



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 18, 2015

Derek M. Bush, Esq.
Clearly Gottlieb Steen & Hamilton LLP
2000 Pennsylvania Avenue, N.W.
Washington, D.C. 20006-1801

Dear Mr. Bush:

The Board has reviewed the elections filed by KB Financial Group Inc. (“KBFG”) and its subsidiary bank, Kookmin Bank, both of Seoul, Korea, to be treated as financial holding companies (“FHCs”) pursuant to sections 4(k) and 4(l) of the Bank Holding Company Act of 1956, as amended (“BHC Act”),¹ and sections 225.82 and 225.91 of the Board’s Regulation Y.²

Kookmin Bank operates a state-licensed branch in New York, New York (“New York Branch”). Accordingly, each of KBFG and Kookmin Bank is a foreign banking organization that is treated as a bank holding company under the BHC Act.

KBFG and Kookmin Bank have certified that they are well capitalized and well managed pursuant to section 4(l) of the BHC Act, as amended by section 606(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank Act”).³

The Board has reviewed the capital levels and management of KBFG and Kookmin Bank, and the ROCA rating for the New York Branch.⁴ The Board has also confirmed that KBFG’s and Kookmin Bank’s home country supervisor, the Financial Supervisory Service of Korea (“FSS”), does not object to KBFG’s and Kookmin Bank’s

¹ 12 U.S.C. §§ 1843(k) and (l).

² 12 CFR 225.82 and 225.91.

³ Pub. L. No. 111-203, 124 Stat. 1376. Section 606(a) of the Dodd-Frank Act amended the BHC Act to require a bank holding company to be well capitalized and well managed in order to become an FHC.

⁴ Currently, the U.S. operations of KBFG and Kookmin Bank consist solely of the New York Branch.

expansion of activities in the United States to include activities permissible for an FHC.⁵ The Board has previously determined that the FSS exercises comprehensive consolidated supervision over Korean financial holding companies and banks.⁶ KBFG and Kookmin Bank have represented that they are supervised by the FSS on substantially the same terms and conditions as those other banks.

In evaluating the capital levels and management of KBFG and Kookmin Bank, the Board is required to apply standards comparable to those applied to U.S. companies seeking to be financial holding companies, giving due regard to the principle of national treatment and equality of competitive opportunity.⁷ This evaluation includes a review of the factors set forth in section 225.92(e) of Regulation Y.⁸

Based on all the facts of record, the Board has determined that KBFG and Kookmin Bank are well capitalized,⁹ well managed, and subject to comprehensive supervision on a consolidated basis by the FSS.¹⁰ The Board, therefore, has determined that the elections by KBFG and Kookmin Bank to be treated as FHCs are effective as of the date of this letter. In taking this action, the Board relied on all the representations and commitments that KBFG and Kookmin Bank made to the Board in connection with their elections. These representations and commitments are conditions imposed in writing and, as such, may be enforced under applicable provisions of law.

The Board's determination is conditioned on compliance by KBFG and Kookmin Bank with any future final rule implementing section 606(a) of the Dodd-Frank Act. In addition, KBFG and Kookmin Bank may continue to claim the benefits of FHC status as long as KBFG, Kookmin Bank, and their U.S. operations each remain well capitalized and well managed in accordance with the standards set forth in section 4(l) of the BHC Act, as amended by section 606(a) of the Dodd-Frank Act, and the Board's

⁵ See 12 CFR 225.90(c)(2).

⁶ See Hana Financial Group Inc., FRB Order No. 2013-4 (August 14, 2013).

⁷ 12 U.S.C. § 1843(l)(3).

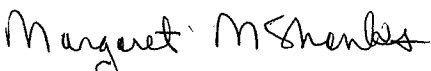
⁸ 12 CFR 225.92(e).

⁹ See Letter dated May 7, 2013, from the Board to William Haney, Esq., Joint General Manager and General Counsel, Americas Division, Sumitomo Mitsui Banking Corporation, approving the elections by Sumitomo Mitsui Financial Group, Inc., and its subsidiary, Sumitomo Mitsui Banking Corporation, both of Tokyo, Japan, to become financial holding companies.

¹⁰ In determining that KBFG and Kookmin Bank are subject to comprehensive supervision on a consolidated basis, the Board took into consideration certain planned changes in the Korean supervisory process.

Regulation Y.¹¹ Accordingly, KBFG and Kookmin Bank must provide notice to the Federal Reserve Bank of New York when they become aware that they or their U.S. operations cease to be well capitalized or well managed. Moreover, KBFG and Kookmin Bank may not commence any additional activities under sections 4(k) or 4(n) of the BHC Act,¹² or acquire control of a company engaged in activities under those sections, if they fail to meet applicable capital and management requirements.¹³ KBFG and Kookmin Bank are required to submit form FR Y-7Q quarterly.

Sincerely yours,


Margaret McCloskey Shanks
Deputy Secretary of the Board

cc: Ivan J. Hurwitz, Vice President
Federal Reserve Bank of New York

¹¹ 12 CFR 225 Part I.

¹² 12 U.S.C. §§ 1843(k) and (n).

¹³ See 12 CFR 225.83.