



**WOORI GLOBAL MARKETS ASIA LIMITED**  
友利投資金融有限公司

**REGULATORY DISCLOSURES**

**FOR THE YEAR ENDED**

**31 DECEMBER 2023**

## WOORI GLOBAL MARKETS ASIA LIMITED

### REGULATORY DISCLOSURES

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## Introduction

The banking disclosures are governed by the Company's disclosure policy which sets out the content, frequency, internal control in relation to publication of banking disclosures. The disclosure policy is subject to regular review and board approval.

### Table OVA: Overview of risk management

The Company has established an effective risk governance and management framework. This framework enables the Board and Senior Management to discharge their risk management related responsibilities with appropriate delegation and checks and balances. Detailed policies and procedures are contained in each of respective functional sections within the organization and are based on risks inherent in those business activities, global best practices and laws, regulations and practices within banking sector that the Company operates and policies or guidelines established by HKMA and SFC.

The Company's Board of Directors (the "Board") and senior management are responsible to ensure that effective policies, processes and systems are in place to identify, measure, evaluate, monitor, report and control or mitigate all material risks across business activities, whatever the nature of the exposure arising from those activities. The Board regularly receives reports which include information on credit risk exposure, liquidity position, financial position and compliance matters.

Risk management program focuses on risk categories as described below.

- Credit Risk
- Market Risk
- Interest Rate Risk
- Liquidity Risk
- Operation Risk
- Legal Risk
- Strategy Risk
- Reputation Risk

Major risk controls are described below:

#### a) Credit Risk:

Credit risk refers to possibility of losses arising from changes in credit fundamentals of loans and investment instruments. Credit risk and management of these risks are an exercise in evaluating, measuring and quantifying risk and choosing to accept, avoid or mitigate those risks.

For identifying risks, methods are including gathering and analyzing data from both internal and external sources. Risk management is responsible for reviewing relevant data, using information to determine impacts on establishing and managing credit risk exposure as well as responding to changes in quality of credits. Credit risk is actively monitored internally and externally through independent reviews.

Credit risk limits are set for lending by rating, tenor, geographic concentration, industry, and type of facility. Market conditions, changes in strategic business focus, changes in acceptable risk levels are considered when setting limits.

#### b) Market Risk:

Market Risk is exposure of the Company's position to adverse changes in financial market prices such as interest rates, exchange rates, equity, credit spread, etc., before such holdings can be liquidated or hedged. The Company identifies market risks due to adverse changes in market place which affect revenue and profit of the Company. Data from both internal and external sources are gathered and analyzed. Permissible instruments or instrument-types are identified in investment policy as well as activities for which the Company intends to use them. In order to measure the Company's market risk, timely information on portfolio and market values of its securities and derivatives is required. Where internal models are used, adequate procedures to validate models and periodically review all elements of modeling process including assumptions and risk modeling techniques are used.

#### c) Liquidity Risk:

The Company faces two types of liquidity risk in its lending, securities and other financial activities: risks related to specific product or markets and risks related to general funding of their activities. The former market-liquidity risk is risk that an institution cannot unwind or offset a particular position at or near the previous market price due to inadequate market depth or disruptions in marketplace. The latter, funding-liquidity, is risk that an institution is unable to meet payment obligations on settlement dates. Since the Company can be exposed to both types of liquidity risk, management evaluates these risks in broader context of the Company's overall liquidity. When specifying permissible securities and derivative instruments, the Company shall take into account size and liquidity of markets for specific instruments, and effect these characteristics may have on achieving an objective. The Company must consider effect that market risk can have on liquidity of different types of instruments. Funding risk of an institution becomes an important consideration when its unrealized losses are material, and may affect the Company's capital adequacy.

#### d) Operating Risk:

Operating risk is risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Company has set RSA and KRI. The purpose of RSA is to cope up with ways to recognize, assess and properly manage operational risks embedded in business process of the Company. KRI is quantified indicator of key operational risk exposure in terms of time, ratio, number of event or amount. Risk management is responsible for reviewing and, controlling data with respect of operational risk. Periodic internal reviews of operations combined with comprehensive audits designed to reveal weaknesses in operations and exposure to operational risk are conducted. When risk is identified, either corrective action is taken or monitoring program is undertaken. Clear segregation of duties within the Company's organization is monitored and desirable to reduce operational risks. Management has monitored operating risk on a daily basis and reviewed overall on a monthly basis.

**Table OVA: Overview of risk management (continued)**

The Company maintains various committees in addition to Board of Directors to ensure effective management of risks as follows:-

a) Credit Committee

The Credit Committee takes responsibility for management of credit risk of loans. The Committee's voting members mainly consist of Chief Executive, Head of Business Support Unit and Head of Risk Management. Credit Committee's activity includes that;

- To approve loans/credits being processed.
- To evaluate risks and weaknesses in credit proposals including structure, terms & conditions and creditworthiness/repayment capability of borrowers.
- To examine and agree in consensus that loan meets necessary criteria (in terms of credit, legal and compliance) to be an acceptable risk exposure to the Company
- To monitor quality of credit portfolio (risk rating evolutions, portfolio/ product /industry/country concentrations, etc.)
- To approve watch list clients and specific credit risk provisions
- To approve Credit Policy and related risk management system/procedures

b) Investment Committee

The Board of Directors has delegated its responsibilities and role in respect of approval of investment decisions to Investment Committee. The Committee's voting members consist of Chief Executive, Head of Business Support Unit, Treasurer, Head of Risk Management, and Relevant Department Head. Investment Committee's activity includes:

- To recommend changes in Investment Policy
- To consider investment opportunities
- To determine expected return on investments
- To examine risk of investments, including credit, liquidity, market, interest rate, legal and currency risks (where applicable)
- Ensuring investments comply with AML regulations
- Monitoring of existing investments on a periodic basis, including scenario and stress-testing where applicable

After a loan has been extended, relevant lending officer and Risk Management are to be involved in ongoing monitoring of that client's risk profile. The lending officer shall update credit file with most recent information, and the risk management officer has responsibility to set up an early warning system with respect to financial factors that need to be maintained in order for that loan's rating to remain unchanged. The risk management officer shall monitor that loan's covenants.

Stress testing is an integral part of the Company's risk management. It has established Stress and Scenario Testing policy and proper risk management procedures to identify, quantify, control and manage various types of risk associated with all positions that the Company is exposed to. The Company regularly performs stress-tests on principal risks, where appropriate, covering the Company's major regulatory ratios. Result of stress-test is reported to management and ALCO committee.

The Company has three independent lines of defense when it comes to risk taking. The first line of defense is provided by business units where risks are taken. In course of conducting business activities, staff in business units hold frontline positions in proper identification, assessment, management and reporting of risk exposures on an ongoing basis, having regard to our risk appetite, policies, procedures and controls.

The second line of defense is provided by independent and effective risk management and compliance functions. The risk management function is primarily responsible for overseeing the Company's risk-taking activities, undertaking risk assessments and reporting independently from business line, while compliance function monitors compliance with laws, corporate governance rules, regulations and internal policies.

The third line of defense is provided by internal audit function which is responsible for providing assurance on the effectiveness of the risk management framework including risk governance arrangements.

Template LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

As at 31 December 2023	US\$					
	(a) / (b)	(c)	(d)	(e)	(f)	(g)
	Carrying values as reported in published financial statements / Carrying values under scope of regulatory consolidation	Carrying values of items:				
subject to credit risk framework		subject to counterparty credit risk framework	subject to the securitization framework	subject to market risk framework	not subject to capital requirements or subject to deduction from capital	
<b>Assets</b>						
Cash	384	384	-	-	-	-
Balances with banks and other financial institutions	2,990,769	2,990,769	-	-	-	-
Placements with banks	-	-	-	-	-	-
Loans and advances to customers	289,081,843	289,081,843	-	-	-	-
Debt investments at fair value through other comprehensive Income	184,616,767	184,616,767	-	-	-	-
Equity investments at fair value through profit or loss	14,874,022	14,874,022	-	-	-	-
Property and equipment	50,886	50,886	-	-	-	-
Right-of-use assets	2,149,225	2,149,225	-	-	-	-
Deferred tax assets	246,464	-	-	-	-	246,464
Other assets	380,126	380,126	-	-	-	-
Tax receivable	-	-	-	-	-	-
<b>Total assets</b>	<b>494,390,486</b>	<b>494,144,022</b>	-	-	-	<b>246,464</b>
<b>Liabilities</b>						
Loan due to banks and other financial institutions	344,091,025	-	-	-	-	344,091,025
Other payables and accruals	712,207	-	-	-	-	712,207
Tax payable	2,610,250	-	-	-	-	2,610,250
Lease liabilities	2,148,965	-	-	-	-	2,148,965
<b>Total liabilities</b>	<b>349,562,447</b>	-	-	-	-	<b>349,562,447</b>

**Template LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements**

As at 31 December 2023		US\$				
		(a)	(b)	(c)	(d)	(e)
Total		credit risk framework	securitization framework	counterparty credit risk framework	market risk framework	
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	494,144,022	494,144,022	-	-	-
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	-	-	-	-	-
3	Total net amount under regulatory scope of consolidation	494,144,022	494,144,022	-	-	-
4	Off-balance sheet amounts	27,786,519	17,489,738	-	-	-
5	<i>Differences due to consideration of provisions</i>		-	-	-	-
6	<i>Others</i>		873,927			
7	Exposure amounts considered for regulatory purposes	512,507,687	512,507,687	-	-	-

**LIA: Explanations of differences between accounting and regulatory exposure amounts**

The difference between accounting values and amounts considered for regulatory purpose is mainly due to impairment loss provided for Loans and advances to customers and placements with banks, and also difference in recognizing Loans and advances to customers at amortized cost using effective interest rate for accounting value while gross amount of Loans and advances to customers was used for regulatory purpose.

The Company measures its debt securities investments at fair value at end of each reporting period. Fair value is price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date. Fair value measurement is based on presumption that transaction to sell that asset or transfer that liability takes place either in principal market for that asset or liability, or in absence of a principal market, in the most advantageous market for that asset or liability. Principal or the most advantageous market must be accessible by the Company. Fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in circumstances and for which sufficient data are available to measure fair value, maximising use of relevant observable inputs and minimising use of unobservable inputs. Fair value of financial assets of the company are based on quoted bid prices from dealers.

All assets and liabilities for which fair value is measured are categorised within fair value hierarchy, described as follows, based on the lowest level input that is significant to fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to fair value measurement is unobservable

**Table CRA: General information about credit risk**

Credit risk is the risk of loss arising from a borrower or counterparty failing to meet its obligations. The board sets policies and procedures about main characteristics and elements of credit risk management. In Credit Policy, it has defined authority, rules and framework to conduct its lending business, structure its loan portfolio profitably, and manage risks effectively. Credit risk constraints, risk appetite, and limits are identified at appropriate product/instrument, portfolio, and counterparty level. Credit shall be managed by taking into account strategy and portfolio goals set by the Board and senior management of the Company, pursuing its interests while keeping with best practices in risk management, and complying with all regulatory rules governing operation of its credit granting processes.

Credit risk limits are set for lending by rating, tenor, geographic concentration, industry, and type of facility. Market conditions, changes in strategic business focus, changes in acceptable risk levels are considered when setting limits.

Risk Management unit is responsible to carry out day-to-day risk management activities. The unit has clearly defined responsibilities and accountability and has a direct reporting line to senior management. Risk Management unit is independent from risk-taking and operational units it reviews, and has unfettered access to information from these units that is necessary for carrying out its duties. The unit is given adequate authority, management support and resources to perform its duties, and be staffed by persons with relevant expertise and knowledge. Risk Management unit is responsible to ensure that all relevant risks are properly identified, well understood, measured, controlled, assessed and reported. It is also responsible for, and not limited to, periodic reviews, monitoring use of risk limits, overseeing and approving risk assessment, and analyzing risks of new products and services, conducting stress tests, and alerting the Board and senior management to any other matters that may have a significant impact on the Company's financial position and risk profile. Risk Management unit regularly provides report to the Board on aggregate exposure versus portfolio limit by industry, country, product type and total group exposures to groups of related counterparties.

The Company has three independent lines of defense when it comes to risk taking. The first line of defense is provided by business units where risks are taken and are responsible for identification, assessment, management and reporting of risk exposures on an ongoing basis, having regard to the Company's risk appetite, policies, procedures and controls.

The second line of defense is provided by risk management and compliance functions. The risk management function is primarily responsible for overseeing the Company's risk-taking activities, undertaking risk assessments and reporting independently from business line, while the compliance function monitors compliance with regulations and internal policies.

The third line of defense is provided by internal audit function which is responsible for providing assurance on the effectiveness of risk management framework including risk governance arrangements.

**Table CRB: Additional disclosure related to credit quality of exposures**

The Company follows requirement of HKFRS 9 in calculation of loan impairment loss which means that the provision is based on assessments of individual and collective loan impairments. In addition to the regulatory reserve, there are two types of loan loss reserve that the Company shall set aside - individual loan impairment (Stage 3 of ECL) and collective loan impairment (Stage 1 and Stage 2 of ECL). In case of individual loan impairment reserve, a specific reserve is set aside for expected losses of individual specific loan recognized on balance sheet date.

HKMA's Loan Classification System requires credit portfolios to be categorized into one of the five categories such as Pass, Special Mention, Substandard, Doubtful and Loss.

The Company maintains its own internal rating system. The risk rating system is based on general considerations and on experience and not principally on mathematical modeling although financial consideration is a material factor considered in the ratings. Mapping table below shows WGMA internal rating and reference to HKMA loan classification.

WGMA Rating	WGMA Loan Classification Definition	HKMA Loan Classification System
1	Extremely Strong	Pass
2	Satisfactory	Pass
3	Acceptable	Pass
4	Watch	Special Mention
5	Substandard	Substandard
6	Doubtful	Doubtful
7	Loss	Loss

The definitions are as follows;

a) Extremely Strong

An obligor has a very strong capacity to meet its financial obligations. These counterparties are mostly large international entities with stable/leading industry position and long term experience in the business. The counterparty has a very strong managing ability and maintains solid financial performance with strong liquidity, profitability and stability.

b) Satisfactory

An obligor has strong capacity to meet its financial obligations. The obligors usually are leading entities in the local market and maintains above average business performance in the industry. The counterparty has low managerial risk due to good managing ability and abundant experience, and its financial condition in terms of liquidity, capitalization, earnings, cash flow are all satisfactory.

c) Acceptable

An obligor has acceptable capacity to meet its financial obligations. The counterparties usually maintain acceptable financial performance and reasonable industry position. However, its capacity to meet its financial obligations in medium-term is likely to be affected by adverse business or economic conditions hence require more close and regular monitoring.

d) Watch

An obligor is experiencing difficulties which may threaten the institution's position. Ultimate loss is not expected at this stage but could occur if adverse conditions persist.

e) Substandard

An obligor is displaying a definable weakness that is likely to jeopardize repayment. The institution is relying heavily on available security. This would include loans where some loss of principal or interest is possible after taking account of the "net realizable value" of security, and rescheduled loans where concessions have been made to a customer on interest or principal such as to render the loan "non-commercial" to the bank. Certain amount of specific provisions should be set aside for accounts included in this category. If the accounts are secured by collateral, the specific provisions should take into account the collateral value. If interest has been overdue for a significant period of time, no interest shall be accrued.

f) Doubtful

Collection in full is improbable and the institution expects to sustain a loss of principal and/or interest after taking account of the net realizable value of security. Obligor is in, or is likely to enter into, some form of statutory administration or liquidation. Specific provisions should be made against any expected loss and accrual of interest on these loans should cease.

g) Loss

Loans which are considered uncollectible after exhausting all collection efforts such as realization of collateral, institution of legal proceedings, etc. All outstanding principal and interest that are not covered by the value of collateral should be fully provided for or written off.

If interest and/or principal amounts due have not been received within 90 days of the due date, the loan will be principally classified as "Substandard". If the accounts are secured by collateral, the specific provisions should take into account the collateral value.

The Company defines problem loans and non-performing credits if the loans are classified the following cases;

- Problem loan – a high risk loan rated "5" or worse, which may still be current
- Delinquent - Payment is overdue
- Over 90 days delinquent - impaired exposure

The Company does not extend or restructure a problem credit without an adequate assessment of the extension or restructuring proposal and the longer-term viability of the borrower. Where additional collateral or guarantee is received as a condition for restructuring a credit, it should be thoroughly evaluated prior to acceptance. The decision will be taken place to protect the Company's interests.



**Table CRB-1: Credit quality of exposures by geography**

US\$

As at 31 December 2023	Total	Advances overdue for over three months	Impaired advances to customers	Allowance for impaired exposure
Hong Kong	15,574,770	-	-	-
Korea	209,809,559	-	-	-
Asia Pacific (excluding Hong Kong and Korea)	86,358,502	6,928,520	6,928,520	2,372,896
Europe	69,346,541			
Others	124,619,883	-		
Total	505,709,255	6,928,520	6,928,520	2,372,896

**Table CRB-2: Credit quality of exposures by industry**

US\$

As at 31 December 2023	Total	Advances overdue for over three months	Impaired advances to customers	Allowance for impaired exposure
Electricity & gas	57,824,273			
Infrastructure	60,318,299	-	-	-
Transportation	59,429,997			
Manufacturing	93,502,886	-	-	-
Others	234,633,801	6,928,520	6,928,520	2,372,896
<b>Total</b>	<b>505,709,255</b>	<b>6,928,520</b>	<b>6,928,520</b>	<b>2,372,896</b>

**Table CRB-3: Credit quality of exposures by residual maturity**

As at 31 December 2023	US\$
Less than one year	145,993,321
Between one and five years	295,364,481
More than five years	<u>73,393,846</u>
Total	<u><u>514,751,648</u></u>

**Table CRC: Qualitative disclosures related to credit risk mitigation**

The Company maintains specific policy regarding credit risk mitigation. Credit risk may be mitigated by obtaining recognized collateral and guarantees from customer or counterparty. Where possible, the Company takes collateral as a secondary recourse to borrower. In general, collateral valuation is updated regularly and standardized appraisal report is collected. Collaterals include cash or deposits, marketable and non-marketable securities, receivables, real estate, ships, aircraft, and etc.

The Company carefully assesses legal enforceability of collateral (collateral to be held with appropriate security documentation, e.g. deposits covered by a specific pledge /charge and safe custody of property title deeds, for cash collateral, legal restrictions or exchange regulations pertaining to jurisdictions being involved, etc). All legal documentation used in collateralized transactions shall be legally effective and enforceable in all relevant jurisdictions. The Company's lending unit is responsible to obtain appropriate written legal opinions to verify this and must update them as necessary to ensure continuing effectiveness and enforceability. The legal mechanism must ensure that WGMA has clear rights over the collateral and may liquidate, retain or take legal possession of it in a timely manner in the event of default, insolvency or bankruptcy or otherwise defined credit event set out in transaction documentation of the counterparty.

Once problem loans or nonperforming loans are identified, a specific loan loss reserve will be put in place. Should there be any recoveries in the charged-off loans, recoveries will be applied to reduce outstanding interest, then to offset fees/costs incurred in recovery process and then to reduce outstanding principal.

**CRD: Qualitative disclosures on use of ECAI ratings under STC approach**

The Company does not use STC approach to calculate the credit risk for non-securitization exposures; therefore, this disclosure template is not applicable to the Company.

**CRE: Qualitative disclosures related to internal models for measuring credit risk under IRB approach**

The Company does not use IRB approach to calculate the credit risk for non-securitization exposures; therefore, this disclosure template is not applicable to the Company.

**CR9: Back-testing of PD per portfolio – for IRB approach**

The Company does not use IRB approach to calculate the credit risk for non-securitization exposures; therefore, this disclosure template is not applicable to the Company.

**Table CCRA: Qualitative disclosures related to counterparty credit risk (including those arising from clearing through CCPs)**

The Company has not entered into counterparty credit risk transactions that gave rise to the counterparty credit risk capital charge under Part 6A of the Banking (Capital) Rules as at year end 31 December 2023.

**Table SECA: Qualitative disclosures related to securitization exposures**

The Company has no securitization exposures as at year end 31 December 2023.

**MRA: Qualitative disclosures related to market risk**

The Company has an exemption from calculation of market risk under section 22(1) of the Banking (Capital) Rules; therefore, this disclosure template is not applicable to the Company.

**MRB: Additional qualitative disclosures for AI using IMM approach**

The Company has an exemption from the calculation of market risk under section 22(1) of the Banking (Capital) Rules; therefore, this disclosure template is not applicable to the Company.

**PV1: Prudent valuation adjustments**

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
		Equity	Interest rates	FX	Credit	Commodities	Total	Of which: In the trading book	Of which: In the banking book
1	Close-out uncertainty, of which:	-	-	-	-	-	-	-	-
2	<i>Mid-market value</i>	-	-	-	-	-	-	-	-
3	<i>Close-out costs</i>	-	-	-	-	-	-	-	-
4	<i>Concentration</i>	-	-	-	-	-	-	-	-
5	Early termination	-	-	-	-	-	-	-	-
6	Model risk	-	-	-	-	-	-	-	-
7	Operational risks	-	-	-	-	-	-	-	-
8	Investing and funding costs	-	-	-	-	-	-	-	-
9	Unearned credit spreads	-	-	-	-	-	-	-	-
10	Future administrative costs	-	-	-	-	-	-	-	-
11	Other adjustments	-	-	-	-	-	-	-	-
12	Total adjustments	-	-	-	-	-	-	-	-

## GSIB1: G-SIB indicators

The Company is not G-SIB; therefore, this disclosure template is not applicable to the Company.

## LIQA: Liquidity risk management

Liquidity risk is risk that the Company may not be able to meet its obligations as they fall due without incurring unacceptable losses. This may be caused by the Company's inability to liquidate assets or to obtain funding to meet its liquidity needs, whether because of institution-specific reasons or market stress.

The Company takes it as its primary business to carry out prudent management of liquidity. The Liquidity Management Policy sets out internal guidelines in relation to actual operations of assets and liabilities of the Company. The policy is principally consistent with guidelines and recommendations of the HKMA.

Ultimate responsibility for ensuring liquidity of the Company rests with Asset & Liability Committee ("ALCO") of the Company. ALCO is responsible to oversee the Company's operations relating to liquidity risk to ensure that structure of the Company's business and level of balance sheet risk it assumes are effectively managed, and that resources are available to control liquidity risks and meet its obligations.

Process of achieving a balance between maximization of liquidity premium earnings and need to have sufficient liquidity available at a cost in event of crisis is liquidity management. This balance is determined by regular stress testing of liquidity reporting system using a set of crisis scenarios. In this way, an optimum "liquidity buffer" is calculated and updated on a regular basis. Liquidity buffer consists of cash, bank balance and debt securities qualified as "Liquefiable Assets".

Measurement of liquidity is monitored daily. The Company also considers funding implications arising from off balance sheet activities. Liquidity maintenance ratio report is prepared by Finance Department and reported to Managing Director on daily basis.

- A full revaluation of securities held is prepared monthly and reported to Woori Bank, which is the Company's parent bank in Korea.
- A detailed report of all assets and liabilities in terms of their maturity is prepared monthly for Managing Director's review and reported to ALCO and the Parent Bank monthly to assist its global liquidity management.

Target liquidity maintenance ratio is set to be 30%. If liquidity maintenance ratio so calculated falls below the target ratio, Treasurer shall promptly report to ALCO. Treasurer will follow instructions from ALCO requested to take any necessary actions to maintain the ratio.

The Company conducts monitoring review of its short-term money market credit facility and report to the Parent Bank monthly for estimating the Company's borrowing capability and performing usages analysis of the Company's credit lines.

The Company is to approach the Parent Bank and the Bank of Korea, as last resort, for short-term borrowings if it should become non-liquid in spite of its liquidity management efforts. Stress-testing is conducted based on severe but plausible stress scenarios covering, at a minimum, respective impacts and combined impacts of institution-specific stress and market-wide stress. The result is reported to Board and senior management with information to determine the Company's risk tolerance level, business strategies and contingency funding plan.

The Company maintains a contingency funding plan for overall safe and sound management practices of the Company. This plan provides for a systematic approach to manage potential liquidity crisis. Upon invocation of contingency funding plan, senior management is responsible for informing all staff members and Woori Bank of the invocation.

The Company maintains sufficient liquidity to be able to meet all obligations to its customers at any time. At the end of 2023, the Company's Liquidity Maintenance Ratio was 198.29%.

The following is the Company's analysis of on- and off-balance sheet items by remaining maturity and resultant liquidity gaps as at 31 December 2023, which show structure of the Company's balance sheet or that project cash flows and future liquidity positions.

	Repayable	Up to	3 - 12	1 - 5	Over	Undated	Total
	on demand	3 months	months	years	5 years		
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>Financial assets</b>							
Cash	384	-	-	-	-	-	384
Bank balances with banks and other financial institutions	2,990,769	-	-	-	-	-	2,990,769
Loans and advances to customers	-	15,791,837	23,310,428	194,685,146	59,719,283	-	293,506,694
Debt investments at fair value through other comprehensive income	-	14,996,256	75,600,000	95,000,000	-	-	185,596,256
Equity investments at fair value through profit or loss	-	-	-	6,752,877	8,121,145	-	14,874,022
Financial assets included in other assets	-	-	-	286,397	-	-	286,397
Total financial assets	2,991,153	30,788,093	98,910,428	296,724,420	67,840,428	-	497,254,522
<b>Financial liabilities</b>							
Loans due to banks and other financial institutions	-	97,934,483	248,507,950	-	-	-	346,442,433
Financial liabilities included in other payables and accruals	-	18,900	510,978	-	-	-	529,878
Lease liabilities	-	239,598	660,903	1,400,290	-	-	2,300,791
	-	98,192,981	249,679,831	1,400,290	-	-	349,273,102
Net liquidity gap	2,991,153	(67,404,888)	(150,769,403)	295,324,130	67,840,428	-	147,981,420
Loan commitments	-	3,842,975	-	8,265,233	6,179,569	-	18,287,777
Other commitments	-	-	-	2,252,544	7,246,198	-	9,498,742

### IRRBBA: Interest rate risk in banking book

Interest rate risk in banking book is risk that value of an interest rate-sensitive portfolio in banking book will fall as a result of changes in market interest rates regularly. Asset and Liability Committee ("ALCO") of the Company takes responsibility to oversee the Company's operations relating to interest rate risk on monthly basis. Depending on complexity of financial instruments, interest rate risk can be quantified through calculation of simple indicators, such as market value of a security and/or more complex measures of price sensitivity (i.e. present value of basis point). These measures are applied to an individual position and/or to a portfolio of interest rate sensitive products. Volatility of interest rates and yields to maturity is another risk factor in interest rate risk.

The Company manages interest rate risk on banking book primarily by focusing on matched maturity and re-pricing mismatches. Gap analysis provides a static view of the maturity and re-pricing characteristics of the Company's assets, liabilities, and off-balance sheet positions. Principally the Company keeps more than 50% of lending portfolio with matched maturities between assets and liabilities. The mismatched portion is covered by the Company's capital and short term liabilities.

The Company's interest bearing assets are mainly denominated in US Dollar with proportion of more than 90% of total assets with the rest being comprised of HK Dollar and Euro. The Company's interest bearing liabilities are also denominated in US Dollar whilst small portion of HK Dollar and Euro assets are wholly matched with HK Dollar and Euro liabilities respectively, thus mitigating currency mismatch risk. Due to an assumption of rise in interest rate or yield curve, the Company's net interest income would have a positive effect thanks to larger interest bearing assets than liabilities.

Stress testing is also conducted with reference to the HKMA's six standardized interest rate shock scenarios. In computation of economic value of equity, commercial margins and spread components are included in cash flow applied for computation and corresponding discount rate used. In assessing products that subject to prepayment or early redemption risk, the Company follows the HKMA's standardized framework. There is no non-maturity deposits ("NMD") held by the Company.

### IRRBB1: Quantitative information on interest rate risk in banking book

This table provides information on change in economic value of equity ("EVE") and also change in net interest income ("NII") over next 12 months under each of prescribed interest rate shock scenario in respect of the Company's interest rate exposures arising from banking book positions for the year ended 31 December 2023.

(USD million)	AEVE	ΔNII	AEVE	ΔNII
Period	31 December 2023		31 December 2022	
1 Parallel up	1.78	(2.24)	1.27	(2.26)
2 Parallel down	-	2.24	-	2.26
3 Steepener	-		-	
4 Flatteners	1.06		0.75	
5 Short rate up	1.67		1.17	
6 Short rate down	-		-	
7 Maximum	1.78	2.24	1.27	2.26
Period	31 December 2023		31 December 2022	
8 Tier 1 capital	143.25		131.60	

The prescribed interest rate shock scenarios are provided by the Hong Kong Monetary Authority in their Supervisory Policy Manual IR-1, Interest Rate Risk in the Banking Book and are generally described as follows:

- 1 Parallel up: A constant parallel shock up across all time buckets
- 2 Parallel down: A constant parallel shock down across all time buckets
- 3 Steepener: Short rates down and long rates up
- 4 Flatteners: Short rates up and long rates down
- 5 Short rate up: Rates up are greatest at shortest time bucket and diminish towards current rates in longer time buckets
- 6 Short rate down: Rates down are greatest at shortest time bucket and diminish towards current rates in longer time buckets

According to the analysis shown above, the short rate up shock scenario and the parallel down shock scenario would lead to the most significant adverse impact on economic value of equity and net interest income respectively, which would lead to a decrease of 1.25% in the Tier 1 Capital and 1.56% in the NII of the Company respectively.



## **REMA: Remuneration policy**

The objective of remuneration policy is to provide guidance to the Company on operation of its remuneration system and to ensure that remuneration system of the Company is sound in order to promote effective risk management within the Company. The remuneration policy is applicable to all employees of the Company in Hong Kong. Remuneration information disclosed is in accordance with HKMA Supervisory Policy Manual CG-5 "Guideline on a Sound Remuneration System".

The Board of Directors (the "Board"), with consultation of risk control personnel, has authority and is actively involved in process of design and implementation of the Company's remuneration policy and play a continuing role in monitoring of remuneration system. Remuneration system is subject to annual review by the Board with input from local management and risk control personnel.

No external consultants is engaged in relation to design and implementation of remuneration policy.

Following employees are classified as "Senior Management" and "Key Personnel" in accordance with HKMA's "Guideline on a Sound Remuneration System":

- "Senior Management": Chief Executive and Head of Business Support Unit who are responsible for oversight of the Company's strategy and activities.
- "Key Personnel": Department/Team Heads of Business Unit whose responsibilities involve the assumption of material risk or the taking on of material exposures on behalf of the Company.
- During the year, there were 3 employees and 4 employees being classified as Senior Management and Key Personnel respectively (2022: Senior Management:2; Key Personnel:3).

The remuneration of risk control personnel is determined by relevant senior, concurred by the CE and approved by the Board.

Employee remuneration is composed of fixed and variable remuneration. Fixed remuneration is determined based on individual employee's skills and responsibilities. Variable remuneration is tied to business profitability of the Company as well as individual performance each year.

### **Performance Measurement**

- Award of variable remuneration should depend on economic factors, business profitability of the Company as well as individual performance each year.
- Performance in relation to non-financial factors such as adherence to risk management policies, compliance with legal, regulatory and ethical standards, results of internal audit reviews, adherence to corporate values, and customer satisfaction should form a significant part of overall performance measurement of employees, given that poor performance in these factors can be indicative of significant risks to the Company. Adverse performance in non-financial factors, where appropriate, should override outstanding financial achievements, and be reflected by a reduction to, or elimination of, any variable remuneration.
- To better align remuneration with sustainable performance, overall amount of the Company's variable remuneration should take into account the Company's performance over longer term.

### **Adjustments to performance assessment**

- The Company adopts financial factors (e.g. profit, revenue, turnover, or volume) as a basis for assessing performance of employees and determining their variable remuneration in consideration of current and potential risks associated with activities of employees, and in particular: (a) cost and quantity of capital required to support risks taken; (b) cost and quantity of liquidity risk assumed in conduct of business; and (c) timing and likelihood of potential future revenues incorporated into current earnings.
- Variable remuneration should take account of overall performance of relevant business units and the Company as a whole as well as contribution of individual employees to such performance.
- Deterioration in financial performance of the Company should generally lead to a contraction in total amount of variable remuneration paid by the Company.

The Company has no plan to defer payment of variable remuneration to employees given that core business of the Company is considered as low risk in short term.

The Company has no plan to offer share or share-linked instruments to employees. Rather, the Company shall offer cash-based variable remuneration (i.e. bonus) to employees as incentive reward.

**REM1: Remuneration awarded during financial year**

US\$		(a) and (b)	
Remuneration amount and quantitative information		Senior management and Key personnel	
1		Number of employees	7
2		Total fixed remuneration	829,404
3		Of which: cash-based	829,404
4	Fixed remuneration	Of which: deferred	-
5		Of which: shares or other share-linked instruments	-
6		Of which: deferred	-
7		Of which: other forms	-
8		Of which: deferred	-
9		Number of employees	5
10		Total variable remuneration	167,805
11		Of which: cash-based	167,805
12	Variable remuneration	Of which: deferred	-
13		Of which: shares or other share-linked instruments	-
14		Of which: deferred	-
15		Of which: other forms	-
16		Of which: deferred	-
17	<b>Total remuneration</b>		<b>997,210</b>

Due to small number of executives that disclosures of individuals' remuneration will be disadvantageous to the Company, aggregate remuneration of the Senior Management and Key Personnel during the year, split into fixed and variable remuneration, is disclosed.

**REM2: Special payments**

US\$		(a)	(b)	(c)	(d)	(e)	(f)
		Guaranteed bonuses		Sign-on awards		Severance payments	
Special payments		Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
1	Senior management	-	-	-	-	-	-
2	Key personnel	-	-	-	-	-	-

**REM3: Deferred remuneration**

US\$		(a)	(b)	(c)	(d)	(e)
Deferred and retained remuneration		Total amount of outstanding deferred remuneration	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
1	Senior management	-	-	-	-	-
2	Cash	-	-	-	-	-
3	Shares	-	-	-	-	-
4	Cash-linked instruments	-	-	-	-	-
5	Other	-	-	-	-	-
6	Key personnel	-	-	-	-	-
7	Cash	-	-	-	-	-
8	Shares	-	-	-	-	-
9	Cash-linked instruments	-	-	-	-	-
10	Other	-	-	-	-	-
11	<b>Total</b>	-	-	-	-	-