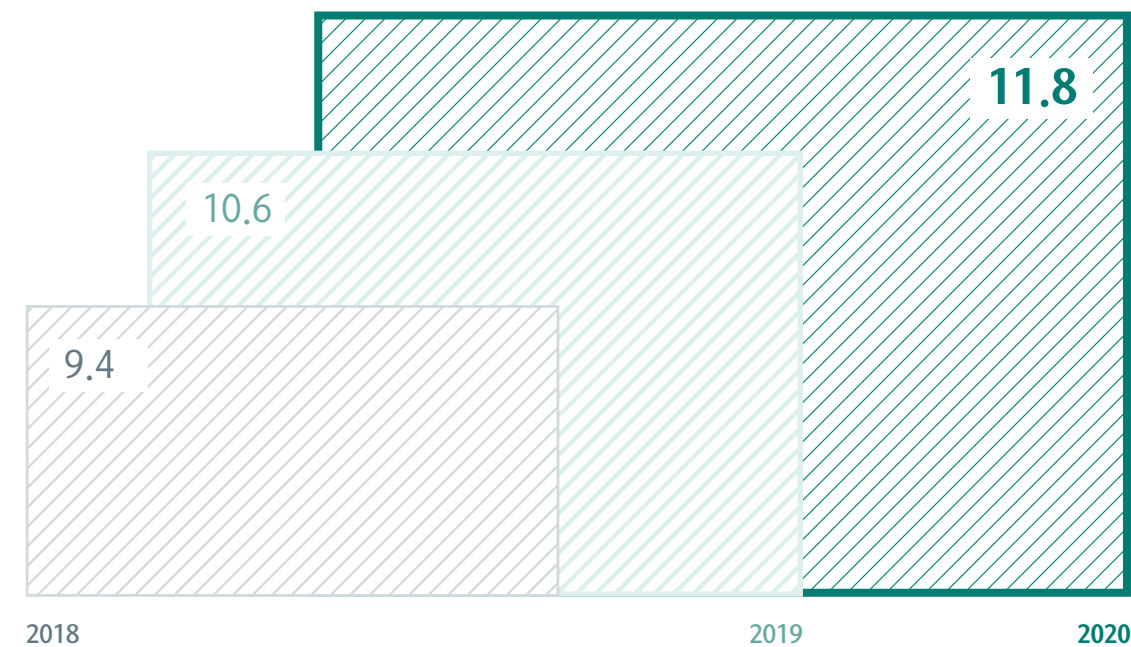


BUSINESS

# 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%<sup>1)</sup> 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.

<sup>1)</sup> 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 billion<sup>2)</sup>.

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.

<sup>2)</sup> Based on execution amount



**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.





**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.