

Woori Financial Group (WF US)

FUNDAMENTAL VIEW ¹

As of 22 Aug 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, affected by not only the kitchen sinking provisioning exercise but also uniquely amongst the FGs, taking a hit on its other non-interest income. 1H24 results were decent, partially thanks to not having the ELS compensation issue which hit the other three FGs.
- Asset quality used to be a strength with the lowest NPL ratios and credit costs among the four FGs but has deteriorated since 2Q23, and we no longer see a gap with the other FGs.
- Capital standing is a relative weakness with the CET 1 ratio at 12.0% compared to 12.8-13.6% at peers in 2Q24.

RISKS & CATALYSTS

As of 22 Aug 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 purchased and cancelled the remaining shares in 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. The group has accelerated its M&A pace, acquiring Korea Foss Securities this year and doing due diligence on an insurance target.
- Its CET 1 ratio is ~1% behind the other three FGs. Due to new regulatory guidance on stress buffers, Woori FG has adjusted its CET1 ratio target from 12% to 13%. Given the group's business expansion plans, the group's CET 1 ratio is expected to remain behind the peers at least until 2025.

CREDIT QUALITY SCORE (CQS)²

As of 19 Dec 2024

CURRENT CQS
57

CQS OUTLOOK ³
NO OUTLOOK

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



KEY METRICS

As of 22 Aug 2024

KRW BN	FY20	FY21	FY22	FY23	1H24
Pre-Provision Profit ROA	0.75%	0.99%	1.15%	1.10%	1.26%
ROA	0.40%	0.66%	0.70%	0.54%	0.71%
ROE	5.9%	10.6%	11.5%	8.3%	10.8%
Provisions/Loans	0.28%	0.17%	0.26%	0.53%	0.42%
NPL Ratio	0.42%	0.30%	0.31%	0.35%	0.56%
Woori Bank CET1 Ratio	13.1%	13.0%	12.7%	13.2%	13.2%
Equity/Assets	6.70%	6.45%	6.58%	6.71%	6.91%
Net Interest Margin Bank + Card	1.57%	1.62%	1.84%	1.82%	1.74%

BUSINESS DESCRIPTION

As of 22 Aug 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 Korea's 'Big Four' commercial banks. 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. Recently the group acquired Korea Foss Securities, with a plan to merge it with Woori Investment to create a new securities entity. The group is in discussions to acquire an insurance company.

GLOSSARY

- 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.
 - 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.
 - 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.
 - 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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