

Hana Financial Group (086790 KS)

FUNDAMENTAL VIEW ¹

As of 29 Jul 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 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 29 Jul 2025

- Hana FG's credit costs at ~30 bp in FY24 and 1H25 were lower than peers (in the range of 40-60 bp). However, the group's NPL coverage ratio was also ~20-30 ppt 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.
- Non-banking businesses have underperformed in recent years, with profit contributions falling from 20-30% in 2019-2021 to around 10%, primarily due to elevated provisions for domestic real estate project financing and valuation losses related to overseas commercial real estate.

CREDIT QUALITY SCORE (CQS) ²

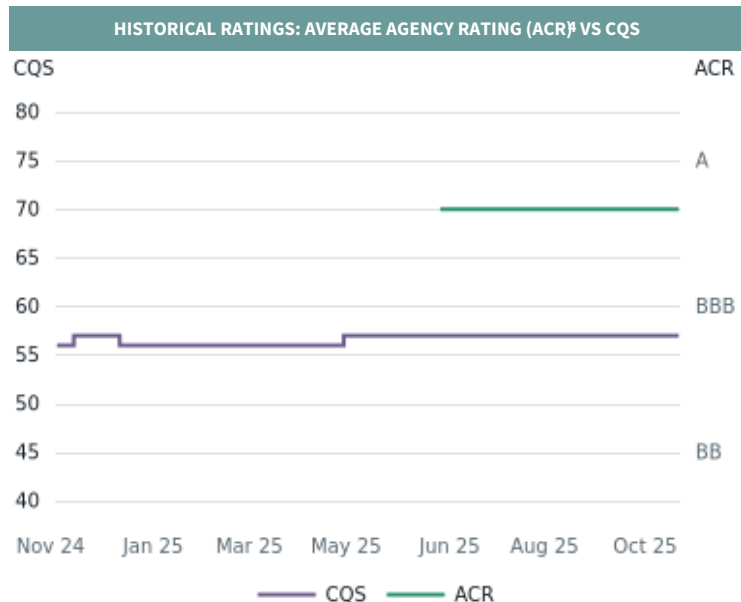
As of 24 Oct 2025

CURRENT CQS

57

CQS OUTLOOK ³

NO OUTLOOK



KEY METRICS

As of 29 Jul 2025

KRW BN	FY21	FY22	FY23	FY24	1H25
Pre-Provision Profit ROA	1.07%	1.10%	1.11%	1.00%	1.13%
ROA	0.74%	0.66%	0.59%	0.61%	0.73%
ROE	10.9%	10.1%	9.0%	9.1%	10.8%
Provisions/Loans	0.16%	0.34%	0.46%	0.32%	0.30%
NPL Ratio	0.32%	0.34%	0.50%	0.62%	0.75%
CET1 Ratio	13.8%	13.2%	13.2%	13.2%	13.4%
Equity/Assets	6.8%	6.4%	6.6%	6.7%	6.7%
Net Interest Margin	1.66%	1.83%	1.82%	1.69%	1.71%

BUSINESS DESCRIPTION

As of 29 Jul 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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