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2011 Hana Financial Group Sustainability Report

2011  
Hana Financial Group  
Sustainability Report



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# About this Report

This report is the first sustainability report to be released by Hana Financial Group (HFG, the Group). Since 2007, Hana Bank has been releasing its sustainability reports, and from this year, all the ten affiliate companies\* will document their activities and performance in sustainable management activities to issue across-the-group report, titled 2011 Hana Financial Group Sustainability Report. The report intends to share Hana Financial Group's sustainable management activities and performance with stakeholders and further, provide grounds for interaction to carefully listen to voices of the stakeholders.

The reporting period dates from January 1, 2011 to December 31 of the same year, and in case of quantitative performance, the data of recent three years have been provided for understanding of recent trends. For any data that is subject to annual changes, the record date is set to be December 31st of the year and in case additional information is needed upon the period of data collected, such has been indicated as well. The scope of reporting is set upon Korean headquarter of each affiliate, and all the sources of data are indicated by footnotes for clarification.

This report has been prepared in accordance with GRI G3.1 Guidelines and pursued its utmost transparency in performance and plans for each of indicators. For more details on categories set by GRI Guideline and reports, see GRI Guideline Index on page 71 of this report. To ensure reliability of this report, a third party has conducted the process of assurance upon all the contents and data. The result is available on page 76.

The print version of this report is complemented by the relevant contents on the Hana Financial Group website. The report revolves around major issues to ensure readability and for more detailed information and data, readers can refer to Hana Bank Sustainability Management Website ([www.hanafn.com](http://www.hanafn.com) > CSR > Sustainability Reort).

For more information or questions, please contact as following. Hana Financial Group looks forward to hear from all its stakeholders.

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\* Hana Financial Group Inc., Hana Bank,  
Hana SK Card, Hana INS, Hana Institute  
of Finance, Hana Daetoo Securities, Hana  
Capital, Hana HSBC Life Insurance, Hana  
Daol Trust, Hana Daol Asset Management)

# 2011 Highlights



## “Deeper within the customers” to ensure drive for future growth

Hana Bank, keeping in mind that being “deeper within the customers” is significant part of securing drive for future growth, has set up its policy to continue its series of business activities to raise the level of satisfaction on its service products and expand its customer base by for example increasing active customers and blue chip business customers and enhancing online channels. In parallel, to achieve sound growth, the company plans to increase its assets centering on assets in good standing, and place its focus on balanced growth in loan and deposit to ensure loan-deposit ratio of below 100% in the process of asset growth. As IT-based smart business market in expanding, Hana Bank will place more of its resources to online business including smart phone financing as well.



## “1111 Modu Hana Day (The Day All Employees Become One)”

On November 11, 2011 – the day when six of a Roman numeral “1” are aligned, HFG leads its “1111 Modu Hana Day (a catch phrase in Korea meaning the day everyone becomes one)” “campaign to fulfill its social responsibility as “one” of responsible corporate members of the society and create “one” happy community by spreading the idea of sharing. With the motto “sharing and care,” the event was held with three of its keywords, “become one with neighbors,” “become one with customers” and “become one with colleagues.” Organizers of the event invited thirty married immigrants from eleven different countries and employees from across HFG to emphasize symbolic aspect of the event.



## Bank Growing Trees

HFG has carried out its idea of eco-friendliness and relevant action plans by opening its brand flagship store in Myungdong, the downtown of Seoul. A series of explanations on mangrove forests has been put up on one of the walls, thereby raising awareness for environmental issues on planet earth and value of saving and growing a tree. The store offers its visitors exciting opportunities to grow tree characters, similar to keeping a pet on virtual world, and thus get to know more about environment-related issues. A separate set of booths are installed to have such awareness translated into donations as well. As such, HFG's brand flagship store is deemed a space that is designed not only to call attention of its visitors on environmental issues but also encourage them to carry out proactive actions.

# CEO Message

First and foremost, I would like to express my sincere gratitude to all customers, stakeholders and members of local communities for supporting Hana Financial Group.

In 2011, despite financial instability around the globe and European financial crisis, HFG has made its solid financial performance by for example, making net profit of KRW 1.3 trillion, which is a 30% increase from 2010.

Further, 2011 marked a year of setting direction for HFG to fulfill its responsibility as a responsible corporate member of society. Since the start of the business, a wide variety of social contribution activities have been continued. The focus of the activities are now placed not on reputation management, but rather on creation of shared-values with foundations laid upon enhancement of qualification as responsible members of society and adequate fulfillment of responsibilities.

To such extent, HFG has made its utmost efforts to conduct interactive communications with an extensive variety of stakeholders. Each of affiliates manage its own communication channels by for example, keeping its account in social networking sites to listen to the voice of customers and further reflect them in products and service provision. In parallel, as an active user of social networking sites, each affiliate company continues to provide useful information and continues to be involved in various social activities.

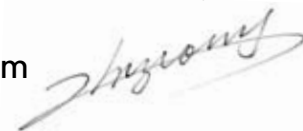
Further, HFG has designated the day of November 11th as “Modu Hana Day (the day everyone becomes one)” to mark 2011 as the first year to engage all employees and customers in sharing. Relevant programs have been inaugurated to seek ways to make social contributions through cohesive cooperation with local community members to meet the needs of local communities, which has been a step further from conventional donations or charities undertaken by employees. The program opens the ground for the HFG, as more proactive member of society, to seek ways for social contributions that would be continued further.

HFG has recently come up with its new business slogan, “Healthy Hana, Happy Together.” The slogan implies the group’s aspiration to have “healthy members of HFG” to make “healthy HFG” and further work together to make “healthy society.” As part of the efforts, “Save Food, Save Energy” campaign has been inaugurated to encourage employees take part in creation of eco-friendly values by participating in various activities such as the fifth-day-no-driving system, campaigns to encourage employees to wear lighter clothes during summer time, campaigns to generate no food wastes and disposable items-free campaign to make healthier environment.

With these activities continued, HFG pledges to fulfill its corporate citizenship that would increase shared values with various stakeholders including shareholders and customers to begin with. HFG would like to seek enthusiastic participation and support from all local community members.

May 2012

CEO of Hana Financial Group Jung-Tai Kim



# CHAPTER

# 0

# 1

## HFG Global Top 50

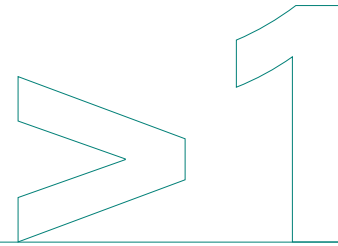
HFG aspires to be a “premier comprehensive financial service network”  
with profound commitment to its customers, shareholders, employees and local communities.

### Overview

- Overview of Hana Financial Group
- Stakeholder Engagement
- Corporate Governance
- Risk Management



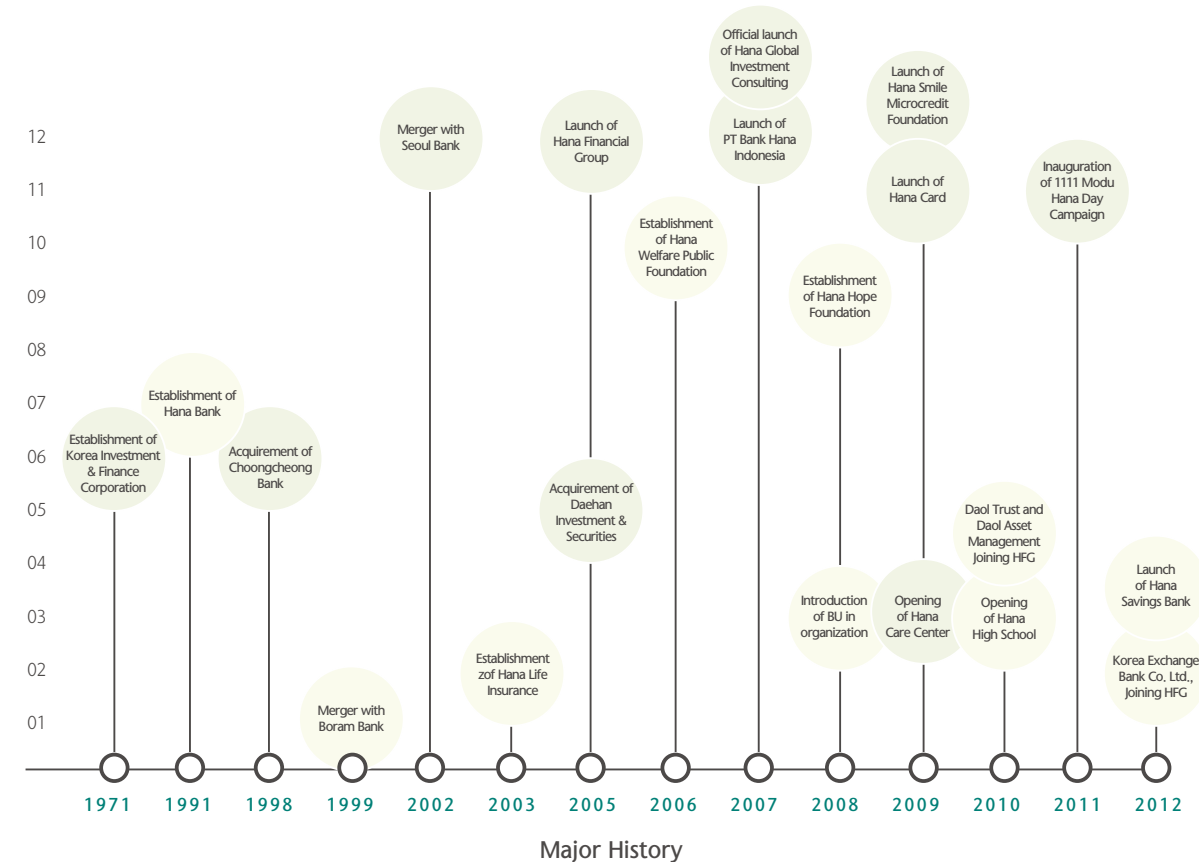
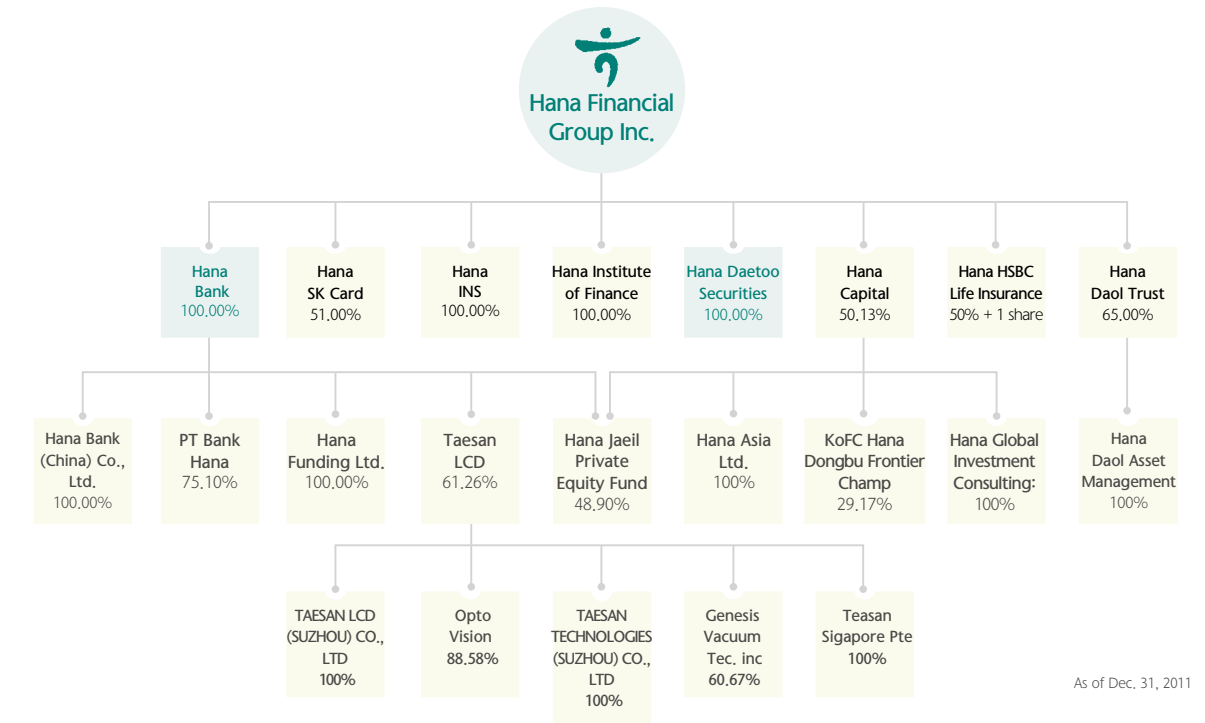
# Overview of Hana Financial Group



HFG creates its greatest synergy with its superb financial service network that is designed with groundbreaking ideas for provision of differentiated services. With management activities compliant with fundamental principles, HFG is leading South Korean financial market by converting countless crises into opportunities of growth, and at the same time, making ceaseless efforts to transform itself into one of the global top 50 financial groups.

## About Hana Financial Group

Hana Bank started with two branch offices and three hundred fifty employees in 1991 and not only saw its growth internally but also externally by succeeding in merger and acquisition of Chungcheong Bank P&A, Boram Bank and Seoul Bank to expand in scope and size. In December 1, 2005, HFG has been launched to include Hana Bank, Hana Daetoo Securities (formerly Daehan Investment Trust Securities), Hana INS and Hana Institute of Finance. The launch of HFG signaled a grandiose start for the leap forward to become a global financial group. Having Hana Capital, Hana HSBC Life Insurance, Hana SK Card, and Hana Daol Trust joining in, HFG is transforming itself into South Korea's best financial group with comprehensive services in both name and reality.

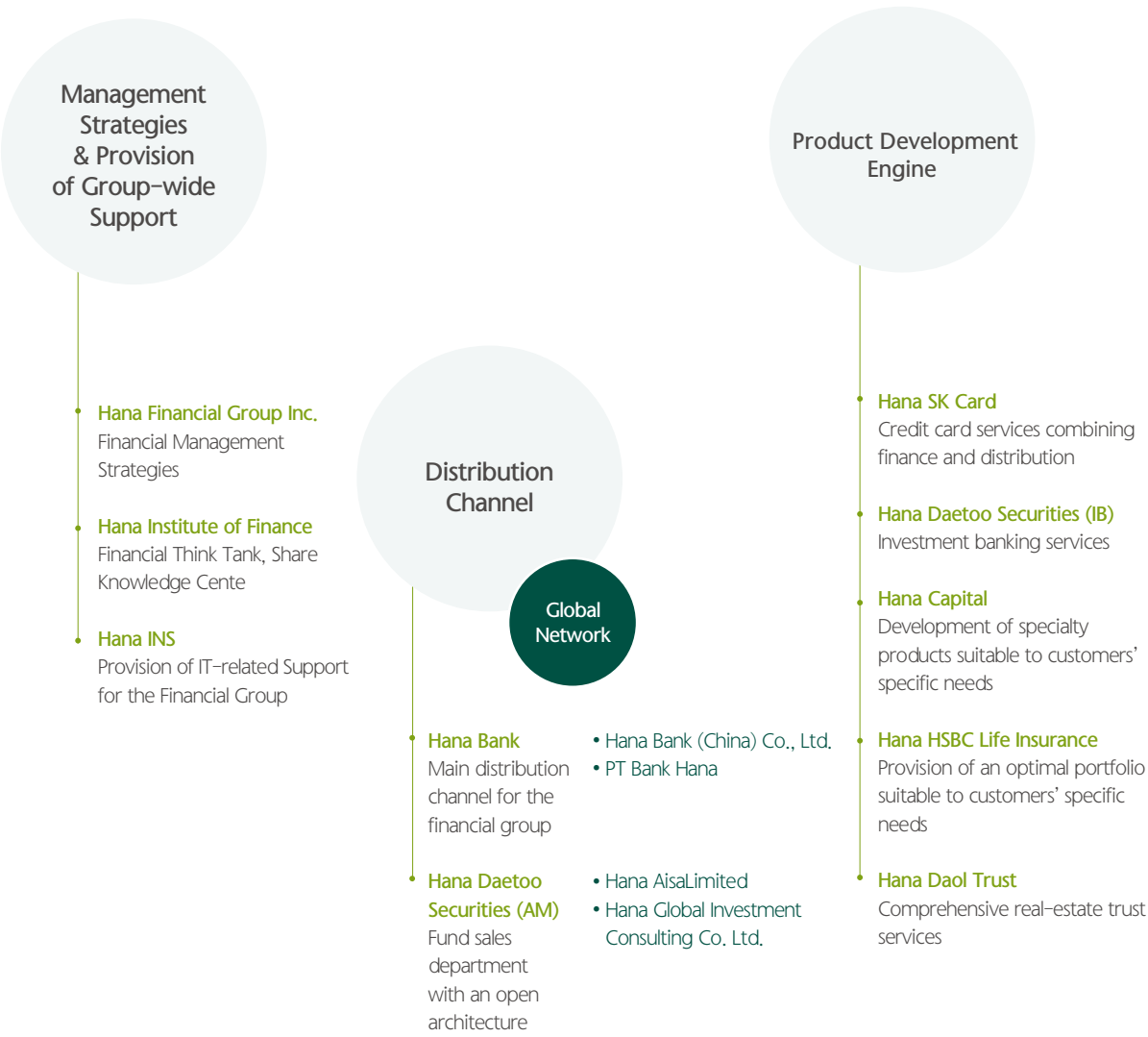


HFG's Business Network

Equipped with with professional  
and comprehensive asset management system-

Financial market currently sees boundaries being blurred within itself and era of unlimited competition with acceleration of globalization. Against such backdrop, the focus should be placed on eventually enhancing global competitive edge of financial industry in overall by improving efficiency of financial management and increasing profitability of financial institutions. For the purpose of strengthening core competence,

HFG has attempts to realize its vision of top-of-the-line comprehensive financial service network with professional and comprehensive asset management system. Relevant actions are carried out by managing the group with activities revolving around three major pillars of “management strategy,” “distribution channel” and “product development” to bolster each of affiliates in creating the best synergy.



Global Network



Major Performance

HFG, the financial group that continues to make its growth every year based on sound management.

HFG continues to thrive in economic uncertainty both at home and overseas and make further growth this year. It has seen increase in assets by 11.49% thanks to the growth of credit loan business of Hana Bank, credit card business of Hana SK Card and Hana Daol Trust and real estate financing business. Operating profit and consolidated net income have made year-on-year growth of 27.08% and 22.78% respectively. (Data according to consolidated profit and loss statement)

In parallel with quantitative growth, HFG has placed itself on the top of the industry in asset and capital soundness by carrying out relevant actions to sound management with faithfulness to core principles. NPL marked the lowest of the four major financial group (1.46% on the average), 1.12% and thus deemed to have the lowest risk of loss due to non performing loans. In addition, BIS ratio, an indicator of capital soundness of a financial institution, is shown to be the highest among the four major financial groups (12.51% on the average), 13.22% and thus demonstrates sound financial structure.

(For more details, please refer to page 72 (Key Performance Data).)

HFG’s sustainable management starts from making sustainable profits that would make contribution to customers, stakeholders, local communities and further national economy. The group shared the benefit that came from the net operating profit, standing at KRW 4,118 trillion in 2011 with its employees, shareholders and local communities.



(Based on the data provided by holding companies)

Consolidated Net Income (2011)	*Return on Equity (ROE)	BIS Capital Requirement**	Nonperforming Loan (NPL)***
KRW 1,303 billion	9.12%	13.22%	1.12%

Return on Equity (ROE): The amount of net income that measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested in a year.  
BIS Capital Requirement: A set of international banking regulations put forth by the Basel Committee on Bank Supervision, which set out the minimum capital requirements of financial institutions with the goal of minimizing credit risk  
Nonperforming Loan (NPL): A sum of borrowed money upon which the debtor has not made his or her scheduled payments for at least 90 days.

Net Operation Profit

KRW  
4,118 billion

(Unit: KRW million)

Stakeholders(*)	Consolidated Comprehensive Income	1,044,787
Employees	Personnel Expenses and Retirement Allowance	1,029,600
	Other Employee Benefits	165,716
	Service Expense	178,547
Government	Income Tax Expense	412,724
	Taxes and Dues	90,021
Local Communities	Donation	59,957





## Vision

### “Premier Financial Network Service”

HFG aspires to establish a premier financial network service. As part of its efforts, the group aims to become an Asia-based global financial group by 2015 by ensuring soundness of structure in profit creation and localization of overseas business in mid and long term perspective.



In order realize such vision, HFG believes it should first turn its eyes to its stakeholders. The group continues its ceaseless efforts to formulate strategies and carry out relevant actions to promote happiness of customers, employees, shareholders and further, local communities.

To place itself on rank of top fifty global financial groups, HFG first begins with its small efforts. The group's core principle of management is that it should have all employees in happiness and the employees in turn should look for ways to make their customers happy. With such pursuit, HFG believes that it should make the best outcome to lead the market and eventually be able to share the happiness with local communities.

- 01

Respect  
for People

Hana Financial Group Employees should constantly endeavor to enhance their value, balance their interests with the company's, and work for the excitement and rewards of the job rather than an obligation toward the company.

- Value-creating organization
  - Structure that encourages employee participation through active communication
  - Pursuit of work-life balance
- 02

Customer  
Focus

HFG's emphasis on customer satisfaction is a natural outgrowth of its people-oriented corporate culture. The Goup's approach across its various businesses can be summed up as "We are here to please the customer." Industry watchers say our efforts have spurred competitors into starting their own campaigns to innovate and improve competitive strength.

- Customer-first mindset
  - Provides comprehensive financial services to satisfy client needs
  - Gives customers an optimal financial experience
- 03

Market  
Leadership

HFG will continue to lead the industry by constantly looking to improve its governance and corporate value.

- Field-oriented management
  - System for facilitating timely responses to market conditions.
  - Thorough risk-management system
- 04

Performance-  
oriented  
Culture

HFG will promote responsible management by fostering an environment in which employees can work creatively and proactively within moral boundaries. To make rational personnel decisions, HFG uses an advanced system that guarantees fair evaluation and proper compensation for all employees.



- 01

To satisfy customers as a financial partner

- Helps customers succeed in both business and life; views the customer as an end, not the means of business.
  - Comprehensive one-stop services to customers
  - Helps customers manage their assets and attain financial security
- 02

To empower employees as a rewarding workplace

- Develops educational programs for training globally-minded financial experts
  - Guarantees equal opportunity and rewarding compensation
  - Builds a performance-oriented culture based on trust
- 03

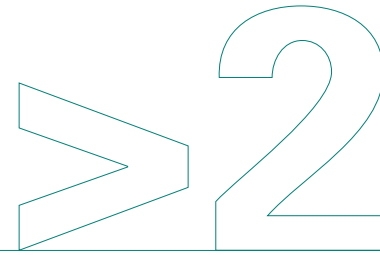
To maximize shareholder value as a business partner

- Enhances shareholder value by maintaining high stock prices and transparent management
  - Communicates with investors and realizes solid corporate governance
- 04

To contribute to society as a leading financial institution

- Constantly gives back to the community through socially responsible management
  - Promotes sharing, togetherness and environmental awareness.

# Stakeholder Engagement



## Stakeholder Engagement

Sustainability report serves as a communication channel with its focus on providing information that stakeholders of both within and outside of the organization are keen to know. To such extent, HFG has defined employees, customers, shareholders, local communities, partner companies as important pillars of stakeholders that influence the group's business activities both directly and indirectly. Under such definition, a vast range of feedback and requirements are taken into consideration to be reflected in the process of analyzing issues relevant to the group's sustainable management activities and the priorities are being identified.

## Process of Identifying Materiality Issues

HFG continuously makes its efforts to identify issues related to sustainable management by assessing level of interest of stakeholders and business impact, and in a foreseeable future, as part of efforts for further improvement, more stakeholders research activities are to be conducted.

### Stakeholders of HFG



## Social Concern Assessment Criteria

I . Media Analysis	II . Competitors Analysis	III . Stakeholder Research
- Issues that are related to groups and have appeared on media outlets during reporting period.	- Analysis of major sustainability-related issues of competitors in financial service industry.	- Identification of issues via surveys and interviews with stakeholders from outside of organization.

### Identification of critical issues related to sustainable management

- Critical issues to be identified based on level of interest of stakeholders and business impact.
- Provision of information relevant to the critical issues identified.

## Business Impact Assessment

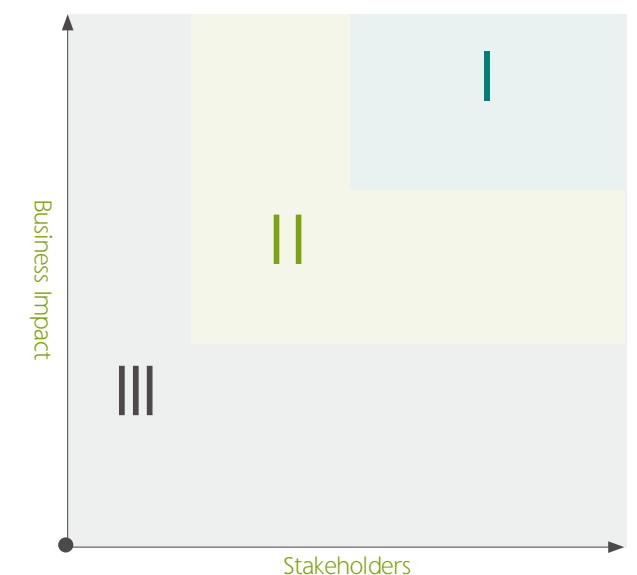
I . Analysis on Cohesiveness to Strategy	II . Assessment by employees within the organization
- Analysis of internal strategy of sustainable management and KPI. - Review of HFG's business vision and strategy. Analysis of GRI Guideline(GRI3.1) and inquiries made by external evaluation agencies (i.e. SAM, Corporate Governance Service)	- Assessment of level of interest of stakeholders from both in and outside of the organization through series of interviews. - Interviews with executives in responsibility. - Interview with personnel in charge.



## Outcome of Materiality Test

Much anticipated issues are identified through the process of identifying materiality issues, and based on such process, this sustainability report has been written. The result implies that due to dramatic changes in financial industry throughout 2011, the group's vision and strategy, soundness of corporate governance and preemptive measures against crisis (i.e. risk management) are considered critical.

## Materiality Test Matrix

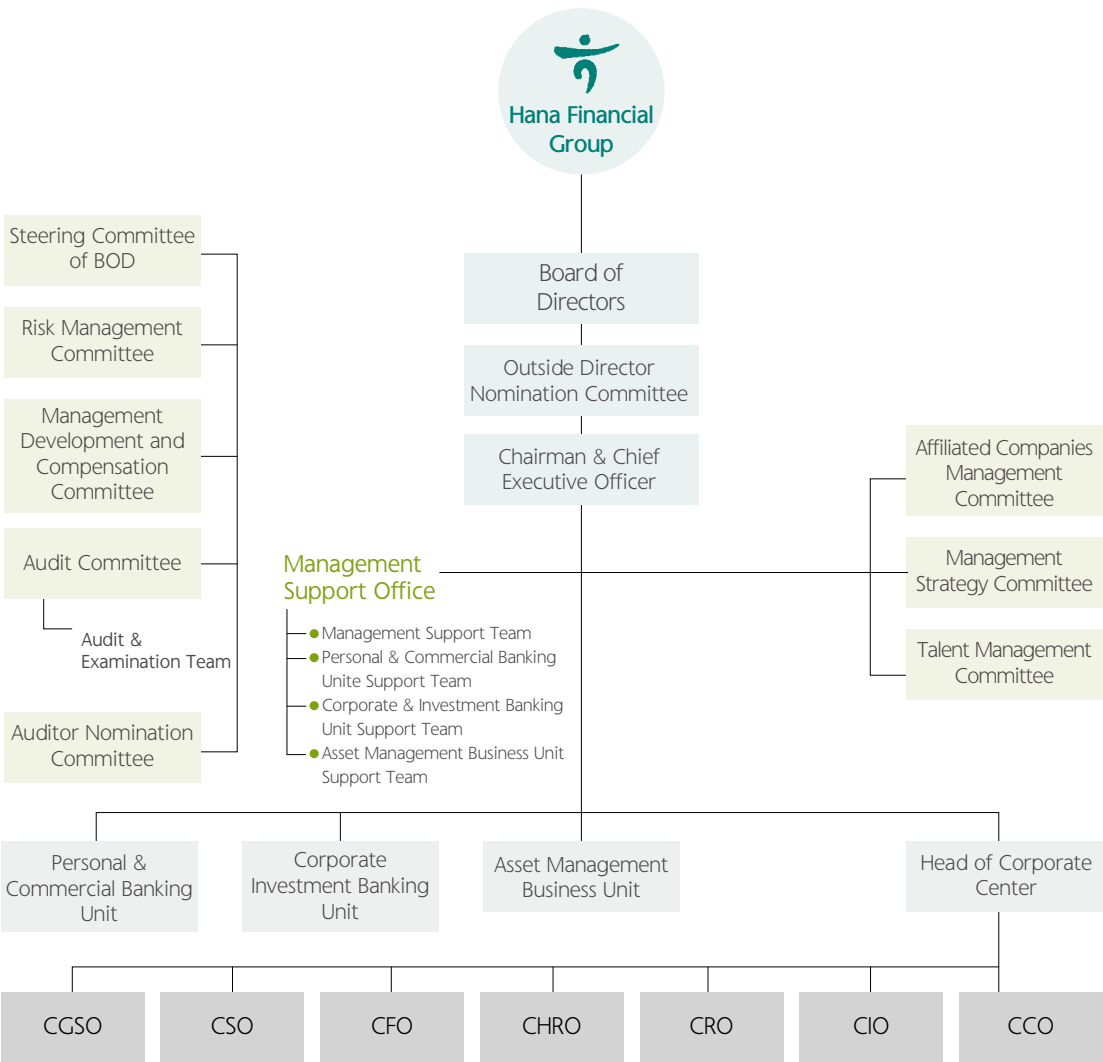




Corporate Governance

>3

To ensure soundness and transparency in corporate governance structure, HFG has established its Hana Financial Group Corporate Governance Guideline and it has been taken into effect since February 2011. It is part of the group's effort to turn its vision into action with management of BOD with professional qualifications and independence, stable succession of management rights, interactive communication with stakeholders and shareholders.



\* Please visit <http://www.hanafn.com/info/governance/criterion.do> for more detail.

Members of BOD

HFG's BOD plays its critical role in decision making process that touch on management activities that are conducted across the entire group. In 2011, spanning from reporting business performance to approval of management planning of the entire group for 2012, various decisions have been made by BOD.

As of March 2012, BOD is composed of twelve members including four from the management board and eight non-executive directors, making up two thirds of the membership of BOD. With attendance rate of board meeting reaching 90%, the group of non-executive directors makes an important pillar of the group's business activities.

Executive Directors

Jung-Tai Kim

Heung-Sik Choe

Jong-Jun Kim

Yong-Ro Yun

Non-executive Directors

Byung-Taek Yoo

Chief Director, Korea Foundation for Quality  
-Vice Chairman of Korea Employers Federation  
-Vice Chairman & CEO, Doosan Group  
-President & CEO, Doosan Corp.  
-Outside Director of Hana Bank

Ku-Taek Lee

Advisor, POSCO CEO, POSCO  
-President, POSCO  
-Executive Vice President, POSCO

Kyung-Sup Kim

Member, Board of Audit and Inspection of Korea (bygone)  
-Administrator, Public Procurement Service  
-Deputy Minister for Government Reformation, Ministry of Planning and Budget  
-Inspector General of Budget, the Ministry of Planning and Budget

Noh-Choong Huh

Chairman & CEO, Koscom Corporation (bygone)  
-Director, Foreign Economy Bureau, Ministry of Finance and Economics  
-Member of Public Policy Organization, National Committee

Gyoung-Gyu Choi

Professor of Business Administration in Dong-Guk University  
-Integration evaluation member of International Affairs Committee in Prime Minister's Office  
-Members of Fiscal Policy Advisory Council in Ministry of Strategy and Finance  
-Manager of Industry Business Evaluation Team in National Assembly Budget Office

Sang-Bin Lee

Professor of Business Administration in Hanyang University  
-Professor of Business Administration in Hanyang University  
-Non Standing Commissioner, Securities and Futures Commission  
-Chairman, Korea Securities Association

Bong-Soo Park

Chairman of the Board, Kibo Technology Fund (bygone)  
-Former Chairman of the Board, Kibo Technology Fund  
-Certified Public Accountants  
-Chief of Customs Bureau, Ministry of Finance and Economy  
-The Presidential Secretariat, Policy & Planning Secretary

Deog-Nam Hwang

Standing Member of Mediation Committee, Seoul Court Mediation center  
-Standing Member of Mediation Committee, Seoul Court Mediation Center  
-Judge, Seoul High Court  
-Non Standing Commissioner, The National Human Rights Commission  
-Lawyer, Se Kye Law Firm



In 2011, the BOD has been convened fourteen times. The BOD is formed and the meetings are held under the Group's Articles of Incorporation. As of 2012, the position of chief director is being held by Byung-Taek Yoo, one of the non-executive members of the board. The term of a director is defined to be no longer than three years, and when a serving consecutive term, the term will be one year. In case of non-executive directors, the term will be no longer than two years and one year for the consecutive term. Altogether, the total number of years of term will be no longer than five years to assure independence of both the group and BOD.

In addition, by confirming method and intervals of evaluation, the Group defines responsibility of non-executive directors and at the same time, cohesion and transparency in the process remuneration. Absolute evaluation is used as method of evaluation for each category, and self-evaluation and mutual evaluation are both included in the process. Attendance rate is included in the list of evaluation categories as well. It is evaluated once, in the beginning of every year. Concerning compensation for board members, the general meeting in 2011 resolved to cap the level of remuneration for executive directors and non-executive directors at KRW 5 billion and KRW 800 million respectively. The meeting approved the total amount of KRW 2.5 billion for compensation to board members.

Subcommittees within BOD

Within HFG's BOD, Steering Committee of BOD, Management Development and Compensation Committee and Risk Management Committee take their part in establishing good corporate governance, evaluation and compensation to the Group's executives and formulation of countermeasures against risk factors that can be anticipated in management activities. Major activities of the year are posted on the Group's webpage and the webpage of Financial Supervisory Service as well. All activities and procedures are taken under the rules of BOD and subcommittees and Corporate Governance Guidelines.

Group Non-executive Nomination Committee serves its purpose of assuring autonomy in nominating non-executive directors and the establishment is stipulated under the rules of BOD and subcommittees. The committee selects final nominees from those that have undergone the first rounds of reviews after discussions. The procedure of verification involves verification of professional qualifications under current legal conditions, discussions and final verification at Group Non-executive Nomination Committee. Further, major activities of Management Development and Compensation Committee included decision on grant and redemption of stock grants for 2011.

A variety of training and educational programs is provided to ensure efficiency of board members as well. Throughout 2011, nine programs including "Governance and Leadership in the Time of Crisis" have been offered for total of one hundred nine hours long in accumulation.

		Steering committee of BOD	Management Development and Compensation Committee	Risk Management Committee	Audit Committee	Auditor Nomination Committee
Outside Directors	Byung-Taek Yoo	●	●			●
	Ku-Taek Lee	●			●	●
	Kyung-Sup Kim	●	●		●	●
	Noh-Choong Huh	●		●		●
	Cyong-Gyu Choi			●	●	
	Sang-Bin Lee		●	●		●
	Bong-Soo Park			●	●	
	Deog-Nam Hwang	●			●	
Managers	Jung-Tai Kim	●	●			●
	Heung-Sik Choe			●		
	Jong-Jun Kim			●		
	Yong-Ro Yun			●		

(As of March 2012)

Audit Committee

In compliance to Trade Act, Financial Holdings Company Act and other relevant legal sets, HFG has established an independent audit committee, which is entirely composed of non-executive directors as of March 2012. The committee is mandated to hold its regular meeting on a quarterly basis, and the total of six audit committee have been held to discuss major issues related to auditing activities including reports on result of quarterly external audit, reports on establishment of rules and assessment of external auditors. (Training programs within and outside of the organization for members of Audit Committee are part of training and education programs provided for BOD.)

HFG that Satisfies Minority Shareholders

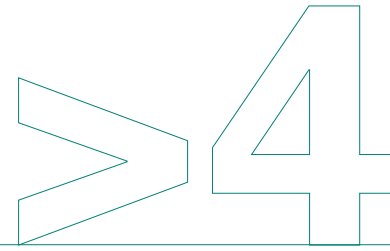
HFG makes its utmost efforts to satisfy minority shareholders as well. The Group has laid its foundation for best practices in business activities by establishing Corporate Governance Charter to assure transparency in corporate governance and Code of Conduct to define basic principles that are essential for everyday business activities. In addition, Articles of Incorporation does not impose restriction on concentrated voting system, and shareholders can exercise their voting rights in written forms.

Hana Financial Group Inc. is thus far the major holding company of HFG. As of December 2011, National Pension Service of Korea takes the position of the major shareholder and no individual shareholder is reported to hold shares of over 1.5%. In addition, as of March 2012, executives appointed to their positions are known to hold shares no more than 0.1% of the entire shares. Thus the corporate governance of HFG has been established to secure the best practice in management activities for minority shareholders.

Moreover, related transaction made by Hana Financial Group Inc. account for no more than 1% of equity capital and amount of guarantee and security make up only 4.55% of equity capital. These imply that HFG's corporate governance is well established. (As of the end of 2011)



# Risk Management



## Preemptive Measures against Crisis

HFG has formulated and operates its comprehensive risk management system to adequately respond to volatility in economic environment and crisis, and enhance values for stakeholders through relevant activities.

## Organization and System for Risk Management

All function of risk management of HFG is integrated into Corporate Center to enable preemptive identification and formulate measures against diverse risk factors in the Group, BUs and affiliates. BOD appoints HFG's CRO (Chief Risk Officer) to take the leadership in management.

Risk Management Committee is the top decision making body of the entire HFG that is under BOD. The committee is responsible for establishment, approval and management of group-wide policy and basic management plan for crisis that can be faced in management activities. Group Risk Management Sub-Committee, on the other hand, takes its responsibility in discussing, moderating and approving details of projects for group-wide risk management and execution items for affiliates.

## Performance in 2011 and Outlook for 2012

2011 marked the year of spread of European financial crisis, increase of volatility caused by downgrade of the United State's credit ratings, slowdown of recovery of real economy in Korea, emergency of household debt issues caused by for example increase of mortgages despite downturn of real estate market. To such extent, risk management has emerged as the pivotal axis of business activities. Against such backdrop, HFG has categorized risks management as following - analysis and response to risk factors caused by changes in external environment, response to potential of spread of instability of global financial market and respond to reform of system. Adequate measures are taken after detailed analysis upon individual risk factors and as a result, the Group has achieved incomparable asset soundness in the financial industry.

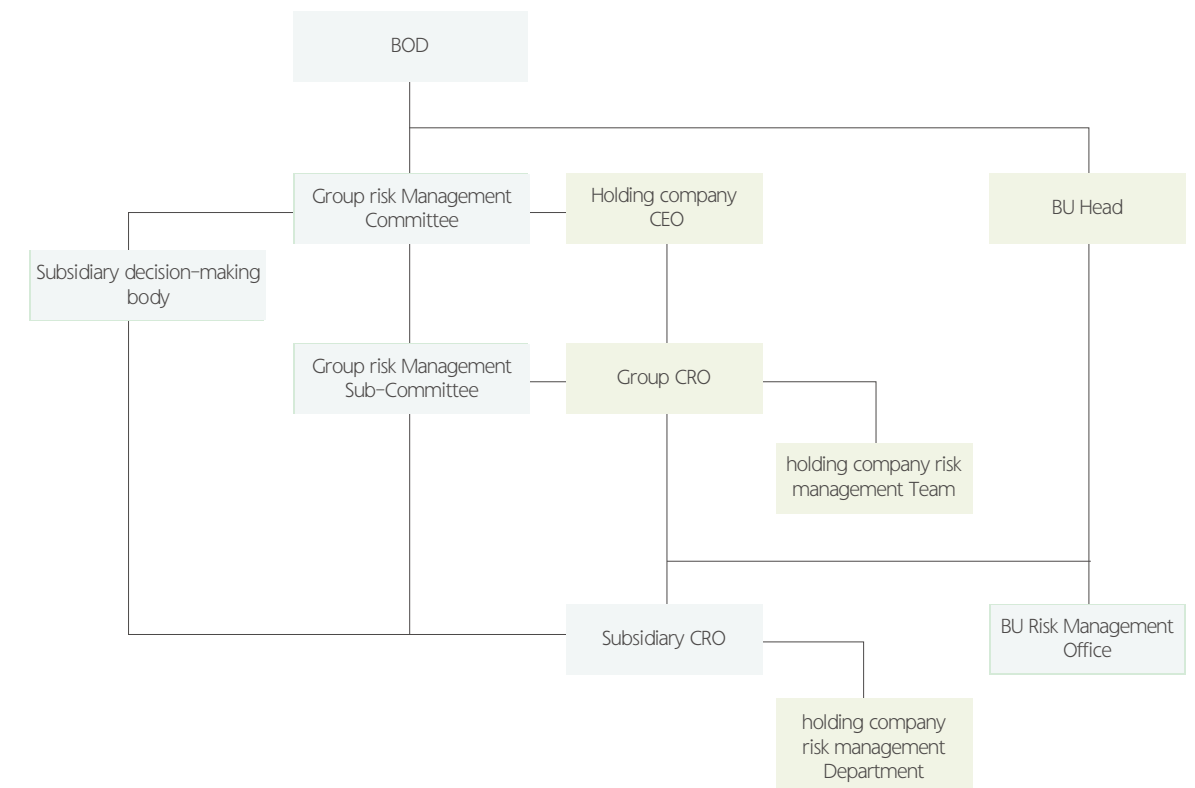
As the potential for economic recovery is still low in 2012, HFG will continue its efforts to maintain its asset soundness through rigorous risk management.

## Internal Control System

HFG has become the first Korean financial institution to appoint CCO (Chief Compliance Officer) that plays the role of supervising legal compliance of affiliates. Adequacy of internal control system of individual affiliates are assessed and further, various other activities supervision of the employees' compliance to Code of Ethics are conducted.



## Hana Financial Group Risk Governance & Organization



# CHAPTER

# 02

## HFG Consumer Satisfaction

To bring utmost satisfaction to customers, HGS seeks to be with its customers all the time.

### Customers

- Safety and Wellness of Customers
- Protection of Customers' Personal Informations
- Communication with Customers

# Safety and Wellness of Customers



## Safe e-Banking Service

For secure provision of internet banking service, the Group offers its customers with security programs such as plug-in for logging into internet banking services, to ensure protection of both customers' computing devices and safe internet banking services. To prepare against cyber attacks, a series of response measures, including system to respond to DDoS, has been established and has been operated that when 7.7 DDoS attack took place in 2009, Hana Bank was known to be the only banking institution that was capable of protecting itself from the attack.

Further, security services are provided to prevent banking fraud and for the first time in Korean financial industry, the Group has developed Hana Customer Safe System to take protective measures against financial incidents by creating and managing database (managing blacklists) of information on alleged cyber attacks.



## Protection of Financial Customers

In the face of sophistication of financial products and services, HFG is conducting a wide variety of activities to prevent infringement of customers' rights, and resolve problems that has taken place in the process of financial transactions.

### ● Operation of Designated Organizations to Protect Financial Consumers

HFG's affiliates that are responsible for sales channel such as Hana Bank, Hana Daetoo Securities, Hana SK Card, Hana HSBC Life Insurance and Hana Capital operates a sub-team responsible for customer protection within their customer satisfaction team to touch on protective measures for their customers by establishing guidelines for protections for customers, monitoring and responding to customer complaints, collecting opinions from customers and improving systems..

### ● A Variety of Protective Measures for Financial Consumers

HFG runs its Complaint Review Committee that plays its part in facilitating measures to provide remedies for customers via autonomy in mediation and defining process of remedy. Hana SOL, consisting of family members of employees in their thirties and forties, is making its contribution to improvement of quality of products and services by informing inconvenience that customers face in branches, suggesting items for improvement and bridging the bank and customers with positive images. Additionally, the Group runs a system to deliver feedback and opinions from financial consumers to employees real time and a program to share sales agents' story about their experience in enhancing customer satisfaction or mistakes.



# Protection of Customers' Personal Information >2

## Tightened procedure of providing information to ensure integrity in provision of products and services

HFG offers its customers with published materials such as leaflets, posters, booklets and electronic promotional materials to provide relevant information on financial products and services it is selling. These materials clearly indicate details on financial products, and are made in accordance with the Group’s rules on publication of promotional materials. For protection of customers and legal compliance, every piece of material goes through deliberations by compliance officers. When posting information on financial instruments, Hana Bank has detailed information on its products and a financial service posted on the page named “Product Listing” in its website, and makes its best efforts in providing relevant information on financial instrument for customers through a variety of channels. As a result, no violation of regulation on promotion and marketing has been reported during reporting period

### ● Action Guide

In introducing new products, Hana Bank abides by its internal regulation so called “Rules on Introduction of New Products,” and has compliance officer conduct preemptive review process as part of internal control and legal compliance. In addition, for evaluation of adequacy to identify risk factors in products and services, Commodity Committee takes its responsibility in review and decision making before sales. Terms and conditions for new products and services are established in accordance with “Rules on Establishment and Management of Terms and Conditions,” and are used after acquiring approval from the Financial Supervisory Service.

### ● Training Programs

Relevant introductory and training programs are offered to ensure complete sales of products and services. Outcome of telephone monitoring (Happy Call) on customers and mystery shopping in branches are reflected in the process of assessment as well. Compliance Team is encouraging complete sales as well by conducting monitoring activities and assessment of outcomes.

### ● Outcomes

Evaluation is made by the Financial Supervisory Service concerning sales of financial investment products, and Hana Bank is chosen to be one of outstanding financial institution in sales.

Number of Cases of Deliberations on Financial Instruments Prior to New Financial Instrument Listing

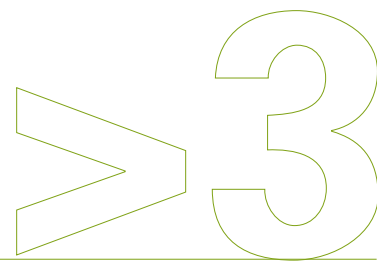
2009	2010	2011
486	604	1,148



## Protection of Customers' Personal Information

In accordance with Financial Holdings Company Act and other relevant set of legislations, HFG has defined standard of work process concerning provision and usage of personal and credit information of customers among affiliates of HFG under the category of “rules on protections of personal information.” As such, the Group is conducting systematic and rigorous management of its customers’ credit information. Further, in the face of widespread of e-Banking, technical measures for protection are strengthened as well. Personal information on computing devices is protected by mandating all employees install personal information protection system on their devices. Further, the protective system which is linked with e-mail system, has been installed and operated so that any e-mails for sending outside of the organization that contain personal information can be sent only after approval of team leaders. Each affiliate has set up its own process to respond to feedbacks or complaints on usage of personal information from its customers and thus provides quick responses. In addition, HFG has established and operates its system certified by ISO20000 and ISO27001 for group-wide management and protection of customers’ personal information.

# Communication with Customers



## CS (Customer Satisfaction) Management Activities

HFG shares a common value for improvement of service with all its employees and is making its various efforts to maintain and develop it.

The Service Standard for the purpose of systematically realizing it is becoming a norm. The Service Standard

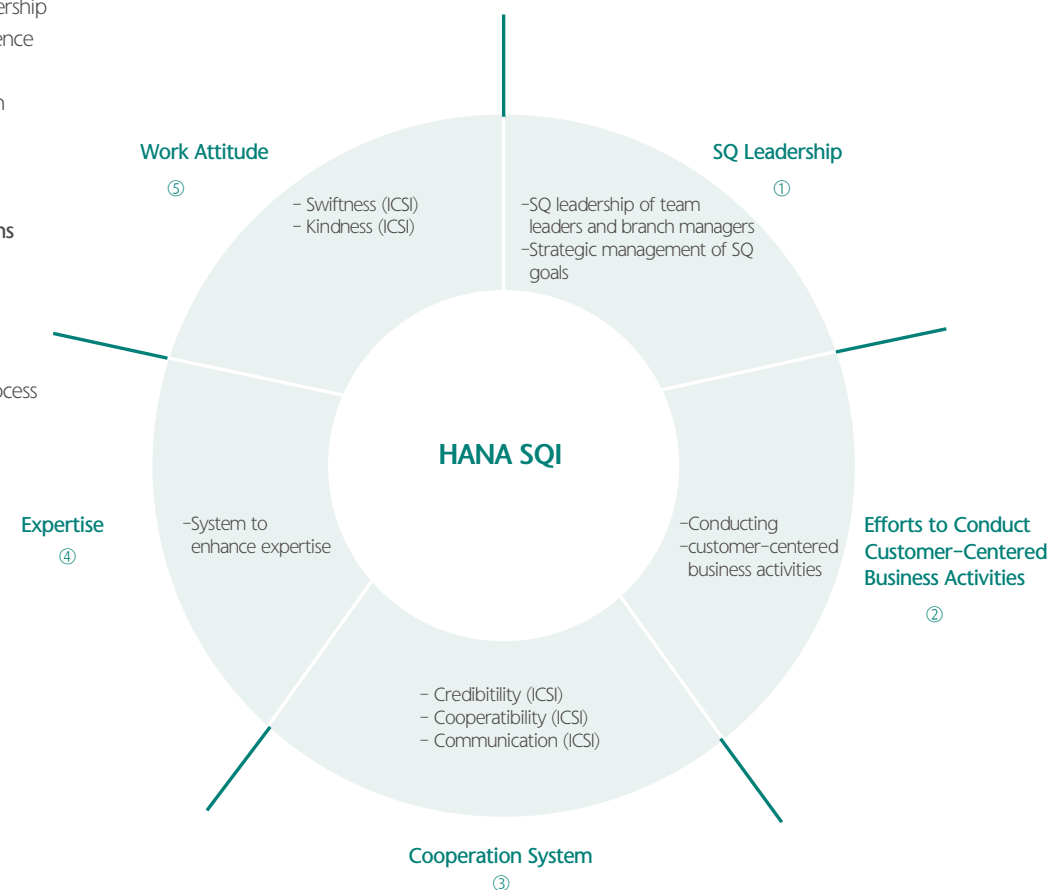
makes a standard to derive adequate attitudes and work process that employees should have at the forefront of service by indicating what the Group should pursue in its service, including common and individual indicators.

### Five SQ Core Value

1. Pro-customer Management
2. Customer-centered Leadership
3. Prioritizing Core Competence
4. Creation of Synergy
5. Real-time Communication

### Training Activities by Teams

1. HSQI set up by individual team/branch
2. Prioritizing NCSI activities
3. Targeting to ensure cohesiveness of work process
4. Assessment of performance



Hana Financial Group SQI

## Efforts to Provide Differentiated Customer Services

The leading financial group in Korea, HFG is capable of providing differentiated financial services. With such competence, group-wide customer relationship management activities are conducted. The Group seeks to maximize by providing customized financial services based on analysis made on customer data, which is enabled by establishment of foundation for customer data sharing. In addition, to ensure accessibility for customers to banking services any time, the Group is implementing relevant systems or equipments. Further, HFG continues its efforts to establish its system to ensure accessibility to convenient banking services for expatriates residing in Korea.

### ● Interaction with Customers via Social Networking Sites

As part of the effort for open communication with customers, Hana Bank has opened its official Twitter account for the first time in banking industry in 2009. Other major affiliates of HFG including Hana Financial Group Inc., Hana Bank, Hana SK Card and Hana INS followed to open their accounts in social networking sites such as Twitter, Facebook and Me2Day and are actively engaged in interactive communication with customers. Further, Hana Bank continues its pursuit of providing differentiated service product in the new era of smart devices by having its first attempt in offering internet services that are linked to Facebook,

### ● Services Customized for Expatriate Customers

Language services are provided in ATM to enhance accessibility to banking services for expatriates from countries such as China, Mongolia, Vietnam, Indonesia and Sri Lanka. Overseas money transfer service that offer various benefits, Pay-Easy, is well-received by customers as well.

### ● Early Morning Discount

For customers visiting off-peak hours between 9 AM and 11 AM, so called "early morning discount" service is offered that transactions can be made free of charge and favorable interest rates are offered.

## Diversification of e-Banking Service

For the first time in the Korean banking industry, Hana Bank started to offer banking services customized for smartphones operated by Bada OS. As such, Hana Bank has now become the first banking institution in the industry to offer a full line up of mobile banking services that are available in iPhones to begins with, Window Mobile, Android and recently added Bada OS. Further, as part of the bank's efforts to ensure diversity in mobile banking services and accessibility for minority users, it has heralded in introducing banking application for blackberry users as well. Hana N Money, an asset management and housekeeping book application, is well-received that it is pre-embedded in Korea's best-selling smartphone, Galaxy series and it is seeing constant increase in the number of users. In the face of rapid changes of mobile banking industry, HFG will secure its competitive edge as a leading bank in smart mobile financial service industry by making improvement in conventional services and introducing new services.

In addition, HFG has incorporated its own idea of running an app store in internet banking service for the first time in Korea. Paring with SK Telecom, Hana SK Card has introduced a wide variety of mobile card for the use by smartphones only. In parallel, for vitalization of markets, the Group is practicing its leadership in creating market ecosystem for mobile card industry by for example, establishing transaction system for major member stores in areas such as Myeongdong and COEX, and designating some of them as so called "Touch Zone" to offer discounts for customers.



## Activities to Elevate Customer Satisfaction Level

### ● Introduction of CS System with CEM (Customer Experience Management)

HFG has shifts in focus on CS from performance to procedures and emotional aspects, and thus introduced its CS system that spotlights “customer experience.” To carry out a set of ideas into action, the Group has established a set of CS standard named HSQI (Hana Service Quality Index) and offers numerous programs such as Service Campus, Master Leader, Optimism Camp and Spread of Service Manual are run to raise awareness.

### ● Satisfaction Level of IT Service

For enhancement of competence in IT-support, quarterly survey is conducted to identify satisfaction level of IT services (SM) that are provided to affiliates, analyze current status and find out items for improvement. Based on the result of the survey, relevant measures for improvement and monitoring are taken.

### ● Awarding Employees with Excellence in CS

Every quarter, each affiliate has its customers nominate employees who excel in customer service with detailed information on accomplishments awards its employees for their outstanding services. The employee in nomination receives a trophy with with an additional prize to promote the award, and by posting the news on bulletin boards, each affiliate attempts to encourage its employees to provide better services and raise awareness for customer satisfaction.

## Customer Satisfaction Service

### ● Hana N Plaza Service

Hana N Plaza is a service designed to enable seamless online purchase of financial products that are customized for customer to suit their purpose of visiting their bookmarked websites. Hana N Plaza is a groundbreaking method of marketing to directly sell most-needed financial products to visitors of major online pages. What has been conventionally been tried in the banking industry, direct banking or cyber branch, has its shortcomings in attracting new customers and difficulties in communication, but it is notable that Hana N Plaza deftly markets its financial products by overcoming all of these.

### ● Smart PB Service

Hana Bank has introduced its first remote video consulting system, “Smart PB Service” that is targeting VIP customers who look for PB services. “Smart PB Service” gives access to VIP customers to private banking service through online video consulting system when visiting a branch that have no private banker designated. Thus customers do not have to locate a branch with a designated banker for private banking service they look for. Not only private banking service, but

also consulting service with real estate and tax professionals are available on inheritance and gift and thus top-of-the line consulting services are available to customers residing in remote areas now. Hana Bank is planning to introduce the Smart PB Service across all branches after a series of pilot operations. The bank is planning to further introduce new consulting services that overcome space and time limits by offering mobile platform based Smart PB Service.

### ● Opening of Designated Counter for Foreign Customers

As part of the efforts to expand financial services for Vietnamese customers residing in Korea, Hana Bank has opened a designated counter for Vietnamese customers in its branch located in Wongok-dong, Ansan, Gyeonggi, which is known to be a concentration area of Vietnamese citizens. Vietnamese personnel have been appointed as the counter clerk so that Vietnamese-speaking customers can easily access to banking and consulting services in their mother tongue. Unlike other sales branches, business hours are adjusted as well for Vietnamese customers that the branch is open until 7PM during weekdays and on Sundays, it is open from 10AM to 4PM to provide access to the service for Vietnamese customers who have difficulties in sparing their time to visit banks on weekdays. Hana Bank has also designated counter for Chinese-speaking customers in branches located in concentration areas such as Guro-dong, Ansan, Shingil-dong and Daelim-dong and with Chinese-speaking personnel as counter clerks, the policy is being well-received by Chinese customers. With the increase of expatriates residing in Korea every year, the Bank is making its utmost efforts to open counters where foreign customers can access to banking services in their mother tongues and it is pledging to continue to offer financial services that would touch the hearts of foreign-born customers.

### ● Partnership with the Korean Post Office to Share ATM

Hana Bank has established a partnership with the Korean Post Office so that its customers can save as much as KRW 1000 when using ATM at post offices. Whereas Hana Bank customers previously paid fees as much as KRW 900 ~ 1000 for every cash withdrawal from ATM at post offices, the partnership enabled customers to withdraw cash free of charge during business hours, and with fees as little as KRW 300~600 after business hours. What used to be charged KRW 700, cash deposit is now available free of charge as well. In addition, money transfer from ATM at post offices to Hana Bank used to charge as much as KRW 500 ~ 900, but the service is available free of charge as well. Following the bank’s decision to lower fees for ATM as part of subsidizing micro finance, the partnership is anticipated to take much burden of fees from customers. Further, the bank has now expanded its network of ATM with now as many as 11,446 units of ATM (Hana Bank: 3,621 units, Hana Magic Bank: 2,154 units, the Korean Post Office: 5,671 units)

# CHAPTER

# 03

## HFG Smart Workplace

HFG aspires to interact and sympathize with its customers with its sincerity.

### Employees

- Employment and Career Development
- Activities to Raise Employees' Satisfaction
- Labor-Management Relationship

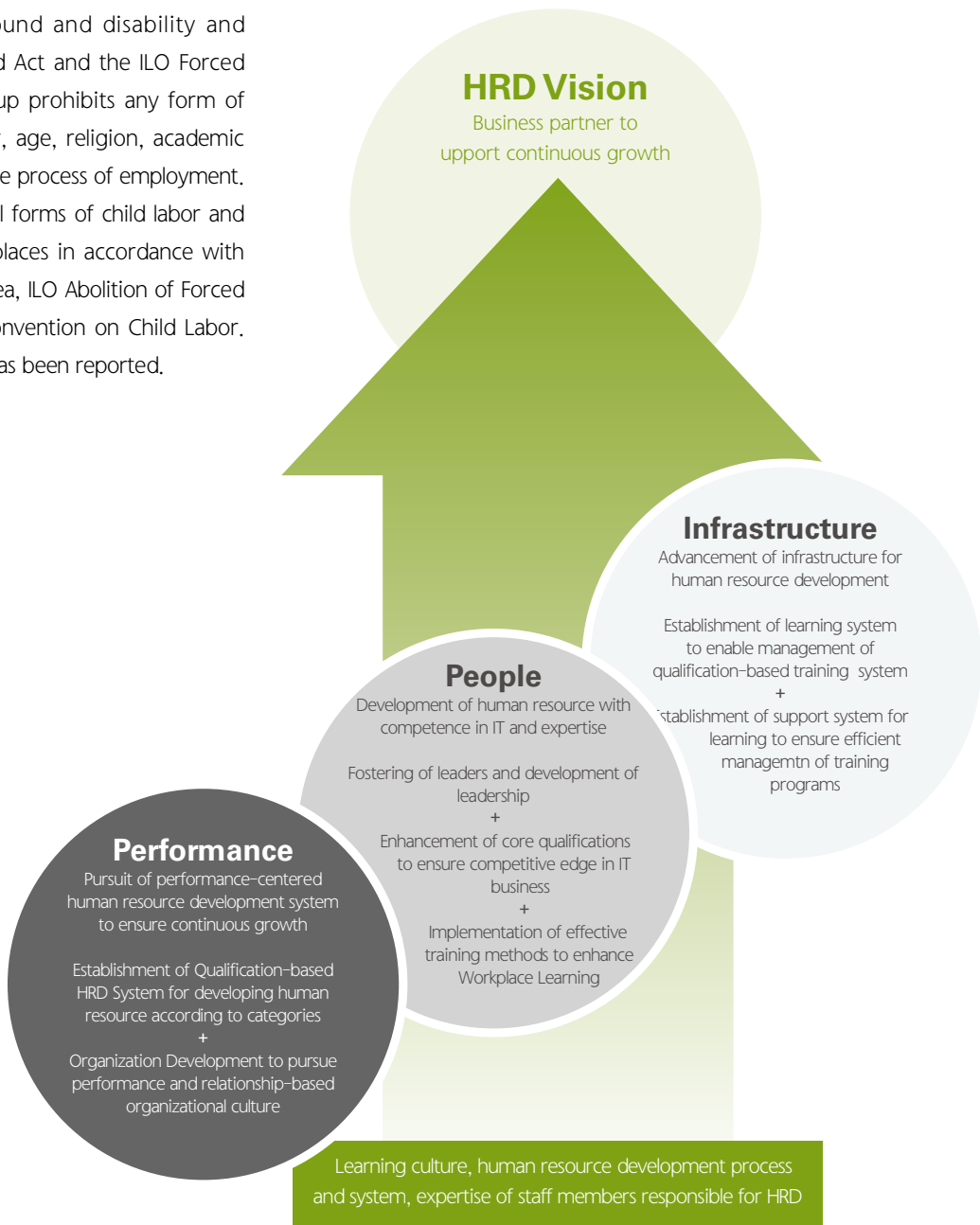


# Employment and Career Development ➤ 1

### Employment Policy

HFG prohibits discrimination against gender, age, religion, academic background and disability and abides by the Labor Standard Act and the ILO Forced Labor Convention. The Group prohibits any form of discrimination against gender, age, religion, academic background and disability in the process of employment. In addition, the Group bans all forms of child labor and forced labor across all work places in accordance with the Labor Standard Act in Korea, ILO Abolition of Forced Labor Convention and ILO Convention on Child Labor. Thus far, no case of violation has been reported.

### System of Human Resource Development



### Fair Assessment of Performance

The assessment system of HFG has organizational assessment and individual assessment closely linked together. In establishing business plans for the following year, rather than being inclined to top-down method, the Group organizes annual business workshop that engage employees from work fields to reflect voices from the sales points. Individual employees will have individual goals set up under the agreement with their supervisors in charge of performance assessment, and fair assessment on performance is made in accordance with KPI. Finalized reward for outstanding performance is made after fair procedure of consideration and approval.

### Career Development System

HFG's Qualification-based Training System is composed of four curriculums – Core Competence, Leadership Competence, Work-related Common Competence and Work-related Professional Competence. Core Competence is a core curriculum and focuses on organizational learning (training aiming at enhancement of workplace learning) and Leadership Competence includes training in leadership for individual team leaders, management of changes and vitalization of organization. Work-related Common Competence concentrates on training in strategic thinking and planning capacity, creative innovation and Hana INSer and Work-related Professional Competence places the focus on enhancing professional competency by providing training courses in for example, IT planning, quality management, PM and application development.

Items	Training system based on qualifications										Management Issues			
	Core Qualifications		Work-related Qualifications				Leadership Qualifications							
Team Leader	Hana INS Training Course in Organization	Hana INS Training Course in Core Values	Shortcuts to output creation, the law of priority				Team Leadership (Leader that can give vision)				Basic Course in Accounting and Finance			
			Training Course in Strategy Establishment and Performance Assessment								Dream Society			
Senior Researcher			Course in Strategic Thinking and Planning	Course in Strengthening Power of Execution	Course in Successful Problem Solving	Course of Strengthening Capacity in Strategic Thinking	Part Leadership (motivating leader)	Communication Clinic	Vitalization of Team Based on Trust	Change Management and Vitalization of Organization	CLOUD COMPUTING	Basic Course in Accounting and Finance/ Course in Enhancing Qualification in CS		
Deputy Senior Researcher														
Junior Researcher														
Staff			Course of Creative Innovation		Course of Output Creation and Problem Solving		Self-Motivated Leadership Course (Self Motivated Leader)							
Newly Employed	Pre-entering		Hana INSer Course											
	Group Training Course													

(Reference made to the structure of Hana INS training programs)

# Activities to Raise Employees' Satisfaction ≥ 2

## Welfare System for Employees

The core principle of HFG's welfare system is that all employees of the Group should benefit from the system. In case of Hana Bank which hires 80% of the Group's entire employees, to ensure wellness and safety, all employees over the age of thirty five and their spouses over the age of thirty six are subject to comprehensive medical examinations, other than regular medical check-ups. In case of accident and illness, the bank has subscribed to a group insurance product to financially subsidize its employees. In addition, in case of illness of employees and their family member, it is subsidizing medical fees for certain amount. Rental houses are provided for some employees who do not own houses but have family members to support and dormitory is provided as well for employees who are relocated to distant areas from their hometown. Further, various other employees benefit programs are provided - for example, school expenses are subsidized for employees and their school children from kindergarden to universities, and to ensure refreshment, leisure facilities are run by the Group as well.

### ● Post-retirement Subsidies

For stable post-retirement life, HFG is subsidizing 50% of premium payment for national pension fund. Under Employee Retirement Benefit Security Act, the Group is managing its retirement pension system, through which severance is paid after accumulating the amount equivalent to average one month's salary every year in financial instruments provided by reliable financial institutions. The retirement pension is managed by defined benefit pension system.

### ● Maternity Protection Activities

In response to governmental measures to respond to low-birth rate and for improvement of working conditions for female employees, HFG is conducting a wide variety of maternity protection activities. Childcare facilities are run so that female employees can work with little worries about childcare. During maternity leave, full salary payment is made for up to eighty business days, and for the maternity leave as long as one year, 30% of basic salary is paid. The maternity leave gives no disadvantages over employment, salary payment and career path.

Items	Major Programs	Outcomes in 2011
Life Care Center	Wedding Supporter System	Consulted: 31, Contracted: 19
	Child Love Program (counseling program with focus on childcare)	Consulted (child): 393 cases, Consulted (employees): 90 cases, Psychological exams: 5 cases
Family Program	Hana Family Love Program	Granted welfare points up to KRW 9,235 billion
	Oh, Happy Day Program (program to celebrate birthdays and anniversaries)	Allocated KRW 209 million for 8,554 participants
Leisure Program	Subsidizing programs for interest groups	Subsidized KRW 71 million for ten interest groups
Wellness Program	Finding Happiness Program (counseling program)	Counseled 21 cases for 115 employees
	System to subsidize wellness management of employees	Allocated on the average of KRW 2.1million for 450 employees
	Anti-smoking program	Singed up: 66, Succeeded: 11
Retirees' Program	Management of Hanmaeum Support Center for Retirees	Management of regular gathering retirees and provision of subsidies for family events.



## Improvement of Work Culture

HFG has established four major principles of communication to promote efficient and optimistic work culture.

- ### 01 Principles of Handling Official Documents

  - (1) Designate personnel in responsibility according to the type of documents
  - (2) Read official documents before and after work.
  - (3) Respond to the received document before the following day.
  - Designate personnel responsible for response to official document according according to categories.
  - Check arrival of official document before and after work, and make quick responses.
  - Respond to the received document before the following day of receipt.
- ### 02 Principles of Reporting

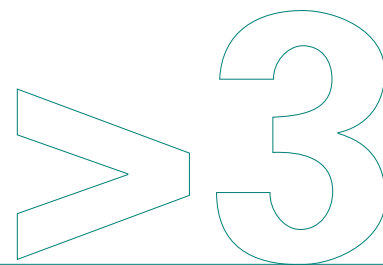
  - (1) Reporting document should be no longer than a page long
  - (2) Reporting document should be made in MS Word.
  - (3) Reporting document should be printed in black and white.
  - (4) Avoid having attachments.
  - (5) Simple reporting to be made via e-mail.
  - Reporting document should be short and simple.
  - Unless necessary, avoid visual images or graphs, and prefer MS Word over Power Point.
  - Unless necessary for effective delivery of contents, avoid printing documents in color.
  - Unless necessary, avoid attaching additional documents.
  - Simple reporting should be made swiftly via e-mail and by checking receipt notification, make sure that delivery is completed.
- ### 03 Principles of Communication

  - (1) Simple communication to be made via MMS, messengers and e-mail.
  - (2) Skip titles, greetings, and spacing.
  - (3) Respond to reporting after receiving.
  - (4) For smartphone users, use M Portal.
  - Actively use MMS, messengers and email to enable fast-paced reporting and feedback of simple items
  - To keep messages short and simple, skip or simplify title, greetings and spacing.
  - By responding upon reception of messages, minimize time consumed for checking upon receipt of reporting.
  - Use Hana M Portal on smartphones to log in and use Hana Portal.
- ### 04 Principles of Meeting

  - (1) Start and finish on time.
  - (2) Keep messages simple and deliver in optimistic tones.
  - (3) Listen to other attendants carefully.
  - (4) Engage all participants in the meeting.
  - (5) Draw a conclusion that can be carried out in to action after the meeting.
  - Arrive at the meeting room on time, set the finishing time before the start and finish on time by checking hour glasses.
  - Opinion should be made short and simple, with optimistic tones.
  - Focus on more on listening than speaking, and listen to other attendants' opinion carefully.
  - All participants try their best to make their comments.
  - Try the best to draw "constructive" conclusion.



# Labor-Management Relationship



## Establishment of Culture of Win-win Labor-Management Relationship

HFG is running its program of brining harmony to labor-management relationship to build trust and partnership. Various programs are offered to build trust and cooperative partnership between labor and management including training programs that engage both management and members of labor union and briefing sessions to update current status of business activities. Further, as part of promoting interactive communication among employees, labor union and management co-host events such as sporting events, rallies to strengthen unity and various other events to boost morale..

CEO and leaders of business units including Corporate Center, Personal and Commercial Banking and Corporate and Investment Banking, Management Support Division and Human Resource Support Team are representing management, and a union representative, three union officials and two heads of policy department are representing the labor union. Six members from each of management and labor union comprise a committee for collective bargaining. The committee is making its contribution in establishing the culture of win-win labor-management relationship by conducting a vast array of collective bargaining, as well as salary negotiations.

## Promotion of Labor-Management Communication

HFG not only hosts quarterly labor-management council but also temporary labor-management councils when needed to open the floor for discussion. The Group observes for example, Family Invitation Day for interaction among CEO, employees and their family members. In addition, monthly discussion events are held to engage CEO and employees of individual teams to listen to the voices and opinions of the employees. Along with popularity of online communication, the Group is currently running its corporate social networking site named HanaTwitter, Shinmungo and blog.

## Current Status of Labor Union

The labor union has been established in 1960 and all employees can freely join out and take part. As a result of efforts to incorporate autonomy in the culture of labor-management relationship, the Group has seen no cases of labor-management conflict for the past fifty two years of history since the establishment of the union.

### Current Involvement of Employees to Labor Union

(Unit: KRW)

Items	2009	2010	2011
Total Number of Employees	9,559	9,224	9,012
Total Number of Employees Subject to Membership of Labor Union	7,055	6,989	6,666
Number of Employees Involved in Labor Union	7,055	6,989	6,666



# CHAPTER

# 04

## HFG Creating Shared Value

HFG is taking its part to make a beautiful world where everyone can find happiness.

### Win-win Cooperation

- Structure of Social Contribution Activities
- Current Status of Social Contribution Activities
- Win-Win Growth Through Finance
- Fair Trade



# Win-win Cooperation



## Structure of Social Contribution Activities

HFG, as a corporate citizen, takes the efforts for development local communities as its vital responsibility. As such, since its establishment, various social contribution activities are being conducted. Under the Group's mission "contribution to community," the activities are based on three important pillars of "Sharing," "Culture" and "Green." The activities under "sharing" revolve around HFG's social contribution activities for local communities and are aimed for resolving social issues such as low-birth rate, aging and multi-cultural households as well as educational businesses and contribution in sporting events.

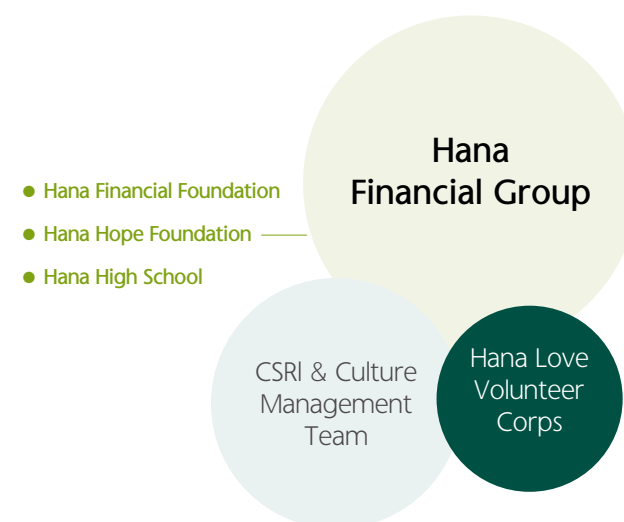
## Strategies to Drive Initiatives

'Contribution to Community' makes one of the most important missions of HFG. It is out of the Group's idea that as a responsible corporate citizen that plays its vital role in society, it should help members of local communities in difficulties get back on their feet. HFG makes its profits thanks to countless number of customers and local communities where it is conducting its business activities. As such, as a responsible member of society that actively conducts its economic activities, it is evident for the Group to make its efforts in making local communities, home to not only current customers but also potential customers, better places. With its campaign to help underprivileged class in 1980s to begin with, HFG's social contribution activities are gaining its drive with increased support in areas such as social welfare, arts and culture and education in 1990s and the launch of Hana Love Volunteer Corps, in 2004.

## Organization to Drive Initiatives

HFG's social contribution activities are conducted under close cooperation among affiliates of the Group and the main agent of Social & Culture Team of HFG. The Group carries forward its projects such as micro financing and construction of elderly care facilities and childcare facilities via Hana Financial Foundation and Hana Hope Foundation. To ensure strategic and continuous social contribution activities, the Group is managing group-wide organization called CSV (Creating Shared Value) Committee, Sustainable Management Promotion Committee.

- CSV (Creating Shared Value) Committee
- Sustainable Management Promotion Committee





# Current Status of Social Contribution Activities

> 2

## Sharing

### Hana Kids of Asia

HFG runs a program named “Hana Kids of Asia” to resolve difficulties that children of multi-culture households often face such as identify diffusion and difficulty in learning. Unlike conventional education programs that centered in educating Korean language and culture, the Group’s program offers opportunities in learning languages and culture of both of their parents, and further, pays close attention to details such as learning and emotional stability. The program offers a wide variety of learning opportunities with for example, Saturday School which provides sessions to get to know languages and cultures mothers, after-school program run by volunteer groups of university students as the mentors, comprehensive cultural education program for children of multi-cultural households who face identity diffusion and counseling service program to ensure emotional stability. On the top, HFG has partnered with Hanukkah University of Foreign Studies to infuse professionalism into its projects and is actively taking part in the process of making materials for language education and cultural education.

### Hana Care Center

To resolve lack of rehabilitation and care facilities for senior demographics in Korean society, Hana Finance Welfare Foundation has established and runs its elderly care center. It is the first time for a business group to be

fully involved in the process spanning from construction of facility to management. With the first facility opened in Namyangju in March 2009 to begin with, the Group is planning to complete construction of twenty additional elderly care facilities within a decade of time. The facility has ten seniors in a group and care services are given by units to ensure relaxed atmosphere like that of their homes. One caregiver is designated for every two persons to secure quality care service all the time. The process of administration can be preceded by visiting the website of Hana Care Center (<http://www.hanacarecenter.or.kr>). The care center has partnered with College of Nursing of Korea University to deliver systematic and professional care services.

### Hana Puruni Childcare Center

HFG has set up and operates its own childcare facility to resolve issues of lowering birth rates stemming from difficulties in childcare. It is the first time in Korea to have a business group to donate a facility to local communities to operate a state-funded childcare facility on commission. The first facility which was opened in Shingil-dong, Yeongdeungpo-gu on September 2008 offers top-of-the line childcare program for one hundred forty children with a group of highly qualified experts. The Group is planning to additionally open ten childcare facilities within a decade of time.





## Culture

### Hana Children's Economic Musical

Hana Bank is offering opportunities for elementary school children learn economics with its musical programs. Whereas conventional programs targeting school children were lecture-based, Hana Bank's education program is designed to let children learn tricky economic concepts with fun by combining songs, dance and economic education into a musical. Witty and thrilling elements are added in every corner of the performance to excite young audience. By doing so, the program aspires to offer performances that are actively interacting with school-aged audience.

### Hana Classic Academy

Live classical music concert with detailed lectures by experts from various fields of art - Hana Classic Academy hosts its classical music concerts every Thursday from 2PM to 4PM at Hanmaeum Hall, on the third floor of Hana Daetoo Securities in Yeouido, Seoul. Every concert has top rated performers in Korea performing and is paired with lectures by Eun-Hee Park, the music director of Korea Festival Ensemble. Since its start on October 2000, Hana Classic Academy is well-received that it resembles much to salon-musical concerts in the seventeenth century Europe, and is making the signature cultural event of Hana Bank.

## Green

### Poster Contest

Hana Green Poster Contest has inaugurated in 1993 to promote eco-friendliness among children and provide grounds for developing artistic talents of young participants. The contest is officially sponsored by Ministry of Environment and attracts over four hundred thousand young nationwide to become a prestigious art contest for elementary school-aged children. The contest has created numerous stories to share such as excursion to Mt. Keumgang and School Forest (이대로 좋습니다.) and participation of Chinese students. For vitalization of school education, Hana Bank designs and remodels art room of the const-winning school with its project with eco-friendly concept so called "Dream Art Room." Hana Bank pledges to have more "Dream Art Room" to enable school children dream of their future.

### Visiting Beautiful Forests

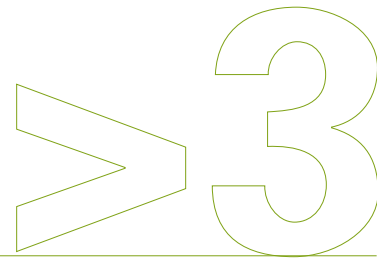
HFG hosts an annual event to visit to beautiful forests in Korea. It is an event targeting its customers to tour national forest lodges located near Seoul metropolitan area to raise awareness for importance of nature and forests. After the first event on June 1, 1993, this family-friendly event has engaged employees with school-aged children and has made a social contribution program as well.

### Hana Green Concert

For the purpose of raising awareness of the importance of environment protection and providing public with opportunities for enjoying events of cultural events, HFG has been hosting a performing arts event called "Hana Green Concert." After the first event in Bundang Joongang Park in June 1993, Hana Bank's signature performing arts event has been held 1~4 times every year. In 2006, the event was held in Qingdao to commemorate tenth anniversary of Qingdao International Bank (now Hana Bank China) and contribute to promote economic cooperation between China and Korea. Hana Green Concert boasts a vast range of repertoire from classic, popular music to fusion music. To stir up optimism, the Bank carries on with its efforts under the slogan "to become one with environment, to become one with culture, and to become one with neighbors."



# Win-win Growth through Finance



## Supporting Financially Underprivileged

In September 2008, Hana Hope Foundation has been established to carry out HFG's projects in microfinancing business. Microfinancing aims to put underprivileged in the way of getting their living and help the beneficiaries escape from poverty. Hana Hope Foundation's project does not aim to be one off, but rather, places its focus on giving substantial aid so that its beneficiaries can continue to play their part as sound economic agents. The lowest income group and lower income group defined under National Basic Living Security Act will be subject to the benefit of the project. As part of HFG's group-wide effort to realize its vision, "making contribution to community as a leading financial group," the Group has funded KRW 10 billion to establish the foundation and thus far, it has benefited the underprivileged class with the amount up to KRW 17.1 billion through 1,667 cases. Application is available on the foundation's webpage (<http://www.hanahope.or.kr>).

## Products with Public Benefits under Consideration

Bankbook/installment savings account called "Sharing by Babo (a Korean word for fool)" is a financial instrument introduced by the bank partnering with Catholic social contribution foundation, "Sharing by Babo." The financial product has been introduced in July 2011, and since then it has made its success as a financial instrument with the purpose of social contribution, seeing over two hundred thousand subscribers in less than half a year since the introduction.

For customers willing to donate their organs and those volunteering to donate their savings at the time of maturity, the customers will benefit from additional interest of 1% and access to ATM service free of charge. Further, Hana Bank has funded KRW 100 won per account to financially support children from multicultural households. The financial instrument has created a stir that in 2011, "Sharing by Babo" bankbook attracted 112,271 customers with amount up to KRW 81.7 billion and "Sharing by Babo" installment savings account, 156,015 customers with KRW 130.2 billion.

Hana SK Card's "Master of Everyday Life" card aims for vitalization of traditional food markets by helping shop owners of the markets increase their profits by fully returning surcharge in the case of purchase made with less than the amount of KRW 20,000 in traditional food markets.

Hana Bank's "Win-win Growth Package Loan" is a settlement product to support liquidity of small and medium-sized partnering companies that supply their products for large-sized corporations. The product has Loans on Receivable Collateral electric ARC (Account



Receivable Collateral) Loan and e-Procurement Loan into a single package to enable financing payment for goods received at relatively lower interest rates, based on credit ratings of main contractors. Win-win Growth Package Loan is a product that has used a supply chain based on relation of win-win cooperation to have more businesses benefit from settlement products. As of the end of 2011, KRW 1.1502 trillion has been funded to resolve financial difficulties of small and medium sized enterprises. The achievement has been recognized that the Hana Bank was awarded "the Best Company in Win-win Growth" at Korea Win-win Growth Awards in July 2011.

Also, to raise awareness for environmental protection, Hana Bank has introduced its new installment savings account product named after "International Garden Exposition Suncheon Bay Korea 2013." The financial instrument has intended to fund construction of exposition sites and preservation of Suncheon Bay with 0.1% of bank balance. Thus far the financial product has attracted 95,396 customers with amount up to KRW 340.2 billion.

## Financial Aid to Resolve Social Problems

HFG has long been paying attention to credit counseling and recovery. As such, the Group has actively taken part in Credit Counseling and Recovery Service which is under Korea Federation of Banks and approved credit recover of 792 people with the amount of KRW 7.3 billion in 2010 and 1,466 people with the amount of KRW 14.7 billion in 2011. In addition, through the Personal Debt Work-out System, as of 2011, total accumulative amount of KRW 102.1 billion of bond has been approved as personal debt work-out. Further, in order to actively support young demographics that have defaulted on their loans that they have made during their school years (formerly referred as delinquent borrower), the bank has made its decision to write off interests, fees and part of principals.

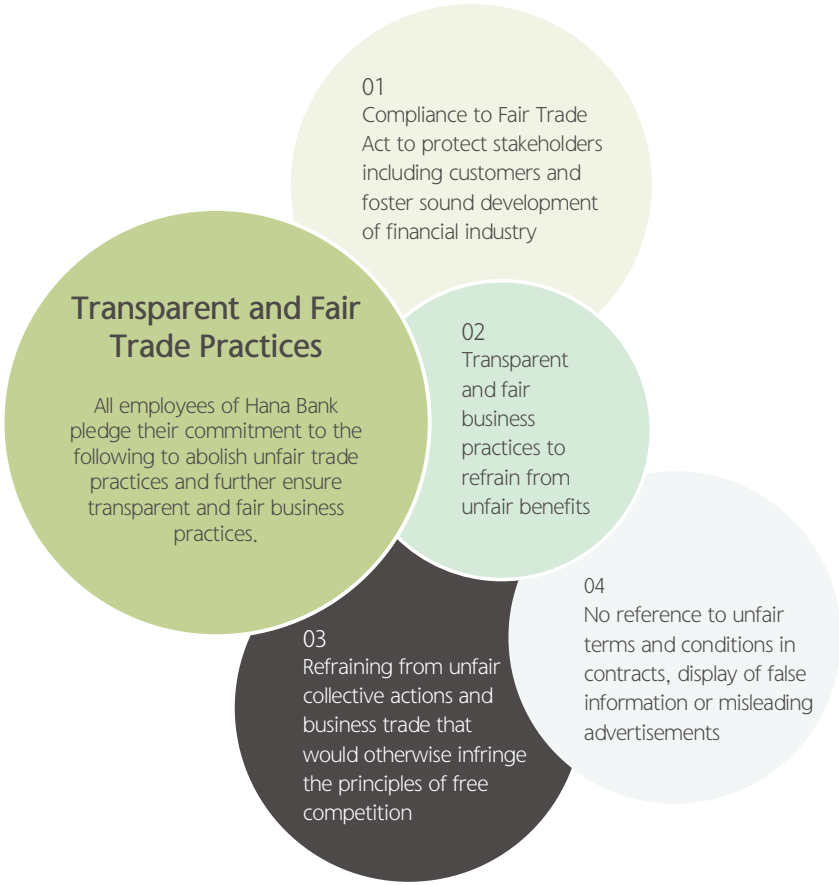


# Fair Trade



### Management of CP for Fair Trade

For promotion of transparency and fairness in competition, HFG is operating its own CP (CP: Compliance Program) for Fair Trade. Along with monitoring activities to prevent legal violation, compliance check is conducted as well. In particular, being aware that CP has now become a global standard, the Group is emphasizing on compliance to Fair Trade Act in every corner of business activity.



Resolution to Compliance Program



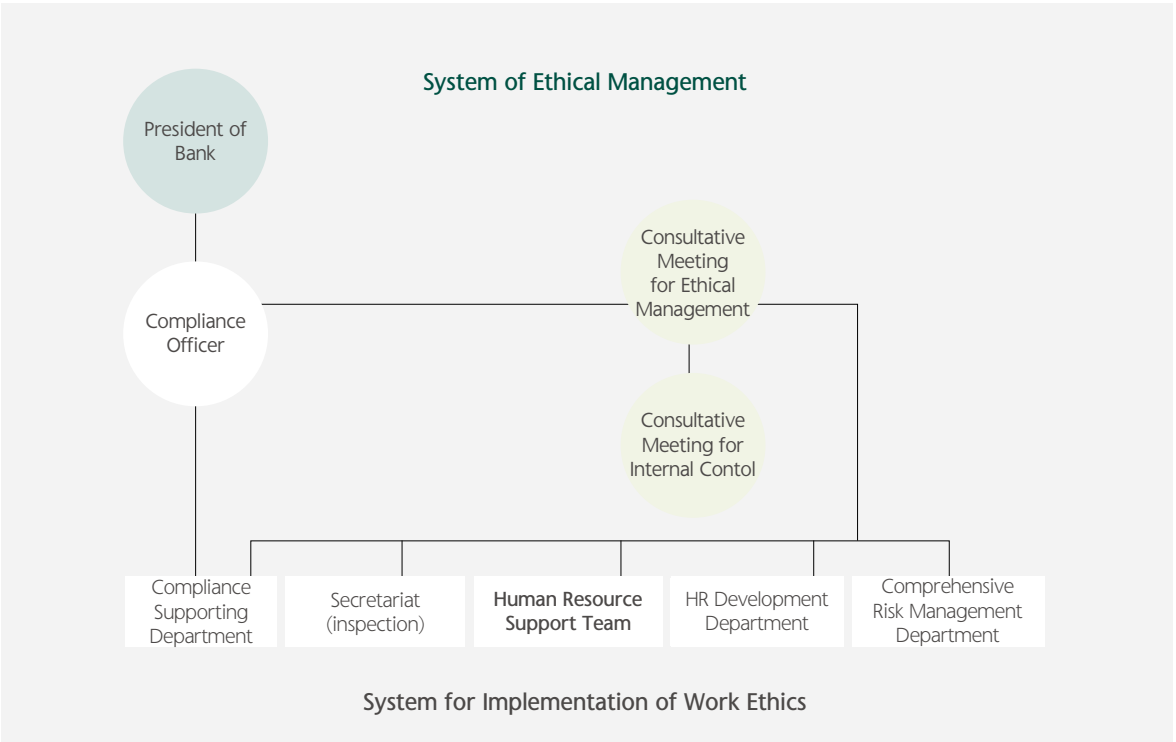
### Major Programs

Training	Training programs for personnel responsible for CP on a regular basis (twice a year) and field training on a rolling basis. Posting Compliance Manual on corporate bulletin boards.
Monitoring	Preemptive screening system to prevent acts of legal violation, monitoring system for early detection and correction and Internal Report and Reporter Protection System are run within the organization and relevant measures are imposed on violators.
Activities to Prevent Collusion and Unfair Trade Practices	Establishment of guidelines for unfair collective actions.

### CP Programs

Items	Detail	2009	2010	2011
Legal Violations	Number of Legal Actions Taken	none	none	None
CP (Compliance Program)	Number of training programs offered Fair Trade Act	5	9	4
	Number of cases of screening	486	604	1,148

\* Indicates details of "Clean Contract System" on contracts and annexes.  
 \* E-bidding system by Doore Corp. is used in the process of purchasing property and facility.



(Reference made to the system of Hana Bank)

Training Programs on Work Ethics

In order to raise awareness for work ethics among employees and conduct ethical management activities, HFG is providing a wide variety of training programs on work ethics. In every event of business promotion meeting held by an individual business headquarter, with a compliance officer in attendance, training programs targeting branch managers and RM (Retail Manager) to encourage them to lead by example and educate their teammates. Group training programs provided in the process of employment, reinstatement, regular

training for compliance officers and business training. Concerning business activities that involve active interaction with customers, employees are mandated to make their self-diagnosis on compliance and ethics twice a year. Ethics series are posted on Groupware so that employees can read them every time they log into it and thus raise their awareness. In 2011, HFG has conducted its surveys on awareness for compliance and code of ethics to reflect the result in ethics policy.

Current Status of Training in Work Ethics

Name of Programs	Contents
Online Training Program on Case Studies and Explanations	1. Case studies on ethical and unethical cases 2. Internal Employee Report and Reporter Protection System 3. Prohibition of accepting gifts and bribes
Explanation on Code of Ethics and Case Studies (targeting reinstated employees and would-be branch managers)	1. Level of centralization of work 2. Prohibition of actions that cause conflict of interest 3. Prohibition of feneration for personal purpose
Ethical Management of Hana Employees (Regular course for personnel responsible for compliance)	1. Prohibition of actions that cause conflict of interest 2. Budget payment 3. Prohibition of feneration for personal purpose



Ethical Management Programs for Employees

Securities Accounts and Transaction Records Report System

The system intends to inspect cases of legal violations and to mandate employees responsible for asset management and credit assessment report transaction records of securities account. It is designed to promote soundness in asset and credit management and compliance to regulations on transaction of securities management including prohibition of insider trading and actions of conflict of interest.

Internal Employee Report and Reporter Protection System

Regulations on internal employee report and reporter protection are set up to define obligation of reporting and protection of reporters.

Gifts and Bribes Report System

According to Code of Ethics, “all employees shall not request or receive any form of bribe or gifts regardless of the amount.” The system mandates the employees to voluntarily report their receipt of gifts.

Code of Ethics Promotion System

The system intends to prevent violation of Code of Ethics and its relevant action guidelines and alert violators on their act of violations. The system places its focus on promoting Code of Ethics, not to place violators on disadvantages.

Money Laundering Prevention System

In response to efforts for prevention of money laundering both at home and overseas and efforts to ensure transparency in financial transactions, Hana Bank is prohibiting its employees from involving in money laundering, either directly or indirectly, through its internal Code of Ethics. The bank is raising awareness among its employees with its training programs through company broadcasting programs, group training programs and on-site programs in branch offices. Further, by establishing and improving database system, Hana Bank is ensuring effective measures against money laundering.

# CHAPTER

# 05

## **HFG** **Green Management**

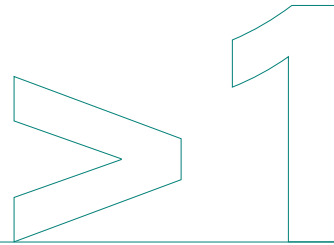
HFG is conducting eco-friendly activities that enable everyone benefit from nature.

### **Environment**

- Eco-friendly Management
- Performance in Eco-friendly Management



# Eco-friendly Management



## Commitment of Top-level Management to Eco-friendly Management

HFG is currently running CSV (Creating Shared Value) Committee composed of the president of the Group and CEOs affiliates. Under the rules set by the committee, resolution on “eco-friendly management” is stipulated as part of core set of resolution.

The Group also has Sustainable Management Promotion Committee chaired by its CHRO (Chief Human Resource Officer) to have each affiliate set up its own target and take responsibilities and approve practical issues such as budget plan and payment.

CSV Committee reports the president and CEOs of affiliates on performance of eco-friendly management and relevant activities for improvement. In accordance with strategies for eco-friendly management formulated by CSV Committee, Sustainable Management Committee establishes budget plans.

## Environment Organization

### ● Structure of Environment Organization

The Group’s Sustainable Management Committee takes its responsibility for execution of relevant project for eco-friendly management and CSV Committee, for group-wide decision making in eco-friendly management.

Under the rules set by BOD, business plans that include the Group’s eco-friendly management activities are approved and assessed by BOD. Business contracts that involve eco-friendly business activities are approved by BOD as well.

### ● Environment Education

A vast array of programs is offered carry out campaigning activities on intranet and the Group’s bulletin boards to arouse interest among employees in environment-related issues and encourage active interactions.

Though not all employees are subject to environment education, personnel responsible for environment issues are adequately offered their opportunities in training that are relevant to their work other environment education programs are offered on a regular basis as well. For example, monthly education program on reduction of fuel consumption is provided for employees who drive their automotive vehicles.





# Performance in Eco-friendly Management

>2

### Target and Performance of Eco-friendly Management

#### ● Energy Consumption

HFG observes ‘Car Free Day’ every month and takes various measures such as the fifth-day-no-driving system and encouraging employees to wear lighter clothes during summer time to save energy. The Group is also conducting numerous campaigning activities to reduce energy consumption by for example, encouraging employees to walk a close distance when they are out one business.

HFG seeks to make its contribution to reduction of energy consumption by replacing lightings in sales branches with LEDs. Thus far eight out of fifteen branches have completed replacement of lighting.

As a result of such ceaseless efforts, Hana Bank was awarded the best company in the category of green business in “2011 Korea Green Climate Award” which was hosted by Korean Governance Forum on Climate Change.

Amount of Energy Consumption					
Item	Description	Unit	2009	2010	2011
Energy Source	Electricity	KWh	51,743,792	49,950,404	49,410,270
	Gas	m <sup>3</sup>	558,091	585,705	635,647
	Gasoline	l	276,979	256,187	253,377
	Diesel	l	2,763	2,702	8,428

- Data Collection Criteria
- 1. Electricity : 74 buildings owned by the Group
  - 2. Gas : 12 building which are owned by the group and consume gas energy.
  - 3. Gasoline : Applied for sales branches that tenant for buildings owned by the Group.  
: Amount of annual consumption and cost per liter are applied
  - 4. Diesel : 12 buildings which are owned by the group and equipped with standby electricity generators.

#### ● Water Consumption

For reduction of water consumption, various projects such as installing automatic sensor washbasins are underway.

Amount of Water Consumption					
Items	Details	Unit	2009	2010	2011
Water	Total Amount of Consumption	m <sup>3</sup>	133,982	124,823	121,461

Data Collection Criteria : 12 Large-sized buildings that are owned by the Group. Both underwater and water included.

#### ● Consumption of Materials

By the nature of financial service industry, paper is considered as raw material used in business activities. The Group is creating eco-friendly working environment by having recycled paper make up 12-14% of entire amount of paper consumption.

Amount of Paper Consumed and Recycling Rate

Items	2009	2010	2011
Paper (unit: ton)	1,398	1,238	1,340
Amount of paper recycled (unit: ton)	198	174	170
Percentage of paper recycled (unit: %)	14.1	14.1	12.7







Amount of Waste Generated

Items (unit: ton)		2009	2010	2011
General Waste (All type of solid and liquid waste except sewage)	Recycled	12	1.3	5.5
	Subtotal	12	1.3	5.5
Designated Waste (Waste that include substance that may contaminate environment or pose harm to human body)	Incinerated	2	0.5	2.5
	Recycled	1.3	1.5	2
	Subtotal	3.3	2	4.5
Total		15.3	3.3	10

Items (%)	2009	2010	2011
(Amount of Recycled Waste / Total Amount of Waste Generated) X 100	87	85	75

Items (ton)	2009	2010	2011
Amount of Waste Disposal	15.3	3.3	10

#### Eco-friendly Products and Services

##### ● Eco-friendly Strategy that Take the Nature of Financial Industry into Consideration

HFG takes the nature of financial industry into profound consideration to formulate eco-friendly strategies and carry out relevant actions. In its business activities, financial products and services that encourage customers to take part in eco-friendly activities are developed and introduced. For example, “-0.3°C Loan and Installment Savings Account” has been introduced to provide customers who lead their eco-friendly lifestyle with favorable interest rates and “S Line Installment Savings Account” has been launched to provide customers who manage their weight keeping themselves active with favorable interest rates.

Hana Capital makes its contribution to prevention of air pollution by offering discounts on risk premium for hybrid car owners and Hana SK Card plays its part in environmental conservation through its efforts to reduce waste generation by introducing mobile credit card that is plastic card-free and can be downloaded onto smartphones.

##### ● Efforts Made by Employees

The group-wide campaign called “Green Bank on the Move” is being conducted to encourage all employees actively take part in environmental protection activities. Various other programs such as ‘Caring Hana Forest,’ “Car Free Day” and “Walk to Donate” are run as well. Within the organization, a wide variety of policy is facilitated by for instance pursuing to be “Paperless Company” with active implementation of electronics documents and reducing paper consumption through introduction of office machines that are capable double-sided printing. By conducting various eco-friendly management activities, the Group seeks ways to engage all of customers, employees and affiliates in environmental protection.

# CHAPTER

# 06

## Appendix

- Key Performance Data
- Awards
- GRI G3.1 Guideline Index
- Third Party’s Assurance Report

## Key Performance Data

Table1 Condensed Financial Statement

(Unit: KRW million)

Description	2011	2010	2009
Asset			
I. Cash & Due from Banks	11,053,196	8,271,576	7,658,850
II. Financial Assets Held-for-Trading	10,376,313	8,881,799	9,427,943
III. Financial asset designated at fair value through profit or loss	60,500	98,416	22,854
IV. Available-for-sales Financial Assets	16,241,698	16,404,763	15,860,105
V. Financial Assets Held to Maturity	2,289,567	2,658,634	4,831,930
VI. Loans	129,182,067	112,986,658	105,095,045
VII. Derivative Assets Used for Hedging Purposes	110,446	84,639	99,852
VIII. Investment in Equity Securities of Affiliates and Joint Ventures	881,586	701,032	176,671
IX. Tangible Assets	1,494,899	1,569,151	1,804,057
X. Investment Property	332,774	326,786	526,893
XI. Intangible Assets	340,095	384,322	314,246
XII. Deferred Tax Assets	11,319	9,648	13,107
XIII. Current Tax Assets	-	1,026	224
XIV. Other Assets	5,854,422	5,554,241	5,259,923
<b>Total Assets</b>	<b>178,228,882</b>	<b>157,932,691</b>	<b>151,091,700</b>
Liabilities			
I. Financial Liabilities Held-for-Trading	2,415,225	2,597,298	4,109,533
II. Financial liability at fair value through profit or loss	2,966,907	2,541,231	1,939,898
III. Deposit Loans	104,552,027	95,045,278	91,378,497
IV. Leveraged Liability	15,441,945	13,396,949	14,579,747
V. Debentures	28,481,270	21,544,896	18,569,106
VI. Derivative Liabilities Used for Hedging Purposes	2,647	4,140	14,661
VII. Post-employment Benefit Obligations	40,737	17,749	2,803
VIII. Liability Provisions	152,257	249,445	452,031
IX. Deferred Tax Liabilities	92,365	212,720	252,172
X. Current Tax Liabilities	222,725	97,058	207,251
XI. Other Liabilities	9,039,839	9,489,190	8,318,167
<b>Total Liabilities</b>	<b>163,407,944</b>	<b>145,195,954</b>	<b>139,823,866</b>
Stockholder's Equity			
I. Capital Stock	1,215,249	1,059,258	1,059,258
II. Hybrid Bond	299,121	-	-
III. Consolidated Capital Surplus	6,669,072	5,481,960	5,431,952
IV. Consolidated Capital Adjustment	(70,712)	(72,290)	(67,274)
V. Accumulated Other Comprehensive Income	291,429	550,474	349,216
VI. Consolidated Retained Earnings	5,677,021	4,624,258	3,780,979
Equity attributable to owners of parent	14,081,180	11,643,660	10,554,131
VII. Non-controlling Interests	739,758	1,093,077	713,703
<b>Total Shareholder's Equity</b>	<b>14,820,938</b>	<b>12,736,737</b>	<b>11,267,834</b>
<b>Total Liabilities and Shareholder's Equity</b>	<b>178,228,882</b>	<b>157,932,691</b>	<b>151,091,700</b>
<b>Number of Companies Included</b>	<b>52</b>	<b>36</b>	<b>35</b>

Reference made to Consolidated Financial Statement of Hana Financial Group Inc.



Table2 Condensed Consolidated Income Statement

(Unit: KRW million)

Description	2011	2010
I. Net Interest Income	3,206,084	2,967,529
II. Net Fee and Commission Income	978,175	955,342
III. Gain (Loss) of Financial Products Held-for-Trading	(57,205)	314,730
IV. Gain (Loss) of Financial asset designated at fair value through profit or loss	81,900	(271,000)
V. Gain (Loss) of Derivative Products Used for Hedging Purposes	(822)	(4,521)
VI. Other Gain (Loss) of Financial Instrument	514,894	209,079
VII. Gain (Loss) on Foreign Currency Transactions	46,043	106,781
VIII. Total Operating Profit	4,769,069	4,277,940
IX. Impairment Losses in Financial Asset	(650,334)	(1,006,595)
X. Net Operating Profit	4,118,735	3,271,345
XI. General Administrative Cost	(2,107,616)	(1,789,175)
XII. Other Operating Income	164,062	307,301
XIII. Other Operating Cost	(442,735)	(426,188)
XIV. Operating Income	1,732,446	1,363,283
XV. Operating Income & Loss	(16,601)	(29,063)
XVI. Income before Income Tax	1,715,845	1,334,220
XVII. Income Tax Expense	(412,724)	(289,649)
XVIII. Consolidated Net Income	1,303,121	1,044,571
Net Income per Share of Substantial Shareholder per Share	1,222,412	995,600
Net Income per Share of Non-Substantial Shareholder	80,709	48,971
XIX. Other Comprehensive Income (Loss)	(258,334)	203,182
XX. Consolidated Comprehensive Income	1,044,787	1,247,753
Comprehensive Income per Share of Substantial Stakeholders	963,367	1,196,858
Comprehensive Income per Share of Non-Substantial Stakeholders	81,420	50,895
XXI. Earnings per Share (EPS)		
Primary Earnings per Share	KRW 5,097	KRW 4,756
Diluted Earnings per Share	KRW 5,090	KRW 4,756

Table 3 Other Financial Data

	2009	2010	2011
Profitability (%)			
Return on Assets (ROA)	0.33%	0.66%	0.76%
Return on Equity (ROE)	3.38%	8.88%	9.12%
Asset Soundness (%)			
Standard and Below Loan Ratio	1.15%	1.60%	1.12%
Coverage against Standard and Below Loan	126.62%	106.58%	148.42%
BIS Capital Adequacy Ratio (Group)	12.09%	12.17%	13.22%
Tier 1 Ratio (Group)	8.38%	8.81%	9.43%
Shareholders			
Earnings per Share (EPS)	1,466	4,756	5,097
Bookvalue per Share (BPS)	45,605	55,623	57,180
Price on Bookvalue Ratio (PBR)	0.72	0.78	0.62
Dividend (interim dividend included, Unit: KRW million)	83,733	146,532	144,618
Dividend Payout Ratio (%)	27.34%	14.72%	11.83%
Dividend Rate (%)	1.22%	1.62%	1.69%

Table 4 Current Status of Employees

Items		2009	2010	2011
Total Number of Employees		12,586	12,690	12,555
Type of Employment	Regular	10,251	10,737	10,460
	Permanent Contract	297	381	404
	Non-Regular	2,038	1,572	1,691
Diversity in Employment	Female	6,980	6,737	6,803
	Handicapped	72	78	71
Positions	Executives	5	4	4
	Team Leaders	21	23	22
	Managers, Deputy Directors	153	219	149
	Assistant Managers	116	113	106
	Staff, Chief	106	100	84
	Miscellaneous	0	0	0

Table 5 Job Turnover

2009	2010	2011
1,596	1,562	1,007

Table 6 Work-Related Accident Rate

Items	Total		
	2009	2010	2011
Total Number of Employees	12,586	12,690	12,555
Total Number of Employees Affected by Work-Related Accidents	0	0	0
Accident Rate	0%	0%	0%

Table 7 Number of Legal Actions Taken for Cases of Unfair Competition and Monopolistic Practices

Items	Descriptions	2009	2010	2011
Infringement	Number of Legal Actions Taken	0	0	0
Programs on Compliance to Fair Trade Law	Number of Cases of Internal Audit	0	0	0
	Number of Education Program on Compliance to Fair Trade Law	2	2	1
	Number of Cases of Preliminary Inspection on Fair Trade	486	604	1,148

Table 8 Education on Anti-Corruption and Ethics

Items	Descriptions		Unit	2009년	2010년	2011년
Education on Anti-Corruption (Ethical Management, )	Total Number of Sessions Provided		건	27	28	32
	Number of Employees Participated	Management	명	30	30	30
		Non-Management	명	10,911	12,952	18,576
	Total Hours		hr	1.5	2	2



External Awards

January 2011	Hana Bank awarded “Gold Prize” in the category of banking institution at the 20th Dasan Financial Awards
January 2011	Grand Prize at 2010 Aju Economy Financial Awards (Chairperson of Financial Commission Award)
January 2011	Hana Bank awarded the Best Fund-Selling Bank at 2010 Money Today – Morning Star Fund Awards (hosted by MK Business News, sponsored by Finance Commission and Korea Financial Investment Association)
January 2011	Hana Bank awarded the Best Fund-Selling Bank at 2011 Korea Fund Awards
January 2011	Hana Daetoo Securities awarded ‘2010 Best Innovative Bond House’ at 2010 Korea Capital Market The Bell League Table Awards
February 2011	Hana Bank awarded the best green company at 2011 Korea Green Climate Awards (hosted by Korean Governance Forum on Climate Change)
February 2011	Hana Bank awarded its seventh “the Best Private Bank” (by Euromoney)
March 2011	Hana Daol Asset Management listed “2010 Best Real Estate Fund Management Company “ by Asia Investor
March 2011	Hana Bank’s Win-win Growth Package Loan awarded Gold Prize at MK Financial Products Awards
March 2011	Hana Bank’s Hana N Money awarded the Best Application at Korea Mobile Awards
April 2011	Hana Daetoo Securities awarded the Best e-Service at 2011 Herald Economics Capital Market Awards
June 2011	Hana HSBC Life Insurance awarded its fifth “Best Call Center” by KMA (Korea Management Association)
June 2011	PT Bank Hana awarded “2010 Best Bank” at Indonesia Best Bank Award
July 2011	Hana Bank’s Win-win Growth Package Loan awarded “The Best Company in Win-win Growth” by Korea Win-win Growth Awards
August 2011	Hana Bank’s quarterly magazine Hana Bank awarded “the Creative Team of the Year” at 2011 IBA (International Business Awards)
September 2011	Hana Bank selected “Best Bank in Korea” by Finance Asia
October 2011	Hana Bank’s Win-win Growth Package Loan awarded in the category of innovation in banking service at 2011 Korea Finance Innovation Awards
October 2011	Hana Bank selected “Best Private Bank in Korea” by The Banker
October 2011	Hana Daetoo Securities awarded “the Advertisement of the Year” at Joonang Daily Advertisement Awards
November 2011	Hana Financial Group awarded the prize in the category of “Cultural Contribution” at 12th Mecenat Conference and Awards (by the Minister of Culture, Sports and Tourism) hosted by Korea Business Council for the Arts
November 2011	Hana Bank awarded in the category of “Financial Service” at the 10th Global GWP Conference hosted by GWP Korea
December 2011	Hana Financial Group Inc. awarded awarded the prize in the category of “Cultural Contribution” at 12th Mecenat Conference and Awards
December 2011	Hana Daetoo Securities awarded by Prime Minister on “Money Laundering Prevention Day”
Jan. 27, 2012	Hana Daetoo Securities awarded “Best Asset Backed Securities House” at 2011 The Bell League Table Awards

GRI G3.1 Guideline Index

Indicators			Reporting status	Page	
Official Notice on					
Strategy and Analysis	1.1	Statement from the most senior decision-maker of the organization.	●	6	
	1.2	Description of key impacts, risks, and opportunities.	●	6, 18, 26	
	2.1	Name of the organization.	●	10	
Organizational Profile	2.2	Primary brands, products, and/or services.	●	12	
	2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	●	10-13	
	2.4	Location of organization's headquarters.	●	4, 13	
	2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	●	13	
	2.6	Nature of ownership and legal form.	●	10, 22-23	
	2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	●	13	
	2.8	Scale of the reporting organization.	●	13-14	
	2.9	Significant changes during the reporting period regarding size, structure, or ownership.	●		N/A
	2.10	Awards received in the reporting period.	●	74	
	3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	●	4	
Report Parameters	3.2	Date of most recent previous report (if any).	●	4	
	3.3	Reporting cycle (annual, biennial, etc.)	●	4	
	3.4	Contact point for questions regarding the report or its contents.	●	4	
	3.5	Process for defining report content.	●	20-21	
	3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	●	4	
	3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	●	4	
	3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	●		N/A
	3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	●		Note
	3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g.,mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	●		Note
	3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	●		Note
	3.12	Table identifying the location of the Standard Disclosures in the report.	●	77	
	3.13	Policy and current practice with regard to seeking external assurance for the report.	●	76	
	4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	●	22-25	
	4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	●	24	
Governance, Commitments and Engagement	4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	●	23	
	4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	●	25, 44	
	4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	●	24	
	4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	●	24	
	4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	●	24	
	4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	●	24	
	4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	●	24	
	4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	●	24	
	4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	●	26-27	
	4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	●		GRI, DJSI, Corporate Governance Services, etc.
	4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	●		Hana Bank joins UNGC, UNEP FI, and etc.
	4.14	List of stakeholder groups engaged by the organization.	●	20-21	
	4.15	Basis for identification and selection of stakeholders with whom to engage.	●	20-21	
	4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	●	20-21	
	4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	●	20-21	

Indicators			Reporting status	Page	
Economic					
Economic Performance	EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	●	14–15	
	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	●	62	
	EC3	Coverage of the organization's defined benefit plan obligations.	●	42	
Market Presence	EC4	Significant financial assistance received from government.	●		N/A
	EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	●		Entry level wage is more than legal minimum wage.
	EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	○		
Indirect Economic Impacts	EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	○		
	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	●	15, 48–55	
	EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	●	54–55	Supporting financially underprivileged, products with public benefits under consideration, etc.
Environmental					
Materials	EN1	Materials used by weight or volume.	●	65	
	EN2	Percentage of materials used that are recycled input materials.	●	65	
Energy	EN3	Direct energy consumption by primary energy source.	●	64	
	EN4	Indirect energy consumption by primary source.	●	64	
	EN5	Energy saved due to conservation and efficiency improvements.	●	64	
Water	EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	●	67	
	EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	○		
	EN8	Total water withdrawal by source.	●	64	
Biodiversity	EN9	Water sources significantly affected by withdrawal of water.	●	64	
	EN10	Percentage and total volume of water recycled and reused.	○		
	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	N/A		Operations where are no conservation list species
	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	N/A		
	EN13	Habitats protected or restored.	N/A		
	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	N/A		
Emissions, effluents and waste	EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	N/A		
	EN16	Total direct and indirect greenhouse gas emissions by weight.	○		
	EN17	Other relevant indirect greenhouse gas emissions by weight.	○		
Products and service	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	○		
	EN19	Emissions of ozone-depleting substances by weight.	●		No emissions
	EN20	NOx, SOx, and other significant air emissions by type and weight.	●		
Compliance	EN21	Total water discharge by quality and destination.	●		
	EN22	Total weight of waste by type and disposal method.	●	67	
	EN23	Total number and volume of significant spills.	●		zero
Transport	EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	N/A		N/A
	EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	N/A		We do not report on this issue as the disclosure of impact is not material to our business.
	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	●	67	
Overall	EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	N/A		
	EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	●		zero
	EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	●	67	
Overall	EN30	Total environmental protection expenditures and investments by type.	●	67	

Indicators			Reporting status	Page	
Labor Practices and Decent Work					
Employment	LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	●	72	
	LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	●	73	
	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	●	42	
Labor/management relations	LA15	Return to work and retention rates after parental leave, by gender.	●	42	
	LA4	Percentage of employees covered by collective bargaining agreements.	●	44	
	LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	●	44	
Occupational health and safety	LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	●	44	
	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	●	73	
	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	●	48–50	
Training and education	LA9	Health and safety topics covered in formal agreements with trade unions.	●	44	
	LA10	Average hours of training per year per employee by gender, and by employee category.	●	73	
	LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	●	42	
Diversity and equal opportunity	LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	●	44	
	LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	●	23	
	LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	●		No discrimination
Human Rights					
Investment and procurement practices	HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	○		
	HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	○		
	HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	●	73	
Non-discrimination	HR4	Total number of incidents of discrimination and corrective actions taken.	●		zero
Freedom of association and collective bargaining	HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	○		
Child labor	HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	●		zero
Prevention of forced and compulsory labor	HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	●		
Security practices	HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	●	73	
Indigenous rights	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	●		zero
Assessment	HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	○		
Remediation	HR11	"Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms."	●		zero
Local communities	SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	●	48	
	SO9	Operations with significant potential or actual negative impacts on local communities.	●	50–52	
	SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	●	50–52	
Corruption	SO2	Percentage and total number of business units analyzed for risks related to corruption.	●		zero
	SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	●	73	
	SO4	Actions taken in response to incidents of corruption.	●		zero
Public policy	SO5	Public policy positions and participation in public policy development and lobbying.	●		zero
	SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	●		zero
Anti-competitive behavior	SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	●		zero
Compliance	SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	●		zero
Product responsibility					
Customer health and safety	PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	●	30–33	
	PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	●		zero
Product and service labeling	PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	●	32–33	
	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	●		zero
	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	●	34–35	
Marketing communications	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	●	32–33	
	PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	●		zero
Customer privacy	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	●		zero
Compliance	PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	●		zero

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# Third Party’s Assurance Report

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To the Readers of Hana Financial Group 2011 Sustainability Report:

**Foreword** | Korea Management Association Registration inc (KMAR) has been requested by Hana Financial Group to verify the contents of its 2011 Sustainability Report (the Report). Hana Financial Group is responsible for the collection and presentation of information included in the Report. Our responsibility is to carry out assurance activities on specific information in the assurance scope stipulated below.

**Our independence** | With the exception of providing third party assurance services, KMAR is not involved in any other Hana Financial Group business operations that are aimed at making profit in order to avoid any conflicts of interest and to maintain independence.

**Assurance scope** | With the exception of providing third party assurance services, KMAR is not involved in any other Hana Financial Group business operations that are aimed at making profit in order to avoid any conflicts of interest and to maintain independence.

Hana Financial Group describes its efforts and achievements of the sustainability activities in the Report. The assurance process is designed to provide readers with the following information:

- Assurance of the economic section:  
Reviews whether the financial performance data has been extracted appropriately from Hana Financial Group’s audit reports and public notification data for the 2011 financial statements as defined in the Report’s performances and conclusion sectors
- Assurance of the environmental and social section:  
Reviews whether the environmental and social information included in the Report is presented appropriately.

“Appropriately presented” means that the actual data and original information are appropriately reflected in the Report with consistency and reliability. For the economic section, we based our evidence-gathering procedures on reasonable assurance. It is a higher level of assurance than that of the limited assurance in terms of characteristics and the extent of performed tasks.

**Assurance standards** | KMAR performed the review based on our own assurance methodology. We also used the International Auditing and Assurance Standards Board-issued “International Standard on Assurance Engagements (ISAE 3000): Assurance Engagements other than Audits or Reviews of Historical Financial Information” as additional guidelines.

**Assurance process** | In order to form our conclusion, the assurance team visited headquarter of Hana Financial Group and followed the steps outlined below to assess Hana Financial Group’s internal processes for reviewing the sustainability-reporting practices.

- Reviewed systems and processes used in producing data
- Assessed internal documents and materials
- Interviewed people in charge of disclosed activities and performances

**Conclusion** | Based on the results we have obtained from material reviews, relevant department visits, and interviews, we had several discussions with Hana Financial Group on the revision of the Report. We reviewed the Report’s final version in order to confirm that our recommendations for improvement and our revisions have been reflected. The assurance result of the reliability of sustainability performance information is as follows:

- Economic performance  
We compared the Report with Hana Financial Group’s 2011 Financial Statements and found that the financial data presented in the Report has been appropriately derived from 2011 Financial Statements.
- Environmental and social performance  
We observed that the information found in the environmental and social sections has been appropriately presented. We did not discover any significant errors.

**Recommendation for improvement** | We hope Hana Financial Group’s publication of the Report is actively used as a communication tool with stakeholders and recommend the following for improvements.

- It seems very desirable that Hana Financial Group published the Group-level sustainability report. This report will help stakeholders more comprehensively understand sustainable development performance of Hana Financial Group. For the presentation of performance information, more efforts should be made to review the levels of information integration in detail so that stakeholders can better understand sustainable development performance of Hana Financial Group.
- Each affiliated subgroup might have different major issues regarding sustainability. It is recommended to report key issues in a more specific way by providing individual sustainable development activities and performance according to the characteristics of each subgroup.
- Keeping the balance between positive and negative information is an important reporting principle that can influence the transparency and reliability in reports. Therefore, it is recommended to make an effort to publish more balanced reports in the future.

June 11, 2012  
Korea Management Association Registration inc. CEO **Ki Ho Park**



Hana Financial Group Deputy President  
Young Ho Lim

Hana Financial Group CSR and Corporate Culture Management Team  
Hana Bank Retail Business Department  
Hana Daetoo Securities Public Relations Department  
Hana SK Card Strategy Planning Team  
Hana Capital Planning and Financial Affairs Team  
Hana HSBC Life Insurance Sales Operations Team  
Hana Institute of Finance Management and administration Team  
Hana Daol Trust Corporate Planning Team  
Hana Daol Fund Managemetn Corporate Planning Team