

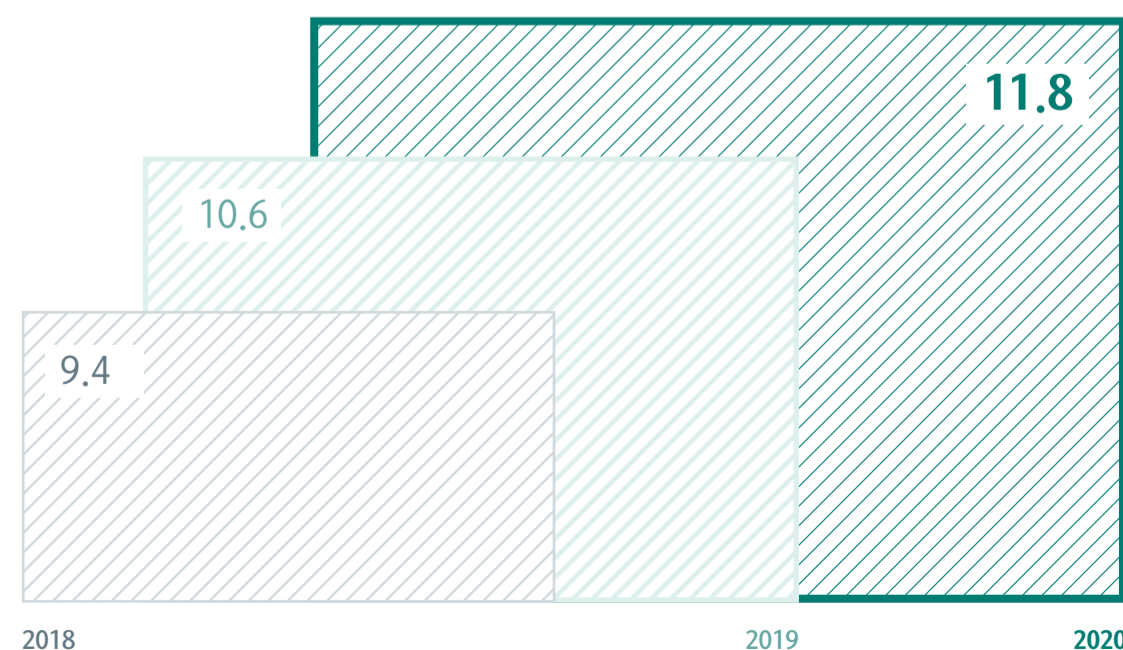
BUSINESS

DIGITAL BANKING

Hana Financial Group is evolving into a data-driven information company by adding digital transformation of its operation to digital innovation of products and services based on synergy and digital competitiveness.

Number of Digital Banking Customers (1Q Bank Users)

(Unit: Million persons)



1.45 million

Number of New 1Q Bank users since the release of upgraded version in August 2020

RPA

Reduction of cost and increase of productivity by adopting RPA at all Group affiliates

490+

Digitalization of some 490 types of paper document through the Hana Bank Smart Lounge

* As of 2020 year-end

2020 Performance

DIGITAL INNOVATIONS IN PRODUCTS & SERVICES Mobile banking customers totaled 11.84 million in 2020, representing a YoY increase of 12%. Hana Bank's digital sales exceeded 50%¹⁾ in proportion at the end of 2020, while new transactions in credit-based loan, fund sales, and bancassurance rose 17%, 237%, and 104%, respectively, to further solidifying the foundation for digital asset management. Hana Financial Investment, too, continued its steady growth in customer base, transaction volume, and number of digital channel users. In particular, the number of new retail customers in 2020 accounted for 85% of total, a 24%p sharp increase compared with 2019. Hana Insurance's digital channel sales of car insurance reached 15.1% in proportion, a 6.8%p increase YoY, and Hana Life expanded its digital customer base through "1Q Life Check Service" offering customized services for existing policy diagnosis, pension integration, and insurance-backed loan inquiry services.

New online customers also sharply increased in proportion across the Group operations. Hana Bank sold 2.35 million installment savings accounts, or 80% of total, and 290 thousand credit-based loan accounts, or 86% of total, through its non-face-to-face channels. At KEB Hana Card, credit card accounts subscribed via digital channels in 2020 made up 37% of total, up 20%p YoY, while check card accounts 61%, a 43%p increase. Hana Financial Investment attracted a fund flow of KRW 1,447.3 trillion, 83.1% of total, through digital channels, and Hana Capital's digital customers accounted for 90.7% of 214,629 customers signed up in 2020.

Such increases are the outcome of all Group affiliates' concerted efforts to digitalize offline processes and increase the proportion of digital channels. In August 2020, Hana Bank launched "New 1Q Bank", an improved version of the mobile financial platform created to enable Bank customers to access financial services of other Group affiliates and alliance services as well as to conduct bank transactions.

¹⁾ Based on the number of transactions

By logging in to the single sign-on (SSO) authentication-based platform, users can seamlessly enjoy the financial services of seven Group affiliates – Hana Bank, Hana Financial Investment, KEB Hana Card, Hana Capital, Hana Savings Bank, Hana Life, and Hana Insurance. To make New 1Q Bank a truly one-stop financial platform, we are expanding alliances with mobility, real estate, health, travel and other daily life-related industry leaders. For its comprehensive and distinctive financial services, the new platform signed up over 1.45 million members in four months of its launch, indicating a positive market endorsement. New 1Q Bank is also contributing to improving the earnings performance of the Group affiliates. Credit card subscriptions are growing, stock brokerage accounts and trading volumes multiplying, life and non-life insurance sales increasing, and loan assets rising at Hana Savings Bank and Hana Capital, all contributing to a robust expansion of the Group’s customer base.

Hana Bank is beta-testing “My Branch”, a branch app, with the goal of a full-fledged rollout in 2021. Combined of the convenience of digital finance and the thoroughness of services available at offline branches, the mobile branch app provides customer care, product description, consulting and other customized services. The beta version of corporate use was launched in the second half of 2020, and, as of 2020 year-end, 115 corporate-specialized branches were in operation with a credit balance of KRW 87 billion²⁾.

Hana Financial Investment also unveiled various products and services as part of its transition to a data-driven information company. By launching “Hana 1Q Pro”, the company has simplified its financial product trading process, offering distinctive customer experiences through diverse data-based services, including Big Data Pick Stock Diagnosis Service, Hana Pick Investment Information Service, and Hana AID – a robo-advisor service.



DIGITAL TRANSFORMATION OF PROCESSES Hana Financial Group pushed forward robotic process automation (RPA) and other work streamlining projects in 2020, which resulted in cost reductions, productivity improvements, and other tangible outcomes. KEB Hana Card achieved efficiency improvements equivalent to some 92,000 hours of saving per year; Hana Life realized a work-reduction effect equivalent to a total of 14,220 hours which translated into around KRW 414 million in labor cost; and Hana Capital recorded a reduction of around 21,000 work hours. In particular, by adopting an automated ARS, the company was able to reduce procedural calls soliciting customer consents on their credit information by 1.5 thousand calls equivalent to 50 hours, and confirming contract details by 6,000 calls equaling 500 hours, both on a monthly average basis. Hana Savings Bank automated processes through which customers inquire about, and are confirmed of, the provision of their financial transaction information, and was able to reduce such inquiries by 17,000 cases and related work hours from previous 1,092 to 288 hours per year.

We also expedited the adoption of “Smart Lounge” and the expansion of a digital-based authentication. Hana Bank, having adopted a smart teller system in 2018 as part of its digitalization of branch operations, has digitalized some 490 frequently-used paper forms as of 2020 year-end. In addition, it became the first commercial bank in June 2020 to introduce a system by which customers can digitally fill out necessary forms beforehand, continuing its branch digitalization. Furthermore, with the adoption of an AI-based optical character recognition (OCR) system, the Bank ensures customers correctly fill in all necessary fields in digital forms and thus preempts incomplete sales as well as digitalizes internal controls.

²⁾ Based on execution amount



COLLABORATION FOR DIGITALIZATION In collaboration with Hana Institute of Technology, an AI/data-specializing research arm of Hana Financial Group, the Group affiliates are generating meaningful results in such various fields as AI chatbot, OCR solution, robo-advisor, risk management, personnel management, and marketing.

In AI, Hana Bank opened an AI chatbot counseling support service, for employee use, which applies a knowledge base question answering (KBQA) algorithm to deposit regulations. It also upgraded HAI, an AI chatbot service for customers, by applying natural language processing (NLP), a technology developed in collaboration with Hana Institute of Technology, thereby not only increasing the accuracy of the responses but also enhancing the ability of the chatbot to engage with customers in daily life as well as financial matters. In the area of robo-advisor, Hana Bank and Hana Financial Investment launched AI-based fund recommendation services in April.

In risk management, Hana Capital developed a credit evaluation model based on machine learning (ML) for scorecard evaluation, and Hana Bank completed the development of ML-based credit evaluation model for application scoring system used for setting an initial

credit limit in August. The Bank will use the model for loan products for household-type SOHOs. It also brought digital technology to personnel management by developing algorithms that recommend training and video programs tailored to each employee as well as an optimal number of employees for each branch. KEB Hana Card increased the efficacy of its target marketing by developing a digital model that recommends insurance policies ideal for each customer segment.

Furthermore, we continued to relocate the IT infrastructure of “Hana Members”, a Group-wide membership service, to the cloud computing environment, and completed the transfer of 69 Group systems and 633 servers in 2020. By adopting a cloud-based infrastructure through which we can quickly and flexibly respond to diverse business needs, we plan to evolve Hana Members into a more convenient and secure daily financial service platform.

2021 Plans

Platform-based big tech companies are accelerating their entry into financial services business, and rapidly expanding their presence in other business areas as well. To get ahead in the competition for platform leadership, Hana Financial Group in 2021 will focus on securing payment-centered ecosystems, innovating digital customer experiences, and strengthening new growth engines.

In securing payment-centered ecosystems, we will build a Group payment platform that enables domestic overseas customers to conduct payments using their Hana Money, credit/check card and other accounts with the Group affiliates. In addition, we are forming alliances with various business operators with an aim to provide mobility, real estate, health care, and other daily life-related financial services, and by assembling all of these in a single app, “Hana 1Q”, we will lay a foundation for evolving into a comprehensive financial platform.

In innovating digital customer experiences, we will establish a system for integrating the analysis of customer data on app usage, operate an organization specialized in individualized marketing, and thus build a big data-based hyper-personalized customer management infrastructure. We are considering the creation of an organization for digital transaction customers and joint digital marketing, and we plan to strengthen our digital sales capabilities through such and other similar measures.

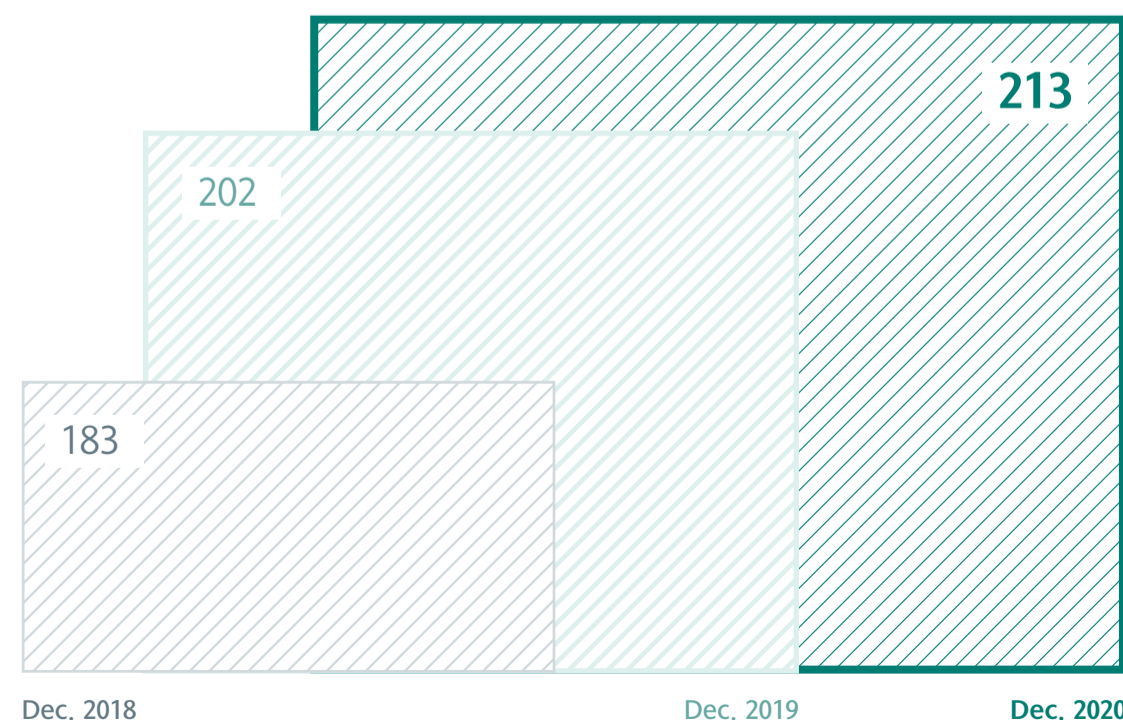
In strengthening new growth engines, we will complete the implementation of AI chatbot services across the Group operations with a focus on increasing hyper-personalized services for customers and on expanding the scope of automated consulting support for our employees. We will also continue investing in digital R&D by engaging in research on such new trends as central bank digital currency (CBDC), and conducting joint research with Pohang University of Science and Technology (POSTECH), Korea Advanced Institute of Science and Technology (KAIST), and other higher-learning institutions participating in the industry-academia cooperation program.

GLOBAL OPERATIONS

In 2020, Hana Financial Group realized solid growth based on its distinctive global strategy and competitiveness amid the pandemic, while also thoroughly preparing for value-focused growth for the future.

Overseas Network

(Unit: Branch)



294.9
KRW billion

Total profits generated overseas, including equity investment

12.3%

YoY growth of profits generated overseas

11

Number of overseas networks of Hana Financial Group newly established in 2020

* As of 2020 year-end

Overseas Business Performance

Amid COVID-19-induced uncertainties and challenges in 2020, Hana Financial Group achieved great progress in global business. In particular, we solidified our market position in key Asian regions on the back of the strong performance of Hana Bank's Chinese subsidiary and equity method-based valuation gains generated by Bank for Investment and Development of Vietnam (BIDV). Hana Bank's Chinese subsidiary's earning performance remained weak in 2019 due to an economic downturn triggered by a US-China trade conflict. However, its net income rose KRW 77.0 billion to KRW 84.5 billion in 2020, the largest in its history, mainly attributable to new businesses launched, loans extended online, and stringent risk management conducted. Hana Bank has also proved its equity acquisition of BIDV was a successful investment by recording an equity method-based valuation gain of KRW 31.4 billion one year after its investment in BIDV.

The Bank's micro finance subsidiary in Myanmar ranked 2nd in market share, exceeding its 2019 loan and net income performance by KRW 160.0 billion and KRW 3.8 billion, respectively, based on its nationwide channel network and dominant presence in rural areas. Such a growing market dominance in key Asian growth regions is expected to sustain the Group's continued growth in global customer base and income. We plan to further accelerate our expansions into key Asian markets through a Singapore asset management company slated to open in 2021 and LINE Bank in Indonesia.

The year 2020 was a difficult time for domestic companies in the midst of making ambitious business moves, including channel expansions overseas, mainly due to pandemic-induced economic downturns and travel restrictions in many countries. We have therefore identified, in detail, the strengths, weaknesses, and risk factors of overseas target channels through a thorough management assessment of target channels; accordingly established growth strategies in view of each channel's business environment; and reallocated our global business resources, turning the whole process into an opportunity to prepare for value-oriented growth of the global business going forward. In Southeast Asia, including Vietnam, the Philippines, and India, on which we focus as key growth regions for global business, we made localization progress and asset improvements by expanding new business with private and state-run companies as well as working together with local marketing experts.

Overseas Business Strategy

EXPANDING NON-BANKING GLOBAL BUSINESS In 2021, the beginning year of a new decade, Hana Financial Group has chosen non-banking global business expansions as a key strategy, and is preparing to make a new leap forward based on expansion of its global market presence. First, we will set up an asset management company in Singapore and start a new global business with an aim to enter global asset management business. The Singapore asset management company, having completed the preparations for business establishment in the second half of 2020, plans to commence business in the first half of 2021, beginning its role as the Group's Southeast Asia investment platform. It is expected to offer domestic and overseas customers a wide range of global investment products, thereby contributing to expanding the global business scope and increasing diversity. We are also looking into entering securities, consumer finance, and installment finance business in emerging countries in Southeast Asia, including Vietnam, Indonesia, India, and the Philippines. To this end, we are planning ways to support the Myanmar micro finance subsidiary's efforts to advance from its No. 2 to No. 1 position in market share.

The non-banking global business expansion strategy as described is expected to generate significant synergetic effects in combination with Hana Bank's 195 global channels connecting 24 countries, the industry's largest, as well as to greatly contribute to the joint growth of the Group affiliates and to increasing global business incomes.

GROWING INTO A GLOBAL DIGITAL FINANCIAL GROUP Hana Financial Group continues to take on various challenges in a bid to become a leading global digital financial group. Hana Bank's Chinese subsidiary in 2020 multiplied retail loan assets and achieved a record net income on the strength of a full-scale online retail loan business launched in alliance with a local e-commerce platform. To further increase retail loan assets using a proven method and thus secure a solid market presence based on its digital finance advantages, the Chinese subsidiary will make continuous efforts to develop more business partners in 2021.

Hana Bank's Indonesian subsidiary is preparing to launch LINE Bank, the first mobile platform-based overseas digital bank created by a Korean company in the emerging market, in alliance with LINE, a global ICT company. Slated to commence business in the first half of 2021 with deposit taking, LINE Bank plans to expand its service



scope to include an online loan business with the goal of serving 400 thousand retail customers by the end of 2021. Going forward, LINE Bank will offer various online financial services tailored to the financial needs of Indonesian customers, and is expected to perform its role as a sustainable customer-generating platform.

Hana Bank is also making preparations for a non-face-to-face retail loan business in Vietnam. As proven by its Chinese subsidiary's success case, online loan service for retail customers in alliance with a local e-commerce platform has a high growth potential in such emerging markets as Vietnam where retail consumption is increasing at a fast pace. The planned business will therefore enable Hana Bank's Vietnamese branch to advance into a retail market in addition to corporate banking, its current main business area.

REALIZING "2540 PROJECT" Hana Financial Group's global income was slightly more than 20% of the Group's total profits in 2020. To increase this figure to 40% by 2025, we are implementing two strategies, one to change the mindset of all Group employees and the other to expand the global business of the Group affiliates.

First, we have set "Internalizing Global D.N.A." as one of our major tasks in 2021, and are building an organizational culture ideal for developing sustainable global businesses by promoting a global mindset among employees. Internalization of global D.N.A. refers to planning all businesses at home and abroad with global expansion in mind. To foster such a global mindset among employees, our globalization efforts begin with such basic parts of business operations as employees using their English names and expanding their use of English while at work. In addition, we will increase global business efficiency and productivity by further improving Hana Bank's next-generation banking system "BankHive" and other computerized systems as well as by fine-tuning internal work processes.

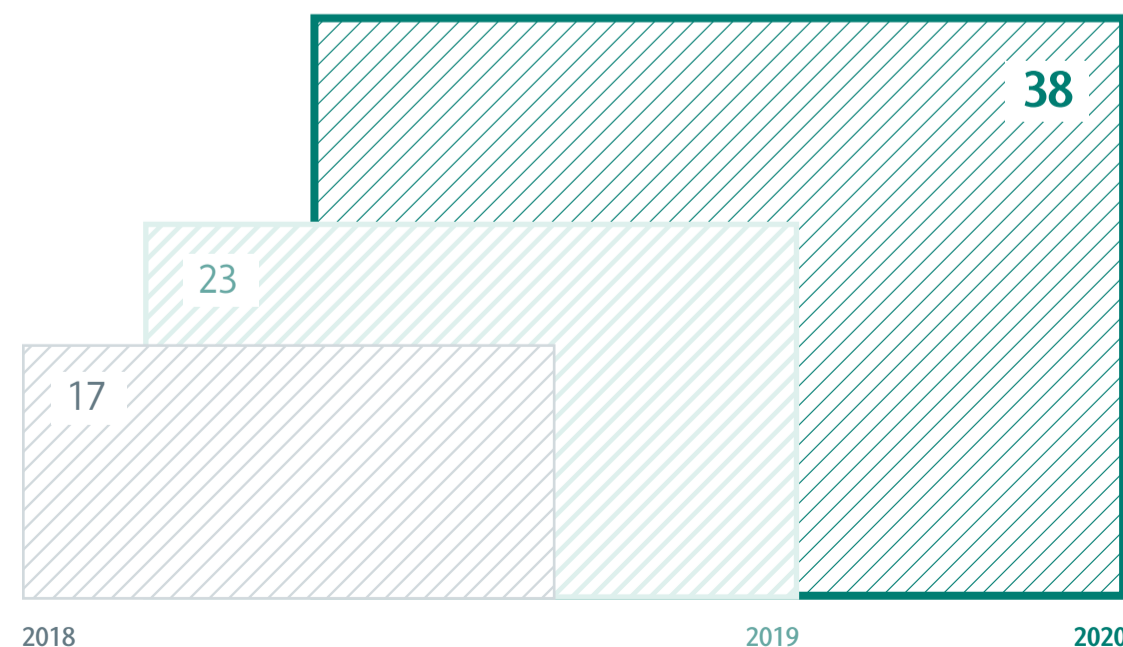
Moreover, we will push forward overseas expansions of non-banking arms which lag behind their banking affiliate. The overseas expansion of non-banking affiliates via Hana Bank's global channels and infrastructure is expected to generate substantial synergetic effects leading to a sizable increase in global income and thus bringing closer to reality our aspiration of global income reaching 40% in proportion to total Group income.

RETAIL BANKING

Hana Financial Group continues to grow by actively responding to evolving market changes and customer needs and providing customers with distinctive on/offline services throughout their entire lifecycle.

Ratio of New Non-face-to-face Customers

(Unit: %)



21.4 million

Number of retail customers with highest growth rate among commercial banks in Korea

Best Private Bank in Korea

By Euromoney, 6 years in a row

76%

Mobile bancassurance market share among 4 major commercial banks in Korea

Customer Base

Hana Bank pursued qualitative growth as well as quantitative growth of the customer base in 2020, employing base customers¹⁾ as a key index. To better manage the segment that most contributes to the profitable growth of the Bank, it focused on increasing cross-selling and strengthening marketing, and as a result, customers reached 21.4 million, a 760,000 or 3.7% increase from the previous year, indicating the highest of growth rate among major commercial banks.

In 2020, as the COVID-19 crisis prolonged, inflows of customers, including those of branch service, to online channels gained speed. In response, Hana Bank released such distinctive mobile-only products as *Jeonse* loan, SOHO loan, and pension-backed loan products, thereby channeling customer transactions toward expansion of the digital customer base. Online channel usage rate rose 4.9%p over the course in 2020 to 71.6%, and of 2020 new customers, the ratio of new non-face-to-face customers rose 15%p to 38%.

With the prolongation of the COVID-19 crisis and the resultant increase of market volatility, risk management has grown in importance. The acceleration of big tech's entries into the financial business, the emergence of My Data, and other changes in the business environment, the competition for customers is expected to be fiercer than ever. Accordingly, Hana Bank will focus on rebalancing the portfolio and expanding base customers with an eye toward securing stable income sources in retail banking going forward. In particular, it will further break down base customers and strengthen marketing activities for customers contributing more to the Bank's profitable growth. Customers will be actively courted banking with us for various financial transactions, including salary/pension/card payments, in a bid to expand the customer share of wallet (SOW); and cross-selling pursued through up-selling to maximize the retention of preferred customers. It will also attract more customers by offering product packages tailored to childbirth, school admission, employment, marriage and other main daily-life events as well as by building product line-ups for all lifecycle stages.

* As of 2020 year-end

¹⁾ Customers with KRW 10 million or more in gross loan or sales

Household Loans

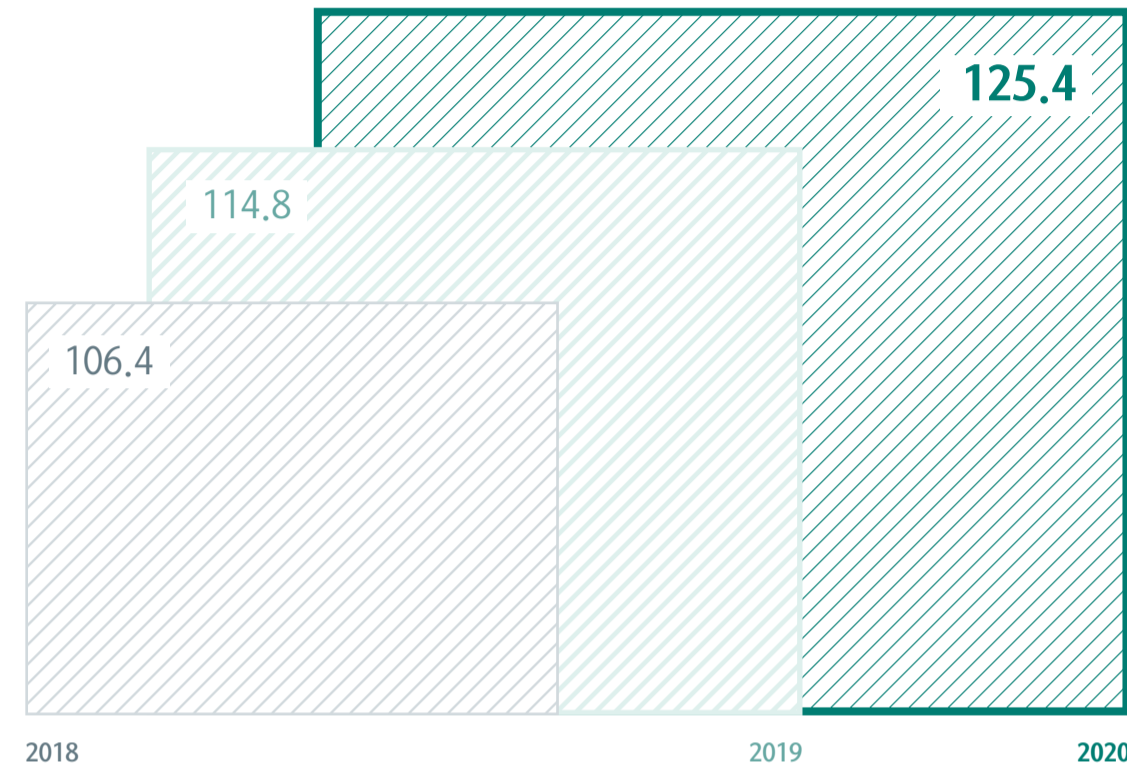
Household loans in 2020 amounted to KRW 125.3 trillion, a YoY increase of KRW 10.6 trillion or 9.2%, led mainly by quality assets. Mortgage loans decreased KRW 0.7 trillion YoY owing to a toughened regulatory environment of the housing market, but *jeonse* loans rose KRW 6.9 trillion, or 50.6%, to KRW 20.6 trillion on a growing demand. As a result, interest income from household loans reached KRW 1.0 trillion, KRW 90.0 billion higher than the initial goal for the year. Hana Bank plans to secure stable interest income sources in 2021 by focusing mainly on long-term stable assets, such as mortgages and *jeonse* loans. In addition, it will actively practice inclusive finance targeting people in need of affordable banking services and the financially vulnerable (low-income class, newlyweds, youth, etc.) in support of the government’s housing policy.

Hana Bank focused on bolstering product lineups in 2020, including mobile-only loan. As a follow-up of “Hana 1Q Credit Loan”, which was launched in 2019 to enable customers to find out their credit limits and get a loan anytime anywhere, “Hana 1Q *jeonse* Loan” was rolled out in 2020, allowing customers to check their limits as well as interest rates on, apply for and get *jeonse* loans with ease. The new product is an outcome of the Bank’s nimble responses to COVID-triggered, fast-spreading contactless trends, and a customer consensus that *jeonse* loan processes are too complicated and exhausting. Other outcomes include a *jeonse* loan product for youth and newlyweds, developed and launched in collaboration with the Seoul Metropolitan Government, and a credit loan extending emergency funds to pension beneficiaries. In addition, a mobile-only channel was built that allows for a quick and safe service for customers in the COVID-19 circumstance.

As the COVID-19 pandemic is expected to continue in 2021, Hana Bank will keep systemizing the online product line-up - “Hana 1Q Apartment Loan” soon will be added to the line-up of mobile-only credit and *jeonse* loan products, thus further expanding the selection of convenient, contactless financial services. Moreover, existing online products will be improved so that customers can extend and refinance their *jeonse* as well as credit-based loans using a mobile device. In addition to developing housing loan products for youth in collaboration with the Seoul Metropolitan Government and other local governing bodies, we will overhaul financial products developed for low income classes and strengthen our financial support for the underprivileged.

KRW Household Loans

(Unit: KRW trillion)



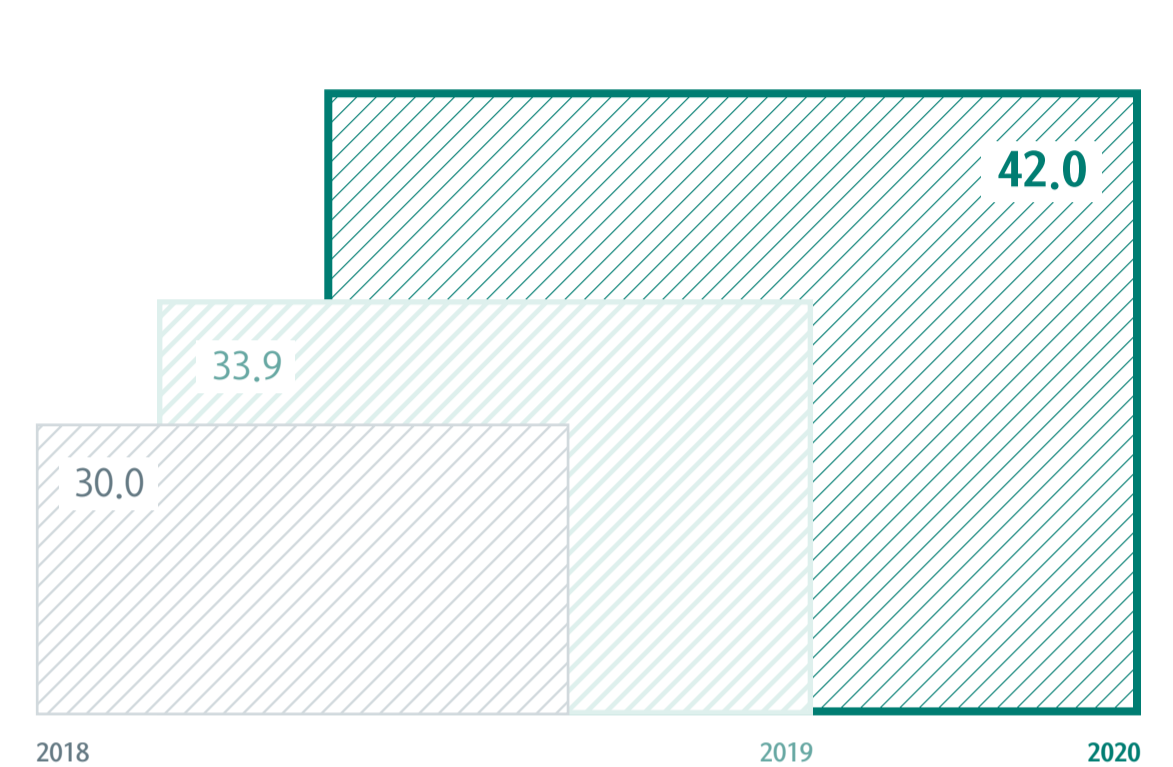
Household Deposits

Although the real economy contracted at a rapid pace across the globe due to COVID-19 in 2020, the Korean financial market remained stable on the backs of the government’s base rate cuts and quantitative easing. Against this backdrop, Hana Bank expanded its sales with a focus on wage, pension, and other cash-inflow accounts, posting KRW 42.0 trillion in low cost funding (LCF), a YoY increase of KRW 9.6 trillion or 23.9%. Time deposits decreased KRW 2.1 trillion over the year to KRW 33.2 trillion, reflective of protracted low-interest rate trends. However, installment savings rose KRW 2.4 trillion, contributing to the stable management of liquidity risks and funding.

Hana Bank also unveiled various deposit products in 2020 in line with the latest trends and customer needs which include an installment savings product that covers pet liability insurance for free; a product customized to the needs of aging generations; and a free insurance service against damages caused by online scams.

Household Low Cost Funding (LCF)

(Unit: KRW trillion)



In addition, “Group Installment Savings” was introduced to help branches attract such group customers as corporate employees or apartment residents. Moreover, the Bank collaborated with KEB Hana Card to develop and launch a mobile-only savings product, offering a distinctive customer experience enriched by embedded quality benefits.

In line with hyper-personalized technology trends, Hana Bank will reorganize its product lineups in 2021 by customer lifecycle phase, from fetus to post-retirement, and carry out hyper-personalized marketing. Customer lifecycle products in the pipeline include an installment savings product for pregnant women; a series of event products centered on delivering messages of dream and hope to customers hit by COVID-19 in the coming post-pandemic era; and a financial product designed, in collaboration with the Ministry of Health and Welfare, to support the underprivileged in their efforts to build assets.



Hana Bank's Private Banking Sector Awards in 2020

- Best Private Bank in Korea (Euromoney, 6 years in a row)
- Best Private Bank in Korea 2019 (The Banker & PWM, 4 years in a row)
- Most Innovative Private Bank in the World (Global Finance, 5 years in a row)
- Outstanding Private Banker - Regional Player (Private Banker International, 9 years in a row)



Private Banking

Hana Bank became the first to introduce private banking (PB) to Korea in 1995, and garnered all four of the most coveted global PB awards that are organized by world-renowned financial magazines in 2020 as well. Particularly praised were the Bank's asset management and lifecycle phase products and services for VIP customers, a solid testament to its reputation as an undisputed leader in asset management.

The banking industry experienced an untold number of difficulties in 2020, brought on by an economic shock due to COVID-19, a prolongation of ultra-low interest rate trends, and an explosive rise of stock indices in the second half of the year. However, Hana Bank achieved stable growth as a PB leader. In particular, it leveraged its superior digital capabilities to actively respond to fast-growing contact-averse trends, adopting some industry firsts, including a video consultation system for VIP customers and a real-time online asset management seminar using social media. As a result, the Bank's year-end PB asset under management (AUM²⁾) reached KRW 56,098.0 billion, an increase of KRW 2,179.0 billion or 4.0% YoY.

Hana Bank will implement two key strategies in 2021 - one to increase asset management combining platforms and digital technology; and the other to identify new opportunities for asset management through collaboration. In reinforcing asset management, the Bank plans to build systems through which customers can manage their assets based on the Hana 1Q platform, and to expand asset management marketing in the digital space using social media, including YouTube.

In order to identify new opportunities for asset management, Hana Bank will strengthen the collaborative ties with Hana Financial Investment and other Group affiliates, and carry out the asset management-oriented marketing based on active communications between front and back offices. It will also strive to new customers by employing tablet PC-armed outbound PBs providing services beyond the boundaries of branches and by targeting high net worth customers through "Club 1".

²⁾ Total sales (deposits in KRW/foreign currency funds + trust + bancassurance) under the management of Hana Bank PB

Investment Funds

A large majority of Korean funds took a massive blow in 2020, comprising a COVID-19 shock, an alarming direct investment trend among individual investors, and demoralizing aftermaths of redemption disruptions involving insolvent private equity funds. However, Hana Bank turned such crises into opportunities, fundamentally improving the entirety of its fund operations, from product sourcing, sales to follow-up service. As a result, new installment fund accounts, an area on which the Bank has long targeted for the long-term growth foundation for the fund business, increased 220 thousand over the course in 2020 to 453 thousand. The record high performance will go down as an important turning point in the Bank's fund business in terms of recovering sales capabilities as well as customer trust.

New fund sales for 2020, however, totaled KRW 7.5 trillion, a KRW 3.5 trillion drop concentrated mostly in the first half, attributable to the coronavirus shock in general and to the aftermath of derivative linked fund (DLF) and insolvent private equity fund incidents in particular. In the second half of the year, Hana Bank quickly recovered, and thus recorded new sales of around KRW 4.6 trillion on the strengths of a

renewed focus on completing investment product sales as thorough as possible for the benefit of customer interest, of a product sourcing based on distinctive portfolio investment strategies, and of sales capabilities recovered in the second half.

In addition, the Bank generated KRW 2.1 trillion in sales through non-face-to-face channels created anew in 2020 by actively responding to the pandemic-triggered customer demand for contactless services. The figure represents a 229% increase from the previous year, an outcome of improvements made in a customer-friendly online sales process. In particular, Hana Bank proactively improved systems and content, not to mention streamlining of complicated processes, all in the interest of customers, thereby fortifying the foundation for the long-term growth of the fund business in a fast-growing contactless environment.

The securities market is forecast to rise in 2021 as a result of the ongoing acceleration of the COVID-19 vaccinations drive and economic improvements fueled by an additional large-scale stimulus policy rollout. However, as looming fears of inflation can materialize

into an interest rate hike, a portfolio strategy that can effectively counter such and other related fallouts is necessary. Global trends in the asset market include growing numbers of individual investors directly investing in securities, a rising popularity of alpha-seeking thematic funds, expanding ESG investments, and an accelerating digital transformation.

Accordingly, Hana Bank will seek to diversify portfolios in line with the emerging global paradigm shift in the coming post-COVID-19 era, while continuing to strengthen mid-risk-mid-return supply capabilities in preparation for interest rates lowering and market volatility soaring. Also pursued will be the development of new non-face-to-face fund services based on the analysis of customer preferences and behavior patterns and other measures with a focus on customer experience management in the contactless area.



Bancassurance

Hana Bank continued its growth in bancassurance in 2020, recording KRW 40.0 billion in sales, a YoY rise of KRW 5.2 billion, based on monthly calculated premiums. The increase is mainly attributable to a long-term income base comprised mostly of sales expanded over the years, to the acceleration of a channel-focused digital transformation, and to a resultant expansion of a protection-type insurance customer base. Sales income decreased KRW 4.5 billion YoY owing to a reduction in commissions on insurance sales and a rise in insurance policy cancellations following an economic slowdown. However, as the rise in 2020 sales means higher deferred commissions for 2021, sales income is expected to grow further going forward.

In new sales, installment and lump-sum products amounted to KRW 35.4 billion and KRW 709.0 billion, respectively, 18.0% and 8.0% more than a previous year, both contributing to increasing non-interest incomes. As such, bancassurance has proven itself as an effective alternative to private equity fund products which are vulnerable to temporary difficulties.



The mobile channel generated 53,631 cases of sales, over a 100% increase from 2019 driven mainly by innovative collaboration products and a new 1Q app, both introduced in 2020. The impressive growth is a testament to a successful digital transformation of the wealth management business. In particular, Hana Bank's mobile bancassurance market share³⁾ significantly increased over the year, relative to that of four major commercial banks, by 36.0%p to record 76.0%, thus turning into a position of advantage from which the Bank can further expand the digital channel and carve out a bigger slice of the market pie. Protection-type insurance, which plays an important role in income base and base customer expansions, recorded 57,007 sales cases, a YoY increase of 29.0% owing to the growth of mobile bancassurance, which is expected to have a positive impact on the growth of preferred customers going forward.

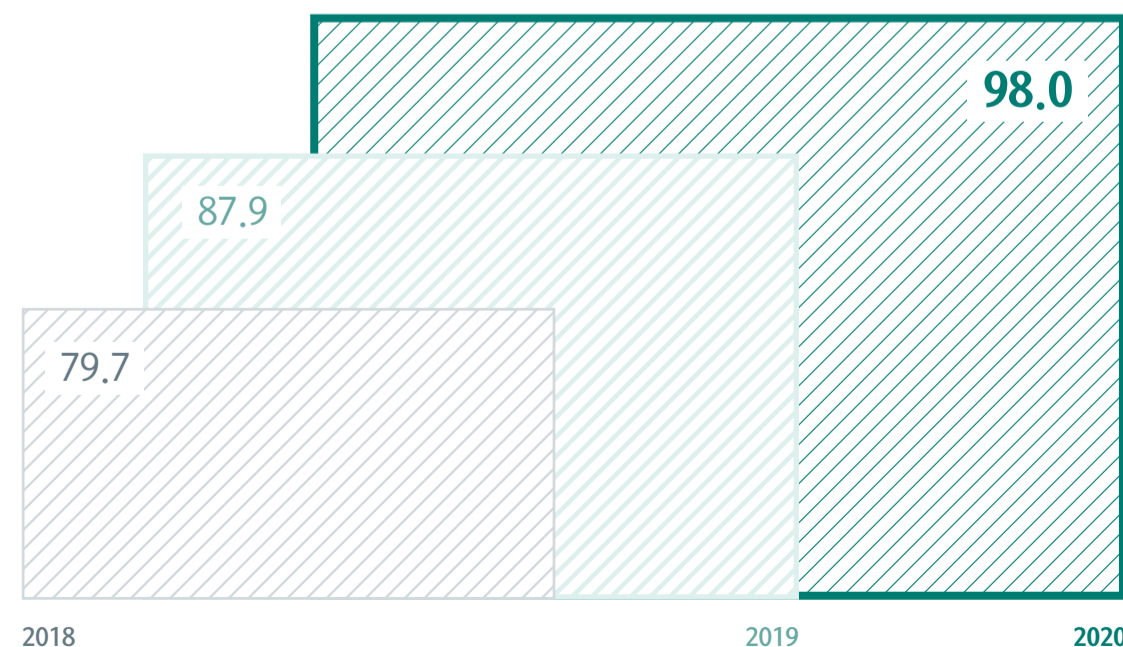
Savings-type insurance is expected to drop in demand and sales in 2021 in line with continuing low interest rate trends and a scheduled enforcement of IFRS17. In addition, the toughening regulation of real estate and asset markets will likely fan the growing perception of pension insurance as a viable vehicle for managing retirement assets. Also likely is a further expansion of contactless trends induced by COVID-19. Actively reflecting such trends in its daily operations and bolstering its market leadership, Hana Bank will strengthen products and services of variable and other insurance; and through which, it will rebalance mid/long-term customer asset portfolios, and continue to pursue sustainable growth of the bancassurance business. The Bank will also focus on preoccupying the mobile channel market, with an eye toward increasing the proportion of non-face-to-face sales. At the same time, it will actively collaborate with big tech, startup, and insurance companies to develop new digital bancassurance opportunities in connection with healthcare.

³⁾ Based on the no. of cases

CORPORATE BANKING

Hana Financial Group fortified the foundation for sustainable growth by supporting SMEs, the backbone of the nation's economy, in their efforts to overcome COVID-induced difficulties in pursuit of continued growth.

KRW SME Loans
(Unit: KRW trillion)



+11.4%

YoY growth of KRW SME Loans to record KRW 98.0 trillion

14.9%p↑

Increase of collateral coverage ratio for SME loans over the past five years

No. 1

Ranked first in evaluation of technology finance performance conducted by Financial Services Commission in the first half of 2020

* As of 2020 year-end

SME Loans

In 2020, all industries, including financial, faced a crisis due to fear and uncertainty induced by the COVID-19 pandemic in addition to an extended period of low growth, low interest rates, and low inflation. Fulfilling its business roles and social responsibilities, Hana Financial Group actively supported the government policy to stabilize the economy and assisted with the diverse efforts of businesses and our society to overcome the crisis. Despite difficult circumstances, we offered pandemic-hit corporate clients maturity extensions and interest payment deferrals, and expanded lines of credit for SME clients. In our efforts to expand policy funding for SMEs, we developed and implemented an RPA system for policy funding, thus improving the accuracy of product matching and significantly reducing work processing time. In addition, our Corporate Consulting Team offered services that supported such essential financial transactions of companies throughout their lifecycle as making deposits and withdrawals, borrowing, FX, import/export finance, and even business succession.

Such win-win efforts also led the growth of corporate banking. KRW SME loans of Hana Bank in 2020 grew by KRW 10.0 trillion, or 11.4%, over the previous year, to KRW 98.0 trillion. The number of SME borrowers also grew, by 81,034 or 21.4% to 403,166, maintaining its growth pace. New SME clients in 2020 numbered 125,247, a 58,095 or 86.5% increase YoY. Also, on the back of a sales strategy to boost client transactions through acquiring key customer assets as collaterals, the collateral coverage ratio of SME loans reached 82.1% in 2020, an improvement of 2.7%p from 2018 and 1.5%p from 2019.

As a result of supplying loans to SMEs and small businesses in compliance with policy directives, Hana Bank's loan assets reached a record high in 2020, accompanied by a proportional increase in risks.

Hana Bank will therefore continually increase profits based on qualitative growth rather than quantitative asset growth by operating an optimal asset/debt portfolio. In particular, in response to variables related to government policy and a slated Basel III implementation, we will create business opportunities and bolster preemptive risk management practices. By developing new revenue sources related to K-New Deal and ESG finance as well as growing quality assets in collaboration with guaranty organizations, we will take the lead in preparing for a post-COVID-19 era. In addition, we will increase business synergies between online and offline through a digital transformation of corporate banking.

SOHO Loans

SOHO loans rose KRW 5.4 trillion or around 12.0% over the course of 2020 to KRW 50.2 trillion. The increase of SOHO loans in 2020 is KRW 2.1 trillion more than the increase recorded in 2019, and thus has strengthened the foundation for improving net interest income. The number of new SOHO clients went up by 110 thousand, twice as many as that in 2019, and as result, total SOHO clients reached 340 thousand, a YoY rise of 30.0%. This is mainly attributable to the Bank's support of various types of businesses facing COVID-induced difficulties, including wholesale and retail businesses engaged in food, lodging, and other related services.

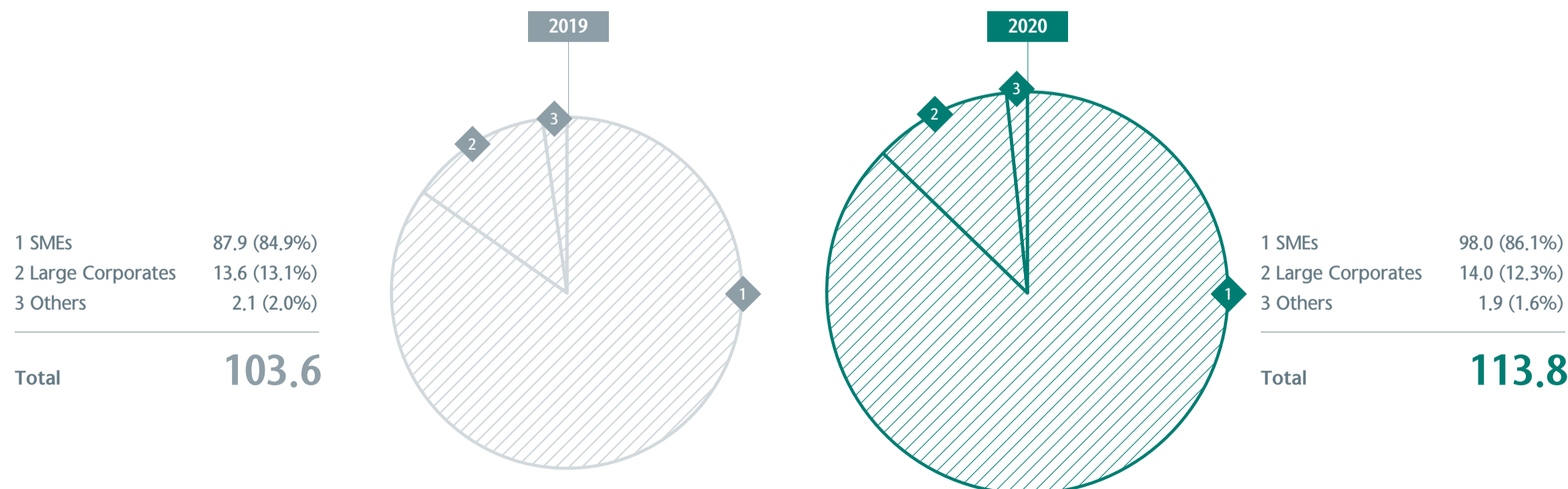
In particular, the Bank became the first commercial bank to cooperate with the Gyeonggi Credit Guarantee Foundation and Seoul Credit Guarantee Foundation to launch "Hana 1Q Guarantee Foundation Loan", an online loan program backed by a guaranty institution, thus securing a position of advantage in the market. Hana 1Q Guarantee Foundation Loan is a loan product available only on non-face-to-face channels, offering practical benefits to small businesses in a convenient and efficient manner and contributing to Hana Bank's expansion of the customer base in the emerging contactless era. On the strength of great response it has earned since its launch in July 2020, the product received some 5,500 qualified applications amounting to KRW 170.0 billion by the end of 2020.

In addition, Hana Bank provided distinctive support to small businesses through the "Small Business Onsite Support Center" and "Small Business Dream Center". The former, which is separately run from Bank branches, provides consulting service in small business management as well as supporting services for SOHO-related loan. The support center has a network of 60 offices, including 35 centers in Seoul metropolitan area, strategically located across the nation, offering small businesses easy access to support measures the center develops and upgrades to the evolving characteristics of each of the areas it covers. The latter is a support center specializing in small businesses. The center is headed by a retired branch manager with an extensive SOHO-related experience, rehired to provide support to small businesses. Small Business Dream Centers No.1 and No.2 together provided small-business owners 80 cases of consulting service in 2020, of which finance-related counseling accounted for the highest percentage at around 60 cases. In addition to financial counseling, the Small Business Dream Center supports startups and small businesses in their efforts to get back on growth track as well as to connect with other consulting service providers.



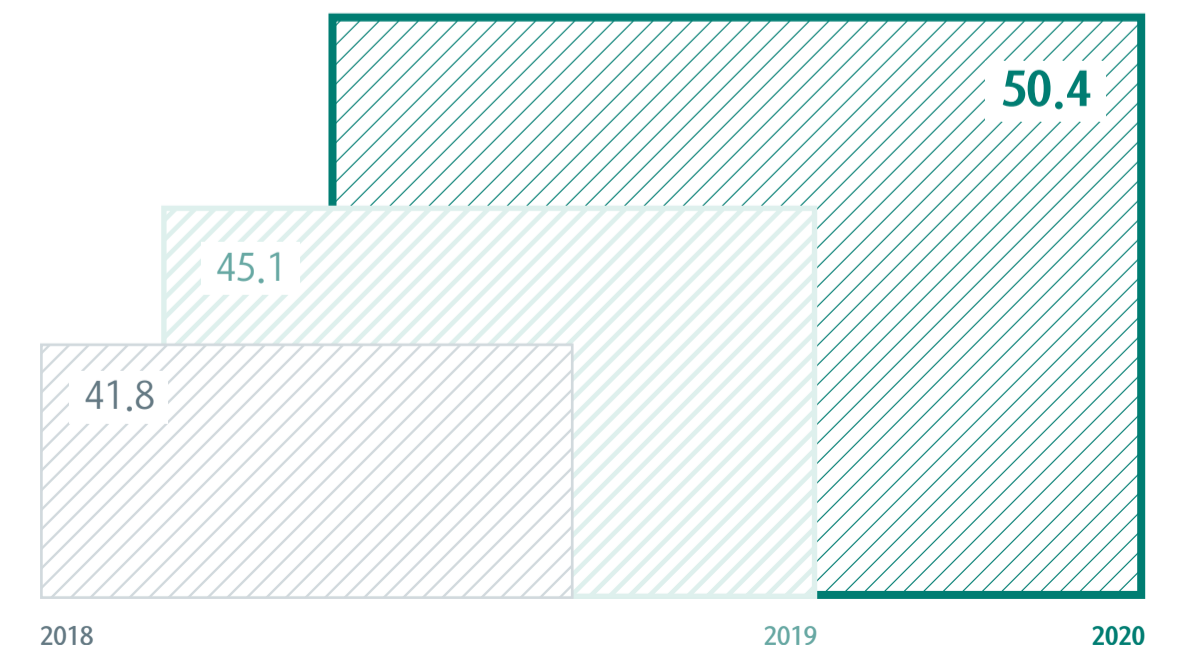
Loans to Corporate

(Unit: KRW trillion)



KRW SOHO Loans

(Unit: KRW trillion)





Commercial banks in Korea jointly launched loan facilities in 2020 on two occasions to support small businesses experiencing COVID-induced difficulties, with Hana Bank playing an active role. In particular, the Bank capped the interest rate of its second loan program at a maximum 2.9%, considerably lower than other commercial banks. The two loan facilities funneled KRW 490.0 billion and KRW 810.0 billion, respectively, leading industry-wide efforts to supply practical benefits to small businesses. As of early 2021, the first program has ended but the second one still remained available. To attract preferred SOHO clients in 2021, Hana Bank has applied to SOHO loans the machine learning (ML) model it had adopted for household loans in 2020.

Hana Bank will continue to support small businesses in 2021 and explore diverse ways to grow together in the long run. To this end, first of all, it will facilitate the contactless aspect of SOHO products. The Bank is developing a non-face-to-face process, ranging from a household-type SOHO loan application to the loan agreement, with a plan to increase the associability of small businesses by upgrading the loan extension process to enable a contactless extension of existing SOHO products.

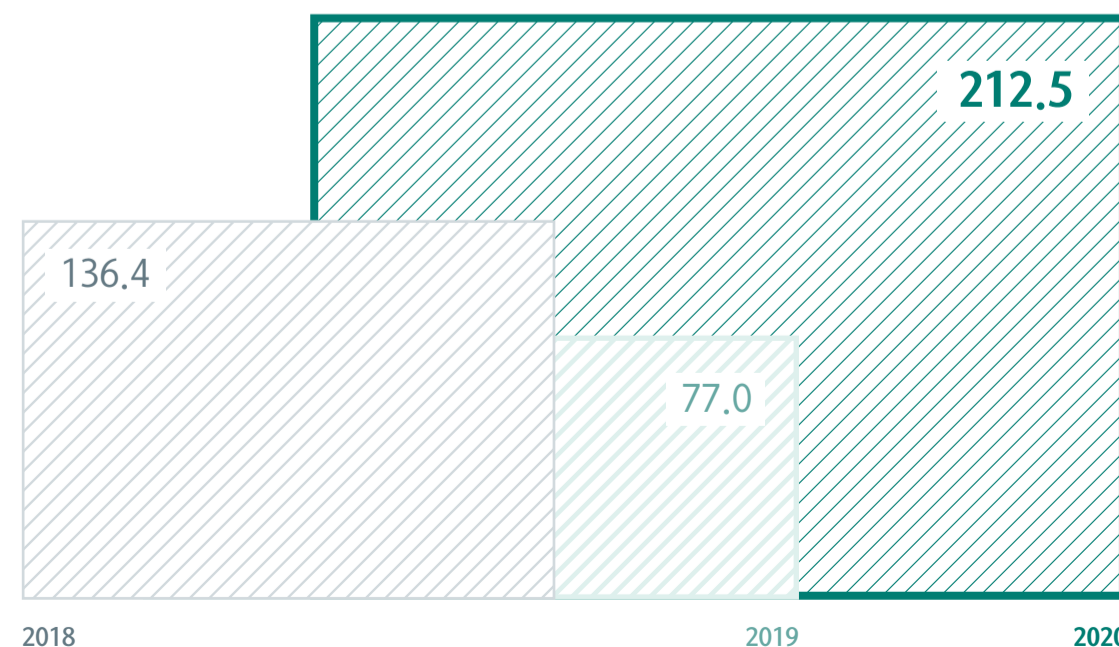
Second, it will increase matching contributions. By working together with local governments and private companies for the common goal of supporting small businesses and energizing local economies, Hana Bank will collectively make contributions to regional credit guaranty institutions and thus expand the coverage of guaranty loans. Third, the Bank will open additional Small Business Dream Centers as a part of ESG management. The last plan is to create education programs for the self-employed and small business and public interest programs, such as “Small Business Smile Project”.

CREDIT CARD

KEB Hana Card is expediting its transformation into a payment leader, online and offline, while pursuing sustainable growth through ESG management.

Operating Income

(Unit: KRW billion)



2020 Performance

Crises and opportunities co-existed in 2020. Due to travel restrictions induced by COVID-19, transactions at overseas merchants dropped 50.4% YoY. However, KEB Hana Card's digital transformations led to tangible outcomes, including a YoY increase of 33.7% in individual usage of online businesses. Individual customers rose 170 thousand to 6.0 million despite offline sales difficulties due to COVID-19. The increase is mainly attributable to active participations the company took in eight regional currency programs¹⁾ run by local governments and an increase in digital subscription in proportion to the total of all sales channels. In addition, it strengthened all platforms, including "1Q Pay" and "Hana Members", and fortified the foundation for mid- to long-term growth, while expanding the customer contact base through a strategic partnership with, and investment in, platform companies. Moreover, KEB Hana Card has been accelerating the pace of its digital innovation by transforming offline services into online benefits and through digital transformation of the entire value chain since the merchant fee reductions for small-scale businesses and SMEs in 2019.

As a result of these efforts, KEB Hana Card posted a record-high net income of KRW 154.5 billion in 2020, improving ROE by 5.6%p to 9.1%. On the back of improvements made through digital innovation in the fundamentals, credit card processing costs, including transaction approval, purchase, and third-party service fees, went down KRW 39.4 billion YoY. Card loan, cash service, and revolving-related interest incomes rose KRW 14.0 billion YoY due to increased loan assets, but asset quality improved thanks to stringent risk management. Accordingly, the loan loss provisions and unused commitment provision amounts decreased KRW 6.6 billion. Loan delinquency rate improved 0.44%p YoY to 1.02%, and credit cost ratio inched down from 2.94% to 2.93% over the previous year. In the meanwhile, KEB Hana Card had reserved proactively additional COVID-19 related loan loss provisions as a buffer to COVID-induced uncertainties, including economic and business contractions.

175.9%↑

Operating income grew 175.9% YoY in 2020 to reach KRW 212.5 billion

154.5
KRW billion

Net income grew 174.4% YoY to KRW 154.5 billion, a record-high performance

4.3
million

Digital customers¹⁾ rose to 4.3 million, a YoY increase of 63.0%

¹⁾ Individual customers of credit, check, and other card services

* As of 2020 year-end

¹⁾ A payment made for the basic disaster fund



2021 Plans

KEB Hana Card seeks to respond to the rapid growth of global online markets and recovery of the offline market expected following the growing availability of COVID-19 vaccines. In the B2C sector, it will shift its sales focus from offline overseas merchants to phased marketing practices optimized to customer journey maps by offering flight, travel, overseas shopping, and overseas study-related services in a comprehensive manner through the expansion of G-Lab, a global marketing platform. In B2B, the company plans to offer small and mid-sized businesses engaging in global e-commerce a quick account and payment settlement service. To this end, it will cooperate with overseas purchase service platforms, VISA, and the Ministry of SMEs and Startups.

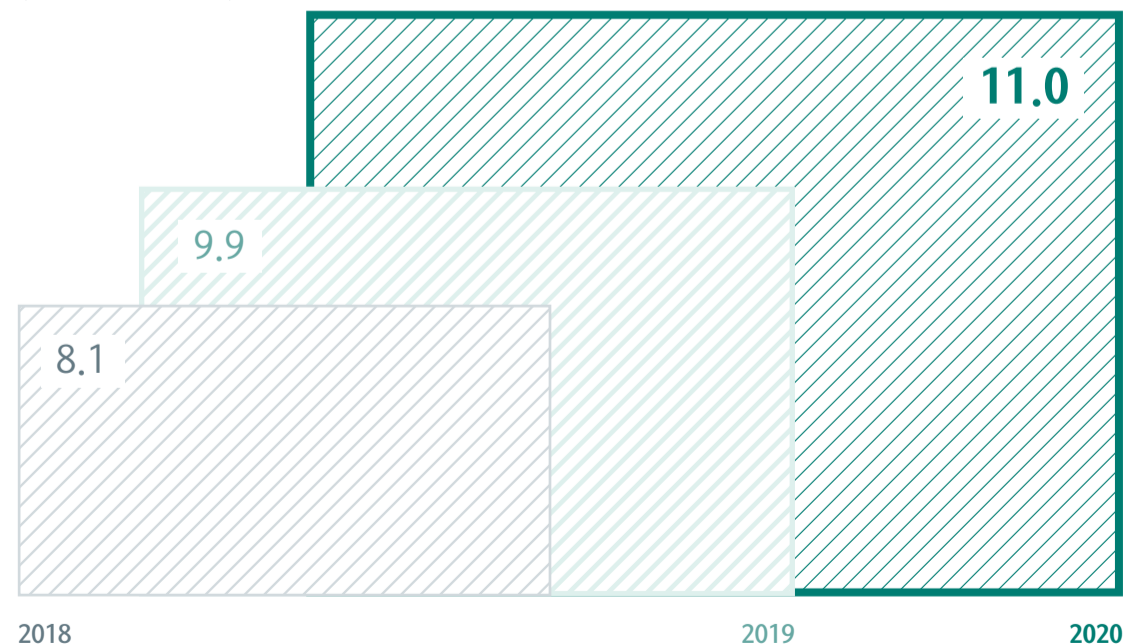
Running the existing card business based on the company's own 1Q Pay, it will increase strategic alliances with and investment in outside platform companies, and thus expand customer contact points. In new business, the company plans to commence a card transaction business in the first half of 2021 through Toss Bank, as a follow-up to the auto finance and credit loan businesses unveiled in January 2021. As auto finance is anticipated to be the main growth engine in an economic recovery phase, KEB Hana Card will expand its business into the on/offline auto finance markets. Also planned for 2021 is a full launch of data-based business, including MyData and data distribution. As for mid- to long-term business expansions, it will acquire additional overseas purchasing licenses in Asia based on the Group's global business network. In addition, the company will increase the number of overseas online merchants from current 140 to 200 to achieve economies of scale.

Through these and other efforts, KEB Hana Card will transform itself into a digital payment company, while also doing its utmost to realize ESG values by practicing sustainability management. The company will develop a financial platform through which small businesses and SMEs can manage their PR and sales, as part of its efforts to support SME growth, and by expanding the regional currency business, it will help revitalize regional economies. The company will also develop financial services for the underprivileged and increase alliances with and investment in startups and social enterprises to enhance social values. In addition, it will lead eco-friendly finance by focusing on increasing strategic alliances with companies that carry out eco-friendly businesses, including low carbon and electric vehicle, and also by developing a low-carbon business structure by moving toward online-only products, sales and billing.

IB & ASSET MANAGEMENT

We are facilitating collaboration and maximizing synergies among the Group affiliates, turning challenges into growth opportunities and strengthening the foundation for continued growth under the keynote of “One Company”.

IB Assets
(Unit: KRW trillion)



* IB performance of Hana Bank

52.0%↑

HFI posted an operating income of KRW 330.1 billion in WM, a YoY increase of 52.0%

13.0
KRW trillion

Hana Financial Group pledged KRW 13.0 trillion investments for the Korean New Deal

No. 1

HFI ranked first in DLS/DLB market share

* As of 2020 year-end

Investment Banking

In light of a sluggish market environment due to COVID-19 which pervaded 2020, Hana Financial Group’s “One IB” collaboration strategy shone brighter. The financing of Hahn & Company’s acquisition of H-LINE SHIPPING is a prime example of the Group’s One IB strategy. This KRW 1.75 trillion deal for a 100% stake in the target company has built a win-win model through a strategic partnership between Korea’s top-tier private equity (PE) firm and Hana Financial Group. We provided the PE firm with an optimal M&A finance solution through the participation of Hana Financial Investment (HFI) as a co-general partner (Co-GP) and Hana Bank’s senior loan. Besides, Hana Bank arranged such big deals as K-car acquisition finance and Yongsan Dragon City refinancing, built a solid track record in the real estate asset management and new & renewable energy sectors, and made other significant IB achievements.

COVID-19 had a more direct impact on global IB, causing the aviation industry to stagnate, increasing risks embedded in existing assets, and hampering site inspections, to name a few. Notwithstanding, Hana Bank arranged aircraft financing, one of its strengths, before the spread of COVID-19 took hold, and increased F/X incomes through derivatives trades, pouncing on hedging demands fueled by macro uncertainties. In addition, the Bank minimized losses by rebalancing the investment portfolio on such quality assets as data and logistics centers.

As a result of these efforts, Hana Bank’s IB business recorded an operating income of KRW 316.1 billion in 2020, up KRW 9.7 billion from the previous year. The fact that the Bank’s operating income increased YoY despite such unprecedented variables as COVID-19 illuminates Hana Bank’s capability to effectively deal with whatever challenges that may lie in the market environment. The interest incomes from long-cumulated quality assets offset the combined effect of reductions in finance arrangements as well as in non-interest fee income, both caused by the market contraction, pointing to a future direction for the Bank to take. Fee income boosts from finance arrangements or other services should generate a greater synergy effect when are realized on the basis of long-term quality assets. Therefore, Hana Bank will double its efforts to invest more and secure more quality assets from a long-term perspective.

HFI also achieved a sharp increase in operating income in the face of limited investment opportunities due to COVID-19 pandemic on the strengths of sound business development and an investment focus on pandemic-friendly businesses, which resulted in a substantial increase in the quality as well as in the quantity of asset growth. The company posted an operating income of KRW 463.9 billion from its IB business, surpassing its 2019 record performance by KRW 149.2 billion or 47.4%. By adroitly shifting its focus to quality domestic deals and making other proactive responses to market changes amid a global pandemic, HFI was able to continue its growth. It also achieved a strong earnings performance by successfully completing many big deals, including large domestic development and eco-friendly infrastructure projects, as well as by implementing an efficient resource distribution strategy. KRW 10.0 billion+ big deals increased from KRW 48.2 billion in 2019 to KRW 83.2 billion in 2020, while KRW 1.0 billion+ ones increased from 73 cases totaling KRW 230.9 billion in 2019 to 78 totaling KRW 295.0 billion in 2020.

As contactless, new-normal and other global economic trends accelerated their pace, HFI pursued new income sources, investing more in sectors with great growth potential such as smart complex logistics centers, new & renewable/eco-friendly infrastructure, and data centers. As a result, HFI solidified its leadership position in alternative investment, one of its forte. Also, the foundation for continued growth was reinforced through a reorganization of risk management units, and its competitiveness as a mega-sized investment bank was enhanced on the back of its superior performance in 2020.

Hana Financial Group is providing practical, tangible financial support for the successful implementation of the Korean New Deal, aiming to make KRW 13.0 trillion investments from 2021 to 2025. Hana Bank is participating, as a CIB member, in the “Korean New Deal Finance Team”, a control tower comprised of financial group representatives coordinating the participation of member affiliates in government-led projects. The team convenes once a month, assessing the progress of projects and sharing relevant opinions. Doing its part mostly in the form of loan, Hana Bank plans to participate in smart city and other digital infrastructure projects, in addition to PF support for photovoltaic/offshore wind/hydrogen fuel cell power as well as for data center projects. Similar investments have been underway, but the Bank has been expanding its investments in relevant industries since the government announced the Korean New Deal policy.

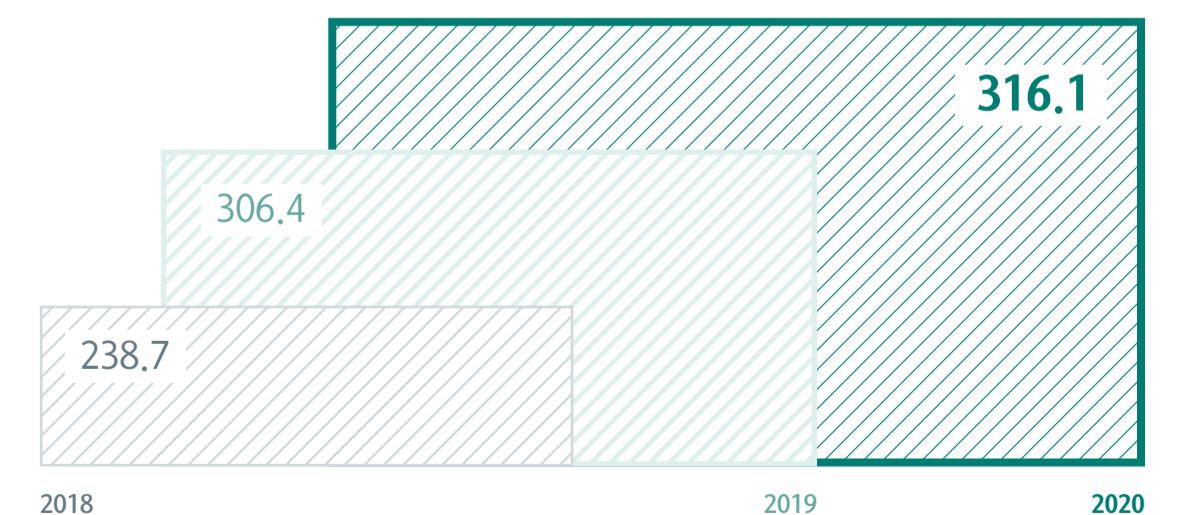


In addition, it is actively assessing the feasibility of equity investment in any of the projects as a form of support for initial project costs, thereby going beyond simple loans.

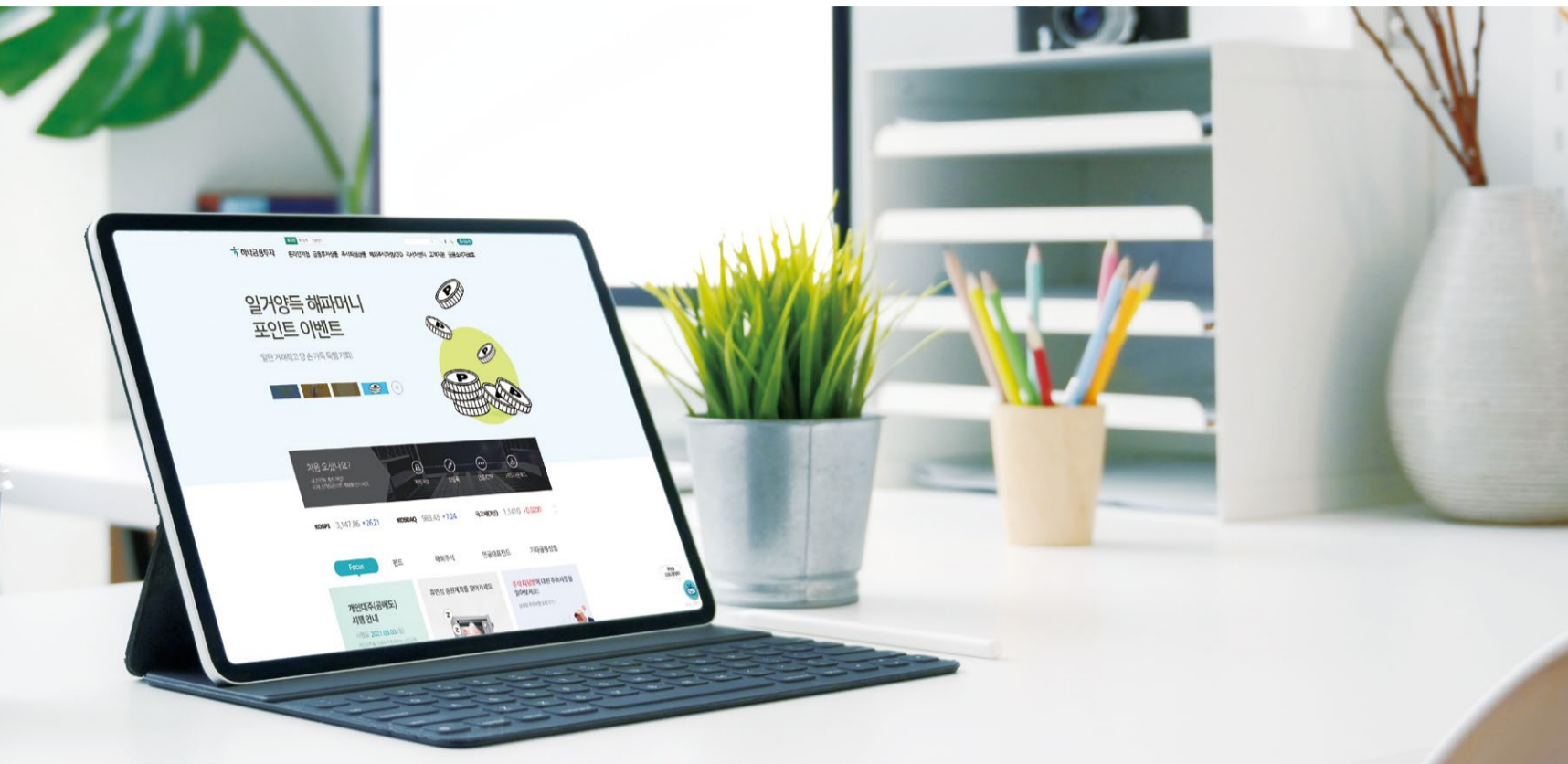
Competition among IBs is expected to further intensify in 2021 with a gradual recovery of the real economy and improving liquidity. In response, Hana Bank will first solidify its dominant presence in the M&A finance market, where mega-size securities are steadily increasing their market shares leveraging their existing PE network and ties among their affiliates. In addition to making strategic investments to secure arrangement rights, the Bank will build up the foundation for creating long-term and stable income source by facilitating PI.

IB Operating Income

(Unit: KRW billion)



* IB performance of Hana Financial Investment

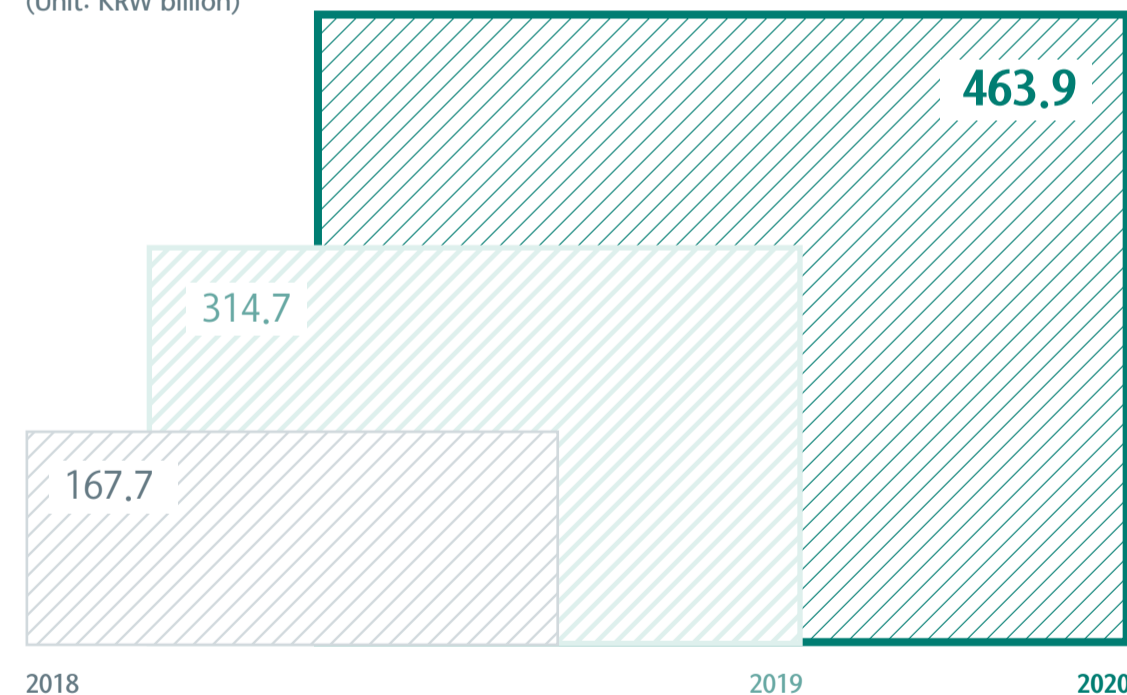


Second, Hana Bank will preoccupy quality assets by actively investing in Korean New Deal projects. In the green new deal area, inclusive of photovoltaic, offshore wind, and hydrogen energy, it will secure assets by implementing investment strategies each customized by product. In the digital new deal area, it will consistently invest in government-led digital infrastructure projects. Third and last is strengthening competitiveness in the global market. The Bank will bolster competitiveness, focusing marketing on global sponsors, hiring local talent, and diversifying asset and country portfolios. Prior to the normalization of the aviation industry, it will make a preemptive investment in the form of aircraft financing to gain a first-mover advantage.

The paradigm of the global financial environment is changing at a pace faster than we think, and this transition of ecosystem is being accelerated by global issues such as the COVID-19 crisis. Establishing a sustainable finance system, which includes green finance and ESG management, is gaining greater social importance. Accordingly, HFI has established strategic goals and is implementing action plans to lead new economic and industry trends. Further improving its capabilities on the pros of being a mega-size IB, HFI will invest in the direction of sustainability that will take the company beyond the environment and social aspects of ESG management and all the way to the essence of financial business.

IB Operating Income

(Unit: KRW billion)



* IB performance of Hana Financial Investment

Big Deal Performance

Classification	2019	2020	YoY
More than KRW 10 billion	4 cases, KRW 48.2 billion	4 cases, KRW 83.2 billion	0 case, KRW 35.0 billion
KRW 1 billion - KRW 10 billion	73 cases, KRW 230.9 billion	78 cases, KRW 295.0 billion	5 cases, KRW 64.1 billion

* Performance of Hana Financial Investment

Brokerage

In 2020, HFI garnered an operating income of KRW 330.1 billion from its WM business, a record performance in retail banking and a YoY increase of KRW 112.9 billion or 52.0%. Of the sum, brokerage fee income amounted to KRW 188.3 billion, over a two-fold increase from the previous year. This significant increase is mainly attributable to the low interest rate-based monetary policy aimed at increasing liquidity to create economic growth in many countries around the world and an unprecedented jump in the number of individual stock traders, although financial market uncertainties, including a drop in stock prices and concerns over an economic downturn, peaked due to the global spread of coronavirus in March 2020. Brokerage fee income accounted for 57.1% of HFI's operating income from retail business, up 17.6% from the previous year.

Of brokerage fee income, income from overseas securities and derivatives brokerage operations amounted to KRW 23.0 billion, over a two-fold increase compared with the 2019 figure. In particular, brokerage fee incomes generated by on/offline channels reached KRW 24.3 billion, a YoY increase of 171% driven by digital-first policies and incentives implemented in 2020. Customer assets also rose KRW 19.8 trillion YoY to KRW 66.1 trillion on a substantial increase in stock prices and in new customers, of which deposit assets increased KRW 18.1 trillion YoY to KRW 47.1 trillion.

The real economy is expected to steadily recover in 2021 with the increasing availability of COVID-19 vaccines and a continuation of the loose monetary policy of countries around the world. The persistence of low interest rate trends and growing liquidity are expected to further fan the preference for stock investments.

HFI will make continuous efforts to recapture inactive customers aimed at increasing deposit assets, an income base, and keeping assets active, so that the 2020 increase in brokerage fee income does not go down a one-off but instead leads to bigger growth going forward.



To further expand global income, the company will focus on increasing the base assets of the overseas securities business, by bolstering referral sales involving Hana Bank's high net worth (HNW) customers and opening FX accounts in link with overseas securities; as well as on improving content competitiveness through fractional share trading and other system upgrades and collaboration with overseas securities specialists. In overseas derivatives, HFI will expand the customer base by enhancing system competitiveness, including the adoption of a new web trading system (WTS), and diversifying products.

In response to the growing importance of digital finance and other changes of the times, HFI will focus on expanding its customer base by upgrading mobile platform ecosystems and providing AI-based hyper-personalized financial services. Also planned are increasing customer contact points as well as new customers, diversifying digital content and expanding the partnership base with external digital platforms. To ensure a smooth implementation of these and other digital strategies, the company will continue securing digital talent and upgrading the infrastructure for digital finance.

Sales & Trading

In the sales & trading (S&T) area, HFI recorded an operating income of KRW 138.6 billion in 2020, a YoY reduction of KRW 25.1 billion or 15.3%. ELS/ELB and DLS/DLB issued in 2020 amounted to around two thirds of 2019's, affected by a reduction in the total issuance of equity- and derivatives-related products in 2020 due to stringent regulations imposed on the market.

HFI issued some KRW 4.9 trillion worth of ELS/ELB and around KRW 3.8 trillion of DLS/DLB in 2020. In particular, it actively supplied non-complex products for low-risk investors and increased the supply of structured products based on fixed-income, currency, and commodity (FICC) by extending the supply line to diverse external companies and institutional investors. As a result, HFI expanded its DLS/DLB market share to 17.19%, the largest share.

In sales, HFI stayed focused on supplying principal-guaranteed/partial principal-guaranteed products through relevant sales channels in line with an increase in retail customer demand for non-complex and low-risk products. It also increased the supply of FICC structured products tailored to the risk appetite of institutional investors. HFI issued around KRW 4.9 trillion of ELS/ELB and KRW 3.8 trillion of DLS/DLB in 2020, the latter being the industry's largest, befitting its reputation as the de facto derivatives leader. In trading, profit/loss volatility soared in the early part of 2020 due to the COVID-19 crisis.

Nevertheless, HFI overhauled the market monitoring system, created an overseas fixed-income unit, and retooled risks management systems, all to significantly increase investment returns from diverse operations, including repurchase agreement, domestic fixed-income, global arbitrage, prop trading and PI. HFI's contract for difference (CFD) service, in particular, was launched in 2019 as a late comer but ranked third in terms of market share within a year.

The ELS/ELB and DLS/DLB market is expected to stay distressed in 2021 amid prolonged COVID-19 situation as the capital flight to the stock market is more than likely to continue, a trend started toward the end of 2020. In particular, the customer protection-centered legal and regulatory revisions slated for the first half are more than likely to further dampen the ELS/DLS issuance market.

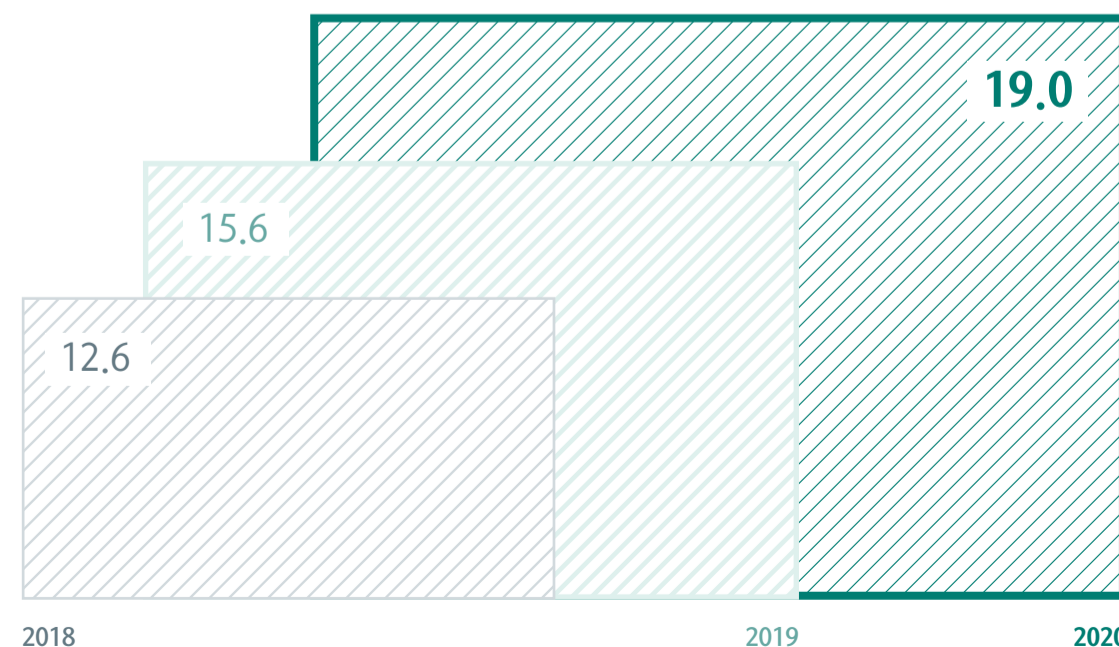
Against this background, HFI, in order to diversify its income source, will reinforce its platform business, alternative investment and retirement pension management, while diversifying interest rate and credit hedges as well as expanding global macro trades and market arbitrages. In particular, the company plans to actively use the platform business to secure stable income sources. For instance, HFI aspires to become the leading provider of CFD services by growing assets and diversifying hedge structures, while also planning to develop and list a diverse range of exchange-traded notes (ETNs) tailored to different investor needs through active market research and analysis.

PENSION & TRUST

Hana Financial Group will protect customer assets and maintain its growth by accurately reading market changes and providing services that foresee customer needs.

Balance of Retirement Pension Contributions

(Unit: KRW trillion)



21.5%↑

Balance of retirement pension contributions grew 21.5% or KRW 3.4 trillion YoY

155
KRW trillion

AUM of fund management services grew KRW 3.0 trillion YoY

Top 3

Retirement pension market share in Korea moved up one position to 3rd place in the banking industry

* As of 2020 year-end

Retirement Pension

The retirement pension market grew 15.5% YoY in 2020 to KRW 256.0 trillion. The 2020-end balance of retirement pension contributions of Hana Bank amounted to KRW 18.9 trillion, a YoY increase of KRW 3.4 trillion or 21.5%. To review contributions by type, IRP grew most by KRW 1.3 trillion, or 46.3%, followed by defined benefit (DB) and defined contribution (DC) by KRW 1.1 trillion and KRW 0.9 trillion, respectively.

Hana Financial Group created Pension & Trust Unit in early 2020 and facilitated organic collaborations between its banking and non-banking sectors for a stronger position in the retirement pension market, moving up from 4th to 3rd place in the banking industry market share. Hana Bank strengthened product competitiveness on the back of organic collaboration with other Group affiliates, such as launching installment savings-type IRP with Hana Savings Bank and free-style installment-type principal-guaranteed IRP products with Hana Life, an industry first for both. As part of the effort to improve the earnings performance of retirement pension funds, Hana Bank focused on selling target-date funds (TDF), a pension product aligned to the start of customer retirement. As a result, the Bank maintained its No. 1 position in TDF market share, became the industry's top performer in rate of return (ROR) on DC-type non-principal-guaranteed products¹⁾, and improved the earnings performance in other pension sectors. In strengthening the competitiveness of non-face-to-face sales channels for retirement pension funds, the Bank completed the digitalization of the processes for commencement/cancellation of pension payments and pension account transfers. Hana Bank also achieved such diverse outcomes through the digitalization of the retirement pension business as a system for verifying the ability of companies to honor their retirement-related obligations to retiring employees.

Most large corporations have already adopted retirement pension plans. In addition, the 2021 plan to raise the ratio of corporates' retirement benefit funds, from 90% to 100%, managed by third-party pension managers was postponed to 2022 due to COVID-19. As such, the retirement pension market is expected to grow 11.0% to KRW 285.0 trillion in 2021, somewhat slower than in 2020. By type, DC and IRP are likely to grow at a rate higher than DB's, and in response to interest rates remaining low and a booming stock market, market interest in rates of return on retirement pension products will likely reach all-time highs.

¹⁾ Refer to the Financial Supervisory Service's Integrated Pension Portal for detail information

In line with these market forecasts, Hana Bank will expand the supply of products in collaboration with the Group affiliates and other financial companies, and develop high-margin products based on its diversified base assets. To this end, it will launch products reflecting the characteristics of each plan, and thus offer more choices to customers based on the product development strategy for responding to a greater diversity of needs. In addition, by expanding the online customer management center, the Bank will reduce unmanaged pension assets and steer customers towards rolling over their maturing investments, and by expanding the offline services of DC team, will increase team visits to corporate clients and their employees with a portfolio of new custom products.

Moreover, it will continue its efforts to improve ROR by establishing a ROR management system, in order to automate the offering of individually-customized product portfolios, and by developing an AI model portfolio exclusively for managing retirement pension investments through collaboration with the Hana Institute of Technology. Also to be improved are the usability of mobile services related to pension account management and online channels involving customer consents on retirement pension operations and education of new customers.



Breakdown of Retirement Pension Contribution

(Unit: KRW billion)

Hana Bank	2018		2019		2020				
	Change (Amount)	Change (%)	Change (Amount)	Change (%)	Change (Amount)	Change (%)			
Total Contributions ¹⁾	12,629.6	1,916.6	17.9	15,631.5	3,001.9	23.8	18,994.6	3,363.1	21.5
DB	7,368.8	622.0	9.2	8,613.6	1,244.8	16.9	9,723.7	1,110.1	12.9
DC	3,268.5	634.2	24.1	4,095.3	826.8	23.6	4,949.7	854.4	20.9
Personal IRP	1,947.1	660.1	51.3	2,922.6	975.5	50.1	4,274.3	1,351.7	46.3

¹⁾ Including corporate IRP



Trust

In managing entrusted assets, Hana Bank in 2020 enhanced product competitiveness and met customer needs by supplying a wide range of new products in line with market trends, thereby continuing its stable growth. As maintaining the growth rate became uncertain due to COVID-induced business challenges amid a consumer-centered regulatory environment, the Bank focused on launching new structured products such as partial guarantee equity-linked trust (ELT), shooting-up, and principal payment-type equity-linked bonds (ELBs) as well as on the supply of high-grade fixed-income products. To proactively respond to a fast-aging population and other demographic changes, Hana Bank launched “100 Years Living Trust Center” in July 2020 and released “100 Years Safe Trust I, II” and “Prior Bestowal Trust”. Through an IRP-linked care trust adopted in collaboration with Pension Business Support Section, the Bank established a means to manage pension assets and payments in a more stable manner for more financially secured post-retirement lives of customers.

The combined effect of these and other efforts put forward by the Bank in 2020 were overshadowed, however, by an industry-wide drop in demand for trust products and an ever-stringent regulatory environment. As a result, total trust sales and commissions decreased, albeit slightly, by KRW 70.5 trillion and KRW 147.4 billion, respectively.

However, the Bank maintained the second largest market share in trust sales by continually supplying new alternative products and simplifying financial bonds.

Hana Bank was re-selected as an alternative asset trustee for the National Pension Service in 2020 on the basis of its fund management expertise and distinctive services. As a result, the Bank will manage the investment assets of the world’s third-largest public pension fund for the next three years. It also succeeded in winning an open bid to become a fund manager for Prudential Life Insurance, proving once again its capabilities.

Owing to these and other achievements, trustee & custodian business section recorded KRW 155.0 trillion in AUM in 2020, a YoY increase of KRW 3.0 trillion. Which is the outcome of a strategic focus it maintained on attracting new institutional investors and overseas investment fund assets in the face of difficult market circumstances, including COVID-19 and a sluggish fund market. Hana Bank plans to increase AUM by continually taking a proactive response to market environment and regulatory changes.

Trust section plans to actively respond to an uncertain market environment forecast for 2021. It will focus on increasing the supply

of fixed-income products with relatively high stability and profitability in anticipation of a further cut in interest rates and a continuation of COVID-induced economic uncertainties. By combining the strengths of trust with those of select investment products backed by collateralized loans, real estate development, accounts receivables, and other high-quality assets, trust section will supply stable fixed-income investment products, and actively respond to diverse customer demands. Also taking advantage of the growing popularity of video chats, it will further expand online transactions with a focus on establishing a customer-centered transaction environment. Through IT upgrades, it will get ahead of fintech and internet banks in the competition for customer contact points. It will also contribute to strengthening the Bank’s role as a social safety net and enhancing social values by continually developing and supplying dementia/care products for the fast-aging population of Korea, strengthening pension product functions for the stability of post-retirement lives of many, expanding bequest management services, and promoting a donation culture.

Trustee & Custodian Business Section will increase AUM and focus more on internal controls and risk management with regard to fund management. By further digitalizing its fund operations, it will also build a digital base from which to better respond to the fast-changing market environment.