



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

SCOTT G. ALVAREZ
GENERAL COUNSEL

March 24, 2016

William S. Eckland, Esq.
Sidley Austin LLP
1501 K Street, N.W.
Washington, D.C. 20005

Dear Mr. Eckland:

This responds to your letter on behalf of Hana Financial Group, Inc. (“Hana Financial”), Seoul, Republic of Korea, requesting a determination that an application under the Bank Holding Company Act of 1956 (“BHC Act”) would not be required in connection with a corporate reorganization by Hana Financial through which Hana Financial would transfer its ownership of Hana Bancorp, Inc. (“Hana Bancorp”), New York, New York, to KEB Hana Bank (“KEB Hana”), a foreign banking organization headquartered in Seoul, Republic of Korea, and a wholly owned, direct subsidiary of Hana Financial. KEB Hana operates an agency and three wholly owned subsidiaries in the United States and is a qualifying foreign banking organization under Regulation K that is subject to the BHC Act and the International Banking Act.¹ BNB Hana Bank, National Association (“BNB Hana Bank”), Fort Lee, New Jersey, is a direct subsidiary of Hana Bancorp, and KEB Hana Bank would be a registered bank holding company due to its indirect ownership of BNB Hana Bank.

The proposed transaction is an internal corporate rearrangement of companies within the Hana Financial corporate structure. The proposed transaction would involve Hana Financial transferring its ownership of 71.37 percent of common equity in Hana Bancorp to KEB Hana, thereby interposing KEB Hana as a holding company between Hana Financial and Hana Bancorp. As a result, Hana Bancorp would become a wholly owned subsidiary of KEB Hana and KEB Hana would register as a bank holding company.²

¹ See Korea Exchange Bank, FRB Order No. 2015-31 (October 27, 2015).

² In connection with this reorganization, KEB Hana would assume Hana Financial’s obligation to buy additional common equity of Hana Bancorp from the remaining minority shareholders pursuant to Hana Financial’s tender offer of September 15, 2015.

Section 3 of the BHC Act requires an application to the Board before any action can be taken that causes any company to become a bank holding company. Through the proposed transaction, Hana Financial would cause KEB Hana to become a bank holding company. Accordingly, KEB Hana would be required to obtain the Board's approval under section 3 of the BHC Act and Regulation Y before acquiring Hana Bancorp.

In certain circumstances, however, the Board's rules provide that a bank holding company may transfer control of a subsidiary holding company between one subsidiary holding company and another subsidiary holding company without the Board's prior approval under section 3. Specifically, section 225.12(d)(3) of the Board's Regulation Y provides that a bank holding company need not receive the Board's approval for this type of corporate reorganization where it occurs in the United States and meets certain other criteria.³ While section 225.12(d)(3) does not apply to transactions that, as here, occur partly outside the United States, your proposal is consistent with the purposes of section 225.12(d)(3) of the Board's Regulation Y.

The transaction represents solely a corporate reorganization involving companies and an insured depository institution that, both preceding and following the transaction, are lawfully controlled and operated by Hana Financial. Specifically, the transaction involves only the transfer of Hana Bancorp to KEB Hana, a company controlled by Hana Financial, both of which have previously been determined by the Board to be subject to comprehensive consolidated supervision with capital equivalent to capital that would be required of a U.S. banking organization.⁴ The transaction does not involve the acquisition of additional voting shares of an insured depository institution that, prior to the transaction, was less than majority-owned by Hana Financial. The U.S. financial operations would continue to be held by Hana Financial through a U.S.-domiciled holding company. The transaction does not raise any supervisory or regulatory concerns, including concerns related to access to information, and does not require any individual or company to enter into new commitments with the Board. In addition, both before and after the transaction, KEB Hana would have capital equivalent to capital that would be required of a U.S. banking organization.

After consultation with staff in the Division of Banking Supervision and Regulation, the Legal Division believes that no regulatory purpose would be served by requiring KEB Hana to file a formal application under section 3 of the BHC Act in connection with the proposed internal reorganization.⁵ This opinion is based on all the facts and representations presented to Federal Reserve staff. Any material change in those

³ 12 CFR 225.12(d)(3).

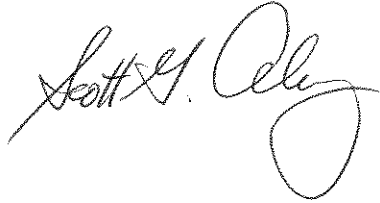
⁴ See Korea Exchange Bank, FRB Order No. 2015-31 (October 27, 2015).

⁵ This does not relieve KEB Hana from the requirement to complete the registration requirements described in section 225.5 of Regulation Y (12 CFR 225.5).

facts or representations should be communicated to Federal Reserve staff promptly and may cause this opinion to be reconsidered. This opinion also is limited to this proposed transaction and does not apply to any other transaction.

If you have any questions regarding this matter, please contact Flora Ahn (202-452-2317) of my staff.

Sincerely,

A handwritten signature in cursive script, appearing to read "Scott E. O'Leary". The signature is written in black ink and is positioned below the word "Sincerely,".