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Align Partners' Position on 7 Banks' 2023 Year-End Financial Results and Shareholder Return Policy

– The average shareholder return ratio of the 7 banks for FY2023 is 33.7%, which is an increase of 4.2%p this year following last year's 5.2%p increase, and Align Partners' requirements such as the emphasis on per share metrics in the IR materials are reflected... Overall, Align Partners welcomes such changes by the banks

– However, the growth rate of risk-weighted assets averaged 6.1%, exceeding Korea's nominal economic growth rate (about 4%), and it needs to be improved from a more efficient capital allocation perspective

– We will continue to demand banks' management of risk-weighted asset growth (within 3~4% per annum) to achieve the target CET1 ratio of 13.0~13.5% earlier and to return capital exceeding the target CET1 ratio to shareholders

On February 8th, Align Partners (CEO Lee Changhwan), which has been conducting a campaign against 7 listed financial holding companies (hereinafter referred to as "bank holdings" and "banks"; referring to KB, Shinhan, Hana, Woori, JB, BNK, and DGB Financial Group) in Korea to improve capital allocation and shareholder return, announced its position on the 7 banks' 2023 year-end financial results and their newly announced capital allocation and shareholder return policies.

On January 11th, Align Partners sent an open shareholder letter to 7 banks at once, disclosing the status of each bank's compliance status with its capital allocation and shareholder return policies until the 3rd quarter of 2023, and demanded an explanation from the management and reaffirmation of all banks' commitment to comply with their policy. Align Partners pointed out that each bank should make decisions related to shareholder return consistent with the previously announced policy at the year-end board meeting in early February and that some banks had excessive risk-weighted assets growth rate until the 3rd quarter of 2023.

Furthermore, after reviewing each bank's financial results presentation, Align Partners stated that if the banks do not comply with their previously announced policies or do not respond sufficiently to the shareholder letters, the firm would be considering proceeding with shareholder proposals so that the issues can be discussed at the bank's annual shareholders' meeting scheduled in March.

In the 2023 year-end financial results released through February 8th, all 7 banks increased their shareholder return ratios on a YoY basis (an average of 4.2%p) and publicly reaffirmed that they will continue to comply with the capital allocation and shareholder return policies announced last year. In addition, some banks responded faithfully to the issues raised by Align Partners in the open shareholder letter, such as supplementing and re-announcing their previously announced policies, providing sufficient explanations for some deficiencies in policy compliance, and emphasizing per share metrics in their IR presentation materials.

In response, Align Partners gave an overall positive assessment of the announcements of all 7 banks and said that the firm welcomes their effort. However, as outlined in the chart below, there are potential improvements for each bank, and as such, Align Partners stated that the firm will continue to discuss with each bank in the future.

Align Partners' Evaluation and Proposal upon Each Bank's Announcement	
KB Financial Group	· In 2023, in consideration of internal and external uncertainties (ELS, real estate PF, etc.), a significant portion (0.6%p) of the capital exceeding the target CET1 ratio of 13.0% was reserved in-house, but in the future, if there are no special circumstances, KBFG has once again stated that it will actively use the capital exceeding the CET1 ratio of 13.0% as a source of shareholder return, so KBFG's compliance will be closely monitored. · The total asset growth rate (3.9%) was well managed at the level of nominal GDP growth as previously announced, but the risk-weighted asset growth rate (6.3%) needs to be managed more strictly
Shinhan Financial Group	· As the target CET1 ratio of 13.0% has been exceeded as of year-end in 2023, capital exceeding 13% should be used for shareholder return in principle in accordance with the announced policy in 2024, so compliance with the policy will be closely monitored. · The total asset growth rate (4.1%) was well managed at the nominal economic growth rate as previously announced, but the risk-weighted asset growth rate (8.2%) needs to be managed more strictly. After 2024, SHFG must continue to manage asset growth at the level of nominal economic growth.
Hana Financial Group	· Not only in 2024, but also in the future, HFG needs to manage the loan growth rate within the nominal GDP growth rate (about 4~5%) until the current undervaluation is resolved.
Woori Financial Group	· WFG has the lowest CET1 ratio (11.9%) among the four major commercial banks in Korea. Therefore, strict management of risk-weighted asset growth (e.g. less than 3% per annum) is required until the target CET1 ratio (13%) is achieved.
JB Financial Group	· In the current undervaluation situation, JBFG's mid-term risk-weighted asset growth target of 7~8% per annum is not efficient, so until the target CET1 ratio (13%) is achieved, stricter management of RWA growth rate is required as in other banks (e.g. less than 4% per annum). In fact, in FY23, JBFG's risk-weighted asset growth was well managed at 3.8% per annum.
BNK Financial Group	· The CET1 ratio (11.7%) is too low compared to the target ratio (13.5%). As mentioned in the financial results announcement, BNKFG shall strictly manage the risk-weighted asset growth rate in the future and achieve the goal of improving the CET1 ratio by at least 30bp per year.
DGB Financial Group	· The CET1 ratio (11.2%) is too low compared to the target (13.0%). As mentioned in the financial results announcement, the CET1 ratio shall be improved as quickly as possible by managing the risk-weighted assets growth rate through reallocation of risk-weighted assets between bank and non-bank operations.

Commenting on the announcement of the financial results of the 7 banks, CEO Lee Changhwan said, "I highly appreciate the efforts of the domestic banks, as they put in effort to keep their promises with shareholders despite the difficult conditions" and added, "We were able to confirm that the boards of directors of each bank are making sincere efforts to rapidly expand capital capacity and normalize shareholder returns in order to be reborn as a bank that can fulfill its social responsibilities." In addition, he stated, "These developments are a very meaningful result in solving the ‘Korea Discount’, which is a national issue."

On the other hand, Align Partners said that the average total shareholder return ratio (based on decision) of the 7 banks in 2023 was 33.7%, which is a significant improvement from the 24.3% in 2021 just before Align Partners launched its bank campaign. The banks should not be complacent and should achieve the target CET1 ratio (13.0%~13.5%) as soon as possible through continuous and active management of the risk-weighted asset growth rate and use the excess capital for shareholder return to achieve normal shareholder return ratio (at least 50%) of banks in developed countries. To help with this, Align Partners will continue to closely monitor the 7 banks’ compliance with their capital allocation and shareholder return policies and take necessary measures.

For more information on Align Partners’ bank campaign, please visit the campaign website on the shareholder platform Bside at (www.bside.ai/bank).

<Appendix 1> Summary of 2023 Capital Allocation and Shareholder Return of Each Bank

	2023 Asset Growth Rate		CET1 Ratio		2023 Total Shareholder Return Ratio	
	Total Asset Growth Rate	RWA Growth Rate	2023 Year-End CET1 Ratio	Target CET1 Ratio	Decision basis	Fiscal year basis
KBFG	*3.9%*	*6.3%*	*13.6%*	*13.0%*	*38.6%*	*37.5%*
SHFG	*4.1%*	*8.2%*	*13.1%*	*13.0%*	*36.3%*	*36.0%*
HFG	*4.1%*	*8.2%*	*13.2%*	*13.5%*	*37.1%*	*32.7%*
WFG	*3.7%*	*7.5%*	*11.9%*	*13.0%*	*33.7%*	*33.7%*
JBFG	*6.0%*	*3.8%*	*12.2%*	*13.0%*	*33.1%*	*33.1%*
BNKFG	*6.5%*	*2.7%*	*11.7%*	*13.5%*	*28.1%*	*28.6%*
DGBFG	*2.6%*	*6.0%*	*11.2%*	*13.0%*	*28.8%*	*28.8%*
Average	***4.4%***	***6.1%***	***12.4%***	-	***33.7%***	***32.9%***

**Highlighted in red are indicators that Align Partners believes need improvement*

*Decision basis: The share buyback and cancellation plan announced at the time of settlement in February 2024 is included in the shareholder return ratio of 2023, and the share buyback and cancellation plan announced at the time of settlement in February 2023 is excluded from the shareholder return ratio of 2023 (included in the shareholder return rate in 2022)

*Fiscal year basis: The share buyback and cancellation plan announced at the time of settlement in February 2024 will be included in the shareholder return ratio of 2024, and the share buyback and cancellation plan announced at the time of settlement in February 2023 will be included in the shareholder return ratio of 2023.

<Appendix 2> Change in Shareholder Return Ratios of 7 banks during the Last 3 Years

	Total Shareholder Return Ratio (Decision basis)			Total Shareholder Return Ratio (Fiscal year basis)		
	2021A	2022A	2023A	2021A	2022A	2023A
KBFG	*26.0%*	*34.5%*	*38.6%*	*26.0%*	*27.9%*	*37.5%*
SHFG	*26.0%*	*32.8%*	*36.3%*	*26.0%*	*29.9%*	*36.0%*
HFG	*25.6%*	*31.6%*	*37.1%*	*25.6%*	*27.4%*	*32.7%*
WFG	*25.3%*	*26.2%*	*33.7%*	*25.3%*	*26.2%*	*33.7%*
JBFG	*23.0%*	*27.0%*	*33.1%*	*23.0%*	*27.0%*	*33.1%*
BNKFG	*23.0%*	*27.0%*	*28.1%*	*23.0%*	*25.0%*	*28.6%*
DGBFG	*21.2%*	*27.4%*	*28.8%*	*21.2%*	*27.4%*	*28.8%*
Average	***24.3%***	***29.5%***	***33.7%***	***24.3%***	***27.2%***	***32.9%***

<Appendix 3> Key Message in Capital Allocation and Shareholder Return Policy Announced in 2023 Year-End Financial Results Presentation of Each Bank

<table>
<tr><th colspan="2">Key Comments / Message</th></tr>
<tr><td>KB
Financial Group</td><td>· In consideration of internal and external uncertainties (ELS, real estate PF etc.), a significant portion of the capital exceeding the target CET1 ratio (13%) (0.6%p) has been reserved this year, but in the future, unless there is a special reason, the excess capital will be used as a source of active shareholder return.
· Respond positively to the government's announcement of the "Corporate Value Up Program"</td></tr>
<tr><td>Shinhan
Financial Group</td><td>· Reset target CET1 ratio to 13% (up from 12%). Otherwise, no change to existing policy.
· Plan loan growth in consideration of the nominal GDP growth rate level in 2024</td></tr>
<tr><td>Hana
Financial Group</td><td>· Manage 2024 loan growth rate within the nominal GDP growth rate (about 4~5%).</td></tr>
<tr><td>Woori
Financial Group</td><td>· Asset growth: Proactive risk-weighted asset management considering RoRWA, through means such as asset portfolio improvement
· Capital ratio: Reset target CET1 ratio to 13.0% (up from 12.0%)
· Shareholder return: Announcement of total shareholder return ratio based on CET1 ratio range
➢ CET1 ratio 11.5~13.0%: Total shareholder return ratio 30~35%
➢ CET1 ratio above 13.0%: Aim for total shareholder return ratio above 35%; Final target ratio is 50%.
· In 2024, DPS will rebound to the level of 2022 and will continue to increase.
· Plan to purchase 1.24% of WFG stake from Korea Deposit Insurance Corporation in 2024 and cancel all of it.</td></tr>
<tr><td>JB
Financial Group</td><td>· Manage risk-weighted asset growth rate at a 3-year average level of 7~8% per annum in principle. No change in target CET1 ratio of 13.0% and other capital allocation and shareholder return policy.
· Final decision to implement quarterly dividends (3 times a year excluding final dividends) beginning from 2024.
· There is a plan to buy back shares in the future, and stock buyback is premised on cancellation of shares; the specific amount will be discussed by the board of directors at a later date.</td></tr>
<tr><td>BNK
Financial Group</td><td>· Aim to improve profitability by controlling risk-weighted asset growth; target CET1 ratio of 13.5% remains unchanged from the previous year, but aim to improve CET1 ratio by at least 30bp per year.
· Target dividend ratio of 50% resolved by the board of directors, and regular interim dividend and stock buyback retirement is planned.
· Decision to buy back KRW 13 billion worth of shares, aiming to increase DPS on the premise of recovering net income</td></tr>
<tr><td>DGB
Financial Group</td><td>· Plan to manage CET1 ratio through reduction of risk-weighted assets in the non-banking sector, including the promotion of reallocation of risk-weighted assets between banks and non-banks operations.
· Maintain target CET1 ratio of 13.0%. CET1 rate of 12.0% is expected to be reached in 3~4 years.
· Additional share buybacks will be actively carried out throughout the year (buyback amount internally expected to increase from the previous year's</td></tr>
</table>

	share buyback of KRW 20 billion). Plan to cancel the repurchased shares, but stock exchange worth as much as the non-controlling interest is also considered (the decision will be made in the best interest of shareholders). · Potential implementation of interim dividend will be communicated transparently through future disclosure