

Hana Financial Group

2016 Business Result

January 2017

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Section 1

2016 Financial Highlights

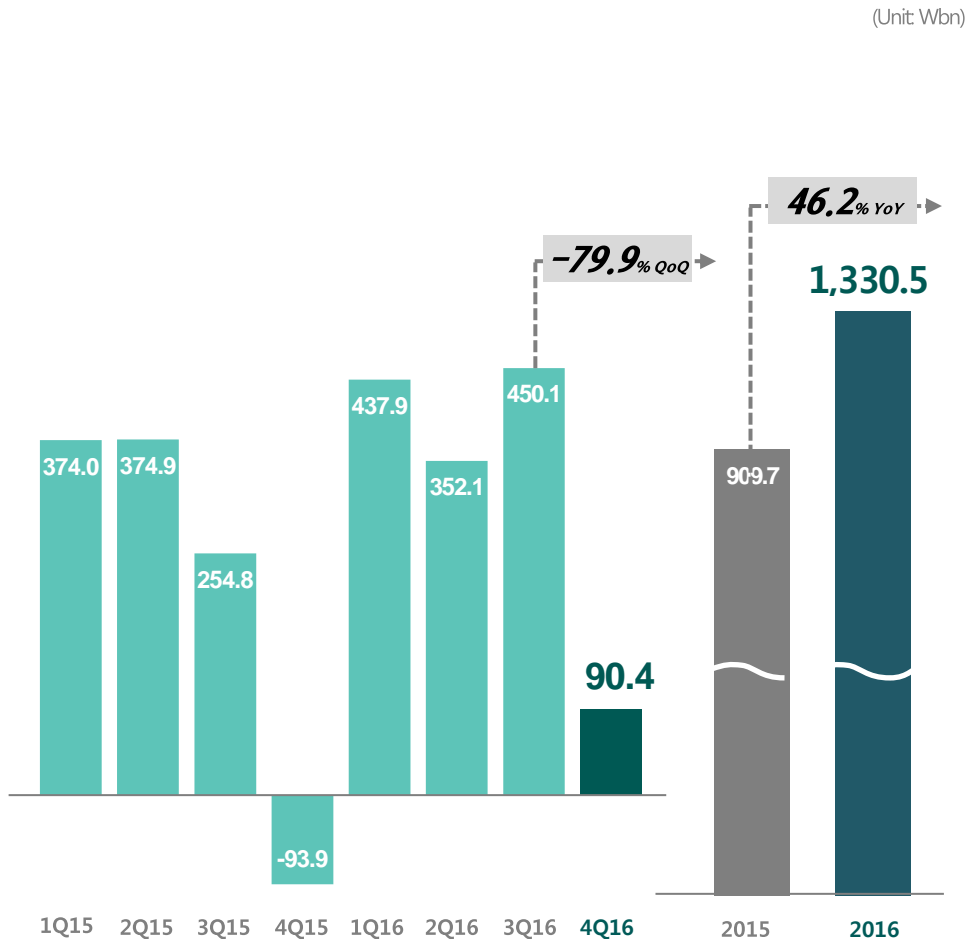
2016 Financial Highlights (1)

2016 Financial Highlights (2)

2016 Financial Highlights (3)

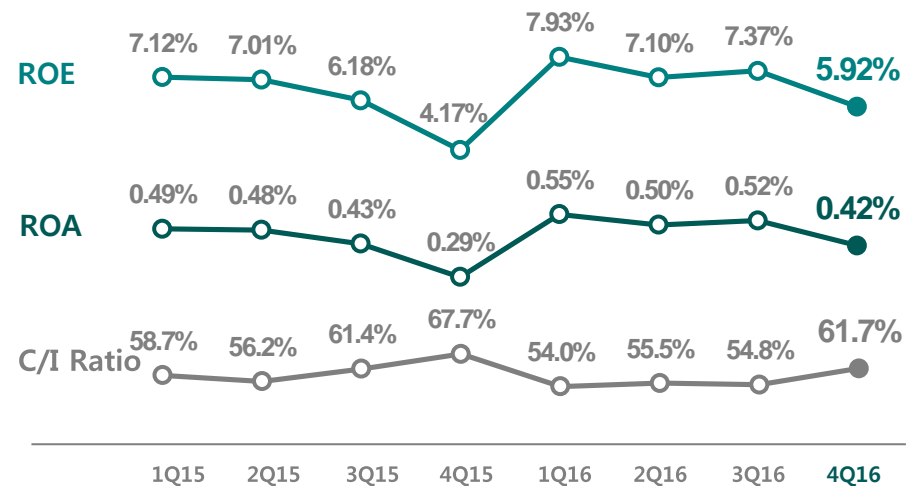
2016 Financial Highlights (1)

Group Net Income



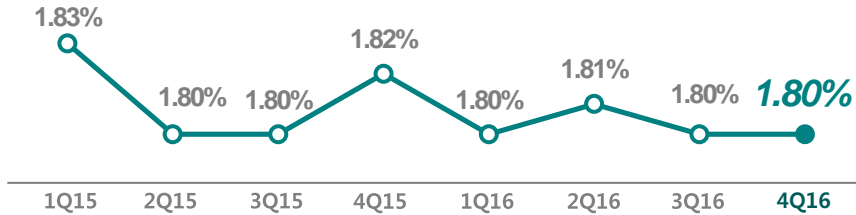
- Group's cumulative net income surged 46.2% YoY recording 1.331 trillion, the highest full year earnings since 2012, driven primarily by stable core earnings and reduction on loan loss provisioning and SG&A expenses
- Reported stable 4Q16 earnings of KRW 90.4 billion in the face of the recognition of major one-offs
- Despite sizeable increase of C/I ratio in 4Q16 due to the expansion of year-round ERP, group-wide cost savings and realization of bank integration synergy contributed reduction of full year SG&A cost by 10% YoY

Group Major Indices (Cumulative)

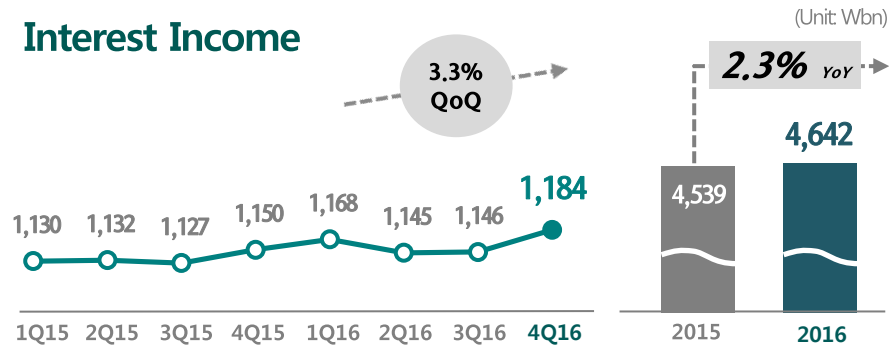


2016 Financial Highlights (2)

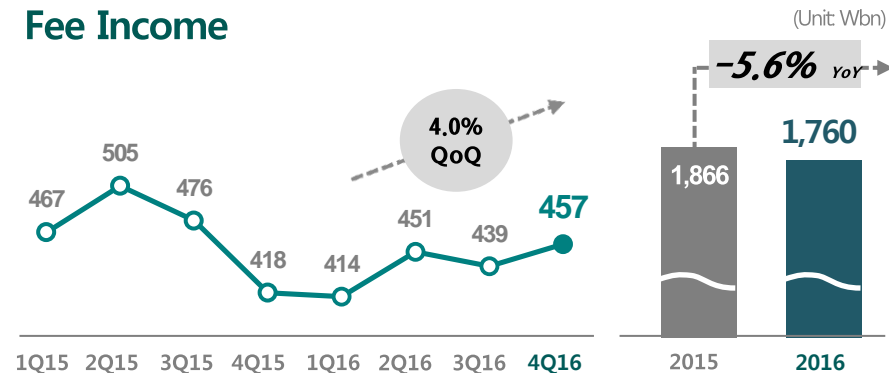
NIM



Interest Income

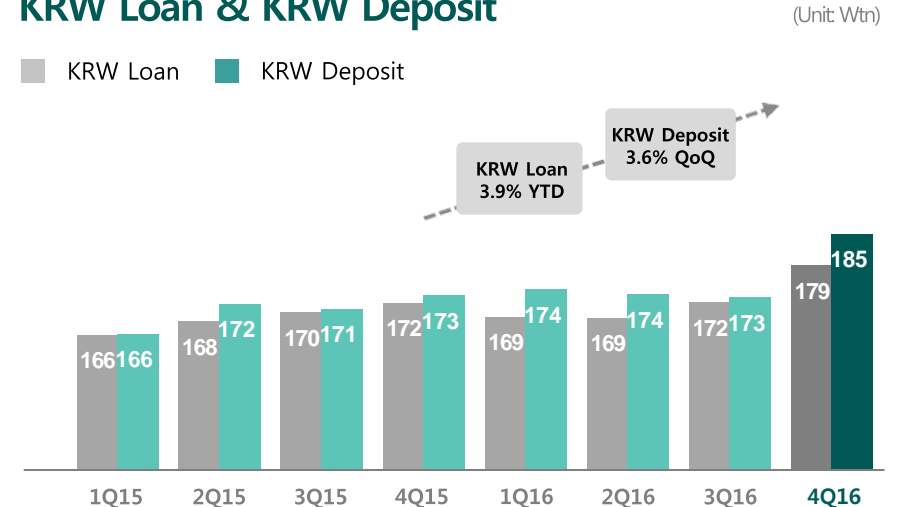


Fee Income



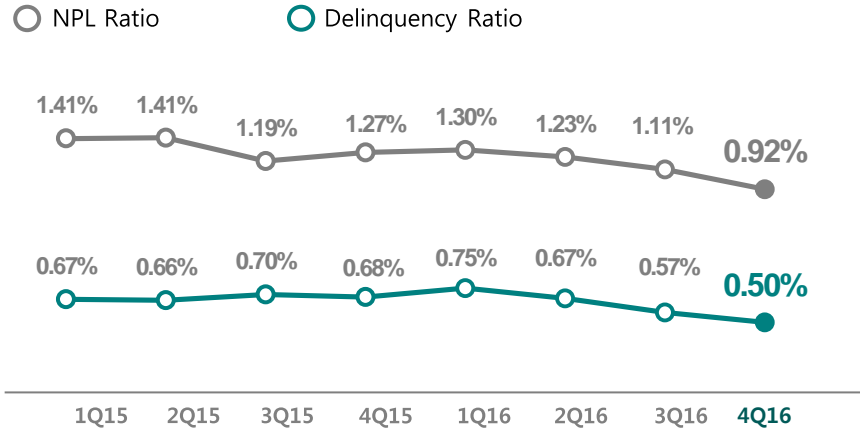
- While downward pressure on NIM from low interest environment persisted in 2016, resilient NIM reflects the benefits from loan portfolio improvement as well as growth of low cost fund (LCF)
- Group's interest income increased by 2.3% and fee income decreased by 5.6%, YoY respectively, summing the core earnings (interest income + fee income) in line with previous year
- KEB Hana Bank's KRW loan in 2016 grew 3.9% YTD driven by households (mortgages) and SMEs (SOHOs). While large corporation exposure further contracted in 4Q16, exposures on healthy large corporation grew selectively

KRW Loan & KRW Deposit

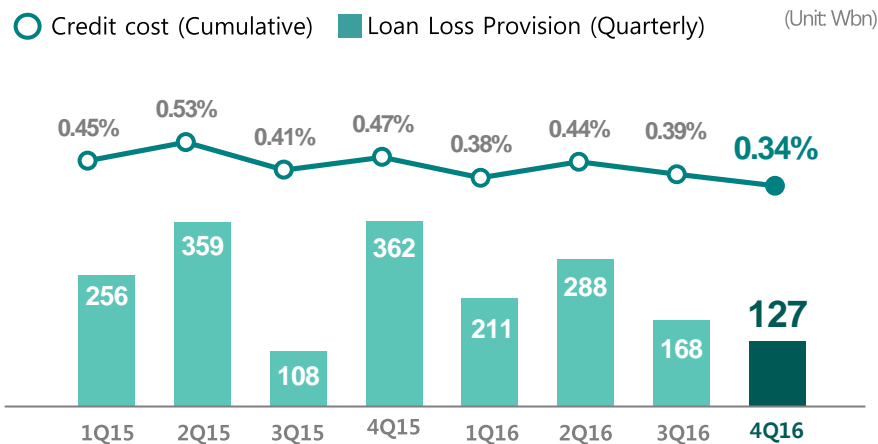


2016 Financial Highlights (3)

Group NPL Ratio & Delinquency Ratio



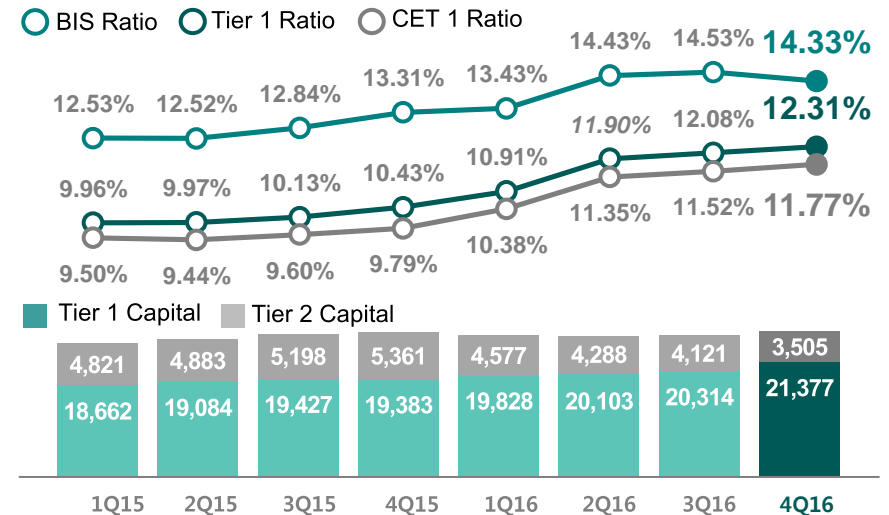
Group Provision



- Group's NPL ratio and delinquency ratio in 4Q16 further improved continuing the downtrend of this year
- Loan loss provision dropped in 2016 with credit cost dipping below 35bp, -13bp YoY, reflecting high-risk exposure reduction on the back of proactive risk management
- Strong group CET1 ratio growth in 2016 driven by proactive RWA reduction with loan portfolio rebalancing and adoption of IRB (internal ratings-based) approach
- Group's 4Q16 CET1 improvement due to the classification of credit loss reserve as common equity capital was partially offset by RWA increases from loan growth and weakened KRW plus reduction in OCI due to market interest rate hike

Group Capital Adequacy

(Unit: Wbn)



Section 2

Profitability

Group Consolidated Earnings

Business Results of Subsidiaries

NIM

SG&A Expenses

Group Consolidated Earnings

Group Consolidated Earnings

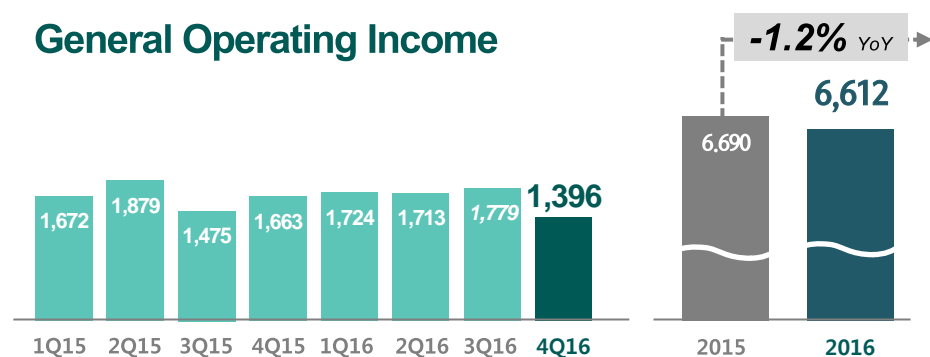
(Unit: Wbn)

	FY2016	FY2015	YoY(%)	4Q16	3Q16	QoQ(%)
Gen. Operating Income	6,612.3	6,689.6	-1.2%	1,396.3	1,779.3	-21.5%
Int. Income	4,642.1	4,538.9	2.3%	1,183.8	1,145.9	3.3%
Fee Income	1,760.4	1,865.6	-5.6%	456.6	438.8	4.0%
Disposition/ Valuation	690.6	821.2	-15.9%	(85.0)	316.7	N.A
Other Operating Income	(480.8)	(535.9)	N.A	(159.1)	(122.1)	N.A
SG&A Expenses	4,076.9	4,531.0	-10.0%	1,216.3	954.5	27.4%
PPOP	2,535.4	2,158.7	17.5%	179.9	824.9	-78.2%
Credit Loss Provision	921.3	1,148.2	-19.8%	168.1	206.3	-18.5%
Operating Income	1,614.1	1,010.5	59.7%	11.8	618.6	-98.1%
Non Operating Income	205.9	185.9	10.8%	122.8	(11.9)	N.A
Consolidated Net Income¹⁾	1,330.5	909.7	46.2%	90.4	450.1	-79.9%

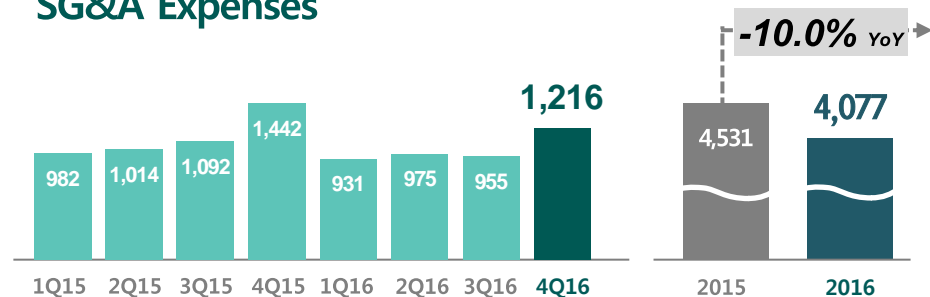
Note 1) Equity attributable to equity holders of the parent

General Operating Income

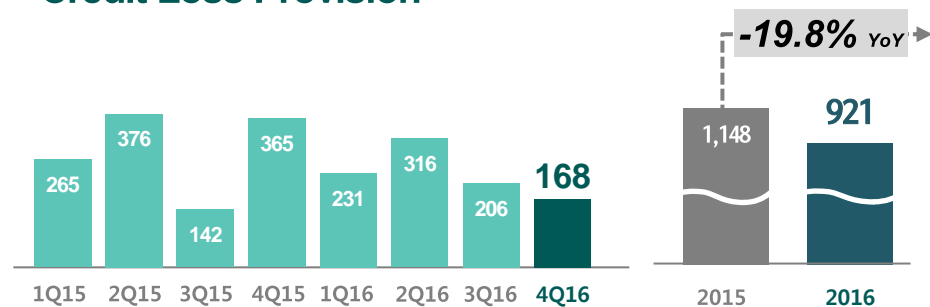
(Unit: Wbn)



SG&A Expenses



Credit Loss Provision



Business Results of Subsidiaries

Net Income of Subsidiaries (Consolidated)

(Unit: Wbn)

	2016	2015	YoY(%)	4Q16	3Q16	QoQ(%)	지분율 (%)
KEB Hana Bank ¹⁾	1,372.7	421.0	226.1%	111.9	461.9	-75.8%	100.00%
※ (formerly)Hana Bank+(formerly)KEB ²⁾	-	969.9	-	-	-	-	-
Hana Financial Investment	86.6	129.8	-33.3%	28.7	24.5	17.2%	100.00%
KEB Hana Card	75.6	10.1	647.0%	16.3	20.5	-20.6%	85.00%
Hana Capital	80.6	65.1	23.7%	20.5	19.5	5.2%	50.13%
Hana Life	16.6	22.4	-26.0%	2.1	4.0	-46.3%	100.00%
Hana Savings Bank	15.4	18.1	-14.9%	5.4	3.5	54.6%	100.00%
Other Subsidiaries & Consolidation Adjustment	(317.1)	243.1 ³⁾	N.A	(94.5)	(83.7)	N.A	-
Group Consolidated Net Income ⁴⁾	1,330.5	909.7	46.2%	90.4	450.1	-79.9%	-

Note1) The financial data under "KEB Hana Bank" is a sum of 1) the cumulative performance of KEB (surviving entity) from January 2015 to August 2015 and 2) four months (from September 2015 to December 2015) performance of KEB Hana Bank. The financial data under "KEB Hana Bank" before the integration is the performance of (formerly) KEB.

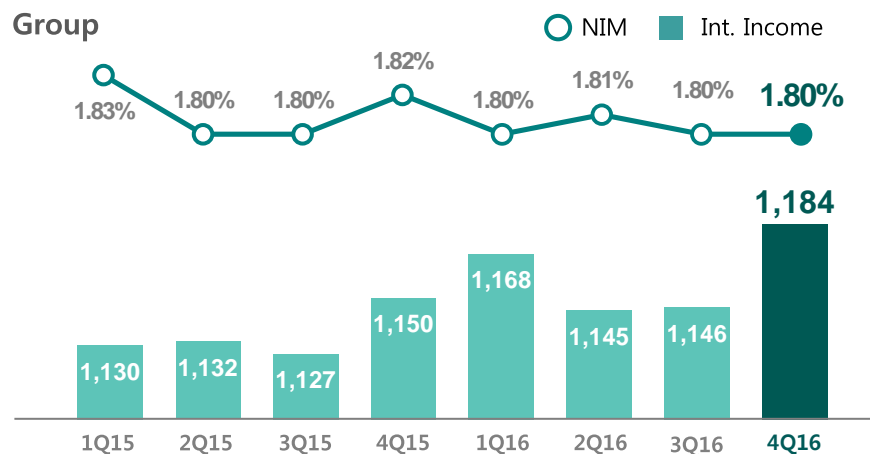
Note2) Separate, the simple sum of (formerly) Hana Bank and (formerly) KEB's performance data before and after the two banks' integration.

Note3) Including net income of (formerly) Hana Bank

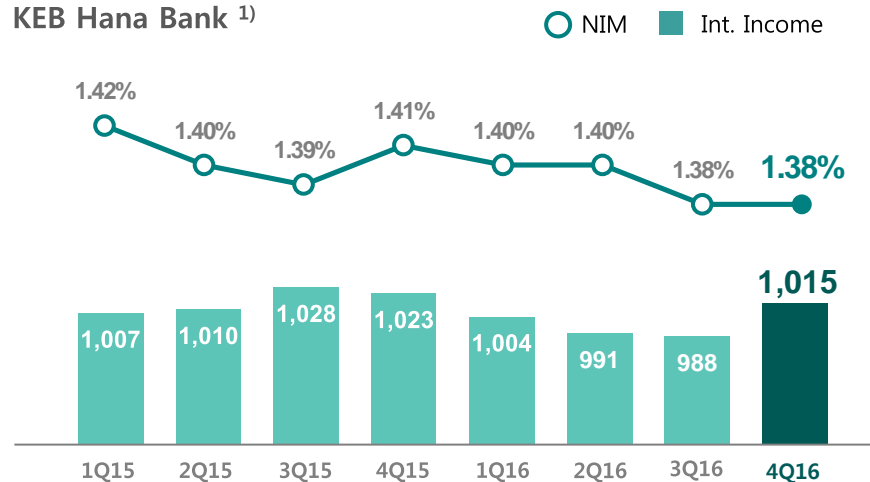
Note4) Equity attributable to equity holders of the parent

NIM

(Unit: Wbn)



KEB Hana Bank ¹⁾



Note1) The figures, prior to the integration, represent the simple sum of (formerly) Hana Bank and (formerly) KEB's performance.

NIS Trend

Group

	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
Lending Rate	3.65%	3.46%	3.31%	3.23%	3.22%	3.19%	3.10%	3.07%
Funding Rate	1.91%	1.73%	1.59%	1.48%	1.48%	1.43%	1.35%	1.33%
NIS	1.74%	1.73%	1.72%	1.75%	1.74%	1.76%	1.75%	1.74%

KEB Hana Bank ¹⁾

	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
Lending Rate	3.22%	3.03%	2.89%	2.80%	2.81%	2.76%	2.67%	2.64%
Funding Rate	1.87%	1.70%	1.55%	1.45%	1.45%	1.40%	1.33%	1.31%
NIS	1.35%	1.33%	1.33%	1.35%	1.36%	1.36%	1.34%	1.33%

Non-Interest Income

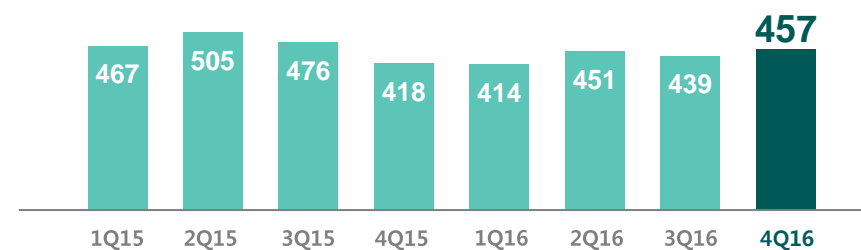
Non-Interest Income

(Unit: Wbn)

	FY2016	FY2015	YoY(%)	4Q16	3Q16	QoQ(%)
Fee Income	1,760.4	1,865.6	-5.6%	456.6	438.8	4.0%
Credit Card	730.1	762.5	-4.2%	204.7	185.3	10.5%
Banking Fee	438.8	458.5	-4.3%	103.3	104.5	-1.1%
Gurantee	74.9	81.3	-7.8%	19.2	17.6	8.8%
Loan & Other	175.3	191.6	-8.5%	34.8	40.7	-14.5%
FX	174.1	182.1	-4.4%	44.5	42.3	5.1%
Operating Leases	14.4	3.6	303.2%	4.8	3.8	26.1%
Asset Mgmt. Fee	468.7	550.6	-14.9%	115.6	123.3	-6.2%
Beneficiary Cert. Sales	116.4	123.3	-5.6%	28.9	31.7	-8.9%
Wrap & Operation	35.1	43.1	-18.5%	9.4	10.2	-7.8%
Brokerage	120.9	149.0	-18.9%	25.6	31.1	-17.4%
Trust	157.7	179.7	-12.2%	43.0	41.4	4.0%
Bancassurance	38.6	55.4	-30.4%	8.7	8.9	-2.5%
M&A Advisory	49.7	61.7	-19.5%	19.7	9.1	115.0%
Other	73.1	32.2	126.8%	13.2	16.6	-20.5%
Disposition / Valuation	690.6	821.2	-15.9%	(85.0)	316.7	N.A
Other Operating Income	(480.8)	(535.9)	N.A	(159.1)	(122.1)	N.A
Total	1,970.2	2,150.8	-8.4%	212.5	633.4	-66.5%

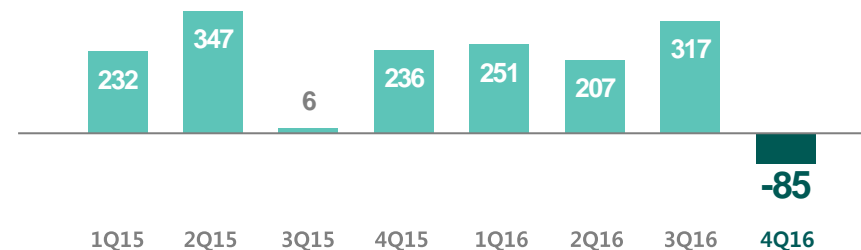
Group Fee Income Trend

(Unit: Wbn)



Group Disposition / Valuation Gain Trend

(Unit: Wbn)



SG&A Expenses

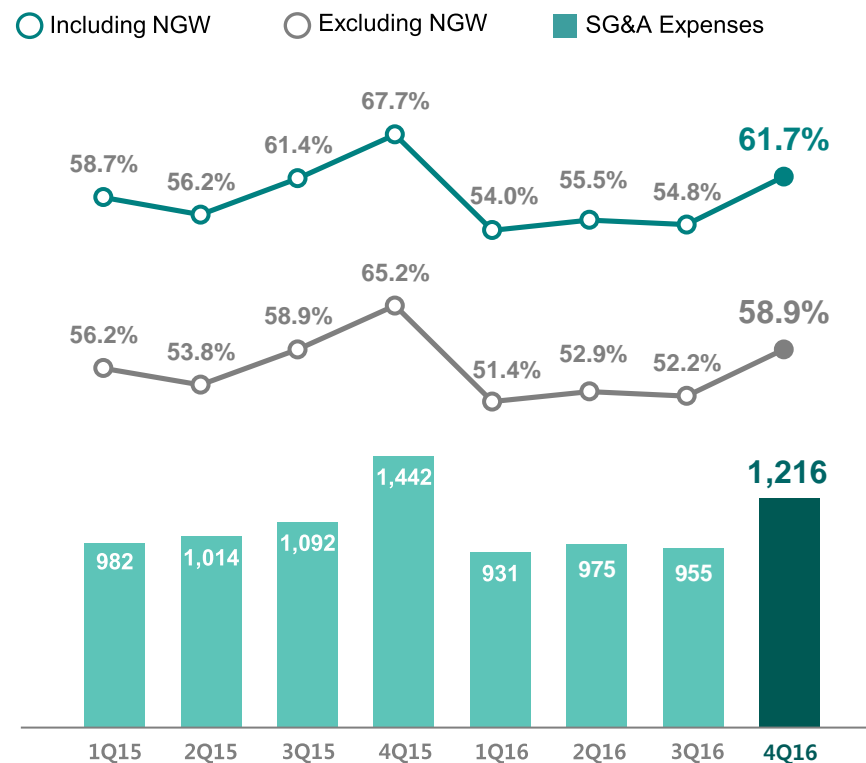
SG&A Expenses

(Unit: Wbn)

	FY2016	FY2015	YoY(%)	4Q16	3Q16	QoQ(%)
Salary & Benefits	1,864.5	2,008.6	-7.2%	476.1	464.3	2.5%
Retirement Benefits	453.2	510.7	-11.3%	270.3	59.9	351.2%
Admin. Expenses	1,189.0	1,328.1	-10.5%	330.7	290.8	13.7%
Taxes / Depreciation	570.2	683.7	-16.6%	139.3	139.4	-0.1%
Total	4,076.9	4,531.0	-10.0%	1,216.3	954.5	27.4%

Group Cost Income Ratio (Cumulative)

(Unit: Wbn)



Section 3

Total Lending & Funding

Group Total Assets / Total Liabilities & Equity

KEB Hana Bank KRW Loan / Deposit

Group Total Assets / Total Liabilities & Equity

Group Total Assets¹⁾

(Unit: Wbn)

	2016	2015	YTD(%)	3Q16	QoQ(%)
Cash & Deposits	29,226	19,746	48.0%	19,845	47.3%
Securities	61,719	58,677	5.2%	57,017	8.2%
Loan Receivables	228,607	221,337	3.3%	222,430	2.8%
KRW Loan	183,324	175,598	4.4%	177,324	3.4%
Tangible Asset	3,003	2,874	4.5%	2,901	3.5%
Other Asset	25,621	24,279	5.5%	29,616	-13.5%
Group Asset	348,177	326,913	6.5%	331,809	4.9%
+ Trust Asset	88,633	80,783	9.7%	84,223	5.2%
Group Total Asset	436,810	407,696	7.1%	416,032	5.0%

Group Total Liabilities & Equity

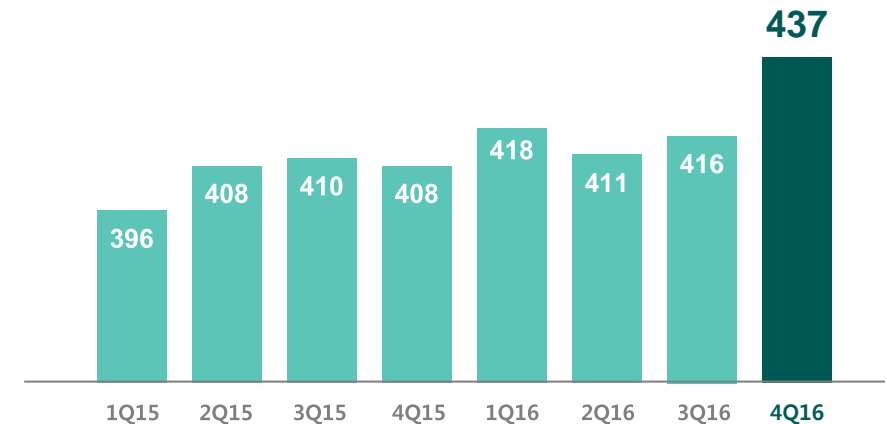
(Unit: Wbn)

	2016	2015	YTD(%)	3Q16	QoQ(%)
Deposits	222,413	206,810	7.5%	207,393	7.2%
Borrowings	52,337	52,211	0.2%	51,326	2.0%
Debt	12,433	15,363	-19.1%	12,066	3.0%
Debentures	32,306	30,008	7.7%	31,445	2.7%
RP, Call Money, etc	7,599	6,839	11.1%	7,816	-2.8%
Other Liabilities	50,037	44,920	11.4%	49,394	1.3%
Total Liabilities	324,787	303,941	6.9%	308,112	5.4%
Total Equity	23,390	22,972	1.8%	23,697	-1.3%
Liabilities & Equity	348,177	326,913	6.5%	331,809	4.9%

Note 1) Total Assets = Group Asset + Trust Asset

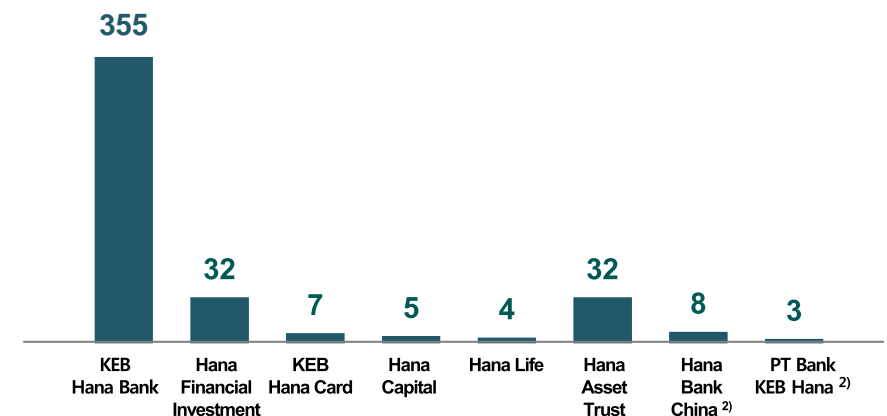
Group Total Assets¹⁾ Trend

(Unit: Wtn)



Total Assets¹⁾ of Subsidiaries (Consolidated)

(Unit: Wtn)



Note 2) Separate

KEB Hana Bank KRW Loan / Deposit

KRW Loan ¹⁾

(Unit: Wbn)

	4Q16	2015	YTD(%)	3Q16	QoQ(%)
Corporate Loan	83,641	84,236	-0.7%	81,669	2.4%
Large Corp.	15,258	20,020	-23.8%	16,129	-5.4%
SME	66,447	62,441	6.4%	63,762	4.2%
(SOHO)	33,095	28,561	15.9%	31,308	5.7%
Other	1,935	1,775	9.0%	1,778	8.9%
Household Loan	95,068	87,691	8.4%	90,753	4.8%
Secured	78,627	71,051	10.7%	74,023	6.2%
(Mortgage)	66,939	59,196	13.1%	62,932	6.4%
Unsecured	16,441	16,640	-1.2%	16,730	-1.7%
Total	178,709	171,926	3.9%	172,422	3.6%

Deposit (Ending Balance) ¹⁾

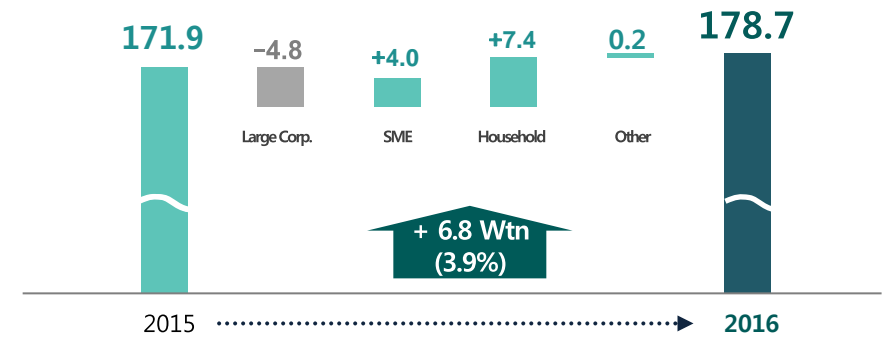
(Unit: Wbn)

	4Q16	2015	YTD(%)	3Q16	QoQ(%)
KRW Deposit	184,864	173,310	6.7%	172,834	7.0%
Core Deposit	46,686	40,567	15.1%	42,817	9.0%
MMDA	26,871	26,853	0.1%	24,373	10.3%
Time Deposit	100,752	94,419	6.7%	95,546	5.4%
Installment Deposit	8,542	9,080	-5.9%	8,809	-3.0%
Marketable Securities	2,013	2,391	-15.8%	1,290	56.1%
FC Deposit	24,715	23,279	6.2%	23,001	7.5%
Total	209,579	196,589	6.6%	195,834	7.0%

Note 1) The figures, prior to the integration, represent the simple sum of (formerly) Hana Bank and (formerly) KEB's balance.

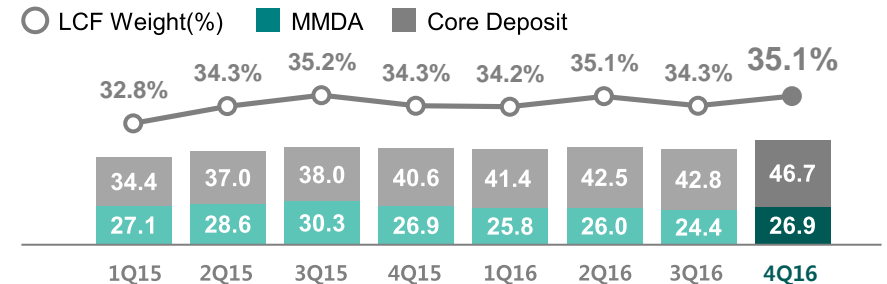
KRW Loan Growth (YTD)

(Unit: Wtn)

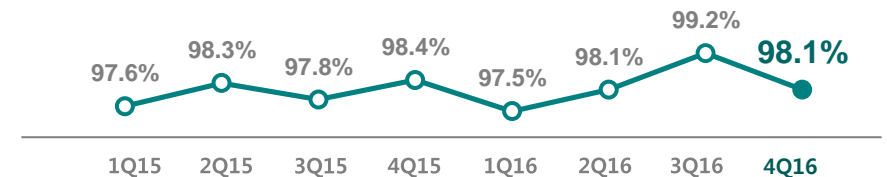


Low Cost Funding Trend ¹⁾ (Core Deposit + MMDA)

(Unit: Wtn)



Loan to Deposit Ratio ^{1) 2)} (LDR)



Note 2) Excluding Policy Loan

Section 4

Asset Quality & Capital Adequacy

Group Asset Quality

KEB Hana Bank Asset Quality

Provision Analysis

Capital Adequacy

Group Asset Quality

Group

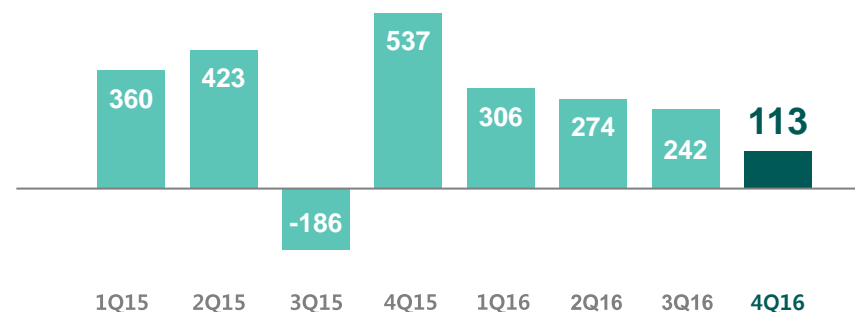
(Unit: Wbn)

	2016	2015	YTD (%)	3Q16	QoQ (%)
Total Credit	236,700	233,091	1.5%	226,893	4.3%
Normal	231,716	227,792	1.7%	221,600	4.6%
Precautionary	2,814	2,329	20.8%	2,778	1.3%
Substandard	1,100	1,647	-33.2%	1,239	-11.2%
Doubtful	574	653	-12.1%	814	-29.5%
Estimated Loss	496	669	-25.8%	462	7.4%
NPL Amount	2,170	2,969	-26.9%	2,515	-13.7%
NPL Ratio	0.92%	1.27%	-0.36%p	1.11%	-0.19%p
NPL Coverage Ratio¹⁾	162.4%	131.4%	30.9%p	143.1%	19.3%p
Loan Loss Allowance	3,524	3,903	-9.7%	3,600	-2.1%
Loan Loss Reserve	1,788	2,232	-19.9%	1,933	-7.5%
Credit Loss Reserve	1,736	1,670	3.9%	1,667	4.2%

Note 1) Under the revised Banking Supervision Regulations of Dec. 14, 2016, NPL Coverage ratio at the end of 2016 is 82.4%

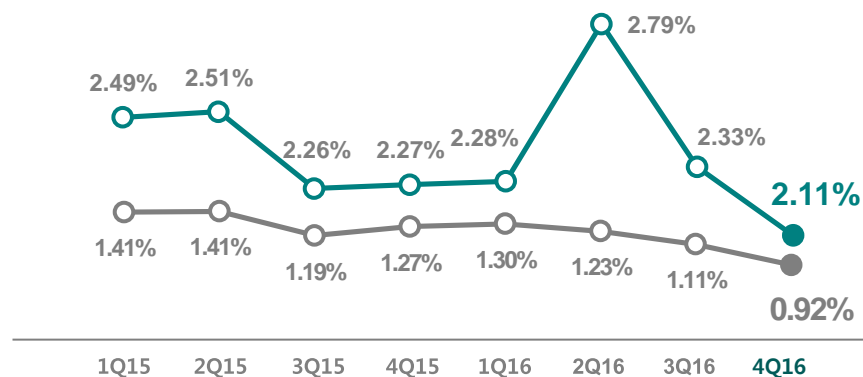
Group New NPL Formation Trend

(Unit: Wbn)



Group NPL / Precautionary & Below Ratio

○ NPL Ratio ○ Precautionary & Below Ratio



KEB Hana Bank Asset Quality

KEB Hana Bank

(Unit: Wbn)

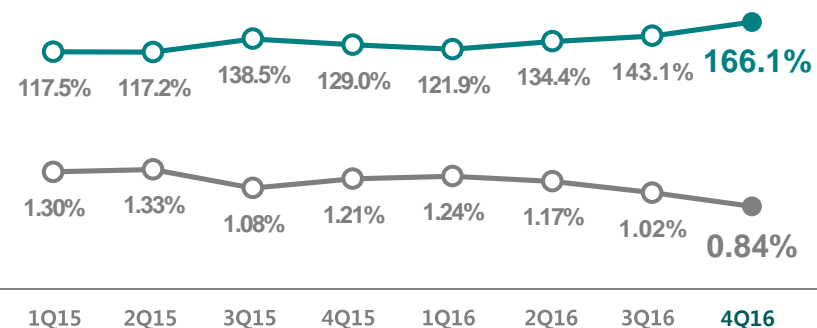
	2016	2015	YTD (%)	3Q16	QoQ (%)
Total Credit	210,760	209,304	0.7%	201,927	4.4%
Normal	207,111	205,351	0.9%	198,000	4.6%
Precautionary	1,883	1,430	31.7%	1,857	1.4%
Substandard	988	1,514	-34.7%	1,120	-11.8%
Doubtful	435	488	-10.8%	647	-32.7%
Estimated Loss	343	522	-34.2%	302	13.5%
NPL Amount	1,766	2,524	-30.0%	2,069	-14.6%
NPL Ratio	0.84%	1.21%	-0.37%p	1.02%	-0.19%p
NPL Coverage Ratio	166.1%	129.0%	37.2%p	143.1%	23.0%p
Loan Loss Allowance	2,934	3,255	-9.8%	2,962	-0.9%
Loan Loss Reserve	1,285	1,689	-23.9%	1,396	-7.9%
Credit Loss Reserve	1,649	1,565	5.3%	1,566	5.3%

Note 1) Under the revised Banking Supervision Regulations of Dec. 14, 2016, NPL Coverage ratio at the end of 2016 is 72.8%

NPL / NPL Coverage Ratio Trend ^{1), 2)}

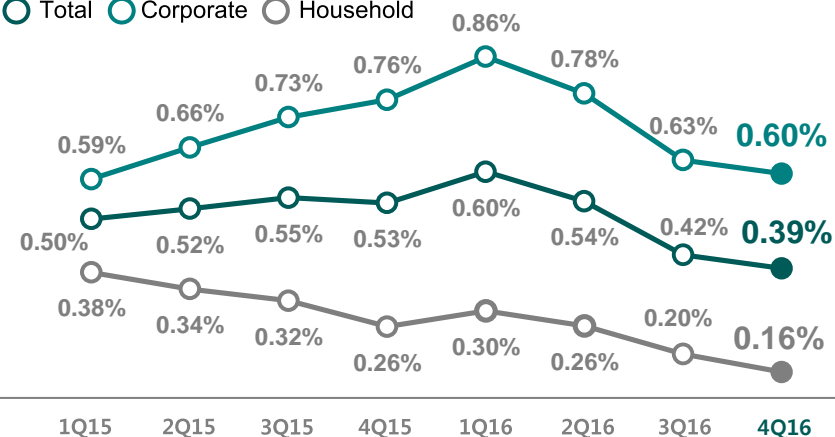
○ NPL Ratio

● NPL Coverage Ratio



Delinquency Ratio Trend ¹⁾

○ Total ○ Corporate ○ Household



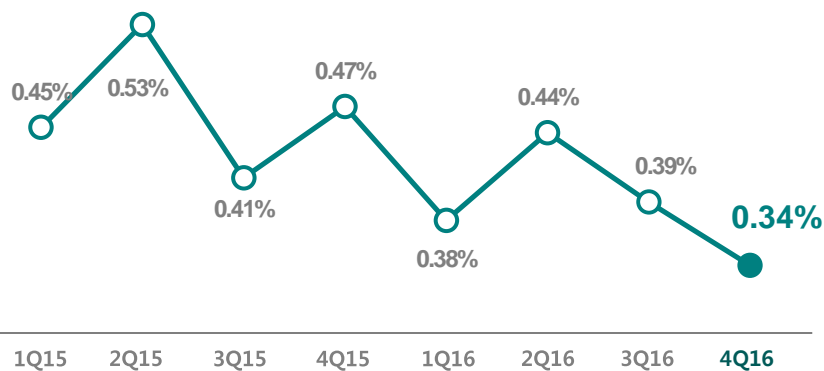
Note 2) The figures, prior to the integration, represent the simple sum of (formerly) Hana Bank and (formerly) KEB's balance

Provision Analysis

Group Provision Overview

Group

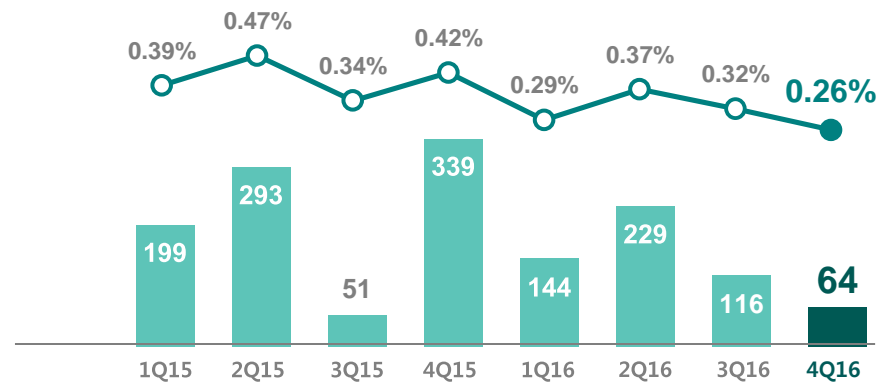
○ Credit Cost (Cumulative)



KEB Hana Bank (Separate) ¹⁾

(Unit: Wbn)

○ Credit Cost (Cumulative) ■ Loan Loss Provision (Quarterly)



Note1) Credit Cost and Loan Loss Provision, prior to the integration, represent the simple sum of (formerly) Hana Bank and (formerly) KEB's provision data.

(Unit: Wbn)

Group	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
Credit Loss Provision	264.7	376.3	142.2	365.0	230.9	316.0	206.3	168.1
Loan Loss Provision	255.7	359.0	107.9	361.7	210.5	288.0	168.1	126.5
Unused Commitments Provision	-0.8	4.4	-20.4	2.6	-0.4	7.2	-3.5	7.3
Other Provision	9.8	13.0	54.7	0.6	20.8	20.8	41.7	34.3

Capital Adequacy

Group

(Unit: Wbn)

	2016	2015	YTD(%)	3Q16	QoQ(%)
RWAs	173,654	185,880	-6.6%	168,187	3.3%
BIS Capital	24,882	24,744	0.6%	24,435	1.8%
Tier 1 Capital	21,377	19,383	10.3%	20,314	5.2%
CET 1 Capital	20,437	18,202	12.3%	19,372	5.5%
BIS Ratio	14.33%	13.31%	1.02%p	14.53%	-0.20%p
Tier 1 Ratio	12.31%	10.43%	1.88%p	12.08%	0.23%p
CET 1 Ratio	11.77%	9.79%	1.98%p	11.52%	0.25%p

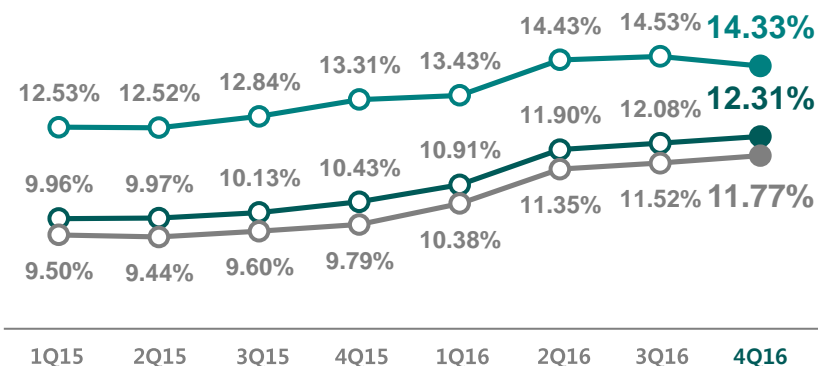
KEB Hana Bank

(Unit: Wbn)

	2016	2015	YTD(%)	3Q16	QoQ(%)
RWAs	157,081	165,869	-5.3%	146,793	7.0%
BIS Capital	25,096	24,295	3.3%	24,899	0.8%
Tier 1 Capital	20,915	19,039	9.7%	20,180	3.6%
CET 1 Capital	20,730	18,854	10.0%	19,995	3.7%
BIS Ratio	15.98%	14.65%	1.33%p	16.96%	-0.98%p
Tier 1 Ratio	13.31%	11.48%	1.83%p	13.75%	-0.44%p
CET 1 Ratio	13.20%	11.37%	1.83%p	13.62%	-0.42%p

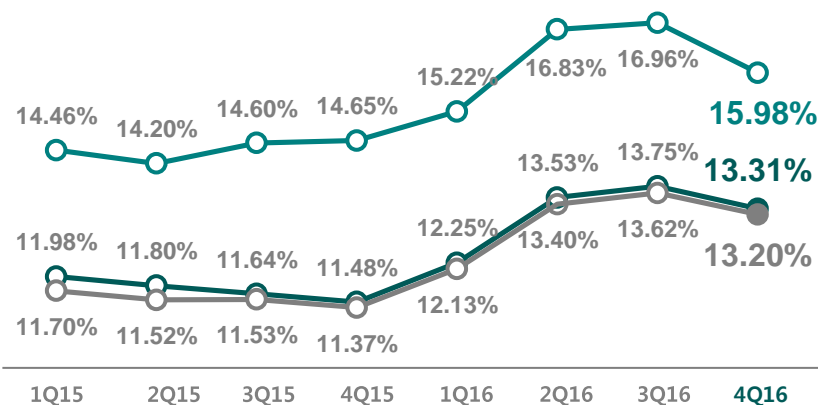
Group

○ BIS Ratio ○ Tier 1 Ratio ○ CET 1 Ratio



KEB Hana Bank

○ BIS Ratio ○ Tier 1 Ratio ○ CET 1 Ratio



Section 5

Appendix

Net Income Contribution by Subsidiaries

Provision Analysis by Subsidiaries

Dividend

Major Indices

Net Income Contribution by Subsidiaries

Statements of Comprehensive Income (2016 Cumulative, Consolidated)

(Unit: Wbn)

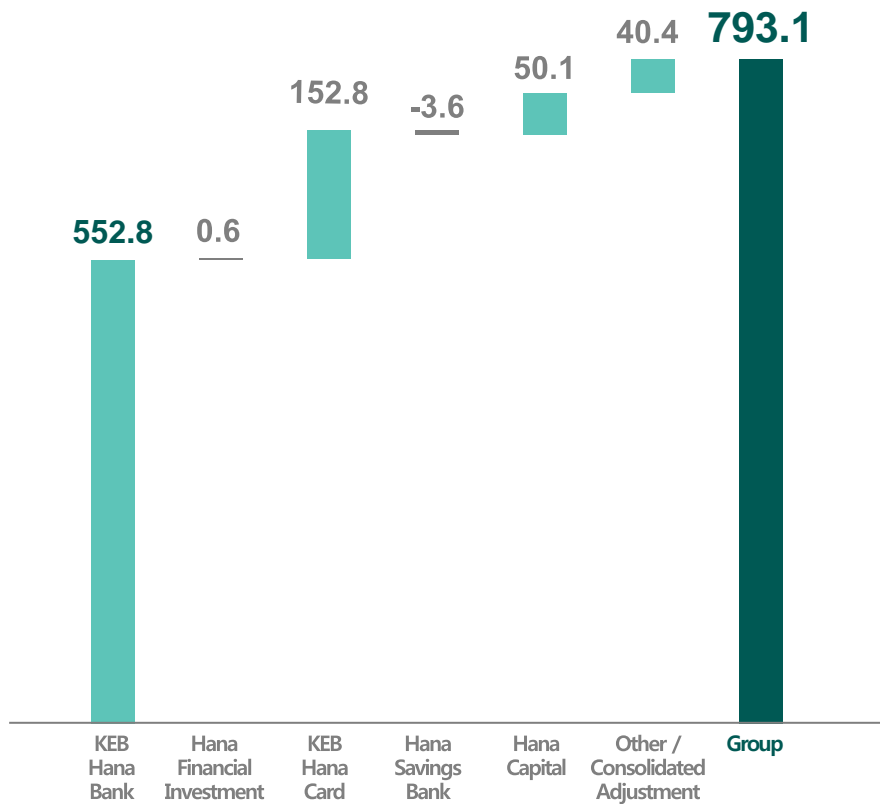
	Group (Consolidated)	KEB Hana Bank	Hana Financial Investment	KEB Hana Card	Hana Capital	Hana Life	Hana Savings Bank	Others / Consolidation Adjustment	Hana Bank (China) ¹⁾	PT Bank KEB Hana Indonesia ¹⁾
Gen. Operating Income	6,612.3	5,372.0	462.6	595.1	212.9	46.1	41.2	(117.6)	140.6	125.0
Int. Income	4,642.1	4,328.7	254.3	(112.5)	202.8	67.1	39.1	(137.4)	110.1	109.2
Fee Income	1,760.4	722.6	235.1	642.7	21.6	54.7	0.5	83.2	11.2	8.7
Disposition / Valuation	690.6	734.5	(96.2)	32.0	0.0	15.0	0.7	4.5	22.0	10.1
Other Operating Income	(480.8)	(413.8)	69.3	32.9	(11.4)	(90.6)	0.8	(67.9)	(2.7)	(2.9)
SG&A Expenses	4,076.9	3,161.2	304.7	304.5	58.4	33.1	27.1	187.8	88.6	44.3
PPOP	2,535.4	2,210.8	157.9	290.6	154.5	13.0	14.0	(305.4)	52.0	80.7
Credit Loss Provision	921.3	664.9	(1.7)	196.2	50.2	(0.3)	(3.4)	15.4	14.0	5.9
Operating Income	1,614.1	1,546.0	159.5	94.5	104.3	13.3	17.4	(320.8)	38.0	74.8
Non Operating Income	205.9	217.1	(54.1)	5.8	(0.5)	8.1	1.1	28.3	0.2	(0.2)
Net Income	1,330.5	1,372.7	86.6	75.6	80.6	16.6	15.4	(317.1)	28.7	57.1

Note 1) Separate

Provision Analysis by Subsidiaries

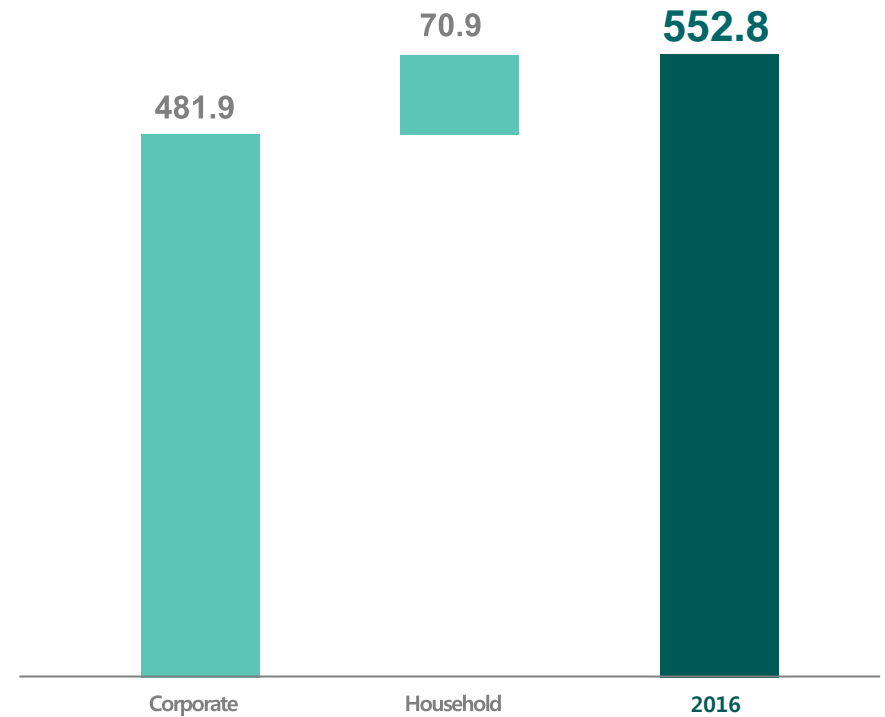
Subsidiaries' Provision Overview (2016)

(Unit: Wbn)



KEB Hana Bank Provision Break-down

(Unit: Wbn)

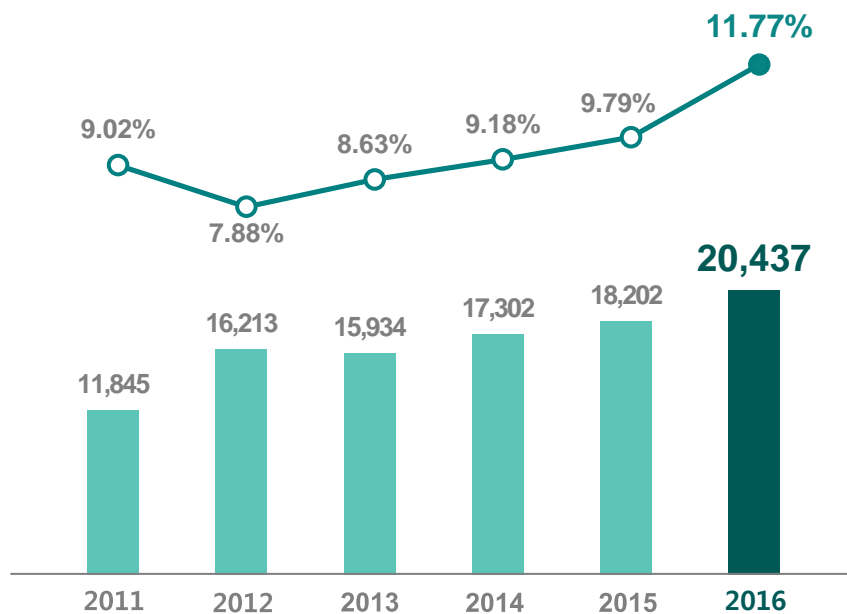


Dividend

Group Capital Position ¹⁾

(Unit: Wbn)

■ CET 1 Capital ○ CET 1 Ratio

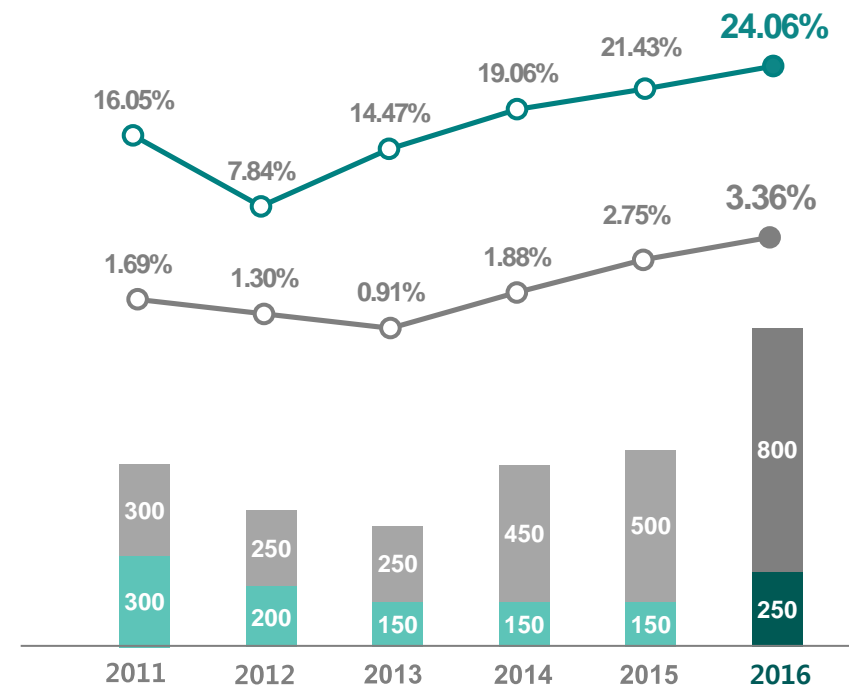


Note 1) 2011, 2012 Core Tier 1 Capital and Core Tier 1 Ratio under Basel 2

Group Capital Return

(Unit: Won)

○ Payout Ratio ○ Dividend Yield Ratio
 ■ Interim Dividend ■ Year-end Dividend



Major Indices

Group (Consolidated)

(Unit: Won)

(Cumulative)	FY2016	3Q16	FY2015
ROA	0.42%	0.52%	0.29%
ROE	5.92%	7.37%	4.17%
EPS(KRW)	4,421	4,131	3,001
BPS(KRW)	74,472	75,456	72,319
C/I Ratio	61.7%	54.8%	67.7%
Debt to Equity Ratio	31.15%	28.82%	31.31%
Double Leverage Ratio	126.74%	126.29%	123.77%

KEB Hana Bank (Consolidated) ¹⁾

(Unit: Won)

(Cumulative)	FY2016	3Q16	FY2015
ROA	0.46%	0.57%	0.23%
ROE	6.27%	7.70%	3.01%
EPS(KRW)	1,271	1,169	585
BPS(KRW)	20,379	20,590	19,890
C/I Ratio	58.8%	51.1%	69.7%

Note1) Major indices prior to Sept.2015 represent that of (formerly) KEB.

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Investor Relations

55, Eulji-ro, Jung-gu, Seoul, 04539 Republic of Korea
+82-2-2002-1110
hanair@hanafn.com
www.hanafn.com/ir

