

Woori Financial Group (WF US)

FUNDAMENTAL VIEW ¹

As of 07 Mar 2024

- Woori FG's performance record had been less consistent than some of its more commercially focused peers, but improved in FY21-22.
- However, its FY23 performance lagged behind its peers, being affected by not only the kitchen sinking provisioning exercise but also uniquely amongst the FGs, taking a hit on its other non-interest income.
- Asset quality was a strength with the lowest NPL ratios and credit costs among the four FGs but has deteriorated since 2Q23. Capital standing is a relative weakness with the CET 1 ratio at 11.9% compared to 13.1-13.6% at peers.
- The company signed an agreement with KDIC to purchase all of Woori FG's shares owned by KDIC (current ownership ~1.2%) by 2024. Government support continues to be assured if required.

RISKS & CATALYSTS

As of 07 Mar 2024

- Woori FG was for many years majority-owned by the Korean government via the Deposit Insurance Corporation (KDIC), but KDIC has steadily been selling down its shareholding, and Woori will purchase all the remaining shares by 2024. That said, Woori FG remains a large, systemically important bank with strong potential government backing if needed.
- Woori FG is less diversified than its peers, with most of its earnings coming from the bank and small contributions from the card and leasing businesses. It has been looking for acquisitions, but it has to be particularly mindful of its CET1 ratio, which is still the lowest among the four FGs.
- Due to new regulatory guidance on stress buffers, Woori FG has adjusted its mid-to-long-term CET1 ratio target from 12% to 13% in 4Q23.
- The group is under investigation for mis-selling equity linked products to retail investors in 2021; fines and regulatory actions may ensue.

CREDIT QUALITY SCORE (CQS) ²

As of 06 May 2024

CURRENT CQS

60

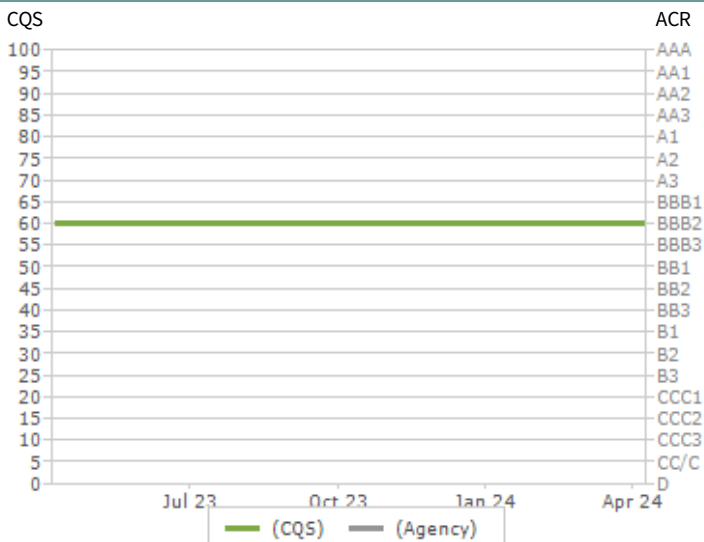
CQS OUTLOOK ³

NEGATIVE

STABLE

POSITIVE

HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR) ⁴ VS CQS



KEY METRICS

As of 07 Mar 2024

KRW BN	FY19	FY20	FY21	FY22	FY23
Pre-Provision Profit ROA	0.90%	0.75%	0.99%	1.15%	1.10%
ROA	0.58%	0.47%	0.72%	0.76%	0.68%
ROE	9.4%	7.1%	11.5%	12.7%	10.5%
Provisions/Loans	0.14%	0.28%	0.17%	0.26%	0.53%
NPL Ratio	0.45%	0.42%	0.30%	0.31%	0.35%
Woori Bank CET1 Ratio	11.0%	13.1%	13.0%	12.7%	13.2%
Equity/Assets	7.05%	6.70%	6.45%	6.58%	6.71%
Net Interest Margin Bank + Card	1.70%	1.57%	1.62%	1.84%	1.82%

BUSINESS DESCRIPTION

As of 07 Mar 2024

- Woori's predecessor banks were rescued by the Korea Deposit Insurance Corporation (KDIC) following the 1997 Asian Financial Crisis.
- Woori Bank is one of the 'Big Four' commercial banks in Korea. It previously owned two regional banks, Kwangju and Kyongnam, but these were spun off in 2014. Woori also sold its stake in Woori Investment Securities and its savings bank and life insurance arms to NH Financial Group.
- Woori set up a HoldCo (Woori FG) in January 2019 to expand into more diversified business lines, particularly investment banking. It used to have a HoldCo, but it was dissolved in 2014 when it was merged with Woori Bank.
- Its main subsidiaries are 100%-owned Woori Card, Woori Financial Capital (auto leasing), Woori Investment Bank and 72.3%-owned Woori Asset Trust. The group wants to acquire more non-bank financial businesses, particularly in the securities and insurance segments.

GLOSSARY

¹ The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.

² The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.

³ The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.

⁴ The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.

Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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