks	₩ 1,067,646,422	₩ 325,603,622	₩ 17,500,000	₩ 100,000,000	₩ 487,074,725	₩ 105,039,372	₩ 2,102,864,141	
Financial assets measured at FVTPL	11,201,773,510	987,433,090	120,839,115	31,603,121	76,019,118	2,964,350,342	15,382,018,296	
Financial assets measured at FVOCI	70,167,054	50,020,100	-	-	30,776,269	54,932,660	205,896,083	
Loans (*1)	1,515,470,267	251,218,490	928,128,731	919,237,192	1,927,212,164	7,451,317,891	12,992,584,735	
CMA	-	-	-	1,998,004	-	-	1,998,004	
Lease assets	2,690,621	5,058,585	13,688,617	28,383,642	69,723,663	895,456,644	1,015,001,772	
Other financial assets (*2)	727,068,717	8,201,760	166,488,066	16,973,332	9,418,672	56,532,633	984,683,180	
	<u>₩ 14,584,816,591</u>	<u>₩ 1,627,535,647</u>	<u>₩ 1,246,644,529</u>	<u>₩ 1,098,195,291</u>	<u>₩ 2,600,224,611</u>	<u>₩ 11,527,629,542</u>	<u>₩ 32,685,046,211</u>	
<b>Liabilities:</b>								
Deposits (*2)	₩ 666,123,840	₩ 30,425,761	₩ 106,634,083	₩ 719,149,745	₩ 621,140,693	₩ 196,484,883	₩ 2,339,959,005	
Financial liabilities held-for- trading	5,461,709	23,607,440	177,940,798	185,635,397	2,014,058,573	555,629,915	2,962,333,832	
Financial liabilities designated at fair value through profit or loss (*3)	20,432,324	215,367,541	550,706,561	96,199,639	101,103,115	3,183,087,368	4,166,896,548	
Borrowings	7,527,784,488	1,493,977,427	751,683,504	1,814,638,991	1,815,791,525	1,868,109,561	15,271,985,496	
Debentures	330,000,000	802,000,000	708,900,000	1,027,197,080	780,000,000	3,820,000,000	7,468,097,080	
Lease liabilities	-	444,772	789,194	206,845	6,436,329	27,677,659	35,554,799	
Other financial liabilities	669,075,387	19,417,046	114,883,768	-	275,323,724	250,017,777	1,328,717,702	
	<u>₩ 9,218,877,748</u>	<u>₩ 2,585,239,987</u>	<u>₩ 2,411,537,908</u>	<u>₩ 3,843,027,697</u>	<u>₩ 5,613,853,959</u>	<u>₩ 9,901,007,163</u>	<u>₩ 33,573,544,462</u>	

(\*1) Deferred loan fees and present value discounts are excluded from loans.

(\*2) Present value discounts of other assets and due from banks are excluded.

(\*3) The credit risk assessment adjustment for financial liabilities designated at fair value through profit or loss and Day 1 profit or loss adjustment are excluded.

(\*4) Commitments mentioned in Note 40-3 are the expected maximum exposure which the Group may have to pay in accordance with the contracts in the future. The Group expects that the actual payment will be less than the maximum exposure according to its past transactions and the nature of the commitments. It is difficult for the Group to reasonably estimate the actual timing, amount and probability of settlement of the commitments.

Non-derivative financial instruments of consolidated companies with marketability were classified within one week of maturity. Non-marketable non-derivative financial instruments have been classified according to contractual residual maturity.



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**48.2.3. The residual maturity of derivative financial instruments as of December 31, 2020 and 2019 consists of the following (Korean won in thousands):**

		December 31, 2020						
		Within 1 week	After 1 week ~ but no later than 1 month	After 1 month~ but no later than 3 months	After 3 months~ but no later than 6 months	After 6 months~ but no later than 1 year	After 1 year	Total
Exchange-traded derivatives	₩	-	₩ (21,494)	₩ (13,156,033)	₩ (689,388)	₩ (25,063,732)	₩ 22,402,027	₩ (16,528,620)
Over-the-counter derivatives:								
Interests		-	567,125	418,378	34,147,427	51,083	7,609,949	42,793,962
Currency		59,358	11,378,105	21,639,153	(15,660,852)	19,057,961	8,962,326	45,436,051
Stock		24,350	2,918	(182,092)	-	2,117,866	5,626,665	7,589,707
Others		4,696,361	(13,330,929)	(15,426,616)	(7,357,487)	(565,881)	(12,557,138)	(44,541,690)
		<u>4,780,069</u>	<u>(1,382,781)</u>	<u>6,448,823</u>	<u>11,129,088</u>	<u>20,661,029</u>	<u>9,641,802</u>	<u>51,278,030</u>
	₩	<u>4,780,069</u>	<u>₩ (1,404,275)</u>	<u>₩ (6,707,210)</u>	<u>₩ 10,439,700</u>	<u>₩ (4,402,703)</u>	<u>₩ 32,043,829</u>	<u>₩ 34,749,410</u>
		December 31, 2019						
		Within 1 week	After 1 week ~ but no later than 1 month	After 1 month~ but no later than 3 months	After 3 months~ but no later than 6 months	After 6 months~ but no later than 1 year	After 1 year	Total
Exchange-traded derivatives	₩	-	₩ (22,955)	₩ (58,960)	₩ (7,821,543)	₩ 15,538,924	₩ 23,374,004	₩ (68,738)
Over-the-counter derivatives:								
Interests		-	47,714	196,054	23,567	(295,900)	24,046,940	24,018,375
Currency		(291,628)	1,344,845	2,561,254	(5,764,674)	(769,481)	3,009,546	89,862
Stock		(10,850)	-	(34,000)	24,080	(10,000)	2,682,863	2,652,093
Others		-	268,887	4,936,731	(1,981,596)	(31,084,416)	26,177,415	(1,682,979)
		<u>(302,478)</u>	<u>1,661,446</u>	<u>7,660,039</u>	<u>(7,698,623)</u>	<u>(32,159,797)</u>	<u>55,916,764</u>	<u>25,077,351</u>
	₩	<u>(302,478)</u>	<u>₩ 1,638,491</u>	<u>₩ 7,601,079</u>	<u>₩ (15,520,166)</u>	<u>₩ (47,698,721)</u>	<u>₩ 79,290,768</u>	<u>₩ 25,008,973</u>

#### 48.3. Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to the changes in market variables such as interest rates, equity prices, and exchange ratios in the market and so on.

The purposes of market risk management are to control the tolerable loss-limit of assets and liabilities arising from the changes in market variables such as interest rates, foreign exchanges and equity prices. The scope of market risk management is marketable securities which are traded for operating the Group's properties, net foreign exchange positions, derivatives, other assets and liabilities embedded with market risks and off-balances. Significant market risks are interest rate risk, foreign exchange risk and equity price risk as of the reporting date.

The Group manages and controls the market risk arising from the changes of market variables within adequate level by measuring and monitoring the risk exposures on a regular basis.

##### 48.3.1. Trading positions

The trading positions include positions of interest rate, equity price, commodity and foreign exchange held for trading purpose:

- (i) Financial instruments for the purpose of acquiring the differences incurred due to held-for-trading or price fluctuations
- (ii) Financial instruments for the purpose of hedging risks
- (iii) Financial instruments for the purpose of acquiring arbitrages
- (iv) Financial instruments for the purpose of acquisition, brokerage, and market-making

The Group's principles to manage the market risk of its trading positions are to measure its market risk status on a regular basis and to establish and comply with the various market risk limits. The Group analyzes whether the return against risk is appropriate by reviewing its profit and risk on a regular basis.

##### 48.3.2. Value at risk (VaR)

Value at Risk ("VaR") is a primary method that manages and measures the degree of market risks of the trading portfolio subject to exposure, which estimates the potential loss of the trading portfolio that is not expected to be exceeded if the current market risk positions were to be held unchanged for one day. The Group calculates VaR for a standard 10 days in the 99% confidence level. In addition, to account for the method's limited use, a stress test is performed in order to measure the extent of the loss in extreme cases.

##### 48.3.3. The types of Market VaR as of December 31, 2020 and 2019 consist of the following (Korean won in thousands):

	December 31, 2020	Average	Max	Min	December 31, 2019
Interest rates risk	₩ 37,112,650	₩ 37,341,713	₩ 45,862,803	₩ 18,368,644	₩ 18,090,820
Stock price risk	31,896,454	48,652,297	83,898,817	20,369,628	42,371,321
Foreign exchange rate risk	23,885,577	27,444,803	35,503,023	19,160,289	13,211,872
Total risk	₩ 92,894,681				₩ 73,674,013

##### 48.3.4. Non-trading position

Interest rate risk of non-trading position is the risk of loss when interest rate fluctuates at a disadvantage to assets and liabilities sensitive of interest rate. This is caused by the mismatch between the maturity structure of interest-bearing assets and liabilities and the interest rate revision cycle. Meritz Capital Co., Ltd., a subsidiary, maintains interest rate risk management on all interest-bearing assets, liabilities and transactions except for those subject to price fluctuation risk management.

The interest rate VaR is an estimated maximum loss of net asset due to adverse changes of interest rate. The interest rate VaR of non-trading position of Meritz Capital Co., Ltd., a subsidiary, calculated by standard method as of December 31, 2020 is as follows (Korean won in thousands):

	December 31, 2020	December 31, 2019
Interest rate VaR	₩ 56,686,812	₩ 41,963,169

#### 48.4. Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. Risks related to strategy or damaging reputation are excluded but legal or regulatory implications are identified as operational risks. Operational risk includes non-financial risks related to losses due to internal operational problems and due to externalities such as natural disasters and terrorist attacks. Operational risk does not have a direct correlation with income and the Group needs to mitigate such risk through internal controls and insurance. The Group measures the operational risk exposures using the approaches suitable to the Financial Investment Industry Regulations.

#### 48.5. Capital management

The Group evaluates the internal capital adequacy by calculating net capital ratio ("NCR") in accordance with the *Regulation on Financial Investment Services* and detailed enforcement regulations in order to have adequate capital and comply with supervisory regulation.

NCR as of December 31, 2020 and 2019 consist of the following (Korean won in thousands):

	December 31, 2020	December 31, 2019
I. Net capital for business	₩ 4,109,298,433	₩ 3,452,672,620
Net asset amount in consolidated financial statements	4,563,984,931	3,986,827,743
Deduction	(1,194,701,032)	(1,297,617,035)
Addition	740,014,534	763,461,912
II. Total risk amount	1,875,307,925	2,339,193,066
Market risk amount	614,830,607	650,458,880
Credit risk amount	1,078,687,549	1,533,178,355
Operating risk amount	181,789,769	155,555,831
III. Surplus capital(I - II)	2,233,990,508	1,113,479,554
IV. Regulatory capital required (*)	134,610,000	134,610,000
V. NCR(III/IV)	1,659.60%	827.19%

(\*) Own capital required is calculated as 70% of legal capital (₩192.3 billion).

#### 49. Uncertainty in the economic environment

Due to concerns about the spread of COVID-19 in early 2020, the world, including Korea, is facing a difficult economic situation and uncertainty over the prolonged situation. Financial investment companies are sensitive to domestic and international economic conditions and various variables. In the past, the transaction value was the main variable in the business structure centered on simple investment brokerage. Recently, various external environmental factors such as interest rates, exchange rates, global stock indices, and domestic and overseas real estate market are playing a major role in the performance of financial investment companies. In particular, economic slowdown may become visible in the future due to the impact of the spread of COVID-19.

Therefore, the expansion of volatility in domestic and overseas economic conditions due to rapid changes in the stock market and uncertainty in the direction of monetary policy in major developed countries leads to a decrease in liquidity, increased possibility of capital evacuation, and a decline in investment sentiment, which negatively affects overall financial investment business performance and profitability. The Group is closely monitoring the impact of COVID-19, but the ultimate impact on the Group's financial position and performance cannot be predicted at this time.

#### 50. Approval of the financial statements

The consolidated financial statements were approved by the Board of Directors on February 1, 2021 and expected to approve at the general shareholder's meeting on March 18, 2021.