



KEB HANA GLOBAL FINANCE LIMITED
換銀韓亞環球財務有限公司

Banking Disclosure Statement

31 December 2023

(Unaudited)

These disclosures are prepared under
the Banking (Disclosure) Rules

KEB HANA GLOBAL FINANCE LIMITED

換銀韓亞環球財務有限公司

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KEB HANA GLOBAL FINANCE LIMITED

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Introduction

Purpose

The information contained in this document is for KEB Hana Global Finance Limited (The “Company”). It should be read in conjunction with the Company’s 2022 Report of the Directors and Audited Financial Statements. The Company’s Report of the Directors and Audited Financial Statements and the Banking Disclosure Statement, taken together, comply with the Banking (Disclosure) Rules (“BDR”) made under section 60A of the Banking Ordinance.

These banking disclosures are governed by the Company’s disclosure policy, which has been approved by the Board. The disclosure policy sets out the governance, control and assurance requirements for publication of the document. While the Banking Disclosure Statement is not required to be externally audited, the document has been subject to independent review in accordance with the Company’s policies on disclosure.

Corporate Information

KEB Hana Global Finance Limited is a limited liability company incorporated in Hong Kong. The Company’s immediate holding company is KEB Hana Bank (the “Parent Bank”), a limited company incorporated in the Republic of Korea, and the ultimate holding company is Hana Financial Group Inc. The registered office and principal place of business of the Company is Unit 6203A, Level 62, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

The Company is a deposit-taking company registered under the Banking Ordinance in Hong Kong and a registered institution under the Securities and Futures Ordinance. It engages in the business of lending, deposit-taking, dealing in securities and brokerage business. There were no significant changes in the nature of the Company’s principal activities during the period.

Basis of preparation

The Banking Disclosure Statement has been prepared in accordance with and fully comply with the requirements set out in the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority (“HKMA”).

The approaches used in calculating the company’s regulatory capital or capital charge are in accordance with the Banking (Capital) Rules (the “Capital Rules”). In accordance with the Capital Rules, the Company has adopted the “Basic Approach” for the calculation of risk-weighted assets for credit risk, and the “Basic Indicator Approach” for the calculation of operational risk. The Company has been exempted under section 22(1) of the Banking (Capital) Rules from the calculation of market risk under section 17.

Disclosure requirements covered in the Company’s Report of the Directors and Audited Financial Statements:

- Section 35 – Annual financial disclosures on pages 6 to 9

Corporate Governance Report

Corporate Governance Principles and Practices

The Company is committed to maintaining and upholding high standards of corporate governance with a view to safeguarding the interests of shareholders, customers, employees and other stakeholders. The Company has fully complied with the guideline set out in the Supervisory Policy Manual module CG-1 on “Corporate Governance of Locally Incorporate Authorised Institutions” issued by the HKMA.

Board of Directors

The Board has the ultimate responsibility for the operations and financial soundness of the Company and the key responsibilities of the Board of the Company include:

- setting and overseeing the objectives of the Company and the strategies for achieving those objectives
- establishing and overseeing risk governance
- promotion of risk awareness and a strong culture of adhering to risk limits and managing risk exposures
- culture of ethical and professional behaviour at both the institution and individual staff levels
- appointment and oversight of senior management
- setting corporate values and standards
- overseeing the remuneration policy
- ensuring a suitable and transparent corporate structure
- ensuring effective audit function
- ensuring an appropriate degrees of transparency in respect of the structure, operation and risk management of the Company
- recovery plan of the Company
- overall management of Information Technology (IT) governance and IT risks
- evaluation of the Board
- establishing and overseeing the whistle-blowing system
- overseeing the Environmental, Social and Governance (ESG) strategy including sustainable finance, and the development and implementation of the Company’s climate strategy
- overseeing the operational resilience framework and strategy, and its implementation
- overseeing the cyber incident response and recovery (CIRR) activities

The Board establishes the Company’s strategy in alignment with its risk principles, framework, capacity, risk appetite and major risk limits, and has the ultimate responsibility of the risk management of the Company. The Executive Committee review and recommend for the Board’s approval of the Company’s risk management strategies, key risk policies and risk appetite, at least annually.

Board meetings shall be held on a quarterly basis, and additional board meetings may be held as necessary.

Corporate Governance Report (Continued)

Board Composition

As at 23 April 2024, the Board comprised one Executive Director, two Non-executive Directors and one Independent Non-executive Director. Independent Non-executive Director has been introduced to the Board to ensure the Board's abilities to keep management in check, as well as to pursue independence and transparency. The directors are appointed by taking into account their balance of skills, knowledge and experience on the Board. In accordance with the requirement under the Banking Ordinance, approval from HKMA will also be obtained for appointment of new Directors.

Induction and Training for Directors

All Directors are provided with a Compliance Induction handbook and materials relevant to the Company to ensure that all Directors have a proper understanding of the operations and business of the Company and that he or she is aware of his and her responsibilities under the relevant laws and regulations.

Further, all Directors are provided with training materials to ensure that they have proper understanding of the Company's operations and business, and are fully aware of their responsibilities under the applicable laws, rules and regulations. The Company maintains proper records of the trainings provided to and received by its Directors.

Delegation by the Board

The Board has set up seven Committees, namely, Executive Committee, Nomination & Remuneration Committee, Audit Committee, Credit Committee, Risk Management Committee, Administration Committee and Assets and Liabilities Committee.

Executive Committee

The Independent Non-Executive Director or Non-Executive Director should be the chairman, the secretary should be the head of Risk Management & Support team, the other committee members should be the directors of the Board and appointed by the Board. Executive Committee is the main forum for the discussion of management, risk, governance and operating issues relating to or affecting the Company's businesses and operations. Responsibilities of the Executive Committee include the following:

- to review and recommend for the Board's approval of the Company's risk management strategies, key risk policies and risk appetite, at least annually
- to exercise its authority (if delegated by the Board) to review and approve specified types of risk management policies and procedures
- to make development, review, stress scenarios and ongoing maintenance of the recovery plan
- to make a recommendation of activation of recovery plan to the Board
- to develop, approve, review, and provide ongoing maintenance of the information technology (IT) strategy
- to recommend the organizational structure of the Company
- to recommend the Environmental, Social and Governance (ESG) strategy to the Board, implement sustainable finance and manage climate-related risk
- to recommend the operational resilience framework and strategy to the Board
- to be responsible for other duties conferred by the Board

The Committee meeting shall be convened every quarter, and additional meetings may be convened as necessary.

Corporate Governance Report (Continued)

Delegation by the Board (Continued)

Nomination & Remuneration Committee

The Independent Non-Executive Director or Non-Executive Director should be the chairman and the other committee members should be appointed by the Board. The Committee is responsible for the design and operation of the Company's remuneration system; and make recommendations in respect of appointment of senior management and remuneration policy and practices to the Board. Responsibilities of the Nomination and Remuneration Committee include the following:

- to identify individuals suitable qualified to become members of the Board or of senior management, and select, or make recommendations to the board on the selection of, individuals nominated for directorships and senior management positions
- to make recommendations to the board on the appointment or re-appointment of directors and succession planning for directors, in particular the chair and the chief executive
- to approve the remuneration packages of the CEO (including ACE), heads of control functions and other key positions. No individual director will be involved in decisions relating to his/her remuneration

The Committee meeting shall be convened every quarter, and additional meetings may be convened as necessary.

Audit Committee

The Independent Non-Executive Director or Non-Executive Director should be the chairman, the secretary should be the Internal Auditor, and the other committee members should be appointed by the Board. Responsibilities of the Audit Committee include the following:

- to establish the Internal Audit Plan
- to establish and revise Internal Audit Policies and Procedures
- to evaluate the Company's overall internal control and risk management system
- to make a recommendation of the appointment of internal audit to the Board
- to make a recommendation of the appointment of external audit to the Board

The member with a special interest with the relevant agenda may state an opinion but cannot participate in vote. The Committee meeting shall be convened every quarter, and additional meetings may be convened as necessary.

Corporate Governance Report (Continued)

Delegation by the Board (Continued)

Credit Committee

The Credit Committee shall be composed of Chief Executive Officer, Managing Director, Head of relevant business teams, Head of Risk Management and Support Team, and any relevant personnel designated by the Chief Executive Officer. The Chief Executive Officer or other member of the Committee should be the chairman; the secretary should be the officer of relevant loan or a member of the committee designated by the chairman. Responsibilities of the Credit Committee include the following:

- to establish and /or change loan policy following pre-consultation with the parent bank
- to review loan policy enacted or amended (draft) following pre-consultation with the parent bank
- to establish guidelines for credit rating and credit evaluation in accordance with the regulations and guidelines of the parent bank
- to set up guidelines to establish total exposure limit in accordance with the regulations and guidelines of the parent bank
- to set up total exposure limit by borrower and approve adjustment following re-consultation with the parent bank
- to establish loan portfolio management target (by industry, type of borrower, and country)
- to establish asset soundness classification criteria and the provision for bad debt in accordance with the regulations and guidelines of the parent bank
- to review and approve loans and credit facilities, and credit commitment provided by the Company following pre-consultation with the parent bank in accordance with the Loan Policy
- to review and approve counterparty limit and exceptions, and establish action plan when necessary.

The member with a special interest with the relevant agenda may state an opinion but cannot participate in vote. The Committee meeting shall be convened every quarter, and additional meetings may be convened as necessary.

Corporate Governance Report (Continued)

Delegation by the Board (Continued)

Risk Management Committee

The Risk Management Committee shall be composed of Chief Executive Officer, Managing Director, Head of relevant business teams, Head of Risk Management and Support team, Accounting Officer and any relevant personnel designated by the Chief Executive Officer. The Chief Executive Officer or other member of the Committee should be the chairman; the secretary should be the head of Risk Management & Support team or a member of the committee designated by the chairman. Responsibilities of the Risk Management Committee include the following:

- to review and approve risk limits and exceptions, and establish action plan when necessary
- to review and approve securities underwriting in line with Securities Underwriting Policy
- to review and approve country limit in lien with Large Exposure Control Policy
- to establish the appropriate risk related policies and procedures
- to review and make changes and adjustments to the borrower risk rating and facility rating systems and other internal systems by integrating historical experience as captured by the Company's database

The member with a special interest with the relevant agenda may state an opinion but cannot participate in vote. The Committee meeting shall be convened every quarter, and additional meetings may be convened as necessary.

Administration Committee

The Administration Committee shall be composed of Chief Executive Officer, Managing Director, Head of relevant business teams, Head of Risk Management and Support team, HR manager of General Affairs function and any relevant personnel designated by the Chief Executive Officer. The Chief Executive Officer or other member of the Committee should be the chairman; the secretary should be the HR manager or a member of the committee designated by the chairman. Responsibilities of the Administration Committee include the following:

- to recommend staffing requirements and issues other than directors, senior management and key personnel
- to provide with reward, punishment and disciplinary action for/against staffs other than directors, senior management and key personnel
- to recommend the early cancellation of disciplinary records against staffs

The member with a special interest with the relevant agenda may state an opinion but cannot participate in vote. The Committee meeting shall be convened every quarter, and additional meetings may be convened as necessary.

Corporate Governance Report (Continued)

Delegation by the Board (Continued)

Asset and Liability Committee

The Asset and Liability Committee shall be composed of Chief Executive Officer, Managing Director, Head of relevant business teams, Head of Risk Management and Support team, Accounting Officer and any relevant personnel designated by the Chief Executive Officer. The Chief Executive Officer or other member of the Committee should be the chairman; the secretary should be the chief accountant or a member of the committee designated by the chairman. Responsibilities of the Asset and Liability Committee include the following:

- to assess and approve the development, implementation, review, and modification of ALM (Asset and Liabilities Management) strategy, policies and practices
- to assess and approve the development, implementation, review, and modification of an appropriate internal risk pricing framework

The member with a special interest with the relevant agenda may state an opinion but cannot participate in vote. The Committee meeting shall be convened every quarter, and additional meetings may be convened as necessary.

Related party transactions

The Company's related party transactions are set out in Note 21 to the 2023 Report of the Directors and Audited Financial Statements. These transactions include those that the Company has entered into with its parent company in the ordinary course of its interbank activities, including the provision of financial services, placement and taking of interbank deposits.

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Corporate Governance Report (continued)

Details of Directors and Senior Management

Mr. Park Youngmin, Executive Director

Mr. Park joined the Board since February 2023. He is currently the Chief Executive Officer of KEB Hana Global Finance Limited. He serves as a Chairman of Credit Committee, Risk Management Committee, Administration Committee, Assets and Liabilities Committee. He holds a Master of Business Administration from Aalto University and has 15 years of experience in banking and finance.

Mr. Han Donghyun, Independent Non-executive Director

Mr. Han joined the Board since June 2018. He serves as a Chairman of Audit Committee. He is also the Independent Non-executive Director of Solid Inc. and TLGY Acquisition Corp, Managing Director of Current ST Invictus Partners, Representative/Partner of BRV Korea Advisors, Senior Vice President of Strategic Investment, KT Co., Ltd. He holds a MBA degree with Recognition of Global Management Program from Stanford Graduate School of Business Stanford, CA and Bachelor of Arts degree in Business Administration from Seoul National University Seoul, Korea.

Mr. Kim Hyungsoo, Non-executive Director

Mr. Kim joined the Board since April 2024. He serves as a Chairman of the Board. He is currently the Head of Global Investment Banking Department of KEB Hana Bank. He holds a Bachelor of Arts Degree in English from Hankuk University of Foreign Studies and has 27 years of experience in banking and finance.

Mr. Ro Kwang Kuk, Non-executive Director

Mr. Ro joined the Board since May 2023. He serves as a Chairman of Nomination & Remuneration Committee. He is currently the General Manager of KEB Hana Bank Hong Kong Branch. He holds a Bachelor of Arts Degree in English Language and Literature from Gachon University and has 15 years of experience in banking and finance.

Mr. Lee Sang Ryool, Alternate Chief Executive

Mr. Lee joined the Company since 2009. He is currently the Chief Risk Officer of the Company. He has 30 years working experience with KEB Hana Global Finance Ltd and other commercial and investment banks in risk management and operation areas.

Mr. Choi Joonhyun , Alternate Chief Executive

Mr. Choi joined the Company since 2021. He is currently the Head of Capital Market Section. He has 14 years working experience with KEB Hana Global Finance Ltd and other commercial banks in financing areas.

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Remuneration

REMA: Remuneration policy

The aim of the remuneration system is to enable the Company to maintain a fair, equitable and market-competitive remuneration structure for its employees based on the Company's performance and industry practice, and is designed to encourage employee behaviour that supports the institution's risk tolerance, risk management, business strategies and long-term financial soundness of the Company.

Remuneration Governance

The Board oversees the Company's remuneration system is appropriate and consistent with the Company's culture, long-term business and risk appetite, performance and control environment as well as any legal or regulatory requirements. The Board is responsible for approval of the remuneration packages of the chief executive and the alternate chief executive(s). The Board delegated its authority of approval of the remuneration policy and the remuneration package of Senior Management and Key Personnel to the Nomination and Remuneration Committee.

Nomination & Remuneration Committee

Nomination and Remuneration Committee should oversee that the Company's remuneration policy is consistent with the internal rules and policies of Company and/or the Parent Bank, and any other legal or regulatory requirements applicable to employees' remuneration.

The committee should work closely with other relevant committees of the Company's Board-level committees and should involve the Company's Risk Control Functions in the evaluation of the incentives created by the remuneration system. The committee should report any material issues in relation to the Company's remuneration system to the Board on a regular basis.

The committee should ensure that a regular (at least annual) review of the Company's remuneration system and its operation, either internally conducted or externally commissioned, is carried out independently of management and the result is submitted to the HKMA. Such review should include an assessment of the extent to which the remuneration system is consistent with the principles set out in the HKMA SPM CG-5 Guideline on a Sound Remuneration System.

Remuneration Structure

The remuneration package is comprised of both fixed and variable incentive-based elements in line with the seniority, role, responsibilities and activities of an employee within the Group. Fixed remuneration refers to an employee's annual salary (including guaranteed bonus, allowances and pension contributions), while variable remuneration (including non-guaranteed bonus) is awarded based on the employee's grading and performance which aims to advocate the pay-for-performance philosophy and internal equity to encourage the achievements and desirable activities that align with the Company's risk management framework, long term goals and strategies. Variable remuneration is directly related to performance, and poor performance (including both financial and non-financial factors) will result in a reduction or elimination of variable remuneration.

Substantial portion of variable remuneration of Senior Management and Key Personnel shall be subject to deferral arrangements. In general, employees have at least 40% of their variable remuneration deferred over three years. However, deferral arrangements may not be applied if the variable remuneration is below certain threshold amount with the exception of the retirement allowance.

Risk-related indicators should be taken into consideration, where there is a strong link between the personal performance and the Company's profit especially where personnel's performance have a material impact on the Company's risk profile and financial soundness. Risk-related indicators may include adherence to risk management policies, compliance with legal, regulatory and ethical standards, results of internal audit review, adherence to corporate values.

Remuneration (continued)

REMA: Remuneration policy (continued)

Materials leading to the final decision on the adjustment to remuneration should be adequately documented. The reasons for, and the value of, adjustment should be also clearly communicated in writing to the affected staff.

Remuneration by staff classification

- (1) Senior Management refers to the executives who are either the Chief Executive or Alternative Chief Executive. Key Personnel refers to the individual employee(s) whose duties or activities in the course of their employment involve the assumption of material risk, or the taking on of material exposures on behalf of the Company, or those who have direct influence to the profit.

In determining the remuneration of Senior Management and Key Personnel, the Company take into consideration of performance and risk-related indicators. Their remuneration should be drafted by the General Administration based on performance, competence and risk management; reviewed by HR department of the Parent Bank, recommended by the Nomination and Remuneration Committee and approved by the Board.

- (2) Internal Control Functions refer to employees who perform the functional roles of risk management, financial control, compliance and internal audit. The remuneration of internal control staffs should be reviewed by the General Administration based on the evaluation of performance and competence, cost of living, seniority and rank, and approved annually by the Chief Executive.
- (3) Expatriate staffs refer to the seconded staffs from the Parent Bank. The remuneration of expatriate staffs should be determined based on the evaluation of performance and internal control, cost of living, quality of life, seniority and rank, reviewed and approved annually by the HR department of Parent Bank.
- (4) Local staffs refer to locally employed staffs. The remuneration of local staffs should be reviewed by the General Administration based on the evaluation of performance and competence, cost of living, seniority and rank, and approved annually by the Chief Executive.

Remuneration of Directors

The remuneration packages of the Directors are drafted by the General Administration, reviewed by the HR department of the Parent Bank and approved by the Nomination and Remuneration Committee. No director will be involved in deciding his own remuneration.

Remuneration Process Monitoring

Internal Audit should conduct regular (at least annually) internal monitoring to ensure that its processes stipulated in the remuneration policy are being consistently followed. Remuneration outcomes, risk measurements, and risk outcomes should be reviewed for consistency with intentions. Such monitoring should be independent of management.

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Remuneration (continued)

Senior management and key personnel

Senior management refers to those executives having authority and responsibility for planning, directing and controlling the activities of the Company. These include the Chief Executive and Alternate Chief Executives of the Company. Key personnel refers to the individual employee(s) whose duties or activities in the course of their employment involve the assumption of material risk, or the taking on of material exposures on behalf of the Company, or those who have direct influence to the profit.

The aggregate amount of remuneration of the senior management and key personnel during the year, split into fixed and variable remuneration, is set out below:

Table REM1: Remuneration awarded during financial year

31 December 2023

Remuneration amount and quantitative information			Senior management (US\$)	Key personnel (US\$)
1	Fixed remuneration	Number of employees	13	1
2		Total fixed remuneration	741,189	217,406
3		Of which: cash-based	741,189	217,406
4		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	Variable remuneration	Number of employees	-	1
10		Total variable remuneration	-	36,927
11		Of which: cash-based	-	36,927
12		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	Total remuneration		741,189	254,333

Table REM2: Special payments

31 December 2023

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

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Remuneration (continued)

Table REM3: Deferred remuneration

31 December 2023

Deferred and retained remuneration		Total amount of outstanding deferred remuneration (US\$)	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment (US\$)	Total amount of amendment during the year due to ex post explicit adjustments (US\$)	Total amount of amendment during the year due to ex post implicit adjustments (US\$)	Total amount of deferred remuneration paid out in the financial year (US\$)
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	Total	-	-	-	-	-

Fixed remuneration is non-performance related compensation, which includes employee's annual salary, guaranteed bonus, allowance and pension contributions.

Variable remuneration is performance related compensation, which is comprised of cash non-guaranteed bonus payment

Deferred remuneration comprised retirement allowance depend on pre-defined vesting, service and/or performance conditions. If certain conditions are not fulfilled during the vesting period, all or part of the unvested portion of the deferred remuneration should be foregone.

No sign-on and severance payments were awarded or made to the Chief Executive, senior management and key personnel in 2023.

Environmental, Social and Governance (ESG)

The Company intends to fulfil its responsibility as a financial institution by providing sustainable finance to our customers based on its Principles of ESG Response. The Company defines sustainable finance as 'finance that shares happiness with all stakeholders by contributing to solving environmental and social problems'.

Governance

The Board of the Company is ultimately responsible for the ESG management by the Company. The Board also has primary responsibility for the oversight of the Company's approach to managing climate risks and opportunities, which is fundamental to the Company's climate resilience.

Executive Committee is responsible for ensuring the effectiveness of the strategy through regular review, formulation and implementation of relevant policies and processes.

Risk Management Committee is responsible for monitoring ESG related risks and issues, and escalating it to the Executive Committee and/or the Board.

Senior Management is responsible for the proper functioning of the Company's risk management framework and for driving necessary changes in addressing climate-related issues.

Strategy and Principles

Principles of ESG Response

The Company established four different principals for its ESG Response setting the groundwork for sustainable finance that is aligned with our parent company Hana Financial Group.

- Principle 1 – Reinforcing management processes considering ESG facto
- Principle 2 – Development of products and services that contributes to the environment and society
- Principle 3 – Strengthening communication with stakeholders
- Principle 4 – Participation in global ESG partnership

The Company considers the following ESG factors in its corporate banking and investment processes:

- (1) Environmental Factors: Environmental management systems, climate change adaptation strategies, energy consumption, water usage, waste disposal, biodiversity conservation, environmental investment costs, etc.
- (2) Social Factors: Prevention of discrimination and harassment, workforce diversity, child labor, forced labor, freedom of association, education and training programs, welfare programs, employee turnover, safety and health, personal data protection, etc.
- (3) Governance Factors: Board of directors' composition, board independence, board diversity, CEO performance evaluation process, materiality assessment, risk management systems, corporate ethics, taxation, information security systems, etc.

Environmental, Social and Governance (ESG) (continued)

Hana Financial Group applies restrictions to all lending and investments in the following prohibited industries and activities, regardless of the sector:

- (1) Coal-fired power generation projects (including bond acquisitions and related investments)
- (2) Activities involving child labor exploitation, forced labor, human trafficking, and other human rights violations
- (3) Industries related to conflict minerals mining and refining, with potential links to international terrorism, armed groups, and organized crime
- (4) Kimberley Process non-certified diamond mining and trading
- (5) Hunting and processing of IUCN endangered species
- (6) Financing of wetland development projects that violate the Ramsar Convention
- (7) Financing of development projects in UNESCO World Heritage sites

Carbon-intensive Industries

The Group is phasing out all new financial support and investments in related industries, and actively encouraging its holding companies and affiliates to establish and implement mid- to long-term coal phase-out targets for the low-carbon transition for existing financial support and investments.

In addition to fossil fuel-related industries, the Group also designates 'Carbon Intensive Industries' such as steel and chemicals as [ESG Restricted Industries/ Industries with ESG-concerns], taking such designations into account when making decisions on the handling of financial products and services. These industries may be updated by the parent bank, industries stipulated by policies and procedures of the parent bank will prevail in such case.

[ESG Restricted Industries]

- (1) Mining of coal and lignite (KSIC B05100)
- (2) Extraction of crude petroleum and natural gas (KSIC B05200)
- (3) Mining support service activities (KSIC B08000)
- (4) Thermal power generation (KSIC D35113)

[Industries with ESG-concerns]

- (1) Manufacture of basic iron and steel (KSIC C241)
- (2) Manufacture of basic precious and non-ferrous metals (KSIC C242)
- (3) Casting of metals (KSIC C243)
- (4) Manufacture of basic chemicals (KSIC C201)
- (5) Manufacture of plastics and synthetic rubber in primary forms (KSIC C202)
- (6) Manufacture of fertilizers, pesticides, germicides, and insecticides (KSIC C203)
- (7) Manufacture of other chemical products (KSIC C204)
- (8) Manufacture of man-made fibers (KSIC C205) etc.

Environmental, Social and Governance (ESG) (continued)

Risk Management

(1) Business Team

Business should conduct climate-related risk assessments during client on-boarding, credit application and credit review process, relevant staff should have sufficient awareness and understanding to identify and assess potential climate-related risks.

Business should be primarily responsible for ensuring sector-level measures are taken place.

(2) Risk Management Function

The second line of defense is provided by independent and effective risk and/or compliance functions, and is primarily responsible for overseeing climate-related risks in business activities, on-going risks monitoring and reviewing relevant policies and procedures.

(3) Compliance Function

Compliance is responsible for monitoring compliance with applicable laws, regulations and internal policies.

(4) Internal Audit Function

The third line of defense is provided by an independent and effective internal audit function, which is responsible for providing assurance and periodic (annual) audit evaluation on the effectiveness of the Company's climate-related risk management (including the first and second lines of defense described above).

Stress Test

The climate risk stress test comprises three scenarios, namely a physical risk scenario of worsening climate situation and two transition risk scenarios represent different pathways (disorderly and orderly) to a low-emission economy.

(1) Physical Risk

The physical risk scenario focuses on the projected climate situation of Hong Kong in the middle of the 21st century, with assumptions around potential increases in temperature and rises in sea level.

Physical risks will be manifested in Hong Kong through two major types of climate hazards, namely typhoons and floods, causing devaluation of properties and business disruptions.

The assessment should be placed on the vulnerabilities of residential mortgages and other property-related lending in Hong Kong.

(2) Transition Risk

Transition risk emerges from the adjustment process towards a low-carbon economy driven mainly by changes in climate policies of authorities and technology advancements.

Environmental, Social and Governance (ESG) (continued)

The Company should assess the disorderly transition scenario as well as orderly transition scenario. The disorderly transition scenario assumes that the global economy will go through a challenging pathway in achieving the climate goals set out in the Paris Agreement, i.e. to limit global warming to well below 2°C, and preferably to 1.5°C, as compared to pre-industrial levels. The orderly transition pathway assumes that authorities will take early and progressive actions to reduce GHG emission with the availability of new technology. The resulting changes in energy consumption patterns and carbon price will be more gradual than those under the disorderly transition scenario. The Paris Agreement targets will be achieved in a more orderly manner and there will be fewer disruptions to the global economy throughout the process.

Under both scenarios, the Company should assess the potential transition impact on its exposures to the property development sector and ESG restricted industries and Industries with ESD-concerns.

Risk Management should monitor and report exposures related with the ESG Restricted Industry and Industries with ESG-concerns, counterparties with high risk profile, and exposure of operation to physical risks to the senior management and/or in the relevant committee.

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Key prudential ratios and overview of risk management and risk-weighted amount

Key prudential ratios

The following table sets out the key prudential ratios that it is required to calculate for the purpose of the Banking (Capital) Rules (“BCR”) or the Banking (Liquidity) Rules (“BLR”).

Table KM1: Key prudential ratios		31-Dec-23	30-Sep-23	30-Jun-23	31-Mar-23	31-Dec-22
Regulatory capital (US\$) (i)						
1	Common Equity Tier 1 (CET1)	78,562,552	77,594,556	75,693,148	74,295,324	73,541,541
2	Tier 1	78,562,552	77,594,556	75,693,148	74,295,324	73,541,541
3	Total capital	79,634,445	78,617,874	76,595,600	75,124,703	74,424,598
RWA (US\$) (i)						
4	Total RWA	106,204,463	103,653,136	96,702,330	84,043,364	84,781,478
Risk-based regulatory capital ratios (as a percentage of RWA) (i)						
5	CET1 ratio (%)	73.97	74.86	78.27	88.40	86.74
6	Tier 1 ratio (%)	73.97	74.86	78.27	88.40	86.74
7	Total capital ratio (%)	74.98	75.85	79.21	89.39	87.78
Additional CET1 buffer requirements (as a percentage of RWA) (i)						
8	Capital conservation buffer requirement (%)	2.500	2.500	2.500	2.500	2.500
9	Countercyclical capital buffer requirement (%)	0.377	0.322	0.320	0.306	0.308
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	-	-	-	-	-
11	Total AI-specific CET1 buffer requirements (%)	2.877	2.822	2.820	2.806	2.808
12	CET1 available after meeting the AI's minimum capital requirements (%)	66.98	67.85	71.21	81.39	79.78
Basel III leverage ratio (ii)						
13	Total leverage ratio (LR) exposure measure (US\$)	194,643,358	185,250,180	175,700,164	169,112,502	168,878,642
14	LR (%)	40.36	41.89	43.08	43.93	43.55
Liquidity Maintenance Ratio (LMR) (iii)						
17a	LMR (%)	210.59	565.01	2,857.78	15,349.23	47,700.02

- (i) The regulatory capital, RWAs, risk-based regulatory capital ratios and additional CET1 buffer requirements are disclosed in accordance with the information contained in the Capital Adequacy Ratio Return submitted to the HKMA on a solo basis under BCR.
- (ii) The Basel III leverage ratio disclosures are made in accordance with the information contained in the Leverage Ratio Return submitted to HKMA under BCR.
- (iii) The Liquidity maintenance ratios shown are the arithmetic mean of the average LMRs of the 3 calendar months within the quarter. The average LMR of each calendar month is the arithmetic mean of each calendar month's average liquidity maintenance ratio as reported in the Return of Liquidity Position submitted to HKMA. The Company calculates the average liquidity maintenance ratio of each calendar month by reference to positions of specified days approved by the HKMA pursuant to Rule 48(2) of the Banking (Liquidity) Rules.
- (iv) The Company is not designated as category 1 institution, Net Stable Funding Ratio (“NSFR”) is not applicable to the Company.
- (v) The Company is not designated as category 2A institution, Core Funding Ratio (“CFR”) is not applicable to the Company.

**Key prudential ratios and overview of risk management and risk-weighted amount
(continued)**

OVA: Overview of risk management

Fundamental to our business is the prudent taking of risk in line with our strategic priorities. The primary objectives of risk management are to protect our financial strength and reputation, while ensuring that capital is well deployed to support business activities. Our risk management framework is based on transparency, management accountability and independent oversight. Risk management is an integral part of our business planning process with strong involvement of senior management and the Board of Directors.

Risk management function is responsible for risk identifications, assessment, monitoring and measurement. The consolidated risk limits of different business units should be set up and submitted to the Board of Directors at least once a year for approval. Risk management function should manage the consolidated risk limits of different business units and report key findings to the senior management and the Board of Directors.

The Company's senior management instils a sound risk culture throughout the Company by aligning business planning, execution, performance measurement, and compensation decisions with the Company's strategy by establishing risk management system, defining risk management procedures of different business units, establishing guidelines and procedures, establishing the management information system and preparing for the contingency plan of the operation of the business, and providing training session for the risk management.

Stress testing or scenario analysis provides an additional approach to risk management and formulates hypothetical questions, including what would happen to the Company's portfolio if historic or adverse forward-looking events were to occur. Stress testing is fundamental element of the Company risk appetite framework included in overall risk management to ensure that the Company's financial position and risk profile provide sufficient resilience to withstand the impact of severe economic conditions. Stress testing results are monitored against limits, used in risk appetite discussion and strategic business planning, and to support the Company's internal capital adequacy assessment.

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**Key prudential ratios and overview of risk management and risk-weighted amount
(continued)**

Overview of risk-weighted amount

The following table provides an overview of capital requirements in terms of a detailed breakdown of risk-weighted assets for various risks. Minimum capital requirement represents the amount of capital to be held for that risk based on its RWAs after any applicable scaling factor multiplied by 8%.

Table OV1: Overview of RWA		RWA		Minimum capital requirements
		31 Dec 2023 (US\$)	30 Sep 2023 (US\$)	31 Dec 2023 (US\$)
1	Credit risk for non-securitization exposures	90,789,801	88,952,571	7,263,184
2	Of which STC approach			
2a	Of which BSC approach	90,789,801	88,952,571	7,263,184
3	Of which foundation IRB approach			
4	Of which supervisory slotting criteria approach			
5	Of which advanced IRB approach			
6	Counterparty default risk and default fund contributions	-	-	-
7	Of which SA-CCR approach			
7a	Of which CEM			
8	Of which IMM(CCR) approach			
9	Of which others			
10	CVA risk	-	-	-
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-
12	Collective investment scheme ("CIS") exposures – LTA*	-	-	-
13	CIS exposures – MBA*	-	-	-
14	CIS exposures – FBA*	-	-	-
14a	CIS exposures – combination of approaches*	-	-	-
15	Settlement risk	-	-	-
16	Securitization exposures in banking book	-	-	-
17	Of which SEC-IRBA			
18	Of which SEC-ERBA (including IAA)			
19	Of which SEC-SA			
19a	Of which SEC-FBA			
20	Market risk	-	-	-
21	Of which STM approach			
22	Of which IMM approach			
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)*	-	-	-
24	Operational risk	15,414,662	14,700,565	1,233,173
24a	Sovereign concentration risk			
25	Amounts below the thresholds for deduction (subject to 250% RW)			
26	Capital floor adjustment			
26a	Deduction to RWA	-	-	-
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	-	-	-
26c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	-	-	-
27	Total	106,204,463	103,653,136	8,496,357

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Linkages between Financial Statements and Regulatory Exposures

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

As at 31 December 2023

	Carrying values as reported in published financial statements / 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
	US\$	US\$	US\$	US\$	US\$	US\$
Assets						
Bank balances with the Parent Bank	1,104,020	1,104,020				
Bank balances with other financial institutions	314,134	314,134				
Loans and advances to customers	182,449,691	182,849,561				(399,870)
Debt investments at fair value through other comprehensive income	9,623,266	9,623,295				(29)
Property and equipment	151,448	151,448				
Right-of-use assets	538,053	538,053				
Intangible assets	254,963					254,963
Deferred tax assets	98,052					98,052
Other receivables and prepayments	222,444	222,444				
Total assets	194,756,071	194,802,955				(46,884)
Liabilities						
Loans due to the Parent Bank	113,860,825					113,860,825
Lease liabilities	544,737					544,737
Provision for reinstatement costs	124,727					124,727
Accrued expenses and other payables	183,434					183,434
Tax payable	454,787					454,787
Total liabilities	115,168,510					115,168,510

* The scope of accounting consolidation and the scope of regulatory consolidation are exactly the same.

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Linkages between Financial Statements and Regulatory Exposures (continued)

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

		As at 31 December 2023				
		Total	Items subject to:			
			credit risk framework	securitization framework	counterparty credit risk framework	market risk framework
		US\$	US\$	US\$	US\$	US\$
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	194,802,955	194,802,955	-	-	-
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	-	-	-	-	-
3	Total net amount under regulatory scope of consolidation	194,802,955	194,802,955	-	-	-
4	Off-balance sheet amounts	2,561,983	512,397	-	-	-
5	Exposure amounts considered for regulatory purposes	197,364,938	195,315,352	-	-	-

LIA : Differences between accounting and regulatory exposure amounts

There are no differences between financial statements amounts and regulatory exposure amounts.

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Linkages between Financial Statements and Regulatory Exposures (continued)

Table PV1: Prudent valuation adjustments

As at 31 December 2023

		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	-	-	-	-	-	-	-	-

- (i) Mid-market value adjustments have been reflected in accounting fair value.
- (ii) Close out costs PVA is not applicable as there is no portfolio concentration
- (iii) Concentration PVA is not applicable as there is no portfolio concentration
- (iv) Early termination PVA is not applicable as there is no customer trade
- (v) Model risk PVA is not applicable as pricing model for valuation is not adopted
- (vi) Operational risks PVA is not applicable due to simple operation process
- (vii) Investing and funding costs PVA is not applicable as funding cost is not taking into account in valuation process
- (viii) Unearned credit spreads PVA is not applicable as there is no derivatives exposures
- (ix) Future administrative costs PVA is not applicable as the product structure is simple and the transactions servicing processes are standardized.

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Composition of Regulatory capital

Composition of regulatory capital

The following table sets out the detailed compositions of the company's regulatory capital on solo basis.

Table CC1 : Composition of regulatory capital

As at 31 December 2023

		Amount (USD)	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	50,000,000	[c]
2	Retained earnings	28,934,121	[d]
3	Disclosed reserves	653,440	[e] + [f]
4	Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)	Not applicable	Not applicable
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	-	
6	CET1 capital before regulatory deductions	79,587,561	
CET1 capital: regulatory deductions			
7	Valuation adjustments	-	
8	Goodwill (net of associated deferred tax liabilities)	-	
9	Other intangible assets (net of associated deferred tax liabilities)	254,963	[a]
10	Deferred tax assets (net of associated deferred tax liabilities)	98,052	[b]
11	Cash flow hedge reserve	-	
12	Excess of total EL amount over total eligible provisions under the IRB approach	-	
13	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	-	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in CET1 capital instruments	-	
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
20	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
22	Amount exceeding the 15% threshold	Not applicable	Not applicable
23	of which: significant investments in the ordinary share of financial sector entities	Not applicable	Not applicable

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換銀韓亞環球財務有限公司

Table CC1 : Composition of regulatory capital

As at 31 December 2023

		Amount (USD)	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
24	of which: mortgage servicing rights	Not applicable	Not applicable
25	of which: deferred tax assets arising from temporary differences	Not applicable	Not applicable
26	National specific regulatory adjustments applied to CET1 capital	671,994	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	-	
26b	Regulatory reserve for general banking risks	671,994	[e]
26c	Securitization exposures specified in a notice given by the MA	-	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	-	
26e	Capital shortfall of regulated non-bank subsidiaries	-	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	-	
28	Total regulatory deductions to CET1 capital	1,025,009	
29	CET1 capital	78,562,552	
	AT1 capital: instruments		
30	Qualifying AT1 capital instruments plus any related share premium	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Capital instruments subject to phase-out arrangements from AT1 capital	-	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-	
35	of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements	-	
36	AT1 capital before regulatory deductions	-	
	AT1 capital: regulatory deductions		
37	Investments in own AT1 capital instruments	-	
38	Reciprocal cross-holdings in AT1 capital instruments	-	
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
40	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
41	National specific regulatory adjustments applied to AT1 capital	-	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	-	
43	Total regulatory deductions to AT1 capital	-	
44	AT1 capital	-	
45	Tier 1 capital (T1 = CET1 + AT1)	78,562,552	

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Table CC1 : Composition of regulatory capital

As at 31 December 2023

		Amount (USD)	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Tier 2 capital: instruments and provisions		
46	Qualifying Tier 2 capital instruments plus any related share premium	-	
47	Capital instruments subject to phase-out arrangements from Tier 2 capital	-	
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	-	
49	of which: capital instruments issued by subsidiaries subject to phase-out arrangements	-	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	1,071,893	[e] + [g] + [h]
51	Tier 2 capital before regulatory deductions	1,071,893	
	Tier 2 capital: regulatory deductions		
52	Investments in own Tier 2 capital instruments	-	
53	Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	-	
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	-	
54a	Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as "section 2 institution" under §2(1) of Schedule 4F to BCR only)		
55	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
55a	Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
56	National specific regulatory adjustments applied to Tier 2 capital	-	
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital		
56b	Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within §48(1)(g) of BCR	-	
57	Total regulatory adjustments to Tier 2 capital	-	
58	Tier 2 capital (T2)	1,071,893	
59	Total regulatory capital (TC = T1 + T2)	79,634,445	
60	Total RWA	106,204,463	
	Capital ratios (as a percentage of RWA)		
61	CET1 capital ratio	73.97%	
62	Tier 1 capital ratio	73.97%	
63	Total capital ratio	74.98%	

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Table CC1 : Composition of regulatory capital

As at 31 December 2023

		Amount (USD)	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	2.877%	
65	of which: capital conservation buffer requirement	2.500%	
66	of which: bank specific countercyclical capital buffer requirement	0.377%	
67	of which: higher loss absorbency requirement	0.000%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	66.98%	
	National minima (if different from Basel 3 minimum)		
69	National CET1 minimum ratio	Not applicable	Not applicable
70	National Tier 1 minimum ratio	Not applicable	Not applicable
71	National Total capital minimum ratio	Not applicable	Not applicable
	Amounts below the thresholds for deduction (before risk weighting)		
72	Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation	-	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
74	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
	Applicable caps on the inclusion of provisions in Tier 2 capital		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	399,899	
77	Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA	399,899	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach and SEC-IRBA (prior to application of cap)	-	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	-	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	Current cap on CET1 capital instruments subject to phase-out arrangements	Not applicable	Not applicable
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	Not applicable	Not applicable
82	Current cap on AT1 capital instruments subject to phase-out arrangements	-	
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on Tier 2 capital instruments subject to phase-out arrangements	-	
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	-	

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Composition of Regulatory capital (continued)

Reconciliation of regulatory capital to balance sheet

The table below show the link between balance sheet in published financial statements and the numbers that are used in composition of regulatory capital disclosure template set out in table CC1.

Table CC2: Reconciliation of regulatory capital to balance sheet	Balance sheet as in published financial statements/under regulatory scope of consolidation* (as at 31 Dec 2023) USD	Reference
Assets		
Bank balances with Parent Bank	1,104,020	
Bank balances with other financial institutions	314,134	
Loans and advances	182,449,691	
<i>Of which: collective provisions eligible for AT2</i>	<i>399,870</i>	[g]
Debt investments at fair value through other comprehensive income	9,623,266	
<i>Of which: collective provisions eligible for AT2</i>	<i>29</i>	[h]
Property and equipment	151,448	
Right-of-use assets	538,053	
Intangible assets	254,963	[a]
Deferred tax assets	98,052	[b]
Other receivable and prepayments	222,444	
Total assets	194,756,071	
Liabilities		
Loans due to the Parent Bank	113,860,825	
Lease liabilities	544,737	
Provision for reinstatement costs	124,727	
Accrued expenses and other payables	183,434	
Tax payable	454,787	
Total liabilities	115,168,510	
Shareholders' equity		
Share capital	50,000,000	[c]
Reserve	29,587,561	
Of which: Retained earnings	28,934,121	[d]
Of which: Regulatory Reserve eligible for AT2	671,994	[e]
Of which: Accumulated other comprehensive income	(18,554)	[f]
Total shareholders' equity	79,587,561	

* The scope of accounting consolidation and scope of regulatory consolidation are exactly the same.

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Composition of Regulatory capital (continued)

Main features of regulatory capital instruments

The following table provides a description on the main features of the CET1, Additional Tier 1 and Tier 2 capital instruments that are included in regulatory capital.

As at 31 December 2023

Table CCA: Main features of regulatory capital instruments		Quantitative / qualitative
		Ordinary shares
1	Issuer	KEB Hana Global Finance Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Not Applicable
3	Governing law(s) of the instrument	Hong Kong Special Administrative Region of the People's Republic of
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules ¹	Not Applicable
5	Post-transitional Basel III rules ²	Common Equity Tier 1
6	Eligible at solo / group / solo and group	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	USD50 million
9	Par value of instrument	No Par Value
10	Accounting classification	Shareholders' equity
11	Original date of issuance	July 2, 2009
12	Perpetual or dated	Perpetual
13	Original maturity date	Not Applicable
14	Issuer call subject to prior supervisory approval	Not Applicable
15	Optional call date, contingent call dates and redemption amount	Not Applicable
16	Subsequent call dates, if applicable	Not Applicable
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend / coupon	Floating
18	Coupon rate and any related index	Not Applicable
19	Existence of a dividend stopper	Not Applicable
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step-up or other incentive to redeem	Not Applicable
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	Not Applicable
25	If convertible, fully or partially	Not Applicable
26	If convertible, conversion rate	Not Applicable
27	If convertible, mandatory or optional conversion	Not Applicable
28	If convertible, specify instrument type convertible into	Not Applicable
29	If convertible, specify issuer of instrument it converts into	Not Applicable
30	Write-down feature	No
31	If write-down, write-down trigger(s)	Not Applicable
32	If write-down, full or partial	Not Applicable
33	If write-down, permanent or temporary	Not Applicable
34	If temporary write-down, description of write-up mechanism	Not Applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	Not Applicable
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not Applicable

¹ Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H to the BCR.

² Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H to the BCR.

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Macropudential supervisory measures

Geographical distribution of credit exposures used in countercyclical capital buffer

The following table presents the company's CCyB ratio, the geographic breakdown of risk-weighted amounts in relation to jurisdictions in which it has private sector credit exposures and the applicable Jurisdictional CCyB ratio of each jurisdiction. The company uses the ultimate risk basis to determine the geographical allocation for credit risk and risk country for market risk.

Table CCyB1: Geographical distribution of credit exposures used in countercyclical capital buffer ("CCyB")

As at 31 December 2023					
	Geographical breakdown by Jurisdiction (J)	Applicable JCCyB ratio in effect (%)	RWA used in computation of CCyB ratio (US\$'000)	AI-specific CCyB ratio (%)	CCyB amount (US\$'000)
1	Hong Kong SAR	1	16,675		
2	Netherlands	1	4,757		
	Sum		21,432		
	Total		56,895	0.377	214

Leverage ratio

Summary comparison of accounting assets against leverage ratio exposure

The following table reconcile the total assets in the published financial statements to the LR exposure measure.

Table LR1: Summary comparison of accounting assets against leverage ratio exposure

		As at 31 December 2023
	Item	Value under the LR framework (US\$)
1	Total consolidated assets as per published financial statements	194,756,071
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
2a	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	-
3a	Adjustments for eligible cash pooling transactions	
4	Adjustments for derivative contracts	-
5	Adjustment for SFTs (i.e. repos and similar secured lending)	-
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	512,397
6a	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	
7	Other adjustments	(625,110)
8	Leverage ratio exposure measure	194,643,358

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Leverage ratio (continued)

The following table provides a detailed breakdown of the components of the LR denominator.

		US\$	
		31 Dec 2023	30 Sep 2023
Table LR2: Leverage ratio			
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	195,155,970	185,489,853
2	Less: Asset amounts deducted in determining Tier 1 capital	(1,025,009)	(1,000,003)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	194,130,961	184,489,850
Exposures arising from derivative contracts			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	-	-
5	Add-on amounts for PFE associated with all derivative contracts	-	-
6	Gross-up for collateral provided in respect of derivative contracts where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	-	-
8	Less: Exempted CCP leg of client-cleared trade exposures	-	-
9	Adjusted effective notional amount of written credit-related derivative contracts	-	-
10	Less: Adjusted effective notional offsets and add-on deductions for written credit-related derivative contracts	-	-
11	Total exposures arising from derivative contracts	-	-
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-	-
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	-	-
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	-	-
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	2,561,983	3,801,653
18	Less: Adjustments for conversion to credit equivalent amounts	(2,049,586)	(3,041,323)
19	Off-balance sheet items	512,397	760,330
Capital and total exposures			
20	Tier 1 capital	78,562,552	77,594,556
20a	Total exposures before adjustments for specific and collective provisions	194,643,358	185,250,180
20b	Adjustments for specific and collective provisions	-	-
21	Total exposures after adjustments for specific and collective provisions	194,643,358	185,250,180
Leverage ratio			
22	Leverage ratio	40.36%	41.89%

Liquidity

LIQA : Liquidity risk management

Liquidity risk is the 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 has mitigated liquidity risk by obtaining the commitment from the Parent Bank to continually provide financial support to the Company to meet its financial obligations.

The Board is ultimately responsible for determining the types and magnitude of liquidity risk under normal and stressed conditions. Executive Committee is responsible for setting and implementing the liquidity strategy, policies and practices, and ensuring that the liquidity risk tolerance set by the Board is adhered to. Senior Management is responsible for managing liquidity risk within the overall risk management framework. The liquidity risk management process should be subject to independent reviews and audits to ensure its continued effectiveness in the face of new risks and challenges arising from the constantly changing environment.

The Company adopt cash-flow approach to managing liquidity risk. A framework is in place for projecting comprehensively future cash flows arising from assets, liabilities and off-balance sheets items over an appropriate set of time horizons. The framework is used for monitoring on a daily basis the net funding gaps under normal business conditions; and conducting regular cash-flow analysis based on a range of stress scenarios. The gap limits have been set up to control the size of the cumulative net mismatch positions.

Liquidity maintenance ratio is calculated daily to ensure that the Company has sufficient unencumbered liquefiable assets to meet its qualifying liabilities in a calendar month.

Stress test is used to evaluate the impact of a contingency situation on liquidity risk and take pre-emptive actions against it. The Company maintain the liquidity cushion as a source of strategic liquidity reserve to be held as insurance against a range of liquidity stress scenarios and cover cash-flow needs. The size of liquidity cushion should be sufficient to meet its liquidity needs in the initial phase of liquidity stress, to meet daily payment and settlement obligation in a timely basis for the period of stress and to reach internal LMR target.

Liquidity Contingency Plan is established to identify early indicators of stress conditions and describe actions to be taken in the event of difficulties arising from different situations.

The table that analyses the Company's financial assets and financial liabilities into relevant maturity groupings based on the remaining period at the end of reporting periods to the contractual maturity date can be found in "Liquidity risk" in 5 – Financial Risk Management of the Company's Report of the Directors and Audited Financial Statements.

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Credit risk for non-securitization exposures

CRA : General information about credit risk

Credit risk is the risk of financial loss arising as a result of a borrower or counterparty failing to meet its financial obligations or as a result of deterioration in the credit quality of the borrower or counterparty. Effective credit risk management is a structured process to assess, measure, monitor and manage risk on a consistent basis. This requires careful consideration of proposed extensions of credit, the setting of specific limits, monitoring during the life of the exposure, active use of credit mitigation tools and a disciplined approach to recognizing credit impairment.

The Company's credit risk management framework applies to all of the Company's credit exposure and includes (i) individual counterparty rating systems; (ii) a counterparty credit limit system; (iii) country concentration limits; (iv) industry concentration limits; (v) product limits; (vi) risk-based pricing methodologies; (v) active credit portfolio management; and (vi) a credit risk provisioning methodology.

The Company employs a set of credit ratings for the purpose of internally rating counterparties to whom it is exposed to credit risk as the contractual party, including with respect to loans, loan commitments, and securities investment. Credit ratings are intended to reflect the risk of default of each counterparty. Ratings are assigned based on internally developed rating models and processes, which are subject to governance and internally independent validation procedures. Credit limits are used to manage individual counterparty credit risk. A system of limits is also established to address concentration risk in the portfolio, including a comprehensive set of country limits and limits for certain products and industries. In addition, credit risk concentration is regularly supervised by credit and risk management committees.

Risk management and Support team should calculate and monitor the risk of credit exposure on a daily basis. Risk Management and Support team should apply the credit evaluation to the parent bank periodically or frequently more than once per every year and assign the credit rating accordingly.

The following tables provide detailed information relating to credit risk for non-securitization exposures under BSC approach.

Credit quality exposures

Table CR1: Credit quality exposures		As at 31 December 2023 (US\$)						
		Gross carrying amounts of			Of which ECL accounting provisions for credit losses on STC approach exposures		Of which ECL accounting provisions for credit losses on IRB approach exposures	Net values (a + b – c)
		Defaulted Exposures (a)	Non-defaulted Exposures (b)	Allowances / impairments (c)	Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions		
1	Loans	-	182,849,561	399,870	-	-	-	182,449,691
2	Debt securities	-	9,623,295	29	-	-	-	9,623,266
3	Off-balance sheet	-	2,561,983		-	-	-	2,561,983
4	Total	-	195,034,839	399,899	-	-	-	194,634,940

Credit risk for non-securitization exposures (Continued)

Changes in defaulted loans and debt securities

Table CR2 : Changes in defaulted loans and debt securities		Amount US\$
1	Defaulted loans and debt securities at end of June 2023	0
2	Loans and debt securities that have defaulted since the last reporting period	0
3	Returned to non-defaulted status	0
4	Amounts written off	0
5	Other changes	0
6	Defaulted loans and debt securities at end of Dec 2023	0

CRB : Additional disclosure related to credit quality of exposures

The past due assets refer to those assets where the principal or interest is overdue and remains unpaid as at the reporting date. Rescheduled assets refer to those assets that have been restructured and renegotiated between the Company and the borrower because of a deterioration in the financial position of the borrower or of the inability of the borrower to meet the original repayment schedule.

Credit exposures are reviewed periodically to assess whether impairment exists and whether an impairment allowance is required. The Company applies judgement as to whether there is any objective evidence that a loan is impaired, i.e. whether there is a decrease in estimated future cash flows. Objective evidence for impairment includes observable data about local or economic conditions that correlate with defaults on the assets in the Company. If management has determined, based on their judgement, that objective evidence for impairment exists, expected future cash flows are estimated based on historical loss experience for assets with credit risk characteristics similar to those of the Company.

Impairment of credit exposures

Losses for impaired assets are promptly recognized when there is objective evidence that impairment of assets has occurred.

The Company assesses on a case-by-case basis at each reporting date whether there is any objective evidence that an asset is impaired. The criteria used by the Group to determine that there is such objective evidence include:

- contractual payments of either principal and interest being past due for more than 90 days
- known cash flow difficulties experienced by the borrower
- a significant downgrading in credit rating by an external rating agency
- the probability that the borrower will enter bankruptcy or other financial realization

The following tables present a breakdown of exposures by geographical areas, industry and residual maturity. Any segment which constitutes not less than 10% of total RWA for credit risk (after taking into account any recognized CRM) should be separately disclosed.

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Credit risk for non-securitization exposures (continued)

CRB : Additional disclosure related to credit quality of exposures (continued)

Gross credit exposures by geographical area

As at 31 December 2023		(US\$)			
		Hong Kong	South Korea	Others	Total
1	Loans	16,675,247	127,510,685	38,663,629	182,849,561
2	Debt securities	-	4,882,023	4,741,272	9,623,295
3	Off-balance sheet exposures	-	-	2,561,983	2,561,983
4	Total	16,675,247	132,392,708	45,966,884	195,034,839

*After taking into account of CRM

Gross credit exposures by industry

At 31 December 2022		(US\$)				
		Recreational activities	Transportation	Financial institutions	Others	Total
1	Loans	14,064,195	6,655,674	145,698,941	16,430,751	182,849,561
2	Debt securities	-	-	9,623,295	-	9,623,295
3	Off-balance sheet exposures	-	-	2,561,983	-	2,561,983
4	Total	14,064,195	6,655,674	157,884,219	16,430,751	195,034,839

*After taking into account of CRM

Gross credit exposures by remaining contractual maturity

At 31 December 2022		(US\$)			
		Within 1 year	More than 1 year but less than 2 years	More than 2 years	Total
1	Loans	66,071,343	30,179,823	86,598,395	182,849,561
2	Debt securities	4,741,272	4,882,023	-	9,623,295
3	Off-balance sheet exposures	2,561,983	-	-	2,561,983
4	Total	73,374,598	35,061,846	86,598,395	195,034,839

As at 31 December 2023, except for a loan downgraded to special mention amounting to US\$14,402,157, all remaining non-securitization exposures are classified as pass, with none past due or impaired.

CRC : Credit risk mitigation

The Company mitigate the credit exposure through netting, guarantees and collateral. Recognizing credit risk mitigation against exposures is governed by Collateral Management Procedure Manual. The Company monitor the exposure to credit mitigation providers as part of overall credit risk exposure monitoring framework. The policies and processes for collateral valuation and management are driven by legal documentation. The Company should ensure that credit documentation, including guarantees and pledge agreements, is legally enforceable in all relevant jurisdictions. The credit documentation should empower the Company to apply the collateral freely to discharge the borrower's obligations.

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Credit risk for non-securitization exposures (continued)

Overview of recognized credit risk mitigation

As at 31 December 2023 (US\$)

Table CR3: Overview of recognized credit risk mitigation		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognized collateral	Exposures secured by recognized guarantees	Exposures secured by recognized credit derivative contracts
1	Loans	69,041,345	113,408,346	-	113,408,346	-
2	Debt securities	9,623,266	-	-	-	-
3	Total	78,664,611	113,408,346	-	113,408,346	-
4	Of which defaulted	-	-	-	-	-

Credit risk exposures and effects of recognized credit risk mitigation

Table CR4: Credit risk exposures and effects of recognized credit risk mitigation – BSC approach

As at 31 December 2023 (US\$)

	Exposure classes	Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereign exposures	337,962					
2	PSE exposures	-		282,733		56,546	20%
3	Multilateral development bank exposures	4,741,272		4,741,272		-	0%
4	Bank exposures	18,807,691	2,561,983	131,971,448	512,397	32,925,753	25%
5	Cash items						
6	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis						
7	Residential mortgage loans						
8	Other exposures	170,916,030		57,807,502		57,807,502	100%
9	Significant exposures to commercial entities						
10	Total	194,802,955	2,561,983	194,802,955	512,397	90,789,801	46%

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Credit risk for non-securitization exposures (continued)

Credit risk exposures by asset classes and by risk weights

Table CR5: Credit risk exposures by asset classes and by risk weights – BSC approach

As at 31 December 2023 (US\$)

	Risk weight									Total credit risk exposures amount (post CCF and post CRM)
Exposure class	0%	10%	20%	35%	50%	100%	250%	Others		
1	Sovereign exposures									-
2	PSE exposures			282,733						282,733
3	Multilateral development bank exposures	4,741,272								4,741,272
4	Bank exposures			124,447,615			8,036,230			132,483,845
5	Cash items									-
6	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis									-
7	Residential mortgage loans									-
8	Other exposures						57,807,502			57,807,502
9	Significant exposures to commercial entities									-
10	Total	4,741,272	-	124,730,348	-	-	65,843,732	-	-	195,315,352

Interest rate risk in banking book

IRRBB: Risk management objectives and policies

Interest rate risk in banking book (IRRBB) refers to the current or prospective risk to a bank's capital and earnings arising from adverse movements in interest rates that affect banking book positions. When interest rates change, the present value and timing of future cash flows change. This in turn changes the underlying value of a bank's assets, liabilities and off-balance sheet items and, hence, its economic value of equity (EVE). Changes in interest rates also affect a bank's earnings by altering interest rate sensitive income and expenses, thus affecting its net interest income (NII).

Major sources of interest rate risk in banking book (IRRBB)

Gap risk arises from the term structure of banking book instruments, and describes the risk arising from the timing of instruments' rate changes. The extent of gap risk depends on whether changes to the term structure of interest rates occur consistently across the yield curve (parallel risk) or differentially by period (non-parallel risk). Basis risk describes the impact of relative changes in interest rates for financial instruments that have similar tenors but are priced using different interest rate indices. Option risk arises from option derivative positions or from optional elements embedded in a bank's assets, liabilities and/or off-balance sheet items, where the bank or its customer can alter the level and timing of their cash flows.

All three sub-types of IRRBB potentially change the price/value or earnings/costs of interest rate sensitive assets, liabilities and/or off-balance sheet items in a way, or at a time, that can adversely affect the Company's financial condition.

Management oversight

The Board has ultimate responsibility for the operations and financial soundness of the Company including but not limited to establishing and overseeing risk governance, and has approval authorities of the matters regarding risk strategy, risk appetite and risk limits.

Assets and Liabilities Committee of the Company, as delegated by the Board of Directors, should be aware of the interest rate risk and should periodically review the Company's interest rate risk management framework. The framework should be consistent with to the guidelines of the parent company and the regulators.

Standardised Framework

The Company use the standardised framework to compute IRRBB as impact on economic value (Δ EVE) based on the six interest rate shock scenarios (i) parallel shock up, (ii) parallel shock down, (iii) steepener shock, (iv) flattener shock, (v) short rates shock up and (vi) short rates shock down; and impact on earnings (Δ NII) based on two interest rate shock scenarios (i) parallel shock up and (ii) parallel shock down. Cash flows for interest-rate sensitive assets, liabilities and off-balance sheet items should generally be slotted into time bands according to the earliest interest repricing date. For items with optionality including retail fixed rate loans subject to prepayment risk, retail term deposit subject to early redemption risk and non-maturity deposits, cash flows should be slotted based on behavioural maturity. Cash flows should include both principal and coupon payments, while the commercial margins should be excluded in the cash flows. The IRRBB report should be prepared on daily basis.

As at 31 December 2023, there are no non-maturity deposits.

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Interest rate risk in banking book (continued)

Table IRRBB1: Quantitative information on interest rate risk in banking book and trading book

(in USD'000)		Change in economic value of equity (Δ EVE)		Change in projected net interest income (Δ NI)	
		31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
	Period				
1	Parallel up	0	0	(1,662)	(1,517)
2	Parallel down	55	42	1,662	1,517
3	Steeper	52	38		
4	Flattener	0	0		
5	Short rate up	0	0		
6	Short rate down	81	61		
7	Maximum	81	61	1,662	1,517
	Period	31-Dec-23		31-Dec-22	
8	Tier 1 capital	78,563		73,542	

Other disclosures

Off-balance sheet exposures other than derivative transaction

The following table gives the nominal contract amounts and the total risk-weighted amount for credit risk of contingent liabilities and commitments.

Items	31 December 2023 US\$ (Contractual Amounts)
(a) Direct credit substitutes	
(b) Transaction-related contingencies	
(c) Trade-related contingencies	
(d) Note issuance and revolving underwriting facilities	
(e) Forward asset purchases, amounts owing on partly paid-up shares and securities, forward deposits placed and asset sales with recourse	
(f)(i) Commitments which have an original maturity of not more than one year	2,561,983
(ii) Commitments which have an original maturity of more than one year	
(iii) Commitments which may be cancelled at any time unconditionally	
Total	2,561,983
Total risk-weighted amount	512,397

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Other disclosures (continued)

Loans and Advances by Geographical Areas

The geographical analysis is classified by the location of the counterparties after taking into account the transfer of risk. For a claim guaranteed by a party situated in a country different from the counterparty, risk will be transferred to the country of the guarantor. For a claim on the branch of a bank or other financial institution, the risk will be transferred to the country where its head office is situated.

As at 31 December 2023	Gross loans and advances	Overdue loans and advances	Impaired Loans (individually determined)	Specific provision	General provision
	US\$	US\$	US\$	US\$	US\$
Hong Kong	16,675,247				(99,606)
South Korea	127,510,685				(57,050)
Others	38,663,629				(243,214)
TOTAL	182,849,561	-	-	-	(399,870)

Loans and Advances by Industry Sectors

The analysis of gross loans and advances to customers by industry sector based on categories and definitions used by the HKMA is as follows:

As at 31 Dec 2023	Gross loans and advances	% of gross loans and advances covered by collateral	Overdue loans and advances	Impaired loans (Individually determined)	Individually assessed impairment allowances	Collectively assess impairment allowances	Impaired loans written off during the year	Impairment charged/ (credited) to statement of profit or loss during the year
	US\$		US\$	US\$	US\$	US\$	US\$	US\$
Transport and transport equipment - Air transport	11,673,554	-	-	-	-	(59,849)	-	32,032
Loans and advances for use in Hong Kong	11,673,554	-	-	-	-	(59,849)	-	32,032
Loans and advances for use outside Hong Kong	171,176,007	2.45	-	-	-	(340,021)	-	261,923
TOTAL	182,849,561	2.45	-	-	-	(399,870)	-	293,955

Other disclosures (continued)

Overdue and Rescheduled Assets

(i) Overdue loans and advances

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue and remains unpaid at the end of reporting period.

There are no overdue loans and advances to customers and banks as at 31 December 2023.

(ii) Rescheduled loans and advances

Rescheduled loans and advances are those loans and advances which have been restructured or renegotiated because of deterioration in the financial position of the borrower, or of the inability of the borrower to meet the original repayment schedule and for which the revised payment terms are non-commercial to the Company.

Rescheduled loans and advances to customers are stated net of any advances which have been subsequently become overdue for more than three months and which are included in "Overdue loans and advances (note (i)).

There are no rescheduled loans and advances to customers and banks as at 31 December 2023.

(iii) There are no other overdue assets as at 31 December 2023.

(iv) There are no repossessed assets held as at 31 December 2023.

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Other disclosures (continued)

International Claims

The analysis of international claims is prepared in accordance with the HKMA Return of International Banking Statistics. International claims are on-balance sheet exposures to counterparties based on the location of the counterparties after taking into account the transfer of risk, and represent the sum of cross-border claims in all currencies and local claims in foreign currencies. The table below shows claims on individual countries and territories or areas, after recognised risk transfer, amounting to not less than 10% of the company's total international claims.

As at 31 December 2023	Non-bank private sector					Total
	Banks	Official Sector	Non-bank financial institutions	Non-financial private sector	Others	
	US\$	US\$	US\$	US\$	US\$	
Developed countries	312,581	-	-	19,500,441	-	19,813,022
Offshore centres	-	-	-	16,675,247	-	16,675,247
Developing Africa and Middle East	4,983,681	-	-	2,953,151	-	7,936,832
Developing Asia and Pacific	126,494,633	-	282,733	17,766,718	-	144,544,084
- of which South Korea	118,970,800	-	282,733	14,064,195	-	133,317,728
International Organisation	-	4,741,273	-	-	-	4,741,273

Non-bank Mainland China Exposures

The analysis of non-bank Mainland exposures is based on the categories of non-bank counterparties and the type of direct exposures with reference to the Completion Instruction for the HKMA return of non-bank Mainland exposures.

As at 31 December 2023		Items in HKMA return	On-balance sheet exposures	Off-balance sheet exposures	Total exposures
			US\$	US\$	US\$
1	Central government, central government owned entities and their subsidiaries and joint ventures (JVs)	1	-	-	-
2	Local governments, local government-owned entities and their subsidiaries and JVs	2	-	-	-
3	PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	3	-	-	-
4	Other entities of central government not reported in item 1 above	4	-	-	-
5	Other entities of local governments not reported in item 2 above	5	-	-	-
6	PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	6	5,001,693	-	5,001,693
7	Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	7	-	-	-
	Total	8	5,001,693	-	5,001,693
	Total assets after provision				194,756,071
	On-balance sheet exposures as percentage of total assets				2.57%

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Other disclosures (continued)

Currency Risk

The Company's net positions or net structural positions in foreign currencies are disclosed as follows when each currency constitutes 10% or more of the respective total net position or total structural position in all foreign currencies.

As at 31 December 2023	US\$
	Currency USD
Non-structural position	
Spot assets	194,547,133
Spot liabilities	(194,692,015)
Forward purchases	-
Forward sales	-
Net option position	-
Net long (short) position	(144,882)
Net structural position	0

Assets used as security

There are no assets used as security as at 31 December 2023.

Business segments analysis

By class of business

The principal operations of the Company are located in Hong Kong. The Company's activities comprise two classes of business, which are commercial banking and securities business. Commercial banking activities include advance of loans to customers and placements with banks. Securities business activities include investment holding and securities brokerage.

As at 31 December 2023	Commercial banking	Securities business	Total
	US\$	US\$	US\$
Net interest income	1,648,372	3,971,150	5,619,522
Fee income	1,410,081	2,337,231	3,747,312
Total operating income	3,058,453	6,307,751	9,366,204
Operating costs	1,099,920	2,268,475	3,368,395
Profit before impairment allowances charges	1,958,533	4,039,276	5,997,809
Impairment allowances reversal	293,955	100	294,055
Profit or loss before taxation	1,664,578	4,039,176	5,703,754

As at 31 December 2023	Commercial banking	Securities business	Total
	US\$	US\$	US\$
Total assets	185,069,892	9,686,179	194,756,071

KEB HANA GLOBAL FINANCE LIMITED

換銀韓亞環球財務有限公司

Other disclosures (continued)

Business segments analysis (continued)

Fee and commission income – by product line:

	31 December 2023
	US\$
Arrangement fee on loans	1,320,573
Agency fee	53,908
Brokerage fee	2,337,231
Sundry commission	35,600
Total	3,747,312

Operational risk

The Company uses the basic indicator approach (BIA approach) to calculate the capital charge of operational risk. Under the BIA approach, the capital charge for operational risk is equal to the average over the previous three years of a fixed percentage of positive annual gross income. Figures for any year in which annual gross income is negative or zero should be exclude from both the numerator and denominator when calculating the average.