



INVESTMENT 



CULTURE

CREATOR 

NH Investment & Securities 2Q 2020 Earnings Release

August, 2020



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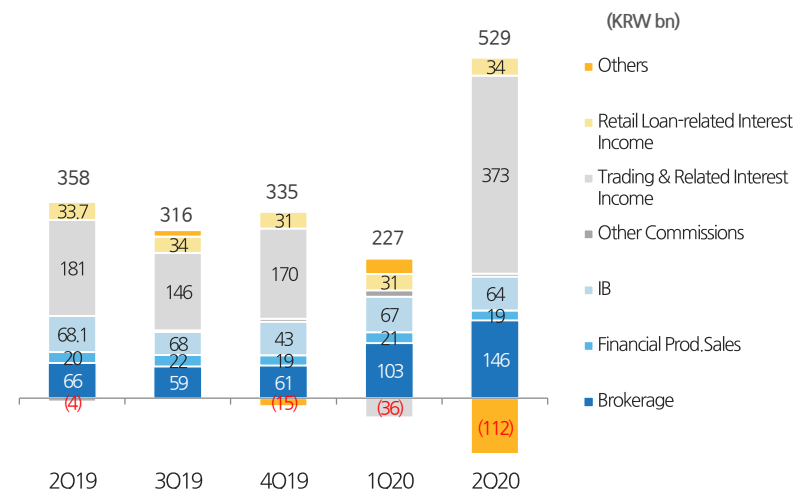
[Appendix]

1. Financial Summary

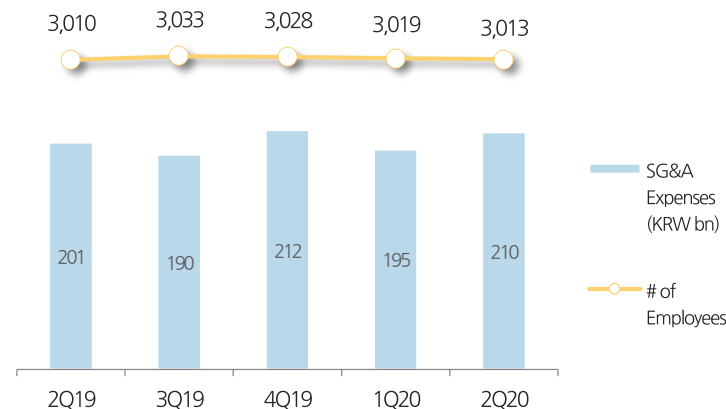
Summary Income Statement & Selected Financial Data

Consolidated (KRW bn)	2Q19	3Q19	4Q19	2020	1Q20	2Q20
NOR I. ①	358.2	315.9	334.9	755.2	226.5	528.7
Commissions	147.3	127.5	149.4	436.3	202.5	233.8
Brokerage	65.8	59.4	61.2	249.2	103.2	146.0
Financial Product Sales (Funds, Wrap, Trusts)	20.4	21.6	19.3	39.2	20.6	18.6
IB (Underwriting, M&A Adv., Debt guarantee)	68.1	43.2	63.1	130.5	66.7	63.8
Other Commissions	-7.0	3.3	5.9	17.4	11.9	5.4
Trading & related Interest Income	180.7	145.5	169.6	326.8	-36.2	373.0
Trading Income	45.5	12.8	42.3	63.3	-171.6	234.9
Trading Related Interest Income	135.2	132.7	127.2	273.6	135.4	138.1
Retail Loan-related Interest Income	33.9	31.1	31.2	64.7	31.2	33.5
Brokerage Loan	29.3	28.1	27.7	53.8	26.8	27.0
Client Deposit	4.5	3.0	3.5	10.9	4.4	6.4
Others	-3.6	11.7	-15.3	-82.7	28.9	-111.6
(+) G/L on valuation & disposition of loans receivable ②	-5.0	-8.4	-54.7	-0.7	21.9	-22.6
NOR II. (①+②)	353.2	307.5	280.1	754.5	248.4	506.1
(-) SG&A Expenses	200.7	190.2	211.7	404.4	194.6	209.9
Operating Income	152.6	117.4	68.4	350.1	53.8	296.3
Pre-tax Income	144.8	109.7	148.6	349.7	41.8	307.9
Net Income	107.6	80.7	116.5	261.6	31.1	230.5
Attributable to Controlling Interests	107.3	80.6	116.4	261.7	32.2	229.5
ROE*	8.2%	6.1%	8.7%	9.6%	2.4%	16.9%

NOR I.



SG&A Expenses & # of Employees



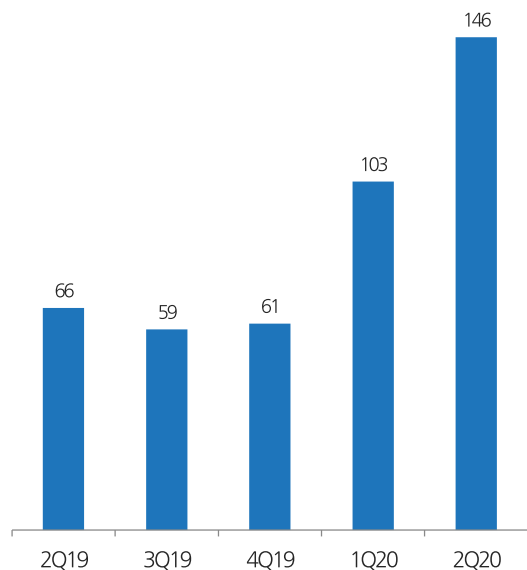
* ROE = (Q'ly Net income attributable to controlling interests*4) / (Q'ly Averaged shareholders' equity attributable to controlling interests)

2. Brokerage

- Net brokerage commission up-surfed to record W146.0bn in 2Q20(+41.5% QoQ) driven by the market's average daily trading value¹⁾ climbing +44.1% QoQ to W21.9tn.**
Brokerage sales²⁾ recorded W263.6tn in 2Q20 along with individual participation boosted in the market(+52.5% QoQ)
1) Inclusive of KOSPI, KOSDAQ and ELW, 2) Subscriptions
- Total brokerage M/S³⁾ in 2Q20 reached 9.2%, 1.0%p increase QoQ**
 - M/S By client segments : Individual 10.8%(+0.4%p QoQ), Institutional 12.7%(+1.1%p QoQ), Foreigner 1.1%(-0.3%p QoQ)
3) Averaged monthly Brokerage M/S
- Client assets increased through the digital channel, 'NAMUH', and related brokerage subscription amount increased accordingly**
 - Daily average digital channel subscription amount came to W11.7tn in 2Q20, retail brokerage M/S from NAMUH reached 7.8%(+0.6%p QoQ)

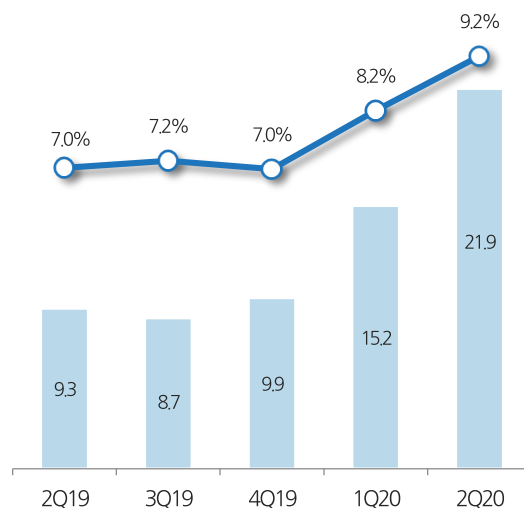
Brokerage Commission

(KRW bn)



Average Daily Market Trading Value* & NHIS Brokerage M/S

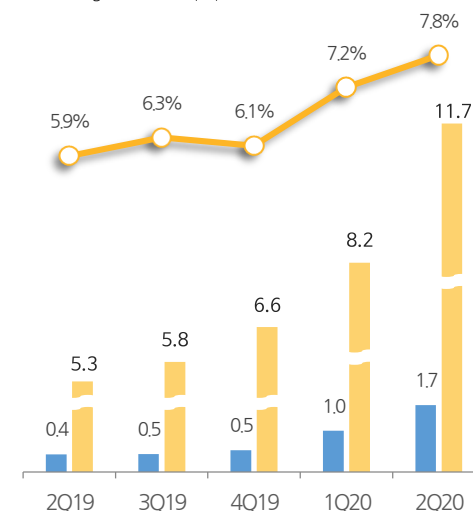
— Average Daily Market Trading Value (KRW tn)
 —○ NHIS Brokerage M/S (%)



* Average daily market trading value includes KOSPI, KOSDAQ and ELW

Digital Channel Subscription Vol. & Assets Growth

— Digital Ch. Daily Average Subscript. Vol. (KRW tn)
 — Digital Ch. Client Asset (KRW tn)
 —○ Digital Ch. M/S (%)

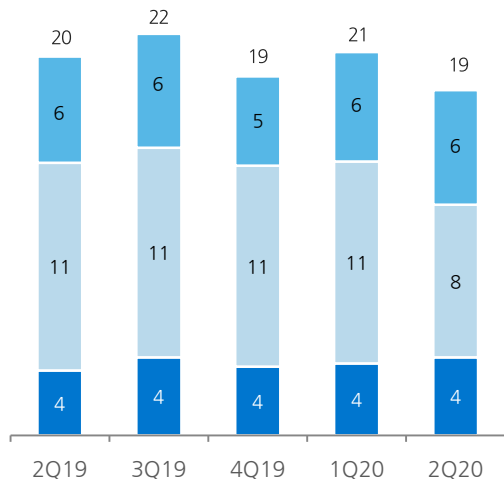


3. Financial Product Sales

- 2Q20 Financial product sales commissions decreased 9.9% QoQ to W18.6bn**
 - With a decrease in quarterly DLS(B) issuance, related fund sales commissions shrunk. Decreased bond-type funds' balance led mutual fund sales commission to diminish in 2Q20
 - Commissions from wrap accounts and trusts grew +8.4% QoQ and +4.8% QoQ to record W4.2bn and W6.2bn respectively
- Financial product assets recorded W124tn in 2Q20(+7.8% QoQ). With a notable amount of retail money inflow, total assets increased to W277tn(+18.4% QoQ), and the number of HNWI stood at 114,977(+29.6% QoQ) to hit a quarterly record**
- Promissory note balance reached W4.9tn in 2Q20(Short-term maturity type W2.4tn, CMA type W2.5tn)**
 - Through promissory note, the fund is managed approximately 54% on corporate finance and 19% on real-estate investment

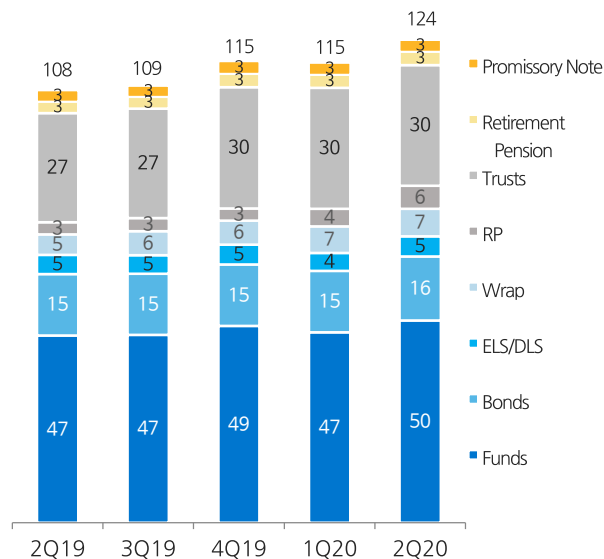
Financial Product Sales Commission

■ Wrap Accounts (KRW bn)
■ Mutual Funds (KRW bn)
■ Trusts (KRW bn)



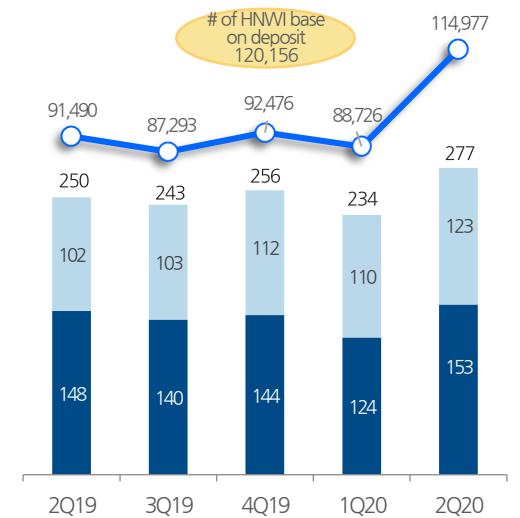
Client Financial Product Assets

(KRW tn)



of HNWI & Total Assets

■ Wholesale Client Assets (KRW tn)
■ Retail Client Assets (KRW tn)
○ # of HNWI (Investable Assets)

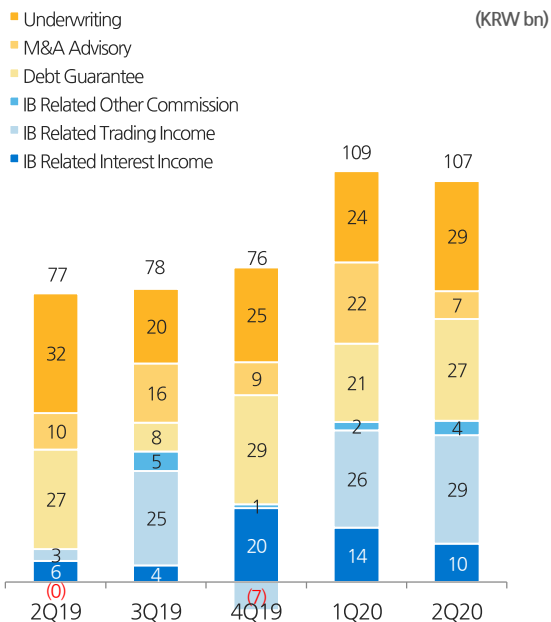


* High Net Worth Individuals: Clients with KRW 100Mn or more

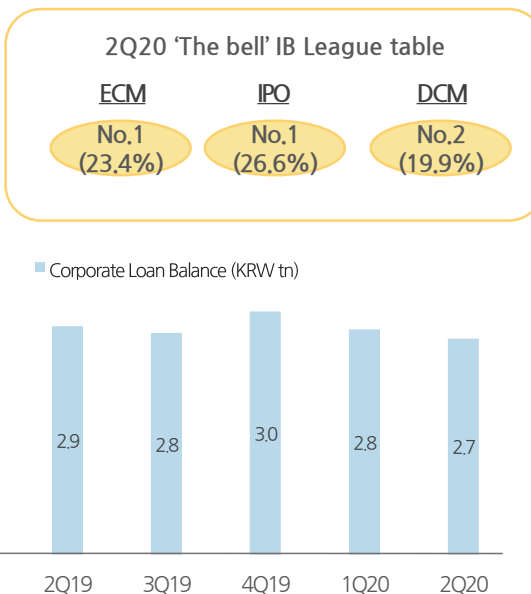
4. Investment Banking

- Both ECM and DCM improved amid the global market's rapid recovery and interest rate drop. Underwriting commission hiked 20.8% QoQ to W29.3bn in 2Q20
 - Book-running IPO deals such as SK Bio-farm, dream-CIS and Withus pharmaceutical
- Despite tangible asset market contraction with prolonged COVID-19, debt guarantee commission grew to W27.1bn(+30.1% QoQ)
 - Led H-line shipping and SK Chemical acquisition financing and bridge loan to district development of Yongin MoHyun, HwaSung City BanWol housing PF
- With reduced numbers of new deals, M&A commissions(W7.4bn) and IB related interest income(W10.2bn) fell on the quarterly basis

IB Commissions & Income



IB M/S & Corporate Loan Balance



Upcoming IB Deals

ECM

[IPO] Wisebirds, A-PRO, Y-farm, Big-hit Entertainment, etc.

[Rights offering] Korean Air

DCM

[Bond] Hanon Systems, Seah-steel, Shinhan Inv. Corp., Meritz Financial Group, etc.

Alternative Investment

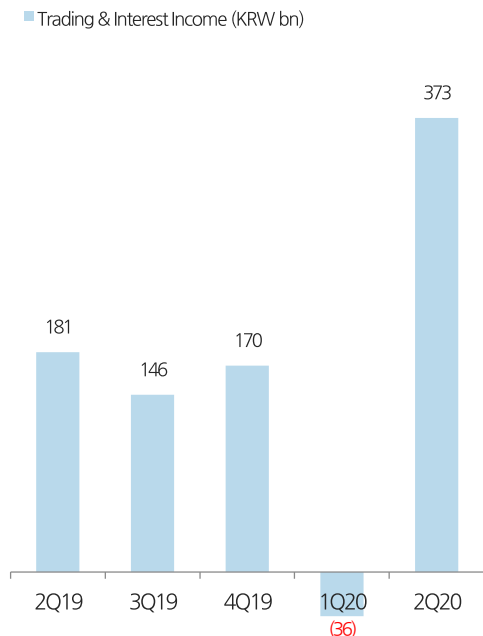
[Real-estate] Gwangju Joongwoi Park PF, Busan LCT mortgage loan, Namyangju Zone6 rearrangement project, etc.

[A.I.] UAE natural gas pipeline business investment, etc.

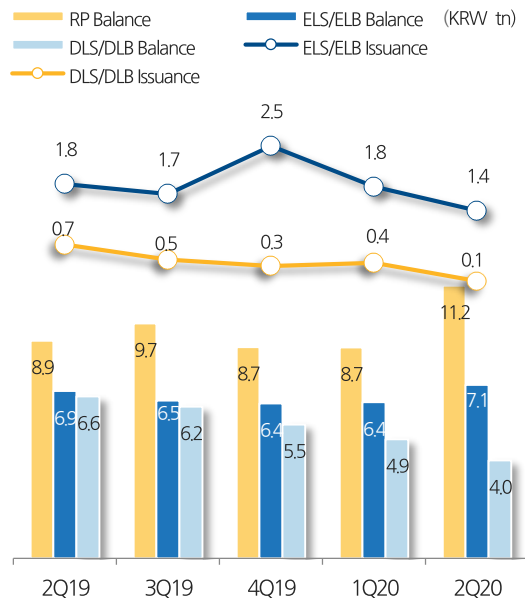
5. Trading & Related Interest Income, Retail Loan-related Income

- With domestic & global stock/FI markets recovering, 2Q20 trading and related interest income boosted to reach W373.0bn**
 - Rebalancing overseas FI position and credit spread narrowing after the abrupt widening in 1Q have improved overseas FI trading income
 - With KTB yields dropping (3Y -23bp, 5Y -18bp, 10Y -19bp QoQ), fixed-income trading and valuation income grew sharply
 - Portfolio rearranged towards businesses benefiting from the global adoption of reflation policy. Hedge fund's (A consolidated subsidiary) trading income improved significantly QoQ
- RP(Repurchase agreement) balance reached W11.2tn(+28.7% QoQ). ELS(B) balance came to W7.1tn and DLS(B) to 4.0tn**
- Increase in client deposits and average balance of brokerage-related loans(mainly stock-loans) amplified retail loan-related income to grow 7.1% QoQ to W33.5bn**
 - Average balance of client deposits and brokerage-related loan reached W5.0tn and W2.8tn respectively

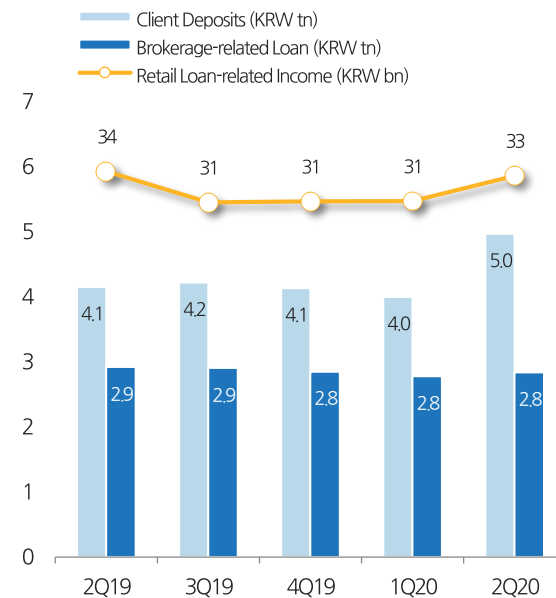
Trading & Related Interest Income



Issuance & Balance of ELS, DLS, RP



Client Deposits, Brokerage-related Loan



6. Summary Consolidated Income Statement

(KRW bn)

IFRS9	2Q19	3Q19	4Q19	1Q20	2Q20
Operating Income	3,697.2	3,117.7	779.8	6,852.8	1,976.5
Commissions received	194.0	189.0	201.3	249.9	280.9
Gain on disposal/valuation of financial asset at FVPL	3,049.7	2,452.2	358.3	5,812.7	1,310.4
Gain on disposal/valuation of financial assets at FVOCI	2.5	5.5	13.0	3.6	11.9
Gain on disposal/valuation of AC securities	0.0	0.0	0.0	0.0	0.0
Gain on disposal/valuation of derivatives(hedge)	2.0	2.1	-2.2	2.5	-0.3
Interest income	268.3	261.2	246.3	251.6	241.1
Gain on disposal/valuation of loans	1.9	0.3	1.8	25.5	0.6
Gain on foreign transactions	115.2	142.8	-83.0	398.8	89.9
Others	63.6	64.5	44.4	108.1	42.0
Operating Expenses	3,544.6	3,000.3	711.4	6,799.0	1,680.3
Commissions expense	46.7	61.4	51.8	47.4	47.1
Loss on disposal/valuation of financial asset at FVPL	3,036.2	2,539.1	324.4	6,088.9	1,137.6
Loss on disposal/valuation of financial assets at FVOCI	0.2	0.1	3.2	6.0	1.6
Loss on disposal/valuation of AC securities	0.0	0.0	0.0	0.0	0.0
Loss on disposal/valuation of derivatives(hedge)	4.6	2.1	-1.3	4.7	-3.3
Interest expense	106.4	104.4	94.2	91.8	77.4
Loss on disposal/valuation of loans	6.8	8.7	56.6	3.6	23.2
Loss on foreign transactions	137.9	102.0	-42.2	355.8	106.7
Sales general and administrative expenses	200.7	190.2	211.7	194.6	209.9
Others	5.1	-7.6	13.0	6.2	80.1
Operating Income	152.6	117.4	68.4	53.8	296.3
Non-operating Profit/Loss	-7.7	-7.7	80.1	-12.0	11.7
Pre-tax Income	144.8	109.7	148.6	41.8	307.9
Net Income	107.6	80.7	116.5	31.1	230.5
Attributable to controlling interests	107.3	80.6	116.4	32.2	229.5
ROE (Annualized)	8.2%	6.1%	8.7%	2.4%	16.9%

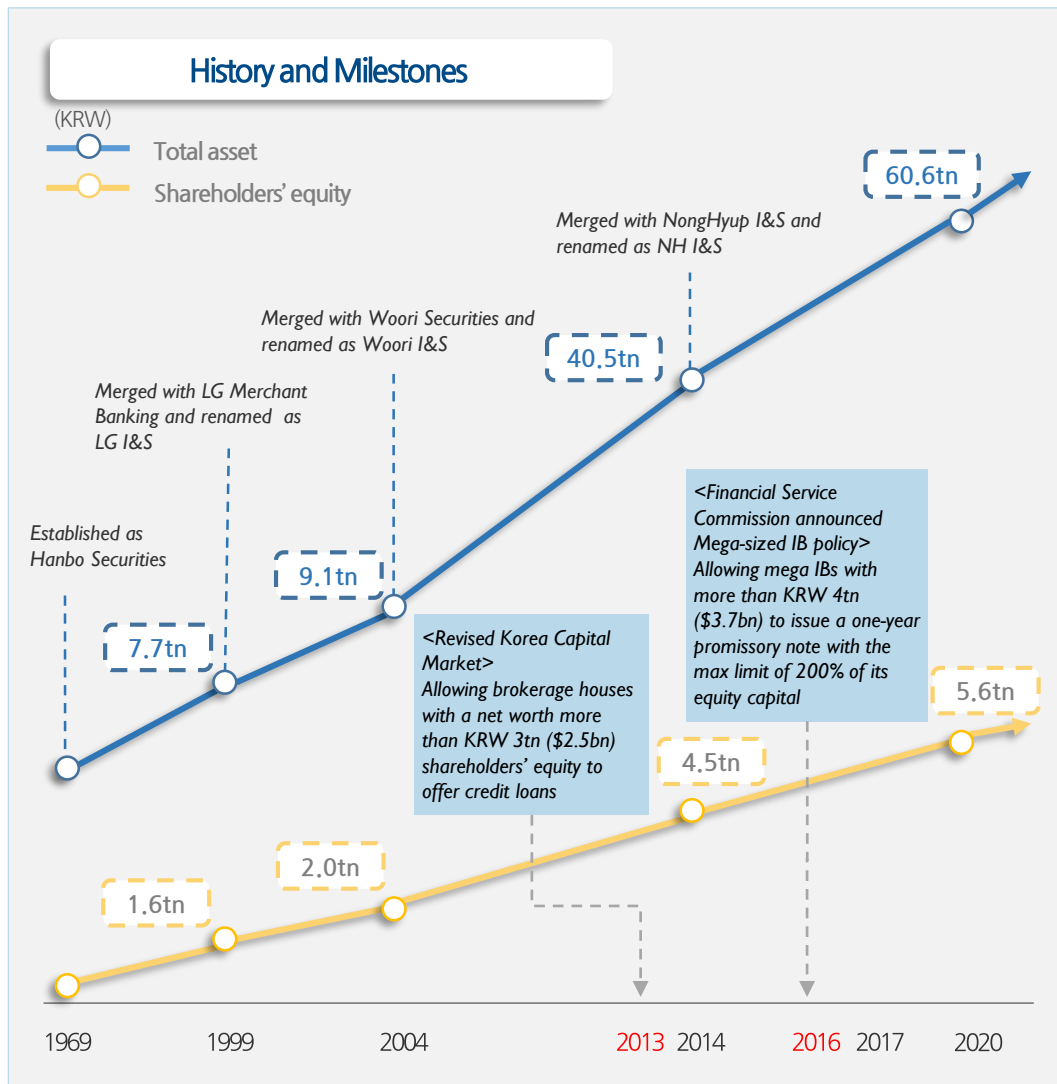
* ROE = (Quarterly net income attributable to controlling interests * 4) / (Quarterly averaged shareholders' equity attributable to controlling interests)

7. Summary Consolidated Balance Sheet

(KRW bn)

IFRS9	2Q19	3Q19	4Q19	1Q20	2Q20
Assets	53,218.5	54,518.4	50,075.1	58,067.8	60,627.9
Cash and cash equivalents	1,013.4	894.1	996.1	1,293.2	1,338.6
Financial assets at fair value through profit or loss	34,918.0	36,455.9	32,664.0	35,237.0	38,034.1
Financial assets available for sale	3,986.1	3,994.3	4,135.5	4,540.3	4,571.0
Securities	0.0	0.0	0.0	0.0	0.0
Investments in associates and subsidiaries	95.0	137.0	149.4	165.8	257.3
Derivatives assets (hedge)	2.4	0.8	2.2	0.4	0.3
Long-term loans and receivables	12,592.9	12,370.5	11,617.7	16,174.2	15,729.0
Tangible fixed assets	285.6	286.5	126.2	123.2	125.0
Investment real estate	56.6	55.7	55.6	55.6	55.2
Intangible assets	17.1	57.8	58.0	57.5	58.1
Right-of-use assets	26.7	29.1	42.2	42.2	37.1
Current tax assets	16.9	25.0	5.0	31.7	42.4
Deferred tax assets	1.5	3.4	1.7	13.2	6.9
Other assets	206.2	208.4	221.3	333.5	372.9
Liabilities	47,999.3	49,200.3	44,683.0	52,758.4	55,068.1
Deposits	4,453.6	4,410.2	4,338.3	5,392.8	5,994.6
Financial liabilities at fair value through profit or loss	19,310.7	19,643.2	17,300.8	18,280.6	18,134.5
Borrowings	17,596.1	17,932.3	17,552.7	18,067.7	21,333.9
Debentures	3,622.8	3,662.4	2,669.9	3,502.6	2,728.2
Derivatives liabilities (hedge)	6.1	7.5	4.3	8.9	8.1
Other financial liabilities	2,809.8	3,318.0	2,638.4	7,315.1	6,584.0
Allowance for credit loss	27.2	24.6	28.5	35.7	113.8
Current tax liabilities	0.5	7.2	26.1	38.1	5.6
Deferred tax liabilities	53.8	67.7	18.0	0.0	59.1
Other liabilities	118.7	127.1	105.8	116.9	106.3
Shareholders' Equity	5,219.2	5,318.2	5,392.1	5,309.4	5,559.8
Attributable to controlling interest	5,212.4	5,311.9	5,385.1	5,304.0	5,552.9

[Appendix] Introduction to NH Investment & Securities



Who We Are

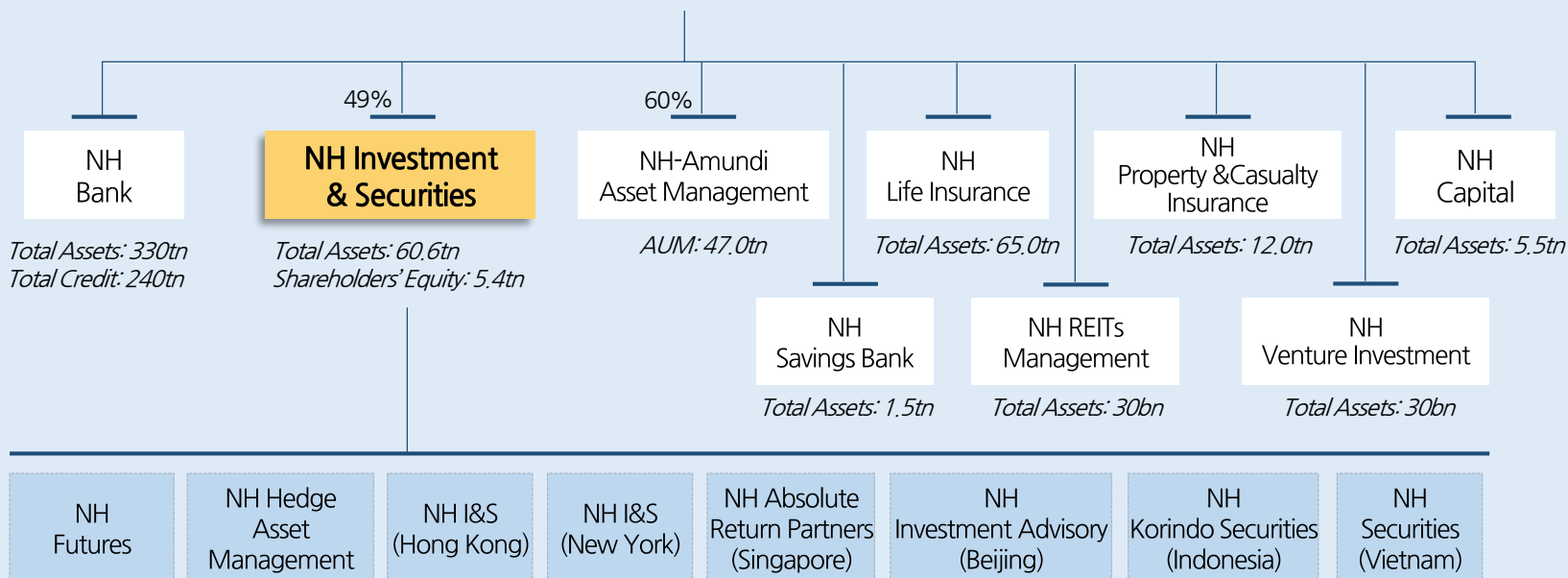
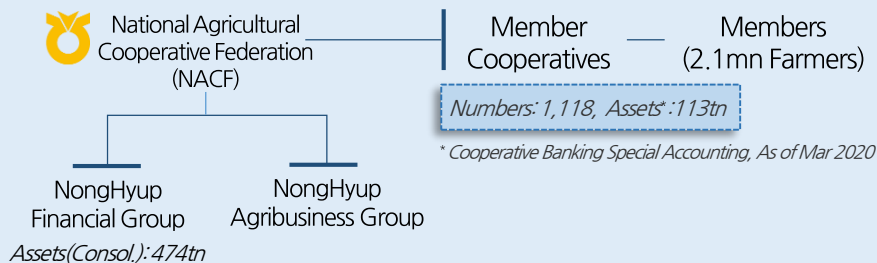
(as of June 2020)

CEO	Jeong Young-Chae (Since Mar 2018)																				
Network	77 Branches (3 sub-branches) 6 Local subsidiaries, 2 Offices																				
Number of Employees	3,016																				
Total Capitalization	KRW 2.5 tn																				
Major Shareholders	Nonghyup Financial Group 49.1% National Pension Service 9.9% Foreign Investor 13.0% Employees Stocks(ESOP) 1.5%																				
Credit Rating	Domestic : AA+ (KR, NICE, KIS) Global : A-(S&P), Baa1 (Moody's)																				
Organization	<table border="0"> <tr> <td>[Business Divisions]</td> <td>[Support Divisions]</td> </tr> <tr> <td>WM Division</td> <td>Mgmt Admin.Div</td> </tr> <tr> <td>Adv. Solution Div.</td> <td>Corp. Strategy Div.</td> </tr> <tr> <td>IB Division 1</td> <td>Digital Strategy Div.</td> </tr> <tr> <td>IB Division 2</td> <td>Risk Mgmt Div.</td> </tr> <tr> <td>Investment Division</td> <td>Research Division</td> </tr> <tr> <td>Wholesale Division</td> <td>Compliance Division</td> </tr> <tr> <td>Prime Brk Division</td> <td>Fin.Consumer Protect.Div.</td> </tr> <tr> <td>Client Asset Mgmt Div.</td> <td>Info. Secur.Div.,etc.</td> </tr> <tr> <td>NHUF Mgmt Div.</td> <td></td> </tr> </table>	[Business Divisions]	[Support Divisions]	WM Division	Mgmt Admin.Div	Adv. Solution Div.	Corp. Strategy Div.	IB Division 1	Digital Strategy Div.	IB Division 2	Risk Mgmt Div.	Investment Division	Research Division	Wholesale Division	Compliance Division	Prime Brk Division	Fin.Consumer Protect.Div.	Client Asset Mgmt Div.	Info. Secur.Div.,etc.	NHUF Mgmt Div.	
[Business Divisions]	[Support Divisions]																				
WM Division	Mgmt Admin.Div																				
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NHUF Mgmt Div.																					

[Appendix] NH Organization at a glance

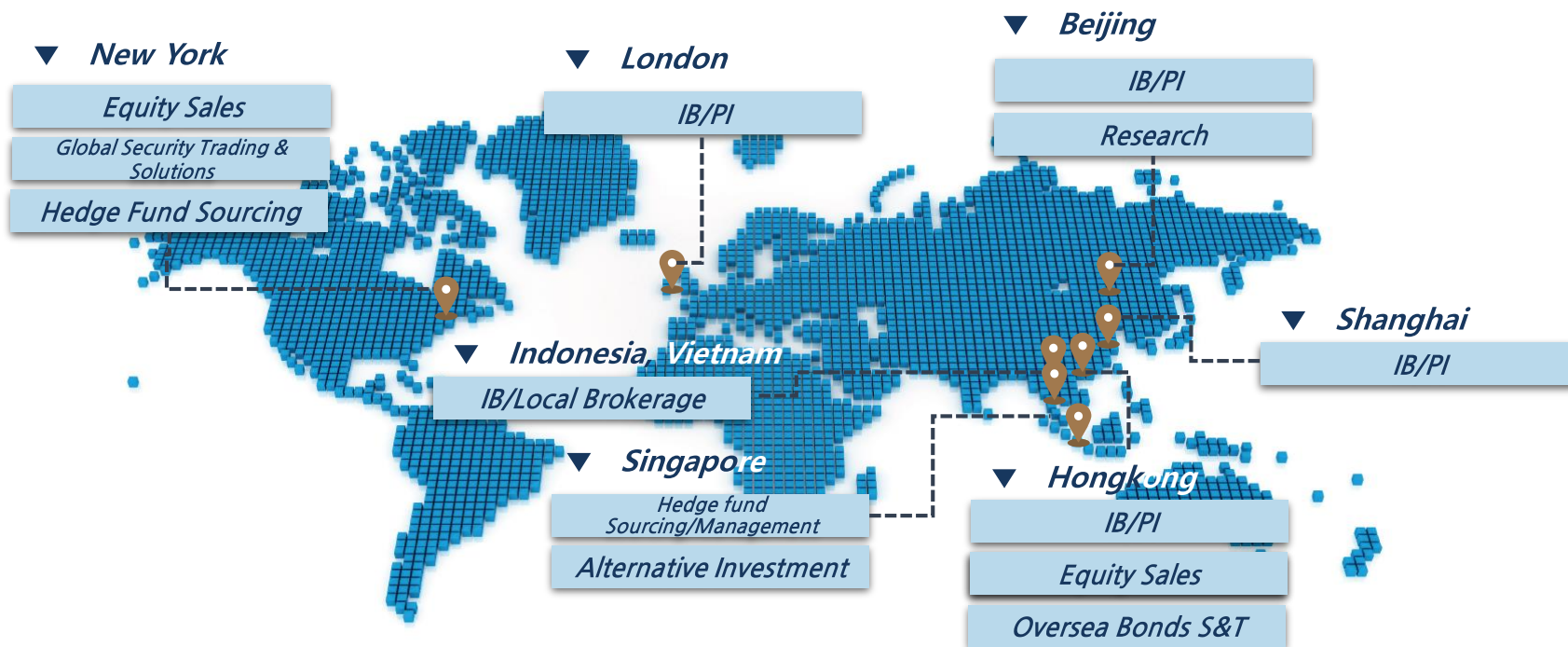
(as of June 2020, KRW)

NACF's 5 Subsidiaries: NHFG, NHAG, NH Information System, NH Development Co., Agricultural Cooperative Asset Management
 NongHyup Financial Group: 9 Subsidiaries
 NongHyup Agribusiness Group: 17 Subsidiaries



[Appendix] Global Network

(as of June 2020)



	New York	Hong Kong	Shanghai	Singapore	Indonesia	Vietnam	Beijing	London
Incorporation year	1992	1994	1996	2008	2009	2009	2010	2016
Entity type	Corporation	Corporation	Office	AMC	Joint Venture	Corporation	Corporation	Office
Capital(USD)	\$6.0mn	\$405.1mn	-	\$2.5mn	\$50.5mn	\$30.5mn	\$1.7mn	-
No. of Employees	12	20	2	4	135	55	5	2



NH Investment & Securities Investor Relations

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