

Management's Discussion and Analysis

HANA FINANCIAL GROUP

I. OVERVIEW

Due to the COVID-19 pandemic which began in early 2020, economic conditions in Korea and abroad deteriorated throughout the year. The uncertainties caused by the pandemic permeated across all societies, bringing the visibility of anything forward to a near zero. Hana Financial Group was also affected, being forced to close some branches, albeit temporarily, due to confirmed cases. Facing an ever-present threat of contagion, however, all employees of Hana Financial Group strived to deliver seamless customer experiences.

As a result, we made another record performance in 2020. Growth was achieved evenly across all sectors, leading to a stable income portfolio balanced by the strong growth of the non-banking sector, which exceeded its target of 30% of the Group income, and by the steady growth of the global business. In addition, Hana Insurance joined us as a subsidiary, reinforcing our position as a comprehensive financial group in the true sense of the word.

Hana Financial Group posted a consolidated net income of at KRW 2,637.2 billion in 2020, the highest in its history. Net interest margin (NIM) contracted 16bp YoY to 1.60%, mainly due to lower market interest rates, but the contraction was more than compensated by the sound growth in non-banking and global operations. The net income figure represents an increase of KRW 245.7 billion YoY, driven by a solid performance in the IB sector, increases in securities brokerage fees, and gains on sales of bonds. As a result, return on equity (ROE) increased 24bp over the year to 8.96%, and cost to income (C/I) ratio improved by 5.24%p YoY to 45.33%.

Total assets grew 9.2%, led mostly by SME and household loans. Total revenue went up 7.1% on the strength of 8.2% and 1.0% increases in deposits and beneficiary certificate sales, respectively.

Asset quality also improved over the year. Non-performing loan (NPL) contracted 0.07%p to 0.40%; NPL coverage ratio increased by 31.27%p to 143.78%; and delinquency rate decreased to 0.26%, all attesting to the sound quality of the Group's assets.

The Group's BIS ratio and common equity Tier 1 ratio reached 14.20% and 12.04%, respectively, both well above regulatory guidelines set by financial authorities.

In 2021, Hana Financial Group will restructure its business toward platform-based finance, internalize its global DNA across all operations, put socially-responsible finance into practice, and complete the customer-centric "O.N.E Company" project. In addition to solid earnings, we will continue to increase shareholder value, maximize customer satisfaction, and improve the level of happiness for all.

Consolidated Net Income

(Unit: KRW billion)

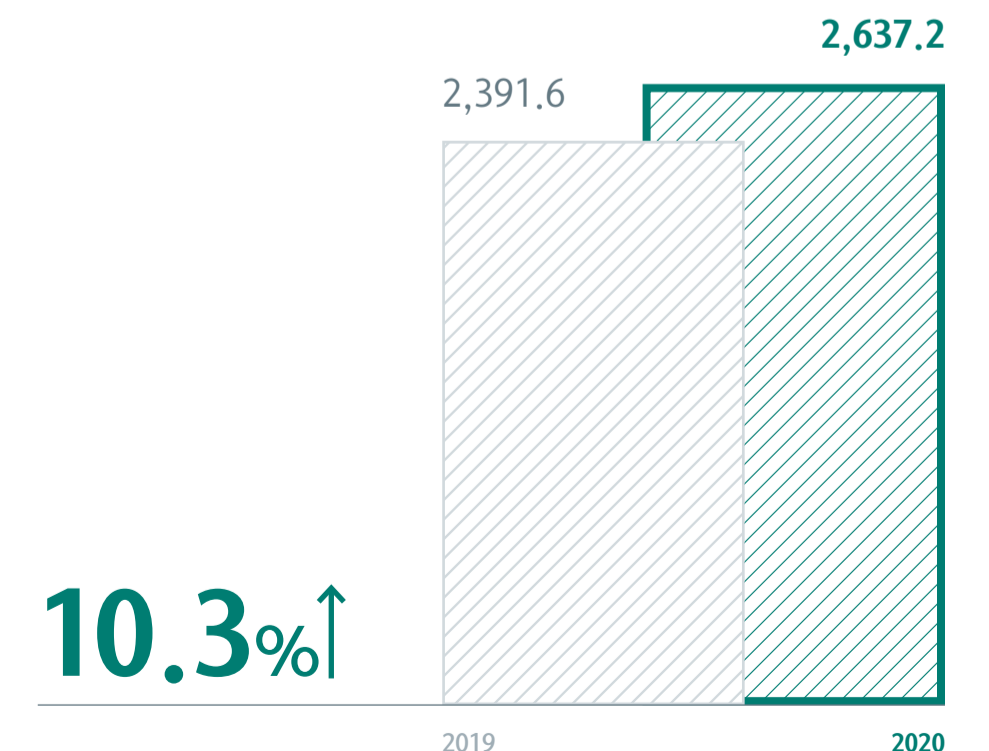


TABLE 1. SUMMARIZED FINANCIAL INFORMATION

(Unit: KRW billion)

	2020	2019	YoY	%
Profitability				
General Operating Income	8,642.7	8,121.5	521.2	6.4%
Operating Income	3,836.4	3,258.7	577.7	17.7%
Consolidated Net Income	2,637.2	2,391.6	245.7	10.3%
Return on Assets (ROA)	0.61%	0.60%	0.01%p	-
Return on Equity (ROE)	8.96%	8.72%	0.24%p	-
EPS (KRW)	8,858	7,898	960	12.2%
Cost to Income Ratio	45.33%	50.57%	-5.24%p	-
Business Volume				
Total Assets ¹⁾	460,313.3	421,467.1	38,846.2	9.2%
Total Sales	346,170.1	323,163.4	23,006.7	7.1%
Total Deposits ¹⁾	295,834.9	273,331.6	22,503.3	8.2%
Sale of Beneficiary Certificates	50,335.2	49,831.8	503.4	1.0%
Asset Soundness				
Substandard & Below (NPL) Ratio	0.40%	0.48%	-0.07%p	-
Substandard & Below (NPL) Coverage Ratio ²⁾	143.78%	112.51%	31.27%p	-
Delinquency Ratio	0.26%	0.30%	-0.04%p	-
BPS	98,455	92,192	6,262	6.8%
Capital Adequacy ³⁾				
BIS CAR – Group	14.20%	13.95%	0.25%p	-
Tier 1 Ratio – Group	13.03%	12.67%	0.36%p	-
Common Equity Tier 1 Ratio – Group	12.04%	11.96%	0.08%p	-
BIS CAR – Hana Bank	14.73%	16.11%	-1.38%p	-
Tier 1 Ratio – Hana Bank	12.83%	13.87%	-1.04%p	-
Common Equity Tier 1 Ratio – Hana Bank	12.78%	13.79%	-1.01%p	-
Net Capital Ratio – Hana Financial Investment	1,214.63%	1,021.73%	192.90%p	-
Adjusted Equity Capital Ratio – KEB Hana Card	22.84%	20.80%	2.04%p	-
Solvency Margin Ratio – Hana Life	185.13%	201.33%	-16.20%p	-
Adjusted Equity Capital Ratio – Hana Capital	12.50%	14.08%	-1.58%p	-

Note 1) Total assets exclusive of trust assets

Note 2) NPL coverage ratio in accordance with the Regulation on Supervision of Banking Business revised on December 14, 2016

Note 3) Based on Basel III standards

II. SUMMARY OF BUSINESS PERFORMANCE

Hana Financial Group's consolidated net income for 2020 amounted to KRW 2,637.2 billion, up KRW 245.7 billion from the previous year. The increase can be attributed mainly to the rapid growth of the non-banking sector and the continued growth of the global business.

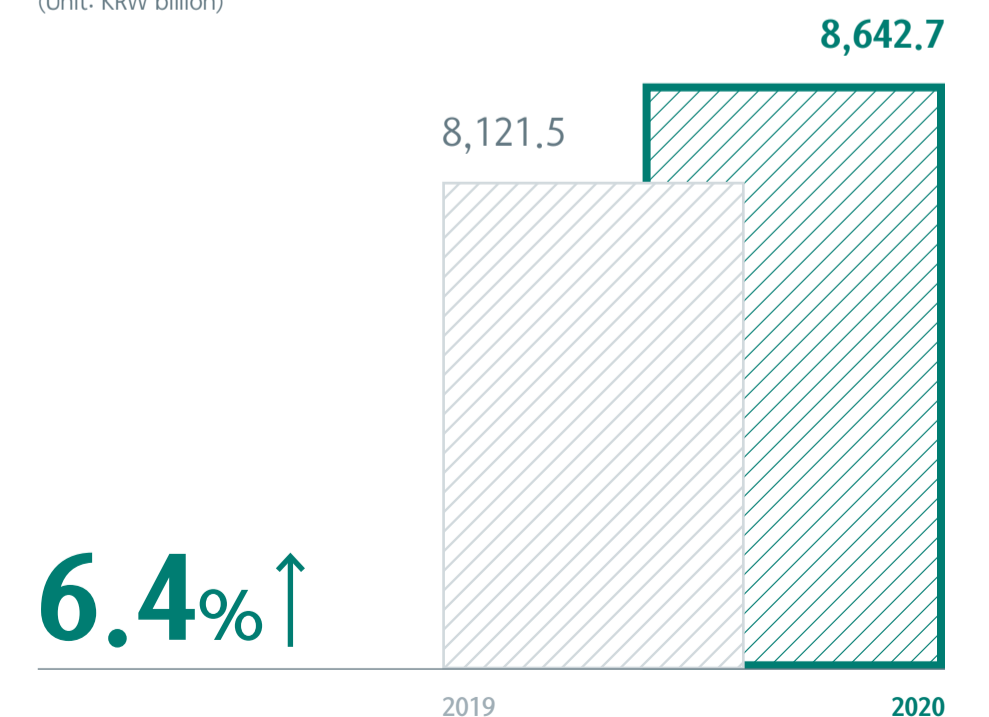
TABLE 2-1. COMPREHENSIVE INCOME STATEMENT (CONSOLIDATED)

(Unit: KRW billion)

	2020	2019	YoY	%
General Operating Income	8,642.7	8,121.5	521.2	6.4%
Net Interest Income	5,814.3	5,773.7	40.6	0.7%
Net Fee and Commission Income	2,255.7	2,150.9	104.8	4.9%
Gains on Disposition & Valuation	1,171.8	797.1	374.7	47.0%
Other Operating Income	-599.2	-600.2	1.0	-
General & Administrative Expenses	3,917.7	4,107.0	-189.4	-
Pre-Provisioning Operating Profit (PPOP)	4,725.0	4,014.5	710.5	17.7%
Provision	888.6	755.8	132.8	17.6%
Operating Income	3,836.4	3,258.7	577.7	17.7%
Non-Operating Income	-107.2	149.5	-256.7	-
Net Income before Income Tax	3,729.2	3,408.1	321.1	9.4%
Income Tax Expense	1,044.4	982.5	61.8	6.3%
Net Income	2,684.9	2,425.6	259.3	10.7%
Attributed to Non-Controlling Interests	47.6	34.0	13.6	39.9%
Net Income Attributable to Controlling Interests	2,637.2	2,391.6	245.7	10.3%

General Operating Income

(Unit: KRW billion)



2019

2020

Interest income rose by KRW 40.6 billion YoY despite a contraction in NIM. Fee and commission income also improved, led by IB-related underwriting and advisory fees and brokerage commissions. General operating income rose by KRW 521.2 billion YoY to KRW 8,642.7 billion on the strength of fixed-income trading timed to interest rate fluctuations and FX translation gains following exchange rate drops. Details on fee and commission income, disposition and valuation gains, and other operating income will be described in the Table 3. Non-Interest Income.

The Group's general and administrative expenses decreased by KRW 189.4 billion YoY on the back of a relatively smaller early retirement program, profit sharing cost reductions, and Group-wide cost-cutting efforts. Provisions rose by KRW 132.8 billion to KRW 888.6 billion, mainly due to a preemptive provisioning made in response to business difficulties caused by COVID-19.

As a result of these factors, the Group's operating income increased by KRW 577.7 billion over the course of 2020 to KRW 3,836.4 billion.

TABLE 2-2. COMPREHENSIVE INCOME STATEMENT BY SUBSIDIARIES (SEPARATED)

(Unit: KRW billion)

	Hana Bank	Hana Financial Investment	KEB Hana Card ¹⁾	Hana Capital	Hana Asset Trust	Hana Alternative Asset Management	Hana Life	Hana Savings Bank	Hana TI	Hana Ventures	Hana F&I	Hana Insurance
General Operating Income	6,013.5	1,001.1	667.9	348.4	148.4	44.3	74.8	61.7	6.3	8.6	39.3	51.7
Net Interest Income	4,941.2	251.0	-116.9	272.2	8.0	0.6	67.3	59.4	-7.4	0.3	47.5	6.0
Net Fee and Commission Income	713.3	660.4	745.0	60.4	135.2	39.9	34.1	2.7	0.0	2.7	-7.7	0.0
Gains on Disposition & Valuation	899.4	-11.0	18.1	14.4	0.1	-0.6	20.7	-0.2	-0.3	5.7	-0.6	-3.0
Other Operating Income	-540.4	100.7	21.6	1.4	5.1	4.5	-47.3	-0.2	14.0	0.0	0.0	48.6
General & Administrative Expenses	2,761.3	471.7	226.9	62.6	40.1	19.0	40.9	27.3	5.6	4.4	7.8	54.7
Pre-Provisioning Operating Profit (PPOP)	3,252.2	529.4	441.0	285.8	108.3	25.4	33.8	34.4	0.7	4.3	31.5	-3.0
Provision	512.1	35.5	228.5	51.5	-0.4	0.3	0.5	10.5	0.0	0.0	11.3	1.8
Operating Income	2,740.1	493.9	212.5	234.3	108.7	25.0	33.3	23.8	0.7	4.3	20.2	-4.8
Non-Operating Income	-213.1	42.7	-1.7	-1.9	-0.4	0.0	12.4	0.6	0.2	-0.4	-0.1	1.2
Net Income before Income Tax	2,527.0	536.6	210.8	232.3	108.3	25.1	45.7	24.5	0.9	3.9	20.1	-3.6
Income Tax Expense	660.4	134.0	56.4	59.2	27.5	6.4	10.5	6.5	0.7	1.0	4.5	1.5
Net Income	1,866.6	402.6	154.5	173.1	80.8	18.6	35.2	18.0	0.2	2.9	15.6	-5.2

Note 1) Consolidated

To review the 2020 performance by subsidiary, Hana Bank recorded a net income of KRW 1,866.6 billion, KRW 217.8 billion lower than in the previous year. Interest income fell by KRW 79.1 billion as a result of contracted interest margins. Fee and commission income declined by KRW 149.9 billion due to sluggish ELT and beneficiary certificate sales. On the other hand, gains on disposition and valuation rose by KRW 231.0 billion on the back of gains from fixed-income transactions timed to market interest rate movements and FX translation gains materialized by drops in exchange rates. As a result, general operating income stood at KRW 6,013.5 billion, not much changed from the previous year. The Bank's general and administrative expenses decreased by KRW 308.3 billion YoY to KRW 2,761.3 billion, largely owing to a relatively smaller early retirement program and company-wide cost-cutting efforts conducted in 2020. Provisions increased by KRW 168.2 billion to KRW 512.1 billion, mainly due to a preemptive provisioning made as a buffer against economic uncertainties caused by COVID-19.

Hana Financial Investment (HFI) generated KRW 402.6 billion in net income in 2020, a YoY increase of KRW 126.0 billion. Securities brokerage commissions increased significantly over the year on the back of a robust stock market. HFI also boosted its IB capabilities with a KRW 500.0 billion capital increase at the beginning of the year, steadily increasing underwriting and advisory fees. Moreover, C/I ratio improved by an increase in general operating income and relatively slight increase in general and administrative expenses led by cost saving efforts.

KEB Hana Card's fee and commission income rose by KRW 132.6 billion YoY to KRW 745.0 billion on the strength of an increase in payment-related fees and commissions, and improved efficiencies following the digitalization of transaction approval, purchase and third-party transaction processes. Meanwhile, general and administrative expenses inched down by KRW 4.0 billion to KRW 226.9 billion. As a result, despite a sharp drop in overseas transactions caused by the COVID-19 pandemic, KEB Hana Card achieved a record profit of KRW 154.5 billion.

Hana Capital generated a net income of KRW 173.1 billion, the largest among credit financing companies affiliated with financial groups. Contributing factors include an increase in interest income following quality retail asset growth and portfolio diversifications, such as an expansion of investment vehicles. Leases and installment assets also rose by KRW 666.0 billion YoY to KRW 4,034.6 billion. Loan loss provision and NPL ratios and other asset quality indicators considerably improved over the year on the back of proactive risk management.

Hana Life generated KRW 35.2 billion in net income, a YoY increase of KRW 10.9 billion, by rebalancing its product portfolio with protection-type and variable insurance products and also by increasing dividend income and gains on disposals with a focus on prime investment assets.

Hana Savings Bank's net income amounted to KRW 18.0 billion, a YoY increase of KRW 1.9 billion, mainly driven by an increase in interest income following portfolio rebalances comprised of corporate loans and retail business expansions.

Hana Asset Trust recorded a net income of KRW 80.8 billion, a YoY increase of KRW 15.1 billion, attributable to an expansion in collaborations among the Group affiliates and an increase in responsible completion guarantees and land management trusts.

Hana Insurance, having joined the Group in May 2020, successfully increased its capital by KRW 126.0 billion in July and started to transform its business from auto insurance to a digital-based insurance platform covering a wide spectrum of daily life.

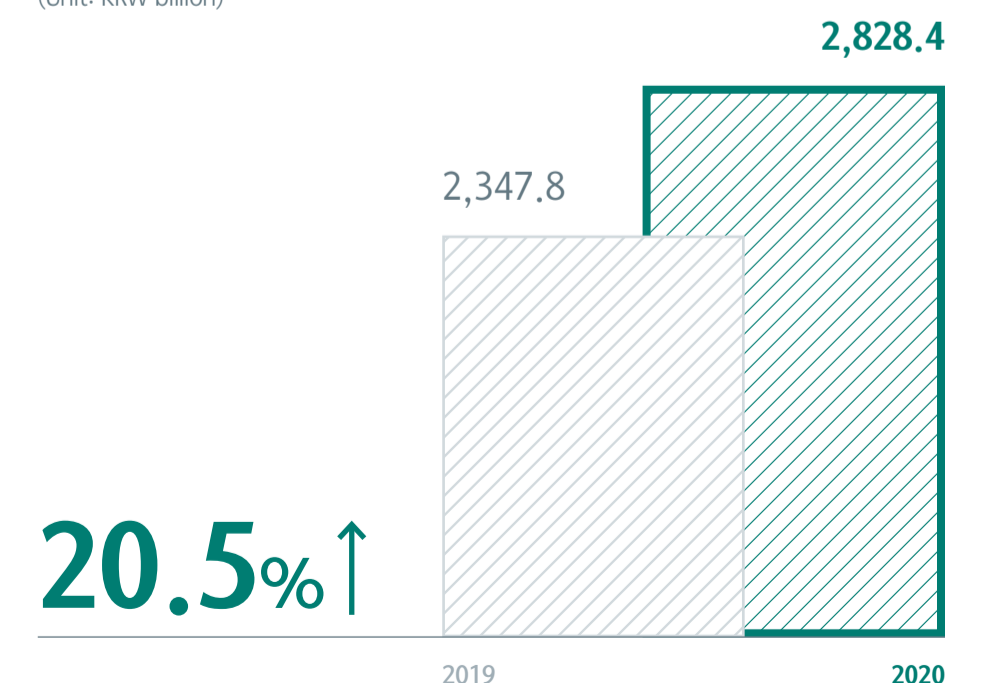
TABLE 3. NON-INTEREST INCOME (CONSOLIDATED)

(Unit: KRW billion)

	2020	2019	YoY	%
Net Fee & Commission Income	2,255.7	2,150.9	104.8	4.9%
Credit Card	794.9	685.0	109.9	16.0%
Loan and FX-related	490.5	537.8	-47.3	-8.8%
Asset Management	693.5	667.8	25.7	3.9%
Beneficiary Certificates	112.7	142.8	-30.1	-21.1%
Brokerage	213.1	104.4	108.7	104.1%
Trust Fees	275.1	337.3	-62.2	-18.4%
Bancassurance	33.2	37.4	-4.3	-11.4%
M&A Advisory	259.6	210.3	49.3	23.4%
Others	17.3	50.0	-32.7	-65.5%
Gains on Disposition & Valuation	1,171.8	797.1	374.7	47.0%
Other Operating Income	-599.2	-600.2	1.0	-0.2%
Dividend Income	305.6	224.0	81.6	36.4%
Contribution to the Credit Guaranteed Fund	-310.5	-310.0	-0.5	0.2%
Deposit Insurance Fee	-402.8	-353.5	-49.3	13.9%
Others	-191.4	-160.7	-30.7	19.1%
Total	2,828.4	2,347.8	480.6	20.5%

Non-Interest Income

(Unit: KRW billion)



Hana Financial Group's non-interest income increased by 20.5% YoY to KRW 2,828.4 billion in 2020 as fee and commission income, gains on disposition and valuation, and other operating income all rose.

To compare the 2020 non-interest income performance with 2019's by segment, fee and commission income increased thanks to growth of credit card, securities brokerage, and M&A advisory fee and commission income, despite a drop in ELT and beneficiary certificate sales. The increase was the outcome of the Group affiliates' agile responses to such rapid changes in the business environment as card companies improving their business fundamentals, large-scale inflows into the stock market, and the continued growth of IB.

Gains on disposition and valuation rose by KRW 374.7 billion YoY to KRW 1,171.8 billion, mostly led by exchange rate drops and an active realization of gains on the sale of bonds in response to the market environment.

Other operating income comprises deposit insurance fees and other sales-related accounts, contributions to the credit guarantee fund and other business expenses, and stock dividend and other income accounts. Dividend income rose by KRW 81.6 billion YoY to KRW 305.6 billion, while contributions to the credit guarantee fund and deposit insurance fees amounted to KRW 310.5 billion and KRW 402.8 billion, respectively.

General and administrative expenses decreased by 4.6% to YoY KRW 3,917.7 billion on the back of such one-off factors as a relatively small-scale early retirement program and a drop in performance-based bonuses at Hana Bank.

To review expenses in detail, salaries and employee benefits lowered by KRW 73.2 billion YoY to KRW 1,935.5 billion. Severance and retirement benefits amounted to KRW 395.7 billion, a KRW 116.2 billion decrease reflective of the reduced scale of the Bank's early retirement program. Despite a substantial sum of investment made in platform, digital transformation and other key projects in 2020, administrative expenses and depreciation and amortization remained unchanged over the year, at KRW 1,445.8 billion, on the strength of relentless cost efficiency improvements realized across the Group.

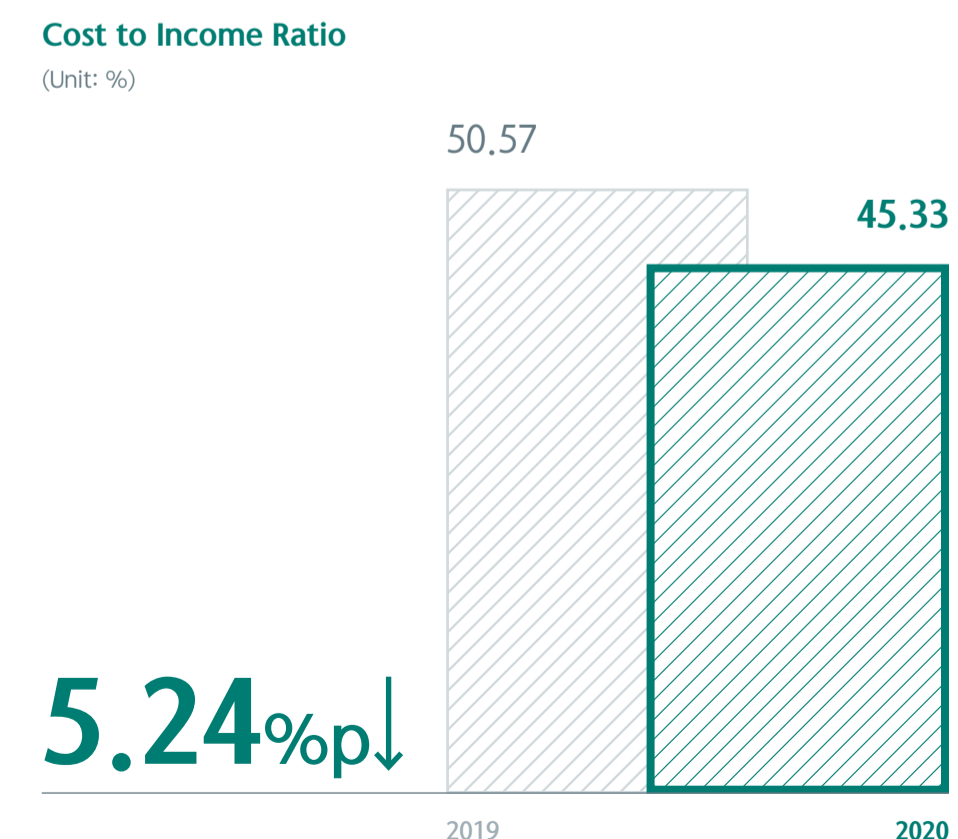
The year-end C/I ratio stood at 45.33%, a 5.24%p improvement attesting to the success of the cost-cutting endeavors made in 2020.

Going forward, Hana Financial Group will continue its focus on cost efficiencies to better manage general and administrative expenses.

TABLE 4. GENERAL AND ADMINISTRATIVE EXPENSES (CONSOLIDATED)

(Unit: KRW billion)

	2020	2019	YoY	%
General & Administrative Expenses	3,917.7	4,107.0	-189.4	-4.6%
Salaries and Employment Benefits	1,935.5	2,008.7	-73.2	-3.6%
Severance and Retirement Benefits	395.7	511.9	-116.2	-22.7%
Administrative Expenses	874.6	888.7	-14.1	-1.6%
Depreciation and Amortization	571.2	553.8	17.4	3.1%
Taxes and Dues	140.7	143.9	-3.3	-2.3%
Cost to Income Ratio	45.33%	50.57%	-5.24%p	-10.4%



III. SUMMARIZED GROUP FINANCIAL POSITION

TABLE 5. CONDENSED BALANCE SHEETS (CONSOLIDATED)

(Unit: KRW billion)

	2020	2019	YoY	%
Interest Earning Assets	397,134.0	364,066.0	33,068.0	9.1%
Due from Banks	15,128.2	11,159.5	3,968.7	35.6%
Securities	71,721.8	69,797.1	1,924.8	2.8%
Loans	310,283.9	283,109.4	27,174.5	9.6%
Other Revenue Earning Assets	15,426.3	13,322.6	2,103.7	15.8%
Non-Revenue Earning Assets	47,753.1	44,078.5	3,674.6	8.3%
Total Assets	460,313.3	421,467.1	38,846.2	9.2%
Interest Bearing Liabilities	390,648.7	357,638.9	33,009.8	9.2%
Deposits	295,834.9	273,331.6	22,503.3	8.2%
Borrowings	26,494.3	20,757.4	5,736.9	27.6%
Debentures	48,761.8	43,661.2	5,100.7	11.7%
Policy Reserve	4,076.5	3,340.2	736.3	22.0%
Borrowings from Trust Accounts	6,003.8	5,570.5	433.2	7.8%
Non-Interest Bearing Liabilities	38,064.3	34,843.4	3,220.9	9.2%
Total Liabilities	428,713.0	392,482.3	36,230.7	9.2%
Shareholders' Equity	31,600.3	28,984.8	2,615.5	9.0%
Total Liabilities & Shareholders' Equity	460,313.3	421,467.1	38,846.2	9.2%

Hana Financial Group reported assets of KRW 460.3 trillion at the end of 2020, a 9.2% increase mainly due to robust growth realized in the global and non-banking sectors. As always, we pursue both qualitative and quantitative growth through continued management of asset portfolios and associated risks. As a result, both NPL ratio and delinquency rate improved 0.07%p to 0.40% and 0.04%p to 0.26%, respectively, and other indicators of asset quality also remained within reassuring ranges.

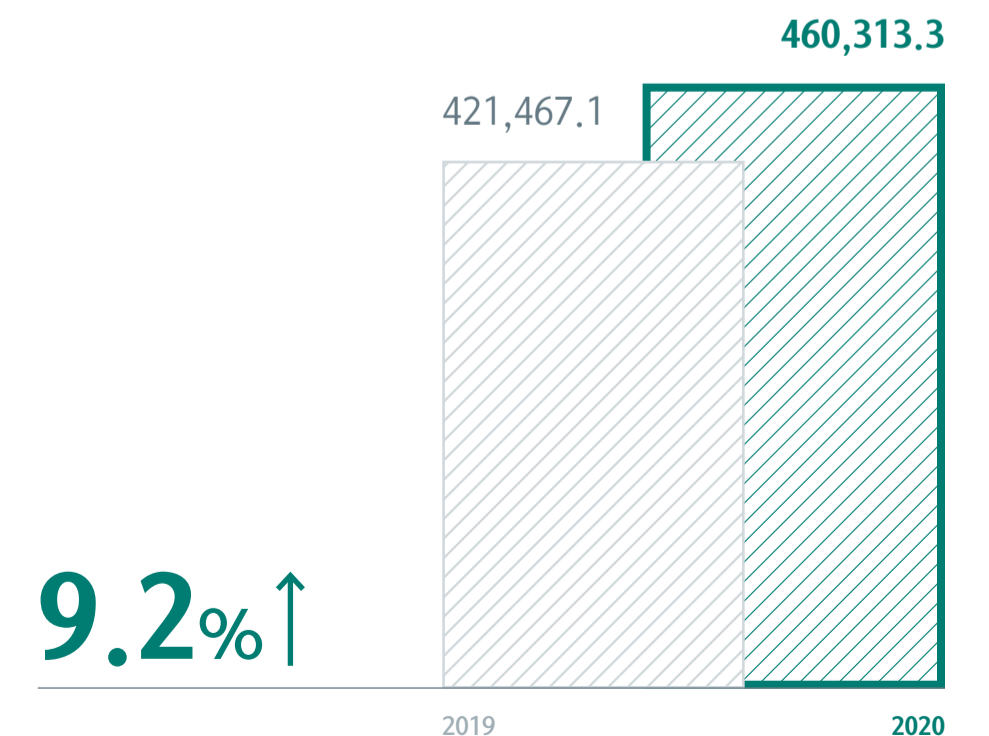
To review asset growth by segment, loans, which account for the biggest share of interest earning assets, increased by 9.6% YoY to KRW 310,283.9 billion. KRW loans in particular rose by 11.1% to reach KRW 251.4 trillion, mainly led by SME and household loans. Foreign currency loans also rose by 4.1% to KRW 24,226.2 billion.

Total liabilities increased 9.2% YoY to KRW 428.7 trillion. The year-end balance of deposits amounted to KRW 295.8 trillion, an 8.2% increase from the previous year, while borrowings increased by 27.6% to KRW 26,494.3 billion.

Shareholders' equity reached KRW 31.6 trillion by the year-end, a 9.0% increase applicable to a rise in retained earnings from the strong performance of consolidated net income and an issuance of hybrid securities.

Total Assets

(Unit: KRW billion)



2019

2020

IV. ASSET QUALITY

TABLE 6. ASSET QUALITY AND LOAN LOSS PROVISION

(Unit: KRW billion)

	2020	2019	YoY	%
Total Credit	314,338.7	286,479.8	27,858.9	9.7%
Normal	310,495.0	282,687.8	27,807.1	9.8%
Precautionary	2,581.6	2,428.7	152.9	6.3%
Substandard	622.4	708.0	-85.6	-12.1%
Doubtful	391.2	395.8	-4.6	-1.2%
Estimated Loss	248.5	259.5	-10.9	-4.2%
Precautionary & Below				
Amount	3,843.7	3,792.0	51.8	1.4%
Ratio	1.22%	1.32%	-0.10%p	-7.6%
Substandard & Below (NPL)				
Amount	1,262.2	1,363.3	-101.1	-7.4%
Ratio	0.40%	0.48%	-0.08%p	-15.6%
Loan Loss Allowance	3,939.9	3,612.5	327.4	9.1%
Loan Loss Reserve	1,814.7	1,533.7	281.0	18.3%
Credit Loss Reserve	2,125.2	2,078.8	46.4	2.2%
Substandard & Below (NPL) Coverage Ratio¹⁾	143.78%	112.51%	31.27%p	27.8%

Note 1) NPL coverage ratio in accordance with the Regulation on Supervision of Banking Business revised on December 14, 2016

Total credit increased by 9.7% YoY to KRW 314.3 trillion, of which NPLs amounted to KRW 1,262.2 billion. NPL and Precautionary and below ratios improved over the year to 0.40% and 1.22%, respectively, reflecting improvements made in asset quality. The additional provisioning made in 2020 was a preemptive response to the potential macro slowdown under the COVID-19 pandemic. NPL coverage ratio therefore increased by 31.27%p to 143.78% despite the asset growth.

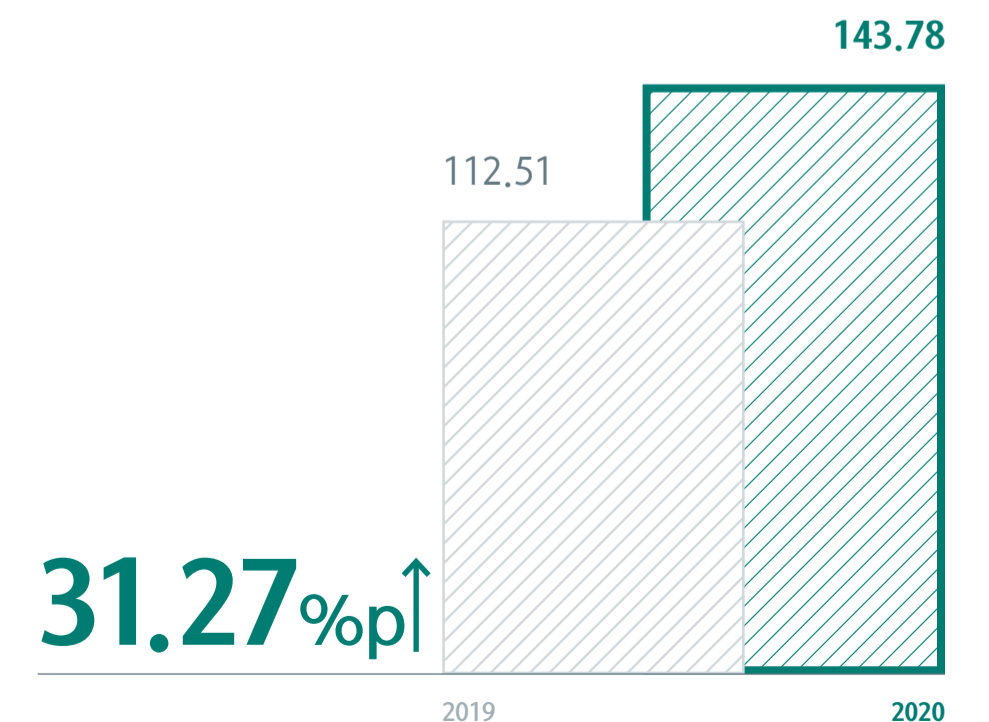
Hana Bank, the Group's major subsidiary, continued to expand its loan portfolio in 2020, increasing household, SOHO, and SME loans by KRW 11.4 trillion, KRW 5.7 trillion and KRW 4.3 trillion, respectively (based on total credits). The Bank reduced the proportion of large corporate loans from 16.0% at the end of 2019 to 15.1% at the end of 2020.

Hana Bank regularly reviews its credit exposure to large corporate borrowers, updating the list of major clients to watch based on both financial and non-financial risks associated with their operations as well as their chances of facing a liquidity crisis and ability to respond to such a crisis. The Bank preemptively manages its exposure to borrowers on the watchlist through in-depth monitoring for early signs of major risks, including a credit rating downgrade or restructuring.

We regularly update our list of industries at risk, and closely monitor such industries in order to be able to preemptively respond to risks that can be inflamed by either US-China trade disputes or COVID-19-induced economic downturns. Specifically, we are monitoring industries that are particularly vulnerable to economic fluctuations, including shipbuilding, construction, steel, shipping, and hospitality. For corporate clients with large outstanding loans, our sales, credit evaluation, and risk management divisions closely work with one another to thoroughly analyze the business status and risk factors of such companies.

Substandard & Below (NPL) Coverage Ratio

(Unit: %)



2019

2020

V. CAPITAL ADEQUACY

TABLE 7. BIS CAPITAL AND RATIO

(Unit: KRW billion)

	2020	2019	YoY	%
Common Equity Tier 1 Capital	27,236.7	25,131.9	2,104.7	8.4%
Additional Tier 1 Capital	2,222.3	1,491.6	730.7	49.0%
Tier 2 Capital	2,642.3	2,675.8	-33.5	-
Total BIS Capital	32,101.2	29,299.2	2,802.0	9.6%
Risk Weighted Assets	226,138.6	210,067.3	16,071.3	7.7%
BIS Capital Adequacy Ratio¹⁾	14.20%	13.95%	0.25%p	1.81%
Tier 1 Ratio	13.03%	12.67%	0.36%p	2.81%
Common Equity Tier 1 Ratio	12.04%	11.96%	0.08%p	0.64%

Note 1) Based on Basel III standards

The Group's total BIS capital stood at KRW 32.1 trillion at the end of 2020, up 9.6% compared to the previous year. Risk weighted assets (RWA) rose 7.7% over the course of 2020 to KRW 226.1 trillion. As a result, BIS ratio increased by 0.25%p to 14.20%.

Common Equity Tier 1 capital increased by KRW 2.1 trillion, mainly led by the growth of net income. Additional Tier 1 capital increased by KRW 730.7 billion, while Tier 2 capital decreased by KRW 33.5 billion YoY.

RWAs increased by KRW 16.1 trillion over the year, of which credit RWA, market RWA and operational RWA amounted to KRW 15.1 trillion, KRW 220.5 billion and KRW 746.5 billion, respectively. Within credit RWA, corporate RWA increased KRW 5,805.6 billion reflecting a KRW 8.0 trillion rise in corporate exposure, while retail RWA increased KRW 3,314.5 billion mirroring a KRW 17.0 trillion rise in retail exposure. In addition, securitization, securities, overseas, and other exposures all increased, contributing to the growth of credit RWA.

VI. LIQUIDITY & CAPITAL MANAGEMENT

TABLE 8. CAPITAL MANAGEMENT

(Unit: KRW billion)

	2020	2019	YoY	%
Management				
Cash and Deposits	541.7	389.3	152.4	39.1%
Subsidiary Investment Securities	21,001.2	20,164.4	836.8	4.1%
Loans	314.3	314.4	0.0	0.0%
Tangible Assets	3.5	3.9	-0.4	-9.5%
Others	380.8	365.5	15.4	4.2%
Management Total	22,241.6	21,237.5	1,004.1	4.7%
Funding				
Borrowings	59.2	0.0	59.2	-
Corporate Bonds	5,141.8	4,527.8	614.0	13.6%
Other Liabilities	406.8	359.0	47.8	13.3%
Shareholders' Equity	16,633.7	16,350.6	283.1	1.7%
Funding Total	22,241.6	21,237.5	1,004.1	4.7%

In 2020, Hana Financial Group raised funds by issuing corporate bonds totaling KRW 1,247.3 billion and hybrid securities KRW 998.7 billion, as well as receiving KRW 514.0 billion in dividend. Major matters of capital management conducted in the year include KRW 810.0 billion corporate bond redemptions, KRW 235.0 billion hybrid securities redemptions (call options exercised), KRW 699.8 billion acquisitions of equities in subsidiaries, and KRW 678.7 billion dividend payouts (including hybrid securities dividends).

HANA BANK

I. OVERVIEW

In 2020, as COVID-19 gripped the real economy, interest rates remained low, market volatility soared, and the default risk increased of borrowers who are particularly sensitive to economic downturns. Amid fast-spreading contactless trends, the traditional boundaries separating the financial sector from other industries continued to disintegrate, fueling the competition between banks and non-financial companies for contactless products and services and causing the banking industry a host of difficulties.

Amid such a challenging environment, Hana Bank focused on minimizing the impact of COVID-19 and defended its growth based on quality assets. Diminishing core earnings were offset by timely disposals of marketable securities and improved management efficiencies. The Bank also focused on digital innovation by expanding the adoption of the robotic process automation (RPA) and by bolstering core product line-ups and strengthening services using the Hana 1Q platform.

While a rapid recovery from the grip of COVID-19 seems unlikely in 2021, the competition from non-financial companies is sure to intensify for non-face-to-face products and services. In addition, with environmental, social, and governance (ESG) management is growing in importance, calls for banks to play a bigger social role are expected to grow louder.

In response, Hana Bank will restructure its financial operations to be more “platform-based” and “globally-oriented” in 2021, in an effort to offer more customer-centric services and to diversify income sources. By also focusing on “socially-responsible finance”, the Bank will lay the foundation for its new leap forward planned for the coming decade.

II. SUMMARY OF BUSINESS PERFORMANCE

TABLE 1. COMPREHENSIVE INCOME STATEMENT (SEPARATED)

(Unit: KRW billion)

	2020	2019	YoY	%
General Operating Income	6,013.5	6,013.6	-0.1	0.0%
Net Interest Income	4,941.2	5,020.3	-79.0	-1.6%
Net Fee and Commission Income	713.3	863.2	-150.0	-17.4%
Gains on Disposition & Valuation	899.4	668.4	231.0	34.6%
Other Operating Income	-540.4	-538.2	-2.2	0.4%
General & Administrative Expenses	2,761.3	3,069.6	-308.3	-10.0%
Pre-Provisioning Operating Profit (PPOP)	3,252.2	2,944.0	308.1	10.5%
Credit Loss Provision	512.1	343.9	168.2	48.9%
Operating Income	2,740.1	2,600.2	139.9	5.4%
Non-Operating Income	-213.1	228.3	-441.4	-193.4%
Net Income before Income Tax	2,527.0	2,828.4	-301.5	-10.7%
Income Tax Expense	660.4	744.0	-83.7	-11.2%
Net Income	1,866.6	2,084.4	-217.8	-10.4%
Cost to Income Ratio	45.92%	51.04%	-5.13%p	-

In 2020, Hana Bank achieved a net income of KRW 1,866.6 billion thanks to increased income from marketable securities, as a result of making positive use of volatility in financial markets, and in the strength of effective cost-cutting efforts conducted throughout the year. The net income performance become all the more impressive in light of the base effect of the 2019 sale of a HQ building and additional provisions set aside in response to the challenging economic conditions of 2020.

Interest income inched down 1.6% YoY to KRW 4,941.2 billion. NIM contracted with BOK base rate cuts, but the Bank minimized the contraction by increasing interest-earning loan assets (KRW 22.6 trillion) and attracting more core deposits (KRW 14.7 trillion).

Fee and commission income fell by KRW 150.0 billion YoY, reflecting a drop in asset management fees triggered by COVID-related uncertainties in domestic and overseas financial markets, tighter fee and commission-related regulations, and a weakened private equity fund market. Fee income from such long-term savings-type products as retirement pensions increased, however, as did that from IB, limiting the overall decline of fee and commission income.

Gains on disposition and valuation increased by 34.6% YoY to KRW 899.4 billion. Gains from marketable securities rose considerably on the management of marketable securities well-timed to interest rate drops and market volatility upswings. Another contributing factor is FX translation gains from exchange rate declines.

General and administrative expenses decreased by KRW 308.3 billion YoY to KRW 2,761.3 billion on the back of the efficient management of salaries and administrative expenses as well as relatively small-scale early retirement program.

Credit loss provision rose by 48.9% YoY to KRW 512.1 billion. Though COVID-induced insolvencies were yet to fully surface on the account of government support for maturity extensions and payment deferrals on interest and principal, the Bank strengthened its ability to absorb losses through a preemptive provisioning against the prospect of greater market volatility.

TABLE 2. NON-INTEREST INCOME (SEPARATED)

(Unit: KRW billion)

	2020	2019	YoY	%
Fee & Commission Income	713.3	863.2	-150.0	-17.4%
Credit Card	0.1	0.2	-0.1	-42.0%
Loan & FX-related	442.8	486.7	-43.9	-9.0%
Fees in Acceptances and Guarantees	68.0	62.8	5.2	8.4%
Fees Related to Loans	218.8	254.2	-35.4	-13.9%
Fees in Foreign Currencies	156.0	169.7	-13.7	-8.1%
Asset Management	270.4	376.5	-106.1	-28.2%
Sales of Beneficiary Certificate	76.8	102.5	-25.8	-25.1%
Bancassurance	46.4	50.8	-4.5	-8.8%
Trust Fees	147.3	223.2	-75.9	-34.0%
Gains on Disposition & Valuation	899.4	668.4	231.0	34.6%
Other Operating Income	-540.4	-538.2	-2.2	0.4%
Dividend Income	73.9	69.8	4.1	5.9%
Deposit Insurance Fee	-386.3	-336.5	-49.8	14.8%
Contribution to the Credit Guarantee Fund	-310.5	-309.6	-0.9	0.3%
Others	82.4	38.0	44.4	116.8%

Fee and commission income fell by 17.4% to KRW 713.3 billion. Gains on disposition and valuation grew by 34.6% to KRW 899.4 billion, and other operating income fell by KRW 2.2 billion to record a loss of KRW 540.4 billion.

Fee and commissions income declined KRW by 150.0 billion owing to a decrease in new ELT sales led by COVID-related uncertainties in domestic and overseas markets, and to tighter regulations on fee and commission. As a result, trust fees fell by KRW 75.9 billion or 34.0%, and sales of beneficiary certificate declined by KRW 25.8 billion or 25.1% as the private equity fund market remained sluggish.

Gains on disposition and valuation amounted to KRW 899.4 billion, a significant increase of 34.6% compared with 2019's. Income from marketable securities soared KRW 292.5 billion or 533.8%, the result of the management of marketable securities timed to interest rate drops and market volatility spikes. Another contributing factor is FX translation gains from exchange rate declines.

In other operating income, deposit insurance fee rose by KRW 49.8 billion as the average deposit balance increased, but income from merchant banking account and gains from the sale of loans increased by KRW 10.1 billion and KRW 9.7 billion, respectively, together reducing losses by KRW 2.2 billion.

TABLE 3. GENERAL AND ADMINISTRATIVE EXPENSES (SEPARATED)

(Unit: KRW billion)

	2020	2019	YoY	%
General & Administrative Expenses	2,761.3	3,069.6	-308.3	-10.0%
Salaries and Employee Benefits	1,279.8	1,445.8	-166.1	-11.5%
Severance and Retirement Benefits	349.5	465.7	-116.2	-25.0%
Administrative Expenses	627.4	659.7	-32.4	-4.9%
Depreciation and Amortization	410.1	392.7	17.3	4.4%
Taxes and Dues	94.6	105.6	-10.9	-10.3%
Cost to Income Ratio	45.92%	51.04%	-5.13%p	-

General and administrative expenses fell by KRW 308.3 billion YoY to KRW 2,761.3 billion.

Salaries and employee benefits decreased by KRW 166.1 billion reflective of a reduction of employees following an early peak wage system implemented in 2020 and a partial write-back of performance-linked bonuses. Severance and retirement benefits decreased by KRW 116.2 billion to KRW 349.5 billion, mainly due to a smaller early retirement program in 2020.

Administrative expenses decreased by KRW 32.4 billion from fewer corporate events and more cost-cutting efforts made in 2020. Cost to income (C/I) ratio therefore improved significantly, declining as much as 5.1%p YoY.

III. SUMMARIZED FINANCIAL POSITION

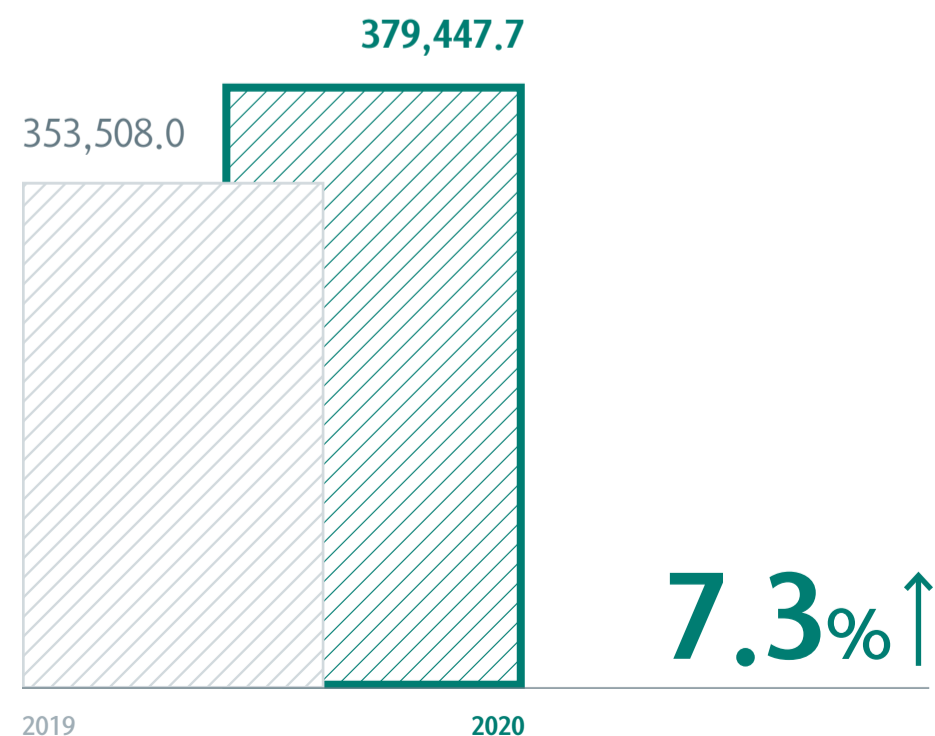
TABLE 4. CONDENSED BALANCE SHEETS (SEPARATED)

(Unit: KRW billion)

	2020	2019	YoY	%
Interest Earning Assets	331,011.9	307,722.7	23,289.3	7.6%
Due from Banks	10,131.7	4,763.3	5,368.4	112.7%
Fixed Income Securities	47,138.4	48,667.8	-1,529.5	-3.1%
Loans	273,741.8	254,291.5	19,450.3	7.6%
Other Revenue Earning Assets	9,371.9	8,274.2	1,097.7	13.3%
Stocks and Others	9,371.9	8,274.2	1,097.7	13.3%
Non-Revenue Earning Assets	39,063.9	37,511.2	1,552.8	4.1%
Total Assets	379,447.7	353,508.0	25,939.7	7.3%
Interest Bearing Liabilities	324,219.3	300,813.5	23,405.8	7.8%
Deposits	277,902.7	257,945.3	19,957.4	7.7%
Borrowings	15,858.7	13,823.8	2,034.8	14.7%
Debentures	24,252.4	23,274.3	978.1	4.2%
Borrowings from Trust Accounts	6,205.5	5,770.1	435.4	7.5%
Non-Interest Bearing Liabilities	29,140.7	27,944.9	1,195.8	4.3%
Total Liabilities	353,360.0	328,758.4	24,601.6	7.5%
Shareholders' Equity	26,087.7	24,749.6	1,338.1	5.4%
Total Liabilities & Shareholders' Equity	379,447.7	353,508.0	25,939.7	7.3%

Total Assets

(Unit: KRW billion)



In 2020, total assets of Hana Bank rose by KRW 25,939.7 billion YoY to KRW 379,447.7 billion. This was the result of increases in interest earning assets, such as dues from banks and loans, other income revenue earning assets, such as stocks and others, and non-revenue earning assets.

Interest earning assets totaled KRW 331,011.9 billion, a KRW 23,289.3 billion increase from a year earlier. Corporate Loans rose by KRW 10,216.2 billion, comprised mostly of low risk-weighted assets (RWAs) of SME loans. Loans to household rose by KRW 10,582.7 billion, led by an increase in *Jeonse* and online credit loans. As a result, total KRW loans also rose by KRW 20,798.9 billion. Dues from banks increased by KRW 5,368.4 billion owing to a temporary increase in short-term assets such as foreign currency demand deposits.

Interest bearing liabilities, comprising mainly deposits, increased by KRW 23,405.8 billion YoY.

Shareholders' equity increased by KRW 1,338.1 billion YoY on the back of a net income of KRW 1,866.6 billion realized in 2020, despite the year-end dividend payout of KRW 714.7 billion.

TABLE 5. KRW LOANS & DEPOSITS

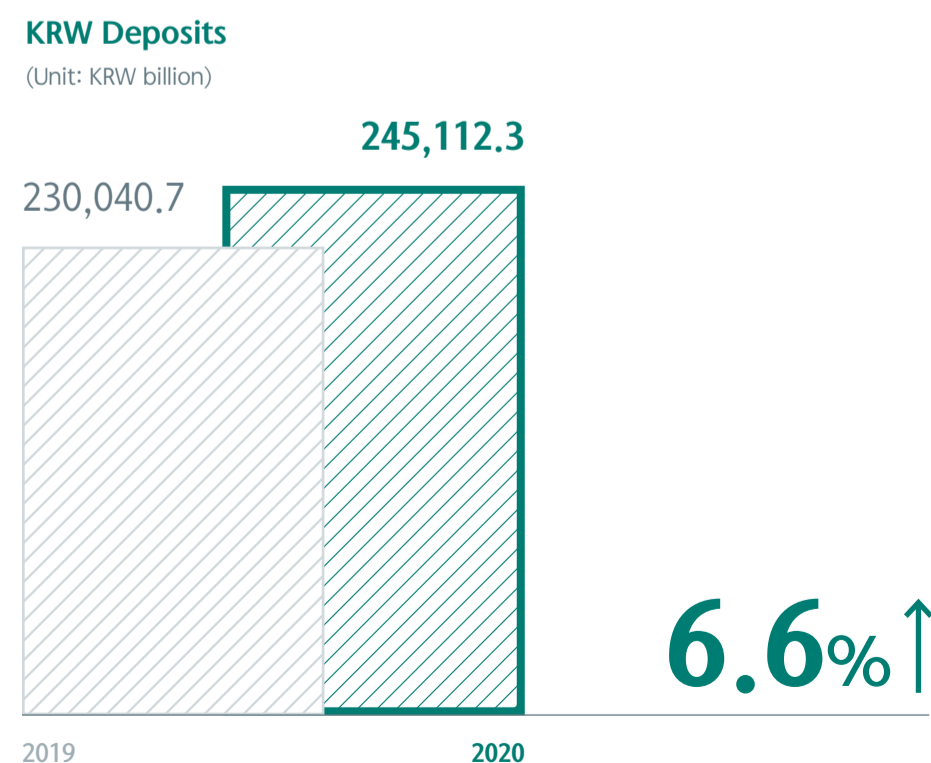
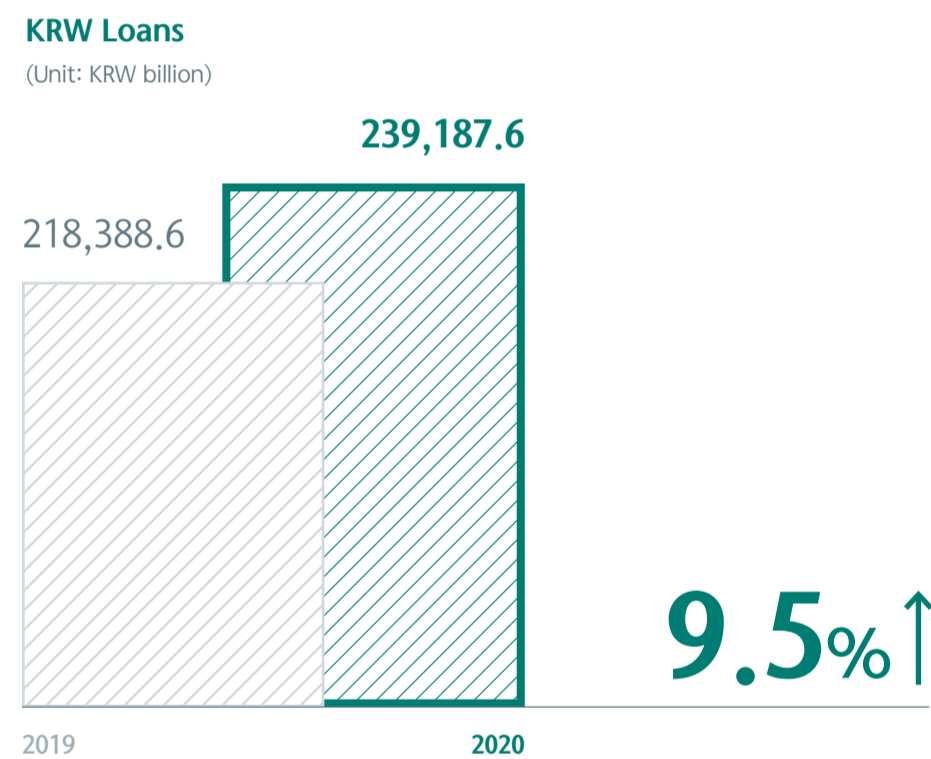
(Unit: KRW billion)

	2020	2019	YoY	%
KRW Loans	239,187.6	218,388.6	20,798.9	9.5%
Loans to Corporate	113,836.5	103,620.3	10,216.2	9.9%
SME	97,963.1	87,933.3	10,029.8	11.4%
SOHO	50,443.5	45,067.4	5,376.2	11.9%
Large Corporate	14,016.3	13,621.7	394.6	2.9%
Others	1,857.0	2,065.3	-208.3	-10.1%
Loans to Households	125,351.1	114,768.4	10,582.7	9.2%
KRW Deposits¹⁾	245,112.3	230,040.7	15,071.6	6.6%
Low Cost Funding	108,431.5	86,754.7	21,676.8	25.0%
Core Deposits	75,019.7	59,620.0	15,399.7	25.8%
Money Market Deposit Account (MMDA)	33,411.8	27,134.8	6,277.1	23.1%
Time Deposits	126,965.4	133,367.4	-6,402.0	-4.8%
Installment Deposits	9,533.1	7,021.8	2,511.3	35.8%
Core Deposits & Others	182.4	2,896.8	-2,714.4	-93.7%

Note 1) Excluding foreign currency and trust deposits

KRW loans totaled KRW 239,187.6 billion, a YoY increase of KRW 20,798.9 billion. Loans to corporate rose by KRW 10,216.2 billion, of which large corporate loans amounted to KRW 394.6 billion and SME loans to KRW 10,029.8 billion. Loans to households increased by KRW 10,582.7 billion, the outcome of strong demand for *Jeonse* loans, pre-registration loans, and Hana 1Q Credit Loan.

KRW deposits increased by KRW 15,071.6 billion to KRW 245,112.3 billion on the back of continued efforts to increase low cost funding, despite a KRW 6,402 billion decline in time deposits spurred by interest rate drops. Core deposits and MMDA rose by KRW 15,399.7 billion and KRW 6,277.1 billion, respectively.



IV. ASSET QUALITY

TABLE 6. ASSET QUALITY AND LOAN LOSS PROVISION

(Unit: KRW billion)

	2020	2019	YoY	%
Total Credit	270,712.3	249,280.9	21,431.5	8.6%
Normal	268,237.0	246,719.7	21,517.3	8.7%
Precautionary	1,553.2	1,578.0	-24.8	-1.6%
Substandard	551.7	616.3	-64.6	-10.5%
Doubtful	235.4	253.6	-18.3	-7.2%
Estimated Loss	135.1	113.2	21.9	19.3%
Precautionary & Below				
Amount	2,475.3	2,561.2	-85.8	-3.4%
Ratio	0.91%	1.03%	-0.11%p	-
Substandard & Below (NPL)				
Amount	922.1	983.2	-61.0	-6.2%
Ratio	0.34%	0.39%	-0.05%p	-
Credit Loss Reserves	1,199.6	925.5	274.1	29.6%
Substandard & Below (NPL) Coverage Ratio ¹⁾	130.10%	94.13%	35.97%p	-

Note 1) Excluding loan loss reserves

At the end of 2020, total credit stood at KRW 270,712.3 billion, up KRW 21,431.5 billion compared to the previous year. The increase was comprised mainly of loans classified as normal. Precautionary and substandard loans decreased by KRW 24.8 billion and KRW 64.6 billion, respectively.

Precautionary & below and NPL ratios improved by 0.11%p and 0.05%p, respectively, to 0.91% and 0.34%, which reflect continued efforts made in managing distressed loans and credit risks. NPL coverage ratio rose by 35.97%p YoY to 130.10%, attributable to a preemptive provisioning made in response to volatile economic conditions in 2020.

V. CAPITAL ADEQUACY

TABLE 7. BIS CAPITAL AND RATIO

(Unit: KRW billion)

	2020	2019	YoY	%
Tier 1 Capital	25,186.6	23,937.6	1,248.9	5.2%
Common Equity Tier 1 Capital	25,085.1	23,791.6	1,293.4	5.4%
Additional Tier 1 Capital	101.5	146.0	-44.5	-30.5%
Tier 2 Capital	3,739.1	3,870.9	-131.8	-3.4%
Loan Loss Reserve	167.7	151.4	16.3	10.8%
Subordinated Bonds	3,548.7	3,694.2	-145.4	-3.9%
Others	22.7	25.3	-2.6	-10.4%
Total BIS Capital	28,925.7	27,808.5	1,117.2	4.0%
Risk Weighted Assets	196,316.2	172,566.4	23,749.8	13.8%
BIS Capital Adequacy Ratio¹⁾				
Common Equity Tier 1 Ratio	12.78%	13.79%	-1.01%p	-
Tier 1 Ratio	12.83%	13.87%	-1.04%p	-
Tier 2 Ratio	14.73%	16.11%	-1.38%p	-

Note 1) Based on Basel III standards

Hana Bank continued to bolster its capital base in 2020, issuing subordinated bonds totaling KRW 690.0 billion and increasing reserves through earnings improvements.

BIS ratio inched down to 14.73%, led by an increase in RWAs following asset and market volatility increases, despite an expansion in Tier 2 capital. This ratio, however, is still well above regulatory guidelines. The Bank expects a significant improvement in capital adequacy following an early adoption of Basel III in 2021.

Going forward, Hana Bank will maintain its capital at a strong level by improving earnings and thus increasing internal reserves, and through efficient management of RWAs.

HANA FINANCIAL INVESTMENT

I. OVERVIEW

The Korean stock market boomed throughout 2020 on the back of a bold investment sentiment fueled by rising volatility and liquidity both induced by the COVID-19 pandemic.

In response, Hana Financial Investment (HFI) significantly increased its retail business, and rapidly retooled its IB business structure to be more domestic-focused. In global deals, it generated a stable income focusing on proven quality deals and continued solid growth through strict deal management.

As a result, HFI's general operating income increased 25.6% over the course of 2020 to KRW 1,001.1 billion, and net income rose by 45.6% to KRW 402.6 billion. ROE and C/I ratio improved, ending the year at 9.88% and 47.1%, respectively, both breaking their record performances of 2019.

TABLE 1. SUMMARIZED FINANCIAL INFORMATION (SEPARATED)

(Unit: KRW billion)

	2020	2019	YoY	%
Business Volume				
Total Assets	31,910.6	25,077.1	6,833.5	27.2%
Shareholders' Equity	4,405.1	3,483.0	922.1	26.5%
Profitability				
General Operating Income	1,001.1	796.8	204.3	25.6%
Operating Income	493.9	373.8	120.1	32.1%
Net Income	402.6	276.5	126.1	45.6%
Return on Assets (ROA)	1.36%	1.15%	0.21%p	-
Return on Equity (ROE)	9.88%	8.23%	1.65%p	-
Cost to Income Ratio	47.12%	52.23%	-5.11%p	-
Capital Adequacy				
Net Capital Ratio ¹⁾	1,214.63%	1,021.73%	192.90%p	-

Note 1) Based on consolidated figures

II. SUMMARY OF BUSINESS PERFORMANCE

TABLE 2. COMPREHENSIVE INCOME STATEMENT (SEPARATED)

(Unit: KRW billion)

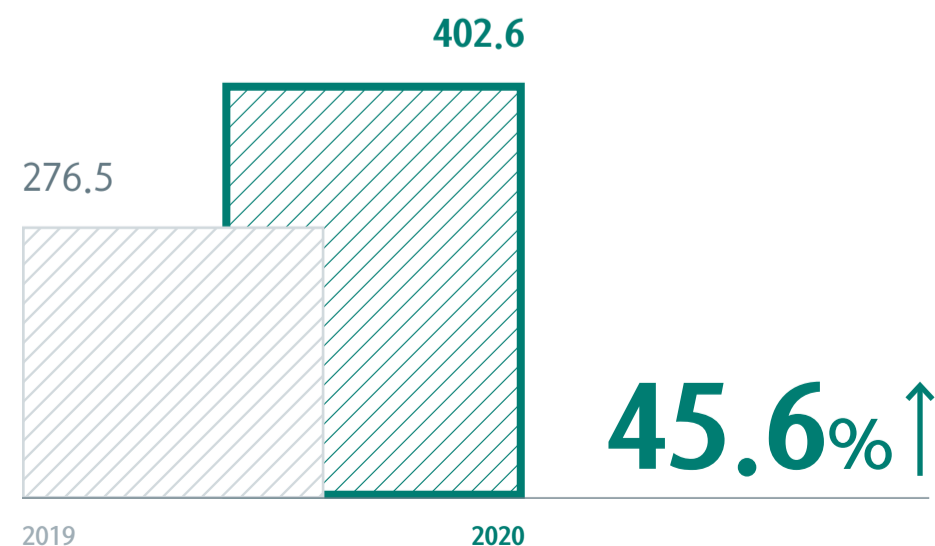
	2020	2019	YoY	%
General Operating Income	1,001.1	796.8	204.3	25.6%
Net Interest Income	251.0	248.0	3.0	1.2%
Net Fee and Commission Income	660.4	470.9	189.5	40.2%
Gains on Disposition & Valuation	-11.0	-4.8	-6.2	127.2%
Other Operating Income	100.7	82.7	18.0	21.7%
General & Administrative Expenses	471.7	416.1	55.6	13.4%
Pre-Provisioning Operating Profit (PPOP)	529.4	380.6	148.7	39.1%
Credit Loss Provision	35.5	6.9	28.6	417.5%
Operating Income	493.9	373.8	120.1	32.1%
Non-Operating Income	42.7	6.2	36.5	592.8%
Income before Income Tax	536.6	379.9	156.6	41.2%
Income Tax Expense	134.0	103.4	30.6	29.6%
Net Income	402.6	276.5	126.0	45.6%

In 2020, HFI's net income increased by KRW 126.0 billion to KRW 402.6 billion on the strength of the IB unit posting a positive performance for the second consecutive year and retail operations riding high the market boom.

General operating income increased by 25.6% YoY to KRW 1,001.1 billion. To review the income performance in detail, net fee and commission income rose substantially to reach KRW 660.4 billion, a YoY increase of KRW 189.5 billion, led by stock brokerage and IB fees.

Net Income

(Unit: KRW billion)



Income other than fee and commission grew by KRW 14.8 billion YoY to KRW 340.7 billion - interest income increased by KRW 3.0 billion YoY to KRW 251.0 billion, and other operating income grew KRW 18.0 billion while gains on disposition and valuation declined by KRW 6.2 billion, YoY.

General and administrative expenses increased by KRW 55.6 billion YoY to KRW 471.7 billion on the back of an increase in sales personnel leading to more performance-linked bonuses, higher salaries and expanded employee benefits.

Credit loss provision amounted to KRW 35.5 billion, and non-operating income rose by KRW 36.5 billion YoY to KRW 42.7 billion.

As a result, net income rose substantially, reaching KRW 402.6 billion, a 45.6% or KRW 126.0 billion increase from 2019.

TABLE 3. FEE & COMMISSION INCOME (SEPARATED)

(Unit: KRW billion)

	2020	2019	YoY	%
Fee & Commission Income	660.4	470.9	189.5	40.2%
Brokerage Commission	213.1	104.6	108.5	103.7%
Management Fee on Wrap Account and Asset Management	79.0	78.4	0.6	0.8%
Underwriting Commission	125.1	138.9	-13.8	-9.9%
Commission on Mergers & Acquisitions	177.6	115.9	61.7	53.3%
Others	65.6	33.2	32.4	97.8%

Fee and commission income grew by 40.2% YoY to KRW 660.4 billion, with brokerage commissions increasing with the ascendancy of the stock market and IB fee income remaining strong for the second consecutive year.

Brokerage commissions rose significantly, increasing by 103.7% or KRW 108.5 billion YoY to KRW 213.1 billion, on the back of a booming stock market fueled by volatile market conditions. Management fee on wrap account and asset management rose by KRW 0.6 billion to KRW 79.0 billion. Despite challenging business conditions overseas, HFI made active inroads into the U.S., European, Australian and Japanese markets, increasing global IB incomes. HFI also improved its income performance evenly across all areas of IB in close collaboration with Hana Bank under the banner of "One IB". As a result, IB and other fee and commission income rose by KRW 80.4 billion YoY to KRW 368.3 billion.

TABLE 4. GENERAL AND ADMINISTRATIVE EXPENSES (SEPARATED)

(Unit: KRW billion)

	2020	2019	YoY	%
General & Administrative Expenses	471.7	416.1	55.6	13.4%
Salaries and Employee Benefits	292.7	250.4	42.3	16.9%
Severance and Retirement Benefits	15.6	13.1	2.5	18.6%
Administrative Expenses	108.2	100.4	7.8	7.7%
Depreciation and Amortization	39.6	38.0	1.5	4.1%
Taxes and Dues	15.7	14.2	1.5	10.8%
Cost to Income Ratio	47.12%	52.23%	-5.11%p	-

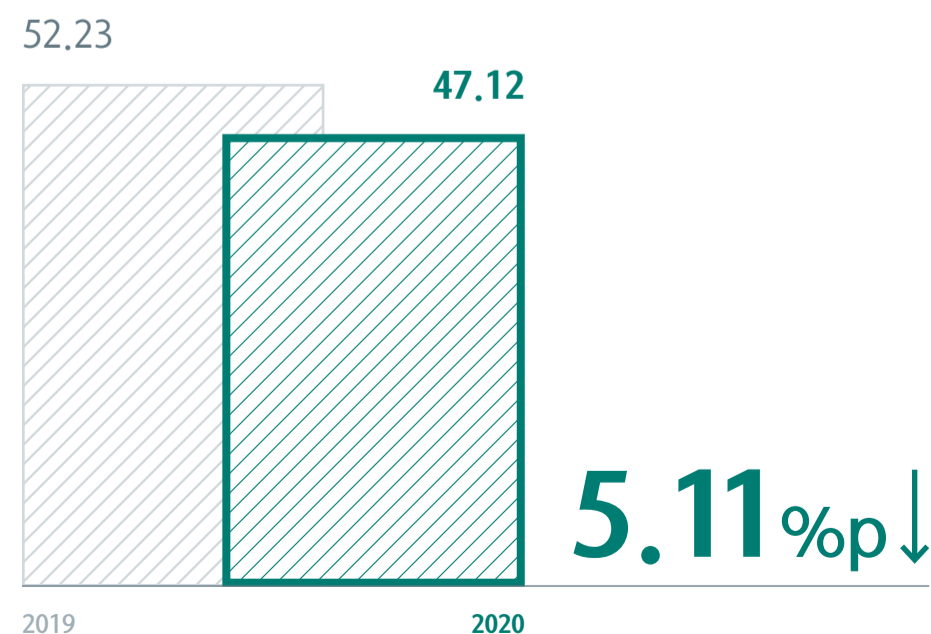
General and administrative expenses increased by KRW 55.6 billion to KRW 471.7 billion. Incomes from retail and IB operations rose significantly, while cost-cutting measures maintained throughout the year brought C/I ratio down to 47.12%, a YoY improvement of 5.11%p.

Salaries and employee benefits rose by KRW 42.3 billion YoY to KRW 292.7 billion, reflecting an increase in the number of sales personnel, which in turn raised bonus payments following operating income improvements in WM and IB. Reserves for severance and retirement benefits rose by KRW 2.5 billion YoY to KRW 15.6 billion.

Administrative expenses increased by KRW 7.8 billion YoY to KRW 108.2 billion mainly due to an increase in IT management/communications expenses outlaid in response to a sharp rise in network traffic following mounting transaction volumes. Advertising expenses was another contributing factor. Depreciation and amortization rose by KRW 1.5 billion to KRW 39.6 billion with the development of sales-related systems. Taxes and dues increased by KRW 1.5 billion YoY to KRW 15.7 billion.

Cost to Income Ratio

(Unit: %)



III. KEY FIGURES

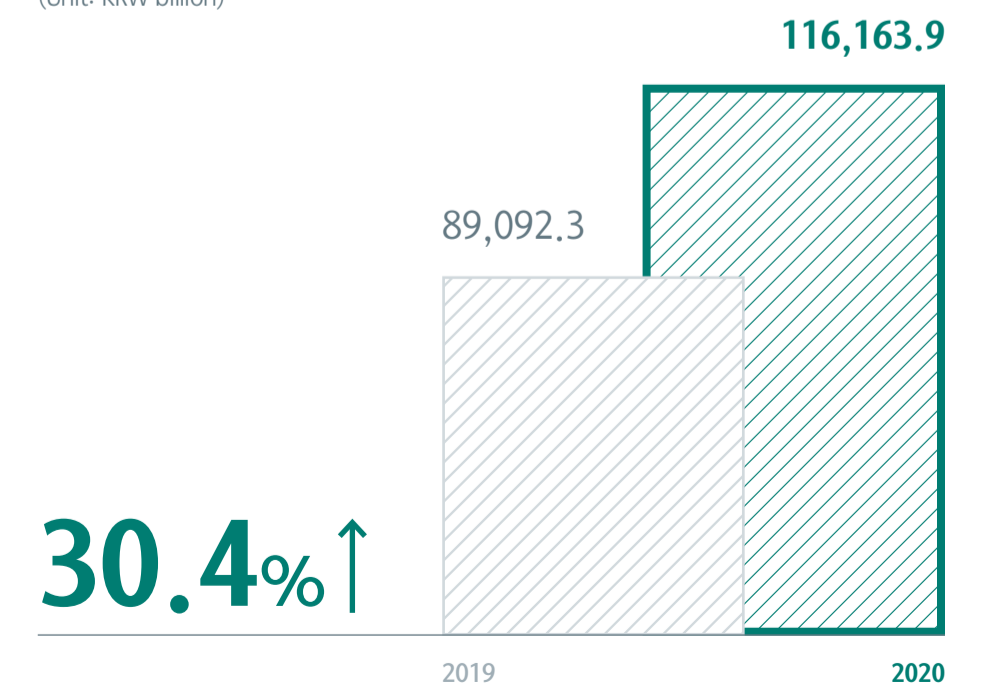
TABLE 5. AUM BREAKDOWN

(Unit: KRW billion)

	2020	2019	YoY	%
Customer Assets of HFI (AUM)	116,163.9	89,092.3	27,071.5	30.4%
Beneficiary Certificates	28,295.7	25,274.4	3,021.3	12.0%
Equity (Hybrid) Type	2,962.6	3,022.8	-60.3	-2.0%
Fixed-Income (Hybrid) Type	4,801.4	4,323.5	477.9	11.1%
Money Market Fund	5,243.3	3,761.5	1,481.8	39.4%
Others	15,288.5	14,166.6	1,121.9	7.9%
Financial Products	37,941.3	33,547.6	4,393.6	13.1%
Trust	20,192.9	16,110.6	4,082.2	25.3%
Repurchase Agreement	3,732.1	2,896.2	835.9	28.9%
Fixed-Income/Certificate of Deposit/ Commercial Paper	11,194.7	12,295.5	-1,100.8	-9.0%
Others	2,821.6	2,245.3	576.2	25.7%
Entrusted Assets	49,926.8	30,270.3	19,656.5	64.9%
Market	691,806.7	649,629.0	42,177.7	6.5%
Market Share	4.09%	3.89%	0.20%p	-

Customer Assets of HFI (AUM)

(Unit: KRW billion)



The stock market as a whole in 2020 fluctuated upward in the first quarter of 2020 after an initial downswing reaction to COVID-19 as retail investors began to rush in and the government turned on the spigot of market liquidity in response to a pandemic-induced economic downturn.

HFI actively responded to such a market environment through product development and extensive marketing. As a result, assets under management (AUM) increased by KRW 27.1 trillion to KRW 116.2 trillion, pushing its market share of beneficiary certificates to 4.09%, a 0.20%p increase YoY.

Going forward, HFI will maintain a stable customer ROI by offering a wide range of investment products and constantly rebalancing the portfolio.

TABLE 6. ACQUISITION AND ISSUANCE

(Unit: KRW billion)

	2020	2019	YoY	%
IPO & Capital Increase (Lead-managed)	192.4	217.7	-25.3	-11.6%
ELS/DLS Issued (ELB/DLB included)	8,740.5	11,540.2	-2,799.7	-24.3%

HFI lead-managed eight IPOs in 2020, fundraising a total of KRW 192.4 billion, and thus ranking 10th in the related league table.

ELS/DLS issuance fell by 24.3% YoY to KRW 8.7 trillion comprised of KRW 4.9 trillion for ELS and KRW 3.8 trillion for DLS. The drop is a direct result of unstable market conditions and tighter sales regulations. In the league table, however, HFI maintained its 5th place in overall OTC and 1st place in DLS.

HFI will continue to fine-tune its analysis of the S&T market, develop derivatives products in tune with customer needs, and offer products in which customers can invest with a strong sense of trust.

TABLE 7. BROKERAGE CONTRACTS

(Unit: KRW billion)

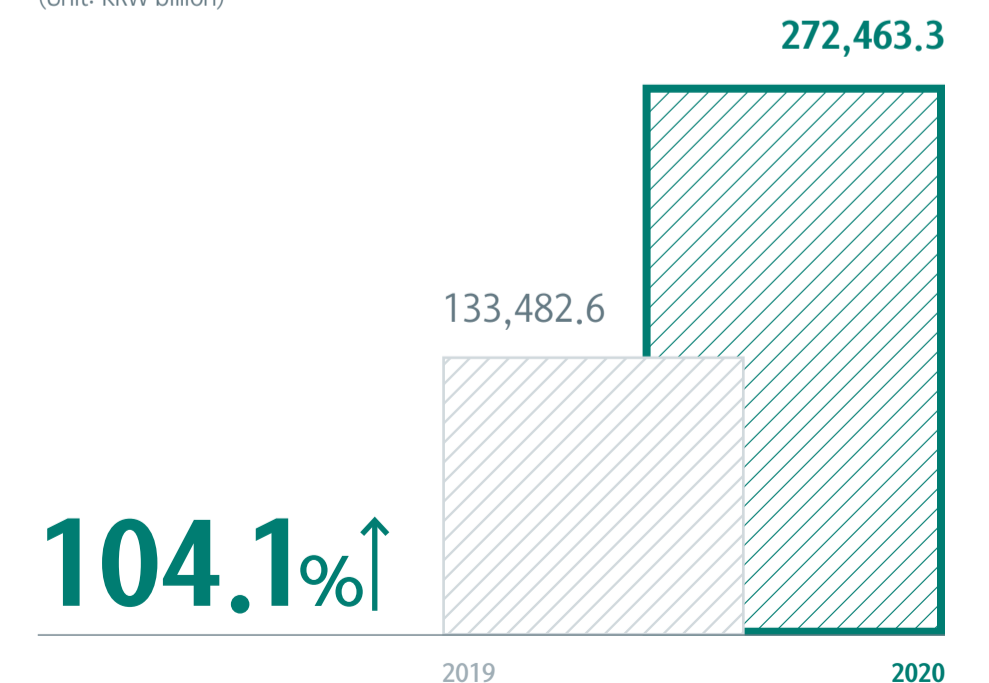
	2020	2019	YoY	%
Brokerage Contracts	272,463.3	133,482.6	138,981	104.1%
Off	47,190.2	37,747.1	9,443	25.0%
On	225,273.1	95,735.5	129,538	135.3%
Market	13,400,628.8	5,288,748.3	8,111,881	153.4%
Market Share	2.03%	2.52%	-0.49%p	-

The stock market, after an initial shock of COVID-19, made a sharp turnaround, recovering to 2019-end levels in four months, maintaining its ascendancy through the remaining months, and ending the year at an all-time high. The booming market attracted large flows of funds, leading to an abundant supply of liquidity. Growing transaction volumes were further boosted by mammoth IPOs, including SK Biopharmaceuticals.

As a result, HFI's brokerage contracts increased by 104.1% YoY to KRW 272,463.3 billion, recording 2.03% in market share. HFI will increase the market share by strengthening its digital-based platform finance and undertaking extensive marketing.

Brokerage Contracts

(Unit: KRW billion)



IV. ASSET QUALITY

TABLE 8. ASSET QUALITY AND LOAN LOSS PROVISION

(Unit: KRW billion)

	2020	2019	YoY	%
Total Credit	9,362.6	6,618.7	2,743.9	41.5%
Normal	9,297.6	6,603.9	2,693.6	40.8%
Precautionary	15.0	-	15.0	-
Substandard	5.2	0.5	4.7	1,024.4%
Doubtful	38.2	6.9	31.3	455.3%
Estimated Loss	6.7	7.4	-0.7	-9.8%
Precautionary & Below				
Amount	65.0	14.7	50.3	341.3%
Ratio	0.69%	0.22%	0.47%p	-
Substandard & Below (NPL)				
Amount	50.0	14.7	35.3	239.5%
Ratio	0.53%	0.22%	0.31%p	-
Loan Loss Reserve	54.2	21.0	33.2	157.9%
Normal	7.2	6.8	0.4	5.7%
Precautionary	2.2	-	2.2	-
Substandard	-	-	0.0	-
Doubtful	38.1	6.8	31.3	457.9%
Estimated Loss	6.7	7.4	-0.7	-9.8%
Precautionary & Below				
Loan Loss Reserve	47.0	14.2	32.8	230.5%
Coverage Ratio	83.39%	142.70%	-59.30%p	-
Substandard & Below (NPL)				
Loan Loss Reserve	44.8	14.2	30.6	214.8%
Coverage Ratio	108.41%	142.70%	-34.29%p	-

Total credit rose from KRW 6,618.7 billion in 2019 to KRW 9,362.6 billion in 2020. Key factors for this substantial rise include a KRW 1,700.6 billion increase in loans (including repurchase agreements); a KRW 488.6 billion increase in brokerage loans; a KRW 1.1 billion decline in advances; a KRW 563.1 billion rise in accounts receivable and accrued revenue; and a KRW 6.9 billion reduction in debt guarantees. A bad debt expense of KRW 1.3 billion was also incurred.

NPL ratio deteriorated by 0.31%p YoY, while loan loss reserve increased by KRW 33.2 billion, reflecting an additional loan loss reserve set aside to cover the reduced chances of recovering certain IB assets.

NPL coverage ratio went down 34.29%p to 108.41%. The loan loss reserve at the end of 2020 was at a level deemed appropriate to enable the recovery of individual assets without incurring further losses.

V. CAPITAL ADEQUACY

TABLE 9. NET CAPITAL RATIO

(Unit: KRW billion)

	2020	2019	YoY	%
Net Capital	3,966.5	3,231.4	735.1	22.7%
(+) Shareholders' Equity on Balance Sheet	4,425.6	3,476.9	948.7	27.3%
(+) Allowances for Currency Assets	68.4	61.1	7.3	11.9%
(+) Subordinated Debentures	590.0	300.0	290.0	96.7%
(-) Fixed Assets	160.5	88.3	72.2	81.7%
(-) Prepaid Expenses	26.4	30.6	-4.2	-13.8%
(-) Unsecured Loans (over 3 Months)	745.5	269.3	476.2	176.8%
(-) Others	185.2	218.3	-33.2	-15.2%
Gross Risk Amount	2,336.1	1,860.0	476.2	25.6%
Market Risk	1,463.0	1,095.5	367.5	33.5%
Counter Party Risk	688.6	623.1	65.5	10.5%
Credit Concentration Risk	39.9	39.5	0.4	0.9%
Operational Risk	144.7	101.9	42.8	42.0%
Indirect Investment Risk	0.0	0.0	0.0	-
Net Capital Ratio	1,214.63%	1,021.73%	192.90%p	-

Net capital ratio increased 192.90%p to 1,214.63%, well above regulatory guidelines (100%) set by the Financial Supervisory Service and the more stringent target (200%) set by the company's Risk Management Committee.

Shareholders' equity on the 2020 balance sheet amounted to KRW 4,425.6 billion, up KRW 948.7 billion YoY, while net capital rose KRW 735.1 billion to KRW 3,966.5 billion. Net capital went up as a result of a rise in shareholders' equity following a paid-in capital increase of KRW 500.0 billion and the issuance of subordinated debentures worth KRW 350.0 billion.

Gross risk amount rose by KRW 476.2 billion YoY, mainly attributable to an increase in IB-related assets.

KEB HANA CARD

I. OVERVIEW

TABLE 1. SUMMARIZED FINANCIAL INFORMATION (CONSOLIDATED)

(Unit: KRW billion)

	2020	2019	YoY	%
Profitability				
General Operating Income	667.9	545.3	122.6	22.5%
Operating Income	212.5	77.0	135.5	175.9%
Net Income	154.5	56.3	98.2	174.4%
Return on Assets (ROA)	1.87%	0.70%	1.17%p	-
Return on Equity (ROE)	9.11%	3.48%	5.63%p	-
Cost to Income Ratio	33.97%	42.35%	-8.37%p	-
Business Volume ¹⁾	66,922.5	67,075.5	-153.0	-0.2%
Lump-sum	53,547.9	54,166.4	-618.6	-1.1%
Installment	5,415.6	5,375.5	40.2	0.7%
Cash Advance	3,350.3	3,856.1	-505.8	-13.1%
Card Loans	4,608.7	3,677.5	931.2	25.3%

Note 1) Other credit card assets and installments are included in credit sales.

In 2020, KEB Hana Card generated KRW 66.9 trillion in transaction volume, KRW 212.5 billion in operating income, and KRW 154.5 billion in net income. Transaction volume decreased 0.2% over the course of 2020 due to the impact of COVID-19, but net income reached a record high on the strength of digital innovations made in card processes, including transaction approval, purchase, and third-party service fees. Asset growth slowed with the reduction of transaction volumes, but credit losses decreased on improvements made in asset soundness, despite a preemptive COVID-19 provisioning.

Entering 2021, KEB Hana Card is getting ready to embrace the rapid development of the global online market and a recovery of the offline market following the growing availability of COVID-19 vaccines. With an eye on this end, the company is diversifying its business portfolio through expansion of global marketing platforms, building up global financial services, securing additional overseas purchasing licenses, and entering auto finance business including installment loan.

II. SUMMARY OF BUSINESS PERFORMANCE

TABLE 2. COMPREHENSIVE INCOME STATEMENT (CONSOLIDATED)

(Unit: KRW billion)

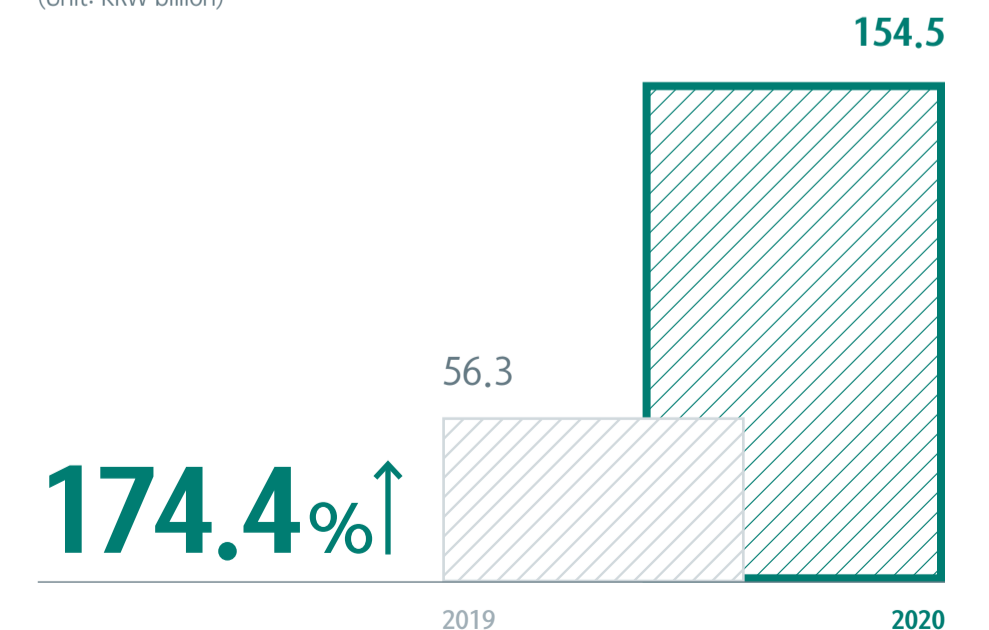
	2020	2019	YoY	%
General Operating Income	667.9	545.3	122.6	22.5%
Net Interest Income	-116.9	-123.1	6.2	-5.0%
Net Fee & Commission Income	745.0	612.4	132.6	21.7%
Gains on Disposition & Valuation	18.1	38.5	-20.4	-52.9%
Other Operating Income ¹⁾	21.6	17.5	4.2	23.8%
General & Administrative Expense	226.9	230.9	-4.0	-1.7%
Pre-Provisioning Operating Profit (PPOP)	441.0	314.4	126.6	40.3%
Credit Loss Provision	228.5	237.3	-8.9	-3.7%
Operating Income	212.5	77.0	135.5	175.9%
Non-Operating Income	-1.7	-2.7	1.0	-36.2%
Net Income before Income Tax	210.8	74.3	136.5	183.6%
Income Tax Expense	56.4	18.1	38.3	212.1%
Net Income	154.5	56.3	98.2	174.4%

Note 1) Other operating income includes transfer to reserve for unused credit loss provision and provisions for other allowances.

Net interest income rose by KRW 6.2 billion YoY mainly due to a decline in funding interest rates. Fee and commission income increased by KRW 132.6 billion on the strength of digital innovations which have helped improve the business fundamentals and lower processing costs. Gains on disposition and valuation declined by KRW 20.4 billion as foreign exchange profits were cut by a drop in overseas transaction volume, while other operating income rose by KRW 4.2 billion as a result of higher gains on the loan sales.

Net Income

(Unit: KRW billion)



General and administrative expenses decreased by KRW 4.0 billion as depreciation of credit card system investments made in 2015 ended. Credit loss provision decreased by KRW 8.9 billion on the back of improvements in asset quality, despite a preemptive provisioning made against the prospect of a prolonging economic downturn initiated by COVID-19. As a result, KEB Hana Card's net income increased by KRW 98.2 billion YoY to KRW 154.5 billion, a record high.

TABLE 3. FEE STRUCTURE (CONSOLIDATED)

(Unit: KRW billion)

	2020	2019	YoY	%
Fee Revenue	1,271.3	1,275.2	-3.9	-0.3%
Credit Card Receivables in KRW	474.4	431.6	42.8	9.9%
Cash Advance	73.4	87.8	-14.4	-16.4%
Card Loan	343.3	316.1	27.3	8.6%
Others	380.2	439.7	-59.6	-13.5%
Fee Expenses	526.3	662.8	-136.5	-20.6%
Fee Income	745.0	612.4	132.6	21.7%

Fee revenue inched down KRW 3.9 billion to KRW 1,271.3 billion. Credit card receivables and fee revenue from card loans increased KRW 42.8 billion and KRW 27.3 billion, respectively. However, income from interest on cash advances and overseas card purchases and secondary business income decreased by KRW 14.4 billion and KRW 59.6 billion, respectively.

Fee expenses were lowered by KRW 136.5 billion, attributable to the restructuring of high-cost products leading to savings in card service expenses, the digitalization of credit card value chain slashing processing costs, and the reduction in overseas transaction costs.

TABLE 4. GENERAL AND ADMINISTRATIVE EXPENSES (CONSOLIDATED)

(Unit: KRW billion)

	2020	2019	YoY	%
General & Administrative Expenses	226.9	230.9	-4.0	-1.7%
Salaries and Employee Benefits	85.1	77.1	8.0	10.3%
Severance and Retirement Benefits	15.6	20.9	-5.3	-25.2%
Administrative Expenses	78.0	78.3	-0.3	-0.4%
Depreciation and Amortization	36.6	42.4	-5.7	-13.5%
Taxes and Dues	11.5	12.3	-0.7	-5.9%
Cost to Income Ratio	33.97%	42.35%	-8.37%p	-

General and administrative expenses fell by KRW 4.0 billion, as depreciation of 2015 investments made in credit card systems came to an end. C/I ratio decreased by 8.37%p YoY to 33.97%, reflecting improvements in cost efficiency across the company.

III. KEY FIGURES

TABLE 5. EARNING ASSET PORTFOLIO

(Unit: KRW billion)

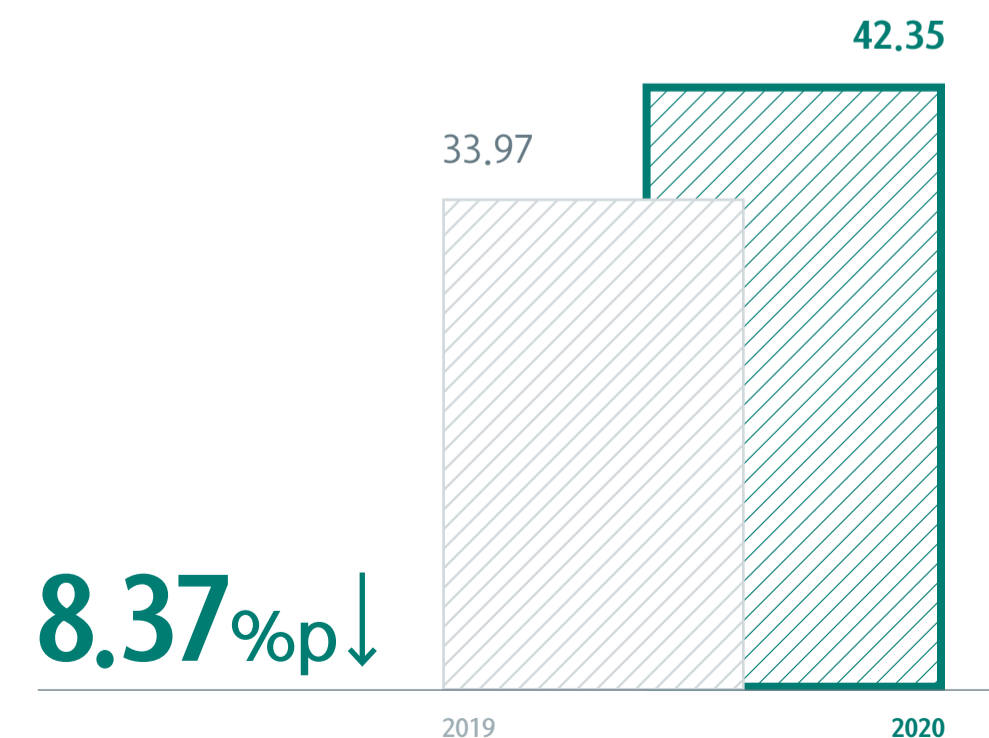
	2020	2019	YoY	%
Earning Assets (Managed) ¹⁾	7,509.6	7,674.7	-165.1	-2.2%
Credit Purchase	3,214.8	3,644.7	-429.9	-11.8%
Cash Advance	380.1	470.2	-90.1	-19.2%
Card Loan	2,689.7	2,432.7	257.0	10.6%
Re-aged Loan	99.3	122.0	-22.7	-18.6%
Installment Finance	-	-	0.0	-
Lease	-	-	0.0	-
Others	1,225.1	1,127.1	98.0	8.7%

Note 1) Earning assets before deducting credit loss provisions and present value discounts

Earning assets decreased by KRW 165.1 billion YoY to KRW 7,509.6 billion, mainly attributable to a KRW 429.9 billion decline in credit purchase as overseas transaction volume fell due to COVID-19, and the impact of a KRW 90.1 billion reduction in cash advances with high insolvency risks. Card loans, however, rose by KRW 257.0 billion, most of which was extended to creditworthy customers in compliance with asset growth regulations and guidelines set by financial authorities.

Cost to Income Ratio

(Unit: %)



IV. ASSET QUALITY

TABLE 6. ASSET QUALITY AND LOAN LOSS PROVISION

(Unit: KRW billion)

	2020	2019	YoY	%
Total Credit	7,623.3	7,808.1	-184.7	-2.4%
Normal	7,308.4	7,402.6	-94.2	-1.3%
Precautionary	212.5	267.0	-54.5	-20.4%
Substandard	2.0	0.6	1.3	208.9%
Doubtful	77.6	76.5	1.1	1.5%
Estimated Loss	22.8	61.3	-38.5	-62.8%
Precautionary & Below				
Amount	314.9	405.5	-90.6	-22.3%
Ratio	4.13%	5.19%	-1.06%p	-
Substandard & Below (NPL)				
Amount	102.4	138.5	-36.1	-26.0%
Ratio	1.34%	1.77%	-0.43%p	-
Loan Loss Reserves	263.5	285.9	-22.4	-7.8%
Normal	131.3	115.2	16.1	14.0%
Precautionary	55.1	71.7	-16.6	-23.2%
Substandard	1.2	0.0	1.2	2375.8%
Doubtful	58.5	53.7	4.8	8.9%
Estimated Loss	17.3	45.2	-27.9	-61.7%
Coverage Ratio	0	0		
Substandard & Below (NPL) Coverage	257.32%	206.51%	50.81%p	-
Precautionary & Below	83.66%	70.51%	13.15%p	-

Note 1) NPL ratio inclusive of factoring

Total credit at the end of 2020 amounted to KRW 7,623.3 billion, a YoY decline of KRW 184.7 billion, and NPL ratio improved by 43bp from 1.77% to 1.34%. Precautionary and below ratio also improved from 5.19% to 4.13%.

V. CAPITAL ADEQUACY

TABLE 7. ADJUSTED EQUITY CAPITAL RATIO AND LEVERAGE RATIO

(Unit: KRW billion)

	2020	2019	YoY	%
Adjusted Equity Capital	1,755.2	1,555.7	199.5	12.8%
Adjusted Total Asset	7,685.1	7,480.1	205.0	2.7%
Adjusted Equity Capital Ratio (%)	22.84%	20.80%	2.04%p	-
Total Equity Capital	1,780.0	1,628.8	151.2	9.3%
Total Assets	8,209.0	8,186.8	22.2	0.3%
Leverage Ratio (Multiples)	4.61	5.03	-0.41	-8.25%

Adjusted equity capital ratio improved by 2.04%p from the previous year's 20.80% to 22.84% which illuminates the sound management of capital requirements during the year. Leverage ratio decreased from 5.03 at the end of 2019 to 4.61 at the end of 2020, well below the regulatory guideline of 8.0.

HANA CAPITAL

I. OVERVIEW

The year 2020 was a difficult period for the credit financing industry as interest rates fell, competition intensified in the new car finance market, and COVID-19 set off a great deal of uncertainty at home and abroad.

Despite such challenging market conditions, Hana Capital improved work efficiencies and maximized sales by continuing to digitalizing business processes and distribution channels. Through an ESG bond issuance, the company promoted joint progress among corporations, societies and the financial industry in practicing sustainable management. In addition, through expansion of financial investment vehicles, it diversified the investment portfolio and thereby stabilized the profit base; and through the acquisition of Hana Microfinance in Myanmar, increased global income sources. As a result, in 2020 Hana Capital posted a record high net income in its history and among credit financing companies affiliated with financial groups in Korea.

In 2021, Hana Capital will continue to strengthen its digital platform, expand global business, and undertake ESG management, all in its efforts to fulfill its role as a leading credit financing company.

TABLE 1. SUMMARIZED FINANCIAL INFORMATION (CONSOLIDATED)

(Unit: KRW billion)

	2020	2019	YoY	%
Profitability				
General Operating Income	378.0	289.6	88.4	30.5%
Operating Income	248.6	160.9	87.8	54.6%
Net Income	177.2	107.8	69.5	64.5%
Return on Assets (ROA)	1.90%	1.44%	0.45%p	-
Return on Equity (ROE)	14.85%	10.61%	4.24%p	-
Cost to Income Ratio	19.09%	18.78%	0.31%p	-
Financial Assets				
Lease	2,857.8	2,616.0	241.8	9.2%
Installment	1,176.9	752.7	424.2	56.4%

II. SUMMARY OF BUSINESS PERFORMANCE

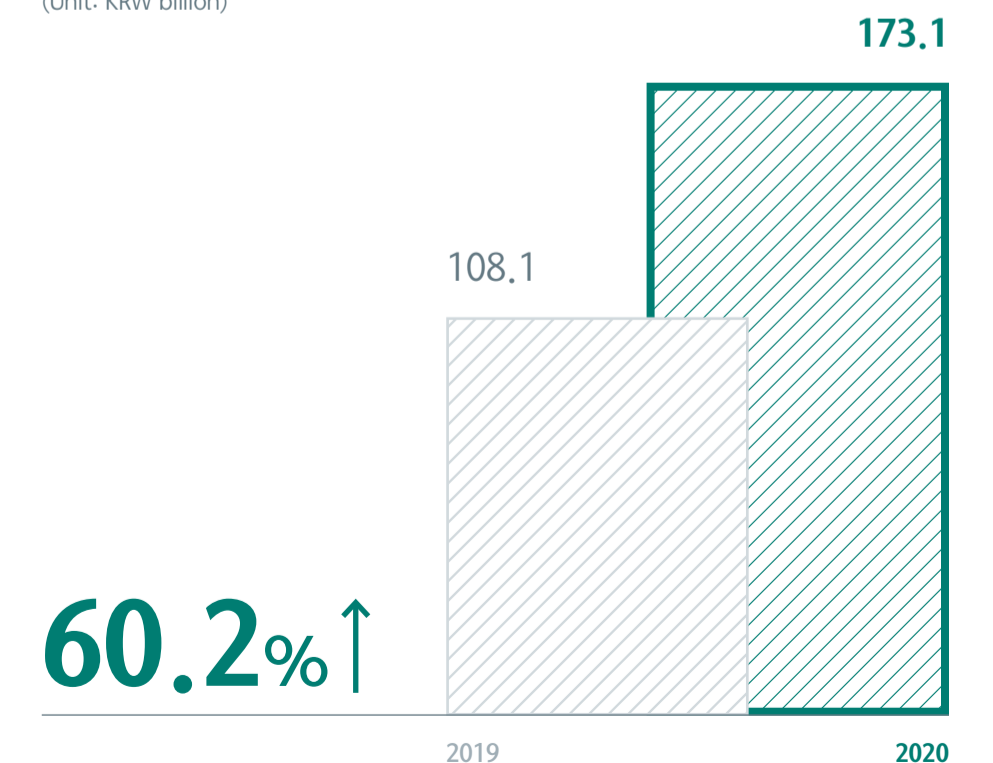
TABLE 2. COMPREHENSIVE INCOME STATEMENT (SEPARATED)

(Unit: KRW billion)

	2020	2019	YoY	%
General Operating Income	348.4	290.0	58.4	20.2%
Net Interest Income	272.2	242.5	29.7	12.2%
Net Fee and Commission Income	60.4	62.2	-1.8	-2.9%
Gains on Disposition & Valuation	14.4	0.5	13.8	2700.2%
Other Operating Income	1.4	-15.3	16.7	-109.4%
General & Administrative Expenses	62.6	54.4	8.2	15.1%
Pre-Provisioning Operating Profit (PPOP)	285.8	235.6	50.2	21.3%
Credit Loss Provision	51.5	74.3	-22.8	-30.7%
Operating Income	234.3	161.3	73.0	45.3%
Non-Operating Income	-1.9	-0.7	-1.3	192.5%
Net Income before Income Tax	232.3	160.6	71.7	44.7%
Income Tax Expense	59.2	52.5	6.7	12.7%
Net Income	173.1	108.1	65.1	60.2%

General operating income increased by KRW 58.4 billion or 20.2% YoY to KRW 348.4 billion on the strength of a rise in interest income and gains on valuation following a net increase in assets. Net income increased by KRW 65.1 billion, or 60.2%, to KRW 173.1 billion, a record high in its history.

Net Income
(Unit: KRW billion)



2019

2020

TABLE 3. GENERAL AND ADMINISTRATIVE EXPENSES (SEPARATED)

(Unit: KRW billion)

	2020	2019	YoY	%
General & Administrative Expenses	62.6	54.4	8.2	15.1%
Salaries and Employee Benefits	32.0	27.2	4.8	17.8%
Severance and Retirement Benefits	2.3	2.1	0.2	11.5%
Administrative Expenses	18.6	16.3	2.3	14.0%
Depreciation and Amortization	6.5	5.8	0.7	11.4%
Taxes and Dues	3.2	3.0	0.2	7.0%
Cost to Income Ratio	17.97%	18.76%	-0.78%p	-

General and administrative expenses increased by KRW 8.2 billion YoY to KRW 62.6 billion. Salaries and employee benefits and administrative expenses rose by KRW 4.8 billion and KRW 2.3 billion, respectively, to KRW 32.0 billion and KRW 18.6 billion. C/I ratio improved by 0.78%p YoY to 17.97%.

III. FINANCIAL ASSETS

TABLE 4. LEASE/INSTALLMENT

(Unit: KRW billion)

	2020	2019	YoY	%
Lease	2,857.8	2,616.0	241.8	9.2%
Auto	2,608.8	2,391.7	217.2	9.1%
General	248.9	224.3	24.6	11.0%
Installment	1,176.9	752.7	424.2	56.4%
Durable Goods	159.9	118.2	41.6	35.2%
Auto	991.9	607.6	384.3	63.2%
General	25.2	26.9	-1.7	-6.3%
Total	4,034.6	3,368.7	666.0	19.8%

Lease and installment finance assets grew KRW 666.0 billion to KRW 4,034.6 billion. Lease assets rose by KRW 241.8 billion YoY to KRW 2,857.8 billion, while installment finance assets increased KRW 424.2 billion to KRW 1,176.9 billion. Of lease and installment finance assets, auto finance assets accounted for 89.2%, a 0.2%p increase from a year earlier.

IV. ASSET QUALITY

TABLE 5. ASSET QUALITY AND LOAN LOSS PROVISION

(Unit: KRW billion)

	2020	2019	YoY	%
Total Credit	9,540.1	7,577.5	1,962.6	25.9%
Normal	9,428.0	7,365.6	2,062.3	28.0%
Precautionary	49.1	106.5	-57.4	-53.9%
Substandard	28.9	55.7	-26.7	-48.0%
Doubtful	28.7	47.5	-18.8	-39.7%
Estimated Loss	5.4	2.1	3.3	156.8%
Precautionary & Below				
Amount	112.1	211.8	-99.7	-47.1%
Ratio	1.17%	2.80%	-1.62%p	-
Substandard & Below (NPL)				
Amount	63.0	105.3	-42.3	-40.1%
Ratio	0.66%	1.39%	-0.73%p	-
Loan Loss Reserve	82.4	93.9	-11.5	-12.2%
Normal	47.6	46.8	0.8	1.8%
Precautionary	9.4	14.9	-5.5	-37.0%
Substandard	4.8	22.8	-18.0	-79.0%
Doubtful	15.4	7.7	7.7	100.0%
Estimated Loss	5.3	1.7	3.5	202.6%
Precautionary & Below				
Loan Loss Reserve	34.8	47.1	-12.3	-26.1%
Coverage Ratio	73.53%	44.33%	29.20%p	-
Substandard & Below (NPL)				
Loan Loss Reserve	25.4	32.2	-6.8	-21.1%
Coverage Ratio	130.77%	89.17%	41.60%p	-

Total credit at the end of 2020 stood at KRW 9,540.1 billion, a KRW 1,962.6 billion increase from the previous year. NPLs declined by KRW 42.3 billion YoY to KRW 63.0 billion, improving NPL ratio by 0.73%p to 0.66%. Loan loss reserve decreased by KRW 11.5 billion to KRW 82.4 billion, while NPL coverage ratio increased by 41.60%p to 130.77%.

V. CAPITAL ADEQUACY

TABLE 6. ADJUSTED EQUITY CAPITAL RATIO

(Unit: KRW billion)

	2020	2019	YoY	%
Adjusted Equity Capital	1,312.0	1,144.2	167.7	14.7%
Tier 1 Capital	1,104.9	948.1	156.8	16.5%
Shareholders' Equity	1,104.9	948.1	156.8	16.5%
Tier 2 Capital	219.9	206.5	13.4	6.5%
Subordinate Debt	149.6	149.6	0.0	0.0%
Loan Loss Reserve	70.3	56.9	13.5	23.7%
(-) Deduction	12.8	10.4	2.4	23.6%
Adjusted Total Assets	10,492.1	8,125.4	2,366.7	29.1%
Total Assets on Balance Sheet	10,868.9	8,208.6	2,660.3	32.4%
(-) Deduction	376.8	83.2	293.6	352.9%
Adjusted Equity Capital Ratio	12.50%	14.08%	-1.58%p	-

Adjusted equity capital ratio reached 12.50%, well above the 7% guideline set by financial authorities.

HANA LIFE

I. OVERVIEW

Amid a lowering birth rate, a fast-aging society, and sluggish economic growth, the domestic life insurance industry has been shifting its business focus from savings-type to protection-type and variable insurance products, all in an effort to respond to such regulatory changes as reduced tax-exemption benefits and revised accounting requirements. Meeting new capital adequacy requirement is now the most important business requirement facing Korean life insurance companies as IFRS 17 and K-ICS are scheduled to take effect in 2023. Accordingly, domestic players are exploring diverse options of raising capital. Moreover, the digital insurance market is on the rise as face-to-face insurance sales have all but fallen out of favor with customers in an era of virtual interactions.

Hana Life undertook a major digital transformation in 2020 under the slogan, "Advanced Insurance, Customized Insurance, Digital Hana!" It increased customer convenience by adopting digital processes in all areas of its business and focused on developing digital talent and bolstering business competencies. In addition, the company sought to increase the sales of protection-type and variable insurance products, and to improve profitability through cost reduction. It also sought to increase ROI through management of quality assets in collaboration with other Group affiliates, and to improve its fundamentals through strengthening of risk management.

Hana Life will continue to increase sales by generating synergy with other Hana Financial Group affiliates. It will also form new alliances and thus expand channels for distributing bancassurance products, and generate new incomes by increasing sales through digital platforms. The company will strive to become a customer-oriented life insurance company offering insurance products that meet as many as diverse customer's needs as possible.

II. SUMMARY OF BUSINESS PERFORMANCE

TABLE 1. MAIN PERFORMANCE INDICATORS (SEPARATED)

(Unit: KRW billion)

	2020	2019	YoY	%
Monthly Converged Premiums (MCP)	10.1	10.0	0.1	1.0%
Annuity	1.2	1.2	0.0	-1.3%
Saving	0.0	0.0	0.0	-
Protection	7.0	4.7	2.3	48.8%
Variable	1.9	4.1	-2.2	-53.2%
Premium Income	405.8	400.4	5.4	1.4%
Investment Income	173.2	155.1	18.1	11.7%
Investment Income Ratio	3.90%	3.44%	0.46%p	-
Net Income	35.2	24.3	10.9	44.7%
Return on Assets (ROA)	0.71%	0.52%	0.19%p	-
Return on Equity (ROE)	9.75%	7.29%	2.46%p	-
Cost to Income Ratio	54.77%	54.06%	0.71%p	-

Hana Life's monthly coverage premium (MCP), a key index for insurance business, amounted to KRW 10.1 billion at the end of 2020. The main contributing factor is an expansion centered on protection-type and variable insurance products. Sales of protection-type insurance products rose by KRW 2.3 billion YoY to KRW 7.0 billion, accounting for 69% of the product portfolio, an indication of its continued growth. In the investment sector, return on working capital increased by 0.46%p YoY, as a result of increased loans and alternative investments, and thus the company generated a KRW 173.2 billion of investment income.

Monthly Converged Premiums (MCP)

(Unit: KRW billion)

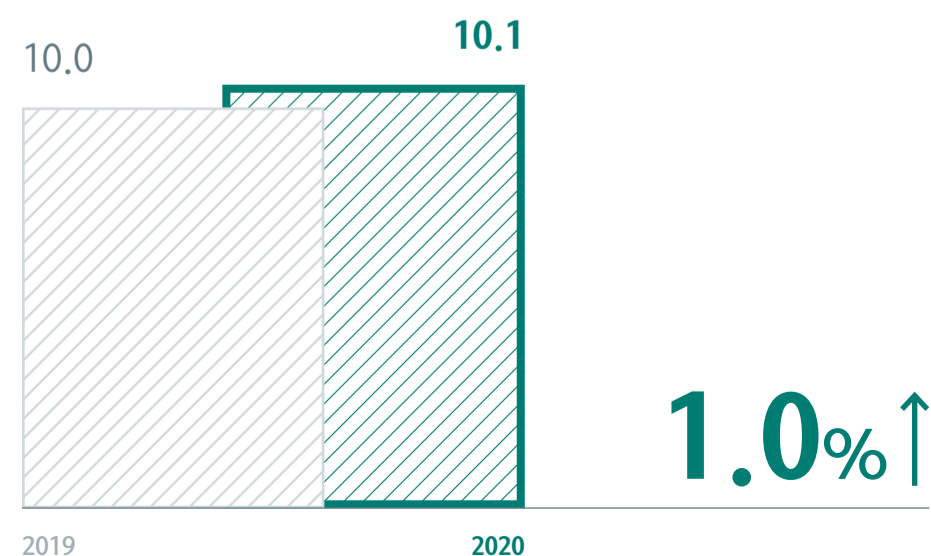


TABLE 2. COMPREHENSIVE INCOME STATEMENT (SEPARATED)

(Unit: KRW billion)

	2020	2019	YoY	%
Net Insurance Business Income	-256.8	-223.6	-33.2	14.8%
Insurance Income	415.9	410.2	5.7	1.4%
Premium Income	405.8	400.4	5.4	1.4%
Reinsurance Income	10.1	9.9	0.2	2.3%
Insurance Expense	672.7	633.8	38.8	6.1%
Benefit & Payments	596.9	567.1	29.8	5.3%
Reinsurance Expense	10.9	10.6	0.3	2.8%
General & Administrative Expense	66.1	58.0	8.0	13.8%
Decrease (Increase) of Deferred Acquisition Cost	-5.1	-2.0	-3.1	153.5%
Discount	3.9	0.1	3.8	3,118.1%
Net Investment Business Income	144.6	124.9	19.7	15.8%
Investment Income	173.2	155.1	18.1	11.7%
Investment Expense	28.6	30.2	-1.6	-5.4%
Increase of Policy Reserve	-129.9	-92.6	-37.2	40.2%
Operating Income	17.7	-6.1	23.8	-388.9%
Non-Operating Income	28.0	37.1	-9.1	-24.5%
Net Income before Income Tax	45.7	31.0	14.7	47.4%
Income Tax Expense	10.5	6.7	3.8	57.1%
Net Income	35.2	24.3	10.9	44.7%

Hana Life generated a net income of KRW 35.2 billion in 2020, a YoY rise of KRW 10.9 billion. The sum includes expenses incurred from digital transformations as well as platform alliance-related expenses. Net investment business income rose by 15.8% YoY to KRW 144.6 billion on the back of an increase in dividend income and gain on sales.

Net Income

(Unit: KRW billion)

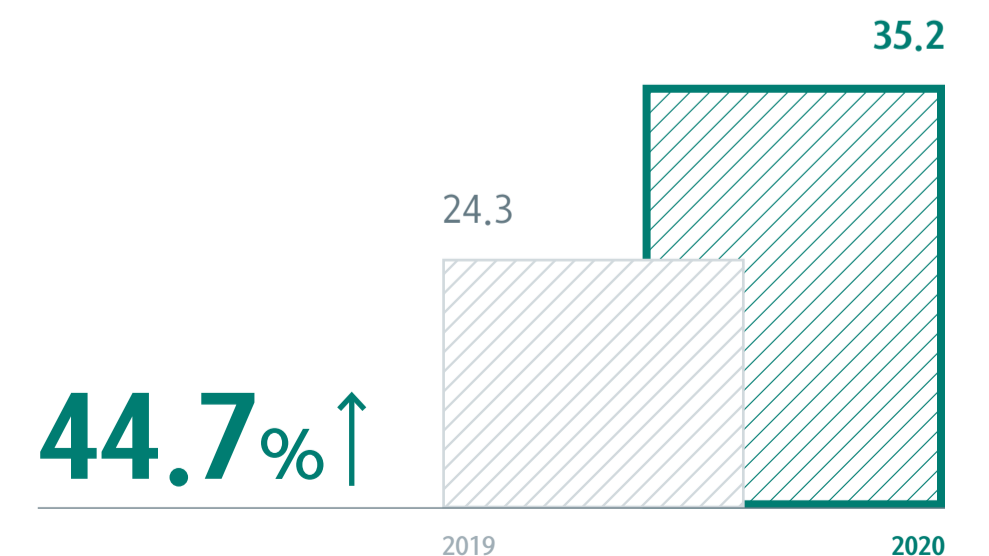


TABLE 3. GENERAL AND ADMINISTRATIVE EXPENSES (SEPARATED)

(Unit: KRW billion)

	2020	2019	YoY	%
General & Administrative Expenses	40.9	36.3	4.6	12.8%
Salaries and Employee Benefits	14.8	13.9	0.9	6.2%
Severance and Retirement Benefits	1.7	1.8	-0.1	-5.0%
Administrative Expenses	17.3	15.2	2.1	13.5%
Depreciation and Amortization	6.0	4.3	1.8	41.3%
Taxes and Dues	1.1	1.1	0.0	3.5%
Cost to Income Ratio	54.77%	54.06%	0.71%p	-

General and administrative expenses totaled KRW 40.9 billion in 2020, up KRW 4.6 billion compared with that of 2019. The increase is attributable mainly to expenses related to digital transformations, including the building of an advanced mobile platform and the automation of work processes. Also contributed is a rise in depreciation expense related to preparations made to meet the requirements of IFRS 17.

III. CAPITAL ADEQUACY

TABLE 4. SOLVENCY MARGIN RATIO

(Unit: KRW billion)

	2020	2019	YoY	%
Solvency Margin	335.2	346.5	-11.3	-3.3%
Shareholders' Equity	331.1	322.0	9.2	2.8%
Loan Loss Reserve	4.9	4.3	0.6	13.6%
Subordinated Debts	20.0	30.0	-10.0	-33.3%
Net Premium Reserve in Excess	42.2	34.8	7.4	21.2%
(-)Deduction	63.1	44.6	18.4	41.4%
Standard Amount of Solvency Margin	181.0	172.1	9.0	5.2%
Solvency Margin Ratio	185.1%	201.3%	-16.2%p	-

RBC ratio stood at 185.1% at the end of 2020, down 16.2%p compared with the previous year. Solvency margin decreased by KRW 11.3 billion YoY to KRW 335.2 billion on the account of a KRW 23.8 billion increase in retained earnings, a KRW 14.6 billion decrease in accumulated other comprehensive income, a KRW 10.0 billion reduction in subordinated debt recognized as Tier 2 capital, and a KRW 18.4 billion increase in other deduction items including deferred tax asset.

Interest rate risk declined KRW 9.6 billion reflecting lower debt exposure and higher interest rates, but credit risk rose KRW 15.3 billion on an increase in assets under management. Standard amount of solvency margin therefore increased KRW 9.0 billion to KRW 181.0 billion.

HANA SAVINGS BANK

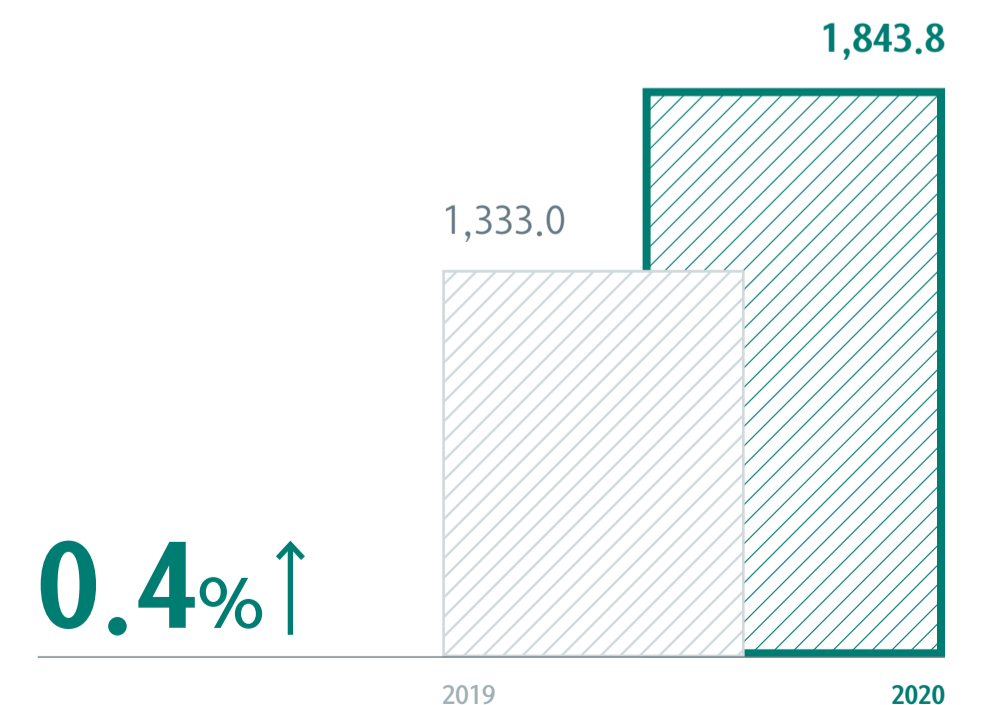
I. OVERVIEW

In Korea, savings banks are considered community financial institutions, created for the purpose of supplying credit to the underprivileged, SMEs, and the financially marginalized and of promoting savings through the provision of easy-to-use banking services. Hana Savings Bank aims to improve profitability and asset quality by putting into practice relationship banking and implementing stable growth strategies as part of Hana Financial Group's One Company policy. Drawing on its strong capital position relative to other savings banks, Hana Savings Bank has earned a degree of trust usually enjoyed by larger financial institutions. It also seeks to enhance profitability by linking loan products to the business network of Hana Bank and by increasing sales in collaboration with other Group subsidiaries. In addition, Hana Savings Bank launched a non-face-to-face channel in November 2020 in a bid to diversify income sources through digital transformation.

Hana Savings Bank was named "Outstanding Family-Friendly Company" and received a commendation from the Minister of Gender Equality and Family in 2014. It won the Grand Prize in the trusted management category at the 2014 Aju Business Daily Finance and Securities Awards, and also won Korea's Best Banker Award from the Maeil Business Newspaper in 2016. In 2018, Hana Savings Bank won the Minister of Health and Welfare Award in the social contribution category of the Greater Happiness Social Contribution Campaign, and also received the Financial Services Commission Chairman's Award in the sustainable finance category at the National Sustainability Management Awards. In 2019, the Bank won an award in the socially responsible contribution category of the Greater Happiness Social Contribution Campaign, for the second consecutive year.

Total Assets

(Unit: KRW billion)



II. SUMMARY OF BUSINESS PERFORMANCE

TABLE 1. COMPREHENSIVE INCOME STATEMENT (SEPARATED)

(Unit: KRW billion)

	2020	2019	YoY	%
General Operating Income	61.8	44.2	17.6	40.0%
Net Interest Income	59.4	45.0	14.4	32.0%
Net Fee and Commission Income	2.7	1.7	1.0	54.4%
Gains on Disposition & Valuation	-0.2	0.1	-0.2	-
Other Operating Income (Expenses)	-0.1	-2.6	2.5	-
General & Administrative Expenses	27.3	24.7	2.6	10.5%
Pre-Provisioning Operating Income (PPOP)	34.5	20.3	14.2	70.2%
Credit Loss Provision	10.7	-1.0	11.7	-
Operating Income	23.8	21.3	2.5	11.9%
Non-Operating Income	0.6	0.9	-0.2	-
Net Income before Income Tax	24.5	22.2	2.3	10.4%
Income Tax Expense	6.5	6.1	0.4	6.3%
Net Income	18.0	16.1	1.9	11.9%

Hana Savings Bank was established in February 2012 through the acquisition of Jeil Savings Bank II and Ace Mutual Savings Bank, and acquired another savings bank - Korea Mutual Savings Bank - in September 2012. In 2013, it made a profit of KRW 5.8 billion, only two years into operation. Net income in 2019 was KRW 16.1 billion, and in 2020 the Bank reported KRW 18.0 billion in net income. In 2020, credit loss provision substantially increased due to a reduction in write-back and a net increase in new loan. Nevertheless, Hana Savings Bank was able to rebalance the loan portfolio by expanding corporate loans and extending retail loans, thus increasing interest incomes.

Ten years into operation, the Bank has been making a profit every year, growing normal loans and building a stable income structure through qualitative growth and value management.

TABLE 2. GENERAL AND ADMINISTRATIVE EXPENSES

(Unit: KRW billion)

	2020	2019	YoY	%
General & Administrative Expenses	27.3	24.7	2.6	10.5%
Salaries and Employee Benefits	11.4	10.4	1.0	9.7%
Severance and Retirement Benefits	0.7	0.8	-0.1	-11.3%
Administrative Expenses	9.1	7.4	1.7	22.9%
Depreciation and Amortization	4.0	3.9	0.2	4.7%
Taxes and Dues	2.2	2.4	-0.2	-8.3%
Cost to Income Ratio	44.28%	54.74%	-10.46%p	-

General and administrative expenses increased slightly in 2020 by KRW 2.6 billion - salaries and employee benefits increased by KRW 1.0 billion as employees grew to support the expansion of the retail business; costs for developing a new platform for the new non-face-to-face business grew KRW 0.7 billion; and an additional expense of KRW 0.3 billion was incurred by IT projects. On the other hand, the increase in general operating income improved C/I ratio by 10.46%p.

III. SUMMARY OF FINANCIAL CONDITION

TABLE 3. CONDENSED BALANCE SHEETS (SEPARATED)

(Unit: KRW billion)

	2020	2019	YoY	%
Interest Earning Assets	1,738.0	1,235.4	502.6	40.7%
Due from Banks	149.6	142.7	6.9	4.8%
Fixed Income Securities	0	0	0	-
Loans	1,617.2	1,117.6	499.6	44.7%
Loan Loss Allowance	-28.7	-24.9	-3.8	-
Other Revenue Earning Assets	18.4	23.4	-5.0	-21.5%
Stocks and Others	14.0	18.5	-4.5	-24.1%
Lease	4.3	4.9	-0.6	-11.5%
Trust Account Assets	0	0	0	-
Domestic Exchange Settlement	0	0	0	-
Non-Revenue Earning Assets	87.4	74.2	13.1	17.7%
Total Assets	1,843.8	1,333.0	510.7	38.3%
Interest Bearing Liabilities	1,552.3	1,074.8	477.5	44.4%
Deposits	1,548.7	1,070.1	478.6	44.7%
Borrowings	0	0	0	-
Debentures	0	0	0	-
Policy Reserve	0	0	0	-
Borrowings from Trust Accounts	0	0	0	-
Trust Account Liabilities	0	0	0	-
Domestic Exchange Settlement	3.6	4.7	-1.1	-23.1%
Non-Interest Bearing Liabilities	52.9	37.5	15.4	41.0%
Total Liabilities	1,605.2	1,112.3	492.9	44.3%
Shareholders' Equity	238.5	220.7	17.8	8.1%
Total Liabilities & Shareholders' Equity	1,843.8	1,333.0	510.7	38.3%

At the 2020 year-end, Hana Savings Bank operates three branches, two sub-branches, and Strategic Sales Division and Retail Finance Division at its headquarters. It has KRW 1,843.8 billion in assets, KRW 1,605.2 billion of liabilities, and KRW 238.5 billion in shareholders' equity. In 2020, Hana Savings Bank's total assets increased by KRW 510.7 billion mainly attributable to a KRW 499.6 billion increase in loan following continued sales efforts.

IV. ASSET QUALITY

TABLE 4. ASSET QUALITY AND LOAN LOSS PROVISION

(Unit: KRW billion)

	2020	2019	YoY	%
Total Credit	1,617.0	1,117.7	499.4	44.7%
Normal	1,400.0	895.5	504.5	56.3%
Precautionary	188.5	191.4	-2.9	-1.5%
Substandard	10.7	14.0	-3.3	-23.5%
Doubtful	5.2	5.0	0.1	2.4%
Estimated Loss	12.6	11.7	0.9	8.1%
Precautionary & Below				
Amount	217.0	222.2	-5.2	-2.3%
Ratio	13.42%	19.88%	-6.46%p	-
Substandard & Below (NPL)				
Amount	28.5	30.7	-2.2	-7.2%
Ratio	1.76%	2.75%	-0.99%p	-
Loan Loss Reserve	39.9	31.6	8.3	26.2%
Normal	18.8	10.7	8.1	75.8%
Precautionary	4.3	4.3	0.0	1.0%
Substandard	2.9	3.7	-0.8	-20.5%
Doubtful	3.2	2.8	0.4	13.0%
Estimated Loss	10.6	10.1	0.5	5.2%
Precautionary & Below				
Loan Loss Reserve	21.1	20.9	0.2	0.8%
Coverage Ratio	18.39%	14.23%	4.16%p	-
Substandard & Below (NPL)				
Loan Loss Reserve	16.8	16.6	0.1	0.8%
Coverage Ratio	139.95%	102.86%	37.08%p	-;

Total credit, including provisional payments of credit, increased by KRW 499.4 billion YoY to KRW 1,617.0 billion. Hana Savings Bank has been making continuous efforts to improve its risk management by liquidating troubled assets, and, as a result, NPLs declined by KRW 2.2 billion over the year to KRW 28.5 billion at the end of 2020. In addition, NPL ratio improved by 0.99%p YoY to 1.76% on the strength of portfolio diversifications and an increase in quality loan. The Bank endeavors to increase loans with a focus on improving the quality of assets on the books.

V. CAPITAL ADEQUACY

TABLE 5. BIS CAPITAL AND RATIO

(Unit: KRW billion)

	2020	2019	YoY	%
Tier 1 Capital	181.4	167.7	13.7	8.2%
Common Equity Capital	181.4	167.7	13.7	8.2%
Capital Stock	75.0	75.0	0.0	0.0%
Capital Surplus	108.3	108.5	-0.1	-0.2%
Retained Earnings	37.1	22.2	14.9	67.4%
Others	-39.0	-38.0	-1.1	-
Hybrid Bonds	0	0	0	-
Tier 2 Capital	18.9	13.1	5.8	44.5%
Loan Loss Reserve	18.8	13.0	5.8	44.8%
Subordinated Bonds	0	0	0	-
Others	0	0	0	-
Total BIS Capital	200.2	180.7	19.5	10.8%
Risk Weighted Assets	1,479.2	1,017.5	461.7	45.4%
BIS Capital Adequacy Ratio	13.54%	17.76%	-4.22%p	-
Tier 1 Ratio	12.26%	16.48%	-4.22%p	-
Tier 2 Ratio	1.28%	1.28%	0.00%p	-

BIS capital adequacy ratio declined by 4.22%p in 2020 to 13.54%, but remains well above the regulatory guideline of 8% as stipulated in the Savings Bank Act. The decline is attributable to an increase of KRW 500.0 billion in loan asset, the outcome of efficient asset management. Hana Savings Bank will maintain a stable capital structure by continuously growing assets and thus increasing net incomes as well as Tier 1 capital.