

HANA FINANCIAL GROUP INC.

U.S. RESOLUTION PLAN

PUBLIC SECTION

DECEMBER 2016

This document may contain forward-looking statements to provide explanations of Hana Financial Group's businesses and results of operations. These forward-looking statements reflect our current views with respect to future events and performance, and are generally identified by the use of forward-looking terminology, such as "expect", "plan", "intend", and similar expressions. You are cautioned not to place undue reliance in these forward-looking statements, which reflect management's current analysis of future events. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

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1. Introduction

U.S. resolution plan rules

In September 2011, the Federal Deposit Insurance Corporation (“FDIC”) and the Board of Governors of the Federal Reserve System (“FRB”) issued a final rule (“Joint Rule”) implementing Section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. This rule requires foreign banking organizations that are treated as bank holding companies (“BHCs”) under Section 8(a) of the International Banking Act with total global consolidated assets of U.S. \$50 billion or more to submit periodically to the FRB and the FDIC a plan for the rapid and orderly resolution in the event of material distress or failure of the U.S. operations of the BHC.

Because Hana Financial Group Inc. (“HFG”) and, together with its subsidiaries, the “Group”) is a BHC under the International Banking Act, it has prepared this resolution plan (the “U.S. Resolution Plan”) in accordance with the Joint Rule. All information provided in the U.S. Resolution Plan is as of December 31, 2015 unless specified otherwise.

Overview of HFG’s Global Operations

HFG is a publicly-traded financial holding company established and organized under the Financial Holding Companies Act of Korea with its head office in Seoul, Korea. HFG offers a diverse line of financial products and services through its numerous subsidiaries, including KEB Hana Bank. In September 2015, HFG merged two of its subsidiaries, Korea Exchange Bank (“KEB”) and Hana Bank, into KEB Hana Bank. The integration was completed on September 2015. Based on total asset value, HFG is the third largest financial group in Korea as of December 31, 2015. In addition, the Group has the largest overseas network among Korean financial service providers. *The Banker* (published by the Financial Times on July 1, 2015) ranked HFG as the 82nd largest (based on Tier 1 capital) and the 84th largest (based on total assets) financial institution in the world. As of December 31, 2015, HFG’s consolidated assets totalled approximately KRW 326.9 trillion (U.S. \$278.9billion) and its consolidated liabilities (including deposits) totalled approximately KRW 303.9 trillion (U.S. \$259.3 billion).¹

In 2014, HFG drew up a new strategic vision, 'The Trusted Premier Global Financial Group', together with its executives and employees. Pursuant to this vision, the Group took steps to improve customer satisfaction and enhance shareholder value in the face of challenging economic environments at home and abroad. In 2015, HFG continued to move forward with its vision, creating synergies and improving upon its competencies in banking, securities, credit card, insurance, retail financing and overseas business. To rise above the challenge of the low interest rate environment and to grow into a premier global financial group, HFG will further strengthen its competitive advantages in the non-banking sector and overseas business, both of which continue to possess relatively high growth potential.

¹ US dollar figures were converted from the numbers in HFG’s financial statements as of December 31, 2015, using an exchange rate of 1,172.00 KRW/USD, which was the spot exchange rate at the beginning of December 31, 2015. For the sake of consistency, all figures in the U.S. Resolution Plan originally denominated in Korean Won were converted into US dollars using the same spot exchange rate.

U.S. Operations

HFG operates in the U.S. through the New York Agency of KEB Hana Bank (the “KEB Hana NY Agency”), KEB Hana NY Financial Corp. (“KEB NY”),² KEB Hana LA Financial Corp. (“KEB LA”),³ and BNB Hana Bank, National Association (“BNB Hana Bank”) which is held by Hana Bancorp, Inc. (“HBC”) as of end of 2015.⁴ The KEB Hana NY Agency engages primarily in wholesale banking services. KEB NY and KEB LA engage primarily in various corporate lending and trade financing activities. As described in the 2013 U.S. Resolution Plan, on August 30, 2013, HFG acquired 52.3% of BNB Financial Services Corporation, now known as Hana Bancorp, Inc. (“HBC”), a bank holding company whose U.S. subsidiaries include BNB Hana Bank, BNB Real Estate Holding, BNB Funding Corp., and BNB Statutory Trust I (which are referred to as the “HBC Non-bank Subsidiaries”), and through subsequent tender offers, HFG’s ownership interest in HBC increased to 75.35% as of end of 2015. BNB Hana Bank engages primarily in lending activities to small and medium sized enterprises and those involving commercial real estate, BNB Real Estate Holding holds title to foreclosed real estate assets to limit risk exposure to BNB Hana Bank, BNB Funding Corp. invests in real estate mortgage loans as a qualified mortgage REIT, and BNB Statutory Trust I underwrites subordinated debentures issued by HBC. HFG transferred its ownership of HBC to KEB Hana Bank, a wholly owned, direct subsidiary of HFG in March 2016 in connection with internal corporate rearrangement of companies within the corporate structure of HFG and, through an additional capital increase in March 2016, KEB Hana Bank’s ownership interest in HBC increased to 90.56% as of November 2016.

2. Core Business Lines

The Joint Rule defines Core Business Lines (“CBLs”) as those business lines of the covered company, including associated operations, services, functions and support, that, upon failure, would result in a material loss of revenue, profit or franchise value. Under the Joint Rule, because HFG is a foreign banking organization, the scope of the CBL analysis is limited to those operations conducted in whole or material part in the United States. HFG has determined that none of its U.S. operations satisfies the Joint Rule’s definition of a CBL for U.S. resolution planning purposes.

3. Material Entities

The Joint Rule defines Material Entities (“MEs”) as those legal entities of HFG that are significant to the activities of a CBL or critical operation. Under the Joint Rule, because HFG is a foreign banking organization, the scope of the ME analysis is limited to those entities domiciled, or who conduct operations in whole or material part, in the United States. Because HFG has no CBLs or critical operations in the United States under the Joint Rule, none of its U.S. entities are MEs under the Joint Rule.

4. Summary of financial information regarding assets, liabilities, capital and major funding sources

The following table summarizes the consolidated balance sheet of HFG as of December 31, 2015.⁵

² The corporate name of “KEB NY Financial Corp” was changed to “KEB Hana NY Financial Corp” on October 21, 2015.

³ HFG received regulatory approval to change the name of “KEB LA Financial Corp.” to “KEB Hana LA Financial Corp.” in December 2015.

⁴ KEB USA International Corp. (“KEB USA”) surrendered its money transmitter license to the New York State Department of Financial Services (the “NYDFS”) in September 2015 and ceased operating as a representative office for KEB Hana Bank as of September 2015. The voluntary liquidation of KEB USA was completed as of October 2016, at which point its status as a representative office of KEB was terminated.

⁵ The applicable KRW/USD exchange rate is 1,172.00.

Consolidated Balance sheet of HFG
(as of December 2015)

(Unit: millions of Korean Won)

Assets	Amount
Cash and due from banks	19,745,776
Financial assets held for trading	18,580,780
Financial assets designated at fair value through profit or loss	1,414,424
Available-for-sale financial assets	37,701,159
Held-to-maturity investments	5,616,734
Loans receivable	221,336,818
Derivative assets used for hedging purposes	65,442
Investments in associates and joint ventures	1,155,939
Property and equipment	2,873,575
Investment property	674,774
Intangible assets	1,091,866
Deferred income tax assets	56,616
Current tax assets	85,326
Non-current assets held for sale	415
Other assets	16,513,064
Total assets	326,912,708
Liabilities	Amount
Financial liabilities held for trading	5,753,318
Financial liabilities designated at fair value through profit or loss	8,037,863
Deposits	206,810,358
Borrowings	22,202,136
Debentures	30,008,472
Derivative liabilities used for hedging purposes	43,008
Post-employment benefit obligation	161,925
Provisions	338,772
Deferred income tax liabilities	392,623
Current tax liabilities	14,579
Other liabilities	30,177,910
Total liabilities	303,940,964
Equity	Amount
Issued capital	1,480,015
Hybrid equity securities	742,890

Capital surplus	10,464,530
Capital adjustments	-13,232
Accumulated other comprehensive income	-6,382
Retained earnings	9,481,847
Equity attributed to the equity holders of the parent	22,149,668
Non-controlling shareholders' equity	822,076
Total equity	22,971,744
Total liabilities and equity	326,912,708

The following table summarizes the capital ratios of HFG and KEB Hana Bank as of December 31, 2015.⁶

	HFG	KEB Hana Bank
BIS Capital Ratio (actual)	13.31%	14.65%
Tier 1 Capital Ratio (actual)	10.43%	11.48%

5. Derivatives and hedging activities

None of HFG's U.S. entities and offices is a party to any swaps, repurchase agreement, or derivative transactions, and therefore, HFG does not have any exposure related to such activities in connection with its U.S. operations.

6. Memberships in material payment, clearing and settlement systems

HFG uses payment, settlement and clearing systems to conduct its operations and meet customer needs. In particular, the KEB Hana NY Agency and BNB Hana Bank use the Fedwire Funds Service and the Society for Worldwide Interbank Financial Telecommunication ("SWIFT") messaging service while KEB NY and KEB LA use the SWIFT messaging service. These systems are used by HFG's U.S. operations to facilitate customer payment services and to support the U.S. operations' financial market activities.

7. Foreign operations

As of December 31, 2015, HFG has a presence in 134 locations over 24 countries across six continents. HFG has the largest and the most extensive Korean headquartered global banking and finance network.

HFG pursues a continuous expansion of its global network and formation of strategic partnerships with overseas financial institution.

In 2015, KEB Hana established new branches in Chennai, India and in Hochiminh, Vietnam, as well as a representative office in Mexico City. Hana and KEB's existing bank branches in Singapore, Hong Kong, and Tokyo have been integrated after the completion of the aforementioned integration of Hana Bank and KEB.

⁶ In September 2015, HFG merged two of its subsidiaries, Korea Exchange Bank and Hana Bank, into KEB Hana Bank.

8. Material supervisory authorities

HFG is subject to the laws and regulations that are a condition for authorization to conduct banking and financial services business in each country of incorporation and operation. These requirements are largely prescribed on a jurisdictional basis by the applicable government, central bank, regulatory authorities or other applicable bodies.

HFG and KEB Hana Bank are regulated by the Korean Financial Services Commission and Financial Supervisory Service. KEB Hana Bank is also regulated by the Korean Ministry of Strategy and Finance and Financial Services Commission in connection with their foreign exchange businesses. Because HFG is a foreign banking organization treated as a bank holding company, the FRB has general regulatory oversight over HFG and its U.S. entities in connection with their U.S. operations. The KEB Hana NY Agency is principally regulated by the NYDFS. KEB LA is licensed and regulated by California State Division of Corporations. BNB Hana Bank is principally regulated by the Office of the Comptroller of the Currency and the FDIC.

9. Principal officers

Information regarding HFG's Board of Directors is presented in the following table.

(As of Sep. 2016)

HFG BOARD OF DIRECTORS		
Standing Directors		
Name	Appointed	Title
Jung-tai Kim	2012	Chairman and CEO (HFG)
Byoung-ho Kim	2016	Vice Chairman (HFG)
Young-joo Ham	2016	Vice Chairman (HFG)
Independent Directors		
Name	Appointed	Title
Jong-nam Yoon	2014	Chairman of the Board of Directors
Moon-kyu Park	2013	Independent Director
Ki-jin Song	2014	Independent Director
In-bae Kim	2014	Independent Director
Eun-joo Hong	2015	Independent Director
Sung-bock Yoon	2015	Independent Director
Won-keun Yang	2015	Independent Director
Won-koo Park	2016	Independent Director

Information regarding HFG’s principal management is presented in the following table.

(As of Sep. 2016)

HFG PRINCIPAL MANAGEMENT	
Name	Title
Jung-tai Kim	Chairman and CEO (HFG)
Byoung-ho Kim	Vice Chairman (HFG) (Corporate Center)
Young-joo Ham	Vice Chairman (HFG) (Change Management Unit) President and CEO (KEB HANA Bank) (Change Management Unit)
Je-bong Yoo	Deputy President (HFG) (Chief Global Strategy Officer)
Jun-sung Han	Senior Executive Vice President (HFG) (Chief Future Innovation Officer)
Gil-joo Kwon	Senior Executive Vice President (HFG) (Chief Compliance Officer)
Kyung-hoon Chang	Senior Executive Vice President (Chief Strategy Officer, Head of Management Support Office)
Oh-dae Kwon	Senior Executive Vice President (HFG) (Chief Information Officer)
Hyo-sang Hwang	Senior Executive Vice President (HFG) (Chief Risk Officer)
Yeong-keun Ann	Senior Vice President (HFG) (Chief Change Management Officer)
Cheol-seung Kwark	Executive Vice President (HFG) (Chief Financial Officer)
Tae-Kyun Oh	Executive Vice President (HFG) (Chief Human Resource Officer)
Byeong-chan Seo	Executive Vice President (HFG) (Chief Operations Officer)
Hoo-seung Lee	Executive Vice President (HFG) (Chief Internal Audit Officer)

10. Resolution planning corporate governance structure and processes related to resolution planning

Currently, the only resolution planning requirement to which HFG is subject is the U.S. resolution planning requirement in the Joint Rule. Accordingly, HFG’s resolution planning governance in 2016 was focused on the proper preparation and timely submission of the U.S. Resolution Plan.

In 2016, HFG’s Global Strategy Team (“GST”) was responsible for providing coordination and consistency in preparing the U.S. Resolution Plan. It received assistance from HFG’s Compliance Team and from overseas executives from KEB Hana Bank. The GST was responsible for preparing and gathering data and reviewing an initial draft of the U.S. Resolution Plan. Data related to U.S. operations was provided by Hana’s U.S. Working Group. The U.S. Working Group included the Agent and General Manager of KEB Hana NY Agency, the President and CEO of KEB Hana’s U.S. subsidiaries, and the President and CEO of BNB Hana Bank.

After the GST prepared and reviewed the preliminary U.S. Resolution Plan, it was presented for review to the U.S. Resolution Plan Steering Committee. The U.S. Resolution Plan Steering Committee is comprised of the Chief Financial Officer, Chief Risk Officer, Chief Global Strategy Officer (“CGSO”) and other executives in charge of overseas operation. On December 16, 2016, after a careful review of the draft U.S. Resolution Plan and the governance organization that prepared the U.S. Resolution Plan, the CGSO, who has been granted delegation of authority from the HFG board of directors, approved the U.S. Resolution Plan, subject to non-material changes made by the GST as necessary to finalize and submit the U.S. Resolution Plan.

11. Material management information systems

HFG has robust operational and management information systems to monitor the financial health and risk, and support the operations, of its global operations. The KEB Hana NY Agency relies on a system developed by KEB Hana Bank while the KEB Hana entities rely on a system developed by KEB Hana to support their respective day-to-day operations. BNB Hana Bank relies on a system purchased from a specialized company in accordance with guidelines set by relevant regulatory agencies. These systems are used for credit and market risk management, banking and trading transaction recordkeeping, trade reporting, middle office processing, and client and referential data maintenance and analysis. HFG's management information systems are a combination of customized commercial systems and custom systems developed in-house.

12. Resolution strategy summary

Because it does not have MEs or CBLs under the Joint Rule, HFG's U.S. Resolution Plan is not required to provide a detailed strategy for the resolution of its U.S. entities and operations in the event of its failure. Nonetheless, HFG's U.S. Resolution Plan does include a high-level discussion of the insolvency of its U.S. entities under applicable U.S. insolvency law in order to provide context to HFG's determination that it does not have CBLs, critical operations, or MEs, and that its failure would not pose risks to U.S. financial stability.

The KEB Hana NY Agency would be subject to liquidation proceedings overseen by the Superintendent of the NYDFS ("Superintendent") pursuant to Article 13 of the New York Banking Law. Upon its seizure by the Superintendent, the property of the KEB Hana NY Agency would be "ring fenced," meaning that title to all property on the books of the KEB Hana NY Agency, wherever located, and all property of KEB Hana Bank situated in New York, would immediately vest with the Superintendent. The Superintendent would use the ring-fenced assets to satisfy the claims of unaffiliated creditors of the KEB Hana NY Agency and would return any remaining assets to KEB Hana Bank or its insolvency estate.

HBC, the HBC Non-bank Subsidiaries, KEB NY and KEB LA would each be eligible for resolution under either Chapter 11 or Chapter 7 of the Bankruptcy Code. Depending on acquirer interest, it may be possible to sell substantially all of the assets and operations of some or all of these entities to one or more buyers in expedited sales under Section 363 of the Bankruptcy Code. In the absence of such sales, HFG expects these entities would be wound-down in an orderly manner and liquidated. BNB Hana Bank would be resolved under the Federal Deposit Insurance Act by the FDIC, following its appointment as receiver, through an immediate whole bank purchase and assumption ("P&A") transaction transferring its operations to another bank or a transfer to a bridge bank and a subsequent sale of the operations to another bank through a whole bank P&A transaction.