



Shareholder Return Ratio

ROE

CET1 Ratio

Hana Financial Group Value Up Plan

Key Value Up Goals and Action Plans

Enhance corporate value by bolstering shareholder return along with efficient capital allocation and increased profitability

Key Metrics	01	Shareholder Return Ratio	02	CET1 Ratio	03	ROE
Goal	A phased increase up to 50% by 2027		Management at 13.0 - 13.5% target range		Achieve 10% or higher	
Action Plan	Increase proportion of share buyback and cancellation		Manage RWA growth in line with nominal GDP growth rate		Improve KPI and business portfolio with a focus on RoRWA	

Pursue sustainable corporate value enhancement through establishing and implementing practical action plans followed by thorough assessment and communication of the plans

* These goals are subject to change based on factors including but not limited to any restrictions under applicable laws and regulations or enforcement of supervisory authorities, or drastic changes in business environment or managerial necessity. In the event of any change in these goals, HFG plans to fully communicate with the market regarding such change.

* (Note) ROE: Return on Equity, RoRWA: Return on Risk Weighted Assets, KPI: Key Performance Indicator, CET1: Common Equity Tier 1 Capital

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I. Corporate Overview

- General Overview
- Domestic and Overseas Networks



General Overview

Key Information

(As of the end of September 2024)

Company	Hana Financial Group
CEO	HAM, Young Joo
Head Office	66, Eulji-ro, Jung-gu, Seoul
Industry	Financial services
Incorporated/Listed	December 1, 2005 / December 12, 2005 (KOSPI Market)
Largest Shareholder	National Pension Service (8.85%)
Issued Shares	287,240,880 common shares / 4,340,000 treasury shares
Market Capitalization	KRW 16.9 trillion (KOSPI Top 23 Company)

Key Metrics

(As of the end of September 2024)

Per Share

EPS	KRW 10,932
BPS	KRW 134,568

Valuation

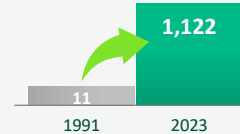
PBR	0.44x
PER	5.38x

Profitability

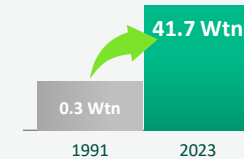
ROE	10.62%
ROA	0.70%

Growth History

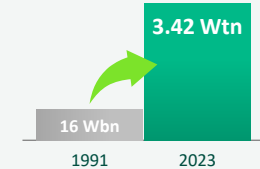
Network



Shareholder's Equity



Net income



Historical Milestones



Note) EPS: Earnings per share, BPS: Book value per share, PBR: Price to Book value Ratio, PER: Price Earnings Ratio, ROA: Return on Assets

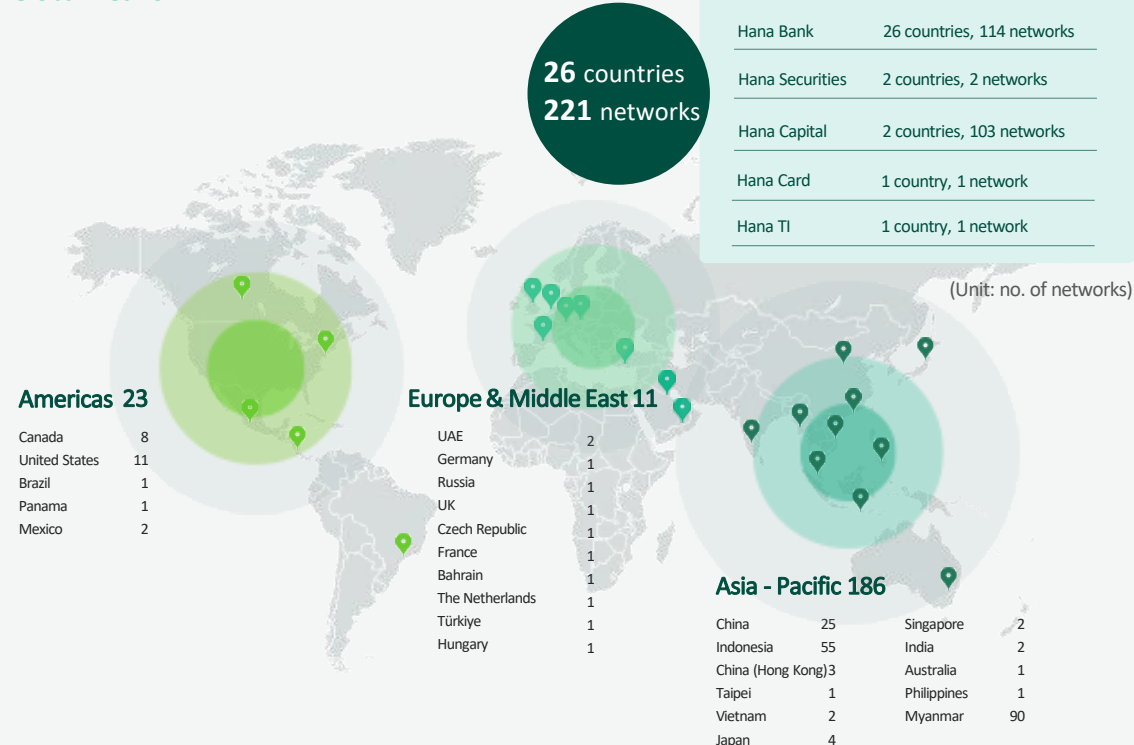
Domestic and Overseas Network

(As of the end of September 2024)

Domestic Network

Hana Financial Group	Bank	Hana Bank	100%
	Financial Investment	Hana Securities	100%
		Hana Asset Trust	100%
		Hana Alternative Asset Management	100%
		Hana F&I	99.87%
		Hana Ventures	100%
		Hana Investors Services	100%
	Insurance	Hana Life	100%
		Hana Insurance	91.45%
	Credit Finance	Hana Card	100%
		Hana Capital	100%
	Inclusive Finance	Hana Savings Bank	100%
	Other Business	Hana TI	100%
		Finng	100%

Global Network



Note 1) Network: overseas subsidiaries (including branches), overseas branches, offices and sub-branches

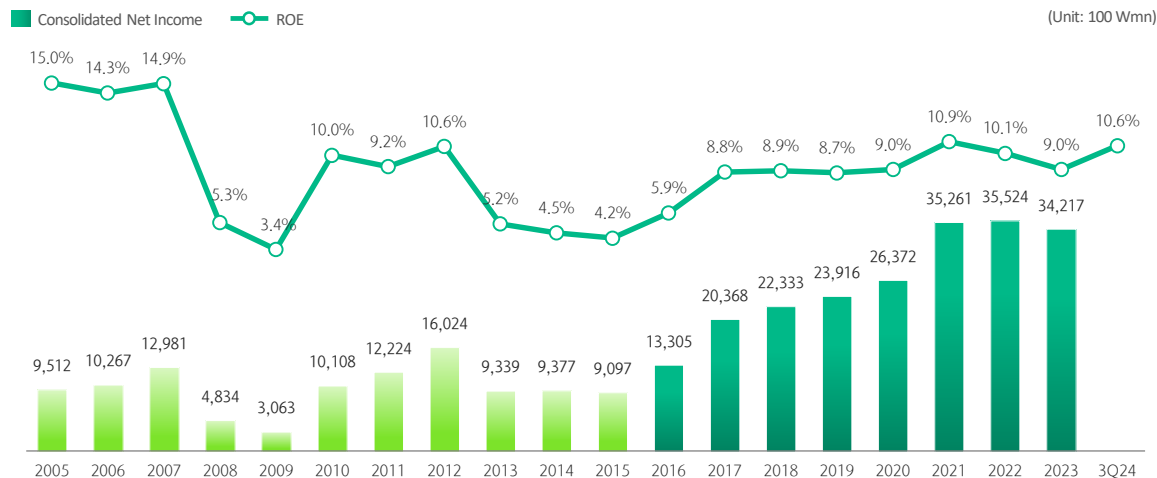
II. Status Analysis

- Solid Profitability and Qualitative Growth
- Persistent Undervaluation Relative to Domestic and Global Peers
- PBR Analysis for Enhancing Corporate Value
- [Cause of Low PER ①] Relatively Low Shareholder Return Ratio
- [Cause of Low PER ②] Conservative Capital Management Policy and High Volatility of CET1 Ratio
- [ROE Analysis] Low ROE Compared to Cost of Equity

Solid Profitability and Qualitative Growth

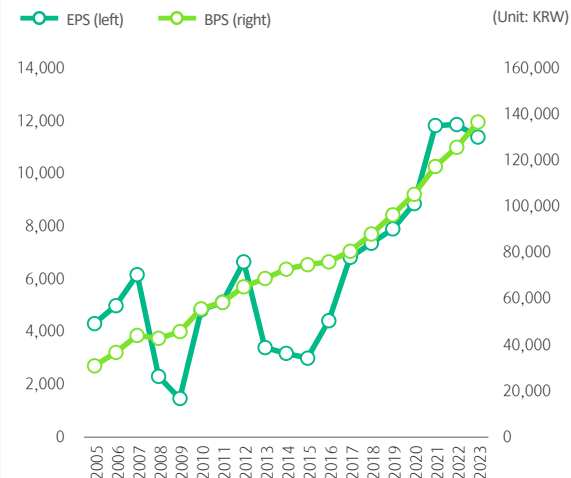
- After becoming a holding company in 2005, HFG achieved a top-tier profitability among domestic peers through business portfolio expansion and qualitative growth driven by risk management.
- From 2015, when Hana Bank and Korea Exchange Bank commenced operating as a fully integrated bank, to 2023, HFG's net income grew 3.8 times, outperforming its peers.

Net Income and ROE Trend



- Post acquisition of Korea Exchange Bank in 2012, an unfavorable business environment and provisioning for bad assets resulted in a decrease in HFG's profitability
- An upward trajectory in net income and ROE has continued since the integration of Hana Bank and Korea Exchange Bank in 2015, largely driven by reduction in high-risk exposures and optimization of branch operations and staffing

EPS and BPS Trend



- Solid profitability has driven up per share metrics since 2015
- Since the commencement of operation as an integrated bank in 2015, on average, EPS increased by 18% annually until 2023

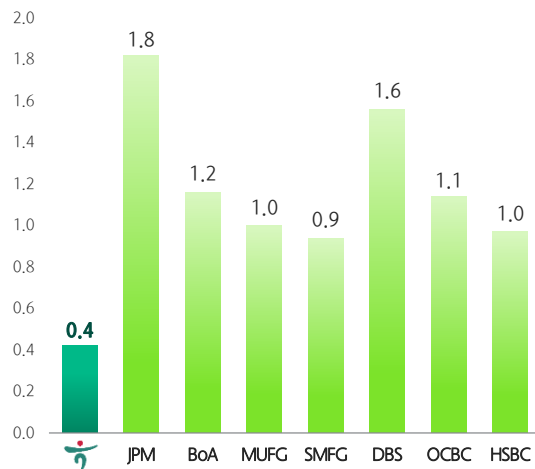
(Note) BPS is based on the controlling shareholder's equity capital (excluding hybrid securities)

Persistent Undervaluation Relative to Domestic and Global Peers

- Despite considerable achievements, HFG is notably undervalued relative to its domestic and global peers by PBR.
- An analysis on the relationship between net income growth rate and stock price growth rate of domestic and global peers for the past 10 years highlights the undervaluation of HFG.

PBR of Major Global Financial Companies

(As of the end of June 2024, Unit: %)

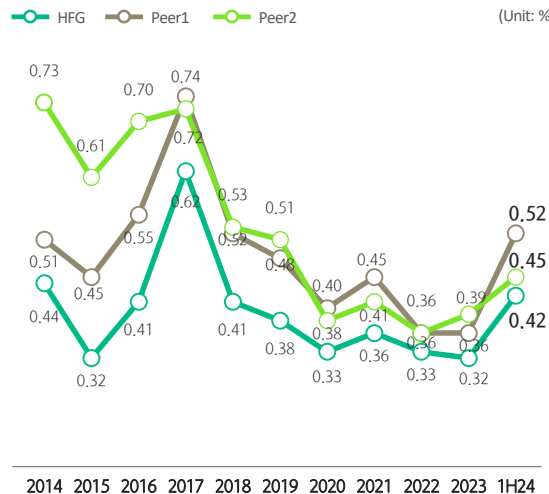


- Clear undervaluation relative to global banks in the US, Japan, Singapore, and other markets.

Source: Bloomberg

PBR of Domestic Financial Companies

(Unit: %)



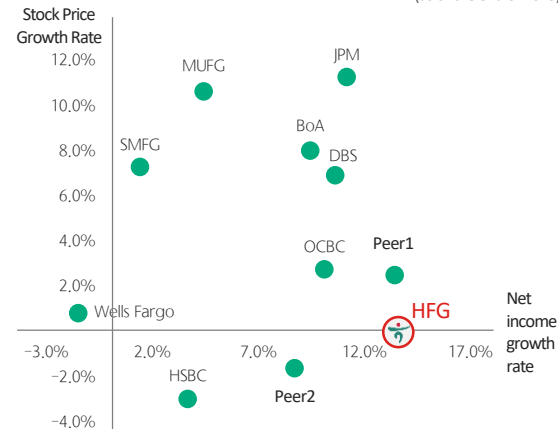
- Even compared to domestic peers, HFG's relative undervaluation has been persistent.

Source: Bloomberg

Comparison of Profitability and Stock Price

Net Income Growth Rate vs. Stock Price Growth Rate (compared to 2013/CAGR)

(as of the end of 2023)



- HFG achieved strong net income growth while its stock price appreciation was slower than those of its global peers.

Source: Bloomberg

PBR Analysis for Enhancing Corporate Value

- An analysis of PBR components relative to domestic and global peers was conducted to identify the causes for undervaluation and find solutions.
- The findings showed that undervaluation is attributable to low PER whilst the ROE was on par with those of domestic and global peers.

PBR Breakdown

$$\text{PBR} = \text{PER} \times \text{ROE}$$

Indicators

COE, total shareholder return, shareholder return ratio, EPS

Indicators

ROA, leverage ratio, RoRWA, BIS ratio

Solutions

Optimize capital cost,
Enhance shareholder return,
Strengthen shareholder engagement

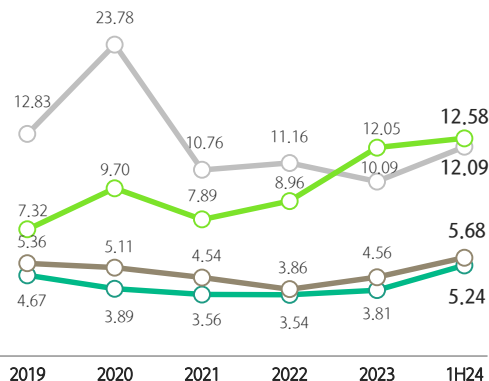
Solutions

Improve profitability,
Optimize leverage,
Strengthen business portfolio

- PBR can be broken down into PER and ROE.
- PER reflects the market's valuation of the company whilst ROE indicates intrinsic profitability of a company.

PER Comparison

— HFG — Domestic peers — U.S. Peers — Japanese Peers
(Unit: no. of times)



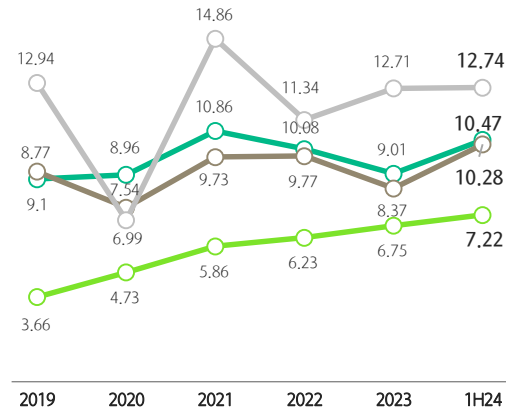
- Lower PER relative to global peers resulted in HFG's low PBR.

Source: Bloomberg

Note) Japanese peers: MUFG, SMFG, Mizuho / U.S. peers: JPM, BoA, Wells Fargo

ROE Comparison

— HFG — Domestic Peers — U.S. Peers — Japanese Peers
(Unit: %)



- Meanwhile, HFG's ROE was among the highest compared to domestic and global peers excluding U.S. peers.

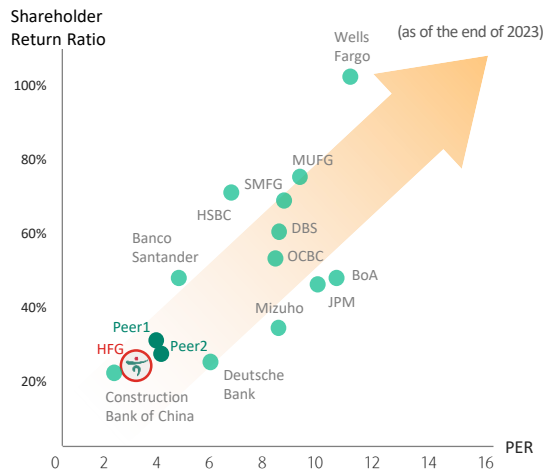
Source: Bloomberg, Dataguide

Note) Japanese peers: MUFG, SMFG, Mizuho / U.S. Peers: JPM, BoA, Wells Fargo

[Cause of Low PER ①] Relatively Low Shareholder Return Ratio

- PER and shareholder return ratio are positively correlated in the valuation of financial companies. HFG's relatively low shareholder return ratio is found to be the main cause for the low PER.
- HFG's lower shareholder return ratio compared to those of peers in Korea and advanced markets resulted in persistent undervaluation.

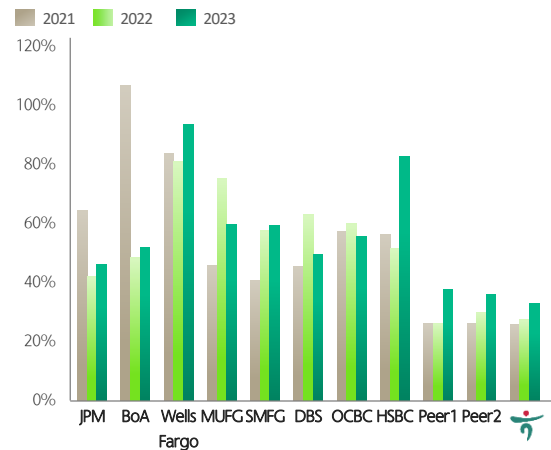
Comparison of PER/Shareholder Return Ratio



- Shareholder return ratio = (total cash dividends + total amount of share buyback & cancellation) / net income
- For financial stocks, PER and shareholder return ratio have a strong positive correlation.

Source: Bloomberg, Dataguide

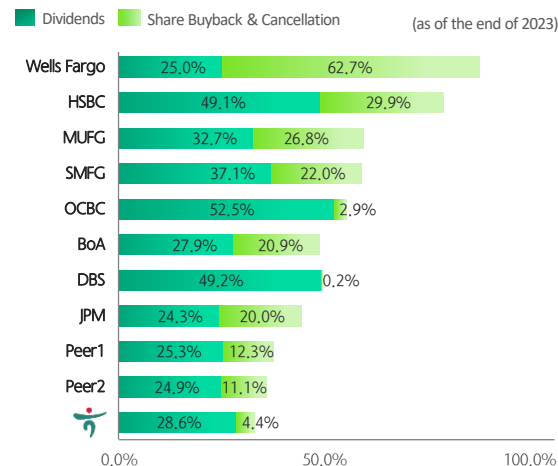
Shareholder Return Ratio of Financial Companies



- Shareholder return ratios of Korean financial companies have increased in the recent three years.
- Nonetheless, they continue to lag behind compared to those of global peers.

Source: Bloomberg, Dataguide

Composition of Shareholder Returns



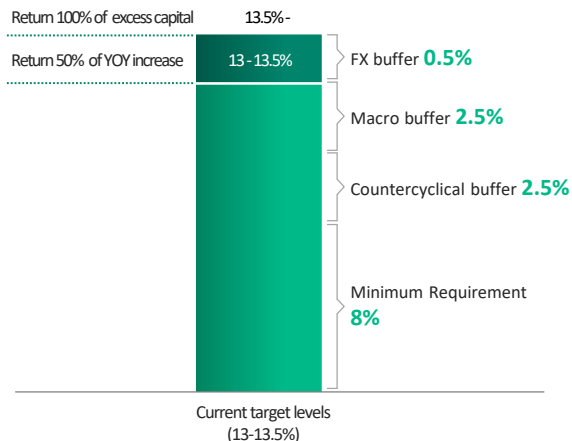
- HFG's dividend payout ratio is on par with global peers.
- Due to smaller share buyback & cancellation, HFG's reliance on cash dividends is relatively higher.

Source: Bloomberg, Dataguide

[Cause of Low PER ②] Conservative Capital Management Policy and High Volatility of CET1 Ratio

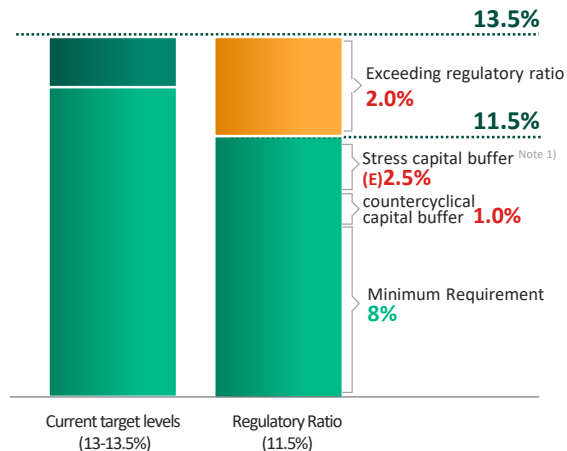
- HFG's capital management policy, which set the target to be more conservative than regulatory requirements and mandated capital accumulation until reaching the CET1 ratio of 13.5%, constrained improvement in shareholder returns.
- Fluctuation in quarterly CET1 ratios diminished visibility of shareholder return, resulting in stock undervaluation.

Capital Management and Shareholder Return Policies



- HFG set the capital management target at 13.5%.
- In the 13.0%–13.5% range, shareholder return can be increased only if the capital ratio has increased from the previous year.
- Only excess capital above 13.5% may be fully returned to shareholders.

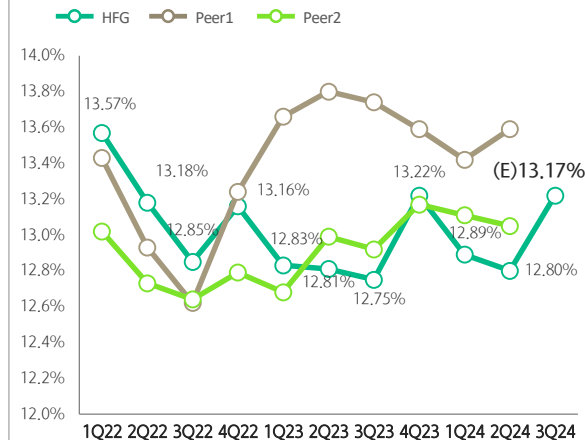
HFG's CET1 Ratio Target vs. Regulatory Requirement



- The 13.5% target is conservative as it is 2.0% above the regulatory ratio.
- Also, it required capital accumulation until reaching the 13.5% target, putting a constraint on shareholder returns increase.

Note 1) Maximum buffer of 2.5% stated in the FSC's press release on stress buffer capital (Sep. 11, 2024) is applied

Quarterly Changes in CET1 Ratio

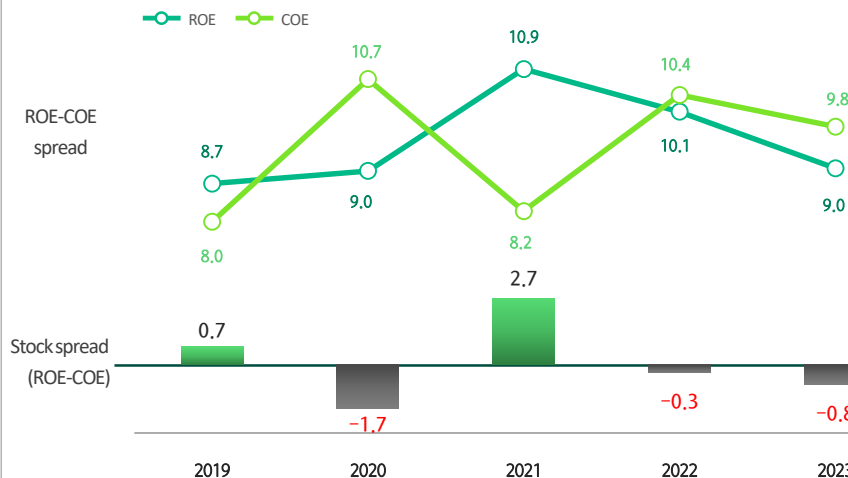


- The volatility of HFG's quarterly CET1 ratio is higher than those of its domestic peers.
- Low predictability and visibility in the execution of shareholder return policy have been a factor in the undervaluation of HFG's stock prices.

[ROE Analysis] Low ROE Compared to Cost of Equity

- HFG's ROE is higher than many of domestic and global peers, yet there is room for improvement when taking cost of equity (COE) into account.
- Maintaining solid ROE is essential for building a foundation for sustainable growth and ensuring consistency in shareholder return policy.
- Achieving ROE that is higher than COE creates corporate values and makes HFG more attractive to investors.

Analysis on HFG's ROE-COE Spread



Stock spread above 0 means:

- Profitability: A return higher than that required by shareholders
- Capital efficiency: Efficient use of capital
- Competitiveness: Having superior competency in the industry
- Positive signal: Positive investment signal for investors

ROE > COE → Create corporate value

ROE < COE → Impair corporate value

- Since 2022, HFG recorded higher COE than ROE, resulting in negative ROE-COE spreads for the past 2 years.
- Considering the COE, HFG needs to maintain ROE over 10%.
- Also, it is required to put efforts into lower COE, such as building a stable business portfolio, improving governance, and bolstering investor engagement.

III. Metrics and Goals

- Setting Key Metrics and Goals Based on Status Analysis



Setting Key Metrics and Goals Based on Status Analysis

- Set key metrics and established goals to address undervaluation and enhance corporate value: ① Shareholder return ratio, ② CET1 ratio, ③ ROE
- Established practical action plans to achieve the goals seamlessly.

Status Analysis		Key Metric	Goal	Strategy & Action Plan
Causes of under-valuation relative to domestic & global peers	Lower shareholder return ratio	Shareholder return ratio	A phased increase to 50% by 2027	Improve shareholder return and predictability <ul style="list-style-type: none"> Specify the target year for achieving shareholder return ratio of 50% Adopt a quarterly-even dividend policy Increase proportion of share buyback and cancellation
	Constraints in efficient capital allocation due to conservative capital policy	CET1 ratio	Flexible management at 13.0-13.5% target range	Improve capital management policy for efficient capital allocation <ul style="list-style-type: none"> Flexible capital management within target range Allow a consistent increase in shareholder returns when CET 1 ratio falls under the target range Manage RWA growth in line with the nominal GDP growth rate
	Low ROE relative to cost of equity	ROE	Achieve 10% or higher	Improve profitability through RoRWA enhancement <ul style="list-style-type: none"> Increase ROE to a level above COE Rebalance business portfolios based on RoRWA Internalize Value Up goals, including putting more weight on RoRWA in KPIs

* These goals are subject to change based on factors including but not limited to any restrictions under applicable laws and regulations or enforcement of supervisory authorities, or drastic changes in business environment or managerial necessity. In the event of any change in these goals, HFG plans to fully communicate with the market regarding such change.

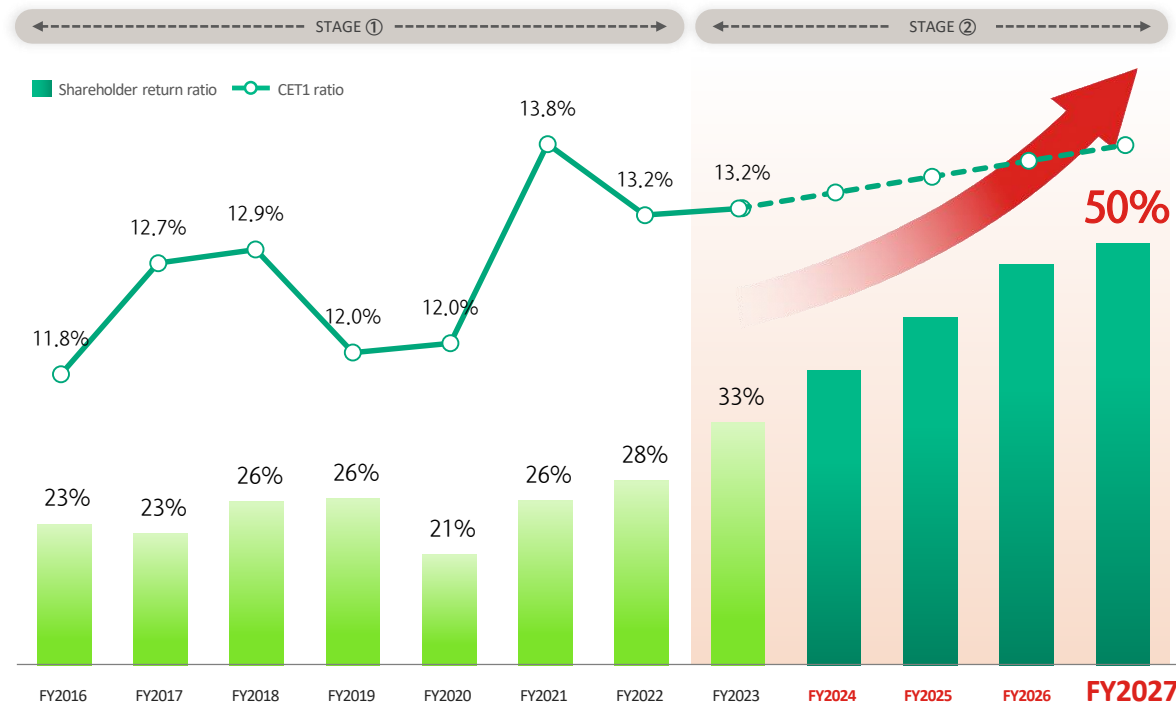
IV. Goals and Action Plans



- First Goal and Action Plan
- Second Goal and Action Plan
- Third Goal and Action Plan

Goal 1: Increase Shareholder Return and Predictability

- Expedite the achievement of 50% shareholder return ratio, the mid-to-long term goal first introduced in the previous shareholder return plan in early 2023
- Set 2027 as the milestone year for achieving shareholder return ratio target and plan to increase the ratio on a phased basis.



STAGE 1: Capital accumulation

- Secure a stable CET1 ratio by enhancing profitability and managing RoRWA
- Strengthen capital power and prepare for growth by reserving capital while delivering shareholder return on par with domestic peers
- Focus on stable capital management to guard against uncertainties such as new capital regulation, such as Basel III, and COVID-19

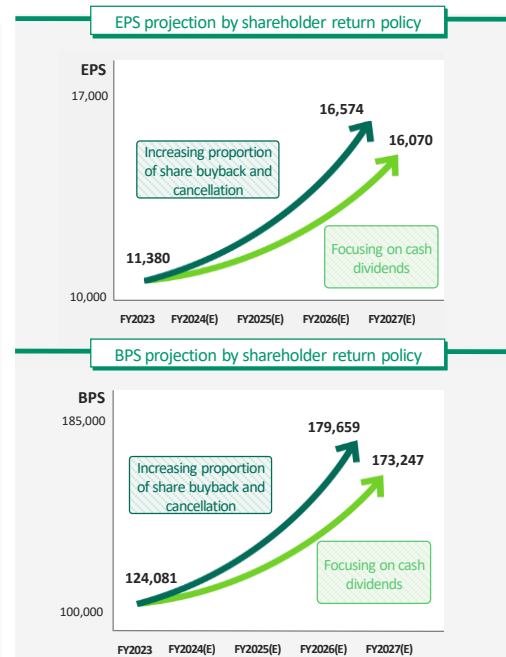
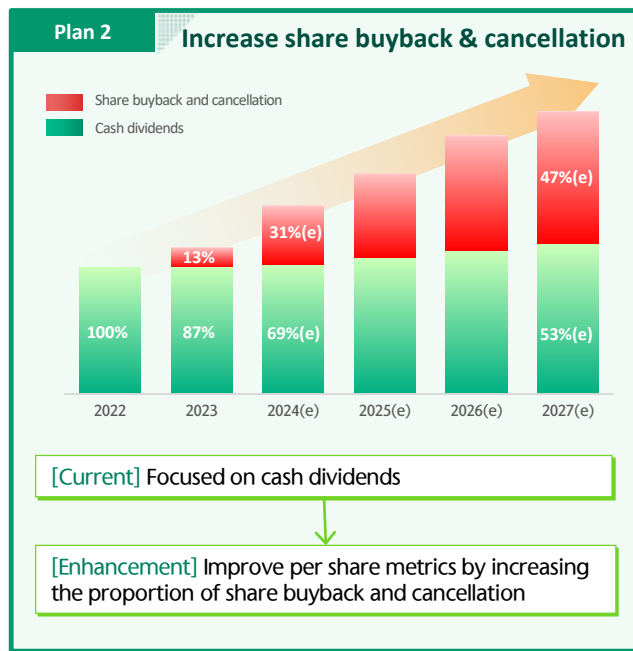
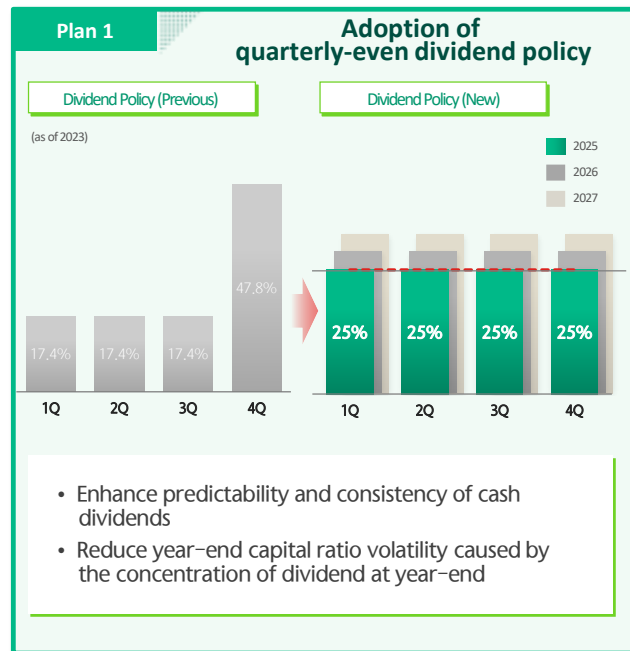
STAGE 2: Efficient capital allocation

- Implement plans to enhance corporate value based on efficient capital management and enhanced profitability
- Clarify target timeline for achieving the shareholder return ratio of 50% to increase visibility and predictability of shareholder return
- Phased increase in shareholder return

Note) CET1: Common Equity Tier 1

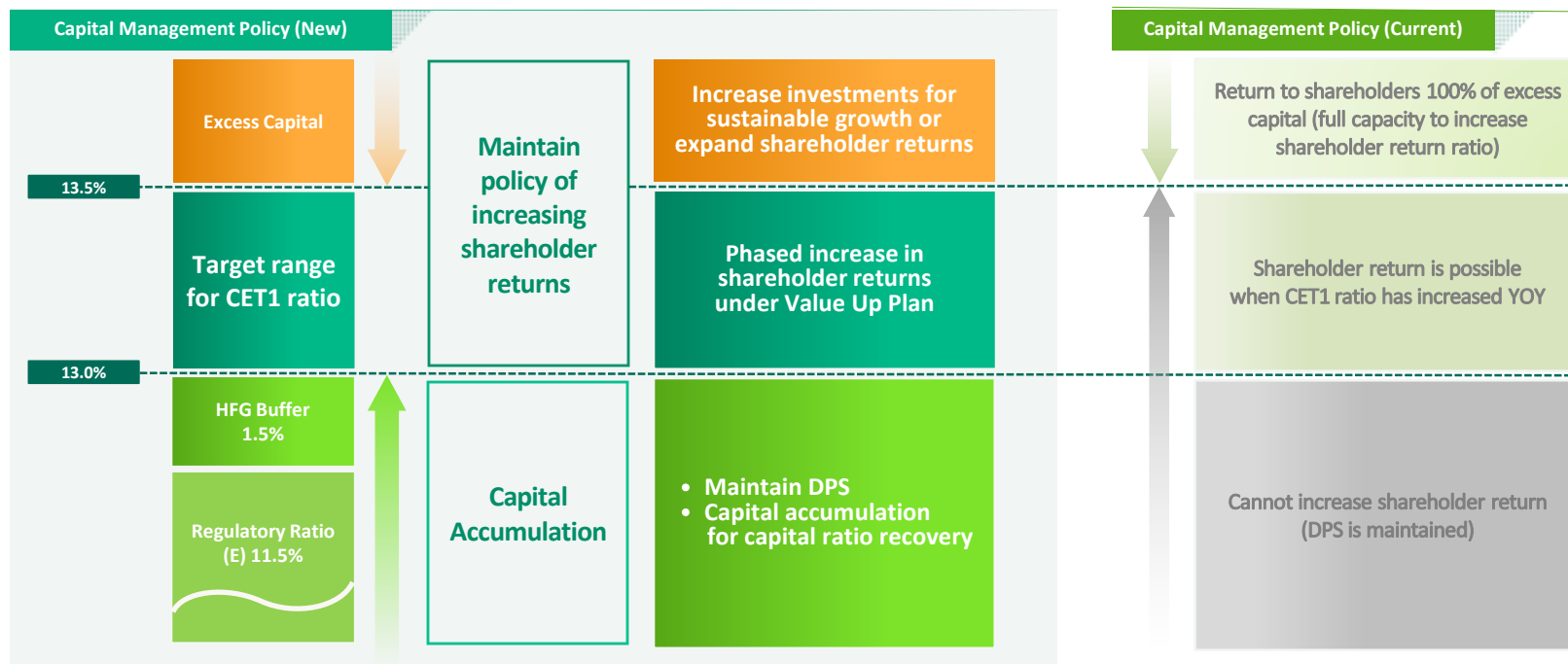
Action Plan 1: Improve Dividend Policy and Expand Share Buyback and Cancellation

- Enhance predictability of dividends by implementing quarterly-even dividend policy
- Improve per share metrics by increasing the proportion of share buyback and cancellation
- Increase shareholder return ratio through share buyback and cancellation and other means until the target PBR is achieved



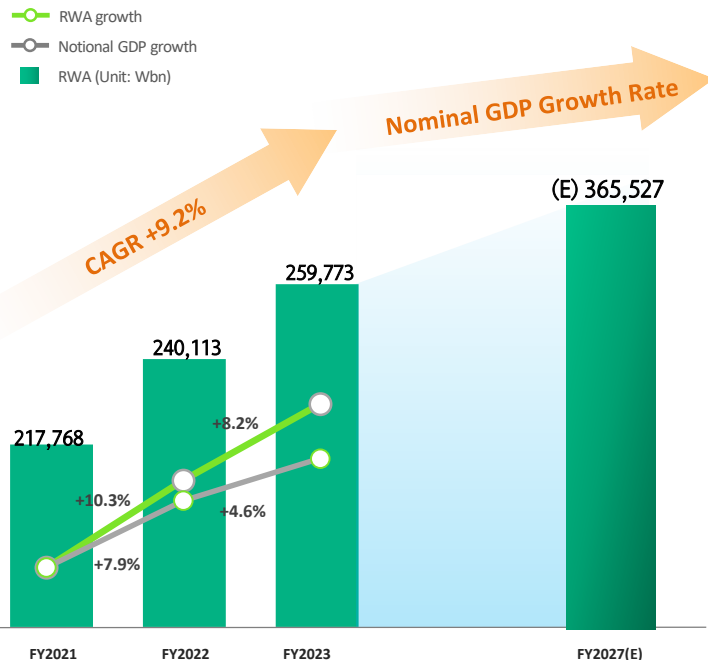
Goal 2: Improve Capital Management Policy for Efficient Capital Allocation

- Set CET1 target at a range (13.0–13.5%) rather than a single level (13.5%) and adopt a flexible capital allocation policy based on the level of CET1 ratio
- Revise the policy to allow higher shareholder return when the target CET1 range is met, regardless of the YoY increase



Action Plan 2: Set RWA Growth Rate Target

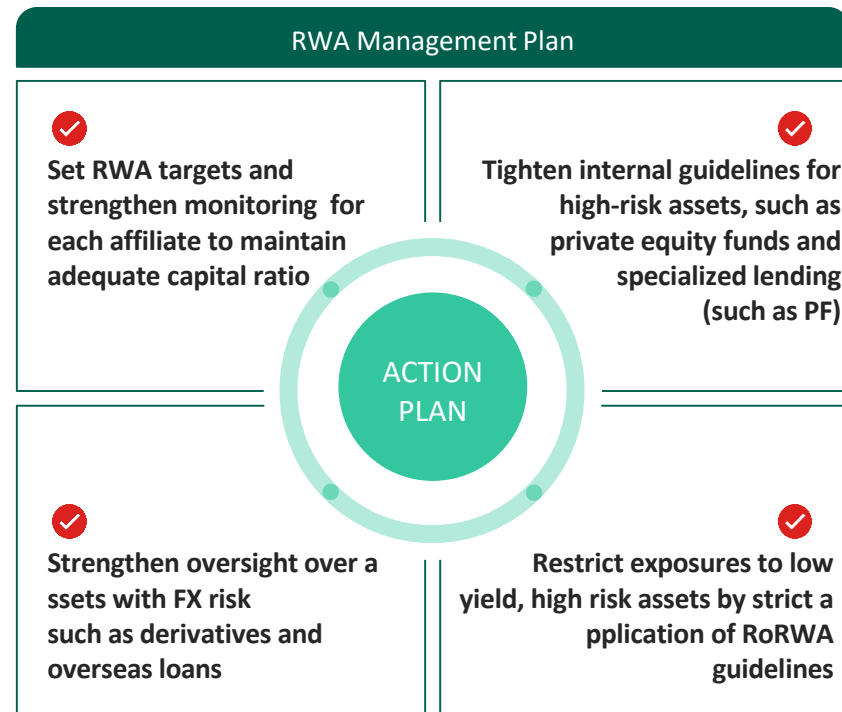
- Manage RWA growth rate at levels consistent with nominal GDP growth rate to maintain CET1 ratio within the target range
- Enhance predictability in capital management through RWA management over all asset classes including loan assets



Note 1) Nominal GDP growth rate: OECD's projection for Korea's economic growth rate(24.5.2) + inflation forecast

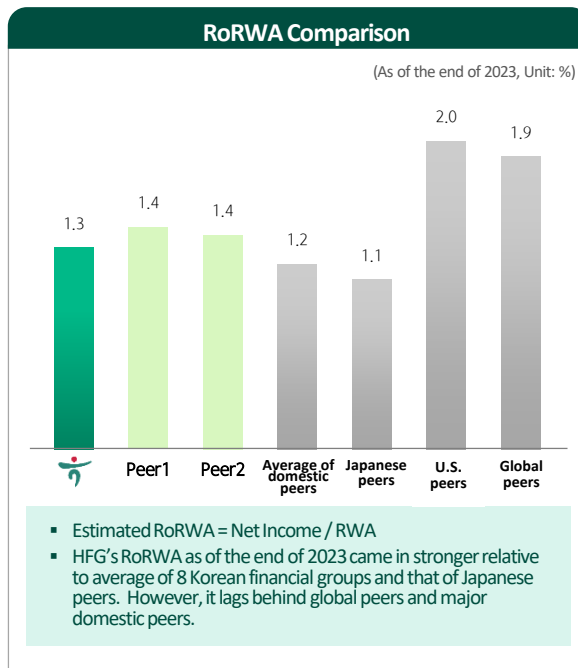
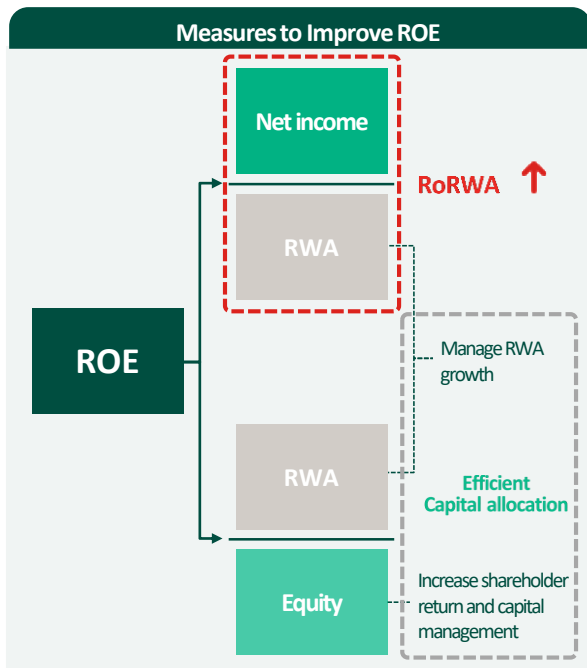
Note 2) FY2027(E) RWA is calculated by assuming a 5% nominal GDP growth rate

Note 3) RWA: Risk Weighted Assets



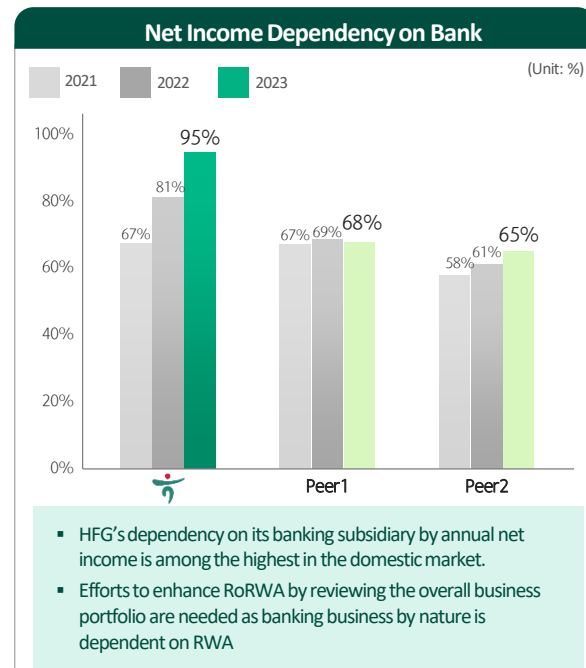
Goal 3: Achieve ROE of 10% or Higher by Increasing RoRWA

- In addition to efficient allocation of capital, RoRWA enhancement is required to improve ROE.
- HFG's RoRWA is low relative to major domestic peers, driven by higher dependency on the banking subsidiary.
- Achieving ROE of 10% or higher requires higher RoRWA through improvement of business portfolio.



Source: Bloomberg

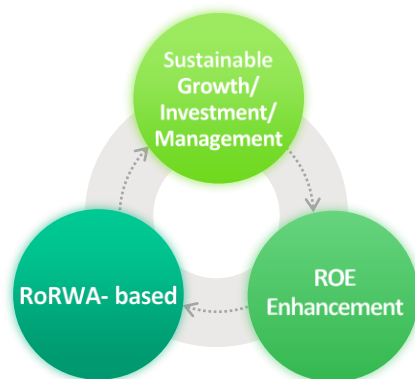
Note: Domestic average: Hana, KB, Shinhan, Woori, BNK, JB, DGB, IBK / Japanese Peers: MUFG, SMFG, Mizuho
 U.S. Peers: JPM, BoA, Wells Fargo / Global peers: Japanese financial companies + U.S. financial companies + DBS, OCBC, HSBC



Source: IR data

Action Plan 3: Restructuring and Internalization of RoRWA-based Business Portfolio

- Improve fundamentals by pursuing business portfolio that focuses on sustainable profit generation
- Manage RWA for capital efficiency and deliver higher profits in relation to RWA to enhance corporate value
- Integrate value-up measures into the group's business plans to promote a group-wide focus on the execution of the plan



Sustainable Growth	
▶ Strengthening core competency	<p>Maximize competitiveness in core business areas such as corporate banking, FX, WM and trust</p> <p>Build a foundation for sustainable growth and a stronger non-banking business segment by adhering to business principles and phased implementation of mid-to-long term strategies</p> <p>Fulfill customers' needs by collaborating within and outside the group and leveraging solutions unique to HFG</p>
▶ Reinforcing global presence	<p>Set a springboard for Global First by focusing on sales/ collaborating with top players/ pursuing balanced global growth</p>
▶ Expanding the frontier	<p>Find and build a growth engine in the non-financial, innovative sectors</p> <p>Leverage and utilize digital technologies to enhance core competencies and pursue new businesses driven by performance</p>

Sustainable Investment	
▶ RoRWA-based efficient growth	Move away from quantitative growth for the sake of sizing up
▶ RWA management (efficiency)	Replace low RoRWA assets with high RoRWA assets
▶ Investment, partnership and M&A	Continue to build investments and partnerships with companies in new technologies and innovation, strengthen business portfolio through selective M&As

Sustainable Management	
▶ Internalization of value up plan	Increase the RoRWA based performance indicators in management's KPIs; incorporate value up targets in the Group's business objectives and detailed implementation plans
▶ Innovative internal control and risk management	Strengthen internal control and build a risk management system geared towards proactive and swift responses to financial environment changes
▶ Improve cost structure	Improve C/I ratio and soundness

Note) C/I ratio: Cost to Income ratio

V. Improving Governance

- Governance Improvement for Enhancing Corporate Value

Governance Improvement Plans for Enhancing Corporate Value

★ To be implemented, ◇ Further improvement

Protection of shareholders' rights and Improvement of AGM Administration

Key Indicator	Comply	HFG's Practice
Convene AGM with 4 weeks prior notice	-	3 weeks prior notice (Notice of AGM: Feb. 29, 2024/AGM: Mar. 22, 2024)
Use electronic voting	●	Introduced at the 19 th AGM in 2024
★ Convene AGM on dates which do not overlap with other companies' AGMs	-	AGM convened on Mar. 22, 2024 which is one of the "concentrated dates"
Adopt cumulative voting system	●	No restrictions in the Articles of Incorporation

Improvements in Board structure and business risks management

Key Indicator	Comply	HFG's Practice
Separate appointment of Chairman of the BoD and the Representative Director	●	Appointed an independent director as chairman (Jung-won Lee)
◇ Appoint at least 1 female independent director	●	Two female independent directors appointed (Sook-yeon Won, Shim Yoon)
Establish policy for CEO succession	●	Established CEO succession policy and operates a CEO Nomination Committee
Establish a policy to prevent appointment of unqualified persons as executives	●	Focus on appointing qualified persons in accordance with "Act on Corporate Governance of Financial Companies" and internal policies and procedures

Key
Governance
Indicator
Compliance
*

Transparent information disclosure and dividend policy

Key Indicator	Comply	HFG's Practice
Disclosure of dividend policy	●	Publicly discloses information on dividend distribution and stock cancellation and midterm shareholder return policy. Posts dividend information on website.
Provide predictability for cash dividends	●	To allow investors with greater predictability, for the 2023 year-end dividend distribution, AOI has been amended in 2023, requiring dividend payout to be determined prior to the record date.
Establish procedures for accessing important management information	●	Procedures are in place for accessing important management information in accordance with Audit Committee policies

Strengthen internal control and framework for audits

Key Indicator	Comply	HFG's Practice
Appoint at least one accounting or finance expert in the Audit Committee	●	Has an accounting/finance expert (Jae-sool Lee)
Establish risk management and other internal control policies	●	Has policies and procedures for risk management, compliance, internal accounting management, and disclosure
Establish an independent internal audit organization	●	Has Audit Team in the group's audit division
★ Internal audit organization meets at least once a quarter with the external auditor without the presence of management	-	Has open or closed-door meetings at least twice a year with the external auditor without the presence of management

* KRX Corporate Governance Report Guidelines

Avoid "concentrated dates"

HFG plans to hold its 2025 AGM on a date other than "concentrated dates" to increase shareholder participation



Improve diversity of BoD

HFG plans to increase the percentage of female directors to at least 25% by 2025



More meetings with the external auditor

HFG plans to hold at least 4 meetings, instead of 2, with the external auditor without the presence of management

VI. Engagement Plans



- Shareholder Engagement Activities
- Shareholder Feedback and Plans for Improvement

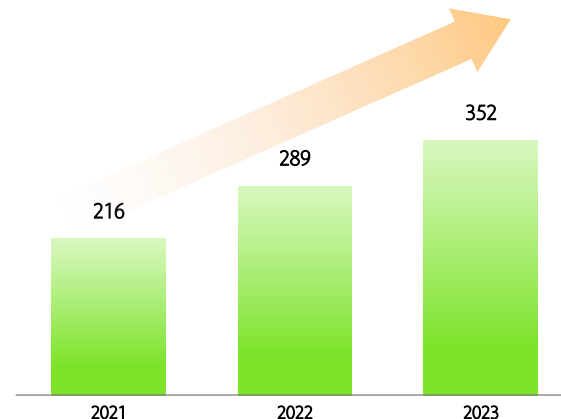
Shareholder Engagement Activities

- Promote engagement and communications with shareholders by the board, group management, and the IR Division
- Collect shareholder opinions through a variety of channels and methods for incorporation in the management's strategy

Details of Engagement and Communication Activities



Number of Engagements



- Increased engagement with investors and other stakeholders and diversified engagement channels (including online/offline channels and platforms)

Shareholder Feedback and Plans for Improvement

Feedback from shareholders

Key Feedback	Management and Board Responses
1. More Engagement	Increased shareholder engagement activities by management and the board, increased the size and frequency of IR meetings, expanded the scope of meeting participants
2. Greater Shareholder Return	(Feb. 2023) Announced capital management and shareholder return policies (shareholder return ratio target of 50%), (Jan. 2024) Announced share buyback and cancellation of 300 Wbn
3. Capital Ratio Management	Improved CET1 ratio through RWA management in 2023 3Q, established RWA growth rate management goals
4. Response to Climate Change	Integrated K-Taxonomy into the IT system, announced portfolio emission reduction targets and strengthened monitoring framework
5. Increase D&I	Set the target for composition of female independent directors to 25% by 2025 and the target percentage of female general managers and executives to 30% and 15%, respectively, by 2030

Plans

Board	Management	IR Division
<ul style="list-style-type: none">• Monitor the implementation of value-up plan on a periodic basis• Proactively listen to investors' feedback by expanding roundtable events	<ul style="list-style-type: none">• Promote internalization of value-up plans• Drive improvement in business strategy, value-up, ESG, and other areas to enhance shareholder and stakeholder engagements	<ul style="list-style-type: none">• Increase the frequency of IR events and engagement activities• Provide communication channels to foreign investors and domestic retail investors by utilizing social media

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