



HANA FINANCIAL GROUP INC.

U.S. RESOLUTION PLAN

PUBLIC SECTION

DECEMBER 2018

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, 2017 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 2016 and 2017, HFG voluntarily wound down and terminated three U.S. non-banking subsidiaries: BNB Statutory Trust I, BNB Real Estate Holding, LLC, and BNB Funding Corp. HFG transferred its ownership interest in Hana Bancorp, Inc. (“HBC”), a bank holding company, to KEB Hana Bank in March 2016, with the ownership interest being increased to 90.56% through an additional capital increase. Based on total asset value, HFG is the fourth largest financial group in Korea as of December 31, 2017. In addition, the Group has the largest overseas network among Korean financial service providers. *The Banker* (published on July 2, 2018) ranked HFG as the 79th largest (based on Tier 1 capital) financial institution in the world. As of December 31, 2017, HFG’s consolidated assets totalled approximately KRW 360 trillion (U.S. \$336.1 billion) and its consolidated liabilities (including deposits) totalled approximately KRW 335.3 trillion (U.S. \$312.9 billion).¹

In 2014, HFG drew up a 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. HFG continues 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, 2017, using an exchange rate of 1,071.4 KRW/USD, which was the spot exchange rate at the beginning of December 31, 2017. 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”), KEB Hana LA Financial Corp. (“KEB LA”) and KEB Hana Bank USA, N.A. (“KEB Hana USA”), which is held by Hana Bancorp, Inc. (“HBC”), a bank holding company. HFG transferred its ownership interest in HBC to KEB Hana Bank in March 2016, with its ownership interest being increased to 90.56% through an additional capital increase. 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. KEB Hana USA engages primarily in lending activities to small and medium sized enterprises and those involving commercial real estate.

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, 2017.²

² The applicable KRW/USD exchange rate is 1,071.4/1.

Consolidated Balance sheet of HFG
(as of December 2017)

(Unit: millions of Korean Won)

Assets	Amount
Cash and due from banks	21,850,692
Financial assets held-for-trading	22,704,104
Financial assets designated at fair value through profit or loss	1,292,758
Available-for-sale financial assets	46,921,429
Held-to-maturity investments	7,392,100
Loans receivable	238,943,185
Derivative assets used for hedging purposes	23,724
Investments in associates and joint ventures	1,073,578
Property and equipment	2,651,551
Investment property	976,572
Intangible assets	823,856
Net defined benefit assets	44,545
Deferred income tax assets	150,533
Current tax assets	10,868
Non-current assets held for sale	439,324
Other assets	14,790,530
Total assets	360,089,349
Liabilities	Amount
Financial liabilities held-for-trading	7,834,600
Financial liabilities designated at fair value through profit or loss	8,819,336
Deposits	232,166,153
Borrowings	18,791,895
Debentures	36,444,451
Derivative liabilities used for hedging purposes	71,797
Net defined benefit liability	25,573
Provisions	384,102
Deferred income tax liabilities	144,676
Current tax liabilities	678,253
Other liabilities	29,900,569
Total liabilities	335,261,405
Equity	Amount
Issued capital	1,480,015
Hybrid equity securities	443,769
Capital surplus	10,463,033

Capital adjustments	-15,049
Accumulated other comprehensive income	-765,642
Retained earnings	12,267,565
Equity attributed to the equity holders of the parent	23,873,691
Non-controlling shareholders' equity	954,253
Total equity	24,827,944
Total liabilities and equity	360,089,349

The following table summarizes the capital ratios of HFG and KEB Hana Bank as of December 31, 2017.

	HFG	KEB Hana Bank
BIS Capital Ratio (actual)	14.97%	15.98%
Tier 1 Capital Ratio (actual)	13.29%	13.56%

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, KEB Hana NY Agency uses the Fedwire Funds Service as well as the Society for Worldwide Interbank Financial Telecommunication ("SWIFT") messaging service, while KEB Hana USA uses the Fedwire Funds 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, 2017, HFG has a presence in 158 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 2017, KEB Hana established new branches in Indonesia.

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. KEB Hana USA 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 December 31, 2017)

HFG BOARD OF DIRECTORS		
Standing Directors		
Name	Appointed	Title
Jung-tai Kim	2012	Chairman and CEO (HFG)
Byoung-ho Kim	2016	Vice Chairman (HFG) (Management Planning Unit)
Young-joo Ham	2016	Vice Chairman (HFG) (Management Support Unit)
Independent Directors		
Name	Appointed	Title
Jong-nam Yoon	2013	Chairman of the Board of Directors
Ki-jin Song	2014	Independent Director
In-bae Kim	2014	Independent Director
Sung-bock Yoon	2015	Independent Director
Won-keun Yang	2015	Independent Director
Won-koo Park	2016	Independent Director
Eun-young Chah	2017	Independent Director

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

(As of December 31, 2017)

HFG PRINCIPAL MANAGEMENT	
Name	Title
Jung-tai Kim	Chairman and CEO (HFG)
Byoung-ho Kim	Vice Chairman (HFG) (Management Planning Unit)
Young-joo Ham	Vice Chairman (HFG) (Management Support Unit)
Je-bong Yoo	Deputy President (HFG) (Chief Global Strategy Officer)
Jun-sung Han	Deputy President (HFG) (Chief Future Innovation Officer)
Seong-muk Kang	Senior Executive Vice President (HFG) (Chief Human Resource Officer)
Cheol-seung Kwark	Senior Executive Vice President (HFG) (Chief Financial Officer, Chief Strategy Officer)
Gil-joo Kwon	Senior Executive Vice President (HFG) (Head of Management Support Office)
Yeong-keun Ann	Senior Executive Vice President (HFG) (Chief Change Management Officer)
Si-wan Yoo	Senior Executive Vice President (HFG) (Chief Information Officer)
Hyo-sang Hwang	Senior Executive Vice President (HFG) (Chief Risk Officer)
Yi-Soon Kang	Executive Vice President (HFG) (Chief Operations Officer)
Heui-dae Kim	Executive Vice President (HFG) (Chief Compliance 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 2018 was focused on the proper preparation and timely submission of the U.S. Resolution Plan.

In 2018, 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 KEB Hana USA.

After the GST prepared and reviewed the preliminary U.S. Resolution Plan, it was presented for review to the Chief Global Strategy Officer (“CGSO”) and the U.S. Resolution Plan Steering Committee. The U.S. Resolution Plan Steering Committee is comprised of the CFO, Chief Risk Officer, CGSO and other executives in charge of overseas operation. On December [], 2018, 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.

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. KEB Hana USA 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, 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. KEB Hana USA 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.