Hana Financial Group

Hana Financial Group
55, Eulji-ro, Jung-gu, Seoul, 100-720 Republic of Korea
Tel. 822) 2002 – 1110
www.hanafn.com

2013 Hana Financial Group Annual Report

The Trusted Premier Global Financial Group

Trusted &Global

The Trusted Premier Global Financial Group

Hana Financial Group pursues sustainable growth through the satisfaction of its stakeholders' expectations: quality products and services for customers, stable income performance for shareholders, career advancement for employees, and responsible corporate citizenship for communities it is part of. Being a financial services group, first and foremost, HFG focuses on improving its competencies in and developing synergies among banking, securities, credit card, capital, insurance, and other businesses it is engaged in, with an eye towards growing into the trusted premier global financial group.

Group Overview

Hana Financial Group Inc. was established in 2005 as a financial holding company engaged in a wide variety of financial services from banking to asset management.
Following the acquisition of KEB, a major banking power, HFG has adopted a new vision and value system representing its recently boosted status and multiplied growth potential. Leveraging its proven competitive advantage and extensive global network, HFG is taking measured steps towards becoming a global financial group.

Total Assets (consolidated)

368.5 *KRW in trillion*

4Q12	1Q13	2Q13	3Q13	4Q13
349.0	355.5	369.9	367.7	368.5

KRW Loan

157.9 *KRW in trillion*

4Q12	1Q13	2Q13	3Q13	4Q13
151.1	153.1	155.7	157.1	157.9

Total Deposits

179.2 *KRW in trillion*

4Q12	1Q13	2Q13	3Q13	4Q13
168.1	170.4	172.8	175.8	179.2

Employees

23,094

As of Dec. 2013

Future Finance
Mobile Banking Users

2,959,580

As of Dec. 2013

Global Network

128 *branches in* 24 *countries*

- Asia & Pacific 95
- Europe & Middle East 10
- America 23

As of Mar. 2014

The Banker
"Top 1000 World Banks 2013"

81st (as of July, 2013)

Hana Bank ranked 532nd (1993)

Global Awards

"Best Financial Group in Korea" _The Asian Banker

"Excellence 2013 Best Bank in Korea" _Euromoney

"Best Foreign Exchange Bank in Korea" _Global Finance

Financial Highlights

In 2013, faced with challenging market conditions, HFG took preparatory steps to spur organic growth group-wide: the basis for core earnings was fortified and strategic tasks were defined involving development of synergies into income opportunities. HFG's profitability and shareholder value are expected to continue to improve on the back of synergies morphing into reality among various business units of Hana Bank and KEB.

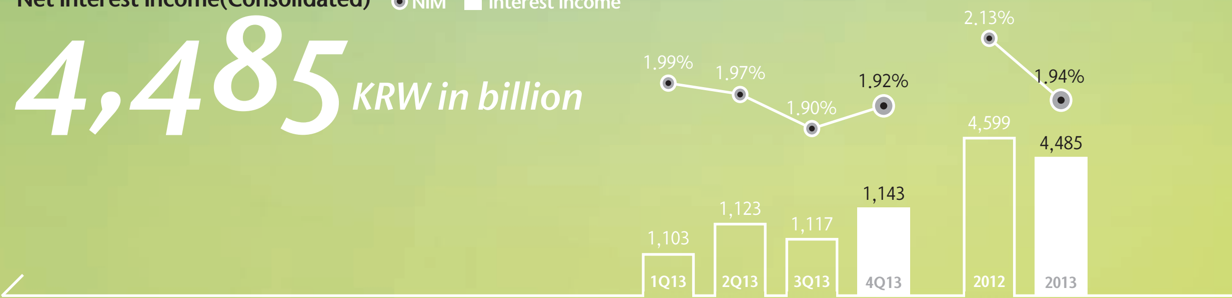
(Unit : KRW in billion, thousand members, %)

Financial Summary	2013	2012
Profitability		
General Operating Income	6,239.7	7,391.1
Operating Income	1,165.0	2,017.4
Consolidated Net Income	933.9	1,621.5
ROA	0.34%	0.60%
ROE	5.16%	10.56%
EPS(Unit:KRW)	3,399	6,648
Cost to Income Ratio	61.64%	51.00%
Business Volume		
Total Assets	368,486.4	348,972.8
Total Sales	252,143.2	233,246.1
(Total Deposits)	225,119.8	206,073.9
(Sale of Beneficiary Certificates)	27,023.4	27,172.2
No. of Individual Credit Card Members	5,825	6,630
Asset Soundness		
NPL (Substandard & Below) Ratio	1.48%	1.33%
NPL Coverage Ratio	120.77%	142.89%
Delinquency Ratio	0.58%	0.75%
Capital Adequacy		
BPS	68,754	63,997
BIS CAR [Group]	12.28%	11.65%
Tier 1 Ratio	9.24%	8.15%
BIS CAR [Hana Bank]	13.91%	13.90%
Tier 1 Ratio	10.54%	9.61%
BIS CAR [KEB]	13.83%	13.59%
Tier 1 Ratio	11.66%	11.06%

Note) Basel III standard phase in beginning December 2013 (prior CAR for HFG is basel I and for Hana Bank & KEB is basel II standard)

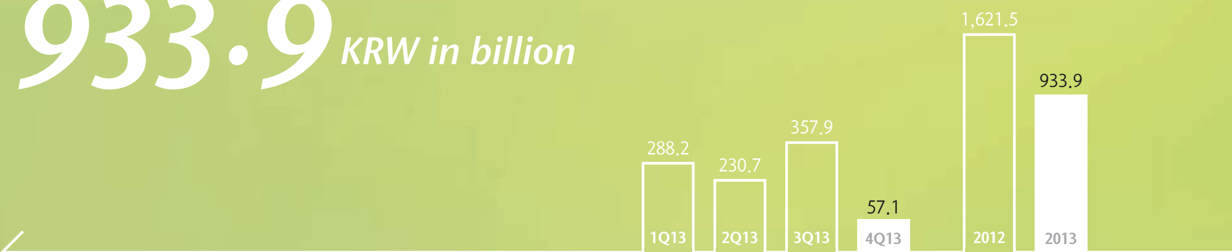
Net Interest Income(Consolidated)

4,485 *KRW in billion*



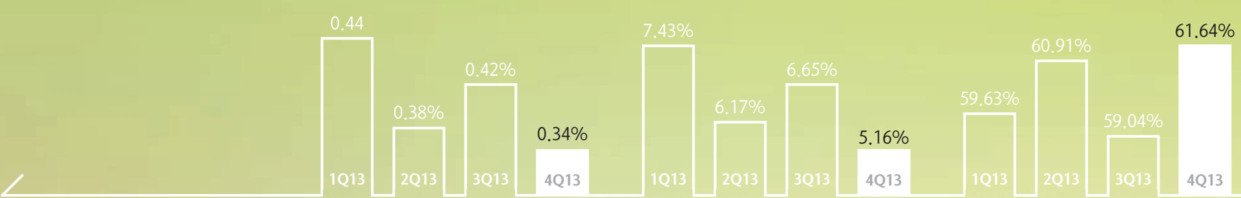
Net Income(Consolidated)

933.9 *KRW in billion*



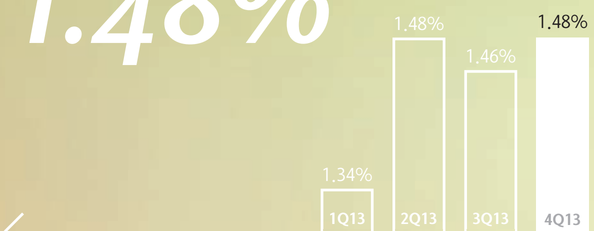
Major Indices(Accumulated)

ROA *0.34%* ROE *5.16%* C/I Ratio *61.64%*



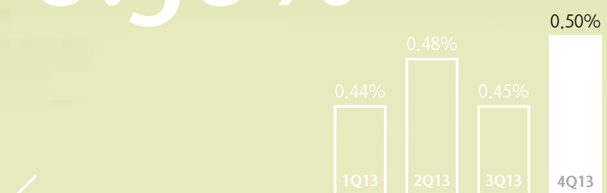
NPL Ratio

1.48%



Credit Cost(Accumulated)

0.50%



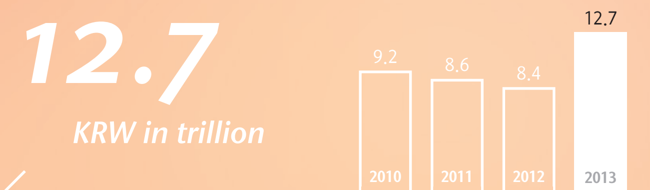
Stock Information

In 2013 Hana Financial Group maintained its high credit ratings; Hana Bank and KEB, its two main income generators, retained their A1 by Moody's and A or A- by S&P. HFG's market capitalization was KRW 12.7 trillion at the end of 2013, a 51% increase from a year before. Despite the challenging business environment, HFG paid dividends for the year at 14.5% pay out ratio, continuing its legacy of not missing a year for dividend payout in its 42-year history.

Market Capitalization

12.7

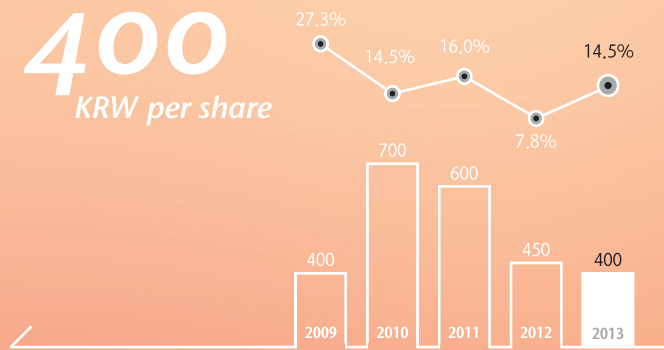
KRW in trillion



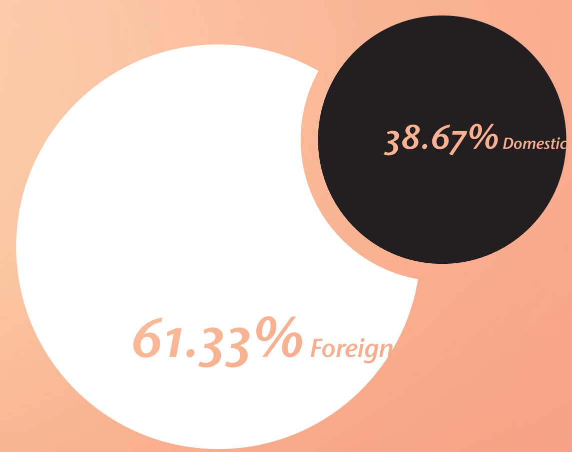
Consistent Dividend History

400

KRW per share



Share Ownership



As of end of 2013

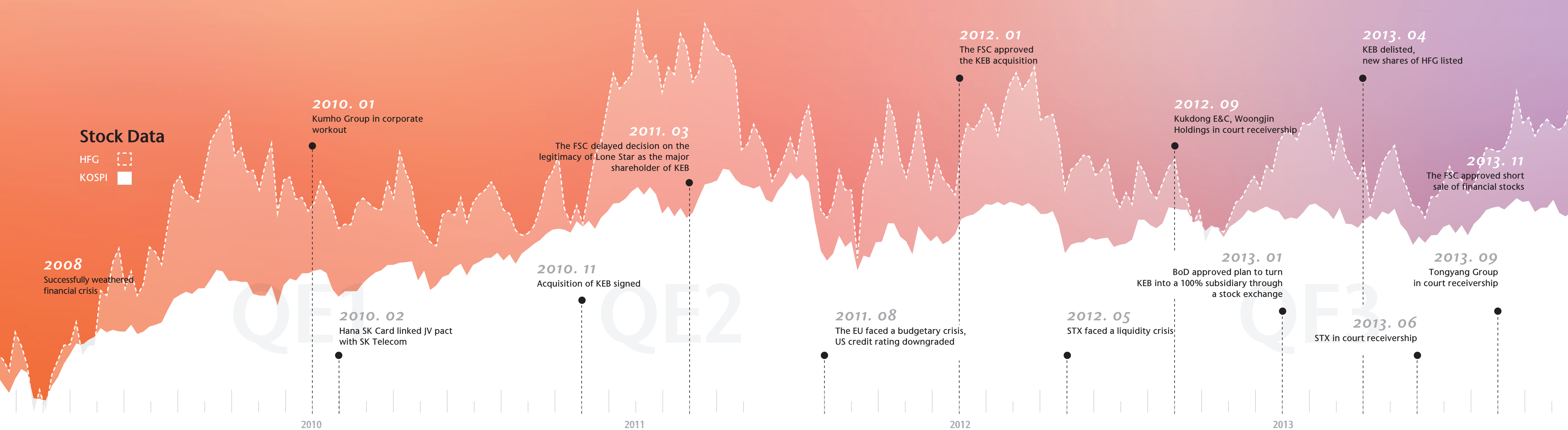
Outstanding Credit Ratings

Moody's		S&P	
A1	A1	A	A-
Hana Bank	Korea Exchange Bank	Hana Bank	Korea Exchange Bank

Share prices

	2013	2012	2011	2010	2009
High	43,900	45,300	50,500	44,300	41,750
Low	31,250	30,100	27,850	28,000	16,100
Year-end	43,900	34,700	35,550	43,300	32,900
KOSPI index (Year-end)	2,011.34	1,997.05	1,825.74	2,051.00	1,682.77

Stock Data



"In 2013 Hana Financial Group strove to enhance shareholder value in the face of daunting business conditions at home and abroad. Though not all of our business objectives were met, we have laid a solid foundation for building a more sustainable future for HFG."

LETTER TO SHAREHOLDERS

Dear shareholders,

The year 2013 will be remembered as a momentous chapter in the history of Hana Financial Group. Of all the achievements we made during the year, we are most proud of the successful acquisition of KEB's remaining shares. I cannot emphasize enough the significance and potential effect of this top-priority project on the business performance and management status of HFG in the years to come.

Embracing KEB as a fully-owned subsidiary has produced two immediate results: we have heightened the sense of belonging of its 8,158 employees, and laid the foundation for launching and executing group-wide unified business strategies.

A new era requires a new vision. In this era of the 'new normal—low growth and low margin,' with KEB as an integral part of HFG, we needed a new identity as well as a new direction that would befit our multiplied strengths and manifold possibilities.

Accordingly, we have adopted a new vision: "The Trusted Premier Global Financial Group." We have set up a plan to become Korea's de facto leading financial institution by 2025. I am very proud the formulation of the vision was an eight-month long endeavor by our employees to collect and screen opinions, and conclude on what best describes where HFG should be by 2025 and how we should get there.

Although we recorded a net income of KRW 933.9 billion in 2013, the year was a meaningful year since we have successfully built a solid platform for the future of HFG.

HFG's performance is laudable especially when reviewed through the lens of risk management, which I firmly believe is the essence of finance. A case in point is that in 2013 we grew our assets at a rate much higher than the industry average, yet we still maintained our industry leadership in asset quality. Preemptive risk management was the key to our leadership in the financial business.

HFG also attracted global attention to its future finance infrastructure, living up to its status as the pioneer in mobile banking in Korea. In place of the closure of 34 branches of Hana Bank, KEB and Hana Daetoo Securities, we launched a new revolutionary sales model, 'Tablet Branch.' The model centers on providing financial services, including investment and tax consultations, to customers at the place and time of their choice. With its unprecedented cost/benefit ratio, this futuristic sales model will likely set a new trend in the financial industry.

YouTube
About Hana Financial Group
http://www.youtube.com/watch?v=DLkKghYSK2c

WWW
Vision & Mission
http://www.hanafn.com/eng/info/aboutus/vision.do

IN 2013 WE GREW OUR ASSETS AT A RATE MUCH HIGHER THAN THE INDUSTRY AVERAGE, YET WE STILL MAINTAINED OUR INDUSTRY LEADERSHIP IN ASSET QUALITY.

The addition of KEB's unsurpassed strengths in business network and trade finance has transformed HFG into a financial group with the largest overseas income and the most extensive global reach. In our overseas operations, we have been able to offer products and services that suit the characteristics of local markets and customers mainly because we believe in and pursue full localization of overseas subsidiaries. HFG will continue to strengthen competitiveness and achieve one of our main objectives embedded in the vision which is to increase the proportion of overseas income from current 19% to 40% by 2025.

Moving on to recent data leakage issue that has struck a chord in the whole industry, the public is increasingly critical of the overall management stance of the financial industry. These unfortunate incidents have reawakened us to the importance of internal controls and the realization that financial consumer protection has become a factor of utmost importance in maintaining customer trust. We took this very seriously, quickly establishing a task force dedicated to customer data protection and conducted a thorough review of ways in which we process and store customer information.

If 2013 was a year in which we learnt about each other, 2014 will be a year in which we will take a big step forward towards our vision. As the global economy is expected to make a modest recovery, the domestic economy will likely follow suit, with GDP growth forecasted to hover near 4%. Our core profit performance will still be facing the barriers of low base rates and increasingly intense competition, but we will overcome them through judicious development of synergies among our subsidiaries and successfully complete PMI with KEB.

With one-company mindset, we will tear down the invisible walls of separation remaining in HFG and maximize synergies among similar business operations, all to foster a corporate culture in which communication and cooperation flourish.

We also aim to raise the proportion of income from non-banking subsidiaries to 30% by 2015. As the first step towards this objective, in 2013 we laid the groundwork for integrating KEB Card and Hana SK Card. By merging the two we expect not only to cut costs but also to secure economies of scale that will lead to improved earnings and meaningful growth. We will further enhance management efficiency as a way to ride out the current new normal. As a low-cost/high efficiency diet is not an option but a must in such an environment, we will eliminate redundancies and slash non-essential expenditures.

Hana Financial Group has grown into Korea's leading financial services brand in the 10 years since its founding. Staying true to the mission of "Growing Together, Sharing Happiness," we will grow into "The Trusted Premier Global Financial Group" based on healthy growth and with firm belief that as the self-development and happiness of employees grow in scale so the satisfaction of customers grows in intensity. We will do our best to become a financial services provider that ushers in a better future for all of us.

김 정 태

Kim Jung-tai

Chairman & CEO of Hana Financial Group

CEO's Review of Operations

The year 2013 was a momentous year for Hana Financial Group, for we took strategic steps for growth amid difficult financial conditions. We have laid a new basis for growing core earnings and drawn up plans for developing synergies made possible by the acquisition of KEB, including launching of an integrated card company.

In the following report, I would like to explain some of the business achievements and issues in 2013 and share with you the main tasks we are to pursue in 2014. The major contents of the report are as follows:

01. Strengthening the Basis for Core Earnings Growth

02. Leading the Banking Industry in Asset Quality

03. Developing KEB Synergies

04. Strengthening Preemptive Risk Management

05. Securing Future New Growth Engines

06. Increasing Social Commitment and Strengthening Brand Competiveness

01.
Strengthening the Basis for Core Earnings Growth

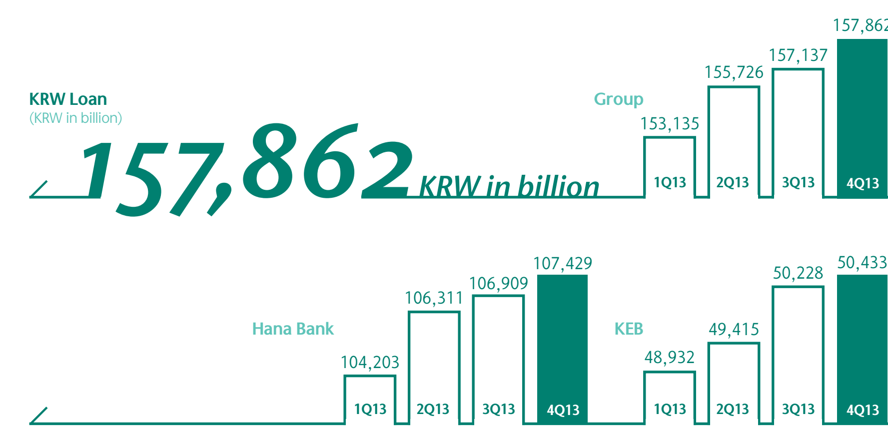
WWW
2013 IR Web Casting
http://www.hanafn.com/eng/ir/presentationsList.do

1. Nurturing loan growth and improving core earnings

In 2013 we laid a new basis for improving core earnings through the increase of quality loans: once net interest margins start to improve, bigger outstanding loans will translate into a bigger interest income. Hana Bank's and KEB's KRW loans combined rose 4.5% over the course of 2013. The increase stemmed largely from SME loans comprising mostly SOHO loans.

Hana Bank grew SME loans by 9.5% and SOHO loans by 21.8%, while KEB expanded the same loan categories by 15.7% and 35.0%, respectively. In 2014 we will continue to cater to healthy or self-audited SMEs, in addition to SOHO businesses. KEB, in particular, plans to shift its lending focus to self-audited SMEs to achieve relatively lower credit risk.

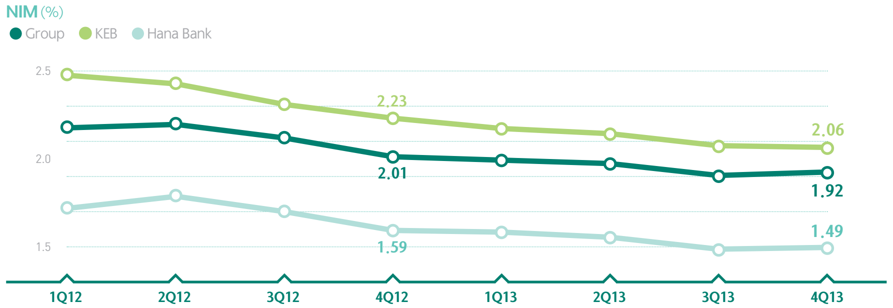
Corporate loans and the number of branches providing FX services also rose significantly. KEB has traditionally catered its loan operations to large corporations, but recently started to view SMEs as a reliable income source; its clear advantages in FX and trade finance are expected to be very attractive incentives for SMEs, particularly self-audited small businesses, to bank with KEB.



2. Increasing interest income

In 2013 NIM continued its downward movement, reflecting the prevailing low-growth, low-interest rate environment, anemic real estate transactions, sluggish consumption, and toughening regulations. Any cut in the base rate first affects the lending business and then undermines the liabilities part of the balance sheet, thereby negatively affecting NIMs for a certain period. Common consensus is that NIM has hit the bottom in the 4th quarter of 2013 and that it will bounce back up once the last cut of the base rate begins to lose its effect.

It is also important whether we can improve our NIMs from Hana Bank & KEB's strategic perspective. In principle, demand for capital, which is influenced by the state of economy, real estate market trends, and other economic factors, has a direct bearing on NIM movements. In another words, an economic recovery and a reviving real estate market can give rise to expectations for better NIMs. Whether or not these external factors will materialize, we will nevertheless put forward strategic efforts aimed at improving NIMs. Even if the base rate should remain unchanged, we will strive to reduce funding costs by increasing LCF and re-pricing maturing time deposits and high-cost debentures. Rebalancing the loan portfolio with SME loans is expected to contribute to higher NIMs. Moreover, raising the ratio of mid/long-term loans to the total and modifying variable rate terms should enhance the rate of return, which in turn will further improve NIMs.



3. Laying the groundwork to increase non-interest income

In the recently-adopted Group Vision 2025 we have declared that raising non-banking income to 30% of total income is one of our mid/long-term objectives. This objective is our response to the realization that banking can no longer avoid limited growth potential in the face of low-interest, low-growth, low-margin trends which seem to stay here for a foreseeable future; as the objective entails expansion of the fee business, the conventional method of banking units each striving to improve its interest income performance won't be of much help. Mindful of this shifting paradigm, we are putting forward efforts that would lead to joint operation and development of synergies between our banking and non-banking sectors. To capitalize on synergies from the KEB acquisition, we are implementing measures including a performance evaluation/reward system designed to incentivize cooperation between the banking and securities functions in the CIB business.

As for our non-interest income performance in 2013, the credit card and beneficiary certificate fee parts posted improvements from the year before despite challenging market conditions, while bancassurance fee recorded a decline from 2012 when it had soared on a base effect. Fee income is expected to improve in 2014: credit card income is projected to increase on cost cuts and synergy effects anticipated from the scheduled consolidation of the credit card operations of Hana Bank and KEB; bancassurance fee also is expected to rise as we plan to cater our installment-type insurance products to middle-aged customers who are increasingly interested in pension insurance. Credit card fee income, in particular, is expected to surge in 2014 as we will be further upgrading our industry-leading mobile card operations in line with the latest trends in information technology.

Asset management fee income also will likely improve, albeit gradually, on the backs of a series of new overseas products introduced in 2013, with Hana Daetoo Securities playing the central role, and of cost-savings effects by the asset management-oriented reorganization carried out in 2013. Disposition/valuation gains is expected to go up gradually in pace with capital markets showing signs of vitality in response to an economic recovery taking place as of this report. As for corporate banking, we are spurring sales combining retail and corporate services by repositioning RMs at selected branches and thereby increasing the number of branches offering both types of services. Through cross-selling of retail and corporate products, we seek to attract employee retirement pensions and other funds, secure CIB opportunities, and induce additional trades—all of which should contribute to strengthening the basis for fee income.

02.
Leading the Banking Industry in Asset Quality

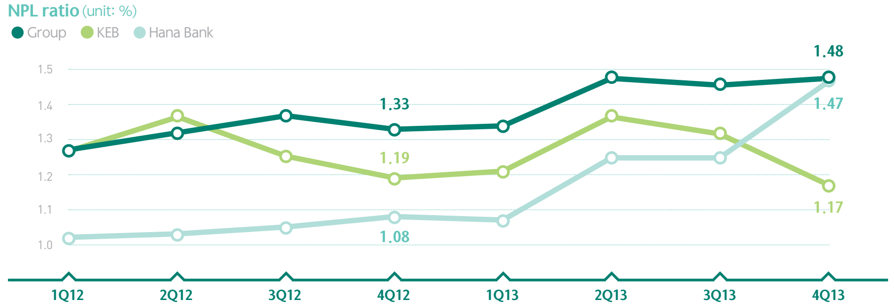
WWW
IR Data Book
http://www.hanafn.com/eng/ir/financial/databookDetail.do

1. The lowest credit cost since 2008

In 2013 HFG posted 0.50% in credit cost, the lowest since 2008, which is more remarkable considering that during the year HFG carried out major corporate restructuring cases, including STX Group. This remarkable feat was possible because HFG has accumulated know-how in restructuring struggling corporate clients, particularly during previous financial crises, and has been taking preemptive measures in managing bad assets. Another contributing factor is that most of those preemptive steps we have taken with regards to struggling clients and vulnerable industries were in their final stages by 2013. Meanwhile, the NPL ratio was slightly up compared to the year before due partially to an increase in assets below the normal category and mainly to the reclassification of loans in accordance with the financial authorities' revised loan classification guidelines. This fact is supported by the stable movements of the NPL ratio before and after the reclassified-induced jump. As existing clients in arrears increasingly find their ways back to normalcy through restructuring, bad debt expense is expected to move downwards below the level of concern.

In 2014 HFG will continue its loan strategy favoring healthy SMEs and SOHOs. While maintaining our industry-leading asset quality through a loan strategy that carries relatively little credit risk, we will seek to improve loan portfolio performance through establishing optimal loan maturity.

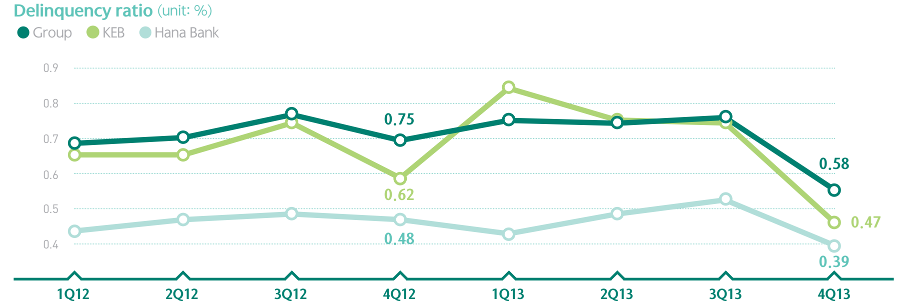
NPL ratio (unit: %)



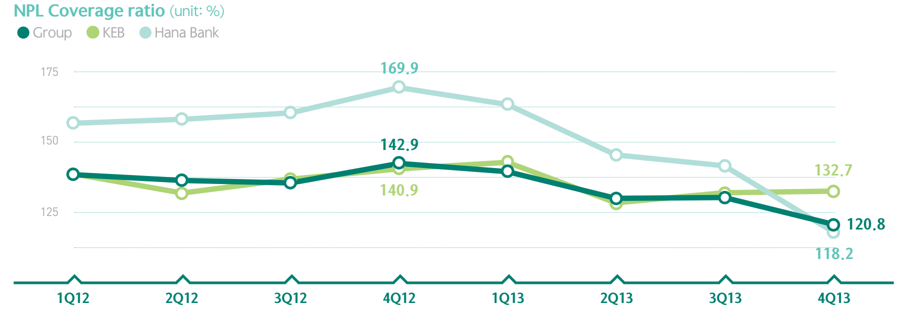
2. Decreasing exposure to structurally-vulnerable industries

In 2014 HFG also will continue to reduce its exposure to corporations in industries structurally challenged. This is because, though the pace at which the economy recovers is an important variable, structurally vulnerable industries are likely to reach their limits in 2014. HFG has been managing credit limits on loans extended to corporations with limited growth potential and on loans classified as other than normal by grouping industries into smaller segments according to their degree of vulnerability: i.e., real estate PF, "selected monitor group." As for corporations likely to default or need restructuring, HFG has been administering preemptive measures to their accounts. As a result, assets under-performing vis-a-vis the risk involved have been significantly reduced in contrast to high-performing assets which will continue to grow. As we have long been making efforts to preemptively reduce our exposure to structurally vulnerable industries, we are confident we will fare relatively better in the next round of credit crisis.

Delinquency ratio (unit: %)



NPL Coverage ratio (unit: %)



3. Rationalizing exposure to large corporations

During 2013, our lending stance toward large corporation remained conservative, for there had been no market signals cueing us to relax our lending policy towards selected monitor group of large corporations, including STX Group during their restructuring stage, and the overall concern about vulnerable industries remained unabated. As 2014 has all the indications of being as challenging as 2013, we plan to limit the growth rate of large corporate loans through proactive portfolio rebalances, though we will be approaching each of them selectively, dividing them into three categories—increase, freeze, and decrease—according to their default probability. Moreover, by grouping large corporations into a set of small groups, we will remain vigilant of the portfolio of selected monitor group as well as of the credit limits of each industry and company.

Meanwhile, we have been making efforts to set up a systematic way to manage client portfolios, segmenting the portfolios and reorganizing their data by client type, industry, and rating. These efforts will continue in 2014 as well.

03.
Developing KEB Synergies

1. Enhancing business efficiency through consolidations

We have been solidifying the basis for developing synergies between HFG and KEB. To formulate a synergy plan, we collected suggestions and held workshops, and based on more common opinions, we have adopted a new vision, “The Trusted Premier Global Financial Group,” a vision for sharing values. We have drawn up a number of synergy development plans by sector and are in the process of sorting out redundant functions prior to implementing the plans. We also have drawn up a plan for consolidating credit card operations as mentioned earlier and obtained approval from Indonesian authorities for our plan to merge the two local subsidiaries of Hana Bank and KEB. On similar note, we are in the process of approval for merge of Chinese subsdiaries, which is expected for completion by end of 2014.

The synergy plan for credit card business centers on launch of a new credit card company in 2014 in the hope that the consolidation will lead to bigger market share, more income, and higher profitability. The Indonesian and Chinese subsidiaries each will be consolidated based on a post-merger-integration method, which is ideal for maintaining stability during the process of streamlining the workforce, and will generate momentum to HFG's overall synergy drive.

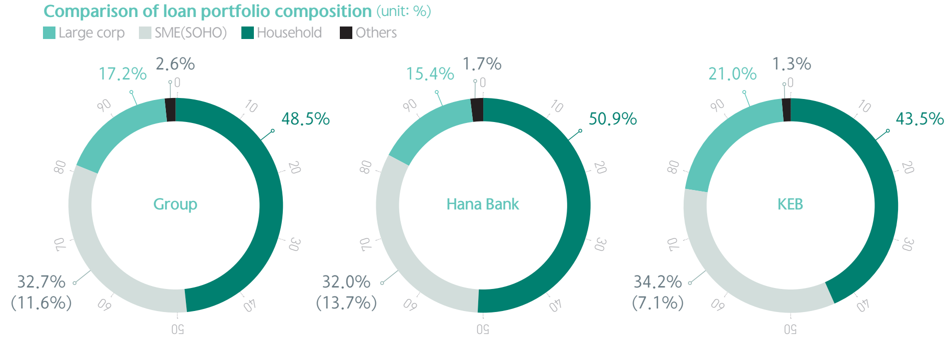
2. Improving KEB’s productivity

KEB recorded remarkable long growth as a way to improve the productivity of its lending operations. Particularly, SME loans grew at a notable rate in the year, SOHO loans took up most of the increase. In fact, most of the SME loans lent in 2013 had more characteristics befitting household loans. KEB plans to continue to expand SME loans in 2014, with a new attention to self-audited businesses.

In 2013 the number of SME clients increased 6.5% to 198. The number of clients considered “active” soared 7.4% to 51,000. In response to the rising popularity of non-face-to-face channels, we have made our corporate capital management service available on-line, and as a result, the number of clients using the online service jumped 476% to 10,200.

In 2014 we will focus on increasing assets comprising risk-sharing products such as guaranteed or government-backed funds and allocating more resources and personal attention to SME clients. To better execute these efforts, we will revamp relevant systems and provide favorable terms for SMEs.

Comparison of loan portfolio composition (unit: %)



04.

Strengthening Preemptive Risk Management

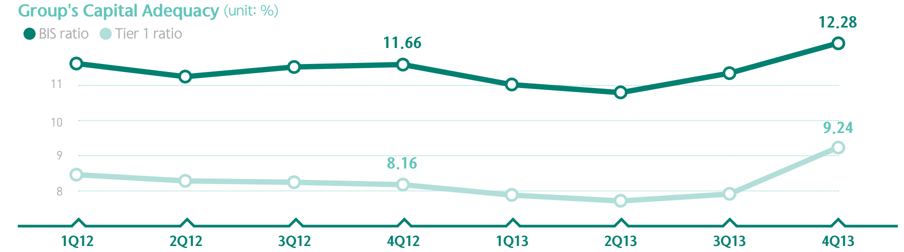
1. Strengthening capital adequacy through risk management

In 2013 signs of early QE tapering by the U.S. added to the overall uncertainty of the financial market. Even after an actual tapering took place in late 2013, the uncertainty and volatility of the global financial market still lingered unabated. In response to the domestic economy mirroring the state of the global economy and thus showing few signs of a genuine recovery, we have strengthened our risk management. Specifically, we put under unified management the guidelines for assessing and managing industry, product and client risks, with a goal of establishing risk management systems for all industries, and standardized the risk management policies of our subsidiaries. In preparation for Basel III, we have set up a credit evaluation model and a system for measuring regulatory capital for each risk category.

2. Exceeding Basel III requirements and rebalancing the loan portfolio

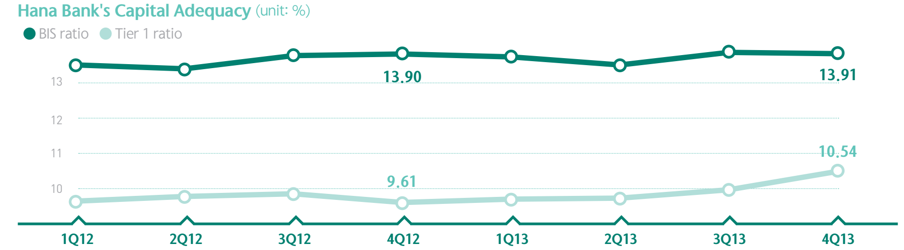
As a result of these steps taken, the capital ratios of HFG and its subsidiaries, as of the end of 2013, were well above Base III's minimum requirement, with some being even higher than the figures before the adoption of the new standards. It is just that we now are in a position to pursue our growth strategy constrained by the phase-in capital requirement schedule. Meanwhile, as our banking arm is implementing its strategies to grow SME loans and to increase overseas income at a much faster pace than before, risk management has grown in importance. Accordingly, in 2014 we will focus on reducing underperforming, capital-depleting assets and operations as a way to rebalance the asset portfolio based on risk-adjusted return, thereby fortifying the basis for fee income and improving cost efficiency.

Group's Capital Adequacy (unit: %)



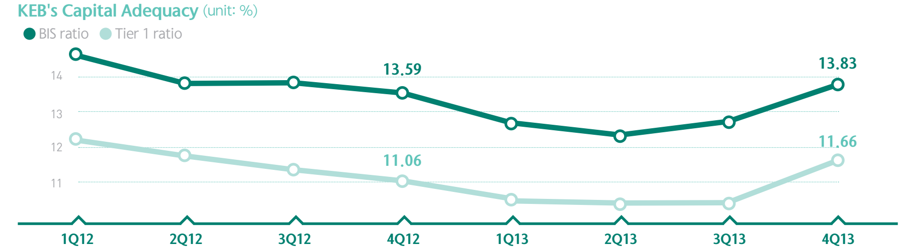
Note) Basel III standard phase in beginning December 2013

Hana Bank's Capital Adequacy (unit: %)



Note) Basel III standard phase in beginning December 2013

KEB's Capital Adequacy (unit: %)



Note) Basel III standard phase in beginning December 2013

05.
Securing Future New Growth Engines

1. Extending the global network

With the merger of KEB, HFG now has the largest foreign currency deposits, the biggest overseas-income-to-total-income ratio in the banking industry, and the most extensive global network in Korea. In 2013 HFG continued to extend its inroads into overseas markets as well as the global network; it received approval in August for its merger plan involving BNB Bank. By taking over BNB, HFG can lay the foundation for expanding into the North America region.

In 2014 we plan to establish a subsidiary in Myanmar, a subsidiary in Russia, a branch in India, and a branch in Australia. The first will belong to Hana Bank and the rest to KEB. As we have recently made it public, our long-term strategic vision includes raising the proportion of global income from a current 19% to 40% by 2025. The goal requires an annual growth rate of 16%. To reach this goal, we will shift the focus of our lending operations from domestic corporations operating overseas to local indigenous businesses while continuing to increase the number of local employees.

Though M&A may be the quickest way to achieve the 40% goal, our ability to pursue a large-scale M&A has been somewhat diminished by the KEB takeover and the adoption of Basel III which has toughened the capital requirements to be met down the road. Aware of these constraints, we will formulate a more realistic overseas expansion strategy. The first of our strategic tasks for expanding overseas is localization of our operations in China and Indonesia. By pursuing localization through increase of local employees, we aim to speed up organic growth. The second strategic task is to lead the global financial settlement market. As global trade increases, we plan to secure transaction banking opportunities by leveraging the newly-reinforced overseas network.

Overseas network-related activity in 2013

❶ BNB merger completed in U.S. (integrated as subsidiary, Aug. 2013)
❷ Overseas network expanded:
- 4 and 6 business points established in China and Indonesia, respectively
- Office opened in Istanbul, Turkey (May 2013),
- Branch opened in Clark Philippines (Sept. 2013),
- Liaison Office opened in Fukuoka, Japan (Oct. 2013)
- Branch opening approved in Sydney, Australia (Dec. 2013)

❸ Strategic alliance formed with China Minsheng Bank (May 2013)
- Steering Committee convened in Aug. 2013

2. Honing the edge in future finance and bolstering multi-channel links

In 2013 HFG launched a "Future Finance Division" in an effort to bolster its non-face-to-face channels. We are now focused on strengthening our position as a future finance leader and enhancing the coordination among different channels.

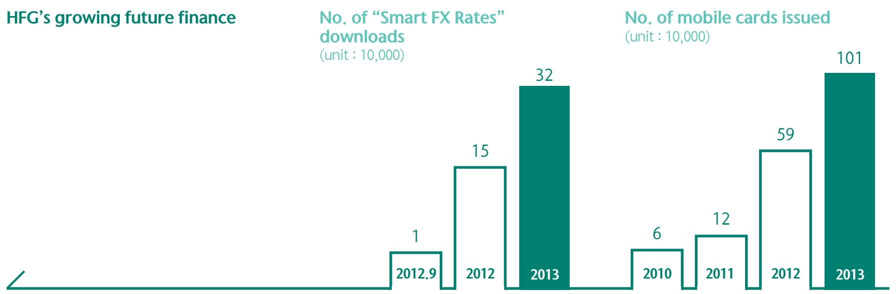
Thanks to our head-start advantage in future finance, we have been able to make up for the weaknesses in the off-line business network which still lags behind the competition even after KEB's network was integrated. Our lead in future finance is all the more significant in that it gives us an edge in attracting younger generations and securing the customer base of tomorrow.

HFG's future finance business has been steadily advancing based on its market-tested competitiveness. We established a future finance task force in 2007, the first in Korea, and launched the nation's first smartphone banking service in 2009. "HANA N BANK" and "HANA N Wallet", our leading smartphone banking products, have secured leading positions in the market, generating income and drawing recognitions from industry watchers at home and abroad.

In fact, our future finance leadership has attracted global attention and gained an international clout as a power house in the world of future finance: *The Banker*, *the Asian Banker*, and other respected industry journals and watchers have praised HFG as a rising star in future finance. In addition to global recognitions and clout, our future finance leadership has led to increasing customer loyalty and growing incomes.

To further sharpen our competitive edge and thus stay ahead in future finance, we will pursue four strategic keywords—touch point expansion, delivery innovation, omni-channel strategy, future cash. We will strengthen the service line-up of banking, credit card, securities, and other subsidiaries. We will improve the coordination among various subsidiary channels. Moreover, we will strive to replicate our future finance business success in overseas markets as a way to grow into a global financial group.

HFG's growing future finance



Global recognitions for Future Finance

Hana N Wallet
- Technology Project of the Year
- Retail Banking Project of the Year
- Innovation in Payment Technology

The Banker

Cyber Hana Bank
- Global Model Bank Award (Loan Processing category)

CELENT

Hana N Bank
- Retail Banking Award (Best Award in mobile banking category)

THE ASIAN BANKER
STRATEGIC BUSINESS INTELLIGENCE FOR ASIA'S FINANCIAL SERVICES COMMUNITY

"The only bank that has come close to capturing the true contextuality of banking in one mobile app today is Hana Bank of South Korea." (Brett King, the Bank 3.0 author and financial columnist)

06.

Increasing Social Commitment and Strengthening Brand Competiveness

Launching of the "Committee for Sharing Happiness" (2013.4)

KEB launches 'KEB Sol-Together', a consumer action group (2013.11)

Hana Bank's winter campaign helping the needy stay warm by delivering briquettes and daily goods (2013.12)

Now that financial consumer protection is an integral part of our social contribution, we have created a consumer protection unit, the first in the financial industry, and a "Committee for Sharing Happiness". Through these bodies, we are carrying out socially responsible management involving support for SMEs and start-ups by the younger generation, consumer rights protection, and proactive social contributions. We are in the process of setting up CSR strategies and policies, drawing up annual and quarterly business plans, and pursuing socially responsible management. To make consumer protection an integral part of our business operations, we have included it in the evaluation of executive officers' performances.

Our focus on socially responsible management will continue in 2014. To help employees realize the importance of CSR, we will continue to expand CSR programs featuring seminars and other events in which employees can participate. Each subsidiary also has made efforts to improve financial consumer protection in its daily operations. Hana Bank has adopted a charter pledging its commitment to financial consumer rights protection and chosen every Wednesday in the third week of the month as a day to check for any violation of consumer rights in the business operations. KEB also has a similar program through which customers are solicited for their opinions as to how to improve customer protection and to address other related issues. Hana Daetoo Securities, Hana SK Card, and Hana Savings Bank, each has declared its own financial consumer protection charter and launched many programs through which its employees can practice what they have declared to do.

Once we have all our CSR activities and programs going in full swing, customer satisfaction will likely grow and our brand image improve. I believe bigger customer satisfaction and higher brand image will contribute to competitiveness and better socially responsible management will lead to results beneficial to shareholder value.

VISION

In 2013 HFG adopted a new corporate vision and value system comprising mission, core values, vision, strategic objectives, and strategies. The mission and core values represent the identity of HFG, while the vision and strategic objectives HFG should head towards in pursuit of the mission.

HFG has established its corporate vision and value system anew in response to a new paradigm that has taken root in the global financial market since the great financial crisis of 2008 and to a seismic change that has taken place in the corporate structure following its acquisition of a major banking power.

In the process of adopting the new system, HFG took a series of well thought-out steps to listen to and reflect on each employee's opinion about what the primary goal of HFG's existence should be, where it should be in the next 10 years, and how it should get there.

Trusted &Global

"The Trusted Premier Global Financial Group."

WHY THE NEW VISION?

Since the great financial crisis, the global financial market has been shaped by two developments—low growth and low margin—which are increasingly becoming the new norms. The Korean financial market was no exception to these stifling consequences of the crisis. Sensing an impending era of diminishing returns and shrinking margins, HFG saw the need to shed its volume-based growth strategy and instead adopt a new path of sustaining growth. Furthermore, with the domestic market having reached the maturity stage, going overseas has become no longer an option but a necessity for achieving sustainable growth.

A new vision was in order for HFG as its 10-year vision, adopted at the time of its establishment in 2005, was scheduled to run its course by 2015. With the previous vision nearing the end of its well-served purpose, HFG was in need of another vision for its next 10 years.

Moreover, the need for a new vision became all the more relevant following HFG's acquisition of KEB, one of the most respected banks in Korea and the undisputed leader of FX and trading services. The inclusion of the major banking power brought about a huge boost not only to HFG's market presence but also to its industry status. A new vision was sorely needed that would speak for HFG's multiplied strengths and manifold possibilities.

HOW THE NEW VISION WAS CREATED

Finding a new vision took eight months, from November to July 2013, as over 11,360 employees participated in the process in one way or another. A vision task force was formed, comprising six full-time and four part-time members. Boston Consulting Group was chosen as consultant. The task force embarked on a nationwide tour, visiting all Group subsidiaries and their major branches, conducting 33 interviews involving 170 employees. The team also conducted Group-wide phone surveys and 54% of the employees responded. It held vision workshops 10 times in which a total of 893 people participated. The final version of vision was approved by the Board of Directors on July 17, 2013.

MISSION: "Growing Together, Sharing Happiness"

HFG has defined as the new mission **"Growing Together, Sharing Happiness."** By definition, a mission is the top-most and longest-term concept of a corporate philosophy containing the reason why a corporation exists and the ultimate goal it strives for. As Peter Drucker declared, a clear and consistent goal is crucial for sustainable growth of a corporation.

The new mission captures HFG's will to go beyond its given corporate responsibilities and pursue healthy growth together with all its stakeholders including employees and community members, create shared value for all, and contribute through sharing to the building of a society where all its members can live happy lives.

VISION: "The Trusted Premier Global Financial Group"

With its corporate identity thus defined, HFG has set a clear direction to follow by adopting as the vision **"The Trusted Premier Global Financial Group."** By definition, a vision describes the ideal future image a corporation aims to project in a span of 10 years or so in line with its mission.

A clear and realistic vision is essential for a corporation pursuing long-term sustainability, for it takes a great deal of precious and finite resources to navigate through a sea of hazardous risks towards a destination only visualized.

The newly adopted vision stands for HFG's conviction to carry out the following tasks:

- build up stakeholder trust, by consistently satisfying customers with quality products and services, employees with work conditions constantly improving, and community members through proactive and genuine sharing
- stay ahead of its competition in responding to market change and in offering products and services that meet the emerging customer needs, thereby building up competencies befitting a premier financial institution
- establish the status and business presence comparable to a global financial group by not only actively expanding overseas based on the choose and focus strategy but also fostering a globalized corporate culture and arming its workforce with comparable competencies
- function as "Hana (one)" in developing synergies, reducing costs, and going beyond customer expectations

1. 1st in income
2. Global income to domestic income = 40% : 60%
3. Non-banking income to banking income = 30% : 70%.

STRATEGIC OBJECTIVES

With a goal of realizing its vision by 2025, HFG has chosen the following set of objectives, dubbed "BEST 2025", to reach by the year:

Best Bank
- Become the No. 1 bank in Korea and thus secure a base for stable profit
- Strengthen the position as the best bank by expanding the customer base

Expanding Globally
- Develop the global business into one of HFG's core growth engines and grow overseas revenue to 40% of total revenue
- Cultivate the global business as an alternative to the low-growth-low-margin environment of the domestic market

Stable Portfolio
- Build a stable business portfolio by increasing non-banking sector income to 30% of the total
- Develop genuine synergy-based total financial services

Trusted Group
- Lead the banking industry in financial consumer rights and protection
- Improve HFG's brand image through accumulation of trust

MEANS TO OBJECTIVES: "ABCD"

With these objectives in mind, HFG turned inwards and sifted through its strengths in search of those that would be most relevant, and the following four factors, "ABCD" in acronym, emerged.

Agility
- Maintain a fluid organization structure so as to:
  - Maximize synergy
  - Allocate resources with maximum efficiency
  - Make sound decisions promptly in response to rapid market changes
- HFG has long been leveraging its relatively smaller business scale into advantages and one of them is being nimble in adjusting its operations to new developments or adopting new trends. It was the first to adopt the Business Unit system mainly because the system was ideal for seamlessly forming task forces across the boundaries of different subsidiaries for addressing the ever-evolving customer needs.

Business Model Innovation
- Pursue bold and innovative business models:
  - Adopt new "rules of the game" suitable for HFG's strengths
  - Foster an innovative mindset that fears no failure
  - Strengthen the competencies of talents in core growth areas
  - Explore unconventional business models including non-organic growth opportunities
- Because of its relatively short history and limited resources, HFG has resorted early on to experimenting with fresh ideas and new business models. As a result, its history is dotted with many an industry first.

Customer Centricity
- Create a unique customer experience in which financial consumer rights are front and center:
  - Reassess and improve the overall operations of business models from the financial consumer's perspective
  - Provide superior customer experience compared to the competition
  - Seek more customer trust through differentiated customer experience
- HFG's customer service strategy has proven effective in the Korean financial industry, which is known for its intense competition, and has been instrumental in its acquisition of a status as a leading financial group. This advantage is expected to play a crucial role in HFG's advance into strategic overseas financial markets where most of the players are still laboring to master the fine art of customer service.

Digitalization
- Build a future finance leadership in step with the advance of the digital age:
  - Lead in future finance in banking and settlement using smart mobile technology
  - Secure new business plans based on the digital ecosystem
  - Broaden and strengthen the customer base through digital marketing
- HFG is already a leader in the fast-developing digital banking market in a country known for its leadership in smartphone technology. Emboldened by the initial outcome of its pilot business on smartphones, HFG plans to double its investments in this potential game changer in how customers save, borrow, and spend money.

CORE VALUES: "POWER on Integrity"

As part of the vision formulation process, HFG examined the traits and qualities it has long acquired and refined into survival advantages in the search for guidelines for the new vision. Specifically, it looked for a set of values it could use as the parameter by which its management, business units and employees each can guide their collective and individual decision making and actions towards the objectives, the vision, and the mission. As a result, the following qualities, dubbed "POWER on Integrity", have been identified as the most relevant to the chosen mission and vision.

Passion

Passion drives people to perform to the best of their abilities and pursue better values through change and innovation.

A late comer to banking with relatively limited resources, HFG adopted passion early on as one of its survival modes, exploring every possible way to help its employees develop a passion for what they do and thus become better at their jobs. The history of HFG in essence is that of a passion for going the extra distance to turn adversities into unique advantages. Reaching for and attaining a goal that seemed audacious at the outset is the very part of HFG's corporate fabric.

Openness

Openness allows people to understand and often concur with one another on issues of mutual interest without a bias or partiality.

Openness is a trait with which HFG started weaving its corporate culture early on as it grew by leaps and bounds through a series of acquisitions.

As its overseas expansion plan involves M&A, HFG feels confident its history and culture of creating harmony and synergies with its new family members will continue to play a crucial role in creating a sustainable global presence.

With Customer

For those who have been customer-focused for long, anticipation and consummation of customer needs is second nature. When the predecessor of HFG first webt into banking four decades ago, customer service was not more than a concept. Thus it was logical for HFG's precursor to embrace the "bold" concept as a survival mode.

As the domestic financial market became increasingly competitive , HFG continued improving upon its competitive advantage. This market-proven skill and know-how are certain to play key roles in its building up a commanding presence in strategic markets overseas where quality customer service is increasingly in demand.

Excellence

Excellence is synonymous with the development of outstanding competencies in one's area of expertise for the purpose of earning the highest possible customer trust.

Knowing well that customer satisfaction and trust increase with employee competencies, HFG has been exploring many avenues to enable a culture of excellence take root among its employees such that would make a difference in the hearts of customers and investors.

Eyeing a bigger global presence, HFG continues to seek better ways to help its employees develop job competencies worthy of a global financial group.

Respect

Respect means seeing things from and acting with full awareness of others' viewpoints; it is a basic mindset required for showing individual competency and promoting cooperation.

At HFG respect has been synonymous with openness. In fact, because of the openness prevalent in its corporate culture, this traditional Korean value takes on an added sense of spontaneity among its employees.

This endearing quality will surely help new overseas members feel a real part of HFG and motivated to conduct themselves with a strong sense of ownership in their jobs.

Integrity

Integrity means always carrying out one's responsibility with sincerity; it constitutes a basic principle of ethics for financial people.

Integrity plays a crucial role in all commercial activities in general and in the financial services business in particular. For without integrity trust is almost impossible, HFG, as with other financial institutions, has been instilling this bedrock of trust in every one of its family members to a measurable success and expects a heightened sense of integrity will translate into a bigger success on the backs of the aforementioned six sets of value taking a deeper root in every pocket of its business operations at home and abroad.

HFG AT A GLANCE

Hana Financial Group (Consolidated)

Founded in 2005 Hana Financial Group is expanding its global presence through its overseas network, the largest in Korea. Hana Financial Group Inc. functions as HFG's holding company. HFG consists of 11 subsidiaries, 24 sub-subsidiaries, and 5 companies below the sub-subsidiary level.

Total Assets **368,486** KRW in bn

Equity **20,890** KRW in bn

Hana Bank (Consolidated)

Total Assets 181,917 KRW in bn
Equity 11,445 KRW in bn

Established in 1991, Hana Bank is Korea's best bank according to *Euromoney*, *Finance Asia*, and other leading industry journals. Playing the role as HFG's main distribution channel, the Bank offers total financial services.

100%

Korea Exchange Bank (Consolidated)

Total Assets 135,710 KRW in bn
Equity 9,583 KRW in bn

Launched in 1967 Korea Exchange Bank joined HFG in 2012 and became HFG's major subsidiary. KEB boasts top quality services in FX, corporate banking, and overseas business. Now KEB is fast expanding its market share in PB, WM, and credit card by leveraging HFG's business network.

100%

Hana Life

Total Assets 2,990 KRW in bn
Equity 168 KRW in bn

Hana Life introduced bancassurance in Korea in February 2003 with the nation's first insurance-related financial product. Hana Life is strengthening its asset management competencies, expanding the product lineup, and upgrading its manpower aiming the title of Korea's top total insurance company.

100%

Hana Savings Bank

Total Assets 876 KRW in bn
Equity 147 KRW in bn

Hana Savings Bank joined HFG in 2012, providing quality banking services to the low-income sector, while expanding the selection of financial products and services for HFG customers with competitive savings products.

100%

Hana Asset Trust (Consolidated)

Total Assets 102 KRW in bn
Equity 91 KRW in bn

Founded in 2006 as Korea's first specializing in real estate asset management, Hana Asset Management joined HFG in 2010 with the goal of becoming Korea's top alternative investment management company.

100%

Hana Daetoo Securities (Consolidated)

Total Assets 20,476 KRW in bn
Equity 1,604 KRW in bn

Hana Daetoo Securities plays the central role in HFG's asset management operations. The first to introduce funds to Korea, The company has maintained its No.1 position in brand power in the security trust sector and aims to provide Asia's top IB service.

100%

Hana SK Card (Consolidated)

Total Assets 4,898 KRW in bn
Equity 689 KRW in bn

Hana SK Card is a joint venture established in 2010 between SK Telecom and HFG. Aiming to become top three credit card company in Korea, HanaSK Card is developing new services and markets by converging distribution, telecommunication, finance, and other diverse sectors.

51.0%

Hana Capital

Total Assets 3,271 KRW in bn
Equity 261 KRW in bn

Hana Capital joined HFG in 2005 as a consumer finance company specializing in lease, financing, loan, and other consumer-focused services. The company is fast developing innovative products to meet rapidly evolving customer needs.

50.1%

Hana Bancorp, Inc. (Consolidated)

Total Assets 334 KRW in bn
Equity 52 KRW in bn

Hana Bancorp, Inc. joined HFG in 2013, its subsidiary, BNB Hana Bank established in 1986, is the first bank set up by Korean-Americans in the eastern U.S. Hana Bancorp joined HFG in 2013, enabling HFG and providing a stepping stone for HFG to expand into America.

71.4%

Hana I&S

Total Assets 27 KRW in bn
Equity 9 KRW in bn

Established in 1990 Hana I&S is the IT partner to HFG, specializing in information and data management systems related securities investment trust, credit card, securities brokerage, global finance, and other related areas.

100%

Hana Institute of Finance

Total Assets 5 KRW in bn
Equity 4 KRW in bn

Established in 1987 Hana Institute of Finance is HFG's think-tank, supporting HFG in formulating management strategies. The R&D center aims to lead change and innovation in the nation's financial services industry through the establishment of the knowledge-based management system.

100%

RISK MANAGEMENT

Risk management being the essence of financial business, Hana Financial Group spares no effort to preemptively deal with business crises of any shape or form. HFG establishes and puts into practice risk management guidelines and oversees all risk management activity of its subsidiaries through the Risk Management Committee.

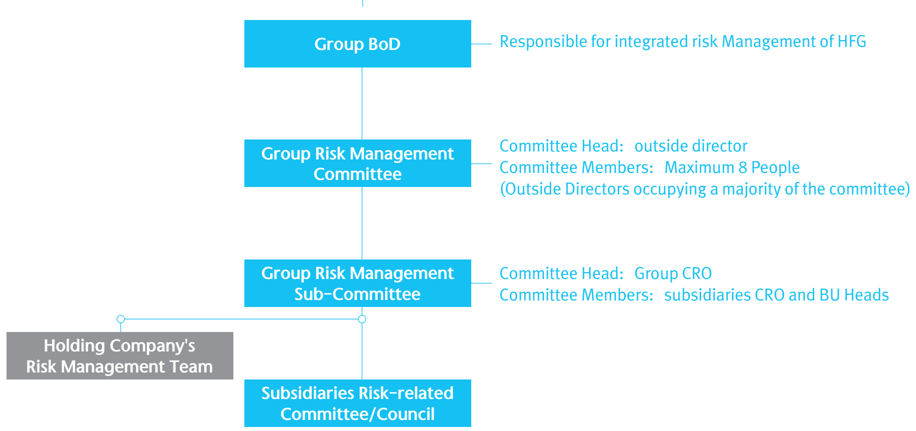
Risk Governance & Organization

HFG's risk management-related operations and functions are executed through the Corporate Center to keep track of all risks facing HFG and its subsidiaries and make preemptive responses whenever necessary.

Risk Management Committee

The Risk Management Committee, HFG's top risk management decision-making body, devises, approves, and monitors basic plans and policies related to diverse risks inherent in business operations. Through the Risk Management Executive Committee, the Risk Management Committee maintains an organic governance system through which it discusses risk issues and ways to control them in close consultation with HFG's key subsidiaries, Hana Bank and KEB, and other subsidiaries.

Risk Governance



2014 major tasks

- Improving the credit portfolio: improve the techniques of monitoring the credit standings of priority-control groups and strengthen credit limit management with regard to industries on the watch list
- Strengthening preemptive risk management: adopt an advanced early warning system ideal for monitoring credit portfolios by product, industry, risk type, for any sign of abnormality
- Improving capital allocation efficiency: systemize the credit decision process with a focus on asset profitability and revamp low-return, high-risk portfolios
- Establishing a credit evaluation system for group-wide use: set up an online system for using a credit evaluation model group-wide

Major risk management tasks for 2014

In 2014 HFG will continue to maintain the quality of its assets at the highest in the banking industry. To prepare itself against the possibility of the current economic recession and surrounding uncertainties morphing into a long-term crisis, HFG will strengthen its systemic and structural capacity to withstand such a development while keeping close tabs on its areas of vulnerability. Meanwhile, by successfully completing our Basel II implementation project, we are confident in our ability to meet the scheduled capital requirements of Basel III .

Credit risk management

Credit risk is defined as expected and unexpected losses that could result from a counterparty's default or credit rating deterioration. Credit risk is intrinsic to traditional financial products such as loans and credit card debt as well as complex products like derivatives.
HFG operates credit ratings evaluation and early warning systems as well as a team of credit risk specialists, all to preemptively respond to business fluctuations.

Market risk management

HFG stands ready to preemptively manage market risk by regularly measuring risks and setting and monitoring exposures by product, VaR, loss limits, and other various market risk limits.
To maintain the stability of its interest-sensitive assets and liabilities, HFG calculates the gap ratio and the interest rate VaR on a monthly basis and maintains interest rate risk within a pre-defined range. Hana Bank and KEB each measures and manages interest rate risk by using advanced risk calculation methods including the Maturity GAP Analysis, the NI Simulation, and net interest EaR.

Liquidity risk management

HFG operates a liquidity risk early warning system and analyzes relevant statistical data and runs liquidity simulations under various stress scenarios not only to manage its exposure to liquidity risk but also to identify at the earliest possible time a liquidity crisis related to imbalances in the world financial markets as well as to comply with the financial authorities' newly revised guidelines. To adopt itself in a seamless manner to Basel III, HFG has set up a detailed execution plan for complying with the new standards phase by phase as required as well as for spot checking the execution progress.

Operational risk management

HFG manages and controls within a pre-determined range its operational risk level fluctuating to change in the business environment or in the level of internal controls by regularly measuring and monitoring the risk level and setting appropriate exposure limits. Each subsidiary calculates its operational risk level according to the methodology pursuant to the guidelines set by its respective authorities and reports the results to the Risk Management Committee and the Risk Management Execution Committee on a monthly and quarterly basis. Partner companies in sectors with no supervising authorities are required to monitor their operational risk level and report the results including any IT accidents to HFG on a regular basis.

CORPORATE GOVERNANCE

Hana Financial Group aims to realize its mission, “Growing Together, Sharing Happiness” through establishing of a healthy corporate governance and creating of values for customers, shareholders, and employees, based on a board of directors independent from and free of conflict of interest with HFG’s business operations. Growing into a trusted and premier global financial group, HFG contributes to the development of the financial industry by formulating sound management and growth strategies for its subsidiaries.

1. Composition and Operation of the Board of Directors

Composition

The Board of Directors is composed of eight directors, of whom one is standing director and the remaining seven are outside directors. With the majority of its members being outside directors, the Board maintains its decision making process transparent and decisions objective.

Independence

The Board operates “Outside Director Nomination Committee” that evaluates candidates initially screened for positions as outside directors and selects the better qualified for final approval by the general shareholders meeting. As for the appraisal, the committee looks at candidates’ qualifications as required by relevant laws, discusses among its members their professional qualifications and social standings, and selects final candidates with a majority vote. Through the process of selecting outside directors free of conflict of interest with HFG, the Board maintains its independence in the execution of its responsibilities.

Operation

Hana Financial Group Inc. holds Board meetings on a regular base, with special sessions convened on a need basis. In 2013 the Board was convened 11 times, approving stock exchange contracts, group vision & long-term management strategy plans, the 2014 fiscal year HFG business plan, the inclusion as a subsidiary of a card business that includes KEB’s former card operations, and other major management issues. The attendance of the Board directors averaged 96%.

Performance Appraisal

HFG has established a performance evaluation system to professionally evaluate the management performance of the CEO and other executive officers and to fairly compensate them based on the evaluation results.

WWW
Board of directors
http://www.hanafn.com/eng/info/governance/directCommittee.do

*** EVALUATION RATINGS OF CORPORATE GOVERNANCE**

	2011	2012	2013
Rating	A+	A+	A+

* ESG evaluation ratings by Korea Corporate Governance Institute

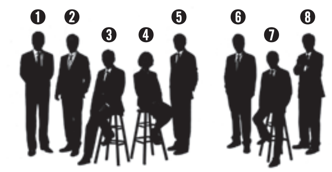
2. Operation of BoD Committees

In pursuit of higher-level management transparency and more rational corporate governance, HFG operates within its Board of Directors Steering committee, Audit Committee, Outside Director Nomination Committee, Risk Management Committee and Management Development and Compensation Committee. Through these committees, HFG seeks improvements in its corporate governance, evaluates its executive officers’ performances, keeps track of various risk management issues affecting its business operations, and publishes the contents of major management activities at the financial authorities’ sites as well as on its website.

*** COMMITTEES IN OPERATION**

Committees	Composition	Goals and responsibilities
Steering Committee	1 standing, 5 outside directors	Deliberate on issues related to rational corporate governance and efficient operation of BoD and its committees; Deliberate and make decision on issues delegated by BoD
Management Development and Compensation Committee	1 standing, 3 outside directors	Formulate ways to improve business performance; Make decision with respect to evaluation and rewarding of HFG and its subsidiaries’ executive officers
Risk Management Committee	5 outside directors	Set up, approve, and oversee policies and basic management plans regarding various types of risks inherent in HFG’s business operations
Audit Committee	4 outside directors	Set up and execute plans for accounting and business audit and related internal controls plans; Evaluate results of execution and make recommendations on improvement
Outside Director Nomination Committee	1 standing, 5 outside directors	Search for, evaluate and recommend outside directorial candidates qualified for the execution of HFG’s strategic objectives

BOARD OF DIRECTORS



1. Yoon Jong-nam
Representitive Attorney, Law Office Chung-Pyung
- 2004-2005 Director, Seoul Southern District Prosecutor's Office
- 2003-2004 Director, Suwon District Prosecutor's Office

2. Kim In-bae
Professor, Economics, Ewha womans University
- 2000-2009 Professor, Economics & International Commerce, Soong-Sil University
- 1995-1998 Senior researcher, The Korea Institute for Interantional Economic Policy

3. Kim Jung-tai
Chairman & CEO, Hana Financial Group
- 2008-2012 President & CEO, Hana Bank
- 2006-2008 President & CEO, Hana Daetoo Securities Co., Ltd.

4. Choi Gyoung-gyu
Professor, Business Administration, Dongguk University
- 2009-2012 Member of Official Development Assistance, Prime Minister's Office
- 2008-2011 Member of Fiscal Policy Council, Ministry of Strategy and Finance

5. Park Moon-kyu
Former CEO of PMK Inc.
- 2010-2013 President & CEO, AJ Inc.
- 1980-2003 President & CEO, PMK Inc.

6. Oh Chan-seok
Outside Director of LG Hausys
- 2004-2010 Adjunct Professor, Business School of Ewha Womans University
- 2001-2006 Managing Partner & CEO, Ernst & Young Korea

7. Chung Kwang-suon(Chairman of BoD)
Honorary Professor, Chung-Ang University
- 2002-2005 President, Korea Corporate Governance Service
- 1995-1997 Dean, College of Business, Chung-Ang University

8. Song Ki-jin
Former CEO, Kwangju Bank
- 2008-2013 CEO, Kwangju Bank
- 2004-2008 Deputy President, Woori Bank

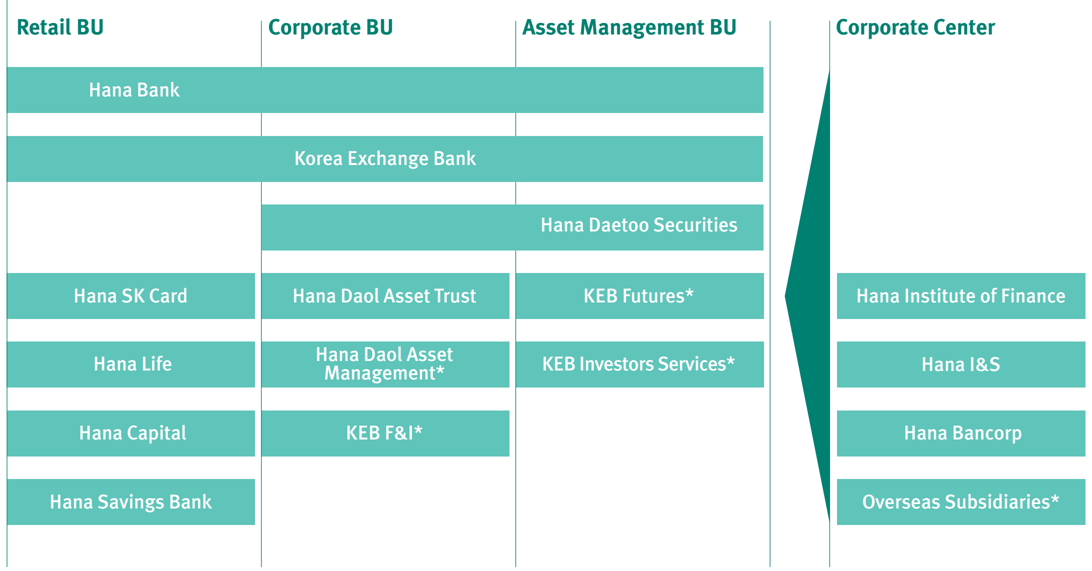
BUSINESS UNIT SYSTEM

A customer-centric organization

HFG was the first to successfully adopt the matrix system in 2008 among financial groups in Korea. HFG's matrix system consists of three business units—Retail, Corporate, and Asset Management—and one management unit—Corporate Center.

Organized by customer segment, the BUs conduct their customer-oriented business not as an individual unit but as a unified group through joint marketing under the HFG brand. By developing diverse products each tailored to a specific target group and thus creating a single point of contact , the BUs enable HFG to offer one-stop total financial service.

This BU system provides HFG with a business platform on which it can operate organically as "one company(Hana)". Moreover, through the BU system, HFG enhances efficiencies in its decision making process and maximizes synergy among its subsidiaries.



* Sub-sub-subsidiary

WWW
Business Unit – HFG's Customer-based System
http://www.hanafn.com/eng/network/service/buPersonalFn.do

REVIEW OF OPERATIONS

Retail BU

In 2013 the Retail BU identified three core tasks to accomplish by year-end—pursuit of cooperative business, strengthening of the sales basis, and increasing of low-cost funding. To pursue cooperative business, the BU focused on IB-linked operations, securities-linked account sales, bancassurance, credit card and other related operations, all of which grew at a uniform rate based on the synergies they generated among them.

- Retail banking
- Private banking
- Credit card
- Bancassurance
- Trusts
- Corporate pensions

Retail banking

KRW Loan(Bank)

157.9 *KRW in trillion*

Credit card

Total membership including check users

13,684,000 *members*

Total Sales

27,676 *KRW in trillion*

Future Finance

Mobile Banking Users

2,959,580 *users*

Private banking

No. of Customers

121,745 *Customers*

Total Sales

53,855 *KRW in billion*

1. RETAIL BU'S ROLE IN HFG

The domestic retail banking market is becoming increasingly complex and challenging; while concern is growing overseas over developing and developed economies growing at diverging rates, pressure is mounting at home from increasingly vociferous criticisms of the social role of financial services providers and gathering demands of individual customers that services be tailored more closely to their needs. Against these backdrops, HFG is putting forward efforts to stay ahead of market change and earn customer trust by building a fluid organization ideal for maximizing retail banking synergies among Hana Bank, KEB, Hana SK Card, Hana Life, Hana Capital, and Hana Savings Bank. The Retail Banking BU of HFG best illustrates an organizational system of units each with customer-oriented function, in which communication is seamless among various units and decisions are made fast.

WWW
'Retail BU' Introduction
http://www.hanafn.com/eng/network/service/buPersonalFn.do

2. GROWING LOW COST FUNDING

In 2013 we focused on increasing installment deposits and low-cost funding (LCF) as a way to expand the customer base. As a result of cooperation among subsidiary units in general and of efforts made by both Hana Bank and KEB to increase core deposits in particular, LCF grew by 11.3~14.6% compared to 2012. In strengthening the business base and increasing LCF, we also exceeded our goals in number of active customers and new customers, credit card sales, and FX sales.

In particular, Hana Bank posted KRW 1.99 trillion in LCF, up 89.5% from 2012 and exceeding the initial goal by 147.2%. The increase was possible because the Bank pursued to increase the number of both active and new customers as a way to strengthen the business base. New customers attracted in 2013 numbered over 7,500, 122.4% more than the initial goal. The increase, which played a large role in the growth of LCF, translated into a 0.22% rise in the Bank's share of the SME loan market, the highest rate of increase among six commercial banks. In short, 2013 will be remembered as the first year Hana Bank launched its second great leap forward with an eye towards strengthening the customer base.

In 2014 we plan to grow LCF and installment deposits by over 10%. In addition to the strategic efforts made in the retail area, we will focus on pushing accounts settlement products and improving check card sales in cooperation with Hana SK Card, utilizing synergies between the corporate and retail banking operations.

3. CHANGING THE LOAN PORTFOLIO

Limited growth in household loans
In 2013 Hana Bank grew its household loans by 2.8% to KRW 54.7 trillion, of which KRW 32.9 trillion comprised mortgage loans, up 1.5% from 2012. KEB's household loans grew 2.6% to KRW 21.9 trillion, of which KRW 14.2 trillion was mortgage loans, up 5.1%. The former's NPL ratio as of the end of 2013 shows a small contraction compared to the year before, while the latter's displays an increase instead.

In 2014 we will continue to expand loans focusing on asset-based loans and personal loans while closely monitoring the real estate market and the household debts situation with contingency plans ready to deploy at a first sign of fresh trouble. We don't anticipate household loans to grow at a rate higher than 2013 even if the housing market should recover on the back of a string of recent stimulus measures.

SOHO loans continue to soar
In 2013 we strategically increased SOHO loans that are backed by real estate or thoroughly credit-checked, and will continue to do so in 2014. In particular, KEB introduced a new loan product that allows the borrower to repay a certain amount of the principle every day, an industry first that has become an instant hit among capital-strapped store owners. In managing SOHO loans, the bank keeps close tabs on macro-sensitive business types and thus maintains the related NPL ratio within a range considered safe.

Growing SME loans
In 2013 Hana Bank relied on state-backed loans as part of the strategy to expand its SOHO market share with minimum credit risk, consequently ranking first among commercial banks in SME loan growth (9.5%). To take full advantage of the risk-free loans, the bank put together an in-house training program educating employees on the intricate process of applying for a variety of state-guaranteed lending programs. To stay closer to prospective customers, the bank relocated its corporate banking specialists to branches located in industrial areas.

Moreover, by increasing the number of branches capable of FX services by 142 and establishing an import/export support program, the bank provided import/export SMEs with US$ 1.2 billion state funds, with an eye towards becoming not just a conduit of funds but a best SME partner in the FX area as well. Also by inviting the CEOs or owners of main customers to conferences, the bank kept abreast of their banking needs.

"The Retail BU endeavors to stay ahead of market change and earn more trust from its customers while keeping its organizational structure fluid to maximize Group synergies."

YouTube
HFG's Future
http://www.youtube.com/watch?v=HVVJpNp3j-o

YouTube
Smart Finance – Smart Banking App
http://www.youtube.com/watch?v=3ztHxTie1l8

4. LEADING FUTURE FINANCE

Honing the edge in future finance
Following the recent advances of digital technology, real time-based customer contact points are increasing in number, services available per contact point are expanding in variety, and a customer needs-oriented ecosystem is emerging through the conversion between the finance and non-finance sectors. To these changes HFG has been proactively responding early on, creating and building up a future finance foundation through which it has become a leader in an industry that is increasingly shaping how we spend money.

Specifically, we had launched a future finance task force in 2007, the first in the domestic financial industry, and smart-phone banking app in 2009, the first in Korea, paving the way for HFG's supremacy in the fast-growing market. This lead, small in scale yet huge in potential, is expected to cancel HFG's relative weaknesses in off-line channel in the near future. We will continue to parlay the future finance basis into various customer contact points through which to expand the mass affluent/mass customer segments. Hana SK Card's lead in mobile card also is expected to bolster the banking sector's future finance leadership.

Meanwhile, we will continue to improve the management of HFG's multi/omni-channel system. By expanding our future finance leadership into settlement and other banking services, we will further expand the customer base and develop more income opportunities.

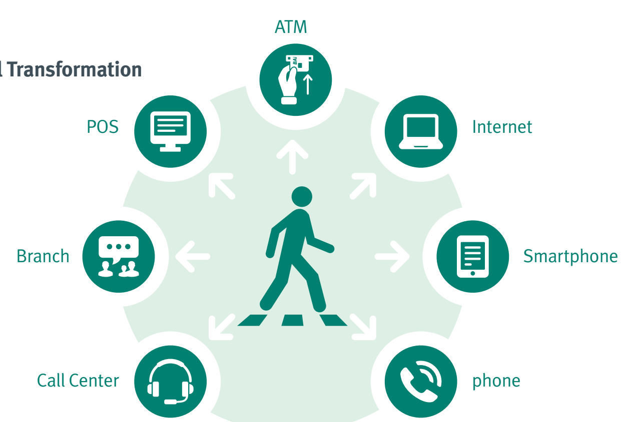
5. SECURING PB LEADERSHIP

2013 the private banking market saw a jump in the number of customers seeking professional advice on tax reduction and other matters following the revision of the capital income tax code which reduced capital gains that are tax-exempted from KRW 40 million to KRW 20 million. Also, owing to the revision of bancassurance related tax benefits regulations, bancassurance sales fell but other investment products, particularly those in the med-risk category, attracted the renewed interest of investors disappointed by the continuing low-interest, low-growth environment.

Improving the process
In 2013 we improved a number of shortfalls in the existing method of portfolio analysis with the "Hana portfolio Early Analysis & Diagnosis (HEAD)" developed as a tool for stable asset management and a proactive response to market change.

When checking the customer's overall portfolio, risk analysis should be carried out along with return analysis; yet the previous analysis lacked a quantitative means to calculate risks inherent in portfolios. In contrast, HEAD uses an objectified index in calculating risk, thereby a valuable tool for keeping track of portfolio stability with respect to return and risk. HEAD visualizes the risk position of customer's portfolio, allowing private bankers to provide portfolio suggestions to their customers from a more objective point of view. Moreover, it enabled experts in headquarter to monitor risks in both the customer's portfolio and the private banker's portfolio.

Omni-Channel Transformation



6. CUSTOMER-FOCUSED PENSION SERVICES

In 2013, expecting a QE tapering following the global economy moving into a recovery mode, we approached customers with products that enable volatility control. To risk-adverse customers were offered domestic equity long-short, low-volatility multi-asset income, and short-term high-yield products. Risk-tolerant customers were recommended U.S., Europe and other advanced markets equity-type investment vehicles. Of these, domestic equity long-short products sold well, over KRW 400.0 billion, with volatility rates below 5% and annual return rates of 8~12%, while short-term high-yield products, developed as a rebalancing alternative to the existing AB high-yield, brought in over KRW 200.0 billion, together providing Hana Bank with the initiative to lead the products market.

Hana Bank's customer investment portfolio comprises products of domestic (65%), developed (18.4%), and emerging (16.6%) markets. The domestic products part rose 5% from 2012 on the strength of the equity long-short's robust performance, while the advanced, consisting of short-term high-yield and U.S. equity-type products, inched up. The emerging, on the other hand, dwindled 5.5% on account of China and BRIC funds aggressively rebalanced out. Of late, the portfolio consists mostly of med-risk-med-return products including domestic/overseas long-short, short-term high-yield, and ELS products.

In 2014 advanced markets equity-type products are expected to perform well compared to the other two categories, as concern over a possible interest rate rise following the QE taper and other uncertainties cause both advanced and emerging markets to go on diverging growth paths. Based on this market forecast, we will push as core products long-short products that invest in global equity funds and variable rate senior loans. We also will pursue a product strategy centering on investment vehicles in contrast to the 2013 strategy which focused on expanding time deposits and other deposits of high stability. Of investment products, diversified portfolios will be suggested consisting mostly of med-risk-med-return products in contrast to the 2013 trusts-based portfolio strategy which pushed ELF and other med-risk-med-return products.

With a strategy of selling products tailored to developing issues, we also will push long/short funds and advanced markets equity-type products as an investment products group in response to the effects of the QE tapering and recovering advanced economies; real estate, special assets, and hedge funds as an alternative products group tailored to customer needs; and income-type products targeting the retired.

7. CUSTOMER-BASED BANCASSURANCE PRODUCTS

The revision of income tax laws in 2013, which tightened the requirement for tax benefits saving insurance, had a direct impact on bancassurance sales. Consequently, the target segment has shifted from HNW customers to middle-income customers. Accordingly, Hana Bank put all its efforts into selling such products with regular premium as pension, endowment and protection insurances that are more suitable to middle-class customers and training its sales force at the branch level to strengthen their sales skills.

Meanwhile, despite a decrease in the volume of large-sum initial or regular premium products which appealed more to HNW

Major awards received in 2013
In 2013 HFG's unsurpassed Private Banking expertise and performance, again, was critically acclaimed at home and abroad. Many an industry journal lauded Hana Bank as Korea's best PB bank.

Journal	Title Contents
Private Banker International	- "Outstanding RM Training & Development Program 2013"
	- "Most Innovative Business Model- Highly Commended 2013"
The Banker /PWM	- "Best Private Bank in Korea 2013" (for 3rd year)
Asiamoney	- "Best Domestic/Overall Private Bank in Korea 2013" (for 2nd year)
Asian Private Banker	- "Best Private Bank in Korea 2013"

customers, sales of insurance products that satisfy the conditions of tax exemption up to 0.2 billion KRW steadily increased. As baby boomers are more concerned about their post-retirement lives, middle-income customers are expected to become a main target segment in bancassurance sales. Thus, We are taking steps to redirect its sales strategies towards regular premium products including pension and protection insurance. We also plan to increase the number of bancassurance sales license holders and strengthen the sales training courses. Lastly, we aim to secure the basis for sound long-term fee income by selling long-term regular premium insurances such as pension, endowment and protection insurances.

8. RISING STAR IN CREDIT CARD

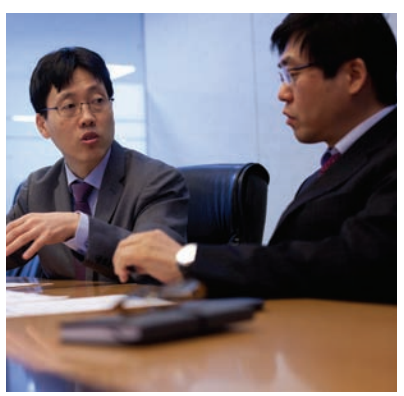
In 2013 HFG's card operations as well as the card industry as a whole faced a number of downward pressures on its income performance: merchant fee was readjusted downwards, the revolving of card payments with cash advances was strictly curtailed, and the financial authorities' scrutiny on customer data management was strengthened. In response to these business constraints some of whose effects continue, albeit in a lesser intensity, into 2014, credit card companies resorted to slashing card-affiliated services, expanding supplementary business activity, and pushing check cards aggressively. Once various economic stimulus measures take their intended effects, private consumption will be on the rise, possibly pushing up card sales. With well-timed marketing it is possible to take full advantage of a renewed consumption appetite and thereby reverse the downward movement of income. As for internal issues facing HFG, we are taking steps to develop synergies together with KEB into new income opportunities. Some of the steps include a full utilization of the expanded merchant network, a joint card membership drive using KEB branches, and sharing and cross-selling of products.

As for major achievements, the 'Club SK Card' sold 860,000 accounts in 19 months of its introduction in May 2012, carving a sizable slice out of an increasingly competitive market. The Hana SK Card-developed software program has made into Samsung and LG smartphones for the first time in the card industry. This program allows phone owners to download smart phone apps for diverse Hana SK mobile cards. A stand-alone digital check card was introduced for use in smartphones, setting off a new industry trend. The number of new accounts accumulated in 2013 broke the million milestone, while mobile card sales exceeded KRW 100 billion for the first time in the industry, posting KRW 198.2 billion, up 239% from 2012.

Moreover, in the area of future finance channels, we rolled out the industry's first app that informs users of card transactions upon usage for free of charge. For its convenient and cost-saving features, some 460,000 users have signed up. Also, in line with the financial authorities' pro-check card stance, we rolled out diverse new products including a check card designed to hold all membership contents of users. The 'Mega Cash-back Check Card', a 2012 hit, broke the 3 million mark in accounts. The 'Check Card Hybrid service', which allows members to overdraw their accounts up to KRW 300,000, attracted some 600,000 members, securing the top position in the hybrid service market. Though the NPL ratio stood at 1.60% at the end of 2013, 1.36% more than the year before, which can be viewed as a reflection of the sizable increase of financial assets, we maintain the ratio on a par with the industry average as in 2012 through advanced risk management.

YouTube
Hana SK Card's Club SK Card
http://www.youtube.com/watch?v=lkzS3IacFc8&list=UUza6gOzcCqSV7w4EQBJFmcw

Google Play Store
Hana SK Card's Mobile Cards
- Get more App
https://play.google.com/store/apps/details?id=com.hanaskcard.app.touchstamp



Hana N Bank (smartphone banking)
Hana N Money Plus (smart household account)
Get more (Hana SK Card)
SmartPay (Hana SK Card)
KEB M Bank (smartphone banking)
N Wallet (digital wallet)
Smart Hana HTS (securities trading)
Hana N mini (basic banking)
KEB Smart FX
Mobipay (Hana SK Card)

9. HANA SK CARD AND KEB CARD IN 2014

As the recovering economy is expected to revive card sales in 2014, we have drawn up a business plan that includes a sales target of KRW 30 trillion (a 6% increase from 2013) and a goal to moving back into the black. Also planned are five tasks: securing profitability in the card sector, raising card usage among existing members, expanding check card M/S, securing a lead in the mobile payment market, and strengthening preemptive risk monitoring.
To carry out these tasks, we will increase financial assets, revamp under-performing products, and develop marketing programs that each caters to the consumption taste of a member segment. In tandem with these, we will set up credit guidelines differentiated by customer segment as a way to preserve asset quality and enhance profitability.

Meanwhile, Hana SK Card and KEB Card, a spin off of the card operations of KEB, are scheduled to merge in 2014. The merger is expected to raise the combined market share to 7.8%; in the fourth year of its operation, synergy creation cost is expected to have decreased, while synergy-related income increased.

10. CONTINUING DOMINANCE IN FX & TRADE FINANCE

KEB is the Korea's leading bank specializing in foreign exchange & trade finance, boasting the largest global branch network and the most extensive foreign exchange and trade finance operations of any bank in Korea. By focusing on reinforcing its areas of core competitiveness, foreign exchange & trade finance, KEB makes progress.

In 2013, we maintained our leading position in the foreign exchange market, garnering 44.3% of the transactions conducted by the nation's top seven commercial financial institutions and securing 24.5% of the foreign currencies exchanged. We achieved similar feats in the trade finance sector, recording industry-leading market shares of 35.2% in export finance and 30.1% in import finance.
As a result of these solid performances in the core business areas, in 2013 KEB won plaudits from a number of respected finance publications. We were named by *Global Finance* the "Best Foreign Exchange Provider in Korea" for 12th consecutive year, by *Finance Asia* the "Best Foreign Exchange Bank in Korea" for 6th consecutive year and by *Asia Money* the "Best Domestic Provider of FX Services" for 3rd consecutive year.

During the year we continued to develop new products and services to buttress our leading positions.

We provided 347 companies with consultations on foreign exchange and import/export-related laws and regulations, and how to improve their foreign exchange-related disputes and to improve their foreign exchange and import/export operation processes.

We process money transfers in 26 currencies and offer money exchange services in 43 currencies, the most in Korea. We handle transactions in more than 100 currencies including collection in 58 currencies, which make us the country's undisputed FX leader.

Corporate BU

In 2013 the Corporate BU channeled its resources into expanding the boundary of its corporate products sales and strengthening the cooperative system among different business groups as part of its strategy to fully launch synergy creation between Hana Bank and KEB. Through joint marketing between the two banks' channels and the increase of mid/long-term quality assets, the BU has established a long-term growth basis in the corporate banking business.

- Corporate banking
- Investment banking

Total Large Corporate KRW Loan

32,905 KRW in billion

Total Syndicated Loan (Hana Daetoo Securities)

3,088 USD in million

M/S 99%(3rd)

Hana Asset Trust AUM (Asset Under Management)

16,600 KRW in billion

M/S(2nd)

Hana Asset Management Real Estate AUM

2,215 KRW in billion

M/S(2nd)

1. CORPORATE BU'S ROLE IN HFG

The Corporate BU leads Korea's corporate banking services industry, having adopted the nation's first corporate banking-specific system and developed its own CIB model. The BU continues to generate growth opportunities based not only on its know-how in hybrid product development and corporate marketing but also on its strength of having the most extensive overseas network in Korea. Through the industry's most sophisticated business infrastructure manned by a highly-skilled workforce, the BU executes its role as a total solution provider of financial services and spearheads HFG's pursuit of its vision, "the Trusted Premier Global Financial Group."

WWW
'Corporate BU' Introduction
http://www.hanafn.com/eng/network/service/buCorporateFn.do

2. MARKET CONDITIONS AND PERFORMANCE IN CORPORATE BANKING

To further strengthen its corporate banking, Hana Bank moved its RMs forward to select branches, increased the number of branches capable of corporate FX service to 142, and relocated from the Retail BU to the Corporate BU the business units (branches and workforce) with high corporate sales. Meanwhile, KEB expanded the client base of its Corporate Banking Group by reassigning 62 clients from another unit, and further bolstered its business basis with the addition of Senior Relationship Manager branches and a customer support team. Moreover, it integrated the IB division into a newly-created CIB Group to strengthen Corporate Investment Banking.

In 2013 the overall profit of Korea's banking industry declined owing to waning investment needs of corporations weary of the lingering low-interest rate environment and the prolonging economic recession. Mindful of rumors of impending QE taper, the weakening Japanese Yen, the slowing Chinese economy, and other uncertainties abroad, domestic financial institutions shifted their business focus to large blue-chip corporations strong in performance yet weak in number, thereby further intensifying competition. Against such challenging market conditions, Hana Bank grew loans 16.5% to KRW 21.9 trillion and total deposits 3.4% to KRW 18 trillion through the expansion of mid/long-term loans, the addition of new clients, and the increase of IB and commissions income. Operating income, which came to KRW 283.5 billion, however, showed little improvement from the previous year, mirroring the overall sluggish income performance of the banking industry.

KEB's Corporate Banking Group, which plays the main role in the Bank's lead in the FX & trade finance markets, posted US$ 154.7 billion (78.4% of market total) in export bills, US$ 103.5 billion (66.8% of total) in import bills, and US$ 97.2 billion (54.5%) in FX. To further strengthen KEB's FX brand power, the Corporate Banking Group will continue to expand its FX-related operations.

3. SYNERGY-BASED BUSINESS ACTIVITY

In 2013, with an eye towards developing synergies between the Hana-KEB channels, we focused on expanding the boundary for the corporate banking products of both banks and strengthening cooperation among the business units to tangible results. Specifically, by expanding the joint martketing between the banks of mid/long-term high quality assets, we have strengthened the basis for long-term growth in the corporate banking sector. These achievements can be attributed to the active interactions that many business units have pursued with one another through various consultative bodies formed as a way to continue investment in synergy development.

KEB's Large Corporation Group is focused on expanding its business scale and income through synergy coordination with other HFG subsidiaries. Specifically, it conducts IB and debenture-based M&A financing activities jointly with Hana Daetoo Securities, manages real estate trusts together with Hana Assets Trust, and provides Hana Daol Assets Management with banking support. HFG will raise the scale of these activities by a notch or two as its core tasks in 2014.

4. EVOLVING CORPORATE LOAN STRATEGY

It is apparent that the banking industry as a whole is facing a growth limit in large corporate loan operations. In fact, days are behind us when corporate banking could rely on lending as the sole income source. In addition to loan, trade finance and IB should be actively embraced as income sources. For this reason, we plan to reduce loan

"The Corporate BU continues to create growth opportunities by leveraging its competency in engineering advanced financial instruments to clients' needs, its expertise in corporate marketing, and its extensive global network."

concentration in the large corporate sector and instead to expand med-risk assets such as SME loans. To minimize the deterioration of asset quality and margins that usually accompany rapid growth, we are going to have our SME lending operations evolved around government-backed loans, strategic products, and med-risk self-audited SMEs. The strategic products will include trade finance in which we have a competitive advantage, and self-audited small businesses will be thoroughly screened to ascertain their credit quality. Self-audited SME loans are expected to improve the margin to a certain point.

As for large corporate loans, we plan to decrease the rate of growth but increase the efficiency of loan management by grouping them into three categories expand, freeze, and reduce. Moreover, by employing a select-and-focus method in corporate banking, we will improve commissions income, FX performance and cross-selling.

5. IB MARKET CONDITIONS AND PERFORMANCE

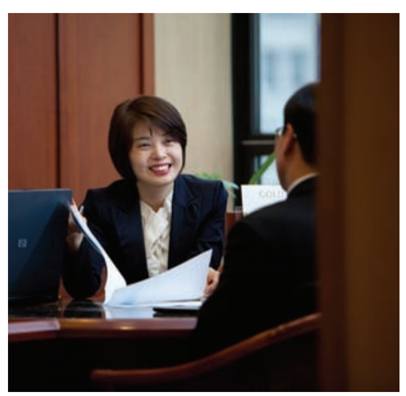
The domestic and overseas conditions surrounding the IB market were unfavorable in 2013. Sluggish capital markets, anemic real estate transactions, and other developments reflecting the low-margin, low-growth environment put downward pressures on the IB market. Moreover, even global financial institutions continued to downsize their IB businesses, which are capital-intensive, as a way to prepare themselves for Basel III. As the market is expected to grow at a modest pace with the economy showing signs of recovery, we will remain focused on developing synergies between the IB operations of Hana Daetoo Securities and KEB into diverse income opportunities.

Next, our IB performance will be reviewed in which Hana Daetoo Securities played the main role. The IPO sector of the equity market improved from 2012 in number of cases completed but remained unchanged in fees generated. The debt market was markedly polarized, reflecting the psychological effects on investors of the Tongyang and STX Group which had gone into restructuring: while large blue-chip corporations enjoyed an enthusiastic market reception, those on the lower rungs of the credit ladder faced a cold shoulder. Meanwhile, the M&A financing market was marked by a growing influence of the PEF sector as corporate restructuring-related assets were on the block.

In the OTC sector, which dwindled 6% from 2012 in volume of securities issued, Hana Daetoo Securities posted KRW 101.0 billion in sales; in an effort to strengthen its product advantage in an increasingly competitive market, Hana Daetoo Securities developed its own index (GTAA), the industry first, and diversified investments using a buy/sell position based on the new index, pursuing low-volatility income streams. Despite the overall depressive market environment, Hana Daetoo Securities garnered satisfactory results compared to the industry average by eschewing the volume race in low-margin areas and instead channeling the resources thus saved into those where it is better positioned. As a result, Hana Daetoo Securities ranked fourth among M&A advisory (Bloomberg), third in syndicated loans arrangement (first in M&A financing, Bloomberg), and sixth in ELS/DLS issuance (KRX, DART), thereby improving upon or at least maintaining its strengths.

Hana Bank's performance in IB
4th in M&A advisory (Bloomberg)
3rd in syndicated loans arrangement
(1st in M&A financing, Bloomberg)
Bloomberg

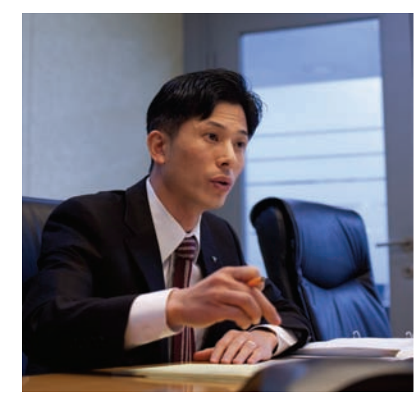
6th in ELS/DLS issuance (KRX, DRT)
KRX KOREA EXCHANGE



6. STRATEGIC DIRECTION FOR IB

As financial industry policy and the market environment continue to evolve in connection with the low-growth paradigm, we will pursue a corporate & investment banking model focused on building customer trust. Based on HFG's unique and highly specialized CIB model and by developing a powerful inter-units cooperative system, we will consolidate units catering to similar customer segments and proactively respond to financial market demands by developing financial services convergence models.

Having pursued profitability-oriented strategies and synergy maximization in 2013, we plan to concentrate on "all-directional profitability improvement" with focus on differentiation, stability, and productivity. Firstly, we will stay focused on strengthening ties with clients and developing outstanding solutions based on an atypical complex approach; specifically, we will diversify income models and seek to lead the IB market through our unique strategic customer management. Secondly, we will set up a system through which we can proactively respond to market change, diversify product and investment strategies, pursue stable income and synergy consummation by leveraging HFG's powerful sales channels. As for major synergy projects planned in 2014, HFG's IB competency is to be maximized through the balanced growth of investment finance between the banking and securities sectors, IB/real estate-linked products diversified (ECM, structured products), med-sized corporations-oriented IB/real estate marketing strengthened, and the supply of B2C products targeting retail, PB, WM customers expanded in the form of IB/real estate investment opportunities. Lastly, we plan to avoid the race to volume growth, improve profit sustainability in both quality and quantity through the management of profitability-based evaluation, and improve productivity through the specialization of the workforce in parallel with the enhancement of employee competencies.



Chang Seung-chul
Head of Asset Management Unit

Asset Management BU

In 2013 the Asset Management BU focused on three tasks: individual customer asset expansion through improvement of the management of current customers, new customer attraction, and asset management education expansion; income increase through expansion of the sales of products tailored to target customer segments; and enhancement of efficiencies in the business infrastructure by improving channel efficiency and developing synergies among subsidiary operations.

- Asset management
- Brokerage

Brokerage

Securities sales

101.8 *KRW in trillion*

Brokerage commissions

105.3 *KRW in billion*

Beneficiary Certificates

Beneficiary certificates AUM

13.9 *KRW in trillion*

Beneficiary Certificates fees

38.6 *KRW in billion*

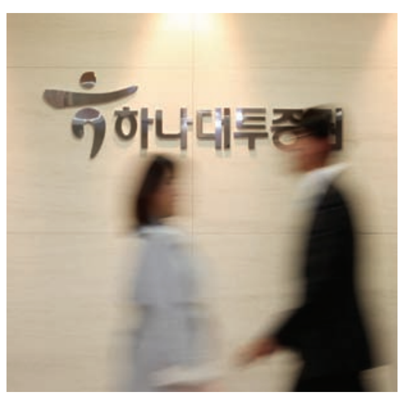
1. ACHIEVEMENTS IN ASSET MANAGEMENT

The 2013 domestic asset management market was marked by the following developments: in response to jittery rumors over an impending change of course in the U.S. monetary policy, the stock markets remained boxed in a limited range of fluctuation, putting downward pressures on transactions and fee rates, while the asset management market experienced a growing demand for med-risk-med-return products and a soaring flight to safety from equity-type funds. The KOSPI fluctuated within a limited range, ending the year 15 points higher than the year before. Daily average transactions were down 13.2% from 2012, mirroring sluggish market conditions. The funds market grew over the year by KRW 17.6 trillion, as the poor performance of equity-type funds(KRW 9.2 trillion down) was more than offset by the robust performances of bond-type funds (KRW 12.7 trillion up) and alternative funds (KRW 10.9 trillion up). As for major achievements in 2013, firstly, we expanded individual customer assets by improving customer relationship, bringing new customers on board, and strengthening employee training on asset management; secondly, we increased incomes by expanding sales of products each tailored to the intended customer segment; and thirdly, we improved efficiencies in the business infrastructure by developing group synergies into tangible results.

Of these three achievements, the increase of individual customer assets, which came to KRW 0.6 trillion, can be attributed mainly to a systematic asset management training administered to sales employees and PB teams. As for the increase of income, the second achievement, our efforts at tailoring products to the needs of each customer segment paid off, with wrap accounts posting an increase of KRW 1.9 trillion and trust products an increase of KRW 0.4 trillion. Lastly, as for improvements in the business infrastructure, 10 branches were consolidated and bank-linked securities accounts were added to the line-up of online channels. Moreover, joint promotion and marketing involving diverse yet complimentary products were carried out, and the number of customer referrals increased following the rationalization of the performance evaluation system, both contributing to the development of synergies among the subsidiaries.

The domestic economy and the stock markets are expected to perform better in 2014, as the world economy appears to be gradually getting back on growth track. HFG plans to strengthen business development targeting institutional clients through client segmentation and sales force fortification, while continuing to focus on increasing individual customer assets by strengthening the consulting service related to taxation, real estate, portfolio rebalancing. We also plan to enhance product competitiveness by expanding our own asset management product lineup and strengthening the sourcing functions of investment products. Moreover, to improve channel efficiency, we will pursue diverse types of channel strategy in response to change in customer preference or commercial supremacy, and to enhance cost efficiency, explore many ways of improving the business process and continue to dispose of underperforming assets.

WWW
'Asset Management Unit' Introduction
http://www.hanafn.com/eng/network/service/buAssetFn.do



*** BENEFICIARY CERTIFICATES AUM** (Unit: KRW in billion)

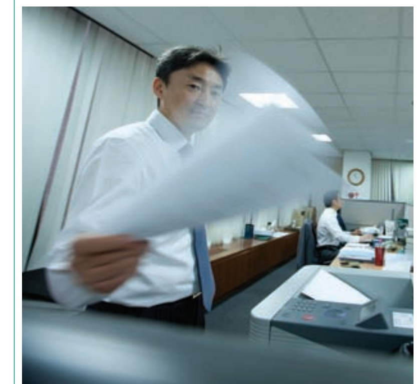
	2013	2012	YoY	%
Beneficiary Certificates AUM	13,929.9	13,954.4	-24.5	-0.2%
Equity (hybrid) type	3,600.5	4,072.9	-472.3	-13.1%
Bond (hybrid) type	3,222.7	3,550.8	-328.1	-10.2%
MMF	2,787.4	3,036.3	-248.8	-8.9%
Other	4,319.2	3,294.5	1,024.8	23.7%
Domestic Market	334,897.0	317,276.0	17,621.0	5.26%
M/S	4.16%	4.40%	-0.24%	-5.7%

2. GAINING STRENGTH IN BROKERAGE

In 2013 advanced countries enjoyed robust stock market performances on the strengths of the recovering U.S. economy and diminishing concerns over the EU's sovereign debt crisis, while Korea endured a market languishing in the face of rumors of impending QE taper in the U.S., and a weakening Japanese Yen; the KOSPI fluctuated between 1,800 and 2,050 points throughout 2013, ending the year at 2,011 points, 0.7% up from the year before.

The boxed-in performance of the market dealt a blow to the securities industry across the board; stock transactions decreased 14% from the year before; the share of individual investors' transactions dwindled from 61% to 56% by the end of 2013; and the net brokerage commissions of the listed market decreased 10% to KRW 101.6 billion.

HFG's commissions income performance, compared to that of the market, was laudable. In fact, we earned KRW 2.7 billion more than in 2012 in brokerage commissions on foreign securities, a result of a great deal of resources redirected to overseas markets. Our pivot to overseas brokerage markets in response to frustrating domestic market conditions has also served as fodder for income diversification.



In 2014 we plan to further push securities-linked products and other bank-securities joint sales, and, as for the wholesale, strengthen institutional sales by shifting marketing resources to major institutions. In addition, by strengthening sales of high-quality investment products and portfolio products in line with growing customer assets and changing customer needs and market conditions, we will seek to increase return on customer investments and strengthen our business basis simultaneously. Also by continuing to enhance employee competencies through on-site training, to expand the product development capability, and to strengthen other asset management-related sales competencies, we will improve the business structure as well as increase customer satisfaction.

"The Asset Management BU will focus on increasing return on customer investments by expanding its consulting service to tax, real estate and other areas, while strengthening "solution sales" targeting institutional clients through further customer segmentation and workforce improvement."

2013 Social Contribution Funds
(Hana Financial Group)

73.1 KRW in billion

No. of CSR volunteers
(Hana Financial Group)

20,165

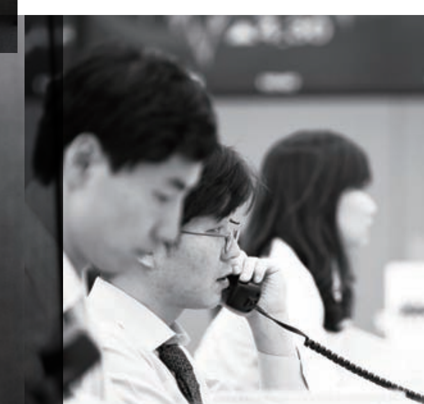
(90.3% participation rate)

No. of branches with 'Plaza of Bright Financial Hope'
(Hana Bank + KEB)

24 branches, nationwide

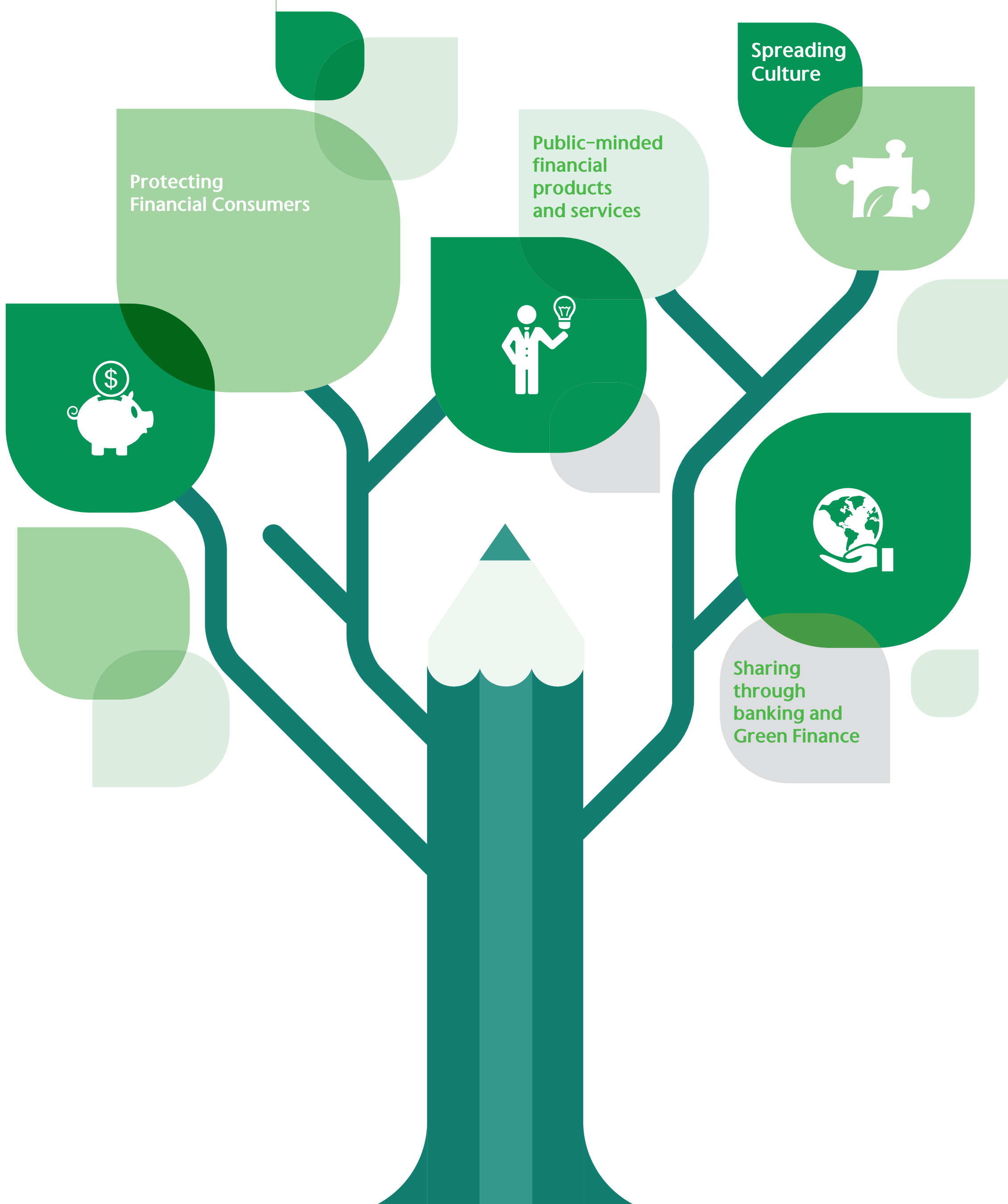
Socially Responsible Finance

617.2 KRW in billion



CORPORATE SOCIAL RESPONSIBILITY

Growing Together, Sharing Happiness



1. Hana Bank's "Financial Consumer Protection Division" launched Feb. 2013
Hana Bank is taking systematic measures to protect consumer rights, including the adaptation of a financial consumer rights protection charter.

2. KEB's "KEB Sol-Together" launched Nov. 21, 2013
HFG serves as a channel through which KEB gathers consumer opinions on how it operates business and reflect them on its business management.

WWW
Corporate Social Responsibility
http://www.hanafn.com/eng/csr/hana/visionForCsr.do

1. Protecting Financial Consumers

Hana Financial Group pursues diverse avenues in cooperation with its subsidiaries to fully respect financial consumer rights; a financial consumer protection group was launched in 2013 under the Committee for Sharing Happiness; a consumer protection charter was officially adopted group-wide in August with an intention to raise the awareness of consumer protection among its executives and employees. Moreover, the monthly consumer protection event first launched by Hana Daetoo Securities has been implemented group-wide; the monthly event, titled 'Financial Health Check-up Day', focuses on educating and reminding employees of the importance of earning customer trust through financial consumer protection. Meanwhile, current channels through which HFG subsidiaries each collects feedbacks from its customers will be consolidated into a new system being developed through group-wide cooperation. Scheduled for completion in 2014, this integrated system will be employed in the execution of all consumer protection-related operations.

For their parts in financial consumer protection, Hana Bank and KEB plan to re-evaluate their in-house banking regulations from the customer's perspective and revise them accordingly. Hana Bank in particular plans to expand its consumer protection advisory board, "Hana Solomon", launched in 2013 for the first time in the banking industry, which regularly solicits customer opinions through face-to-face contacts. Another industry first is the Financial Consumer Protection Division created in April 2013. KEB also launched "KEB Sol-Together", a consumer participation group last year. The name is a play on the King Solomon, the soul, and the Korean for the pine tree, implying the message that the bank shares the wisdom and soul of the king with financial consumers and remains as dedicated to consumer rights as the ever-green tree. HFG has been created as a way for the bank to reflect consumer opinions on its day-to-day business operations.

Hana SK Card is in the process of modifying some of its business regulations and guidelines deemed irrational from the customer's perspective, while Hana Daetoo Securities continues to increase the number of programs designed to prevent customer complaint and respect customer rights through the unit solely dedicated to consumer protection. In particular, its 'Silver Green Zone', a consultative channel for aged customers, is popular for its detail attention to helping intellect-challenged customers better understand confusing financial terms and potential risks inherent in financial products they invest in.

CORPORATE SOCIAL RESPONSIBILITY

1. HFG Chairman Kim with the President of Korean Asset Management Co., at a signing ceremony pledging financial service support for the financially marginalized, June 19, 2013

2. Hana Bank President Kim with officials of a government-sponsored credit guarantee foundation at a signing ceremony pledging financial support for tech ventures with superior growth potential

2. Public-minded financial products and services

HFG carries out its corporate social responsibilities by observing banking practices that promote trust, care for the weak, and contribute to society.

Through Hana Smile Microcredit Bank launched in September 2008, HFG helps the socially marginalized become financially independent, the financially troubled build up their credit, and the bankrupted rebuild their lives. In particular, Hana Smile Microcredit Bank is the financial industry's only microcredit institutions using its own funding source to provide credit-damaged people with loans. In May 2013 HFG boosted its commitment to the economic independence of the financially marginalized by funding Hana Smile Microcredit Bank and Smile Microcredit Bank in the amount of KRW 10 billion each.

KEB also is taking concrete steps to help the financially marginalized lead an economically viable life and low-income financial support systems operate on a sustainable basis; the bank donates to the Smile Microcredit Foundation funds recovered through the Non-performing Asset Management Fund and account balance in dormant accounts declared exempted of liability; it operates the "Hope Banking Plaza" opened in February 2013 to provide the financially marginalized with comprehensive consulting service: after initial online and phone contacts, consumers visit the plaza for individual consultation on matters involving extreme debt burden, loans with high interest rates, and other cases of similar urgency.

Hana Financial Group also performs its social responsibility through diverse public interest-oriented financial products. The best example is the 'Win-win Package Loan' developed for liquidity-challenged SME suppliers of large corporations; the product not only functions as a vehicle for liquidity but also helped establish a funding support system for SME and SOHO owners; it has received the nation's top award in the related category for its outstanding contribution to solving liquidity problems plaguing SMEs. In addition, Hana Bank and KEB each has rolled out a loan product that supports tech ventures. Utilizing the Bank of Korea's financial support program, the two banks extend low-interest loans to SMEs that either have secured proven superior technology in seven years from their foundation or have high R&D expenditures relative to sales.

3. Sharing through banking and Green Finance

HFG's social contribution is conducted through the organic cooperation among the holding company and its subsidiaries, and for the purpose of making its group-wide contributions better coordinated and thus more efficient, HFG operates the Committee for Sharing Happiness and four executive committees with the same name, each controlled by one of the four Business Units.

Moreover, Hana Foundation, Hana Smile Microcredit Bank, Hana Academy, KEB Foundation, and Hana Volunteer Group each carries out a variety of projects all directed towards building a better society for all.

HFG is fully aware of such far-reaching social developments and changes as multi-culture families, ageing, low birth, and has been making efforts to help mitigate the potential impact of those issues on the future of Korean society. HFG's social activities are conducted through three channels: community activity, education, and employee volunteering. For community activity HFG sponsors various events supporting multi-culture families, runs the Hana Care Center dedicated to the care of poor seniors, and supports various child care centers. For education, HFG runs Hana Academy and Hana High School. For volunteering, in 2007 it consolidated some 100 volunteer clubs each independently operating in different subsidiaries into Hana Volunteer Group consisting of regional chapters in charge of carrying out various community activities in cooperation with local people.

KEB, as Korea's leading global-minded bank, seeks to share with the needy the message that warm-hearted Koreans care about their plights. Not only because its network of 54 branches in 23 nations can be an effective tool but also because it believes a leading institution of an OECD member has an obligation to help its country contribute to the well-being of the global family. Putting to action such belief, the bank has been financially supporting international relief funds active in Japan, Haiti, China and other disaster-stricken regions. In November the bank delivered an emergency relief fund to the Philippine government right after the country was hit by a typhoon, and in cooperation with a Korean relief organization, is building five multi-purpose education centers in typhoon-damaged areas.

HFG also has since its foundation been sponsoring or supporting various conservation activities including energy saving and resources recycling. To encourage proactive participation of its employees and customers, HFG continues to improve the contents and expand scope of the programs it operates or sponsors, thereby building conservation consensus not only with its employees and customers but also with the members of communities in which its businesses are based. Moreover, by combining its financial services and conservation programs, it offers its customers various ways to take active part in improving the environment.

4. Spreading culture

HFG strives to stay at the forefront of helping expand or promoting cultural arts by sponsoring diverse cultural programs and helping its community members lead lives rich in culture.

Many programs of HFG's social activity focus on the value of communication. KEB has been expanding its social contribution to the productive realm of social value; through a cultural-event program designed to support a local commercial district in which its HQ is located, the bank provides an opportunity for Seoulites and artists to communicate and together create new values. Also, by sponsoring the 'DMZ International Documentary Film Festival', which takes place in the world's one and only "demilitarized" zone, and the 'Seoul Musical Festival', the bank helps spread the messages of peace, communication, and value of life, as well as Korean youth culture increasingly popular in Asia, while contributing to the development of a local economy near the border. Moreover, by sponsoring the Korea Red Cross 'Ad-hoc General Assembly of the International Red Cross' designed to help foster future global leaders, the bank seeks to contribute to the expansion of awareness and understanding of international humanitarian issues among Korean youths.

1. HFG Chairman with fellow executive officers at a community event celebrating Christmas by serving dinner to seniors, Dec. 25, 2013
As part of the event the chairman and officers delivered winter clothes and foods to some 250 seniors.

2. KEB's local-community supporting event, named 'Joyful Market', featured various cultural programs to the delight of many foreign tourists who visited the event. The event was held on every Sunday from May 12 to Oct. 27 2013.

3. Hana Bank's winter campaign helping the needy stay warm by delivering briquettes and daily goods

YouTube
HFG's Social Responsibility
http://www.youtube.com/watch?v=fdqoYk18bfo

FINANCIALS

Management's Discussion and Analysis
Hana Financial Group

1. OVERVIEW OF HANA FINANCIAL GROUP

The year 2013 was a tumultuous period for Korea's financial services industry: the low-interest rate environment continued, financial regulations increased, and the real estate and stock markets remained sluggish, all adding to uncertainties hovering over the economy like dark clouds. The year, however, was meaningful to Hana Financial Group: HFG brought Korean Exchange Bank into its fold as a fully-owned subsidiary, thereby completing the process of laying the foundation for synergy creation.

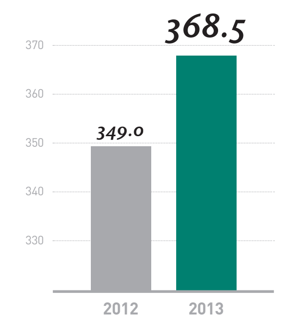
As of the end of 2013, HFG's total assets stood at about KRW 368 trillion, reaffirming its leading financial group status. However, with the effect of negative goodwill exhausted and the integration yet to generate any meaningful synergy effect, 2013 net income came to KRW 933.9 billion, down 42% from the year before, while ROE, EPS, and other profitability indices were somewhat wanting. Despite the cost-cutting efforts taken group-wide, the C/I ratio also reflected the base effect of negative goodwill, ending the year at 61.64%.

Asset quality deteriorated somewhat, mirroring the anemic economic recovery and the lethargic real estate market. The NPL ratio inched up 0.15%p to 1.48% while the NPL coverage ratio was down 22.1%p to 120.8%. The reduced figure, however, still indicates sound asset quality, and the overall quality is stronger in the light of a delinquency ratio that has improved 0.17%p compared to the year before.

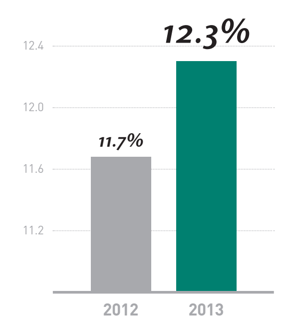
HFG's BIS ratio and Tier 1 ratio, both by the Basel III standard, were 12.28% and 9.24% as of the end of 2013, respectively, while the capital adequacy ratios of HFG and its subsidiaries were above the government-required level.

As KEB and other subsidiaries become better at combining their strengths and capitalizing on the resultant synergies, HFG expects its profitability and shareholder value to substantially improve in the near future.

*** TOTAL ASSETS** (Unit : KRW in trillion)



*** BIS CAR** (Unit : %)



*** SUMMARIZED FINANCIAL INFORMATION** (Unit : KRW in billion, thousand members, %)

	2013	2012	YoY	%
Profitability				
General Operating Income	6,239.7	7,391.1	-1,151.4	-15.58%
Operating Income	1,165.0	2,017.4	-852.4	-42.25%
Consolidated Net Income	933.9	1,621.5	-687.6	-42.41%
ROA	0.34%	0.60%	-0.26%p	-
ROE	5.16%	10.56%	-5.40%p	-
EPS(Unit:KRW)	3,399	6,648	-3,249	-48.88%
Cost to Income Ratio	61.64%	51.00%	10.64%p	-
Business Volume				
Total Assets	368,486.4	348,972.8	19,513.6	5.59%
Total Sales	252,143.2	233,246.1	18,897.1	8.10%
(Total Deposits)	225,119.8	206,073.9	19,045.9	9.24%
(Sale of Beneficiary Certificates)	27,023.4	27,172.2	-148.8	-0.55%
No. of Individual Credit Card Members	5,825	6,630	-805	-12.14%

(continued on next page)

Management's Discussion and Analysis
Hana Financial Group

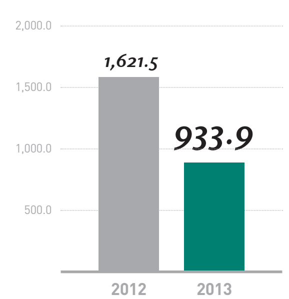
	2013	2012	YoY	%
Asset Soundness				
Substandard & Below Ratio	1.48%	1.33%	0.15%p	-
Substandard & Below Coverage Ratio	120.77%	142.89%	-22.12%p	-
Delinquency Ratio	0.58%	0.75%	-0.17%p	-
Capital Adequacy				
BPS	68,754	63,997	4,757	7.43%
BIS CAR [Group]	12.28%	11.65%	0.63%p	-
Common Equity Tier 1 Ratio	8.88%	N/A	-	-
Tier 1 Ratio	9.24%	8.15%	1.09%p	-
BIS CAR [Hana Bank]	13.91%	13.90%	0.01%p	-
Common Equity Tier 1 Ratio	10.53%	N/A	-	-
Tier 1 Ratio	10.54%	9.61%	0.93%p	-
BIS CAR [KEB]	13.83%	13.59%	0.24%p	-
Common Equity Tier 1 Ratio	11.12%	N/A	-	-
Tier 1 Ratio	11.66%	11.06%	0.60%p	-
Adjusted Equity Capital Ratio [Hana SK Card]	20.70%	12.15%	8.55%p	-
Solvency Margin Ratio [Hana Life]	211.52%	249.53%	-38.01%p	-
Adjusted Equity Capital Ratio [Hana Capital]	9.46%	9.09%	0.37%p	-
Adjusted Equity Capital Ratio [KEB Capital]	14.89%	12.23%	2.66%p	-

Note) Basel III standard phase in beginning Dec. 2013 (prior CAR for HFG is basel I and for Hana Bank & KEB is basel II standard)

II. SUMMARY OF BUSINESS PERFORMANCE

HFG's 2013 consolidated net income was KRW 933.9 billion, down KRW 687.6 billion from the year before. The decrease is directly related to the exhaustion of the negative goodwill (NGW) effect of the KEB integration which HFG had realized 2012 in an amount of KRW 930.0 billion. Despite decreases in core earnings and Disposition/valuation gains, HFG managed to keep the reduction of net income smaller than the NGW effect by reducing provisioning.

*** CONSOLIDATED NET INCOME** (Unit : KRW in billion)



*** COMPREHENSIVE INCOME STATEMENT** (Unit : KRW in billion)

	2013	2012	YoY	%
General Operating Income	6,239.7	7,391.1	-1,151.4	-15.58%
Net Interest Income	4,485.0	4,598.7	-113.7	-2.47%
Fees & Commissions Income	1,675.6	1,627.5	48.1	2.96%
Gains on Disposition & Valuation	408.4	534.0	-125.6	-23.51%
Other General Operating Income	-329.3	631.0	-960.3	-
General & Administrative Expenses	3,846.3	3,769.8	76.5	2.03%
Pre- Provisioning Income	2,393.4	3,621.3	-1,228.0	-33.91%
Provisioning(△)	1,228.4	1,604.0	-375.6	-23.42%
Operating Income	1,165.0	2,017.4	-852.4	-42.25%
Non-Operating Income	105.3	-25.1	130.4	-
Income before income taxes and Minority Interest Income	1,270.3	1,992.2	-721.9	-36.24%
Income Tax Expenses(△)	277.3	263.0	14.3	5.43%
Income before Minority Interest Income	993.0	1,729.2	-736.2	-42.58%
Minority Interest Income(△)	59.1	107.6	-48.5	-45.11%
Consolidated Net Income	933.9	1,621.5	-687.6	-42.41%

General operating income came to KRW 6,239.7 billion. With little or no synergy effect from the KEB merger, net interest income decreased 2% despite an increase in interest rate-sensitive assets, owing to NIMs falling in line with the low-interest rate environment. Fee & commissions income inched up on the back of increased credit card fees, despite sluggish stock market conditions and reduced tax benefits negatively affected the overall fee income performance.

Other general operating income decreased on account of the base effect of NGW. Fee and commissions income, Disposition/valuation gains, other general operating income will be analyzed in detail in the Non-interest Income section.

General & administrative expenses inched up to KRW 846.3 billion, despite the aggressive cost-cutting measures taken group-wide during the year.

Provisioning dropped to KRW 1,228.4 billion: the application of HFG's provisioning standards to KEB resulted in the exhaustion of additional provisioning effects; the economy languished and credit risks increased; and measures were taken to preempt corporate and household debt defaults.

Owing to the above-mentioned one-off factors, HFG's operating income came to KRW 1,165.0 billion at the end of 2013, 42% down from the year before.

*** COMPREHENSIVE INCOME STATEMENT BY SUBSIDIARIES** (Unit : KRW in billion)

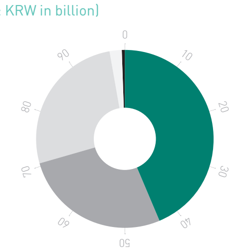
	Hana Bank	KEB	Hana Daetoo	HanaSK Card*	Hana Capital	KEB Capital	Hana Life	Hana Savings*	Overseas Affiliates
General Operating Income	2,735.9	2,518.9	348.8	301.8	143.3	-0.7	64.4	35.7	276.2
Net Interest Income	2,489.4	1,577.9	153.7	-83.3	142.6	10.9	65.4	37.2	225.0
Fee & Commissions Income	385.6	661.9	202.3	362.1	-7.1	-0.1	18.0	0.3	33.8
Gains on Disposition & Valuation	166.6	376.5	-32.2	5.0	0.0	0.4	12.7	1.1	12.3
Other General Operating Income	-305.6	-97.3	25.0	18.0	7.8	-11.9	-31.6	-2.9	5.2
General & Administrative Expenses	1,470.7	1,434.8	289.6	175.2	38.4	7.1	41.2	25.5	155.5
Pre- Provisioning Income	1,265.3	1,084.1	59.2	126.6	104.9	-7.8	23.2	10.2	120.8
Provisioning(△)	471.7	530.7	-6.7	123.7	46.3	52.4	0.3	4.3	8.7
Operating Income	793.6	553.4	65.8	2.9	58.6	-60.2	22.9	5.9	112.0
Non-Operating Income	5.4	-107.5	23.1	6.3	0.3	0.2	0.2	-2.9	-3.4
Income before income taxes and Minority Interest Income	799.0	445.9	89.0	9.1	58.9	-59.9	23.0	3.0	108.6
Income Tax Expenses(△)	143.8	85.4	20.8	5.6	14.5	-12.0	5.1	-2.8	31.6
Income before Minority Interest Income	655.2	360.4	68.2	3.5	44.4	-47.9	17.9	5.8	77.0
Minority Interest Income(△)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Consolidated Net Income	655.2	360.4	68.2	3.5	44.4	-47.9	17.9	5.8	77.0

*Hana SK Card, Hana Savings based on consolidated, while others on separate

Reviewing income performance by subsidiary, Hana Bank's 2013 net income was KRW 655.2 billion, up KRW 80.0 billion from the previous year, while KEB's was KRW 360.4 billion, down KRW 270.0 billion. General operating income came to KRW 2,735.9 billion for the former and KRW 2,518.9 billion for the latter, owing to NIMs falling in step with lowering interest rates, and sluggish bancassurance sales following the reduction of tax advantages. KEB incurred a bigger drop in general operating income due to the KRW 170.0 billion it had realized in 2012 from the sale of its Hynix holdings. General & administrative expenses decreased for both

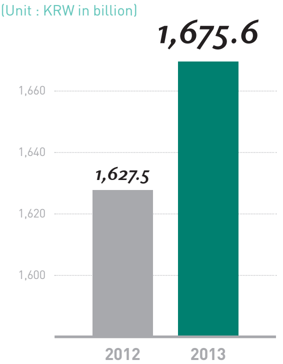
Management's Discussion and Analysis
Hana Financial Group

*** FEE & COMMISSIONS INCOME COMPOSITION BY PART** [Unit : KRW in billion]



● Credit Card	740.1
● Loans In FX-related	456.5
● Asset Management	447.7
○ Subscription & Agreement, Consulting	39.0
● Others	-7.7

*** FEES AND COMMISSIONS INCOME** [Unit : KRW in billion]



banks as a result of the base effects of the KEB integration and the additional retirement allowance related to employee pensions. Provisioning amounted to KRW 471.7 billion and KRW 530.7 billion, respectively, for the two banks, reflecting the effects of reduced loans and exposure to businesses with worsening credit standings.

Hana Daetoo Securities' net income improved from the year before, ending 2013 at KRW 68.2 billion. Though general operating income decreased to KRW 348.8 billion as securities sales and underwriting fees shrank amid sluggish stock market conditions, general & administrative expenses decreased on the cost-cutting measures launched group-wide, and a KRW 6.7 billion reverse of allowance resulted as a part of provisions related to Woongjin was reversed.

Hana SK Card moved into the black in 2013, recording a net income of KRW 3.5 billion. A 11% reduction in general & administrative expenses and efficient asset management practices including loan asset liquidation, were the main contributing factors. Despite reduced merchant fees following new regulations and the discontinuation of the purchase operations of cellphone discount receivables, the Company signed up over 680,000 new members, and continued to increase card sales which led to a bigger market share. As a result, General operating income increased over the year to KRW 301.8 billion.

Hana Capital grew its financial assets by 18% from the year before. As a result of increased core profits, General operating income rose to KRW 143.3 billion. Increased sales resulted in a small increase in general & administrative expenses, but net income jumped to KRW 44.4 billion on the backs of loan asset liquidation and other prudent asset management measures. Hana Life turned in a profit on the backs of increased disposition/valuation gains and robust insurance sales. Hana Savings Bank also turned a profit, a sign of stabilizing business operations. Hana Asset Trust, despite the depressed real estate market, managed to turn a profit, albeit slightly lower than the year before, thanks to its all-out cost rationalization efforts. KEB Capital remained in the red, reflecting a business conversion-related due diligence.

*** NON- INTEREST INCOME** [Unit : KRW in billion]

	2013	2012	YoY	%
Fee & Commissions Income	1,675.6	1,627.5	48.1	2.96%
Credit Card	740.1	671.4	68.7	10.23%
Loans In FX-related	456.5	429.3	27.2	6.34%
Asset Management	447.7	499.3	-51.6	-10.33%
Beneficiary Certificates	134.5	133.0	1.5	1.13%
Brokerage	101.6	112.8	-11.2	-9.89%
Trust Fees	89.1	82.2	6.9	8.31%
Bancassurance	93.4	144.3	-50.9	-35.24%
Subscription & Agreement, Consulting	39.0	59.0	-20.0	-33.99%
Others	-7.7	-31.6	23.9	-
Gains on Disposition & Valuation	408.4	534.0	-125.6	-23.51%
Other General Operating Income	-329.3	631.0	-960.3	-
Dividend Income	42.8	63.5	-20.7	-32.56%
Contribution to Fund	-309.9	-299.6	-10.3	3.44%
Insurance Fees on Deposits	-269.8	-248.7	-21.1	8.50%
Others	207.6	1,115.9	-908.3	-81.39%
Total Non-Interest Income	1,754.7	2,792.5	-1,037.8	-37.16%

HFG posted a substantial decrease in non-interest income compared to the year before. The base effect of NGW was the main contributing factor.

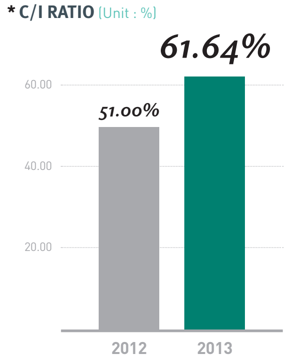
Fee & Commissions Income improved a bit in 2013 despite a sluggish fee performance related to asset management. Bancassurance fees fell following the reduction of tax benefits; and securities brokerage and underwriting fees shrank reflecting negative market conditions. Beneficiary certificates fees hardly changed, also mirroring the market conditions. Credit card fees, however, rose 10% to KRW 740.1 billion, a result of market share growth and increased membership. Loan and FX-related fees also increased, by 6% to KRW 456.5 billion.

Reviewing the market shares of fee-related products, credit card sales increased from mid 7% to upper 7%, while FX sales remained barely changed, hovering around 45%. Securities sales inched down to 3%, while beneficiary certificates sales showed a slight decrease, ending the year around 8%, owning to fund redemptions nearing KRW 1 trillion from equity (hybrid)-type products.

Moving on to disposition/valuation gains, Disposition/valuation gains decreased by KRW 125.6 billion to KRW 408.4 billion, mainly due to a KRW 150.0 billion reduction related to marketable securities. As interest rates declined over the year, the value and sales of debt securities followed suit, and as the stock markets slugged through, the value and sales of equity securities also decreased.

Other general operating income consists of insurance fees on deposits, contributions to the Deposit Guarantee Fund, and dividend income. The first two, which increase in proportion to relevant deposits and loans, amounted to KRW 309.9 billion and KRW 269.8 billion, respectively. Other Income fell substantially over the year, a result of the base effect of KEB-related NGW amounting to KRW 1,068.4 billion.

*** C/I RATIO** [Unit : %]



*** GENERAL AND ADMINISTRATIVE EXPENSES** [Unit : KRW in billion]

	2013	2012	YoY	%
General & Administrativie Expenses	3,846.3	3,769.8	76.5	2.03%
Salaries and Wages	1,515.9	1,569.5	-53.6	-3.42%
Retirement Benefits	200.5	237.9	-37.4	-15.72%
Equipment Expenses	1,514.6	1,386.9	127.7	9.21%
Depreciation and Amortization	491.0	446.2	44.8	10.04%
Taxes and Dues	124.4	129.3	-4.9	-3.79%
Cost to Income Ratio	61.64%	51.00%	10.64%p	-

General & Administrative Expense rose a mere 2.03% over the course of 2013 to KRW 3,846.3 billion thanks mainly to the group-wide cost-cutting efforts.

Salaries and wages hardly changed over the year: the 2013 annual increase in wages was offset as the extra bonuses which had been paid in 2012 in connection with the integration of KEB were exhausted and no longer applicable in 2013.

Retirement benefits came to KRW 200.5 billion, down 15.72% from the previous year, a reflection of the additional KRW 80.1 billion allowance realized in 2012.

Management's Discussion and Analysis
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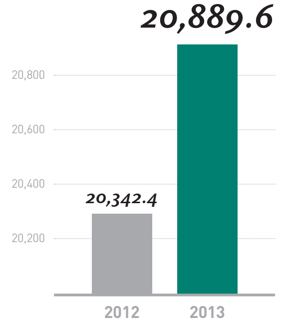
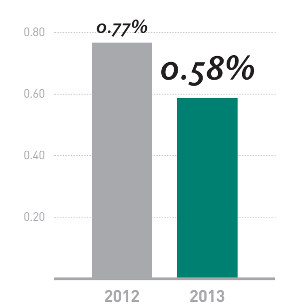
*** SHAREHOLDERS' EQUITY** [Unit : KRW in billion]



*** DELINQUENCY RATIO** [Unit : %]



Equipment expense which consists of expenses related to "semi-labor", general equipment maintenance, and marketing, rose 9.21% over the year to KRW 1,514.6 billion. Semi-labor expenses rose along with the annual wage increase. General maintenance expenses crept up on the back of rising prices, with property rents showing a noticeable increase. Supplies expenses decreased reflecting the group-wide cost-cutting measures implemented. Business execution expense also reflects the cost-cutting effect, with marketing and ad expenses both decreased from the year before.

However, as General operating expenses was directly affected by the base effect of NGW, and synergy effect from the KEB integration was still in the development stage, the C/I ratio ended up increasing 10.64%p to 61.64%.

III. SUMMARY OF FINANCIAL CONDITION

*** SUMMARIZED GROUP FINANCIAL CONDITION** [Unit : KRW in billion]

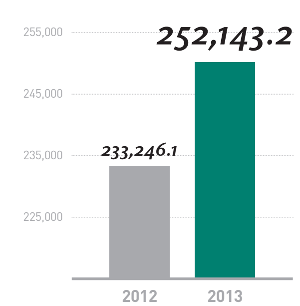
	2013	2012	YoY	%
Interest Earning Assets	256,068.6	246,615.0	9,453.6	3.83%
Due from Banks	10,981.4	10,297.7	683.7	6.64%
Fixed Income Securities	41,489.4	39,882.2	1,607.2	4.03%
Loans	203,597.8	196,435.1	7,162.7	3.65%
Other Revenue Earning Assets	78,445.2	68,257.3	10,187.9	14.93%
Non-Revenue Earning Assets	33,972.5	34,100.6	-128.1	-0.38%
Total Assets	368,486.4	348,972.8	19,513.6	5.59%
Interest Bearing Liabilities	317,895.1	299,398.1	18,497.0	6.18%
Deposits	187,225.7	178,262.8	8,962.9	5.03%
Borrowings	21,833.6	22,361.9	-528.3	-2.36%
Debentures	30,419.6	32,432.5	-2,012.9	-6.21%
Responsibility Reserve	1,716.6	0.0	1,716.6	-
Borrowings from Trust Accounts	1,239.3	908.0	331.3	36.48%
Trust Account Liabilities	75,460.3	65,432.8	10,027.5	15.32%
Non-Interest Bearing Liabilities	29,701.7	29,232.3	469.4	1.61%
Total Liabilities	347,596.7	328,630.4	18,966.3	5.77%
Shareholders' Equity	20,889.6	20,342.4	547.2	2.69%
Total Liabilities & Shareholders' Equity	368,486.4	348,972.8	19,513.6	5.59%

* The above table contains performance-dependent trust assets outside of the boundary of consolidated statement; thus, the table contains figures that are different from those in the financial statements audited for public notice purpose.

In 2013 HFG's assets grew 5% to KRW 368 trillion, reflecting the uniform increases of its major subsidiaries in assets. More important, asset quantity and quality grew side by side: the delinquency ratio as of the end of 2013 stood 0.58%, up 0.19%p from the year before. The Group's continued focus on asset portfolio optimization and comprehensive risk management proved effective.

Reviewing assets by subsidiary, Hana Bank grew its KRW loans, which take up the biggest part of interestgenerating assets, by 4.7% to KRW 107,428.8 billion, while KEB increased the same category by 4.1% to KRW 50,433.1 billion. Deposits also rose, as lingering economic uncertainties led investors to flight to safety. Though Hana SK Card's discontinuation of its mobile phone discount receivables purchase operations following the introduction of government regulations imposing high capital requirements negatively affected HFG's asset growth drive, the consolidation of Hana Life's and Hana Bancorp's accounting systems and the growth of sound assets by Hana Capital and overseas subsidiaries enabled HFG to posted the healthy increase in assets.

*** TOTAL SALES** [Unit : KRW in billion]



Shareholders' equity rose 2.69% to KRW 20,889.6 billion as retained earnings increased on a consolidated net income of KRW 933.9 billion and other accumulated income, including overseas transaction variations, decreased.

*** TOTAL SALES** [Unit : KRW in billion]

	2013	2012	YoY	%
Total Deposits	225,119.8	206,073.9	19,045.9	9.24%
Deposits	166,519.5	157,702.5	8,817.0	5.59%
Low Cost Deposits	31,792.4	27,698.6	4,093.8	14.78%
MMDA	20,874.7	20,607.9	266.8	1.29%
Time Deposits	103,458.7	101,874.3	1,584.4	1.56%
Installment Deposits	10,393.7	7,521.8	2,871.9	38.18%
Certificate of Deposits	797.3	937.5	-140.2	-14.96%
Bonds Sold under Repurchase Agreements	87.2	111.6	-24.4	-21.89%
Bills Sold	181.4	175.0	6.4	3.65%
Trust Account	57,534.4	47,147.3	10,387.1	22.03%
Sale of Beneficiary Certificates	27,023.4	27,172.2	-148.8	-0.55%
(Mixed) Equity Type	9,377.5	10,395.6	-1,018.1	-9.79%
(Mixed) Fixed Income Type	4,848.6	5,106.3	-257.7	-5.05%
MMF	6,722.2	6,237.4	484.8	7.77%
Others	6,075.1	5,432.9	642.2	11.82%
Total Sales	252,143.2	233,246.1	18,897.1	8.10%

HFG's total sales, a sum of total deposits and beneficiary certificates sales as of year-end, rose 8.10% to KRW 252,143.2 billion: while beneficiary certificates sales remained barely changed from the year before due to sluggish stock market conditions, growing investor preference for safe assets, increasing cash holdings among risk-averse corporations, and reinvigorating sales efforts by the banking subsidiaries contributed to the increase in total sales. In particular, the noteworthy growth of low-interest core deposits is expected to translate into a higher NIM which will in turn boost HFG's profitability.

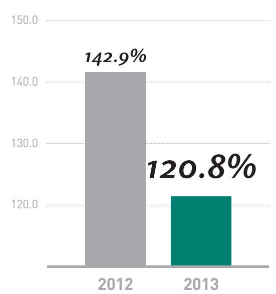
Reviewing year-end total sales by subsidiary, Hana Bank recorded KRW 128,316.4 billion in total deposits, up about 7% from the year before, and KRW 8,106.0 billion in beneficiary certificates sales, 2% down, owing to a 7% decrease in equity-type (hybrid) fund sales. KEB posted KRW 81,836.9 billion in total deposits, up about 11%, and KRW 3,950.2 billion in beneficiary certificates sales, owing to a 12% decrease in equity-type (hybrid) fund sales. Hana Daetoo Securities recorded KRW 13,930.2 billion in beneficiary certificates sales, similar to the figure the year before: a 12% decrease in equity-type (hybrid) fund sales was offset by a 31% increase in derivatives and other beneficiary certificates sales.

Ⅳ. ASSET QUALITY AND LOAN LOSS PROVISIONING

*** ASSET QUALITY** (Unit : KRW in billion)

	2013	2012	YoY	%
Total Credit	222,030.0	214,838.5	7,191.5	3.35%
Normal	215,395.6	208,042.0	7,353.6	3.53%
Precautionary	3,346.4	3,930.4	-584.0	-14.86%
Substandard	1,948.7	1,496.8	451.9	30.19%
Doubtful	654.9	853.9	-199.0	-23.30%
Estimated Loss	684.4	515.4	169.0	32.79%
Precautionary & Below				
Amount	6,634.4	6,796.5	-162.1	-2.39%
Ratio	2.99%	3.16%	-0.17%p	-
Substandard & Below (NPL)				
Amount	3,288.0	2,866.1	421.9	14.72%
Ratio	1.48%	1.33%	0.15%p	-
Total Loan Loss Reserve	3,970.8	4,095.4	-124.6	-3.04%
Loan Loss Allowance	2,308.6	2,505.5	-196.9	-7.86%
Loan Loss Reserve	1,662.3	1,589.9	72.4	4.55%
NPL Coverage ratio	120.80%	142.89%	-22.1%p	-

*** NPL COVERAGE RATIO** (Unit : %)



As of the end of 2013, HFG's total risk-weighted loans amounted to KRW 222,030.0 billion, up 3% from the year before, of which NPLs totaled KRW 3,288 billion. While Precautionary & Below inched down 0.17%p to 2.99% in proportion to total loans, NPLs crept up 0.14%p to 1.48%. The NPL coverage ratio decreased 22.1%p to 120.8%, mirroring a substantial reduction in provisioning. The decrease in the ratio is an indirect result of an additional provisioning made in 2012 in the application of HFG's provisioning standards to KEB, the relative severity of economic conditions and credit risk in the previous year, and the preemptive measures taken by the Group in 2013 against corporate and household defaults.

Ⅴ. CAPITAL ADEQUACY

*** REQUIRED RATIO OF THE EQUITY CAPITAL TO THE REQUISITE CAPITAL** (Unit : KRW in billion, %)

2013		2012	
Common Equity Tier 1 Capital	16,401.5	Tier 1 Capital	16,759.9
Additional Tier 1 Capital	667.3	Tier 2 Capital	7,311.7
Tier 2 Capital	5,605.6	(-) Investment Deduction	-97.0
Total BIS Capital	22,674.5	Total BIS Capital	23,974.6
Risk Weighted Assets	184,685.6	Risk Weighted Assets	205,723.0
BIS Capital Adequacy Ratio	12.28%	BIS Capital Adequacy Ratio	11.65%
CET 1 Ratio	8.88%	Tier 1 Ratio	8.15%
Tier 1 Ratio	9.24%		

Note) Basel III standard phase in beginning Dec. 2013 (prior CAR for Hana Bank is basel II standard)

Management's Discussion and Analysis Hana Bank

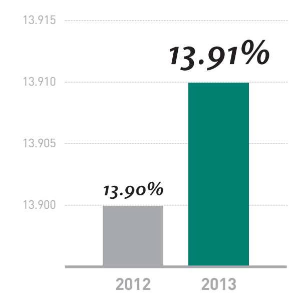
1. OVERVIEW OF HANA BANK

In 2013 the low-growth environment continued to dominate domestic financial markets, despite interest rate reduction, supplementary budget execution, and other monetary policy measures by the government, as the world economy struggled to recover, household debts grew at an alarming pace, the real estate remained inert, and consumption languished. Also seen were the emergence of various regulations setting higher standards for financial institutions to follow in their business management and tighter guidelines in respecting financial consumer rights.

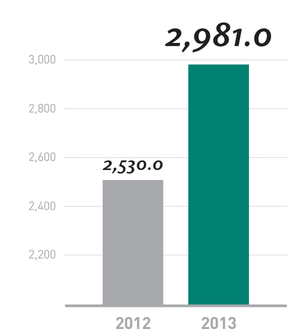
To maintain sustainable growth the Bank is fortifying its low-cost funding base, proactively responding to various industry regulations, including Basel III standards and financial consumer rights protection. In fact, Hana Bank was first in the banking industry to create a unit dedicated to consumer rights protection. Moreover, having adopted advanced risk management measures and systematic bad debt management processes, Hana Bank achieved in 2013 the industry's highest asset quality level.

In 2014 Hana Bank will try harder to earn more customer trust by putting its heart and soul into its products and services, while continuing to lead the industry by responding faster to market change and developing diverse income models that can make its aspiration for stable asset growth more realistic.

*** BIS CAR** (Unit : %)



*** EPS** (Unit : KRW)



*** SUMMARIZED FINANCIAL INFORMATION** (Unit : KRW in billion, thousand members, %)

	2013	2012	YoY	%
Business Volume				
Total Assets	157,601.9	151,539.1	6,062.8	4.00%
Total Liabilities	146,388.7	140,666.3	5,722.4	4.07%
Total Equity	11,213.2	10,872.9	340.3	3.13%
(Total Loans)	112,751.2	107,988.5	4,762.7	4.41%
(Total Deposits*)	128,316.4	119,930.6	8,385.8	6.99%
Profitability				
General Operating Income	2,707.7	2,923.5	-215.8	-7.38%
Operating Income	793.6	759.8	33.8	4.45%
Net Income	655.2	574.1	81.1	14.13%
ROA	0.42%	0.37%	0.05%p	-
ROE	5.92%	5.27%	0.65%p	-
EPS(Unit:KRW)	2,981	2,530	451	17.83%
BPS(Unit:KRW)	51,016	49,467	1,549	3.13%
Cost to Income Ratio	54.32%	53.01%	1.31%p	-
Asset Soundness				
NPL Ratio	1.47%	1.08%	0.39%p	-
NPL Coverage Ratio	118.24%	169.91%	-51.67%p	-
Delinquency Ratio	0.39%	0.48%	-0.09%p	-
Capital Adequacy				
BIS CAR	13.91%	13.90%	0.01%p	-
CET 1 Ratio	10.53%	N/A	-	-
Tier 1 Ratio	10.54%	9.61%	0.93%p	-

* Excluding savings in foreign currency
Note) Basel III standard phase in beginning Dec. 2013 (prior CAR for Hana Bank is basel II standard)

Management's Discussion and Analysis
Hana Bank

II. SUMMARY OF BUSINESS PERFORMANCE

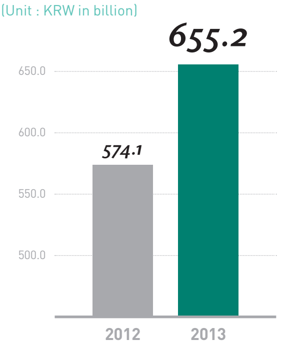
*** COMPREHENSIVE INCOME STATEMENT** (Unit : KRW in billion)

	2013	2012	YoY	%
General Operating Income	2,707.7	2,923.5	-215.8	-7.38%
Net Interest Income	2,489.3	2,670.7	-181.4	-6.79%
Fee & Commissions Income	385.6	427.2	-41.6	-9.74%
Gains on Disposition & Valuation	166.9	126.9	40.0	31.52%
Other General Operating Income	-334.1	-301.2	-32.9	10.92%
General & Administrative Expenses	1,470.7	1,549.8	-79.1	-5.10%
Pre- Provisioning Income	1,237.0	1,373.7	-136.7	-9.95%
Provisioning for Loan Losses(△)	443.4	613.9	-170.5	-27.77%
Operating Income	793.6	759.8	33.8	4.45%
Non-Operating Income	5.4	-84.4	89.8	-106.40%
Income before income taxes and Consolidation Adjustments	799.0	675.4	123.6	18.30%
Income Tax Expenses(△)	143.8	101.4	42.4	41.81%
Net Income	655.2	574.1	81.1	14.13%

In 2013 Hana Bank earned KRW 655.2 billion in net income, up KRW 81.1 billion from the year before. Net interest income, affected by falling NIMs, contracted. Fee and commissions Income decreased due to tax revisions involving bancassurance while marketable securities-related income increased. Operating income increased 4.45% to KRW 793.6 billion on account of decreases in General & Administrative Expenses and provisioning. Non-operating income increased KRW 89.8 billion on account of a decrease in impairment losses over equity method investment securities.

Net interest income decreased 7.38% to KRW 2,489.3 billion. Reflecting the continuing low-interest environment, NIM dropped 18bp in the course of 2013 to 1.58% at year-end. In response to the falling profit margins, Hana Bank focused on expanding the customer base and reducing funding costs through the increase of core deposits.

*** NET INCOME**
(Unit : KRW in billion)



Fee & Commissions Income decreased 9.74% to KRW 385.6 billion. Bancassurance fees dropped KRW 36.8 billion owing to tax revisions, trust fees fell KRW 5.7 billion due to a decrease in reversal of special reserve for retirement trust accounts, and ABS fees shrank KRW 3.0 billion as the securitization market for PF and other discount securities contracted. Fees related to loans and commercial mortgage loans, on the other hand, increased as mortgage loan transfers increased.

Disposition/valuation Gains rose 31.52% to KRW 166.9 billion. Marketable securities rose by KRW 89.0 billion, reflecting increased gains from the disposal of investment securities and decreased impairment losses on marketable securities, while derivatives-related gains decreased by KRW 49.0 billion.

General & Administrative Expenses decreased by KRW 79.1 billion as the special bonuses that had been paid in 2012 expired and cost-cutting efforts proved effective. Despite the 2013 annual wage increase, Hana Bank was able to cut discretionary expenses and reduce budgets through effective cost management.

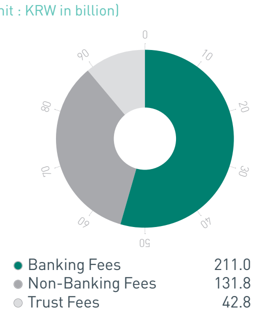
Provisioning decreased KRW 170.5 billion to KRW 443.4 billion. In 2013 the Bank was able to reduce its provisioning burden by continuing efforts aimed at enhancing the quality of its assets, unloading bad debts, and strengthening risk management.

Non-operating income increased by KRW 89.8 billion over the year, as impairment losses over equity method investment securities decreased by KRW 77.3 billion and the dividend income of subsidiaries rose by KRW 13.5 billion.

*** FEE & COMMISSIONS INCOME** (Unit : KRW in billion)

	2013	2012	YoY	%
Fee & Commissions Income	385.6	427.2	-41.6	-9.74%
Banking Fees	211.0	210.8	0.2	0.09%
Fees in Acceptances and Guarante	25.5	25.0	0.5	2.00%
Fees Related to Loans	47.2	43.7	3.5	8.01%
Fees in Foreign Currencies	45.7	46.7	-1.0	-2.14%
Others	92.6	95.4	-2.8	-2.94%
Non-Banking Fees	131.8	167.8	-36.0	-21.45%
Sales of Beneficiary Certificate	62.2	61.3	0.9	1.47%
Bancassurance	69.6	106.4	-36.8	-34.59%
Trust Fees	42.8	48.5	-5.7	-11.75%
Gains on Disposition & Valuation	166.9	126.9	40.0	31.52%
Other General Operating Income	-334.1	-301.2	-32.9	10.92%
Dividend Income	24.5	41.0	-16.5	-40.24%
Insurance Fees on Deposits	-156.8	-150.5	-6.3	4.19%
Contribution to Fund	-208.1	-208.1	0.0	0.00%
Others	-36.5	-32.1	-4.4	13.71%

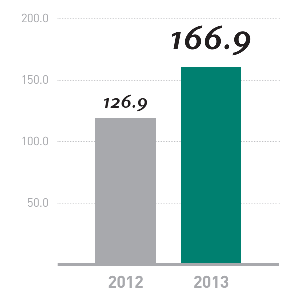
*** FEE & COMMISSIONS INCOME COMPOSITION BY PART**
(Unit : KRW in billion)



Hana Bank's 2013 non-interest income came to KRW 218.4 billion, down KRW 34.5 billion from the year before. Fee & Commissions Income decreased 9.74% to KRW 385.6 billion, Disposition/valuation Gains rose KRW 40.0 billion to KRW 166.9 billion, and Other General Operating Income loss increased KRW 32.9 billion to KRW 334.1 billion.

Reviewing Banking Fees, as commercial mortgage loan sales increased, related fees rose by KRW 4.9billion, as loans-related fees increased by KRW 3.5 billion on growing processing fees on loans and limit loans increased, while ABS fees decreased by KRW 3.0 billion following the discontinuation of major asset-backed securitization operations. ATM transaction fees decreased by KRW 2.6 billion and remittance fees by KRW 2.1 billion.

*** GAINS ON DISPOSITION & VALUATION**
(Unit : KRW in billion)

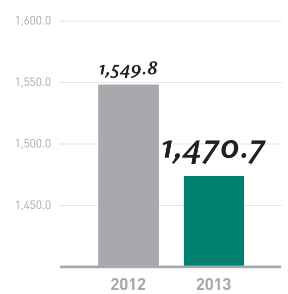


Non-banking Fees decreased by KRW 36.0 billion to KRW 131.8 billion. Bancassurance fees, mirroring the negative effect of tax revisions, decreased KRW 36.8 billion, while beneficiary certificates-related fees, which had been on the decline in the past few years, instead rose KRW 0.9 billion over the course of 2013.

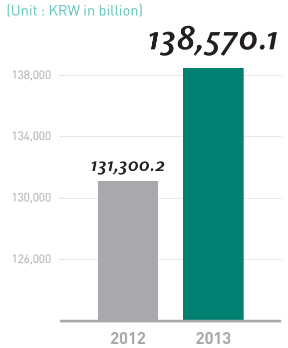
Disposition/valuation Gains rose KRW 40.0 billion to KRW 166.9 billion. Gains from marketable securities increased KRW 89.0 billion as gains from the disposal of investment bonds rose and impairment losses on investment securities decreased. Gains from FX

Management's Discussion and Analysis
Hana Bank

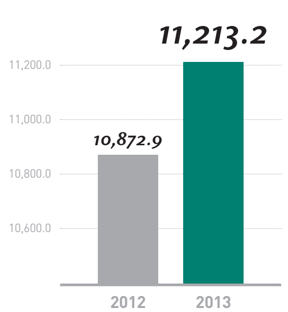
*** G&A EXPENSES** (Unit : KRW in billion)



*** INTEREST EARNING ASSETS** (Unit : KRW in billion)



*** SHAREHOLDERS' EQUITY** (Unit : KRW in billion)



operations decreased KRW 49.0 billion as valuation gains on equity securities decreased by KRW 37.8 billion due to an appreciating KRW.

Other General Operating Income loss increased KRW 32.9 billion to KRW 334.1 billion, due mainly to a decrease of KRW 16.5 billion in dividend income.

*** GENERAL AND ADMINISTRATIVE EXPENSES** (Unit : KRW in billion)

	2013	2012	YoY	%
General & Administrativie Expenses	1,470.7	1,549.8	-79.1	-5.10%
Salaries and Wages	527.5	615.1	-87.6	-14.24%
Retirement Benefits	91.2	109.7	-18.5	-16.86%
Equipment Expenses	650.8	632.9	17.9	2.83%
Depreciation and Amortization	146.4	130.2	16.2	12.44%
Taxes and Dues	54.7	62.0	-7.3	-11.77%
Cost to Income Ratio	54.32%	53.01%	1.31%p	-

General & Administrative Expenses came to KRW 1,470.7 billion at the end of 2013, down KRW 79.1 billion from a year ago. Of the figure Salaries & Wages decreased by KRW 87.6 billion owing to the exhaustion of the special bonuses paid out in 2012, while Equipment Expenses rose by KRW 17.9 billion as the annual labor-management agreement resulted in an increase in welfare expenses.

In 2013 Hana Bank managed to keep real estate maintenance expenses under the inflation rate by setting up a cost-efficiency plan, reducing discretionary expenses, and slashing the number of non-essential events or gatherings.

Retirement Benefits decreased by KRW 18.5 billion as a result of the expired effect of the 2012 transfer of ordinary wages into allowance for the employee pension fund.

Ⅲ. SUMMARY OF FINANCIAL CONDITION

*** SUMMARIZED FINANCIAL CONDITION** (Unit : KRW in billion)

	2013	2012	YoY	%
Interest Earning Assets	138,570.1	131,300.2	7,269.9	5.54%
Due from Banks	3,978.5	2,167.3	1,811.2	83.57%
Fixed Income Securities	19,270.9	19,030.4	240.5	1.26%
Loans	115,320.7	110,102.5	5,218.2	4.74%
Other Revenue Earning Assets	6,361.0	6,767.2	-406.2	-6.00%
Stocks and Others	3,990.0	3,894.1	95.9	2.46%
Domestic Import Usance Bill	2,371.0	2,873.1	-502.1	-17.48%
Non-Revenue Earning Assets	12,670.8	13,471.7	-800.9	-5.95%
Total Assets	157,601.9	151,539.1	6,062.8	4.00%
Interest Bearing Liabilities	138,131.0	132,267.3	5,863.7	4.43%
Deposits	111,356.7	106,257.8	5,098.9	4.80%
Borrowings	9,788.9	9,884.3	-95.4	-0.97%
Debentures	14,355.7	14,771.7	-416.0	-2.82%
Borrowings from Trust Accounts	2,629.6	1,353.5	1,276.1	94.28%

(continued on next page)

	2013	2012	YoY	%
Non-Interest Bearing Liabilities	8,257.8	8,399.0	-141.2	-1.68%
Total Liabilities	146,388.8	140,666.3	5,722.5	4.07%
Shareholders' Equity	11,213.2	10,872.9	340.3	3.13%
Total Liabilities & Shareholders' Equity	157,601.9	151,539.1	6,062.8	4.00%

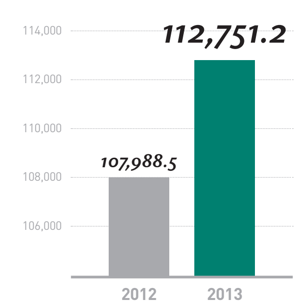
In 2013 the Bank's total assets rose by KRW 6,062.8 billion to KRW 157,601.9 billion: Loans and other interest-sensitive assets increased, while Domestic Import Usance Bill and Other Revenue Earning Assets decreased.

Interest-sensitive assets rose by KRW 7,269.9 billion to KRW 138,570.1 billion. Loans rose by KRW 5,218.2 billion to KRW 115,320.7 billion: corporate loans increased by KRW 3,510.3 billion and household loans by KRW 1,483.4 billion, while bills bought in foreign currency decreased by KRW 224.8 billion. The increase in corporate loans can be traced mostly to SMEs, while that in household loans is linked to salaried workers with good credit and mortgaged loans. Marketable securities rose KRW 240.5 billion on increased government bond holdings.

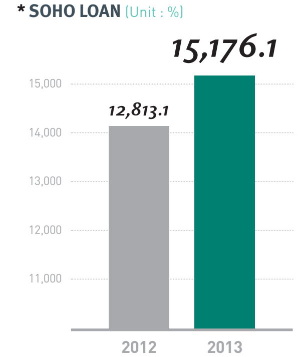
Interest Bearing Liabilities rose by KRW 5,863.7 billion: Deposits increased by KRW 5,098.9 billion, Borrowings from Trust Accounts by KRW 1,276.1 billion, while Debentures decreased by 2.82% as a result of efforts on the part of the Bank to optimize the Double Leverage ratio.

Shareholders' Equity rose by KRW 340.3 billion. Retained Earnings increased by KRW 525.5 billion as KRW129.7 billion was paid at the beginning of 2013 as dividend out of the 2013 net income of KRW 655.2 billion, while Total Accumulated Profit & Loss decreased by KRW 158.5 billion as a result of an increase in actuarial losses related to valuation losses on marketable securities and employee retirement liabilities.

*** TOTAL LOANS** (Unit : KRW in billion)



*** SOHO LOAN** (Unit : %)



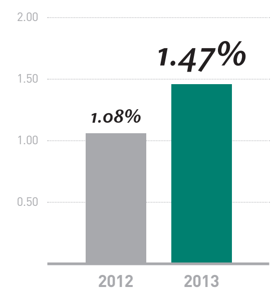
*** TOTAL LOANS & TOTAL DEPOSITS** (Unit : KRW in billion)

	2013	2012	YoY	%
Total Loans	112,751.2	107,988.5	4,762.7	4.41%
Corporate	58,030.1	54,743.9	3,286.2	6.00%
SME	35,903.7	33,681.2	2,222.5	6.60%
(SOHO)	15,176.1	12,813.1	2,363.0	18.44%
Large Corp.	19,997.6	19,469.9	527.7	2.71%
Public Sector & Others	2,128.8	1,592.9	535.9	33.64%
Households	54,721.2	53,244.5	1,476.7	2.77%
Total Deposits *	128,316.4	119,930.6	8,385.8	6.99%
Deposits in KRW	107,426.0	102,691.9	4,734.1	4.61%
Low Cost Funding	31,841.8	29,675.1	2,166.7	7.30%
(Core Deposits)	16,766.3	14,631.6	2,134.7	14.59%
(MMDA)	15,075.5	15,043.6	31.9	0.21%
Time Deposits	69,429.9	68,525.1	904.8	1.32%
Installment Deposits	5,421.1	3,604.2	1,816.9	50.41%
CD & Others	733.2	887.5	-154.3	-17.39%
Trust Account	20,890.4	17,238.7	3,651.7	21.18%

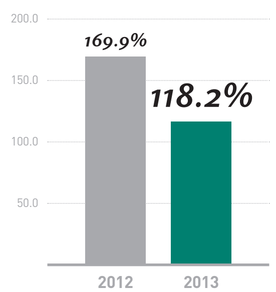
* Excluding savings in foreign currency

Management's Discussion and Analysis
Hana Bank

* NPL RATIO (Unit : %)



* NPL COVERAGE RATIO (Unit : %)



Total loans rose by KRW 4,762.7 billion to KRW 112,751.2: corporate loans rose by KRW 3,286.2 billion, of which SOHO loans amounted to KRW 2,363.0 billion, a 18.44% increase from the year before, while household loans rose by KRW 1,476.7 billion which comprises mostly mortgage loans and loans to salaried workers with good credit.

Total deposits rose by KRW 8,385.8 billion to KRW 128.316.4 billion. Core Deposits increased by KRW 2,134.7 billion, or 14.59%, contributing to the improvement of the overall funding structure. Installment deposits soared 50.14% to KRW 1,816.9 billion, while trust deposits rose KRW 3,651.7billion.

Ⅳ. ASSET QUALITY AND LOAN LOSS PROVISIONING

*** ASSET QUALITY** (Unit : KRW in billion)

	2013	2012	YoY	%
Total Credit	122,758.4	118,788.2	3,970.2	3.34%
Normal	119,672.0	115,663.4	4,008.6	3.47%
Precautionary	1,276.0	1,846.9	- 570.9	-30.91%
Substandard	1,085.5	708.6	376.9	53.19%
Doubtful	341.9	274.8	67.1	24.42%
Estimated Loss	383.0	294.4	88.6	30.07%
Precautionary & Below				
Amount	3,086.3	3,124.7	- 38.4	-1.23%
Ratio	2.51%	2.63%	-0.12%p	-
Substandard & Below (NPL)				
Amount	1,810.3	1,277.8	532.5	41.68%
Ratio	1.47%	1.08%	0.39%p	-
Loan Loss Allowance	1,063.1	1,168.8	- 105.7	-9.04%
Loan Loss Reserve	1,077.4	1,002.2	75.2	7.50%
NPL Coverage Ratio	118.24%	169.91%	-51.67%p	-

During the course of 2013 the Bank's total loans rose by KRW 3,970.2 billion to KRW 122,758.4 billion. NPLs rose by KRW 532.5 billion to KRW 1,810.3 billion despite the measures taken to write-down, dispose, and swap bad loans for equity, reflecting revised policies and guidelines imposed by the financial authorities.

In the course of 2013 NPLs grew KRW 1,324.7 billion comprising KRW 1,219.0 billion of new bad debt, KRW 128.2 billion related to Hangil I&D, KRW 253.9 billion in household debt, and KRW 281.2 billion newly categorized the financial authorities' revised guidelines as bad debt. The net increase amounted to KRW 532.5 billion after KRW 666.1 billion worth of debts had been written off, KRW 314.4 billion sold, and KRW 65.6 billion swapped for equity.

Despite the Bank's continued focus on its bad debt management and credit approval process, the NPL ratio increased to 1.47%, owing mainly to the effect of the revised guidelines and the emergence of newly-categorized bad debt.

Loan Loss Allowance decreased by KRW 105.7 billion to KRW 1,063.1 billion, as Precautionary & Below Loans (corporate) increased. The NPL coverage ratio decreased by 51.67% to 118.24%. Though the decrease is owed to an increase in NPLs, the ratio still exceeds 110%, a level set and deemed by the Bank as desirable and adequate to cover any unexpected losses.

In 2013 provisioning amounted to KRW 451.3 billion, including KRW 521.9 billion allocated in response to rising debts in arrears and changes in credit rating, while KRW 28.6 billion was reversed on account of a KRW 121.3 billion debt-for-equity swap, a KRW 29.4 billion reversal from debt disposal, write-offs, and revised credit ratings.

*** CAPITAL ADEQUACY - HANA BANK** (Unit : %, KRW in billion)

Basel II	2012	2011	2010
Tier 1 Capital	8,451.0	8,270.7	7,941.5
Tier 2 Capital	3,777.2	3,303.8	2,466.8
Loan Loss Reserve	546.7	536.8	453.5
Upper Tier 2	18.0	18.0	18.0
Lower Tier 2	3,053.5	2,609.2	2,136.5
Others	159.0	139.9	-141.3
Total BIS Capital	12,228.2	11,574.5	10,408.3
Risk Weighted Assets	87,977.8	86,097.3	74,131.0
BIS Capital Adequacy Ratio	13.90%	13.44%	14.04%
Tier 1 Ratio	9.61%	9.61%	10.71%
Tier 2 Ratio	4.29%	3.84%	3.33%

Basel III	2013
Tier 1 Capital	9,945.0
Common Equity Tier 1 Capital	1,147.4
Additional Tier 1 Capital	12.3
Tier 2 Capital	3,185.3
Loan Loss Reserve	530.5
Total BIS Capital	13,142.5
Risk Weighted Assets	94,459.4
BIS Capital Adequacy Ratio	13.91%
CET 1 Ratio	10.53%
Tier 1 Ratio	10.54%
Tier 2 Ratio	3.37%

The Bank issued in 2012 subordinated bonds worth a total of KRW 1,400 billion and in 2013 subordinated bonds worth KRW 200 billion, as part of its effort to strengthen the capital base. From December 2013 the Bank started reporting BIS ratios in accordance with the Basel III standards, and the ratio hovered above the required level 8% as of the end of 2013.

Management's Discussion and Analysis
Korea Exchange Bank

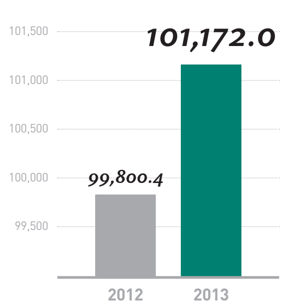
1. OVERVIEW OF KOREA EXCHANGE BANK

In the year 2013, the Korean banking industry was saddled with a score of developments both from within and without that hindered its growth: rumors of QE taper by the U.S. and concerns over the slowing growth pace of China's economy struggling to rebalance itself heightened uncertainty over the world economy; on the domestic front, the lingering low interest environment, contracting consumption and investment sentiments in reaction to mushrooming household debts and shrinking real estate transactions, growing bad debts of some large corporations, and increasing financial consumer protection measures, all these combined to present a tremendous downward pressure on the industry.

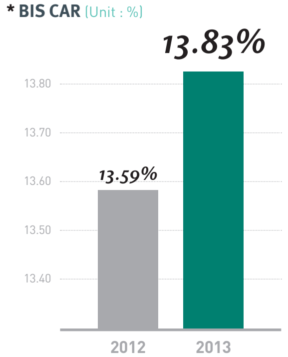
Korea Exchange Bank, too, felt the compound blow of these daunting situations, suffering falling NIMs and decreasing non-interest income, in particular. Because of such a bleak backdrop, some of its 2013 achievements are all the more splendid: its total loans grew at a rate the highest in the industry, the overseas network expanded to Turkey and four other countries, and one of its new card products set a "million-seller" record in 13 months, to name but a few.

KEB also realigned its asset portfolio closer to the optimum state by increasing the SME and SOHO loan portions. Asset quality and capital adequacy remained sound and strong on account of the preemptive measures taken in a systematic manner in 2013. As the current market uncertainties are expected to linger into 2014, KEB plans to continue to focus on expanding the customer base, enhancing its global business competencies, and fortifying its forward-looking risk management and marketing.

*** TOTAL ASSETS** (Unit : KRW in billion)



*** BIS CAR** (Unit : %)



*** SUMMARIZED FINANCIAL INFORMATION** (Unit : KRW in billion, thousand members, %)

	2013	2012	YoY	%
Business Volume				
Total Assets	101,172.0	99,800.4	1,371.6	1.37%
Total Liabilities	91,755.3	90,891.0	864.3	0.95%
Total Equity	9,416.7	8,909.3	507.4	5.70%
(Total Loans*)	50,433.1	48,462.7	1,970.4	4.07%
(Total Deposits*)	51,664.7	50,094.1	1,570.6	3.14%
Profitability				
General Operating Income	2,519.1	2,969.6	-450.5	-15.17%
Operating Income	553.4	863.6	-310.2	-35.92%
Net Income	360.4	634.4	-274.0	-43.18%
ROA	0.35%	0.63%	-0.28%p	-
ROE	4.02%	7.28%	-3.26%p	-
EPS(Unit:KRW)	559	984	-425	-43.18%
BPS(Unit:KRW)	14,602	13,815	787	5.70%
Cost to Income Ratio	56.96%	49.25%	7.71%p	-
Asset Soundness				
NPL Ratio	1.17%	1.19%	-0.02%p	-
NPL Coverage Ratio	132.68%	140.91%	-8.23%p	-
Delinquency Ratio	0.47%	0.62%	-0.15%p	-
Capital Adequacy				
BIS ratio	13.83%	13.59%	0.24%p	-
CET 1 Ratio	11.12%	N/A	-	-
Tier 1 Ratio	11.66%	11.06%	0.60%p	-

* Excluding foreign currency and trust deposits
Note) Basel III standard phase in beginning Dec. 2013 (prior CAR for KEB is basel II standard)

II. SUMMARY OF BUSINESS PERFORMANCE

*** COMPREHENSIVE INCOME STATEMENT** (Unit : KRW in billion)

	2013	2012	YoY	%
General Operating Income	2,519.1	2,969.6	-450.5	-15.17%
Net Interest Income	1,577.9	1,784.8	-206.9	-11.59%
Fee & Commissions Income	662.1	693.2	-31.1	-4.50%
Gains on Disposition & Valuation	376.7	638.1	-261.4	-40.96%
Other General Operating Income	-97.6	-146.6	49.0	-33.43%
General & Administrative Expenses	1,434.8	1,462.6	-27.8	-1.90%
Pre-Provisioning Income	1,084.3	1,507.0	-422.7	-28.05%
Provisioning for Loan Losses(△)	530.9	643.4	-112.5	-17.48%
Operating Income	553.4	863.6	-310.2	-35.92%
Non-Operating Income	-107.5	12.5	-120.0	-961.35%
Income before income taxes and Consolidation Adjustments	445.9	876.1	-430.2	-49.11%
Income Tax Expenses(△)	85.4	241.7	-156.3	-64.65%
Net Income	360.4	634.4	-276.0	-43.18%

In 2013 KEB posted a net income of KRW 360.4 billion, KRW 273.9 billion below the previous year. Net interest income decreased on falling NIMs; fee and commissions income diminished on account of bancassurance tax revisions and increased credit card commissions paid; and disposition/valuation gains fell owing to the base effect of the one-off Hynix disposal gains realized in 2012. General & administrative expenses, on the other hand, improved over the year before.

Reviewing each income item, net interest income decreased by 11.59% to KRW 1,577.9 billion. Reflecting the continuing low interest environment, NIM decreased 25bp in 2013 alone to 2.11%.

Fee and commissions income diminished by 4.5% to KRW 662.1 billion. Owing to tax benefit revisions, bancassurance fees reduced by KRW 5.6 billion; affected by contracting imports and change in the fee system, FX fees decreased KRW 8.6 billion; and as growing card sales accompanied growing card commissions paid, card fees lessened, by KRW 15.2 billion.

Disposition/valuation gains reduced 40.96% to KRW 376.7 billion. The base effect of the KRW 175.6 billion gains realized in 2012 from the sale of Hynix holdings and decreases in valuation gains related to FX and trading are the main contributing factors.

General & Administrative Expenses reduced by KRW 27.8 billion owing to the base effect of the special bonuses paid out in 2012 and the cost-cutting measures implemented bank-wide in 2013. Salaries and wages decreased KRW 8.3 billion on account of the reduction of extra bonuses, and equipment expenses decreased on various bank-wide conservation campaigns conducted in the face of rising prices.

Provisioning decreased KRW 112.5 billion to KRW 530.9 billion. Of the figure, loan loss provisions diminished KRW 151.7 billion to KRW 481.5 billion. Mirroring the reduction of provisioning, the credit cost ratio improved by 0.24%p to 0.60% despite the increase of total loans.

Management's Discussion and Analysis
Korea Exchange Bank

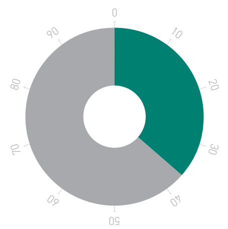
Non-operating income fell by KRW 120.0 billion to minus KRW 107.5 billion due to a KRW 87.9 billion impairment loss stemming from KEB Capital's income performance.

Income before income tax reduced KRW 430.2 billion to KRW 445.9 billion, and net income after KRW 85.4 billion in tax came to KRW 360.4 billion.

*** FEE & COMMISSIONS INCOME** (Unit : KRW in billion)

	2013	2012	YoY	%
Fee & Commissions Income	662.1	693.2	-31.1	-4.50%
Banking Fees	241.0	251.7	-10.7	-4.24%
Fees in Acceptances and Guarante	53.2	53.1	0.1	0.19%
Fees Related to Loans	65.8	68.0	-2.2	-3.15%
Fees in Foreign Currencies	122.0	130.6	-8.6	-6.61%
Non-Banking Fees	421.0	441.5	-20.5	-4.64%
Sales of Beneficiary Certificate	33.6	34.2	-0.6	-1.68%
Bancassurance	31.2	36.7	-5.5	-15.15%
Trust Fees	39.0	38.2	0.8	2.11%
Credit Card Fees	317.3	332.4	-15.1	-4.56%
Gains on Disposition & Valuation	376.7	638.1	-261.4	-40.96%
Other General Operating Income	-97.6	-146.6	49.0	-33.43%
Dividend Income	10.3	9.1	1.2	13.73%
Insurance Fees on Deposits	-103.8	-99.2	-4.6	4.64%
Contribution to Fund	-101.8	-99.2	-2.6	2.58%
Others	97.7	42.8	54.9	128.35%

*** FEE & COMMISSIONS INCOME COMPOSITION BY PART**
(Unit : KRW in billion)



As of the end of 2013, non-interest income was KRW 941.2 billion, down KRW 243.6 billion from the year before: fee and commissions income reduced 4.5% to KRW 662.1 billion; Disposition/valuation gains diminished KRW 261.4 to KRW 376.4 billion; and other operating income fell to minus KRW 97.6 billion.

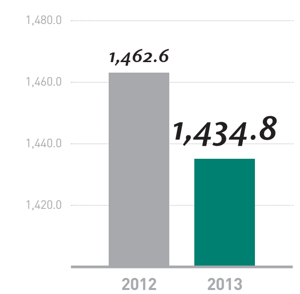
As for banking items, fees related to loans inched down KRW 2.1 billion, and FX fees declined KRW 8.6 billion, owing mainly to contracting imports and to change in the LC term charge whose effect calculated to be about KRW 4.5 billion.

Non-banking fees reduced KRW 20.5 billion to KRW 421.0 billion: bancassurance fees declined KRW 5.6 billion owing to change in relevant tax benefits; credit card fees decreased KRW 15.2 billion to KRW 317.3 billion, as the effect of a jump in card sales was offset by corresponding card fees paid.

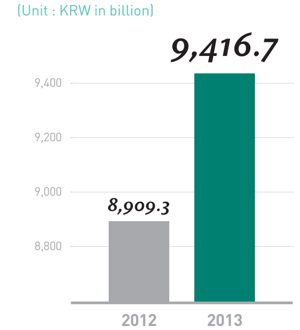
Disposition/valuation gains dropped KRW 261.4 billion to KRW 376.7 billion: in addition to the base effect of the KRW 175.6 billion sale of Hynix share holdings realized in 2012, FX valuation gains decreased by KRW 42.7 billion, while trading-related valuation gain reduced by KRW 19.8 billion.

Other operating income came to minus KRW 97.6 billion, a KRW 49.0 billion improvement from the year before.

*** G&A EXPENSES**
(Unit : KRW in billion)



*** SHAREHOLDERS' EQUITY**
(Unit : KRW in billion)



*** GENERAL AND ADMINISTRATIVE EXPENSES** (Unit : KRW in billion)

	2013	2012	YoY	%
General & Administrativie Expenses	1,434.8	1,462.6	-27.8	-1.90%
Salaries and Wages	771.9	780.2	-8.3	-1.06%
Retirement Benefits	86.2	112.6	-26.4	-23.46%
Equipment Expenses	438.1	430.8	7.3	1.70%
Depreciation and Amortization	100.7	96.5	4.2	4.35%
Taxes and Dues	37.9	42.5	-4.6	-10.76%
Cost to Income Ratio	56.96%	49.25%	7.71%p	-

In 2013 General & Administrative Expenses were KRW 1,434.8 billion, KRW 27.8 billion less than the year before: salaries and wages declined KRW 8.3 billion owing to the reduction of special bonus payments and to other cost-efficiency efforts made in the year.

Other than advertising expenses, office supplies and building upkeep expenses, and other discretionary expenses, all decreased, despite cross-the-board price increases. Ad campaign and business activity expenses were maintained at levels comparable to the year before to prevent business contraction following the Bank's merge with Hana Financial Group.

Contributions to the employee retirement fund declined KRW 26.4 billion owing to the base effect of the KRW 34.6 billion pension supplementary payment made in 2012.

Ⅲ. SUMMARY OF FINANCIAL CONDITION

*** SUMMARIZED FINANCIAL CONDITION** (Unit : KRW in billion)

	2013	2012	YoY	%
Interest Earning Assets	83,427.9	81,640.9	1,787.0	2.19%
Due from Banks	3,061.7	3,633.6	-571.9	-15.74%
Fixed Income Securities	10,662.4	11,568.4	-906.0	-7.83%
Loans	69,703.8	66,439.0	3,264.8	4.91%
Other Revenue Earning Assets	1,925.4	1,612.4	313.0	19.41%
Stocks and Investments	1,859.1	1,558.6	300.5	19.28%
Others	66.3	53.8	12.5	23.25%
Non-Revenue Earning Assets	15,818.7	16,547.0	-728.3	-4.40%
Total Assets	101,172.0	99,800.4	1,371.6	1.37%
Interest Bearing Liabilities	79,150.2	76,952.8	2,197.4	2.86%
Deposits	65,135.3	63,570.1	1,565.2	2.46%
Borrowings	6,520.7	6,562.5	-41.8	-0.64%
Debentures	6,582.0	5,810.1	771.9	13.29%
Borrowings from Trust Accounts	912.3	1,010.1	-97.8	-9.68%
Non-Interest Bearing Liabilities	12,605.1	13,938.2	-1,333.1	-9.56%
Total Liabilities	91,755.3	90,891.0	864.3	0.95%
Shareholders' Equity	9,416.7	8,909.3	507.4	5.70%
Total Liabilities & Shareholders' Equity	101,172.0	99,800.4	1,371.6	1.37%

Management's Discussion and Analysis
Korea Exchange Bank

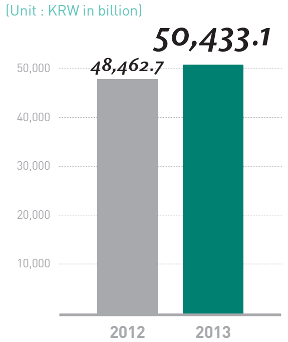
Total assets as of the end of 2013 stood at KRW 101,172.0 billion, up KRW 1,371.7 billion from the year before. Loans and other interest-sensitive assets and other income assets rose, while cash and other non-income assets decreased, thereby improving the asset structure compared to the year before.

Interest-sensitive assets increased by KRW 1,787.0 billion to KRW 83,427.9 billion. Loans rose by KRW 3,264.8 billion to KRW 69,703.8 billion: corporate loans expanded by KRW 1,462.9 billion, household loans by KRW 553.9 billion, and bills bought in foreign currency by KRW 765.1 billion. The increase of corporate loans comprises mostly SME and SOHO loans, while that of household loans consists largely of mortgage loans. Marketable securities diminished KRW 905.9 billion as the Bank reduced its held-to-maturity holdings in response to the low interest environment.

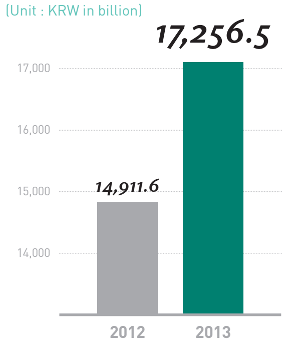
Interest-sensitive liabilities rose KRW 2,197.4 billion: borrowings inched down while deposits and debentures both increased. Deposits, consisting mostly of low-cost demand deposits, expanded KRW 1,565.1 billion, and KRW and foreign currency-denominated debentures by KRW 316.6 billion and KRW 455.3, respectively.

Shareholders' equity augmented by KRW 507.4 billion. Net income came to KRW 360.4 billion which, after the dividends paid out at the beginning of 2013, came to KRW 308.9 billion as an increase in retained earnings. To boost the capital base in accordance with Basel III guidelines, the Bank issued hybrid bonds with the face value of KRW 180 billion.

*** TOTAL LOANS**
(Unit : KRW in billion)



*** SME LOAN**
(Unit : KRW in billion)



*** TOTAL LOANS & TOTAL DEPOSITS** (Unit : KRW in billion)

	2013	2012	YoY	%
Total Loans	50,433.1	48,462.7	1,970.4	4.07%
Corporate loan	28,512.5	27,095.9	1,416.0	5.23%
SME	17,256.5	14,911.6	2,344.9	15.73%
(SME - Audited & Non Audited)	13,685.9	12,267.5	1,418.4	11.56%
(SOHO)	3,570.6	2,644.1	926.5	35.04%
Large Corp.	10,596.4	11,562.5	-966.1	-8.36%
Public Sector & Others	659.6	621.9	37.7	6.07%
Loans to Households	21,920.6	21,366.7	553.9	2.59%
Total Deposits *	51,664.7	50,094.1	1,570.6	3.14%
Low Cost Funding	18,209.1	16,774.4	1,434.7	8.55%
Core Deposits	12,591.7	11,333.1	1,258.6	11.11%
(Demand)	2,724.8	2,410.8	314.0	13.03%
(Passbook)	9,866.8	8,922.3	944.5	10.59%
MMDA	5,617.4	5,441.3	176.1	3.24%
Time Deposits, etc	33,455.6	33,319.7	135.9	0.41%
Time Deposits	30,519.4	30,872.1	-352.7	-1.14%
Installment Deposits	2,598.6	2,110.2	488.4	23.14%
CD & Others	337.6	337.4	0.2	0.07%

* Excluding foreign currency deposits and trust deposits

Total loans expanded KRW 1,970.4 billion to KRW 50,433.1 billion. SME loans grew significantly, by KRW 2,344.9 billion, reflecting government policy in support of SME. Loans to SME with third-party audit or no audit rose KRW 1,418.4 billion, while SOHO loans increased KRW 926.5 billion. Household loans augmented KRW 553.9 billion, while corporate loans decreased KRW 966.1 billion.

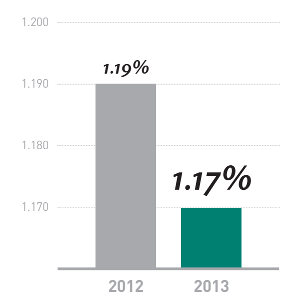
Total deposits rose KRW 1,570.5 billion to KRW 51, 664.7 billion. In particular, Core Deposits swelled KRW 1,258.6 billion (11.1%), contributing both to the increase of total deposits and the improvement of the funding structure. Time deposits, a high cost funding source, reduced KRW 352.8 billion, while Installment Savings Deposits rose KRW 488.4 billion.

Ⅳ. ASSET QUALITY AND LOAN LOSS PROVISIONING

*** ASSET QUALITY** (Unit : KRW in billion)

	2013	2012	YoY	%
Total Credit	80,512.2	76,270.5	4,241.7	5.56%
Normal	78,348.2	74,063.9	4,284.3	5.78%
Precautionary	1,224.0	1,298.8	-74.8	-5.76%
Substandard	657.5	558.8	98.7	17.67%
Doubtful	170.8	241.4	-70.6	-29.23%
Estimated Loss	111.6	107.7	3.9	3.66%
Precautionary & Below				
Amount	2,163.9	2,206.6	-42.7	-1.94%
Ratio	2.7%	2.9%	-0.2%p	-
Substandard & Below [NPL]				
Amount	939.9	907.8	32.1	3.54%
Ratio	1.17%	1.19%	-0.02%p	-
Loan Loss Allowance	712.7	742.7	-30.0	-4.03%
Loan Loss Reserve	534.3	536.5	-2.2	-0.41%
NPL Coverage Ratio	132.7%	140.9%	-8.2%p	-

*** NPL RATIO** (Unit : %)



Total credit rose KRW 4,241.6 billion to KRW 80,512.2 billion. NPL loans reduced KRW 42.7 billion to KRW 939.3 billion, as the Bank wrote off, disposed of, swapped for equity a great portion of its bad debts.

In 2013, while new bad debts amounted to KRW 756.7 billion, down KRW 105.0 billion below the previous year, KRW 531.1 billion of bad debts was written off, KRW 121.9 billion disposed of, and KRW 3.9 billion swapped for equity, bringing a net increase in bad debt to KRW 32.1 billion.

The NPL ratio improved over the year to 1.17%, a result of the Bank's continued focus on bad debt management and the loan evaluation process.

Provisioning amounted to KRW 712.7 billion as of the end of 2013, down KRW 29.9 billion from the year before, a result of the reduction of bad loans of KRW 1 billion and over and the efforts taken to arrest the deterioration of asset quality. The NPL coverage ratio was a still comfortable 132.7%, albeit 8.24%p below the previous year.

Provisions set aside in 2013 amounted to KRW 458.7 billion, of which KRW 394.4 billion was made in response to defaults and rating downgrades, while KRW 117.6 billion was allocated as provision for other write-downs, KRW 23.0 billion reversed upon disposal, and KRW 15.9 billion reversed upon rating upgrades.

*** CAPITAL ADEQUACY - KEB** (Unit : %, KRW in billion)

Basel II	2012	2011
Tier 1 Capital	7,548	7,102
Tier 2 Capital	1,724	1,502
Loan Loss Reserve	489	471
Total BIS Capital	9,272	8,604
Risk Weighted Assets	68,233	59,416
BIS Capital Adequacy Ratio	13.59%	14.48%
Tier 1 Ratio	11.06%	11.95%
Tier 2 Ratio	2.53%	2.53%

Basel III	2013
Tier 1 Capital	8,375
Common Equity Tier 1 Capital	7,989
Tier 2 Capital	1,559
Loan Loss Reserve	514
Total BIS Capital	9,935
Risk Weighted Assets	71,821
BIS Capital Adequacy Ratio	13.83%
Common Equity Tier 1 ratio	11.12%
Tier 1 Ratio	11.66%
Tier 2 Ratio	2.17%

In preparation for Basel III slated to be effective December 2013, KEB had been making efforts to shore up its capital base, including the issuances of hybrid bonds and subordinated bonds in the amounts of KRW 180 billion and KRW 761.1 billion, respectively. As of the end of 2013 the Bank maintains its capital above the Basel-mandated ratio of 8% and a common share-based capital structure in accordance with the Basel III standard.

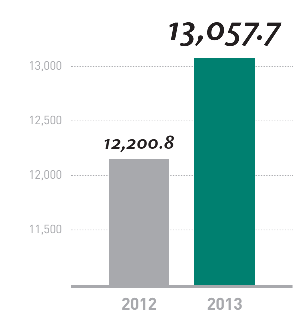
Management's Discussion and Analysis
Hana Daetoo Securities

1. OVERVIEW OF HANA DAETOO SECURITIES

The year 2013 was a very challenging period for domestic financial markets: fearful of the ramifications of change in the U.S. monetary policy, the economy was slow to recover and the stock markets remained sluggish, both contributing to the increasing volatility of market interest rates. Against this backdrop the Company focused on management efficiency and fortifying its leadership position in asset management, one of its core operations, all in effort to strengthen its profit base.

Such efforts were translated into a more comprehensive customer management system, an expanded customer base, a more diversified product portfolio, and enhanced efficiencies in customer asset management. Moreover, the branch network, manpower, and other business infrastructure features have become more efficient, and the competency has strengthened for overcoming the current crisis presented by the depressed market.

*** BUSINESS VOLUME** (Unit : KRW in billion)



*** SUMMARIZED FINANCIAL INFORMATION** (Unit : KRW in billion, thousand members, %)

	2013	2012	YoY	%
Business Volume				
Total Assets	13,057.7	12,200.8	856.9	7.02%
Shareholders' Equity	1,604.1	1,544.2	59.9	3.88%
Profitability*				
General Operating Income	348.8	401.8	-53.0	-13.19%
Operating Income	65.8	29.0	36.8	127.24%
Net Income	68.2	23.9	44.3	185.15%
ROA	0.52%	0.20%	0.32%p	-
ROE	4.30%	1.54%	2.76%p	-
Cost to Income Ratio	83.04%	82.89%	0.15%p	-
Capital Adequacy				
Net Capital Ratio	418.04%	409.58%	8.46%p	-

* Hana Daetoo Securities has changed the date of account balancing from March 31 to December 31, starting with its fiscal year 2013. As a result, the above chart contains figures as of December 31, 2013.

Management's Discussion and Analysis
Hana Daetoo Securities

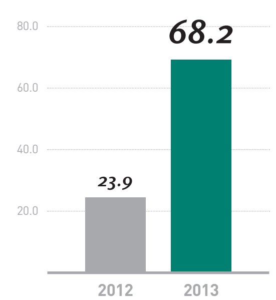
II. SUMMARY OF BUSINESS PERFORMANCE

In 2013 Hana Daetoo Securities earned KRW 68.2 billion in net income, up KRW 44.3 billion from the year before. Despite falling fee and commissions income, disposition/valuation gains, other operating income types, the Company managed to turn a handsome profit by reducing general business expenses and recovering bad debts.

*** COMPREHENSIVE INCOME STATEMENT** (Unit : KRW in billion)

	2013	2012	YoY	%
General Operating Income	348.8	401.8	-53.0	-13.19%
Net Interest Income	153.7	149.2	4.5	3.02%
Fee & Commissions Income	202.3	224.2	-21.9	-9.78%
Gains on Disposition & Valuation	-32.2	2.4	-34.6	-1,452.74%
Other General Operating Income	25.0	26.0	-1.0	-3.87%
General & Administrative Expenses	289.6	333.1	-43.5	-13.04%
Pre- Provisioning Income	59.2	68.7	-9.5	-13.93%
Provisioning for Loan Losses(△)	-6.7	39.8	-46.5	-116.74%
Operating Income	65.8	29.0	36.8	127.24%
Non-Operating Income	23.1	7.5	15.6	208.80%
Ordinary Income	89.0	36.5	52.5	144.00%
Income Tax Expenses(△)	20.8	12.6	8.2	65.62%
Net Income	68.2	23.9	44.3	185.15%

*** NET INCOME**
(Unit : KRW in billion)

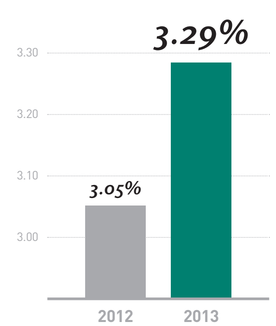


General Operating Income decreased 13.19% to KRW 348.8 billion. Reviewing the income in detail, interest income rose by KRW 4.5 billion to KRW 153.7 billion, owing mostly to a net interest increase from the growth of bond operations.

Fee & Commissions Income decreased about 10%, reflecting the overall anemic fluctuations of the stock markets amid fears surrounding the U.S. monetary policy, drops in transactions and commission rates, and in the number of "big deals", and increased credit risks.

Disposition/valuation Gains contracted by KRW 34.6 billion due mainly to the increased volatility of interest rates and market uncertainty fueled by U.S. QE-related fears, even though the interest rate on the 3-year government bond reached a record high of 2.44%.

*** FEE & COMMISSIONS M/S**
(Unit : %)



General & Administrative Expenses shrank by 13% on the strengths of continued cost-efficiency efforts and reduced labor costs.

Provisioning for Loan Losses decreased by KRW 46.4 billion over the year, reflecting the sizable provisioning made in 2012 and the all-out efforts made in 2013 to recover bad debts.

Non-operating Income increased by 208% as a result of increased PEF dividends and the inclusion of uncollected bad debts. As a result of the above activities, ordinary income rose by KRW 52.5 billion, or 144%, to KRW 89.0 billion.

*** FEE & COMMISSIONS INCOME** (Unit : KRW in billion)

	2013	2012	YoY	%
Fee & Commissions Income	202.3	224.2	-21.9	-9.78%
Sales of Beneficiary Certificate	38.6	40.2	-1.6	-3.84%
Brokerage Fee	101.6	112.8	-11.2	-9.90%
Underwriting Commissions	11.5	27.0	-15.5	-57.39%
Bancassurance	1.7	3.2	-1.5	-46.90%
Others	48.9	41.1	7.8	18.83%

Fee income from beneficiary certificates decreased 3.8% over the year to KRW 38.6 billion. The decrease can be attributed to the fact that most of the customers, who were long-term holders as the economy and stock markets remained in the doldrums, cashed out of equity (hybrid) funds, which carried relatively higher fees, when the KOSPI reached its peak at 2,000 points.

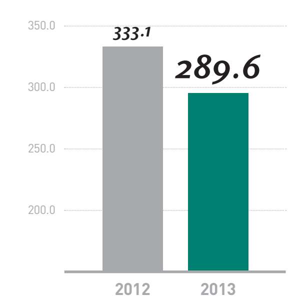
Brokerage Fee decreased about 10% over the year to KRW 101.6 billion, owing mainly to sluggish market conditions and a 15.7% drop in securities transactions. The Company's share of the brokerage fee market, however, grew 0.24%p to 3.29% as a result of effective market responses.

Underwriting Commissions amounted to KRW 11.5 billion and other commissions (advisory fees and hybrid securities sales commissions) came to KRW 48.9 billion, bringing the total to KRW 60.4 billion. Compared with the previous year, this figure represents a decrease of KRW 23.2 billion, due to rising credit risks, a contracting big deal market in fear of QE tapering, and change in risk management policy in response to negative market conditions.

*** GENERAL AND ADMINISTRATIVE EXPENSES** (Unit : KRW in billion)

	2013	2012	YoY	%
General & Administrativie Expenses	289.6	333.1	-43.5	-13.04%
Salaries and Wages	139.2	169.8	-30.6	-18.06%
Retirement Benefits	10.5	11.3	-0.8	-7.37%
Equipment Expenses	114.9	124.7	-9.8	-7.84%
Depreciation and Amortization	13.5	14.6	-1.1	-7.71%
Taxes and Dues	11.6	12.6	-1.0	-8.05%
Cost to Income Ratio	83.04%	82.89%	0.15%p	-

*** G&A EXPENSES**
(Unit : KRW in billion)



General & Administrative Expenses decreased by KRW 43.4 billion over the year to KRW 289.6 billion. As a result, the C/I ratio increased 0.15%p over the year, despite the aggressive cost-cutting measures employed company-wide, as negative market conditions led to a decrease in operating income.

Reviewing General & Administrative Expenses in detail, Salaries & Wages decreased by KRW 30.7 billion over the year to KRW 139.2 billion as a result of aggressive manpower management and a decrease in performance bonuses paid in step with the less-than-stellar performance recorded in 2013.

Equipment Expenses decreased by KRW 9.8 billion to KRW 114.9 billion, as a result of the consolidation of 10 branches and the reduction of non-essential expenses.

Management's Discussion and Analysis
Hana Daetoo Securities

Ⅲ. SUMMARY OF FINANCIAL CONDITION

*** BENEFICIARY CERTIFICATES AUM** (Unit : KRW in billion)

	2013	2012	YoY	%
Beneficiary Certificates AUM	13,929.9	13,954.4	-24.5	-0.2%
Equity (hybrid) type	3,600.5	4,072.9	-472.4	-13.1%
Bond (hybrid) type	3,222.7	3,550.8	-328.1	-10.2%
MMF	2,787.4	3,036.3	-248.9	-8.9%
Other	4,319.2	3,294.5	1,024.7	23.7%
Domestic Market	334,897.0	317,276.0	17,621.0	5.26%
M/S	4.16%	4.40%	-0.24%p	-

Beneficiary certificates assets under management as of the end of 2013 totaled about KRW 14 trillion, down 0.2% from the previous year. As the beneficiary certificates market increased by 5.3% over the year, the Company's market share contracted 0.24%p to 4.16%.

Equity(hybrid)-type assets decreased by about KRW 500 billion as redemptions soared when the KOSPI reached 2,000, considered by the majority as a psychological threshold in a market with limited volatility.

Bond(hybrid)-type assets also decreased, as many customers switched to bond-type wrap accounts on Company advice. MMF assets decreased on account of the year-end exodus of corporate short-term funds and transfers to funds of funds. Other products such as ELF, real estate and alternative investment products increased by over KRW 1 trillion as investments streamed into shipping finance and other special asset funds.

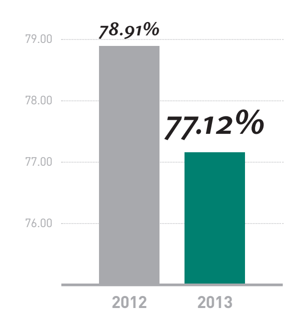
*** STOCK CONTRACT VOLUME** (Unit : KRW in billion)

	2013	2012	YoY	%
Securities sales	101,840.6	123,233.4	-21,392.8	-21.0%
Figaro sales	52,404.3	65,058.5	-12,654.2	-24.1%
Figaro share	51.5%	52.8%	-1.3%p	-
Market	3,306,487.0	3,824,761.1	-518,274.1	-15.7%
M/S	3.08%	3.22%	-0.14%p	-

In 2013 Brokerage amounted to KRW 101 trillion, down 21% from the year before. The decrease can be attributed to sluggish market conditions in relation to fears of QE tapering and a drastic decrease of transactions. Though the stock markets' total amount of transactions plunged, the Company's market share inched down by 0.14% to KRW 3.08%.

Hana Daetoo Securities's online securities business represented by "Figaro" and "Mentos" apps, contracted by 4.7% in number of investors and by 1.3%p in transaction fee as the industry's excessive fee competition led to a reduction in new membership compared with the year before. On the other hand, the market share in terms of fee rose about 0.23% to 3.29%.

*** NPL COVERAGE RATIO** (Unit : %)



Ⅳ. ASSET QUALITY AND LOAN LOSS PROVISIONING

*** ASSET QUALITY** (Unit : KRW in billion)

	2013	2012	YoY	%
Total Credit	898.9	992.5	- 93.6	-9.43%
Normal	745.8	832.6	- 86.8	-10.42%
Precautionary	1.0	0.2	0.8	402.95%
Substandard	34.8	7.4	27.4	367.12%
Doubtful	14.4	120.9	- 106.5	-88.08%
Estimated Loss	102.8	31.4	71.4	227.55%
Precautionary & Below				
Amount	153.0	159.9	- 6.9	-4.30%
Ratio	17.02%	16.11%	0.91%p	-
Substandard & Below (NPL)				
Amount	152.0	159.7	- 7.7	-4.81%
Ratio	16.91%	16.09%	0.82%p	-

	2013	2012	YoY	%
Loan Loss Reserve	117.3	126.0	- 8.8	-6.96%
Normal	-	-	-	0.00%
Precautionary	0.0	0.0	0.0	30.37%
Substandard	-	1.9	- 1.9	-100.00%
Doubtful	14.4	98.8	- 84.4	-85.44%
Estimated Loss	102.8	25.3	77.5	306.55%
Precautionary & Below				
Loan Loss Reserve	117.3	126.0	- 8.7	-6.96%
Coverage Ratio	76.62%	78.81%	-2.19%p	-
Substandard & Below (NPL)				
Loan Loss Reserve	117.2	126.0	- 8.8	-6.96%
Coverage Ratio	77.12%	78.91%	-1.79%p	-

Total risk-weighted assets as of the end of 2013 stood at KRW 898.9 billion, down KRW 93.6 billion from a year ago. The NPL coverage ratio inched down 1.78%p to 77.12%. Loan loss allowance was at a level sufficient enough to deal with any loan delinquency issue and has remained adequate as of this report.

V. CAPITAL ADEQUACY

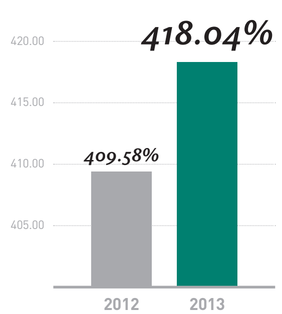
*** NET CAPITAL RATIO** (Unit : KRW in billion, %)

	2013	2012	2011	2010
Net Capital	1,354.6	1,218.8	1,193.7	1,443.2
(+)Shareholders' Equity on B/S	1,604.1	1,567.0	1,535.5	1,745.9
(+)Allowances for Currency Assets	34.3	53.9	20.3	19.4
(+)Subordinated debentures	80.0	0.0	0.0	0.0
(-)Fixed Assets	76.2	81.1	79.9	95.9
(-)Prepaid Expenses	5.3	5.4	7.0	33.8
(-)Unsecured Loans(over 3M)	161.8	195.1	166.7	73.1
(-)Others	120.5	120.4	108.4	119.4
Gross Risk Amount	324.0	297.6	265.2	224.5
Market Risk	206.2	171.0	152.5	133.6
Counter Party Risk	47.1	46.5	5.8	3.3
Credit Concentration Risk	26.7	32.5	52.8	41.8
Operational Risk	44.0	47.5	54.1	45.8
Indirect Investment Risk	0.0	0.0	0.0	0.0
Net Capital Ratio	418.04%	409.58%	450.15%	642.81%

* The net capital ratio as of the end of 2013 stood at 418%, up 8.5%p from a year ago, well above the 150% level set by the financial authorities, the 200% level by the newly enacted Capital Market Act, and the HFG-set 250% level.
* Shareholders' equity on B/S rose by 2% to KRW 1,604.0 billion, while net capital increased by KRW 135.8 billion to KRW 1,354.0 billion.
- The increase in net capital can be attributed to the increase in shareholders' equity, the issuance of subordinated bonds with a face value of KRW 100 billion (only 80% of it has been recognized as supplementary capital), and a decrease in loans with 3-month and longer maturity.

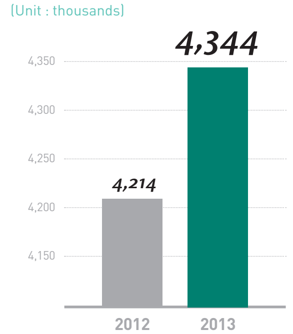
* Gross Risk Amount rose by KRW 26.0 billion over the year, reflecting an increase in market risk accompanied by the growth of assets.

*** NET CAPITAL RATIO** (Unit : %)

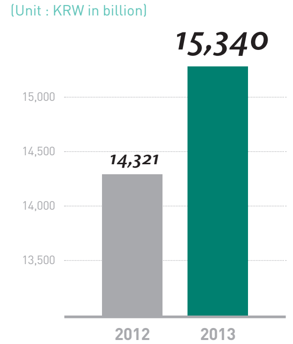


Management's Discussion and Analysis
Hana SK Card

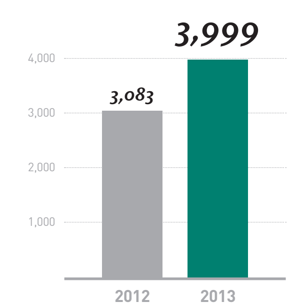
*** ACTIVE CARDHOLDERS** (Unit : thousands)



*** CREDIT PURCHASE** (Unit : KRW in billion)



*** CHECK CARD** (Unit : KRW in billion)



1. OVERVIEW OF HANA SK CARD

The domestic credit card market in 2013 faced a host of challenges from within and without: the government imposed a series of regulations that hindered the growth of the market; the slowing economy weakened profitability; and big corporations entered the market in the name of business diversity, intensifying competition.

Against this market backdrop, Hana SK Card pursued value-based growth by focusing on efficient cost management and developing new products in response to government policies promoting check cards.

As a result, amid constricting market conditions, the Company expanded its credit purchase by 7%, check card purchase by 30%, and turned in a tidy profit.

*** SUMMARIZED BUSINESS PERFORMANCE** (Unit : thousands, KRW in billion)

	2013	2012	YoY	%
No. of Cardholders*	7,355	7,746	-391	-5.0%
Active Cardholders	4,344	4,214	130	3.1%
% of Active Cardholders	59.1%	54.4%	4.7%p	-
Total Sales (credit card)	28,781	30,867	-2,086	-6.8%
Credit Purchase	15,340	14,321	1,019	7.1%
Financial Proudcts	4,185	3,904	281	7.2%
Check	3,999	3,083	916	29.7%
Copotation	5,258	5,983	-725	-12.1%
Others	-	3,576	-3,576	-100.0%
Profitability				
General Operating Income	286.7	284.4	2.3	1%
Operating Income	2.9	-31.1	34.0	-109%
Net Income	3.5	-29.6	33.1	-112%
Balance Sheet Outstanding**				
Credit sales	2,035	1,911	1 24	6%
Cash Advance	337	365	-28	-8%
Card Loan	858	560	298	53%

* Includes check cardholders
**Other credit card assets and installments are included in credit sales.

In 2013 card membership decreased by 390,000 over the year due mainly to a new government regulation requiring card holders inactive more than 1 year be delisted. However, owing to the Company's effective customer management, the number of active card users increased 3.1%.

Credit sales in 2013 grew by 5.5% compared with 2012, not counting the discount receivables purchased from SK Telecom. (The market as a whole grew 1.5% over the year.) While settlement-by-installment sales decreased 22% to KRW 80.2 billion owing to new regulations restricting non-interest installment services, credit sales rose 7% on the growth of lump-sum settlements.

Card Loan soared 53% on account of new sales channels developed in 2013, while check card sales rose 29% on the back of innovative products, including mobile applications, rolled out in step with new trends in the soaring settlement market.

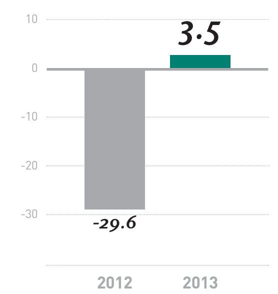
Management's Discussion and Analysis
Hana SK Card

Corporation sales decreased 12% over the year. But excluding B2B-type settlement payments which fell following the introduction of regulations restricting card payment for supplies, B2B sales rose about KRW 260 billion as the Company expanded its institutional sales activity and diversified corporate channels.

II. PROFITABILITY

In 2013 Hana SK Card succeeded in moving into the black by reporting a net income of KRW 3.5 billion. Fee & Commissions Income rose as the Company expanded its financial products and improved efficiencies in business management. General & Administrative Expenses also decreased, by over 10%, as it reduced non-essential marketing activities. These feats shine brighter in the light of challenging market conditions, including a restrictive regulatory environment, falling profitability, intensifying competition from new entrants.

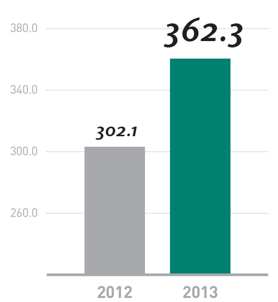
*** NET INCOME** [Unit : KRW in billion]



*** CONDENSED INCOME STATEMENT** [Unit : KRW in billion]

	2013	2012	YoY	%
General Operating Income	286.7	284.4	2.3	0.8%
Net Interest Income	-83.3	-8.3	-75.0	904.8%
Fee Income	362.3	302.1	60.2	19.9%
Other	7.7	-9.4	17.1	-182.2%
SG&A Expense	175.4	197.1	-21.7	-11.0%
PPOP (Pre-Provisioning Income)	111.3	87.3	24.0	27.4%
Provision Expense	108.4	118.5	-10.1	-8.5%
Operating Income	2.9	-31.1	34.0	-109.2%
Non-Operating Income	6.3	1.8	4.5	239.4%
Income Tax	5.6	0.3	5.3	1,899.1%
Net Income	3.5	-29.6	33.1	-111.9%

*** FEE INCOME** [Unit : KRW in billion]



*** CREDIT CARD FEE STRUCTURE** [Unit : KRW in billion]

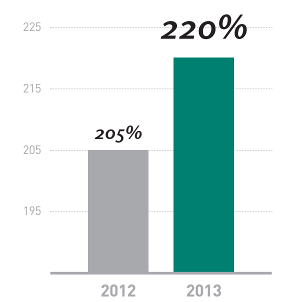
	2013	2012	YoY	%
Fee Revenue	709.7	642.7	67.0	10.4%
Credit Card Receivables in Won	475.1	439.4	35.7	8.1%
Cash Advance	76.0	86.6	-10.6	-12.2%
Card Loan	111.3	82.6	28.7	34.7%
Others	47.3	34.1	13.2	38.6%
Fee Expenses	347.4	340.6	6.8	2.0%
Fee Income	362.3	302.1	60.2	19.9%

*Calculated for accounting purposes

Interest income fell KRW 207.8 billion, from KRW 311.3 billion in 2012 to KRW 103.5 billion in 2013, following the discontinuation of discount receivables purchase operations in August 2012. Fee income rose about 20% as the Company developed new channels, expanded financial operations, and minimized the growth of business expenses through improving efficiencies in the business process. Other income grew on extra income from sale of bad debts.

Provisioning expenses decreased by KRW 10.1 billion as the purchase of discount receivables plunged by KRW 27,837 billion, from KRW 3,734.9 billion in 2012 to KRW 951.2 billion in 2013.

*** NPL COVERAGE RATIO** [Unit : %]



III. ASSET QUALITY AND CAPITAL ADEQUACY

*** CREDIT CARD ASSET QUALITY** [Unit : KRW in billion]

	2013	2012	YoY	%
Total Credit	3,231	2,837	394	14%
Normal	3,118	2,754	364	13%
Precautionary	69	44	25	57%
Substandard	-	-	-	
Doubtful	32	30	2	7%
Estimated Loss	11	9	2	22%
NPL	43	39	4	10%
NPL ratio	1.33%	1.36%	-0.03%p	-
Precautionary & below	112	82	30	37%
Precautionary & below ratio	3.48%	2.90%	0.58%p	-
Loan loss reserves	95	79	16	20%
Normal	42	33	9	27%
Precautionary	20	16	4	25%
Substandard	-	-	-	
Doubtful	24	22	2	9%
Estimated Loss	9	8	1	13%
Coverage Ratio				
NPL	220%	205%	15%p	7%
Precautionary & below	84%	96%	-12%p	-

*** ADJUSTED EQUITY CAPITAL RATIO, LEVERAGE** [Unit : KRW in billion]

	2013	2012	YoY	%
Adjusted Equtiy Capital	917	923	-6	-0.6%
Adjusted Total Asset	4,430	7,595	-3,165	-41.7%
Adjusted Equtiy Captial Ratio (%)	20.7%	12.1%	8.6	70.4%
Total Equity Capital	689	684	5	0.7%
Total Assets	4,898	8,184	-3,286	-40.2%
Leverage Ratio (multiples)	7.11	11.96	-5	-40.6%

* Adjusted equity capital ratio based on special F/S, leverage ratio based on consolidated F/S

As for asset quality, the NPL ratio as of the end of 2013 remained at a level considered prudent, despite the overall growth of card sales in general and the 53% increase of high-risk card loans in particular. Moreover, the NPL coverage ratio improved by 7% over the year, a result of the Company's active sale of bad debts. While the adjusted equity capital ratio rose 70% following the discontinuation of the discount receivables business, the leverage ratio stabilized from multiple of 12 in 2012 to multiple of 7 in 2013.

Management's Discussion and Analysis
Hana Capital

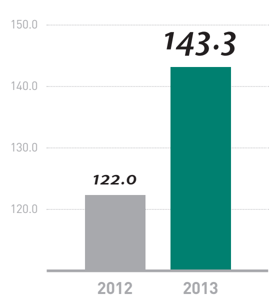
1. SUMMARY OF BUSINESS PERFORMANCE

In 2013 Hana Capital posted a net income of KRW 44.4 billion, a record in its history. Financial assets totaled KRW 3,184.4 billion. Through its continued expansion of financial assets and efforts aimed at improving risk management, the Company has been making progress while maintaining balance between asset growth and asset quality. In 2014 the Company plans to rebalance a part of its business portfolio through product diversification and maximize profitability through efficient cost management.

*** COMPREHENSIVE INCOME STATEMENT** (Unit : KRW in billion)

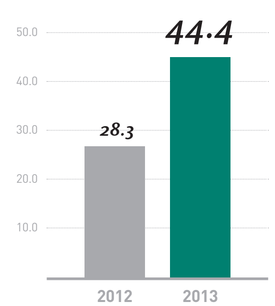
	2013	2012	YoY	%
General Operating Income	143.3	122.0	21.3	17.5%
Net Interest Income	142.6	129.6	13.0	10.1%
Fee & Commissions Income	-7.1	-15.5	8.4	-54.0%
Gains on Disposition & Valuation	0.0	5.0	-5.0	-100.0%
Other General Operating Income	7.8	2.9	4.9	167.8%
General & Administrative Expenses	38.4	32.6	5.8	17.6%
Pre- Provisioning Income	104.9	89.4	15.5	17.4%
Provisioning for Loan Losses(△)	46.3	44.8	1.5	3.3%
Operating Income	58.6	44.5	14.1	31.6%
Non-Operating Income	0.3	-5.1	5.4	-105.7%
Ordinary Income	58.9	39.5	19.4	49.2%
Extraordinary Income	0.0	0.0	0.0	0.0%
Income before income taxes and Consolidation Adjustments	58.9	39.5	19.4	49.2%
Income Tax Expenses(△)	14.5	11.2	3.3	28.9%
Income before Consolidation Adjustments	44.4	28.3	16.1	57.2%
Net Income	44.4	28.3	16.1	57.2%

*** GENERAL OPERATING INCOME**
(Unit : KRW in billion)



General operating income rose 17.5% over the course of 2013 as assets increased (by KRW 485.5 billion) and interest and fee expenses decreased. Domestic automobiles, facility financing, commercial property assets increased by KRW 215.9 billion, KRW 59.6 billion and KRW 44.8 billion respectively. Auto financing assets inched down 1.1%p to 54.4% in proportion to total assets, while facility financing and commercial property assets rose 0.5%p to 17.5%. Funding interest rate in 4Q 2013 decreased 0.99% compared with a year ago. Fee expenses decreased on account of a regulation effective of June 2013 limiting the amount of loan arrangement fees.

*** NET INCOME** (Unit : KRW in billion)



General & Administrative Expenses rose 17.6% due to increased assets. The C/I ratio inched up 7bp to 26.77%. Wages and equipment rose KRW 5.8 billion as used-car sales force increased, pushing up with relevant expenses.

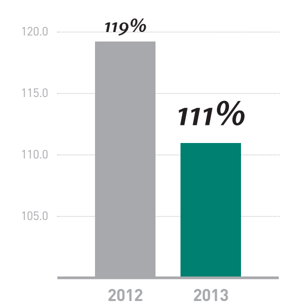
Provisions for loan losses decreased KRW 3.7 billion, while the reserve ratio inched down 0.58%p to 2.52%.

II. ASSET QUALITY AND LOAN LOSS PROVISIONING

*** ASSET QUALITY** (Unit : KRW in billion)

	2013	2012	YoY	%
Total Credit	3,184.4	2,669.6	514.8	19.29%
Normal	2,997.3	2,535.5	461.8	18.21%
Precautionary	115.2	99.5	15.7	15.78%
Substandard	41.6	34.6	7.0	20.21%
Doubtful	27.9	33.1	- 5.2	
Estimated Loss	2.4	2.8	- 0.4	
Precautionary & Below			-	
Amount	187.1	170.0	17.1	10.07%
Ratio	5.88%	6.71%	-0.83%p	-
Substandard & Below (NPL)			-	
Amount	71.9	70.5	1.4	2.02%
Ratio	2.26%	2.78%	-0.52%p	-
Loan Loss Reserve	80.1	83.8	- 3.7	-4.41%
Normal	23.2	30.1	- 6.9	-22.93%
Precautionary	20.8	16.1	4.7	29.59%
Substandard	11.8	8.6	3.2	36.46%
Doubtful	21.8	26.5	- 4.7	
Estimated Loss	2.5	2.4	0.1	
Precautionary & Below			-	
Loan Loss Reserve	56.9	53.7	3.2	5.98%
Coverage Ratio	42.82%	49.30%	-6.48%p	-
Substandard & Below (NPL)			-	
Loan Loss Reserve	36.1	37.6	- 1.5	-4.13%
Coverage Ratio	111%	119%	-8%p	-

*** NPL COVERAGE RATIO** (Unit : %)



Hana Capital managed to keep the growth of NPL at KRW 1.4 billion, a result of its systematic risk management. As KRW 3.7 billion of provisions for loan losses was reversed, the NPL coverage ratio stayed above the 110% threshold.

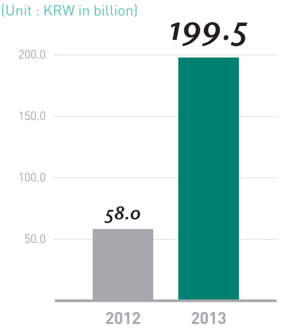
III. CAPITAL ADEQUACY

*** ADJUSTED EQUITY CAPITAL RATIO** (Unit : KRW in billion, %)

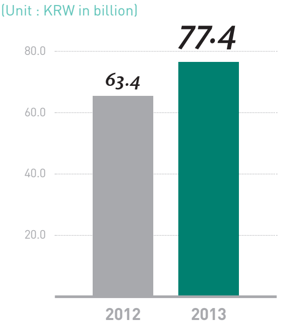
	2013	2012	2011
Adjusted Equity Capital	303.3	248.9	223.3
Tier 1 Capital	261.1	216.9	194.1
Shareholders' Equity	261.1	216.9	194.1
Tier 2 Capital	42.2	32.0	29.2
Subordinate Debt	6.0	10.0	10.0
Loan Loss Reserve	44.1	41.9	38.3
(-)Deduction	7.8	19.9	19.1
Adjusted Total Assets	3,207.8	2,737.7	2,490.1
Total Assets on B/S	3,271.3	2,791.7	2,552.1
(-)Deduction	63.4	54.0	62.0
Adjusted Equity Capital Ratio	9.46%	9.09%	8.97%

Management's Discussion and Analysis
Hana Life

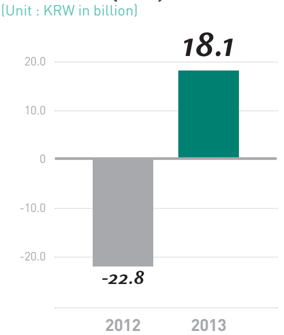
*** NET INSURANCE BUSINESS INCOME**
[Unit : KRW in billion]



*** NET INVESTMENT BUSINESS INCOME**
[Unit : KRW in billion]



*** NET INCOME(LOSS)**
[Unit : KRW in billion]



1. SUMMARY OF BUSINESS PERFORMANCE

*** COMPREHENSIVE INCOME STATEMENT** [Unit : KRW in billion]

	2013	2012	YoY	%
Net Insurance Business Income	199.5	58.0	141.5	243.84%
Insurance Income	385.1	267.3	117.8	44.04%
Premium Income	378.4	259.8	118.6	45.66%
Reinsurance Income	6.6	7.5	-0.9	-11.71%
Insurance Expense	185.5	209.3	-23.8	-11.36%
Benefit & Payments	111.3	125.2	-13.9	-11.12%
Reinsurance Expense	7.8	7.8	0	0.71%
General & Administrative Expense	41.2	41.3	-0.1	-0.31%
Increase of Deferred Acquisition cost	25.1	34.9	-9.8	-27.90%
Discount	0.0	0.1	0.1	-71.89%
Net Investment business Income	77.4	63.4	14.0	22.16%
Investment Income	93.9	72.4	21.5	29.72%
Investment Expense	16.5	9.0	7.5	82.83%
Increase of Policy Reserve	269.6	165.5	104.1	62.90%
Operating Income	7.3	-44.1	51.4	
Non-operating Income	16.2	14.0	2.2	15.90%
Net Income Before Income Tax	23.5	-30.2	53.7	
Income Tax Expense	5.4	-7.4	12.8	
Net Income(Loss)	18.1	-22.8	40.9	

In 2013 Hana Life not only turned a profit but also improved its net income performance by KRW 40.9 billion with a net income of KRW 18.1 billion.

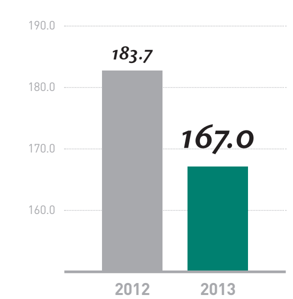
Net insurance business income rose KRW 141.5 billion to KRW 199.5 billion, as insurance premiums increased with the expanding insurance business and improving cancellation rates led to a reduction in cancellation refunds.

Net investment business income rose KRW 14.0 billion to KRW 77.4 billion, owing robust gains (KRW 5.6 billion more than in 2012) from sale of marketable securities and to an increase (KRW 4.5 billion more) in net interest income from the growth of assets.

Reserves increased in direct proportion to the increase in assets. Other operating income also rose, as fees increased with the growth of variable insurance products in holding.

As Hana Life's robust income performance can be traced to its improved competencies in investment management and in cost management (general expenses hardly changed despite the sizable growth in business scale), these improvements in the fundamentals are expected to have lasting impact on the Company's profit performance.

*** SOLVENCY MARGIN**
[Unit : KRW in billion]



II. CAPITAL ADEQUACY

*** SOLVENCY MARGIN RATIO** [Unit : KRW in billion, %]

	2013	2012	2007
Solvency Margin	167.0	183.7	24.5
Shareholders' Equity	168.2	183.2	21.2
Loan Loss Reserve	0.1	0.1	0.1
Subordinated Debts	0.0	0.0	0.0
Net Premium Reserve in Excess	56.7	61.6	71.8
(-)Deduction	58.1	61.3	68.7
Standard Amount of Solvency Marg	78.9	73.6	18.2
Solvency Margin Ratio	211.5%	249.5%	134.81%

Hana Life's RBC ratio decreased 38%p over the course of 2013.

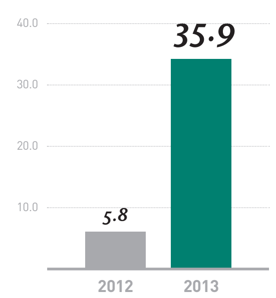
Though retained income increased KRW 18.4 billion on the income increase, shareholders' equity decreased KRW 15.0 billion, as other accumulated income decreased by KRW 33.4 billion on account of an interest rate rise (5-year government bond rate from 2.97% to 3.2%).

As of the end of 2013, the Company's standard amount of solvency margin stood at KRW 78.9 billion, up KRW 5.3 billion from a year ago.

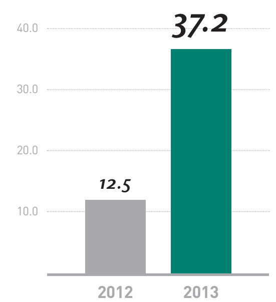
As for contributing factors, interest-sensitive amounts increased by KRW 5.2 billion on account of the increased exposure of marketable securities, and that credit risk-sensitive assets increased KRW 10.2 billion on the increased exposure of special purpose bonds and corporate bonds, but market risk-sensitive assets decreased KRW 15.5 billion as shrinking variable insurance sales led to a reduction in variable insurance guarantee risk-sensitive assets.

Management's Discussion and Analysis
Hana Savings Bank

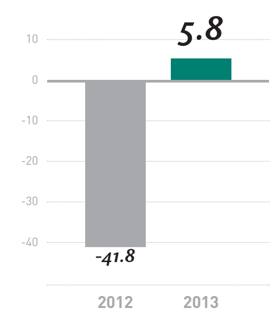
* GENERAL OPERATING INCOME
(Unit : KRW in billion)



* NET INTEREST INCOME
(Unit : KRW in billion)



* NET INCOME
(Unit : KRW in billion)



1. SUMMARY OF BUSINESS PERFORMANCE

*** COMPREHENSIVE INCOME STATEMENT** (Unit : KRW in billion)

	2013	2012	YoY	%
General Operating Income	35.9	5.8	30.1	519.0%
Net Interest Income	37.2	12.5	24.7	197.9%
Fee & Commissions Income	0.3	-1.8	2.1	
Gains on Disposition & Valuation	2.2	-0.9	3.1	
Other General Operating Income	-3.7	-4.0	0.3	
General & Administrative Expenses	25.5	18.4	7.1	38.2%
Pre- Provisioning Income	10.5	-12.6	23.1	
Provisioning for Loan Losses(△)	4.3	10.6	-6.3	-59.4%
Operating Income	6.2	-23.2	29.4	
Non-Operating Income	-3.2	-18.7	15.5	
Ordinary Income	3.0	-41.9	44.9	
Extraordinary Income	0.0	0.0	0.0	
Income before income taxes and Consolidation Adjustments	3.0	-41.9	44.9	
Income Tax Expenses(△)	-2.8	-0.1	-2.7	
Income before Consolidation Adjustments	5.8	-41.8	47.6	
Net Income	5.8	-41.8	47.6	

In 2013 Hana Savings Bank turned in a net income of KRW 5.8 billion compared to a net loss of KRW 41.8 billion in 2012, the year it had founded itself through mergers involving three liquidity-challenged savings banks at the expense of high funding costs and a large provisioning. In the second year of its operation, the Bank expanded loans (by half) and lowered funding costs, thus stabilizing its general income operations on a more sustainable base.

As for non-operating income performance, Hana Savings Bank's overall asset structure improved greatly over the year, reducing net non-operating loss from KRW 18.7 billion in 2012 to KRW 3.2 billion in 2013. As bad debts inherent in the mergers gradually dwindle through a systematic disposal process, normal loans will continue to grow in scale as well as in quality, thus contributing to improving profitability.

II. SUMMARY OF FINANCIAL CONDITION

*** SUMMARIZED FINANCIAL CONDITION** (Unit : KRW in billion)

	2013	2012	YoY	%
Interest Earning Assets	742.8	1,053.8	-311	-29.52%
Due from Banks	72.8	571.5	-498.7	-87.26%
Fixed Income Securities	-	-	0	
Loans	804.2	529.1	275.1	51.99%
Loan Loss Allowance(-)	- 134.2	- 46.8	-87.4	186.96%
Other Revenue Earning Assets	6.8	7.5	-0.7	-9.42%
Stocks and Others	5.1	5.2	-0.1	-2.26%
Lease	-	-	0	
Trust Account Assets	-	-	0	
Domestic Exchange Settlement	1.7	2.3	-0.6	-25.68%
Non-Revenue Earning Assets	126.7	265.6	-138.9	-52.29%
Total Assets	876.2	1,326.9	-450.7	-33.96%
Interest Bearing Liabilities	710.8	1,141.8	-431.0	-37.75%
Deposits	709.1	1,140.8	-431.7	-37.84%
Borrowings	-	-	0	
Debentures	-	-	0	
Policy Reserve	-	-	0	
Borrowings from Trust Accounts	-	-	0	
Trust Account Liabilities	-	-	0	
Domestic Exchange Settlement	1.7	1.0	0.7	61.75%
Non-Interest Bearing Liabilities	18.1	43.2	-25.1	-58.02%
Total Liabilities	728.9	1,185.0	-456.1	-38.49%
Shareholders' Equity	147.3	141.9	5.4	3.86%
Total Liabilities & Shareholders' Equity	876.2	1,326.9	-450.7	-33.96%

* The financial statement above contains figures that are different from those in HFG's consolidated statement based on K-IFRS

Hana Savings Bank is HFG's subsidiary founded through P&A-method mergers of two savings banks in Feb. and another in Sept. 2012 with a paid-in capital of KRW 184.3 billion. As of the end of 2013 the Bank has KRW 876.2 billion in assets, KRW 728.9 billion in liabilities, KRW 147.3 billion in net capital, operating eight branches and four field offices.

In 2013 the Bank's total assets diminished by KRW 450.7 billion over the year to KRW 876.2 billion, on account of a KRW 498.8 billion decrease in Due From Banks, a result of the reduction on the part of the Bank of the large cash holdings, which were mostly high-interest bearing liabilities, of the merged banks in line with the low-interest rate environment.

In 2013 loans grew by KRW 275.1 billion to KRW 804.2 billion: household loans rose KRW 225.4 billion to KRW 270.9 billion and business loans by KRW 49.7 billion to KRW 533.3 billion.

Total liabilities diminished KRW 456.1 billion to KRW 728.9 billion mainly as a result of the adoption of a low-interest rate policy as stated above. Demand deposits rose KRW 12.0 billion over the year, contributing to growing stability in the funding structure.

Management's Discussion and Analysis
Hana Savings Bank

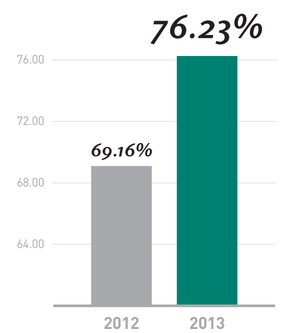
Ⅲ. ASSET QUALITY AND LOAN LOSS PROVISIONING

*** ASSET QUALITY** (Unit : KRW in billion)

	2013	2012	YoY	%
Total Credit	804.9	655.1	149.8	22.87%
Normal	311.7	140.6	171.1	121.69%
Precautionary	316.5	265.0	51.5	19.45%
Substandard	69.7	109.4	- 39.7	-36.27%
Doubtful	44.6	91.9	- 47.3	
Estimated Loss	62.3	48.2	14.1	
Precautionary & Below			-	
Amount	493.2	514.4	- 21.2	- 0.041
Ratio	61.27%	78.53%	-17.26%p	-
Substandard & Below (NPL)			-	
Amount	176.6	249.5	- 72.9	- 0.3
Ratio	21.95%	38.08%	-16.13%p	-

	2013	2012	YoY	%
Loan Loss Reserve	134.7	172.5	- 37.8	-21.96%
Normal	5.4	2.9	2.5	83.81%
Precautionary	10.3	16.8	- 6.5	-38.45%
Substandard	33.7	44.2	- 10.5	-23.78%
Doubtful	35.4	73.8	- 38.4	
Estimated Loss	49.9	34.8	15.1	
Precautionary & Below			-	
Loan Loss Reserve	129.3	169.6	- 40.3	- 0.238
Coverage Ratio	27.30%	33.54%	-6.24%p	-
Substandard & Below (NPL)			-	
Loan Loss Reserve	119.0	152.8	- 33.8	- 0.2
Coverage Ratio	76.23%	69.16%	7.07%p	-

*** NPL COVERAGE RATIO** (Unit : %)



Total credit increased by KRW 149.8 billion to KRW 804.9 billion (including KRW 0.7 billion of credit advanced) as a result of the launch of an automatic-approval loan and the revitalization of loan sales activity at the branch level.

NPL decreased by KRW 72.9 billion to KRW 176.6 billion, reflecting continued efforts at bad asset management. Accordingly, the NPL ratio fell 16.13%p to 21.95%. NPL coverage ratio rose 7.07%p to 76.23%.

Building a better working world

Independent Auditors' Report

The Board of Directors and Shareholders
Hana Financial Group Inc. and its subsidiaries

We have audited the accompanying consolidated financial statements of Hana Financial Group Inc. (the "HFG") and its subsidiaries (collectively, the "Company"), which comprise the consolidated statements of financial position as at December 31, 2013, December 31, 2012, and January 1, 2012 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Korea Exchange Bank and its fourteen subsidiaries, which represent 36.5% of the Company's consolidated total assets as of December 31, 2012 and 32.5% of the Company's consolidated total operating income for the year then ended. Those financial statements were audited by other auditors whose reports have been furnished to us, and our conclusion, insofar as it related to the amounts included for those subsidiaries, is based solely on the reports of other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hana financial Group Inc. and its subsidiaries as at December 31, 2013, December 31, 2012, and January 1, 2012 and the results of its financial performance, and its cash flows for the years then ended in accordance with Korea International Financial Reporting Standards.

As mentioned in the preceding paragraph, we have conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea which may vary among countries. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying consolidated financial statements are for use by those who are knowledgeable about Korean auditing standards and their application in practice

March 10, 2014

Ernst & Young Han Young

This audit report is effective as of March 10, 2014, the independent auditors' report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditors' report date to the time this audit report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this audit report.

Consolidated statements of financial position

As of December 31, 2013, December 31, 2012 and January 1, 2012

Hana Financial Group Inc. (KRW in million)

	December 31, 2013	December 31, 2012	January 1, 2012
Assets			
Cash and due from banks	₩ 19,343,218	₩ 18,890,870	₩ 11,213,497
Financial assets held-for-trading	15,766,359	14,888,324	10,772,601
Financial assets designated at fair value through profit and loss	240,597	65,212	60,500
Available-for-sale financial assets	29,529,156	25,471,566	16,245,832
Held-to-maturity investments	4,736,987	7,219,480	2,289,567
Loans receivable	203,597,827	196,435,133	129,249,113
Derivative assets used for hedging purposes	96,068	167,520	110,446
Investments in associates and joint ventures	948,686	881,947	881,586
Property and equipment	2,688,451	2,700,331	1,494,899
Investment property	515,431	502,823	332,774
Intangible assets	1,457,186	1,645,210	340,095
Deferred income tax assets	45,595	18,772	11,319
Current tax assets	7,316	49,109	468
Non-current assets held for sale	660	1,439	-
Other assets	16,215,102	15,977,352	5,860,912
Total assets	₩ 295,188,639	₩ 284,915,088	₩ 178,863,609
Liabilities			
Financial liabilities held-for-trading	₩ 4,373,515	₩ 3,961,739	₩ 2,419,359
Financial liabilities designated at fair value through profit and loss	4,904,171	4,355,636	2,966,907
Deposits	187,225,676	178,262,815	105,199,275
Borrowings	21,833,638	22,361,914	15,441,945
Debentures	30,419,564	32,432,503	28,481,270
Derivative liabilities used for hedging purposes	140,081	14,151	2,647
Post-employment benefit obligation	162,053	109,429	40,737
Provisions	448,972	438,055	152,257
Deferred income tax liabilities	304,447	300,543	91,724
Current tax liabilities	31,004	50,588	222,372
Other liabilities	24,455,893	22,285,278	9,027,040
Total liabilities	₩ 274,299,014	₩ 264,572,651	₩ 164,045,533
Shareholders' equity			
Paid in capital	₩ 1,449,470	₩ 1,215,249	₩ 1,215,249
Hybrid equity securities	299,121	299,121	299,121
Capital surplus	10,380,574	6,814,903	6,669,072
Capital adjustments	(170,261)	(80,949)	(70,712)
Accumulated other comprehensive income	(9,740)	306,583	277,944
Retained earnings	7,982,838	7,169,418	5,687,644
Equity attributable to equity holders of the parent	19,932,002	15,724,325	14,078,318
Non-controlling shareholders' equity	957,623	4,618,112	739,758
Total shareholders' equity	₩ 20,889,625	₩ 20,342,437	₩ 14,818,076
Total liabilities and shareholders' equity	₩ 295,188,639	₩ 284,915,088	₩ 178,863,609

* The accompanying notes are integral part of the consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2013 and 2012

Hana Financial Group Inc. (KRW in million, except per share amounts)

	2013	2012
Net interest income:		
Interest income	₩ 10,534,899	₩ 11,433,226
Interest expense	(6,049,858)	(6,834,560)
	4,485,041	4,598,666
Net fee and commission income:		
Fee and commission income	2,478,039	2,378,739
Fee and commission expense	(885,223)	(826,566)
	1,592,816	1,552,173
Net trading income	233,557	389,478
Net loss on financial assets and liabilities designated at fair value through profit and loss	(63,625)	(369,784)
Net gain (loss) on derivative financial instruments used for hedging purposes	(37,243)	11,025
Net gain on available-for-sale financial assets and other financial assets not measures at fair value	285,477	217,380
Gain on foreign currency translation and transactions	247,322	505,088
Total operating income	6,743,345	6,904,026
Impairment loss on financial assets	(1,271,655)	(1,626,984)
Net operating income	5,471,690	5,277,042
General and administrative expenses	(3,846,309)	(3,769,778)
Other operating income	564,597	1,250,440
Other operating expenses	(1,024,968)	(740,353)
Operating income	1,165,010	2,017,351
Non-operating expense:		
Share of earnings from investments in associates and joint ventures	85,213	66,791
Other non-operating income	138,610	112,799
Other non-operating expenses	(118,560)	(204,730)
	105,263	(25,140)
Net income before income tax	1,270,273	1,992,211
Income tax expense	(277,305)	(263,031)
Net income	992,968	1,729,180
Attributable to: Equity holders of the parent	933,877	1,621,531
Non-controlling interests	59,091	107,649
Other comprehensive income:		
Items that could be recycled to profit or loss at a future point in time:		
Gain (loss) on valuation of available-for-sale financial assets	(88,703)	171,001
Exchange differences on transaction of foreign operations	(105,322)	(132,708)
Changes in unrealized gain on valuation of equity method investments	(36,568)	(9,961)
Net gain (loss) on cash flow hedges	957	(2,214)
Items that will never be recycled:		
Remeasurement of the net defined benefit liability(asset)	(57,685)	(33,894)
Total comprehensive income	₩ 705,647	₩ 1,721,404
Attributable to: Equity holders of the parent	617,554	1,650,170
Non-controlling interests		
Earnings per share	88,093	71,234
Basic earnings per share	₩ 3,399	₩ 6,648
Diluted earnings per share	3,388	6,631

* The accompanying notes are integral part of the consolidated financial statements.

Consolidated statements of changes in equity

For the years ended December 31, 2013 and 2012

Hana Financial Group Inc.

(KRW in million)

	Issued capital	Hybrid equity securities	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling shareholders' equity	Total
As of January 1, 2012 (reported amounts)	₩ 1,215,249	₩ 299,121	₩ 6,669,072	₩ (70,712)	₩ 291,429	₩ 5,677,021	₩ 14,081,180	₩ 739,758	₩ 14,820,938
Changes in accounting policy	-	-	-	-	(22,002)	42,987	20,985	-	20,985
Effects of retrospective restatement	-	-	-	-	8,517	(32,364)	(23,847)	-	(23,847)
Restated balance	1,215,249	299,121	6,669,072	(70,712)	277,944	5,687,644	14,078,318	739,758	14,818,076
Dividends	-	-	-	-	-	(72,309)	(72,309)	-	(72,309)
Interim dividends	-	-	-	-	-	(48,206)	(48,206)	-	(48,206)
Acquisition of equity interests in subsidiaries	-	-	-	-	-	-	-	4,336,245	4,336,245
Acquisition of additional equity interests in subsidiaries	-	-	115,413	-	-	-	115,413	(261,183)	(145,770)
Exchange differences on transaction of foreign operations	-	-	10,678	(10,701)	-	-	(23)	-	(23)
Redemption of hybrid equity securities	-	-	19,740	464	-	-	20,204	(233,520)	(213,316)
Dividends on hybrid equity securities	-	-	-	-	-	(19,082)	(19,082)	(33,990)	(53,072)
Others	-	-	-	-	-	(160)	(160)	(432)	(592)
	1,215,249	299,121	6,814,903	(80,949)	277,944	5,547,887	14,074,155	4,546,878	18,621,033
Net income for the period	-	-	-	-	-	1,621,531	1,621,531	107,649	1,729,180
Gain on valuation of available-for-sale financial assets	-	-	-	-	166,429	-	166,429	4,572	171,001
Exchange differences on transaction of foreign operations	-	-	-	-	(95,485)	-	(95,485)	(37,223)	(132,708)
Changes in unrealized gain on valuation of equity method investments	-	-	-	-	(9,908)	-	(9,908)	(53)	(9,961)
Net loss on cash flow hedges	-	-	-	-	(1,129)	-	(1,129)	(1,085)	(2,214)
Redemption of hybrid equity securities	-	-	-	-	(31,268)	-	(31,268)	(2,626)	(33,894)
Total comprehensive income	-	-	-	-	28,639	1,621,531	1,650,170	71,234	1,721,404
As of December 31, 2012	₩ 1,215,249	₩ 299,121	₩ 6,814,903	₩ (80,949)	₩ 306,583	₩ 7,169,418	₩ 15,724,325	₩ 4,618,112	₩ 20,342,437

	Issued capital	Hybrid equity securities	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling shareholders' equity	Total
As of January 1, 2013	₩ 1,215,249	₩ 299,121	₩ 6,814,903	₩ (80,949)	₩ 306,583	₩ 7,169,418	₩ 15,724,325	₩ 4,618,112	₩ 20,342,437
Dividends	-	-	-	-	-	(60,257)	(60,257)	(12,898)	(73,155)
Interim dividends	-	-	-	-	-	(43,288)	(43,288)	-	(43,288)
Acquisition of additional equity interests in subsidiaries	-	-	(9,920)	-	-	-	(9,920)	(10,749)	(20,669)
Issuance of hybrid equity securities	-	-	-	-	-	-	-	179,737	179,737
Dividends on hybrid equity securities	-	-	-	-	-	(19,082)	(19,082)	(20,063)	(39,145)
Issuance of share capital (share swap)	234,221	-	3,575,804	(94,740)	-	-	3,715,285	(3,883,561)	(168,276)
Acquisition and disposal of treasury stock	-	-	(213)	5,022	-	-	4,809	-	4,809
Exercise of appraisal rights of shareholders	-	-	-	410	-	-	410	(1,029)	(619)
Others	-	-	-	(4)	-	2,170	2,166	(19)	2,147
	1,449,470	299,121	10,380,574	(170,261)	306,583	7,048,961	19,314,448	869,530	20,183,978
Net income for the period	-	-	-	-	-	933,877	933,877	59,091	992,968
Loss on valuation of available-for-sale financial assets	-	-	-	-	(106,932)	-	(106,932)	18,229	(88,703)
Exchange differences on transaction of foreign operations	-	-	-	-	(115,916)	-	(115,916)	10,594	(105,322)
Changes in unrealized gain on valuation of equity method investments	-	-	-	-	(36,206)	-	(36,206)	(362)	(36,568)
Net gain on cash flow hedges	-	-	-	-	488	-	488	469	957
Remeasurement of the net defined benefit liability	-	-	-	-	(57,757)	-	(57,757)	72	(57,685)
Total comprehensive income	-	-	-	-	(316,323)	933,877	617,554	88,093	705,647
As of December 31, 2013	₩ 1,449,470	₩ 299,121	₩ 10,380,574	₩ (170,261)	(9,740)	₩ 7,982,838	₩ 19,932,002	₩ 957,623	₩ 20,889,625

* The accompanying notes are integral part of the consolidated financial statements.

Consolidated statements of cash flows

For the years ended December 31, 2013 and 2012

Hana Financial Group Inc.

(KRW in million)

		2013		2012
Operating activities				
Net income before income tax	₩	1,270,273	₩	1,992,211
Adjustments to reconcile net income before income tax to net cash flows:				
Net interest expense (income)		30,391		(41,526)
Net loss (gain) on valuation of trading securities		12,320		(348,969)
Net loss (gain) on valuation of financial assets and liabilities designated at fair value through profit and loss		(75,918)		259,863
Net gain on disposal of available-for-sale financial assets		(196,220)		(182,541)
Net loss (gain) on fair value of hedged items		36,893		(10,949)
Net gain on disposal of held-to-maturity investments		(345)		(9)
Impairment loss on available-for-sale financial assets		162,304		180,440
Loss on foreign exchange translation		240,329		192,535
Provision of allowance for possible loan losses		1,109,351		1,446,546
Depreciation and amortization		499,542		455,595
Share based payment expense		8,649		(1,871)
Provision of post-employment benefit obligations		142,855		194,319
Net gain on valuation of investments in associates and joint ventures		(85,213)		(66,791)
Other loss relating to property, equipment and intangible assets, net		10,715		15,881
Gain on a bargain purchase		(73,602)		(1,068,381)
Others		16,676		135,365
		1,838,727		1,159,507
Changes in operating assets and liabilities:				
Due from banks		1,892,744		(4,095,179)
Financial assets held-for-trading		(793,517)		(2,190,933)
Financial assets designated at fair value through profit and loss		(9,260,874)		1,844,767
Loans receivable		(206,074)		(7,669)
Derivative assets used for hedging purposes		(124,703)		25,715
Investment in associates and joint ventures		25,569		(723)
Other assets		2,559,810		4,189,673
Financial liabilities held-for-trading		424,759		703,075
Financial liabilities designated at fair value through profit and loss		655,142		1,131,822
Deposits		9,144,457		4,472,271
Derivative liabilities used for hedging purposes		125,930		10,589
Payment of post-employment benefit obligations		(170,772)		(210,911)
Provisions		(76,694)		(59,892)
Other liabilities		(317,109)		(2,247,377)
		3,878,668		3,565,228
Payment of income tax		(183,533)		(1,085,493)
Net cash flows provided by operating activities		6,804,135		5,631,453

(Continued)

Hana Financial Group Inc.

(KRW in million)

		2013		2012
Investing activities				
Net cash flow used in purchasing subsidiary		272,176		1,533,684
Purchase of available-for-sale financial assets		(18,831,627)		(12,692,837)
Proceeds from disposal of available-for-sale financial assets		15,816,717		9,562,551
Purchase of held-to-maturity financial assets		(3,620,350)		(362,533)
Proceeds from redemption of held-to-maturity financial assets		6,211,081		1,200,545
Purchase of investments in associates		(149,998)		(46,600)
Proceeds from disposal of investments in associates		88,802		34,347
Acquisition of property and equipment		(190,593)		(231,138)
Proceeds from disposal of property and equipment		18,277		60,282
Purchase of investment property		(4,941)		(37)
Proceeds from disposal of investment property		-		3,415
Purchase of intangible assets		(68,212)		(85,080)
Proceeds from disposal of intangible assets		5,986		2,865
Increase in guarantee deposit, net		(1,509,046)		(909,560)
Net cash flows used in investing activities		(1,961,728)		(1,930,096)
Financing activities				
Increase (decrease) in borrowings, net		6,993		(1,272,893)
Issuance of debentures		8,868,767		13,466,796
Redemption of debentures		(10,570,302)		(14,754,869)
The exercise of share options		-		(18)
Dividends paid		(103,545)		(120,515)
Dividends of hybrid equity securities		(19,082)		(19,082)
Acquisition of treasury stock		(49,216)		-
Disposal of treasury stock		43,122		-
Transaction costs of issuance of shares		(1,215)		-
Decrease in non-controlling shareholders' equity , net		(571,047)		(393,541)
Net cash flows used in investing activities		(2,395,525)		(3,094,122)
Effect of exchange rate changes on cash and cash equivalents		(101,790)		(180,471)
Net Increase in cash and cash equivalents		2,345,092		426,764
Cash and cash equivalents at the beginning of the period		7,669,500		7,242,736
Cash and cash equivalents at the end of the period	₩	10,014,592	₩	7,669,500

* The accompanying notes are integral part of the consolidated financial statements.

GLOBAL NETWORKS

Asia & Pacific

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Japan _ 5
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America

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Panama _ 1
Brazil _ 1

Europe & Middle East

U.A.E _ 2
United Kingdom _ 1
Bahrain _ 1
Germany _ 1
Czech Republic _ 1
Netherlands _ 1
Russia _ 1
France _ 1
Turkey _ 1

128 *branches in* **24** *countries*

CORPORATE INFORMATION

Hana Financial Group Inc.
55, Eulji-ro, Jung-gu, Seoul,
100-720
Tel. 822) 2002 – 1110
www.hanafn.com

Hana Bank
35, Eulji-ro, Jung-gu, Seoul, 100-719
Tel. 822) 2002 – 1111
www.hanabank.com

Korea Exchange Bank
66, Eulji-ro, Jung-gu, Seoul,
100-793
Tel. 822) 1544 - 3000
www.keb.co.kr

Hana Bank (China) Co., Ltd.
11th F, China Life Center, No.17
Financial Street, Xi Cheng District
Beijing, P.R.China
Tel. 8610) 6658 - 1111
www.hanabank.cn

PT Bank KEB HANA
Wisma Mulia, Suite 5201, Jl. Jend.
Gatot Subroto No. 42, Jakarta 12710
Tel. 8610) 8458-1111
www.myhana.co.id

KEB F&I Inc.
10th F Hanoy Bldg 43, Dadong-gil,
Jung-gu, Seoul, 100-180
Tel. 822) 3708-2114
www.keb.co.kr

KEB Investor Services Co.,Ltd.
9th F Hanoy Bldg 43, Dadong-gil,
Jung-gu, Seoul, 100-180
Tel. 822) 729-8950
www.keb.co.kr

Hana Daetoo Securities Co.,Ltd.
82, Uisadang-daero,
Yeongdeungpo-gu, Seoul, 150-705
Tel. 822) 3771 - 7114
www.hanaw.com

Hana SK Card
24, Namdaemun-ro 9-gil, Jung-gu,
Seoul, 100-180
Tel. 822) 6399-3000
www.hanaskcard.com

Hana Capital Co.,Ltd.
8th~13th F Dea gong Bldg., 126,
Teheran-ro, Gangnam-gu, Seoul,
135-933
Tel. 822) 2037 - 1111
www.hanacapital.co.kr

Hana Life
89-31, Seosomun-ro, Jung-gu,
Seoul, 100-732
Tel. 822) 3709 - 7300
www.hanalife.co.kr

Hana Savings Bank
293, Jong-ro, Jongno-gu,
Seoul, 110-855
Tel. 822) 1899 - 1122
www.hanasavings.com

Hana Asset Trust
12th F Shinan Bldg.,512,
Teheran-ro, Gangnam-gu,
Seoul, 135-845
Tel. 822) 3287-4600
www.hanatrust.com

Hana Asset Management
10th F Shinan Bldg.,512,
Teheran-ro, Gangnam-gu,
Seoul, 135-845
Tel. 822) 2190-6500
www.hana-assetmanagement.com

Hana Bancorp, Inc
250 Fifth Ave, New York,
NEW YORK, NY 10001
Tel. 212) 689-8292
www.bnbbank.com

Hana I&S
9th F ,32, Hwangsaeul-ro
312beon-gil, Bundang-gu, Seongnam-si, Gyeonggi-do, 463-824
Tel. 822) 2151 - 6400
www.hanains.com

Hana Institute of Finance
82, Uisadang-daero,
Yeongdeungpo-gu, Seoul, 150-705
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www.hanaif.re.kr

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America	Canada _ 9	U.S.A _ 11	Brazil _ 1
	Chile _ 1	Panama _ 1	
Europe & Middle East	U.A.E _ 2	Germany _ 1	Russia _ 1
	United Kingdom _ 1	Czech Republic _ 1	France _ 1
	Bahrain _ 1	Netherlands _ 1	Turkey _ 1

128 *branches in* **24** *countries*

Korea's largest overseas network