

Hana Financial Group (086790 KS)

FUNDAMENTAL VIEW ¹

As of 13 Mar 2025

- Hana Financial Group (Hana FG) struggled for several years to make its acquisition of the former Korea Exchange Bank a success, but results improved dramatically in 2015 as revenues grew and cost efficiencies improved. It has produced particularly strong results since 2020.
- The group is looking for inorganic growth in its non-bank businesses as it has fallen behind Shinhan FG and KBFG in this area, but has so far shied away from a large acquisition.
- Hana Bank has the highest CET 1 ratio among the Korean Big 4 banks.

RISKS & CATALYSTS

As of 13 Mar 2025

- Hana FG's credit costs at 32 bp in FY24 were lower than peers (around 45-49 bp) but are expected to rise by ~5 bp in FY25 per management's guidance. The group's NPL coverage ratio was also ~15-25 bp behind peers.
- NIMs are lower than those of KB and Shinhan at both the group and bank levels. The profit contribution from non-bank entities to group profits is also lagging behind these two peers. Both metrics are comparable to Woori's.
- Loan growth was softer than peers in FY24 and may remain mild in FY25 as the bank is putting more focus on RWA management and capital enhancement.

CREDIT QUALITY SCORE (CQS) ²

As of 25 Apr 2025

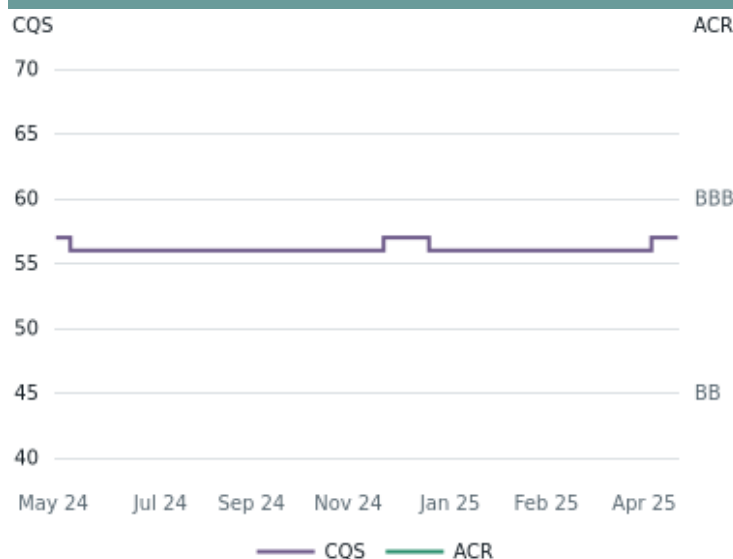
CURRENT CQS

57

CQS OUTLOOK ³

NO OUTLOOK

HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR) ⁴ VS CQS



KEY METRICS

As of 13 Mar 2025

KRW BN	FY20	FY21	FY22	FY23	FY24
Pre-Provision Profit ROA	1.07%	1.07%	1.10%	1.11%	1.00%
ROA	0.61%	0.74%	0.66%	0.59%	0.61%
ROE	9.0%	10.9%	10.1%	9.0%	9.1%
Provisions/Loans	0.30%	0.16%	0.34%	0.46%	0.32%
NPL Ratio	0.40%	0.32%	0.34%	0.50%	0.62%
CET1 Ratio	12.0%	13.8%	13.2%	13.2%	13.1%
Equity/Assets	6.7%	6.8%	6.4%	6.6%	6.7%
Net Interest Margin	1.60%	1.66%	1.83%	1.82%	1.69%

BUSINESS DESCRIPTION

As of 13 Mar 2025

- Hana FG is the third-largest financial group in South Korea. From small origins as a finance company in the 1970s, after the 1997 Asian crisis, Hana grew by acquiring three other banks, including the much older Seoul Bank, which had a banking and trust management business.
- Hana FG bought Korea Exchange Bank (KEB) from Lone Star in 2012 after overcoming many hurdles, but due to staff union opposition, it could not merge with Hana Bank until 2015.
- Hana FG's overseas business is smaller than its peers, and is complemented by KEB's extensive international operations. KEB was started in 1967 as a government-owned bank specializing in foreign exchange. It had a leading share in FX transactions and trade finance among Korean banks.
- Hana FG has shown good growth in its credit card and securities non-bank businesses, but is less diversified than its larger peers KB and Shinhan, which have also acquired insurance companies. Its latest acquisition (in 2019) was a 15% stake in Vietnam's state-owned Bank for Investment & Development (BIDV). In 2023, Hana FG decided not to proceed with the acquisition of KDB Life Insurance after two months of due diligence.

GLOSSARY

¹ The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.

² The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.

³ The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.

⁴ The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.

Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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