

Risk Management System

At Samsung Securities, the Board of Directors, the highest decision-making body, oversees risk management and operates a body for each decision-making process. This is an optimal way to respond to risks in a timely and appropriate manner. The Risk Management Executive Committee makes decisions in regard of risk management for each business division. On top of that, the sub-committee reports the approved items to the higher-level committee, and when approval is needed beyond the authority granted to the sub-committee, the upper committee approves it. For the most objective risk determination and independent work, the Chief Risk Officer is directly under the CEO. In other words, the head of the transaction department and the executive in charge cannot concurrently serve as the head of the risk management department and the executive in charge.



Risk Cost System

As part of RAPM*, Samsung Securities implemented a specialized risk cost system where risk costs are calculated for each division and reflected in the performance bonus of executives and divisions (Retail, IB, Sales & Trading, Channel Sales, etc.), while incorporating risk management into financial performance.

Risk Indicator

VaR (unit: KRW 1 billion)

Category	FY 2020				FY 2019
	Daily Avg.	Min	Max	Year End	Year End
Total VaR	15.6	5.2	54.2	14.1	11.4
Stock	5.3	0.7	43.2	3.6	4.6
Interest Rate	13.3	5.8	17.7	11.9	10
FX	0.1	0	0.2	0.2	0
Diversification Effect	-3.0	-1.2	-6.9	-1.5	-3.3

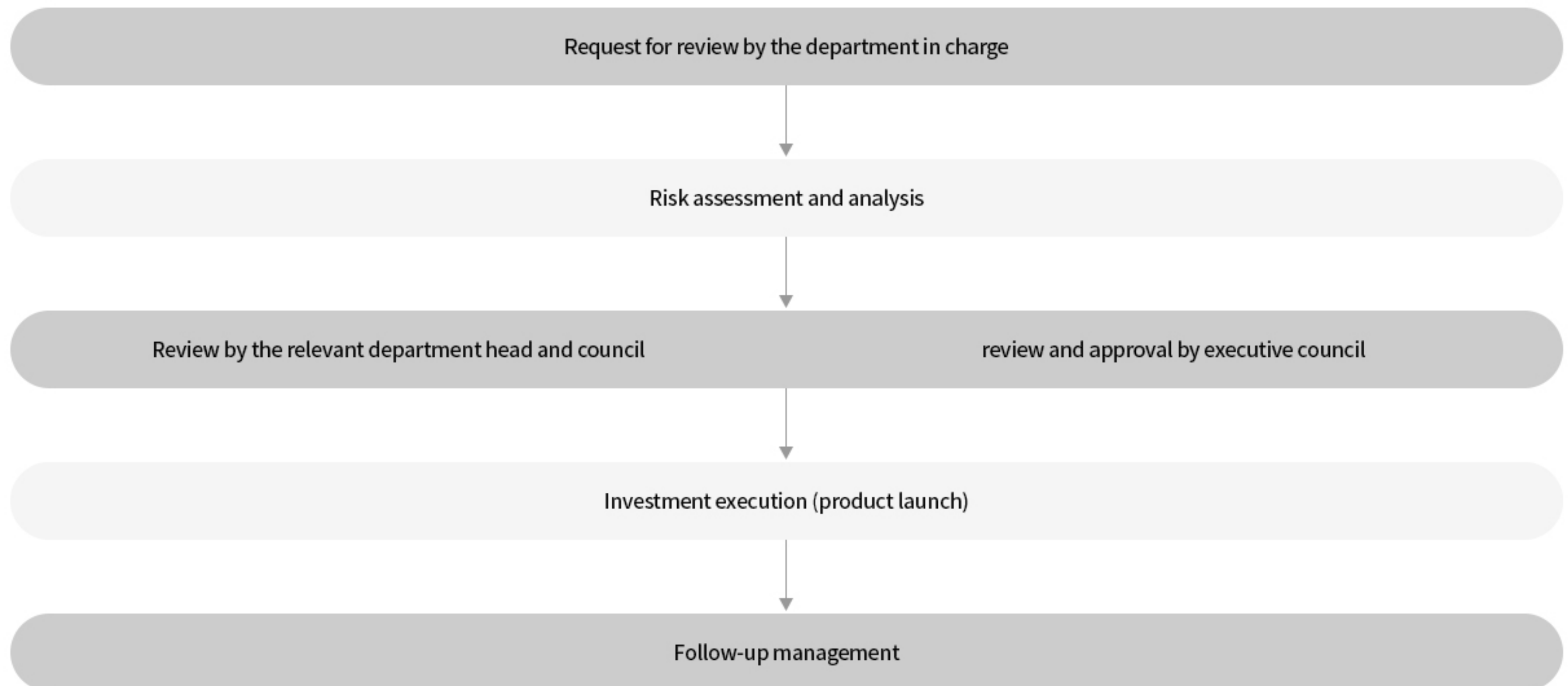
Net Capital Ratio (unit: %, %p, KRW 1 billion)

Category	FY 2020	FY 2019	YoY
Net Operating Capital	4,324	3,466	+858
Risk Amount	2,353	2,327	+26
Required Equity	130	130	0
Net Capital Ratio	1,516%	876%	+640%p

*RAPM(Risk Adjusted Performance Measurement) : an indicator for assessing revenue creation against risk taken

Reinforced Risk Management Assessment

Risk management and screening system



Role and Responsibility of Risk Management Department

Risk Management Team	Risk Management
<ul style="list-style-type: none">Allocating risk limits companywide and monitoring themHolding risk management meetings ManagingExternal reporting (net operating capital ratio, etc.)	<ul style="list-style-type: none">Assessing corporate, real estate, alternative assetsManaging credit grade and limits of transaction counterpartsPost-management of holdings

Background of Enhanced Risk Assessment

The domestic financial market is expanding its scope to alternative investment assets, such as domestic and overseas corporate loans, real estate finance, and infrastructure assets, beyond the existing investment trend focusing on domestic stocks and bonds. Coping with such changes, we beef up our assessment capabilities by securing more professional review personnel. Based on their respective fields of expertise, the assessment personnel are responsible for assessing the risk and return of target assets for the company's investment and product supply

Effects of Strengthening the Assessment Capacity

- Better response to new asset investment by increasing professionals for each asset such as real estate and infrastructure
- Advanced expertise in assessing each asset and refined assessment methodology
- Improved risk assessment capability through cross-review by specialized area