

Hana Financial Group

2018 Business Result

January 2019

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Section 1

2018 Financial Highlights

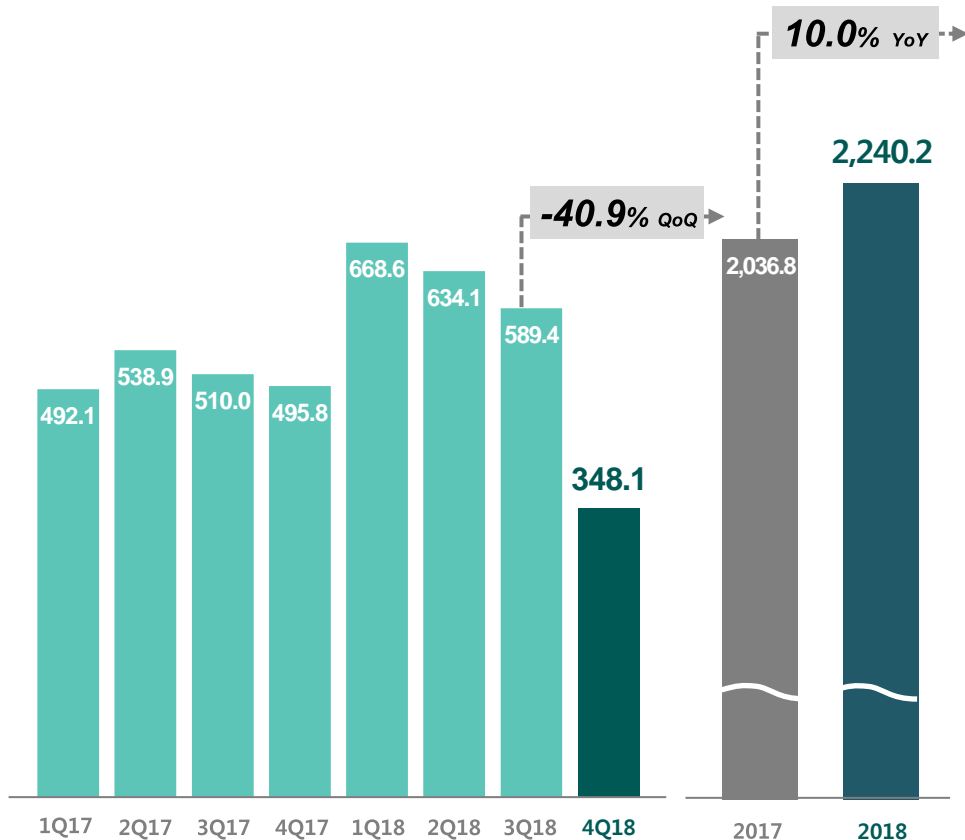
2018 Financial Highlights (1)

2018 Financial Highlights (2)

2018 Financial Highlights (3)

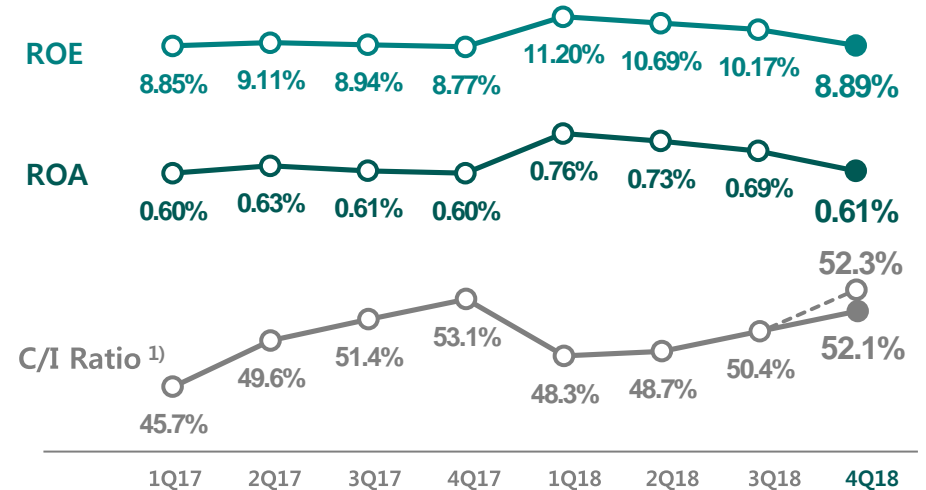
2018 Financial Highlights (1)

Group Net Income (Unit: Wbn)



- Group's FY2018 net income recorded 2.24 trillion, the highest annual earnings since the establishment of the holding company in 2005, on the back of strong core earnings and efficient cost control
- Despite decrease in 4Q earnings due to one-offs in SG&A and provisioning, Group's normalized quarterly earnings maintained at the mid-500 billion won
- Group's profitability indicators such as ROE and ROA further improved; C/I ratio continued the downtrend due to group-wide cost stabilization

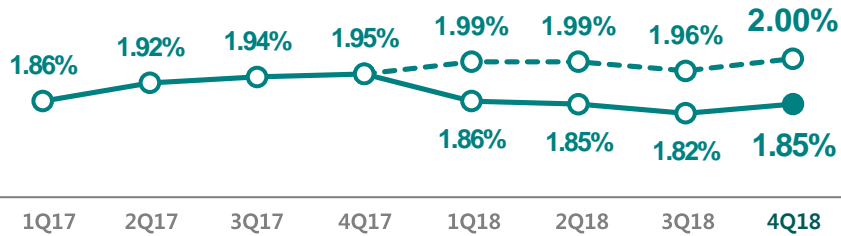
Group Major Indices (Cumulative)



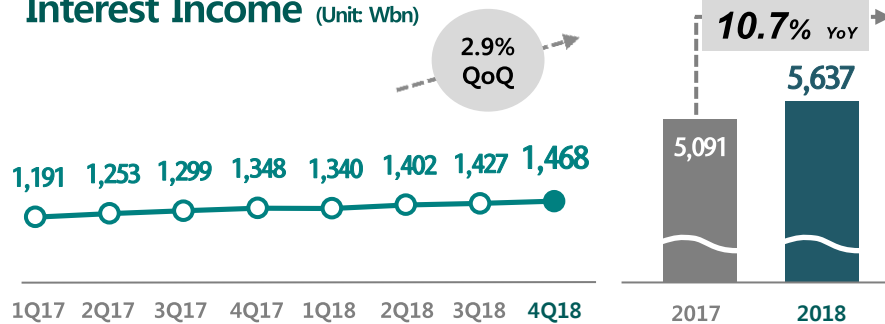
Note 1) Accounting change applied in KEB Hana Card (no impact on net income, refer to pg.6)

2018 Financial Highlights (2)

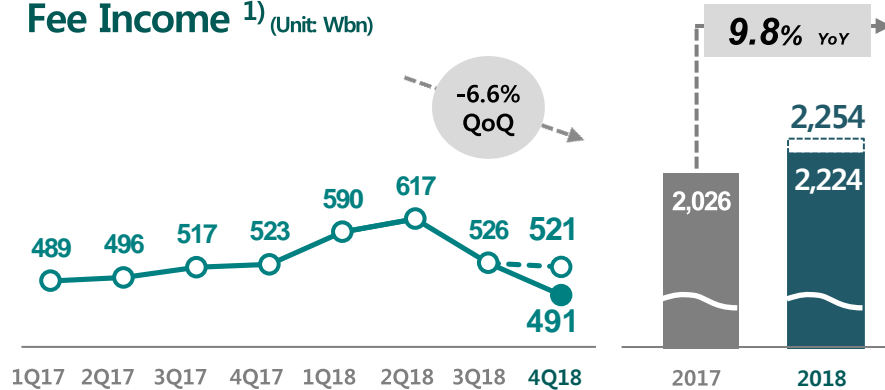
NIM ¹⁾



Interest Income (Unit: Wbn)



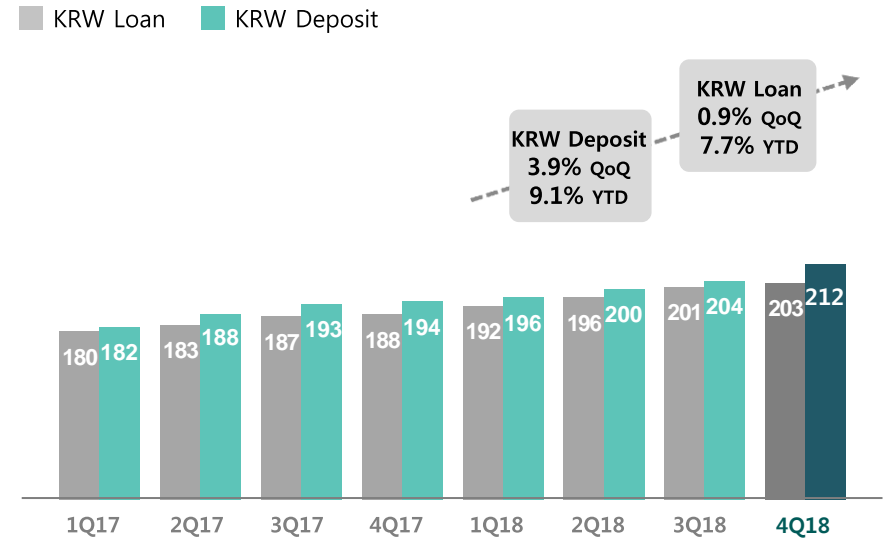
Fee Income ¹⁾ (Unit: Wbn)



Note 1) Accounting change applied in KEB Hana Card (no impact on net income, refer to pg.6)

- Group's NIM increased 5bp YoY (before industry-wide accounting change applied in KEB Hana Card) thanks to improvement on loan/deposit pricing and profit-oriented portfolio management
- Group's core earnings surged 10.5% YoY with NII up 10.7% and fee income up 9.8% YoY (+11.3% YoY before industry-wide accounting change applied in KEB Hana Card) respectively
- Despite a seasonal decrease in large corporation loans, KRW loan in KEB Hana Bank further expanded in 4Q18, reflecting growth in SOHO and household loans

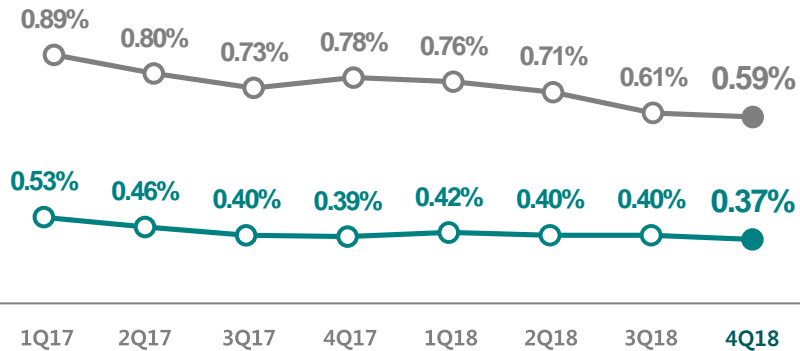
KRW Loan & KRW Deposit (Unit: Wtn)



2018 Financial Highlights (3)

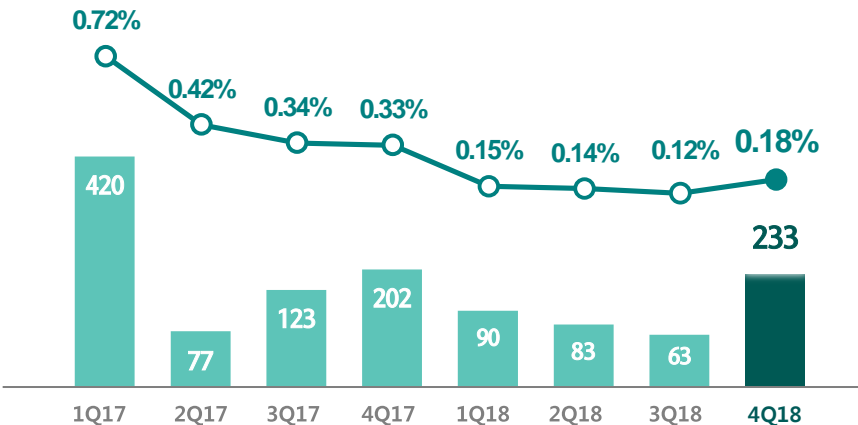
Group NPL Ratio & Delinquency Ratio

○ NPL Ratio ○ Delinquency Ratio



Group Provision (Unit: Wbn)

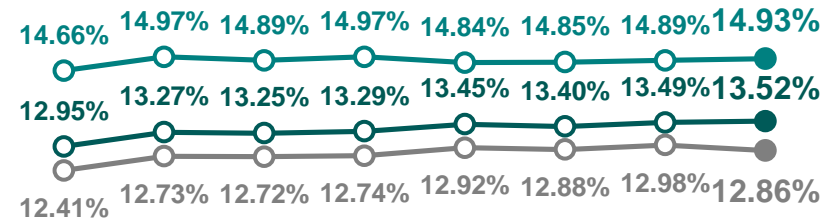
○ Credit Cost (Cumulative) ■ Loan Loss Provision (Quarterly)



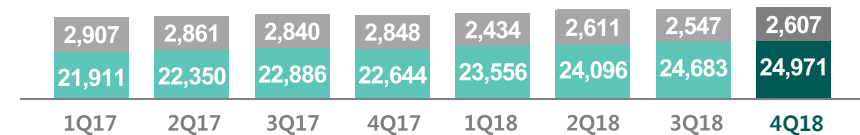
- Despite one-offs in provisioning, group's FY2018 credit cost recorded 18bp, down 15bp YoY, achieving the most stable level since the acquisition of KEB in 2012 thanks to pre-emptive risk management
- Despite one-offs in provisioning, normalized provisioning in 4Q18 managed under annual target; asset quality indicators such as delinquency ratio further improved continuing the downward trend
- Group's capital adequacy further improved mainly due to continued increase in earnings and well-managed RWA; FY2018 payout ratio expected to increase by 2.9%p YoY (interim dividend 400 won, year-end dividend 1,500 won, total 1,900 won)

Group Capital Adequacy (Unit: Wbn)

○ BIS Ratio ○ Tier 1 Ratio ○ CET 1 Ratio



■ Tier 1 Capital ■ Tier 2 Capital

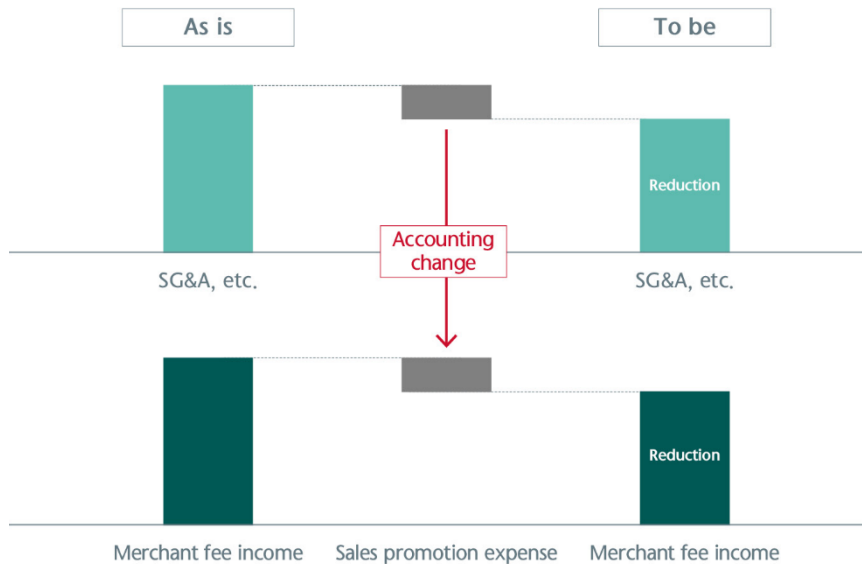


Accounting Change in Credit Card Business (IFRS15)

Financial Impact on KEB Hana Card

No impact on net income despite the accounting change

P/L

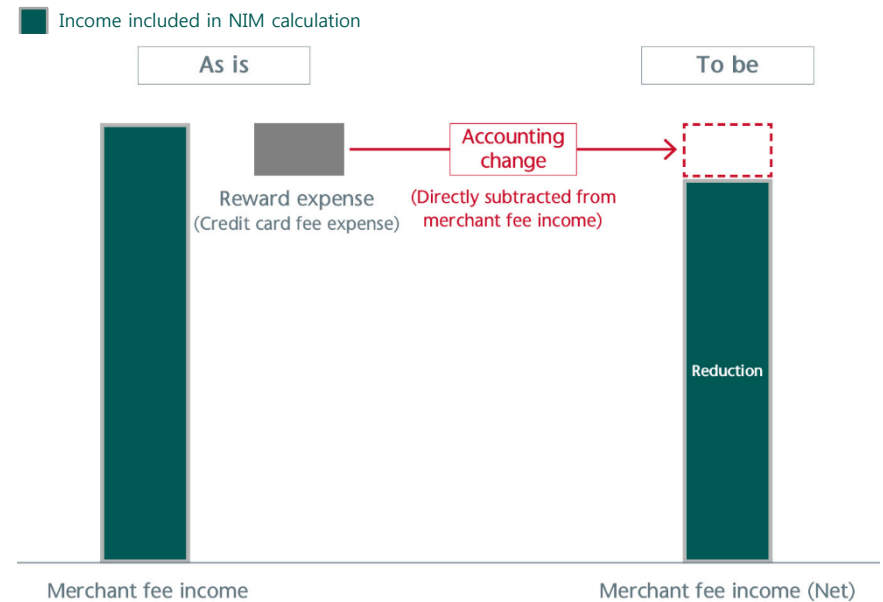


As is: Sales promotion expense subtracted from SG&A, etc.

To be: Sales promotion expense directly subtracted from merchant fee income

Fee income ↓ SG&A ↓ No impact on net income

NIM



As is: Reward expense included in credit card fee expense (excluded in NIM calculation)

To be: Reward expense directly subtracted from merchant fee income (included in NIM calculation)

Credit Card NIM ↓ No impact on P/L

Section 2

Profitability

Group Consolidated Earnings

Business Results of subsidiaries

NIM

Non-Interest Income / SG&A Expenses

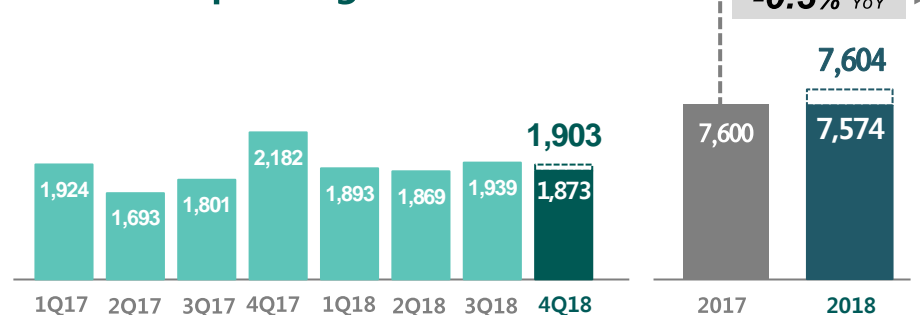
Group Consolidated Earnings

Group Consolidated Earnings

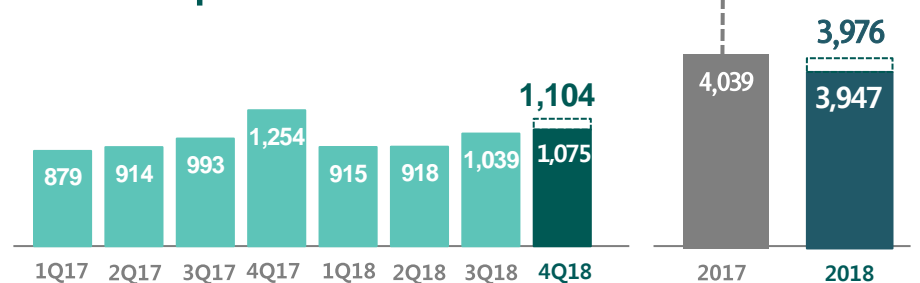
(Unit: Wbn)	FY2018	FY2017	YoY(%)	4Q18	3Q18	QoQ(%)
Gen. Operating Income	7,573.9	7,599.8	-0.3%	1,873.1	1,938.9	-3.4%
Int. Income	5,637.2	5,091.0	10.7%	1,468.1	1,427.1	2.9%
Fee Income	2,224.1	2,026.0	9.8%	491.1	525.9	-6.6%
Disposition/ Valuation	375.2	1,017.9	-63.1%	66.1	153.2	-56.9%
Other Operating Income	(662.6)	(535.1)	N.A	(152.1)	(167.3)	N.A
SG&A Expenses	3,946.9	4,039.1	-2.3%	1,075.2	1,039.4	3.4%
PPOP	3,627.0	3,560.7	1.9%	797.9	899.5	-11.3%
Credit Loss Provision	465.3	842.6	-44.8%	274.5	66.0	316.1%
Operating Income	3,161.7	2,718.1	16.3%	523.4	833.5	-37.2%
Non Operating Income	(2.4)	80.5	N.A	(43.8)	7.9	N.A
Consolidated Net Income ¹⁾	2,240.2	2,036.8	10.0%	348.1	589.4	-40.9%

Note 1) Equity attributable to equity holders of the parent

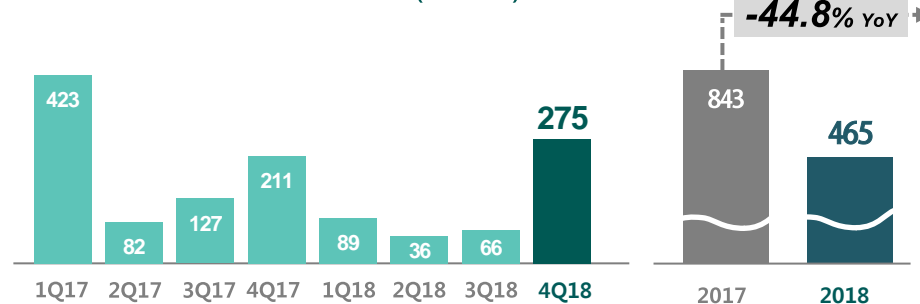
General Operating Income ²⁾ (Unit: Wbn)



SG&A Expenses ²⁾ (Unit: Wbn)



Credit Loss Provision (Unit: Wbn)



Note 2) Accounting change applied in KEB Hana Card (no impact on net income, refer to pg.6)

Business Results of Subsidiaries

Net Income of Subsidiaries (Consolidated)

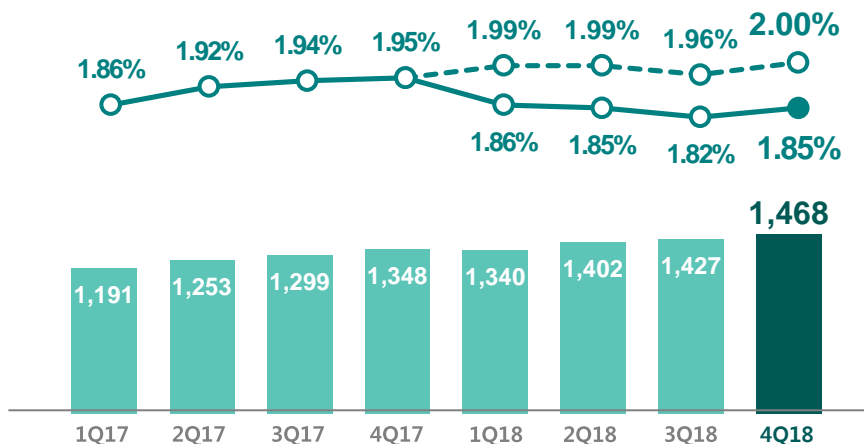
(Unit: Wbn)	2018	2017	YoY(%)	4Q18	3Q18	QoQ(%)	Ownership (%)
KEB Hana Bank	2,092.8	2,103.5	-0.5%	335.2	565.5	-40.7%	100.00%
Hana Financial Investment	152.1	146.3	4.0%	10.1	35.5	-71.5%	100.00%
KEB Hana Card	106.7	106.4	0.3%	26.6	28.5	-6.7%	85.00%
Hana Capital	120.4	90.4	33.2%	41.5	22.8	82.0%	100.00%
Hana Life	19.5	13.8	41.8%	7.1	3.5	101.3%	100.00%
Hana Savings Bank	16.2	17.6	-8.1%	3.8	3.2	18.0%	100.00%
Other Subsidiaries & Consolidation Adjustment	(267.5)	(441.0)	N.A	(76.2)	(69.6)	N.A	-
Group Consolidated Net Income¹⁾	2,240.2	2,036.8	10.0%	348.1	589.4	-40.9%	-

Note 1) Equity attributable to equity holders of the parent

NIM ¹⁾ (Unit: Wbn)

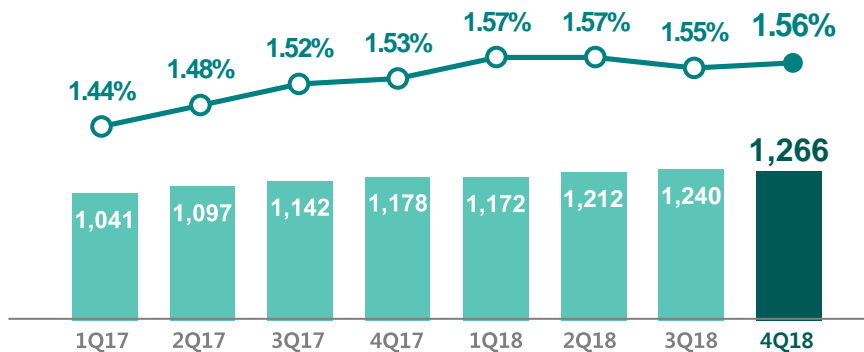
Group

○ NIM ■ Int. Income



KEB Hana Bank

○ NIM ■ Int. Income



Note 1) Accounting change applied in KEB Hana Card (no impact on net income, refer to pg.6)

NIS Trend

Group

(Unit: %)	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
Lending Rate	3.13	3.18	3.20	3.23	3.22	3.31	3.33	3.41
Funding Rate	1.33	1.31	1.31	1.34	1.42	1.52	1.58	1.63
NIS	1.80	1.87	1.89	1.89	1.80	1.79	1.75	1.78

KEB Hana Bank

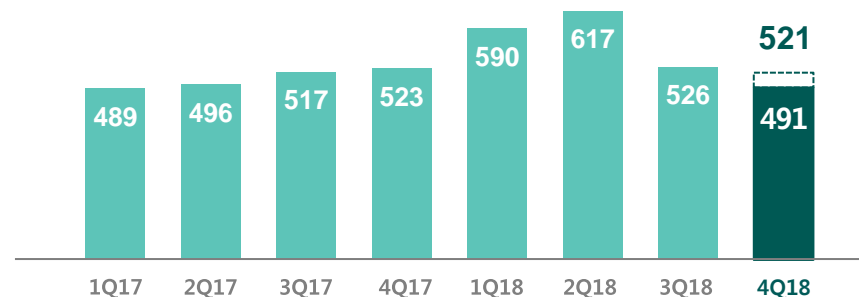
(Unit: %)	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
Lending Rate	2.70	2.74	2.76	2.80	2.93	3.02	3.06	3.11
Funding Rate	1.30	1.29	1.29	1.32	1.41	1.50	1.56	1.61
NIS	1.40	1.45	1.47	1.48	1.52	1.52	1.50	1.50

Non-Interest Income

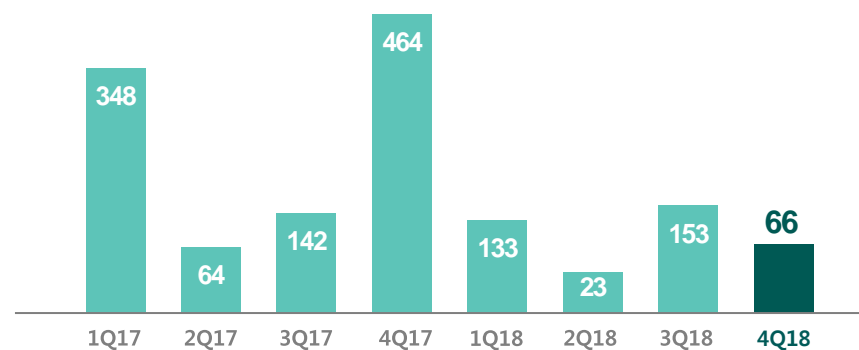
Non-Interest Income

(Unit: Wbn)	FY2018	FY2017	YoY(%)	4Q18	3Q18	QoQ(%)
Fee Income	2,224.1	2,026.0	9.8%	491.1	525.9	-6.6%
Credit Card	830.1	806.3	3.0%	198.0	209.5	-5.5%
Banking Fee	475.0	452.9	4.9%	109.4	118.8	-7.9%
Gurantee	71.4	68.5	4.2%	18.1	17.9	1.6%
Loan & Other	175.5	172.4	1.8%	32.0	43.3	-26.3%
FX	183.1	184.5	-0.8%	46.3	45.5	1.8%
Operating Leases	45.1	27.4	64.2%	12.9	12.0	7.4%
Asset Mgmt. Fee	662.7	593.2	11.7%	151.7	149.0	1.8%
Beneficiary Cert. Sales	149.7	135.4	10.5%	34.0	36.8	-7.7%
Wrap & Operation	48.0	59.4	-19.3%	9.6	9.4	2.6%
Brokerage	144.4	125.9	14.8%	27.6	28.3	-2.6%
Trust	287.4	230.9	24.5%	70.6	67.1	5.3%
Bancassurance	33.2	41.6	-20.2%	9.8	7.3	34.2%
M&A Advisory	141.7	77.4	83.1%	29.2	26.2	11.1%
Other	114.5	96.2	19.0%	2.9	22.3	-87.1%
Disposition / Valuation	375.2	1,017.9	-63.1%	66.1	153.2	-56.9%
Other Operating Income	(662.6)	(535.1)	N.A	(152.1)	(167.3)	N.A
Total	1,936.7	2,508.8	-22.8%	405.0	511.7	-20.8%

Group Fee Income Trend ¹⁾ (Unit: Wbn)



Group Disposition / Valuation Gain Trend (Unit: Wbn)



Note 1) Accounting change applied in KEB Hana Card (no impact on Net income, refer to pg.6)

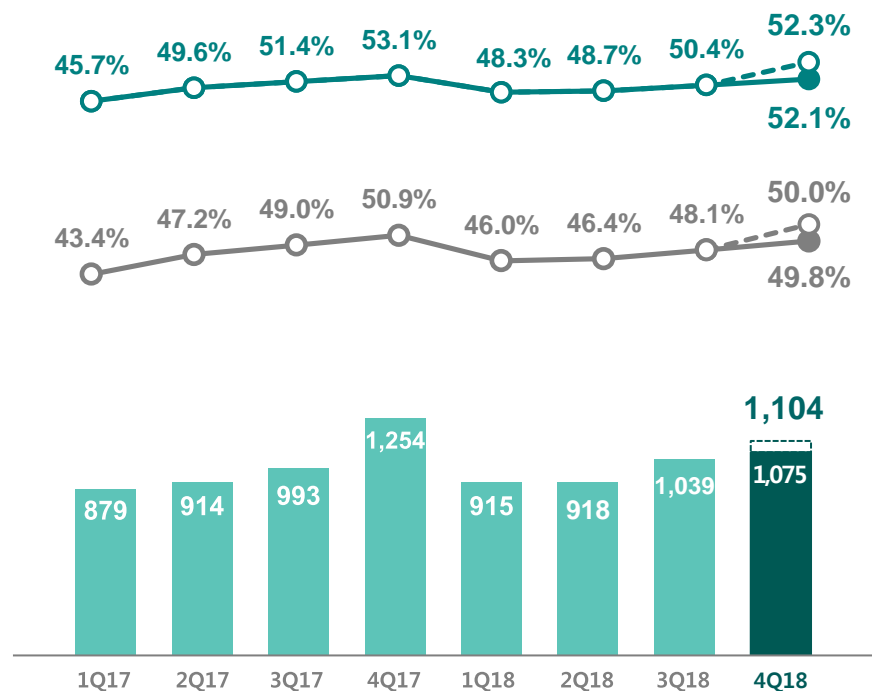
SG&A Expenses

SG&A Expenses

(Unit: Wbn)	FY2018	FY2017	YoY(%)	4Q18	3Q18	QoQ(%)
Salary & Benefits	1,915.7	2,020.3	-5.2%	498.4	480.1	3.8%
Retirement Benefits	347.0	295.3	17.5%	128.8	136.0	-5.3%
Admin. Expenses	1,106.8	1,149.9	-3.7%	301.8	284.6	6.1%
Taxes / Depreciation	577.3	573.5	0.7%	146.2	138.7	5.4%
Total	3,946.9	4,039.1	-2.3%	1,075.2	1,039.4	3.4%

Group Cost Income Ratio ¹⁾ (Cumulative) (Unit: Wbn)

○ Including NGW ○ Excluding NGW ■ SG&A Expenses



Note 1) Accounting change applied in KEB Hana Card (no impact on net income, refer to pg.6)

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 Assets ¹⁾

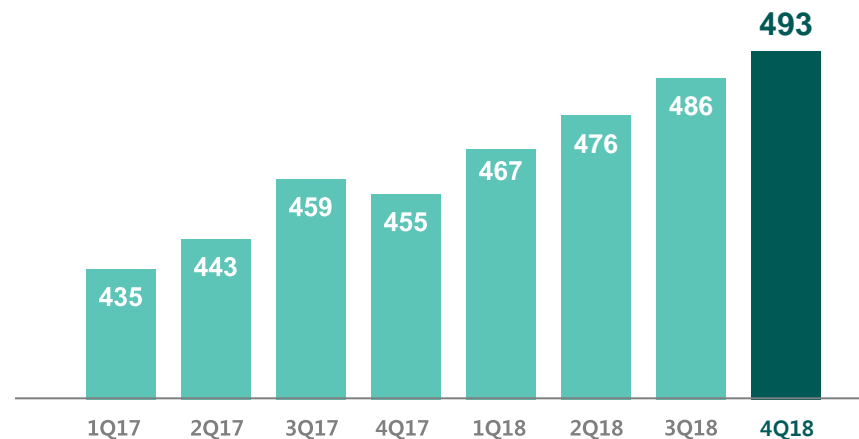
(Unit: Wbn)	2018	2017	YTD(%)	3Q18	QoQ(%)
Cash & Deposits	24,307	21,851	11.2%	23,821	2.0%
Securities	73,182	71,071	3.0%	72,727	0.6%
Loan Receivables	260,664	238,943	9.1%	252,686	3.2%
KRW Loan	209,584	194,242	7.9%	207,746	0.9%
Tangible Asset	3,000	2,652	13.2%	2,986	0.5%
Other Asset	23,856	25,573	-6.7%	29,650	-19.5%
Group Asset	385,009	360,089	6.9%	381,870	0.8%
+ Trust Asset	107,871	95,312	13.2%	104,033	3.7%
Group Total Asset	492,880	455,401	8.2%	485,903	1.4%

Group Total Liabilities & Equity

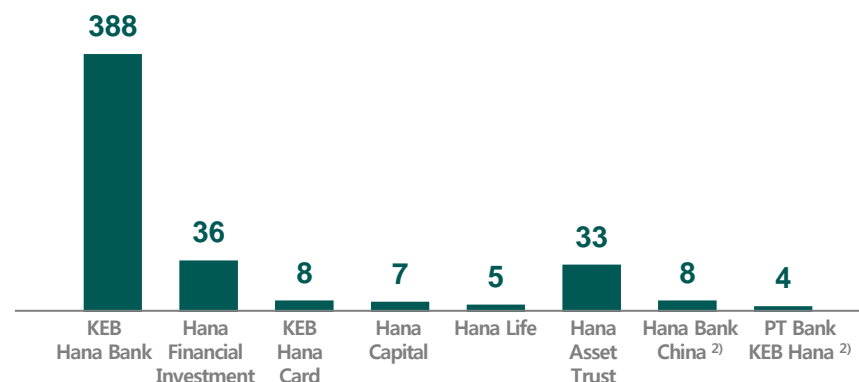
(Unit: Wbn)	2018	2017	YTD(%)	3Q18	QoQ(%)
Deposits	248,559	232,166	7.1%	241,263	3.0%
Borrowings	60,200	55,236	9.0%	60,490	-0.5%
Debt	14,445	11,825	22.2%	14,646	-1.4%
Debentures	41,018	36,444	12.5%	40,512	1.2%
RP, Call Money, etc.	4,737	6,967	-32.0%	5,332	-11.2%
Other Liabilities	49,133	47,859	2.7%	53,643	-8.4%
Total Liabilities	357,893	335,261	6.8%	355,396	0.7%
Total Equity	27,115	24,828	9.2%	26,474	2.4%
Liabilities & Equity	385,009	360,089	6.9%	381,870	0.8%

Note 1) Total Assets = Group Asset + Trust Asset

Group Total Assets ¹⁾ Trends (Unit: Wtn)



Total Assets ¹⁾ of Subsidiaries (Consolidated) (Unit: Wtn)



Note 2) Separate

KEB Hana Bank KRW Loan / Deposit

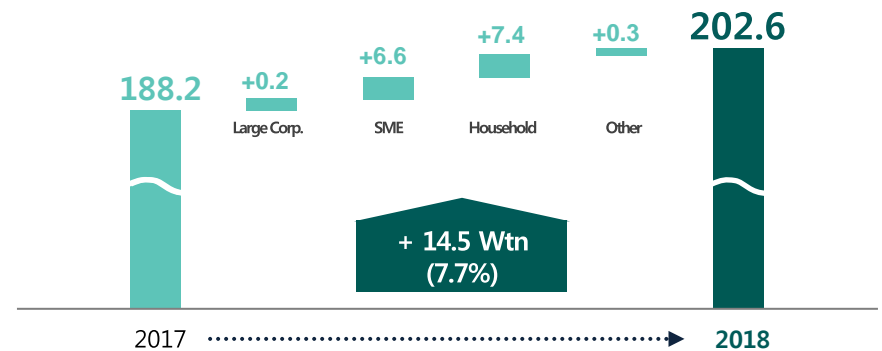
KRW Loan

(Unit: Wbn)	4Q18	2017	YTD(%)	3Q18	QoQ(%)
Corporate Loan	96,185	89,077	8.0%	95,696	0.5%
Large Corp.	14,566	14,361	1.4%	14,901	-2.2%
SME	79,690	73,043	9.1%	79,082	0.8%
(SOHO)	41,766	38,255	9.2%	41,225	1.3%
Other	1,928	1,673	15.2%	1,714	12.5%
Household Loan	106,447	99,084	7.4%	105,130	1.3%
Secured	90,974	84,525	7.6%	89,974	1.1%
(Mortgage)	75,282	70,169	7.3%	74,202	1.5%
Unsecured	15,473	14,558	6.3%	15,156	2.1%
Total	202,632	188,161	7.7%	200,826	0.9%

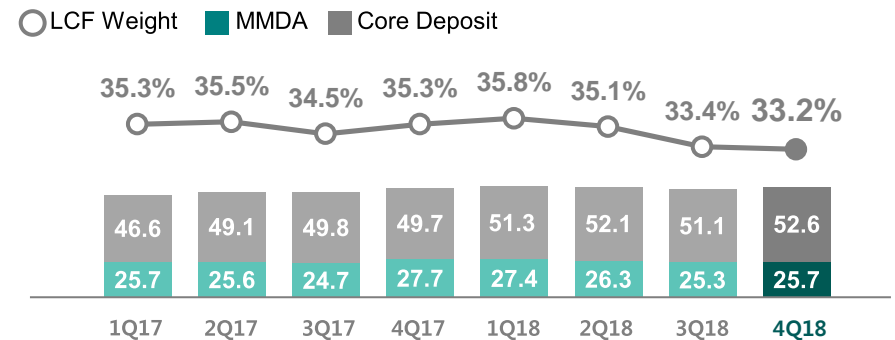
Deposit (Ending. Balance)

(Unit: Wbn)	4Q18	2017	YTD(%)	3Q18	QoQ(%)
KRW Deposit	211,701	194,108	9.1%	203,659	3.9%
Core Deposit	52,620	49,655	6.0%	51,068	3.0%
MMDA	25,655	27,694	-7.4%	25,262	1.6%
Time Deposit	119,921	105,103	14.1%	117,005	2.5%
Installment Deposit	7,422	8,217	-9.7%	7,478	-0.7%
Marketable Securities	6,083	3,439	76.9%	2,847	113.7%
FC Deposit	23,833	24,851	-4.1%	24,590	-3.1%
Total	235,534	218,959	7.6%	228,249	3.2%

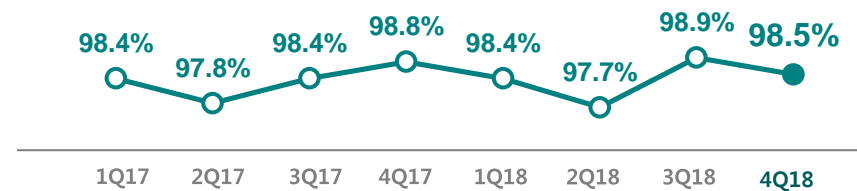
KRW Loan Growth(YTD) (Unit: Wtn)



Low Cost Funding Trend (Core Deposit + MMDA) (Unit: Wtn)



Loan to Deposit Ratio ¹⁾ (LDR)



Note 1) Excluding Policy Loan

Section 4

Asset Quality & Capital Adequacy

Group Asset Quality

KEB Hana Bank Asset Quality

Provision Analysis

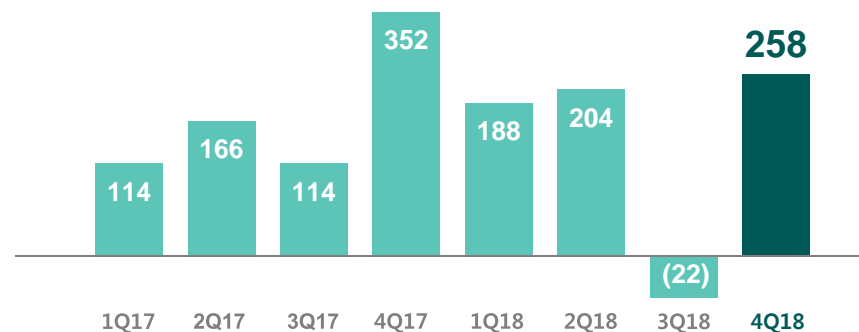
Capital Adequacy

Group Asset Quality

Group

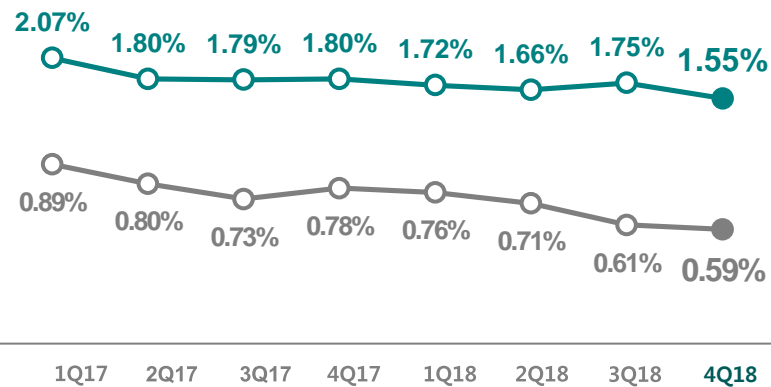
(Unit: Wbn)	2018	2017	YTD(%)	3Q18	QoQ(%)
Total Credit	263,891	245,893	7.3%	262,965	0.4%
Normal	259,788	241,468	7.6%	258,374	0.5%
Precautionary	2,546	2,512	1.3%	2,978	-14.5%
Substandard	765	882	-13.2%	828	-7.6%
Doubtful	477	714	-33.3%	491	-2.9%
Estimated Loss	315	317	-0.5%	294	7.4%
NPL Amount	1,557	1,913	-18.6%	1,613	-3.4%
NPL Ratio	0.59%	0.78%	-0.19%p	0.61%	-0.02%p
NPL Coverage Ratio	107.0%	87.4%	19.6%p	100.0%	7.0%p
Loan Loss Allowance	3,587	3,474	3.3%	3,548	1.1%
Loan Loss Reserve	1,666	1,671	-0.3%	1,613	3.3%
Credit Loss Reserve	1,921	1,803	6.6%	1,935	-0.7%

Group New NPL Formation Trend (Unit: Wbn)



Group NPL / Precautionary & Below Ratio

○ NPL Ratio ● Precautionary & Below Ratio



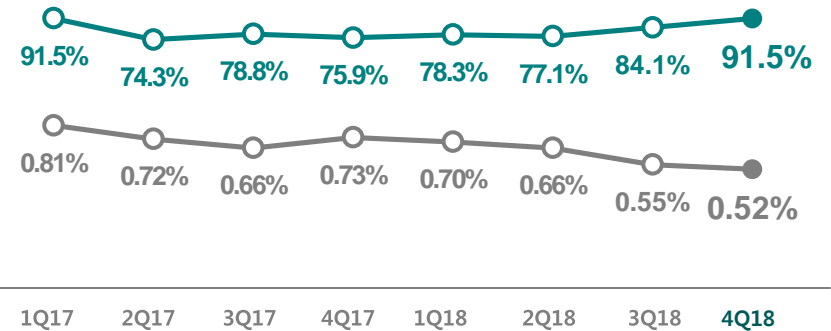
KEB Hana Bank Asset Quality

KEB Hana Bank

(Unit: Wbn)	2018	2017	YTD(%)	3Q18	QoQ(%)
Total Credit	231,989	217,257	6.8%	231,304	0.3%
Normal	229,053	214,028	7.0%	227,998	0.5%
Precautionary	1,718	1,646	4.4%	2,042	-15.8%
Substandard	690	799	-13.7%	738	-6.5%
Doubtful	356	600	-40.6%	367	-3.0%
Estimated Loss	171	184	-7.0%	159	7.7%
NPL Amount	1,217	1,583	-23.1%	1,264	-3.7%
NPL Ratio	0.52%	0.73%	-0.21%p	0.55%	-0.02%p
NPL Coverage Ratio	91.5%	75.9%	15.6%p	84.1%	7.5%p
Loan Loss Allowance	2,885	2,842	1.5%	2,850	1.2%
Loan Loss Reserve	1,114	1,202	-7.3%	1,063	4.8%
Credit Loss Reserve	1,771	1,641	7.9%	1,788	-0.9%

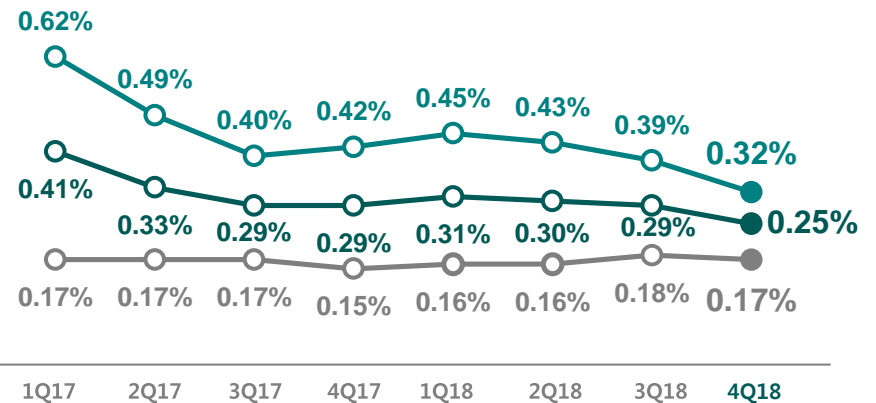
NPL / NPL Coverage Ratio Trend

○ NPL Ratio ○ NPL Coverage Ratio



Delinquency Ratio Trend

○ Total ○ Corporate ○ Household

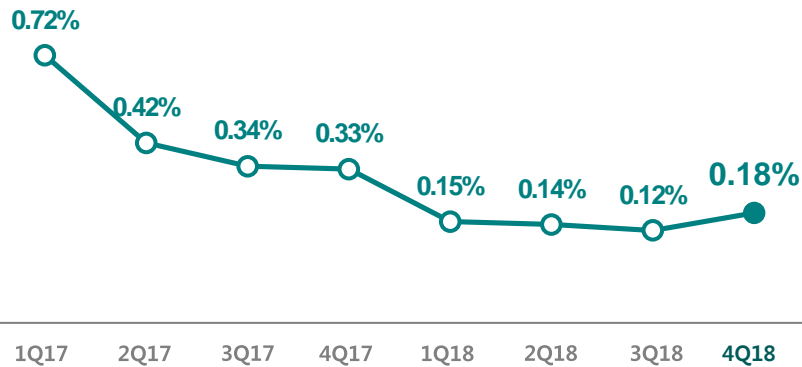


Provision Analysis

Group Provision Overview

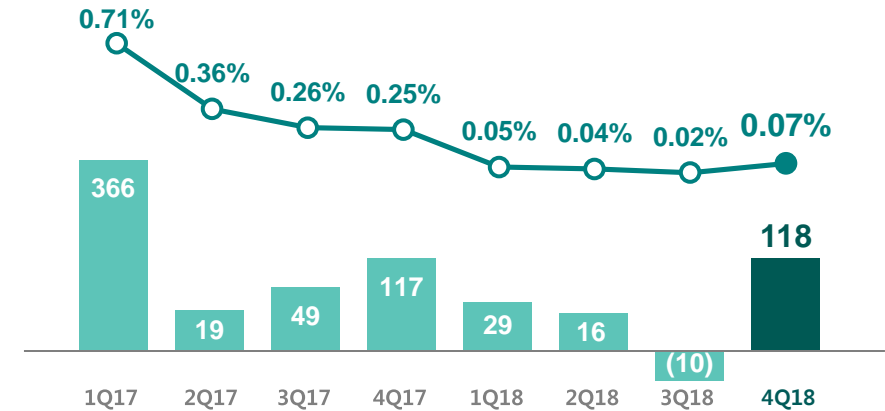
Group

○ Credit Cost (Cumulative)



KEB Hana Bank(Separate) (Unit: Wbn)

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



Group (Unit: Wbn)	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
Credit Loss Provision	422.6	81.7	127.4	210.9	88.9	36.0	66.0	274.5
Loan Loss Provision	420.1	76.7	123.3	202.4	90.2	82.9	62.5	233.2
Unused Commitments Provision	(2.1)	(9.5)	(5.0)	2.0	(7.8)	(5.9)	(4.0)	6.8
Other Provision	4.6	14.5	9.1	6.6	6.5	(41.0)	7.4	34.6

Capital Adequacy

Group

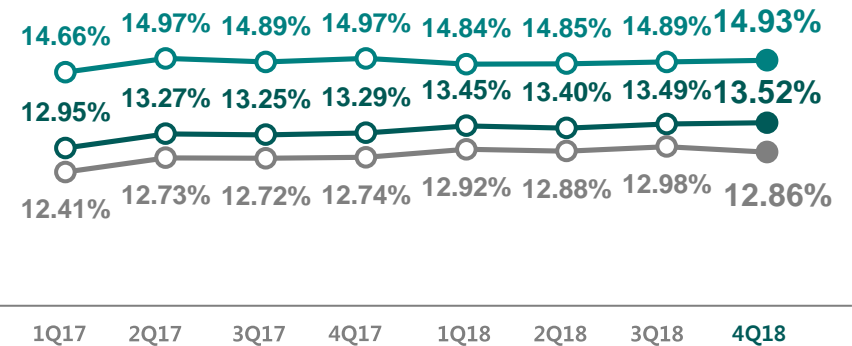
(Unit: Wbn)	2018	2017	YTD(%)	3Q18	QoQ(%)
RWAs	184,661	170,332	8.4%	182,937	0.9%
BIS Capital	27,578	25,492	8.2%	27,231	1.3%
Tier 1 Capital	24,971	22,644	10.3%	24,683	1.2%
CET 1 Capital	23,743	21,708	9.4%	23,754	0.0%
BIS Ratio	14.93%	14.97%	-0.04%p	14.89%	0.04%p
Tier 1 Ratio	13.52%	13.29%	0.23%p	13.49%	0.03%p
CET 1 Ratio	12.86%	12.74%	0.12%p	12.98%	-0.12%p

KEB Hana Bank

(Unit: Wbn)	2018	2017	YTD(%)	3Q18	QoQ(%)
RWAs	164,192	159,063	3.2%	164,371	-0.1%
BIS Capital	26,684	25,416	5.0%	27,139	-1.7%
Tier 1 Capital	22,820	21,575	5.8%	23,289	-2.0%
CET 1 Capital	22,643	21,389	5.9%	23,112	-2.0%
BIS Ratio	16.25%	15.98%	0.27%p	16.51%	-0.26%p
Tier 1 Ratio	13.90%	13.56%	0.34%p	14.17%	-0.27%p
CET 1 Ratio	13.79%	13.45%	0.34%p	14.06%	-0.27%p

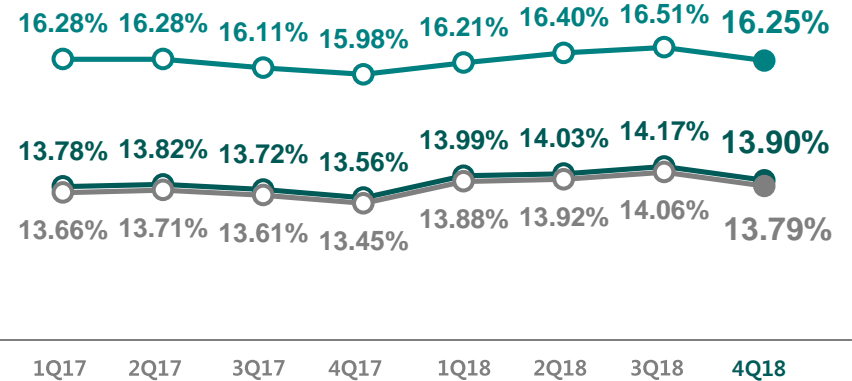
Group

○ 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 (2018 Cumulative, Consolidated)

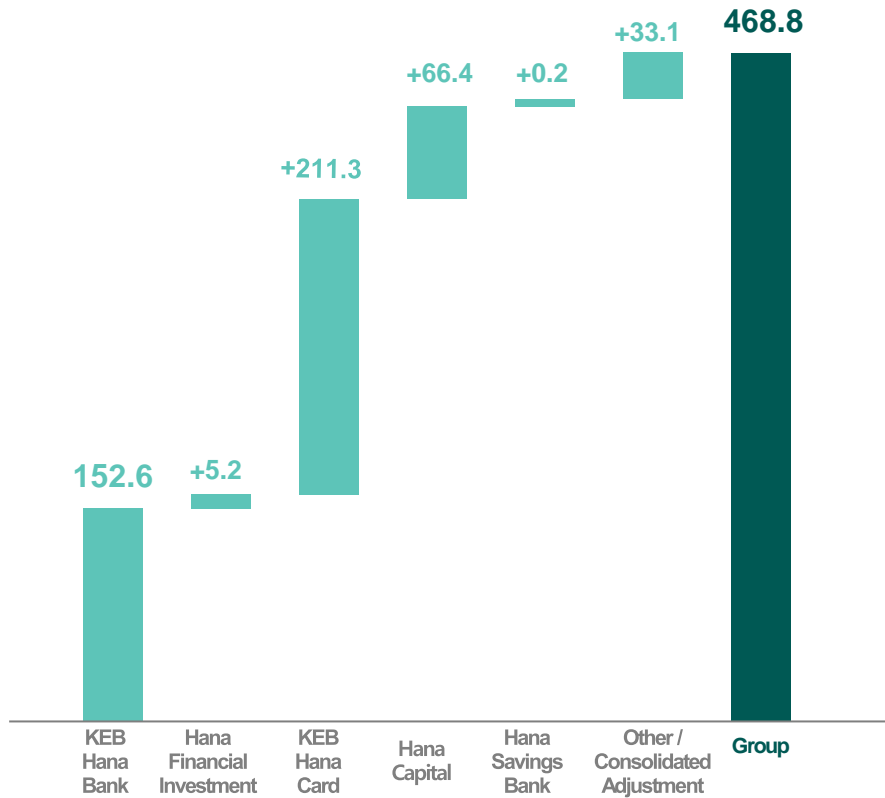
(Unit: Wbn)	Group (Consolidated)	KEB Hana Bank	Hana Financial Investment	KEB Hana Card	Hana Capital	Hana Life	Hana Savings Bank	Others / Consolidation Adjustment	Hana Bank (China) ¹⁾	PT Bank KEB Hana Indonesia ¹⁾
Gen. Operating Income	7,573.9	6,043.0	587.7	658.4	264.3	55.3	45.9	(80.7)	184.8	129.5
Int. Income	5,637.2	5,297.2	200.8	(120.6)	239.6	79.6	44.8	(104.2)	155.3	119.4
Fee Income	2,224.1	838.4	364.8	728.3	48.4	109.4	1.6	133.2	15.6	8.7
Disposition / Valuation	375.2	387.6	(60.7)	39.1	0.9	8.4	0.0	(0.1)	15.7	5.2
Other Operating Income	(662.6)	(480.2)	82.7	11.6	(24.5)	(142.1)	(0.5)	(109.6)	(1.8)	(3.9)
SG&A Expenses	3,946.9	3,025.5	386.7	287.5	56.8	37.2	24.5	128.7	92.3	58.3
PPOP	3,627.0	3,017.5	201.0	370.9	207.5	18.1	21.4	(209.4)	92.4	71.2
Credit Loss Provision	465.3	137.1	3.6	234.5	65.9	(0.6)	0.3	24.6	19.7	12.3
Operating Income	3,161.7	2,880.4	197.4	136.4	141.7	18.7	21.2	(234.1)	72.8	58.9
Non Operating Income	(2.4)	(0.2)	10.2	4.3	1.4	7.6	0.0	(25.8)	(0.3)	0.1
Net Income	2,240.2	2,092.8	152.1	106.7	120.4	19.5	16.2	(267.5)	54.4	43.8

Note 1) Separate

Provision Analysis by Subsidiaries

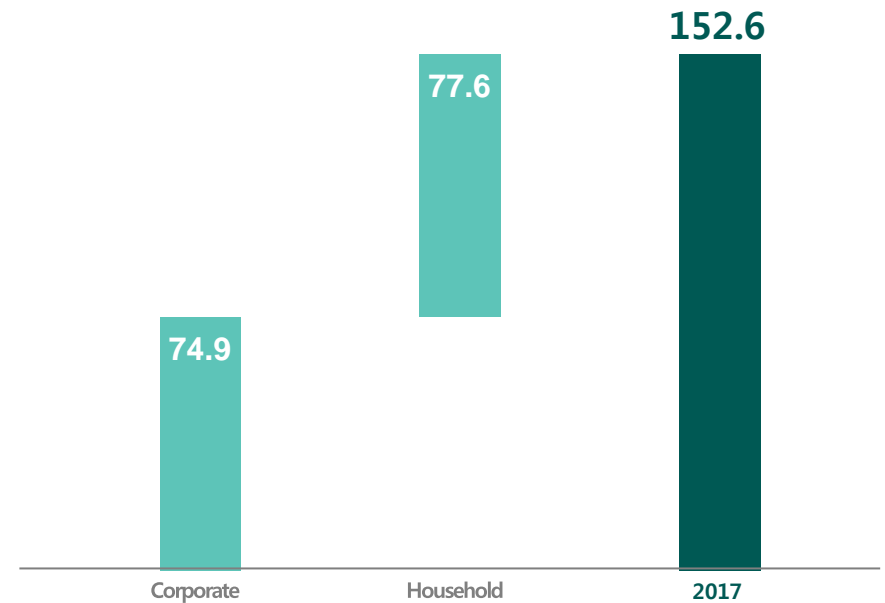
Subsidiaries' Provision Overview (2018 Cumulative, Separate)

(Unit: Wbn)



KEB Hana Bank Provision Break-down (2018 Cumulative)

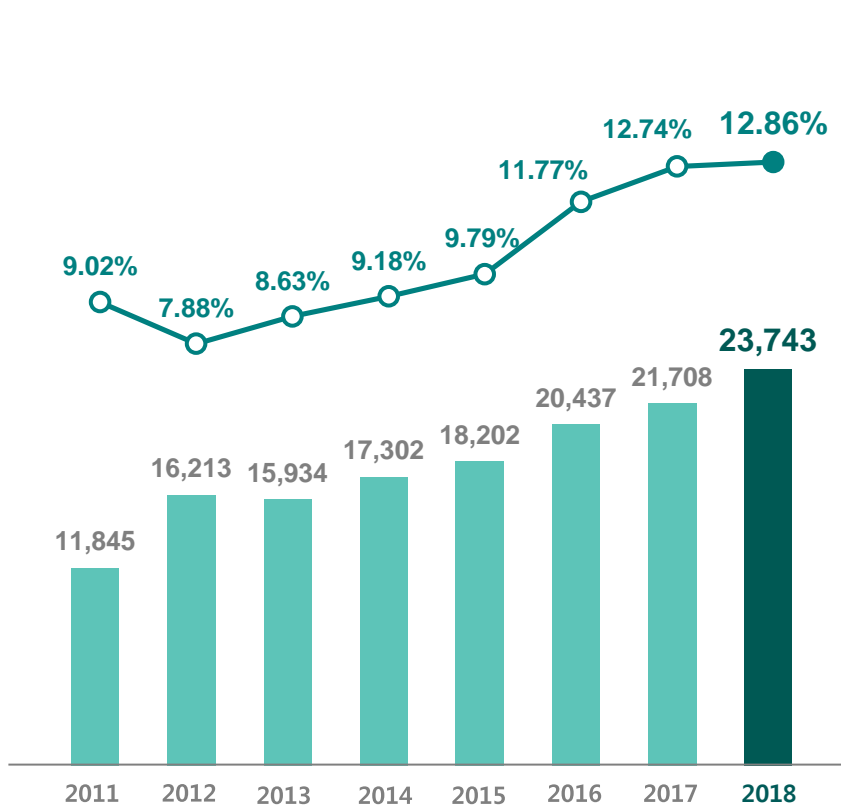
(Unit: Wbn)



Dividend

Group Capital Position ¹⁾ (Unit: Wbn)

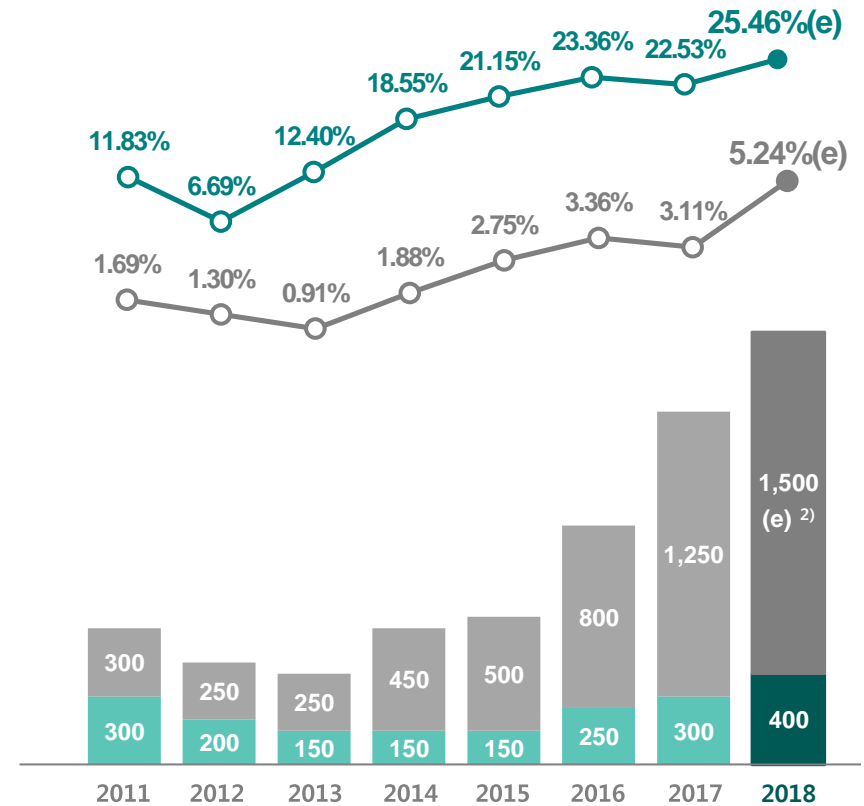
■ CET 1 Capital ○ CET 1 Ratio



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

Group Capital Return (Unit: Won)

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



Note 2) To be confirmed upon voting result of the general shareholders' meeting

Major Indices

Group (Consolidated)

Cumulative (Unit: Won)	FY2018	3Q18	FY2017
ROA	0.61%	0.69%	0.60%
ROE	8.89%	10.17%	8.77%
EPS(KRW)	7,383	6,256	6,817
BPS(KRW)	84,784	83,648	79,154
C/I Ratio	52.1%	50.4%	53.1%
Debt to Equity Ratio	30.36%	30.12%	37.35%
Double Leverage Ratio	125.61%	124.16%	125.20%

KEB Hana Bank (Consolidated)

Cumulative (Unit: Won)	FY2018	3Q18	FY2017
ROA	0.63%	0.71%	0.67%
ROE	8.87%	10.05%	9.35%
EPS(KRW)	1,943	1,633	1,953
BPS(KRW)	22,620	22,306	21,429
C/I Ratio	50.1%	47.9%	49.1%

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