



24

**STRENGTH
IN OUR VALUES**

WOORI BANK 2014 ANNUAL REPORT

365

W O O R I

CONTENTS

01

WOORI STORY

Message from the CEO	012
Company Structure	016
Financial Highlights	017
Board Of Directors & Management	018
Corporate Governance	020
News Highlights	022
Customer Story	024
Woori Bank's Awards 2014	032

33

BECOMING THE WORLD BEST TO LEAD

Global Business	036
International Trade Business	038
Financial Market Business	040

43

PROVIDING OPPORTUNITIES TO GROW

Smart Banking	046
Corporate Banking	048
SME Banking	050
Institutional Banking	052
Investment Banking	055

57

ENHANCING OPENNESS TO SERVE

Real Estate Finance	060
Pension & Trust Business	062
Wealth Management (WM)	064
Consumer Banking	066

69

IMPROVING RELIABILITY TO SECURE

Risk Management	072
Ethical Management	075
Consumer Protection	077

79

BUILDING INTEGRITY TO SHARE

Social Contribution Activities	082
Woori Smile Microcredit	084
Employee Satisfaction	086

89

FINANCIAL REVIEW

Management's Discussion and Analysis	091
Independent Auditors' Report	099
Organization Chart	202
Global Network	204

STRENGTH IN OUR VALUES



Being the longest running Korean bank for over 116 years, Woori Bank went through numerous global or domestic difficulties and challenges, and thus has shared every moment with our customers for the past 116 years.

Because our 20 million customers have always supported us, Woori Bank has been the leading bank in the Korean banking industry.

Our customers are provided with the most convenient and safest financial services; we take the lead in developing Korea's wealth and economy, while actively supporting citizens and enterprises. In order to respond to the changes in the financial environment, Woori Bank will stand firm as a 'strong bank' and will always be there for our customers, contributing to the continuous development of customer wealth and the Korean economy.

W O O R I



WORLD BEST

We have been expanding our global business and now operate in more than 18 countries and offer services in more than 184 networks worldwide.



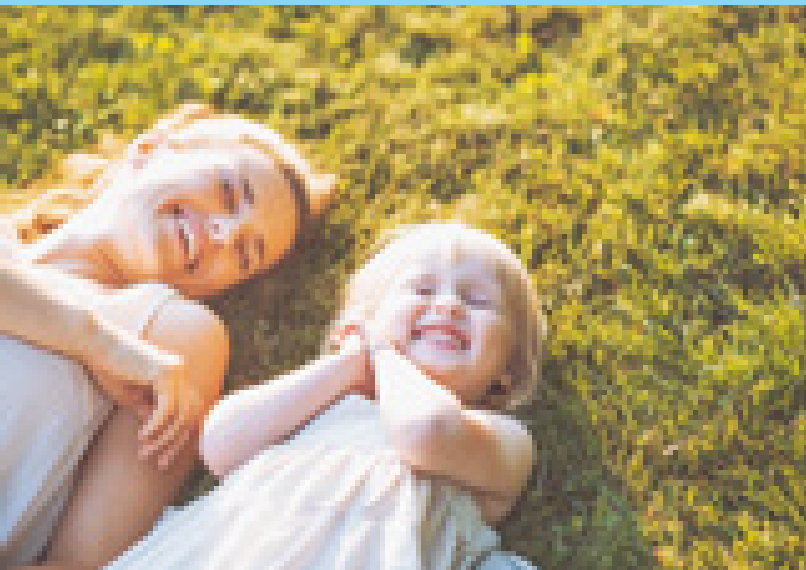
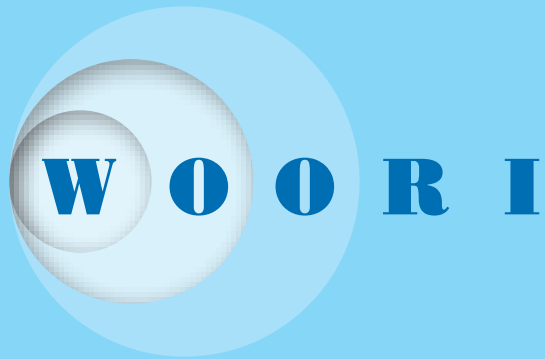
W O O R I



OPPORTUNITY

We provide opportunities for various companies to compete more successfully in the global economy by supporting initiatives to help them acquire the necessary knowledge and skills.

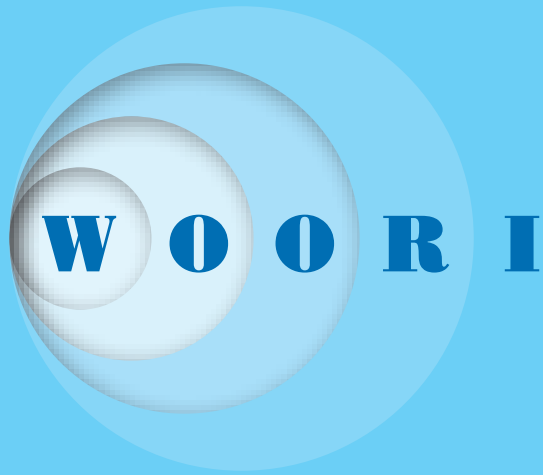




OPENNESS

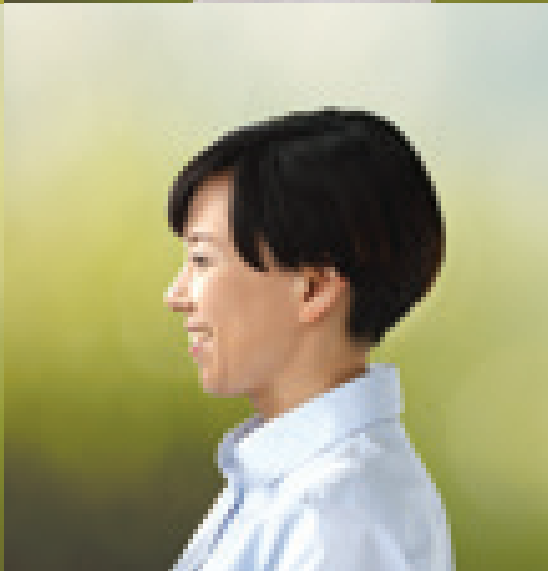
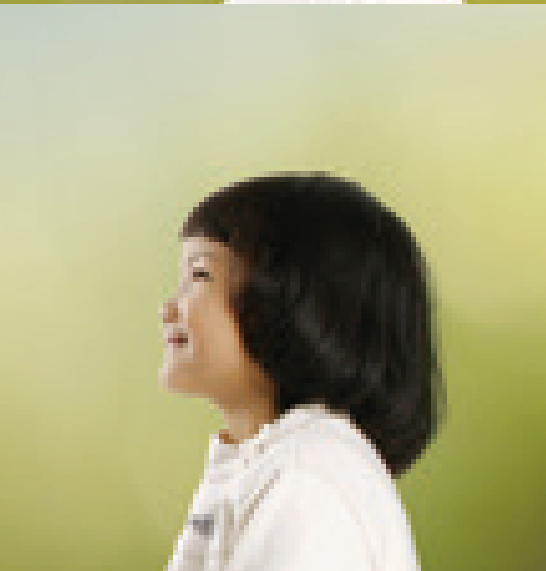
We always try to provide transparency for all of our customers and be there for them. We also help customers to manage their finances with great care by being accessible 24 hours a day, 365 days a year.





RELIABILITY

We focus on identifying and creating products and services to help households build their wealth, improve their credit, and increase their assets, for financial stability.

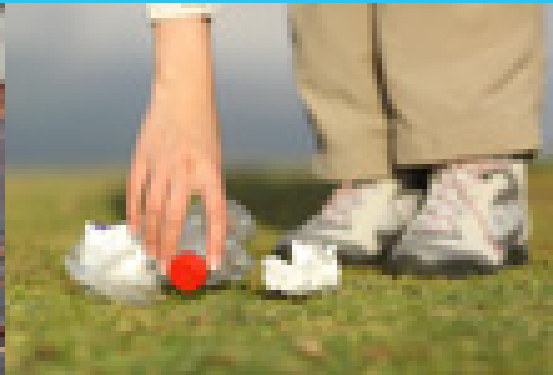




INTEGRITY

Being a good corporate citizen and operating with integrity is the key in maintaining our business for over 100 years.

By fulfilling our social responsibilities, we help in developing economies and building communities nationwide.



MESSAGE FROM THE CEO



I would like to express my sincere appreciation to all of our customers for their continued support and commitment to Woori Bank.

In 2014, despite changes in the financial sector and stronger inter-bank competition, Woori Bank continued to progress towards our goal of privatization.

In the first half of the year, we successfully sold subsidiaries such as two Regional Banks(Kwangju Bank and Kyongnam Bank) and six Non-Banks(Woori Investment & Securities, Woori Aviva Life Insurance, Woori FG Savings Bank, Woori Asset Management, Woori Financial, Woori F&I). In the second half of the year, we enhanced efficiency by merging Woori Finance Holdings(WFH) with and into Woori Bank. We have thereby centered in on the longest running banking business (the 1st bank to be established in Korea and running for more 116 years) under the name 'Woori (meaning 'our') Bank'.

As the management goal for 2015 is 'enhancing Woori Bank's corporate value' we will successfully implement the next phase of the privatization process by receiving recognition for our strong competitive stature in the financial market. We will also return our gratitude to our customers, shareholders, and the nation by providing exceptional customer services.

In 2014, Woori Bank's total assets continued to see a high level of growth, totaling KRW 270 trillion – an increase of approximately KRW 15 trillion when excluding assets(or liabilities) from the subsidiaries that were reclassified into disposal group held for sale or for distribution to owners as of December 31, 2013. As a result of strengthening our personal relationships with each and every one of our 20 million customers, we were able to achieve an increase of more than 1 million new customers. This is the biggest increase amongst all Korean commercial banks.

We also achieved a remarkable milestone last year, having served as the treasury bank for the Seoul Metropolitan Government for more than 100 years, consecutively. Moreover, through a competitive bidding process we were selected as the bank operators at Gimpo International Airport and Incheon International Airport, thereby reaffirming customer trust and commitment to Woori Bank in Korea.

As for the global competitiveness, Woori Bank was the first Korean bank to acquire a local bank in Indonesia – Saudara Bank. As of the end of 2014, Woori Bank's 184 overseas networks in 18 countries stand as the largest overseas network among Korean commercial banks. Woori Bank, as the leading international bank among Korean banks, will continue to strengthen our global presence and become one of 'Asia's Top 10, Global Top 50' banks.

However, the continuum of the low interest rate environment and low growth in the global economy inevitably caused the Net Interest Margin (NIM) to decline continuously. This resulted in insufficient maximization of earnings compared to our quantitative growth. On the other hand, soundness indicators, such as NPL ratio and delinquency rates, were improved significantly and we will continue to improve our asset quality throughout this year to a similar level as our competitors.





We will not only strengthen our competitiveness by preparing for a prolonged low interest-rate environment in 2015, but also plan ahead for the volatility of exchange rates and oil prices caused by economic or political uncertainties of major countries. Furthermore, with the government encouraging lenders to prepare for a paradigm shift in the FinTech(finance technology) sector, it is prime time for us to converge with information technology and provide fast, easy and safe Fintech-oriented banking services by utilizing mobile payment, wire transfers, personal asset management and cloud funding, and etc.

We will prepare ourselves and step ahead of our competitors in order to lead the financial market in 2015.

First, we will make every effort to act as the main artery of the financial sector, ensuring that only clean blood circulates throughout all corners of the Korean economy.

In order to support financing of SMEs and help them to achieve sustainable growth, we will provide accurate evaluations of technology financing. We will thoroughly examine the potential outlook of these technology-oriented companies instead of conducting limited loan reviews by examining financial statements only. We will take the lead in technology financing and relationship-based banking that invests in the future competitiveness of companies. We will also lead the way in stabilizing the livelihood of citizens and will support them during hard times by appointing dedicated members of staff to be in charge of small-loan finance, at all branches.

Next, we will cultivate innovative markets for FinTech and Internet Banking.

At the end of 2014, Woori Bank was the 1st Korean commercial bank to establish an independent FinTech Business Department. The year 2015 being the first year of the 'smart digital bank', we will make every effort to become an innovative bank that promptly meets the diverse needs of financial consumers in the convergence between different businesses. We will also become a leading financial institution that rapidly responds to changes in the financial environment.

Lastly, with the mindset of always being there for our customers 24 hours a day, 365 days a year, and with the determination made by all of our employees to strengthen our innovativeness and capabilities, Woori Bank will implement '24-365 Innovation Project' and thereby offer top-notch innovative products and services to our customers. We will become 'a strong bank' by achieving an eye-catching performance that will re-emphasize our significance as the 1st to be established and the longest bank running in Korea.

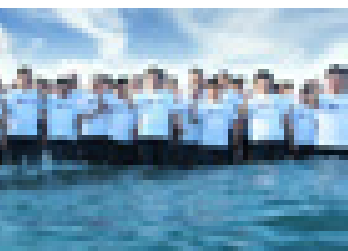
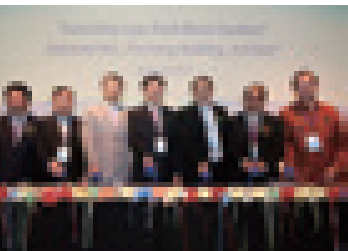
Through these efforts, we will enhance the corporate value of Woori Bank and successfully implement the privatization process.

Building upon a 116-year history, Woori Bank will always remain committed to serving our customers and shareholders. All of our employees will work together to place our customers' and shareholders' happiness or satisfaction as our top priority.

I wish you good health and happiness in the Year of the Sheep, 2015.

Thank you.

Lee, Kwang Goo
President and CEO of Woori Bank





Woori Bank will implement '24-365 Innovation Project' and offer top-notch innovative products and services to our customers. We will become 'a strong bank' by achieving an eye-catching performance that will re-emphasize our significance as the 1st to be established and the longest bank running in Korea.

COMPANY STRUCTURE

PRIVATIZATION OF WOORI BANK IN PROGRESS

As of 26th Jun. 2013, spin-off and sale processes of the subsidiaries of Woori Finance Holdings (WFH) took place in 2014, according to Woori Finance Holding's Privatization Plan, approved by the Public Fund Oversight Committee (the "PFOC"). The spin-off of two Regional banks (Kwangju Bank and Kyongnam Bank) were completed on 1st May 2014, while the sale of six Non-Banks (Woori Investment & Securities, Woori Aviva Life Insurance, Woori FG Savings Bank, Woori Asset Management, Woori Financial and Woori F&I) were completed in consecutive order between March and June of 2014.

At the final stage of Woori Bank's privatization plan, as per PFOC's announcement made on 23rd Jun. 2014 to merge WFH with Woori Bank, WFH merged with and into Woori Bank on 1st Nov. 2014. Woori Bank was then newly listed on 19th Nov. 2014.

On 28th Nov. 2014, Korea Deposit Insurance Corporation (KDIC) executed the bid on its 56.97% ownership of Woori Bank by dividing the bid into two forms: the management control of shares (30%) and the minority shares (26.97%).

Successful bids were only carried out regarding the sale of minority shares, and as a result, the KDIC's 56.97% ownership of shares decreased from 56.97% to 51.04%.

Meanwhile, further discussion about Woori Bank's Privatization Plan will be finalized and announced later on by the PFOC.

PRESENT STATUS OF WOORI BANK'S SUBSIDIARIES AFTER MERGING WITH WFH



MAJOR SHAREHOLDERS OF WOORI BANK (As of Dec. 2014)

Name of shareholder	Number of shares owned	Percentage of ownership
Korea Deposit Insurance Corporation	345,142,556	51.04%
National Pension Service	48,263,870	7.14%
Employee Stock Ownership Association*	27,020,600	4.00%
Capital World Growth and Income Fund	12,625,314	1.87%
Korea Investment Management Co., Ltd. (private equity fund)	10,622,314	1.57%

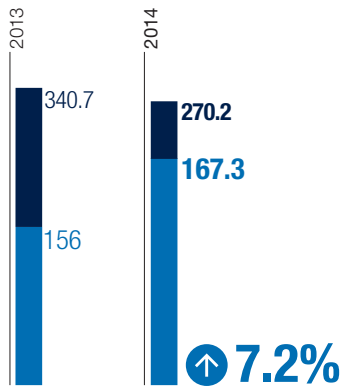
* Employee Stock Ownership Association is in the form of union member account.

FINANCIAL HIGHLIGHTS

KRW LOANS

(Unit: KRW trillion)

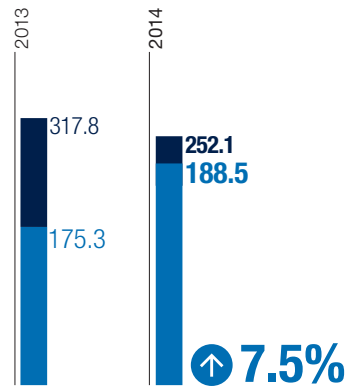
■ Total Assets
■ KRW Loans



DEPOSITS

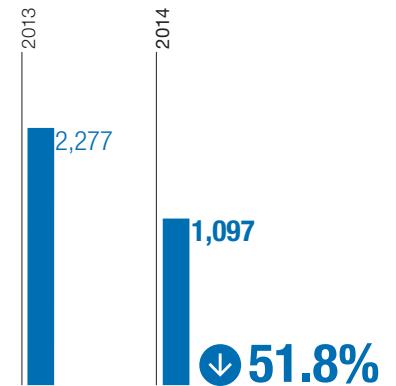
(Unit: KRW trillion)

■ Total Liabilities
■ Deposits



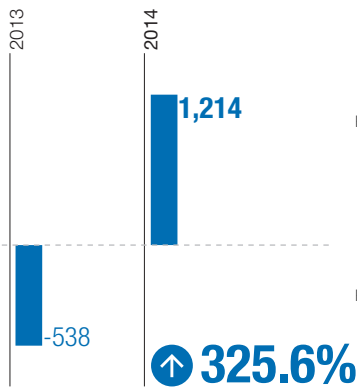
CREDIT COST

(Unit: KRW billion)



NET INCOME

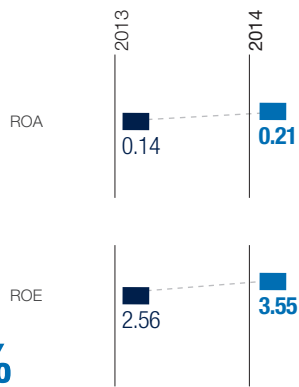
(Unit: KRW billion)



ROA / ROE

(Unit: %)

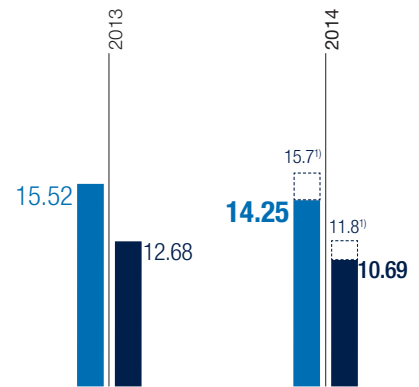
* Excluding one-off factors related to the sale and the spin off of subsidiaries



BIS CAPITAL

(Unit: %)

■ Tier 1 * Basel III basis
■ BIS 1) Excluding risk weighted assets of 5 subsidiaries



* Woori Bank consolidated basis (K-IFRS)

** Due to the merger between Woori Finance Holdings and Woori Bank(Nov.1, 2014), the consolidated F/S of Woori Bank have been stated based on the consolidated F/S of Woori Finance Holdings.

BOARD OF DIRECTORS & MANAGEMENT



Chung, Soo Kyung

Lee, Kwang Goo

Lee, Dong Gun

STANDING DIRECTORS

Lee, Kwang Goo49th President & Chief Executive Officer

- Executive Vice President, Consumer Banking Business Unit, Woori Bank
- Executive Vice President, Finance & Management Planning Unit, Woori Bank
- Head, Gwangjin-Seongdong Sales Center, Woori Bank
- General Manager, Consumer Banking Products & Marketing Dept., Woori Bank
- Chief Executive, Woori Global Markets Asia Ltd. (Hong Kong)
- General Manager, Card Strategy Dept., Woori Bank
- General Manager, Consumer Banking Marketing Dept., Woori Bank
- B.A. in Business Administration, Sogang University

Lee, Dong Gun

Deputy President / Director

- Executive Vice President, Credit Support Unit, Woori Bank
- Executive Vice President, Operation & Support Unit, Woori Bank
- Managing Director (CIO), Channel Support Division, Woori Bank
- Head, Gangnamjungang Corporate Banking Center, Woori Bank
- General Manager, International Trade Business Division, Woori Bank
- M.A. in Financial Economics, Graduate School of Economics, Yonsei University
- B.A. in Business Administration, Yeungnam University

Chung, Soo Kyung

Standing Audit Committee Member / Director

- Local Government Dispute Mediation Committee Member, Ministry of Security and Public Administration
- Financial disputes settlement member, Financial Supervisory Service
- Financial consumer panel member, Financial Supervisory Service
- Deputy Executive Director, Korean Bar Association
- Registered as Lawyer/Attorney
- Registered as Certified Public Tax Account and Patent Attorney
- B.A. in English Language and Literature, Sungkyunkwan University

OUTSIDE DIRECTORS

Hong, Il Hwa

- Current) Standing Advisor, Women's Newspaper Women & People
- Outside Director, Korea Development Bank(KDB)
- President, Korea-Romania Friendship Society
- M.A. in Public Policy, Kookmin University Graduate School of Public Administration
- B.A. in Economics, Kookmin University

Chun, He Suk

- Current) Professor of Economics, Cheongju University
- Vice President, Merrill Lynch, New York, Investment Advisory Company
- Acting General Manager, New York Branch, Kookmin Bank
- M.A. in Business Administration/Ph.D. in Economics, George Washington Univ.
- B.A. in Biology, Yonsei University

Jung, Han Gi

- Current) Visiting Professor of Liberal Arts, Hoseo University
- CEO/President, Eugene Asset Management
- Corporate Business Head (Managing Director), NH Investment & Securities
- Entered the Bank of Seoul and Trust Company / General Manager, Dong Hwa Bank
- M.A. in Business Administration, Graduate School of Business, Sogang University
- B.A. in Political Science, Sogang University

Oh, Sang Keun

- Current) Professor of Economics, Dong-A University
- Executive Director, Korean Economic Association
- Ph.D. in Economics, University of Wisconsin-Madison
- M.A. in Economics, Seoul National University
- B.A. in Economics, Sungkyunkwan University

Choi, Kang Shik

- Current) Professor of Economics, School of Business, and Dean, School of Undergraduate Studies, Yonsei University
- Executive Director, Korean Economic Association
- Ph.D. in Economics, Yale University
- M.A. in Economics, Yonsei University
- B.A. in Economics, Yonsei University

Koh, Sung Soo

- Current) President and Professor of Konkuk University Graduate School of Real Estate
- Research Fellow, Korea Institute of Finance
- M.A./Ph.D. in Economics, Cornell Graduate School
- M.A. in Business Administration, Columbia University
- B.A. in Business Administration, Yonsei University

NON-STANDING DIRECTOR

Kim, Joon Ki

- Current) Dept. Head of Human Resources and Administration, Korea Deposit Insurance Corporation
- Dept Head of Savings Bank Normalization, Korea Deposit Insurance Corporation
- Dept. Head of Risk Management II, Korea Deposit Insurance Corporation
- B.A. in Business Administration, Korea University

EXECUTIVE VICE PRESIDENT

Kim, Seung Gyu

Management Support Unit

Jeong, Won Jai

Corporate Banking Business Unit

Kim, Ok Joung

Risk Management Unit

Sohn, Tae Seung

Global Business Unit

Kwon, Ki Hyung

Institutional Banking Business Unit

Chae, Woo Seok

Small & Medium Corporate Banking Business Unit

Yoo, Jum Seung

Human Resources Unit

Lee, Dong Bin

Credit Support Unit

Nam, Ki Myung

Consumer Banking Business Unit

Park, Ki Suk

Finance & Management Planning Unit

Kim, Jong Won

Real Estate Finance Business Unit

CORPORATE GOVERNANCE



At the end of March 2015, Woori Bank's Board of Directors consisted of 10 executive directors: three standing directors, one non-standing director and six outside directors, who were appointed to increase the relevant expertise and independence of the Board. The six outside directors and one non-standing director were selected based on their experience in the fields of finance, management, law, accounting and public relations; many are also well-known public figures. They support, as well as monitor, Woori Bank's strategic decision-making and overall business affairs on a regular basis.

REVIEW OF 2014

The Board held 26 meetings in 2014 to discuss a total of 66 pending issues and 55 briefings for decision-making and deliberation, and the overall attendance rate of outside directors was 91%.

Directors from various fields collected information through internal and external activities, and then offered real-world advice by utilizing their expertise to contribute significantly to improving management. This photo shows that they promoted effective

bank management and maximized shareholder value, by operating the Board based on free discussions with experts in various fields, including economics and law.

At the quarterly meeting in 2014, there was consensus among the board in regards to the quarterly management records and they made regular inspections of the group's management. The major agenda of discussions included: reports on the submission of plans for the implementation of the Memorandum of Understanding (MOU) signed with the Financial Supervisory Service (FSS); the results and details of the MOU implementation with Korea Deposit Insurance Corporation (KDIC); plans to issue foreign currency-denominated bonds; comprehensive briefings regarding major loans; briefings on NPLs; reviews of the orders implemented by the Board of Directors, as well as discussions concerning the outcome of reviews and a rundown of the activities of various committees under the Board of Directors. At the December meeting, the Board also held in-depth discussions about major issues facing Woori Bank, amid continuing market changes, such as the confirmation of the Bank's 2015 draft management plan.

Type of Meeting	No. of Agenda Issues	No. of Briefings	Major Issues
Shareholders' Meeting, BOD and Corporate Governance, etc.	29	12	Holding regular shareholder meetings, operating the Board of Directors/ Board of Directors' Management Committee, discussing corporate governance issues, establishing and implementing management plans and strategies (launching and realigning divisions)
Accounting/ Financial Management	9	8	Approving and modifying the settlement of financial statements, reporting and planning financial records, briefing on results and actions for reviewing the MOU, planning for issuing bonds (including foreign currency bonds) and managing credit limits
Portfolio & Risk Management/ Investment/Audit & Inspection/ Gov. Regulation	1	14	Comprehensive briefing on major loans, investing in private equity funds, selling off NPLs, briefing on the status of NPLs, appraising the commitments of investment companies to invest, handle audit and internal control issues and manage and support special contributions of guarantee institutions for SMEs
HR/Organizational Management	3	7	Carrying out performance evaluations/ compensation, appointing dismissing employees excluding the BOD and addressing issues related to labor-management relations
Others	24	14	
Total	66	55	

COMMITTEES UNDER THE BOARD OF DIRECTORS

In order to ensure the efficient operation of the Board of Directors, Woori Bank has established the Board of Governance Committee, the Board Risk Management Committee, the Board Audit Committee, the Board Compensation Committee and the Board Audit Committee Member Recommendation Committee.

Board of Governance Committee

The Board of Governance Committee actively supports the activities of the Board of Directors by studying and reviewing the overall function and operation of the Board, as well as establishing and reviewing the succession and training plans of the management team including directors. In addition to this, the Committee acts as the Outside Director Candidate Recommendation Committee, as stipulated in Article 22-3 of the Bank Act.

Board Risk Management Committee

The Board Risk Management Committee makes decisions about risk-related policies and strategies in response to changes in the financial environment. The Committee meets at least once every quarter, or on an ad hoc basis to deliberate on risk management strategies and policies, risk tolerance levels and exposures, thereby discerning, measuring and monitoring the overall risks arising from the Bank's management, or various transactions in a timely manner.

Board Audit Committee

The Board Audit Committee establishes and executes internal

audit plans, makes outcome evaluations, implements follow-up measures and provides improvement plans to evaluate and enhance the appropriateness of the internal control system and management performance measures.

Board Compensation Committee

The Board Compensation Committee monitors the design and operation of the Bank's performance-based compensation systems and is in charge of independently establishing compensation policies.

Board Audit Committee Member Recommendation Committee

The Board Audit Committee Member Recommendation Committee recommends candidates for the Board Audit Committee.

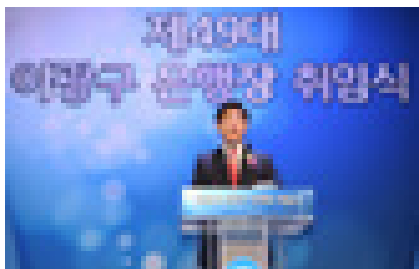
PLANS FOR 2015

In 2015, Woori Bank will make significant improvements to its management by discussing major agenda items at the Board meetings. At the end of March 2015, the Board of Directors had already met six times. After April, the quarterly Board meetings will continue to focus on agenda items such as the analysis of management performances and the 2016 draft management plan, with ad hoc meetings also being held whenever needed to deal with agenda items related to various matters, such as management goals, organization and financing. In 2015, Woori Bank will act as a reliable partner bank that excels and grows through transparent and efficient management innovation.

NEWS HIGHLIGHTS

1. Lee, Kwang Goo Appointed as the President & CEO of Woori Bank

On December 30, 2014, the inauguration ceremony for President & CEO of Woori Bank, Lee, Kwang Goo, was held in the presence of about 600 employees at Woori Bank's head office at Jung-gu, Seoul. During the ceremony, he said, "We will continue to build on our tradition and history as Korea's longest operating reliable bank and do our utmost for successful privatization, by becoming a bank that greatly contributes to our customers and the national economy. To achieve this, we will increase our support to SMEs and take the lead in supporting small loan finance to stabilize household debts, acting as a financial institution that revitalizes the economy." To this end, he announced three management goals of completing privatization successfully, establishing an advanced governance structure and leading innovation in the financial industry. He also promised to accomplish privatization and become the number one bank by implementing the

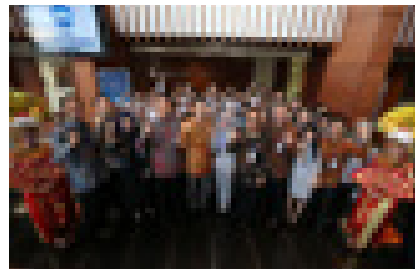


'24 Hour/365 Day Bank Improvement Project', as well as ensuring stable risk management and increasing operating revenue through thorough customer management.

2. Reaffirming its Status as the #1 Korean Bank by Diversifying Overseas Expansion

The year 2014 was dedicated to the first year of the implementation of the overseas expansion strategy for Woori Bank, as a new breakthrough to overcome sluggish growth and lower profits in the domestic market. During the year, Woori Bank reinforced its status as the number one Korean bank through international diversification, being the first Korean bank to open a branch in Dubai and an office in Vladivostok, Russia. Also, overseas network expansion will continue through M&As, such as acquiring a 33% stake in Indonesia's Saudara Bank (Jan 28th) and acquiring a 100% stake in Cambodia's Malis (July 29th), while also actively expanding the existing network, such as an overseas sub-branch in Indonesia (Feb 14th), the Tianjin Dongmalu sub-branch in China (June 26th) and the Irvine branch in the U.S. (Oct 6th). In 2015, Woori Bank's overseas expansion will continue focusing on the merger with Saudara Bank, expanding local networks, establishing additional branches in India and reviewing the feasibility of

entering into emerging markets. By 2016, the proportion of overseas sales revenue will be increased to 10% from the current 6%, to achieve the goal of becoming one of 'Asia's Top 10 Banks' and ranking among the 'Global Top 50 Banks' by 2016.



3. Reselected as the Treasury Bank for Seoul Metropolitan City

Woori Bank was reselected as the treasury bank for the Seoul Metropolitan City for a period of four years from 1st January 2015 to 31st December 2018. Since the designated period for Woori Bank as the current treasury bank for Seoul Metropolitan City ended on 31st December 2014, four banks in total including: Woori Bank, Kookmin Bank, Shinhan Bank and Hana Bank, participated in the public bidding that began in January 2014. After forming a Deliberation Committee to Designate a City Treasury Bank, Woori Bank was chosen as the next treasury bank for the Seoul Metropolitan City, thereby signing an agreement to handle treasury bank issues on 24th April, 2014. In order to ensure a fair and transparent review, the Deliberation Committee consisted of 12 persons, including financial and IT experts, professors and CPAs. They reviewed 18 items in five areas, including "management capability for treasury bank issues", "convenience of use for citizens" and "contribution to local communities and cooperative projects with the Seoul Metropolitan City", where Woori Bank achieved the highest score. By being reselected as the treasury bank, Woori Bank will be responsible for managing the Seoul Metropolitan City's budget of KRW 26 trillion for four years starting from 2015, and act continuously as the treasury bank for Seoul Metropolitan City, as it has for 100 years, since 1915.



4. Launched Korea's First Product Package for Sharing, 'Woori Hope Sharing Package'

In order to promote the spirit of sharing through small donations, Woori Bank launched 'Woori Hope Sharing Package' consisting of a bankbook, installment savings plan and a credit card. As a financial product package exclusively for sharing, the 'Woori Hope Sharing Package' was launched as part of the 'Improvement Measures for Promoting the Spirit of Sharing', chosen as the government's first priority task at the National Policy Coordination Meeting held in March by the Prime Minister, with Woori Bank independently launching the product through a business agreement with the Ministry of Health and Welfare. All of the interest and points donated by subscribing for various products, will be delivered to the socially vulnerable (who do not receive government welfare benefits) through the Korea National Council on Social Welfare, a donation organization affiliated to the Ministry of Health and Welfare by law. The customers who participated in donations can get tax deductions automatically during the year-end tax adjustment. Starting with Korea's first product for public

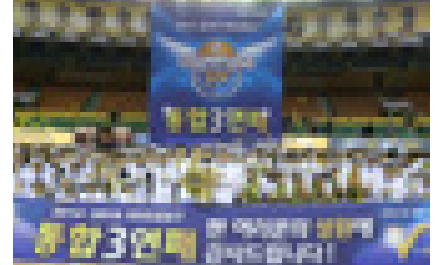


interest to promote the spirit of sharing, 'Woori Hope Sharing Package', Woori Bank will take the lead in spreading the spirit of sharing in our society by launching a variety of financial products for sharing.

5. Woori Bank Hansae Basketball Team's Second Straight Win at the Women's Professional Basketball Championship and Won a Gold Medal at the Incheon Asian Games

The Hansae Basketball Team won the Women's Professional Basketball championship two years in a row, receiving the title of triple crown by winning last year's league along with the title of undisputed champion, after winning the 2013 Asia Women's Basketball Championship. In particular, despite intensive checks from its competitors, the team achieved outstanding results that bested other teams, such as nine consecutive wins after the opening game, to show off their reputation as a famous basketball team. Also, the manager, Wi Sung-Woo, and coach, Jeon Ju-Won, led the Korean women's national basket-

ball team at the 2014 Incheon Asian Games, where our main players, Im Young-Hee, Park Hye-Jin and Yang Ji-Hee, contributed to them winning the team's first gold medal in 20 years. The gold medal redeemed the



Korean national basketball team's honor from China, while also raising the honor of Hansae Basketball Team. Meanwhile, the team won eleven consecutive games after the 2014-2015 Women's Professional Basketball league's opening game recently to speed towards a third straight win, including setting a new record for consecutive wins.

6. Woori Bank's Successful Merger with Woori Finance Holdings

On 3rd November 2014, Woori Bank started operations after being integrated with Woori Finance Holdings (WFH), which was possible because of successfully carrying out WFH's privatization, such as selling off the regional bank unit and the brokerage unit. As a result of WFH merging with Woori Bank on 1st November, WFH, which was established as Korea's first financial holding company in 2001 faded into history after 14 years. Meanwhile, Woori Bank will continue to grow its brand value and build on its long running history and tradition of 116 years, by continuing to exist as Woori Bank through the merger. In line with the integration with WFH, Woori Bank carried out a reshuffle and incorporated the function and staff of the holding company, such as setting up the 'Management Support Unit' to be responsible for managing the privatization and the bank's affiliates. The merger with WFH increased Woori Bank's total assets to approximately KRW 250 trillion, making it a leading bank with stable funding to aid the privatization process.



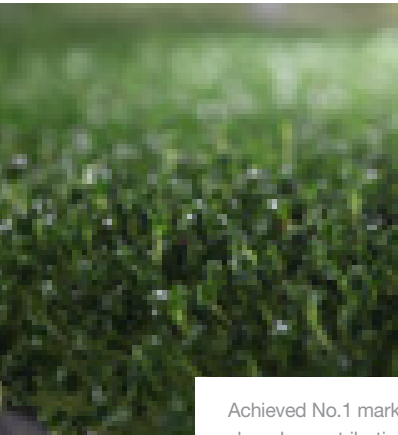
CUSTOMER
STORY

1

Daenong Bio Farming
Association

WOORI BANK HAS ALWAYS BEEN THERE FOR CUSTOMERS.

Woori Bank has always been there for customers during the past 116 years and we will continue to help customers in the future.



Achieved No.1 market share by contributing to making sprout vegetables popular in Korea.





Contributed to healthy meals at home by developing various food products that taste good and are nutritious.



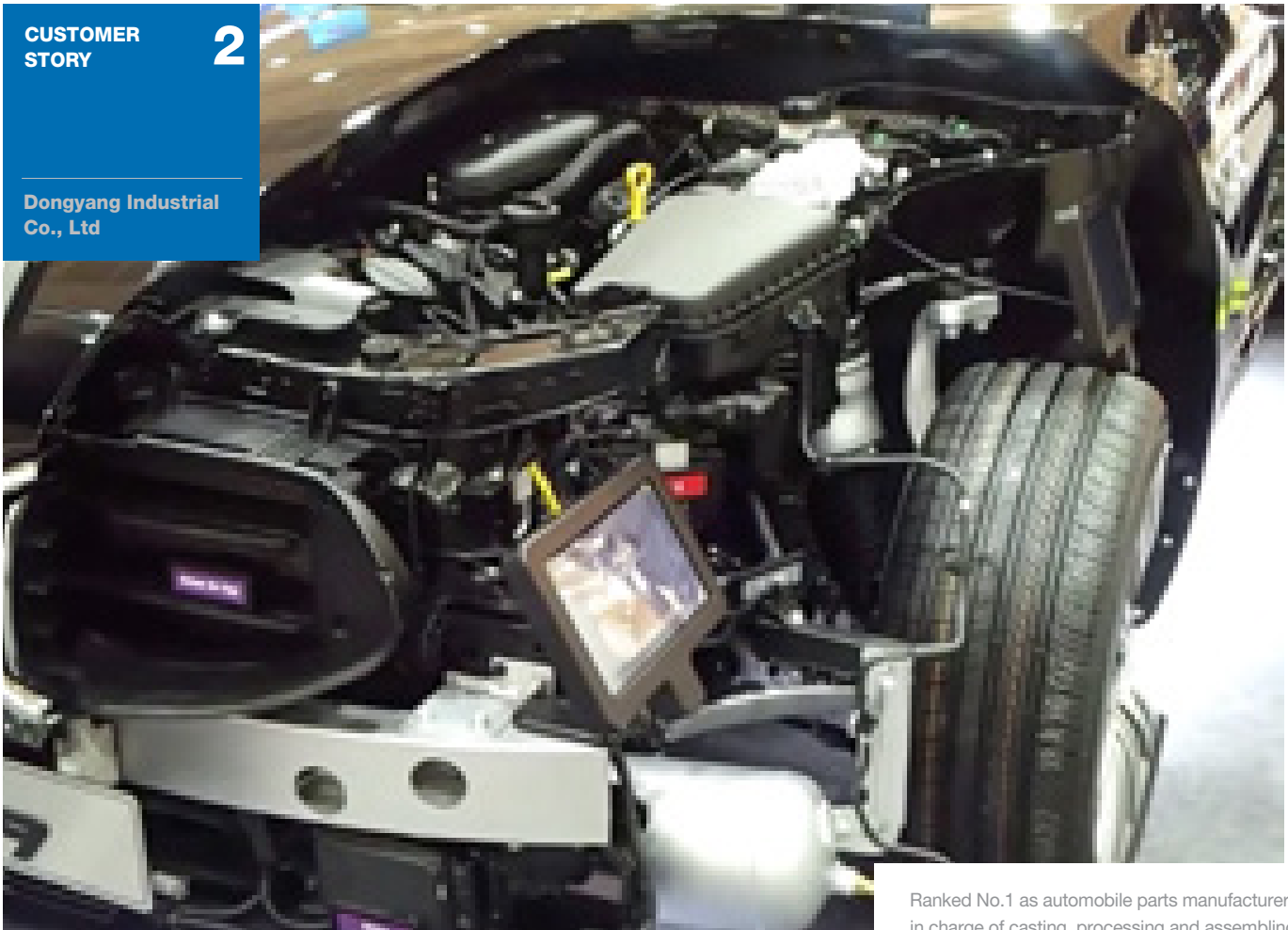
Cultivating sprout vegetables and baby leaf vegetables, which are environmentally-friendly and chemical-free products - no chemical fertilizers or agricultural pesticides are used.

WOORI BANK HAS BEEN A BIG HELP TO OUR CUSTOMERS.

“During the most difficult time in my life, Woori Bank gave me a valuable opportunity that enabled me to develop further. I will always be thankful for this and will remember it for the rest of my life.”

CEO of Daenong Bio Farming Association
Hwang, Sung Hun / A Customer of Yangjaebuk Branch





Ranked No.1 as automobile parts manufacturer in charge of casting, processing and assembling automobile parts.

WOORI BANK BUILDS TRUSTING RELATIONSHIPS WITH CUSTOMERS.

As a reliable bank, Woori Bank builds close relationships by visiting customers face-to-face to provide a greater level of happiness and satisfaction for customers.



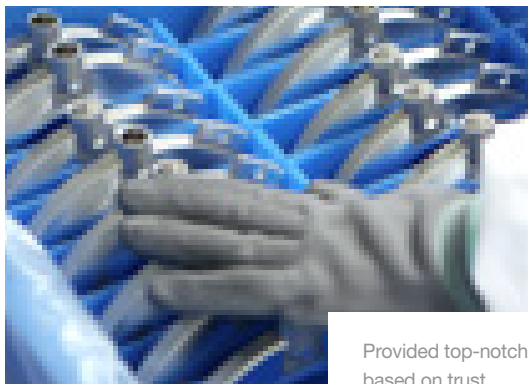
**WOORI BANK HAS BUILT A TRUSTING RELATIONSHIP
WITH US FOR 30 YEARS**

**“I think the most important thing in a relationship
is trust between one another. I was deeply touched
by how Woori Bank’s employees tried to help out
by paying visits in person.”**

CEO of Dongyang Industrial Co., Ltd.
Chun, Mal Sun / A Customer of Changwon Branch



Achieved continuous growth
through strenuous effort and
perseverance.



Provided top-notch quality
based on trust.



Produced and sold about 1,000 types of products as Korea's first outdoor mountain climbing clothing brand with a history of 50 years.

WOORI BANK HELPS CORPORATE TO GROW AND DEVELOP.

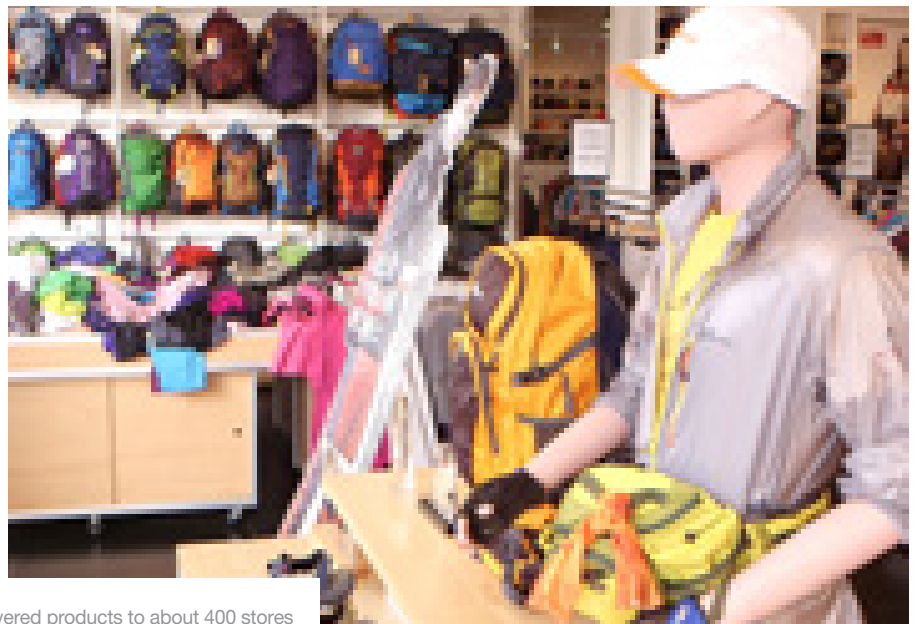
Woori Bank has secured leadership in the development and growth of companies by creating new and more convenient financial conditions for them. We will provide financial services to as many customers as possible.

WOORI BANK IS A FINANCIAL PARTNER THAT CAN BE TRUSTED.

“We were able to achieve what we have so far because of the support that Woori Bank gave us at a time when in need of help. I am grateful that Woori Bank was there for us as a trusting partner.”

CEO of THE REDFACE

Yoo, Young Sun / A Customer of Seocho-gu Office Branch



Delivered products to about 400 stores across the nation on a daily basis.



Strengthened competitiveness through continuous research to find solutions to new challenges.

WOORI BANK TAKES THE LEAD IN THE OVERSEAS EXPANSION.

Woori Bank is proud of providing 1st quality financial services to our customers which encouraged our customers to become global companies, and we will do our best to provide exceptional services based on the knowledge we have accumulated over time.



A global company specializing in beverage and food that produces about 700 types of products, including fruit juices, coconut drinks and sodas.



Aloe Vera King is the only Korean beverage that is being sold in about 155 countries.

WOORI BANK PROVIDES BIG HELP TO EXPORTING COMPANIES.

“I think Woori Bank is the only bank that sets a good example for export companies. I appreciate the special considerations made by the Bank for export companies and look forward to maintaining a good partnership in the future.”

CEO of OKF
Lee, Sang Shin / A Customer of Korea Trade World Center Branch



Produce only the best quality aloe from the U.S., Mexico and Thailand.

WOORI BANK'S AWARDS 2014

- **Financial Supervisory Service**
Prize in the Small Loan Finance Awards
- **Ministry of Science, ICT and Future Planning**
Grand Prize in the Private Sector of the 'Smart Work Best Practice Contest'
- **Korea's Network for Social Enterprise**
Achievement Award for the Revitalization of Social Enterprise
- **Hosted by the Technology & Finance Center**
Grand Prize in the Technology & Finance Contest of Susongdong Daelim Banking Center, Credit Support Unit
- **Thebell**
Prize in Thebell Risk Awards
- **Seoul Metropolitan Fire & Disaster Headquarters**
Grand Prize in the 7th Outstanding Workplace for Safety Management
- **AsianInvestor**
Best Onshore Custodian 2014
- **The Asian Banker**
Prize in the 2014 Best Korean Bank of Cash Management for Second Consecutive Year
- **Ministry of Gender Equality and Family**
Minister Commendation for Implementing Family Policies and Creating Family Culture
- **The Korea Economic Daily**
Grand Prize in the PB Service Sector of the 2014 Korea Luxury Brand Award
- **Maeil Business Newspaper**
Grand Prize in the Banking Sector of the 13th Korean Fund Awards
- **NEWSPIM**
Awarded the National Policy Committee Chairman Award for the CIB Sector: Boryeong LNG Terminal Construction Project in the 2014 NEWSPIM Capital Market Awards
- **The Korea Economic Daily**
Dedicated to the Hall of Fame for Grand Prize in the Customer Satisfaction Management Awards (Financial Sector)
- **League of American Communications Professionals**
Gold Prize of LACP Annual Report Competition
Ranked 79th among the Top 100 Worldwide
- **Annual Report Competition**
Gold Prize of ARC

領先半步

Young-sun-ban-bo refers to always taking a step ahead of others if you want to succeed. Our efforts to become more innovative, change in advance, and be ready for competition a step ahead of others will act as a huge competitiveness in better serving our customers for another 100 years.

01

BECOMING THE WORLD BEST TO LEAD

184
networks

Worldwide Branch Network

BECOMING THE WORLD BEST TO LEAD

036 GLOBAL BUSINESS

038 INTERNATIONAL TRADE BUSINESS

040 FINANCIAL MARKET BUSINESS

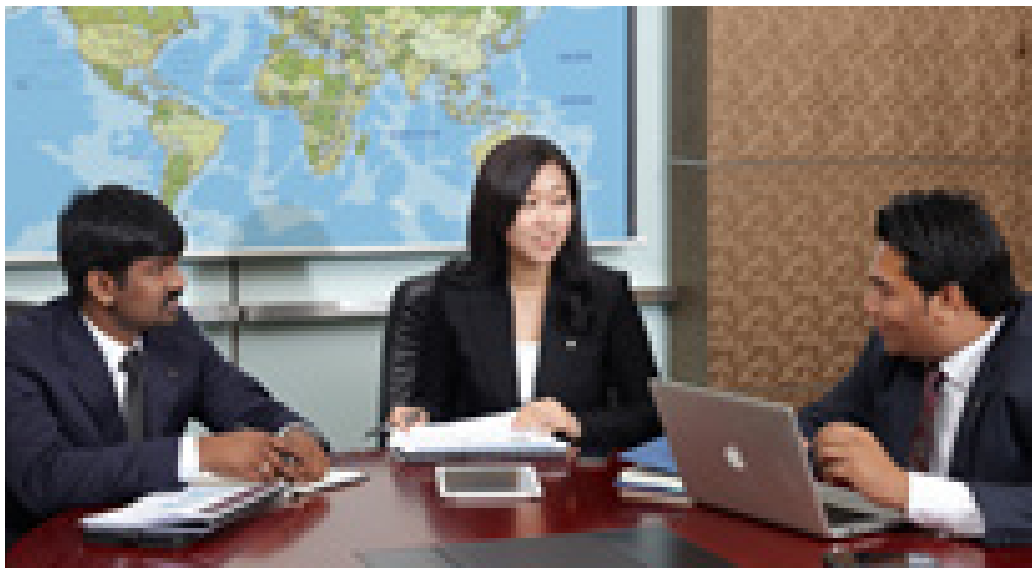
W

ORLD BEST

Woori Bank will become a genuine global leading bank going beyond being Korea's No.1 bank by establishing global competitiveness in the future and providing differentiated customer services worldwide.



GLOBAL BUSINESS



“ As of December 2014, as a result of the merger with Saudara Bank, Woori Bank had entered into 18 countries with 184 overseas networks, including 14 branches (5 sub branches affiliated with larger branches), 7 subsidiaries (163 branches of subsidiaries) and 2 representative offices.

By establishing the largest global network of all Korean banks, we aim to continue providing the growth potential for overseas expansion, as well as enable steady growth by implementing differentiated business strategies for each overseas network.

”

REVIEW OF 2014

In 2014, despite a prolonged global economic downturn and fierce interbank competition, Woori Bank’s global business performance reached total assets of USD 14.7 billion (a 16.5% year-on-year increase), loans of USD 7.54 billion (20.0% year-on-year increase) and operating income of USD 280 million. This was a result of a boost in business that was centered on high-quality assets, the strengthening of localized business, the restructuring of asset portfolios and an intensified fee business.

Expansion of Overseas Networks

On 30th December 2014, PT Bank Woori Indonesia merged with Saudara Bank in Indonesia, which increased expansion into emerging markets based on experience and knowledge gained during the acquisition process and increased inroads into overseas markets through M&As. Besides focusing only on banking services, we also diversified our business to include microfinance, savings bank and installment finance, such as acquiring ‘Malis’, a microfinance company in Cambodia in July 2014. We are conducting market research and fostering specialists for new market entries into Central and South America as well as Africa.

Major Highlights of Global Business -end 2014

Net Income
(Unit: USD million)

122^{.7}

NPL Ratio
(Unit: %)

1^{.23}

Delinquency Rate
(Unit: %)

0^{.90}

Liquidity Ratio
(Unit: %)

114^{.64}



Development of Competitive Products and Services

In order to provide diverse products and services, Woori Bank has expanded the head office's competitive products, which include mortgage loans, MMDA and revolving deposits for local markets. For retail customers, we offer a variety of services, including mortgage loans, installment finance, credit loans, credit cards and internet banking services. We also provide one-stop financial services from the early stage of entering into a new overseas market for local customers through close cooperation between the head office and overseas branches.

global business opportunities. In 2014, strategic business alliances were made with flagship banks in countries where the Bank is expected to advance (i.e. IS Bank in Turkey). This expanded our overseas branches and created new business opportunities.

PLANS FOR 2015

The Global Business Unit establishes the basis for long-term growth by fostering local personnel to set up an optimal local business base, and develops IT systems of global standard. Seeking to deliver profit diversification, the unit focuses on specialized business for each overseas branch, development of localized products and a scaling-up of the fee business. Synergies are generated through intensifying business for target customers among domestic and overseas branches. Woori Bank will increase overseas profit from the current level of 6.8% to 10% by 2016, to become a leading bank that competes directly against prominent banks in the world with customer-oriented products and services.

New Market Entries of Global Business

M&A with Saudara Bank in Indonesia
 - PT. Bank Himpunan Saudara,
 Tbk (a listed company in Indonesia),
 115 networks

Acquisition of Microfinance company in Cambodia
 - Malis Finance PLC, 5 networks

Fortified Management of Overseas Financial Institutions

The Global Business Unit focused on expanding the financing volume through stronger relationships with overseas financial institutions as major financing sources, to prepare for changes in the financial environment, such as the prediction of interest rate increases in the U.S. In addition, MOUs were signed with prestigious overseas financial institutions enabling the expansion of

Worldwide Branch Network (184 Networks in 18 Countries)



INTERNATIONAL TRADE BUSINESS

“

Woori Bank's International Trade Business Division is in charge of foreign exchange related services for both consumer/corporate banking customers in Korea and overseas. The unit is engaged in establishing and supporting Woori Bank's FX-related marketing strategies, while also operating the International Trade Service Center, BPR (Business Process Reengineering), a specific department that handles banking tasks promptly and efficiently. Based on Woori Bank's expertise that has accumulated over the past 116 years through transactions with the largest number of large enterprises, Woori Bank will provide high-quality consulting on domestic and overseas export/import financing and overseas investment.

”

REVIEW OF 2014

In 2014, the International Trade Business Division scaled up competitiveness in the export/import business and FX/remittance transfers by fostering FX specialists and strengthening services. This led to gaining the No. 1 market share position in export performance and foreign currency money exchange performance with USD 199 billion and USD 3.7 billion, respectively. Woori Bank expanded its sales channel exclusively for foreign workers to cover not only Seoul metropolitan area, but also Gyeongsang-do region, and secured non-face-to-face marketing channels to enhance convenience in accessing financial services for foreign workers in Korea. Woori Bank reinforced its status as a frontier in the FX market, by being designated as the treasury bank of managing foreign currency reserves for the National Pension Fund, one of the top four pension funds in the world. Also, Woori Bank took the lead in establishing the yuan trade settlement scheme through signing an agreement to promote won-yuan settlements with the Bank of Communications in China.

Stronger Competitiveness in Export/Import Banking and FX Money Exchange/Remittance

Leveraging our strength from being Korea's No. 1 bank in corporate banking, we achieved export/import volume records of USD 313.2 billion in 2014, taking up a market share of 26.4% out of Korea's top eight banks. Export performance achieved a market share of 30.8% with USD 199 billion, to achieve No.1 market share among



Korea's top eight banks. Also, Woori Bank's foreign currency money exchange volume recorded USD 3.7 billion to gain the No.1 market share among Korea's top eight banks, by setting up money exchange centers(especially as a foreign currency money exchange operator in Gimpo int'l airport) in areas highly frequented by tourists from home and abroad, and proactively responding to the FX market resulting from the increasing number of foreigners coming to Korea. By actively responding to the new market for foreigners, such as covering wage remittance for foreign workers and foreigners' investment in domestic capital, remittance volume was recorded at USD 477 million.

Expansion of Channels and Services Specialized for Foreign Workers

In 2014, the International Trade Business Division raised the convenience of transactions through flexible operating service hours and bolstering customer contact points for FX catering to the customer needs of foreign workers. FX services are even available on the weekends in the 8 branches selected in the Seoul metropolitan area with a high population of foreign workers; in particular, an FX Remittance Center, which exclusively provides specialized services to foreign workers, operates in Wongok-dong, Ansan. For foreign workers residing in the Yeongnam area, the Oedongsandan Branch in Gyeongju is open on weekends to provide services, while the Gimhae FX Remittance Center also provides specialized services for foreigners in the Gimhae area. As a result of an alliance with the Human Resources Development Service of Korea, we provide total FX services for our foreign customers, including overseas remittances of departure guarantee insurance and dormant insurance claims.

Dominance in the Yuan Trade Settlement Market

In June 2014, Woori Bank signed an agreement for won-yuan settlements with Bank of Communications in China, striving to dominate the won-

yuan trade settlement schemes that are on the increase. As part of these efforts, we launched a global deposit product package for yuan, as well as training specialists on yuan trade settlements, and provided marketing support services for yuan trade settlements. We will establish good cooperative relationships with the government in line with the market expansion, ensuring prompt response to changes.

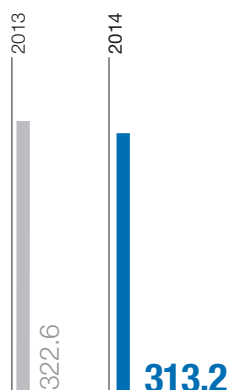
PLANS FOR 2015

In 2015, the International Trade Business Division aims to foster specialists in international trade and improve the quality of support as well as provide distinctive customer-specific services in export/import banking services and foreign currency money exchange/remittance as in 2014, to expand our market share. In order to meet foreigners' higher demands for money exchange/remittance, services and channels will be further reinforced. Based on the knowledge accumulated by conducting operations as a treasury bank for foreign currency reserves for the National Pension Fund, we will reaffirm our status as a leading bank in FX by attracting new high net worth customers, while also doing our best to establish yuan trade settlement schemes that meet the increasing demands of customers for yuan trade settlements.



TOTAL VOLUME OF EXPORT & IMPORT

(Unit: USD billion)



FINANCIAL MARKET BUSINESS

“

The Financial Market Business Division consists of the Treasury Department that manages bank-wide liquidity, the Trading Department that handles F/X Dealing, marketable securities and financial derivatives and, the Settlement Support Department that performs the back office duties. In particular, we are a solid market leader among Korean banks in terms of trading derivative products, such as forwards, swaps and options based on a wide range of underlying assets, including interest rates, foreign exchanges, equities and commodities.

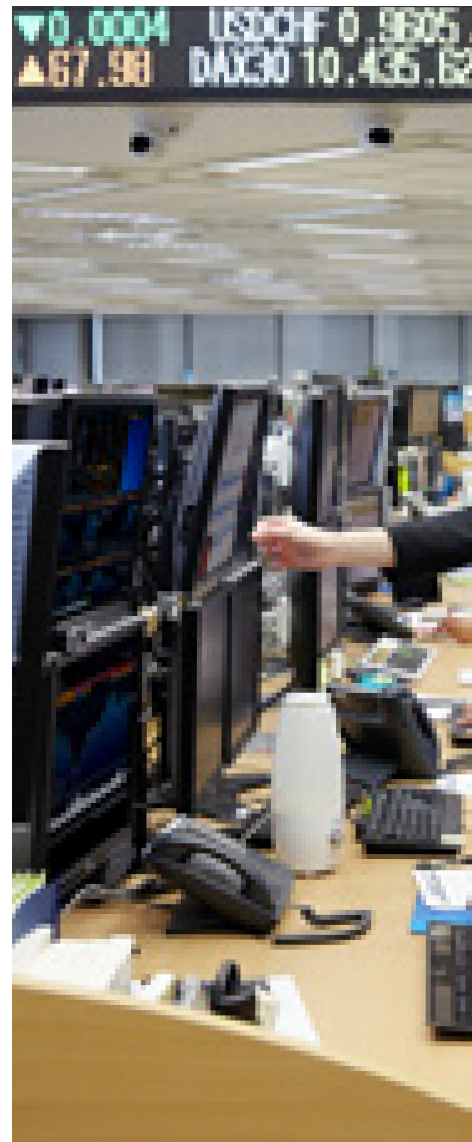
”



REVIEW OF 2014

The Financial Market Business Division is the primary body that oversees funding and financial market activities such as FX, securities, commodities, and derivatives trades. The division efficiently balances assets and liabilities through these activities to continually improve profitability while maintaining sound liquidity. In 2014, the division focused on improving NIM by maintaining optimal loan-deposit ratio, liquidity position and low-cost fundings. Bracing for the possible decrease of the BIS ratio due to Woori Financial Group's privatization, we enhanced the capital ratio by issuing contingent capital securities in both domestic and foreign currencies. The foreign currency contingent capital issue in the first half of the year was the first of its kind for Korean banks and paved the way for others to follow.

Through these measures, the Bank's liquidity ratios in domestic and foreign currencies are well above the regulatory guidelines, as well as





strengthening BIS ratio. We also strengthened our competitiveness in FX and derivatives trading through expanding trading currencies and provided various hedging services to assist our customers with their risk management.

Optimized Liquidity Management

• Issuance of senior bonds and contingent capital securities in domestic and foreign currencies

In 2014, the Financial Market Business Division contributed to the stable BIS ratio, by issuing KRW 7.1 trillion in senior bonds, KRW 0.16 trillion in domestic currency contingent capital securities and USD 1 billion in foreign currency contingent capital securities at lower interest rates compared to other banks. Especially the foreign currency contingent capital securities was the trailblazer for Korean banks by being the 1st ever Korean bank to successfully issue them under the new Basel III standards. In order to prepare for a possible BIS ratio decrease from Woori Financial Group's privatization process, we raised 0.7% of the Bank's BIS ratio by issuing USD 1 billion in foreign currency contingent capital securities.

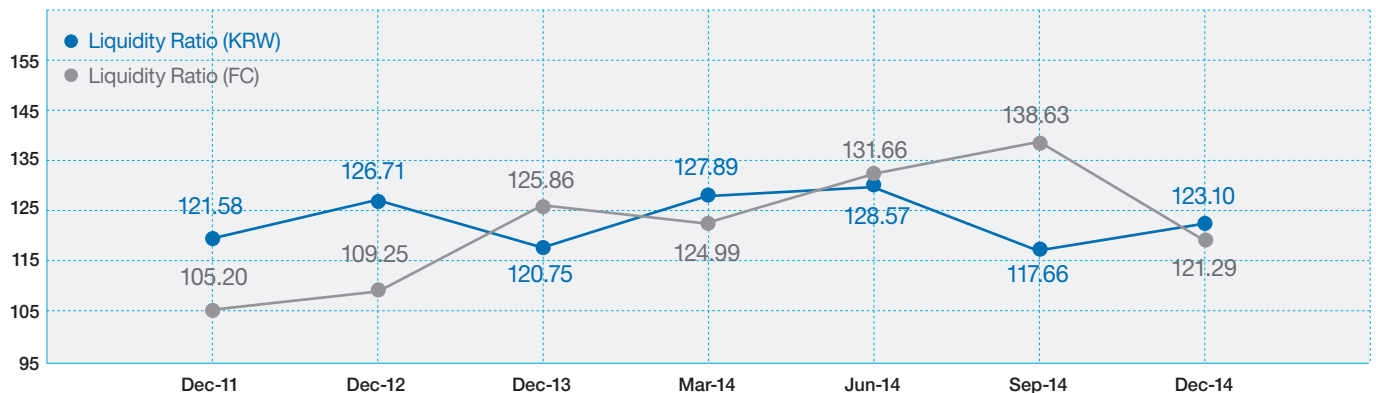
• Expanding into new funding markets and diversifying funding means to improve funding stability

In the second half of 2014, Woori Bank was the 1st Korean bank to issue yuan-denominated bonds Kimchi Bonds. This groundbreaking 200 million yuan Kimchi bond, along with HKD 3.88 million of private placement bonds and EUR 13 million of P-Notes are significant in that they diversify our funding currencies, reduce dollar dependence, and increase stability of foreign currency liquidity. dollar dependence. We also achieved stable management of foreign currency reserves by managing liquidity buffer above the regulatory guidelines set by the Financial Supervisory Service.

• Compliance to regulatory guidelines

As of the end of 2014, Woori Bank was well above the regulatory ratio set by domestic financial supervisor through proactively managing surplus liquidity to achieve 123.10% domestic currency liquidity ratio, 121.29% foreign currency liquidity ratio and 253.66% medium and long-term foreign currency funding ratio.

Liquidity Ratios
(Unit: %)



Strengthened Competitiveness in F/X and Derivative Tradings

In 2014, the Financial Market Business Division focused on strengthening our competitiveness in volatile market and changing market environment.

- **F/X Trading**

In foreign currency trades, Woori Bank has strengthened trading activities in Mexican Peso, South African Rand, Polish Zloty, Russian Ruble, and Chinese Yuan, diversifying portfolio of trading currencies. Also, we were selected as a market maker in the won-yuan direct dealing market by the Bank of Korea and the Ministry of Strategy and Finance, in addition to be the first Korean bank to successfully trade won-yuan forwards.

- **Derivatives**

In derivative markets, we strengthened derivative trading and profitability by increasing arbitrage transactions and taking positions through forecasting market variables, such as domestic and international policies and fluctuations in demand and supply. We also launched our FX SOS system to our SME customers. This system provides real-time consultation services on foreign exchange, including market conditions, outlooks and risk management.

PLANS FOR 2015

In 2015, the Financial Market Business Division will maintain the Liquidity Coverage Ratio (LCR) at an optimum level by managing high-quality liquid assets and controlling net cash flows. In order to effectively manage liquidity, we will diversify funding maturities, and reducing financing costs by increasing CD issuance. In addition to liquidity, we will continue to diversify trading strategies in foreign exchange, derivative arbitrage, and hedging on currencies and interest rates to increase profitability on trading activities. We also plan to achieve the No.1 market share in foreign exchange and derivative transactions with large enterprises and major government agencies. Moreover, we will be the first Korean bank to structure options on European stock indexes and commodities to provide hedging tools to securities and insurance companies. This is expected to increase our non-interest profits.

02

PROVIDING OPPORTUNITIES TO GROW

963,968
Total Number of SME Customers

PROVIDING OPPORTUNITIES TO GROW

- 046** SMART BANKING
- 048** CORPORATE BANKING
- 050** SME BANKING
- 052** INSTITUTIONAL BANKING
- 055** INVESTMENT BANKING

WOORI

OPPORTUNITY

Woori Bank will take the lead in innovating & financing and introducing digital banking services to suit financial trends, while also providing solutions that reflect the needs of customers in consumer, corporate and institutional banking, to achieve a high level of growth with our customers.



SMART BANKING

“ The Smart Banking Business Division is in charge of establishing Woori Bank’s strategy for smart banking, as well as the exploration of new markets. In order to make a prompt response to the smart banking market that demonstrates exponential growth, while also achieving market dominance in the electronic payment/remittance market in alliance with ICT companies, the Smart Banking Business Department and the FinTech Business Department was formed within the division. As of the end of 2014, 13.81 million customers have subscribed to using Internet Banking and Smart Banking services. Along with about 7,100 ATMs and by utilizing state-of-the-art technologies through smart phones and the internet, we strive to become a bank that is always close to customers.

”

REVIEW OF 2014

In 2014, the Smart Banking Business Division opened new smart banking services, so that we can provide convenient smart banking services to customers. We also launched ‘Woori Mobile Bankbook’, an innovative way of making transactions without a bankbook, which is the first of its kind in the financial industry. In addition to this, we improved customer convenience by providing various services, including the ‘Smart Manager’ services, exclusively for managing online customers and convergence services of non-face-to-face channels and branches. We strove to secure the future financial market by playing a leading role in launching the ‘Bank Wallet Kakao’, being implemented jointly by the banking sector in the rapidly growing mobile payments market.

Providing New Smart Banking Services

Aiming to provide better financial services to customers, Woori Bank upgraded its smart banking services. The access stages of transactions were reduced from five to three stages to improve the convenience of users, which also provided better User Interface (UI) and User Experience (UX). Moreover, we complied with mobile accessibility guidelines and provided a new form of banking transactions, including inquiries and transfers through a security keypad to senior customers who prefer traditional banking services, as well as ensuring socially vulnerable groups such as the disabled have access to convenient smart banking services.



Exceeded KRW 10 trillion of sales for non-face-to-face products

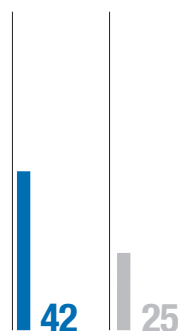
As of the end of December (Unit: KRW trillion)

10^{.4}
(No.1 M/S)

NO.1 M/S IN SMART BANKING SUBSCRIPTION RATE AND UTILIZATION RATE AMONG BANK-WIDE CUSTOMERS

As of the end of December 2014 (Unit: %)

■ Subscription Rate
■ Utilization Rate





Leading the Smart Banking Market

At a time when the number of smartphone users in Korea exceeds 40 million, customers demand faster and more convenient services. After 46 years of providing banking services through branches since August 1977, Woori Bank was the first Korea's financial industry to launch the 'Woori Mobile Bankbook' in 2014, an innovative way of receiving services through smart phones without the need to visit branches with a bankbook. The existing electronic bankbook only provided services such as lowering interest rates and updating bankbooks offline, as additional services to financial products exclusively for smartphones. However, the 'Woori Mobile Bankbook' set a new paradigm that enabled customers to check their own bankbook details easily, as well as make withdrawals from ATMs. As a result, in December 2014, we received the Grand Prize in the Private Sector of the 'Smart Work Best Practice Contest' hosted by the Ministry of Science, ICT and Future Planning, in recognition of the excellence of the service.

Increasing Customer Convenience via the Omni-Channel Strategy

Woori Bank improved customer convenience by providing omni-channel customer services that integrate the services of branches and non-face-to-face channels, instead of multi-channel services that were provided separately through branches and non-face-to-face channels. Due to the increasing use of non-face-to-face channels these days, we provided the 'Smart Manager' services, which began in June, to enhance the convenience of non-face-to-face customers. Meanwhile, branches started services for the 'Convenient Issuance of Digital Certificates' in November. In order to expand the convenience of use for customers, we also started the 'Smart Loan Consultation' services in February where customers can get loan advice without having to visit branches after making an application through the internet and smart banking services and agreeing to the provision of personal information, as well as the implementation of 'Smart Convenient Loans' that enable the extension of loans without having to visit a branch.

Expanding the Future Financial Market

In order to respond to the increasing size of mobile payment services, Woori Bank played a leading role in the launch of 'Bank Wallet Kakao' services that were implemented jointly in the financial sector. We also strove to expand the mobile payments market by launching exclusive products, in alliance with Daum Kakao, and conducting joint marketing activities. Meanwhile, we are continuously seeking cooperation the leading companies in domestic and foreign ICT markets and global FinTech companies to prepare for the future market.

PLANS FOR 2015

In 2015, the Smart Banking Business Division's targets are to secure the competitiveness of future channels to dominate the FinTech industry as a new momentum for growth and to establish smart work processes for improving channel efficiency. In order to strengthen profitability and manage risks, we aim to provide the safest and most convenient security services by proactively targeting e-commerce companies and expanding the ratio of transactions through non-face-to-face channels. Moreover, Woori Bank will achieve future growth by designing the future vision of financial IT, including reinforcing marketing capabilities through big data, as well as providing high value to customers by continuously giving them access to better smart financial services.

CORPORATE BANKING

“

The Corporate Banking Business Unit is in charge of services for corporate customers, including Korea's top large enterprises, such as Samsung, LG and POSCO, to cater to the diverse financial needs of corporate customers in a timely manner. As a result of providing exceptional services to the highest number of large enterprises in Korea, Woori Bank's Corporate Banking Business Unit prides itself in having provided the best financial services to our corporate customers, which has enabled them to become global players during the past 116 years. We will strive to provide our expertise to a larger number of customers.

”

REVIEW OF 2014

In 2014, the Corporate Banking Business Unit strove to satisfy the financial needs of large enterprise customers. Woori Bank is currently exploring various financial needs through the 'Woori Diamond Club', a meeting of the CEOs of large Korean enterprises, while also strengthening the relationship with large enterprise customers. As of 2014-end, the Corporate Banking Business Unit (including Corporate Finance Center and IB) posted total assets of KRW 31.1 trillion, net income of KRW 103.5 billion and an export/import volume of USD 2,500.

Continuously Strengthening Relationships

As corporate customers developed into global players, their financial needs have changed rapidly and have become more diverse. Woori Bank currently runs the 'Woori Diamond Club', a meeting of the CEOs of large Korean enterprises that have been up and running since 2003. The club's 12th anniversary marks a time to strengthen our relationships with our corporate customers, as well as provide services to respond to changes in the environment by identifying the financial needs of our customers in a timely manner.

Total Assets of Corporate Banking -end 2014

(Unit: KRW trillion)

31^{.1}

Total Credits of Main Debtor Groups in 2014 (excluding management/financial improvement)

(Unit: KRW trillion)

26^{.2}

Total Credit Exposure of Main Debtor Groups -end 2014

(Unit: KRW trillion)

37^{.4}



Woori Bank is the major creditor bank of 16 large enterprises

(Total number of large enterprises under main creditor bank management: 41)



Extending Support for Large Enterprises/SMEs

At a time when CSR (Corporate Social Responsibility) is emphasized, Woori Bank signed cooperation agreements with large enterprise customers, and developed product packages to extend funds to SMEs with low interest rates. As of 2014-end, we have extended funds worth KRW 161.9 billion to 381 companies through the Partnership Loan for Large Enterprises and the Partnership Guarantee Loan for Large Enterprises launched in August 2008, and we have also reduced cost of financing for SMEs by providing the SMEs Partnership Loan (launched in May 2013). Serving the highest number of large enterprise customers in Korea, we utilize a broad customer network to contribute to the shared growth of large enterprises and SMEs.

Developing Products to Improve Financial Security

With the adoption of the IFRS in 2012, companies are required to record bills bought in foreign currencies as debts, implying that exporters with a large volume of such bills would be subject to poorer financial soundness. As such, we developed a customized product for exporting customers by buying out export account receivables D/A (Document against Acceptance) for high-net-worth, large enterprises and overseas subsidiaries in main debtor groups on a Non-Recourse Condition (before acceptance of the shipping document and the fixing of the maturity date by the importer). With this in place, corporate customers can avoid having to record the liability for bills bought on account (resulting from the adoption of the IFRS), and can also improve their financial security.

PLANS FOR 2015

In 2015, the Corporate Banking Business Unit plans to achieve qualitative growth through customized business for each specific category. We will achieve this goal by implementing category specific marketing, accelerating synergies, strengthening fee business and efficiently managing risks. Optimized financial services will be provided for companies based on category-specific factors and investment plans. Moreover, synergy will be maximized by exploring high-performing partner companies and expanding retail transactions for employees. Non-interest income will scale up by arranging and involving more in IB, including infrastructure finance and acquisition finance as well as intensive sales in niche markets with F/X, e-banking and derivative transactions. Assets soundness will be improved by shutting off the influx of low profit generating assets, and financial soundness will be enhanced through risk management on the basis of perceiving risk signals.

SME BANKING

“
 The SME Banking Business Unit is in charge of financial services for corporate customers, especially SME customers. At the end of 2014 there were approximately 960,000 SME customers, whose total loans under management amounted to KRW 70.3 trillion. Woori Bank provides competitive products, and diverse financial and non-financial services to better satisfy SME customers. The SME RM (Relationship Manager) system, a channel of SME banking pool specialists, is available to provide the best financial services in corporate banking.
 ”

REVIEW OF 2014

In 2014, the SME Banking Unit achieved noticeable results, such as increasing the total number of SME customers to around 70,000 and increasing the total loans of SME banking by KRW 2.5trillion. The SME Banking Unit led marketing strategies that focused on attracting new high-net-worth SMEs and securing their retention. As in 2013, key categories were targeted, such as policy financing, guarantee secured loans and loans for equipment in 2014. For higher satisfaction and service levels for SME customers, various preferential programs were implemented with a greater focus on training and developing a specialized workforce for SME banking.

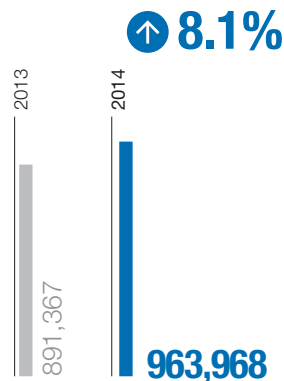
Implementing Marketing Activities to Target High-yield SMEs

As in 2013, the SME Banking Business Unit provided wide-ranging marketing data on high-yield SMEs and partner companies of large enterprises to help attract high-net worth customers to branches in 2014. In January 2014, we also launched the ‘High-yield Enterprise Master Loan’ to strengthen competitiveness, which involved offering competitive interest rates and preferential ceilings for high-yield SMEs, to achieve an impressive sales record of KRW 6.8 trillion for its balance at the end of 2014. As a result of the SME Banking Business Unit’s continuous efforts to increase high-yield assets, the number of high-yield SMEs of the level of BBB and above increased from 228,678 at the 2013 year end by 26,883 to 255,561 at the 2014 year end.

Focusing Marketing on Industrial Complexes

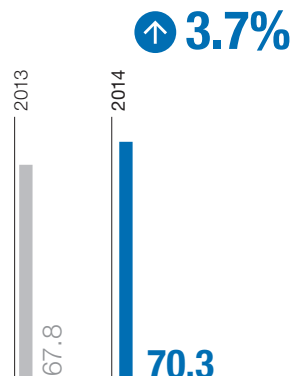
In order to intensively attract enterprise customers located in industrial areas, the SME Banking Business Unit expanded the target scope by remodeling the ‘Woori Industrial Complex Loan’, a specialized product for enterprises residing in industrial complexes, while also provided marketing data about these enterprises at branches. As a result of intensive marketing activities targeting industrial complexes, the balance of ‘Woori Industrial Complex Loan’ increased from KRW

TOTAL NUMBER OF SME CUSTOMERS



TOTAL LOANS OF SME BANKING

(Unit: KRW trillion)





468.2 billion at the end of 2013 by KRW 536.2 billion to KRW 1,004.4 billion at the end of 2014.

Vitalizing Policy Financing & Guaranteed Loans

In 2014, the SME Banking Business Unit focused on policy financing and guaranteed loans, so that the balance for each increased by KRW 1,007.1 billion and KRW 265.4 billion, respectively. In order to increase policy financing, the SME Banking Business Unit signed new agreements with local governments and public institutions, and also conducted various training programs and provided on-site support by bolstering competitiveness in interest rate for policy financing. In particular, the balance of indirect loans (on-lending loans) targeting high-yield SMEs among policy financing products, showed an outstanding improvement with an increase of KRW 1,028.6 billion year-on-year. In order to increase guaranteed loans, in July 2014, we launched and sold the 'Woori Group Purchasing Guaranteed Loan' as an exclusive agreement through the Korea Credit Guarantee Fund and joint development works.

Providing Diverse and Specialized Products

In 2014, the SME Banking Business Unit launched diverse specialized products, including the 'High-yield Enterprise Master Loan', a preferential product for high-yield SMEs to increase SME banking loans, and the 'Woori Group Purchasing Guaranteed Loan', a product of exclusive agreement in alliance with the Korea Credit Guarantee Fund. In order to strengthen the Bank's profitability by taking measures against reduced loan-deposit margins due to now common low-interest rates, we launched the 'Woori Export Promotion Finance' and the 'Exporting Company Master Loan', which are specialized products targeting export/import companies that conduct many FX transactions. In line with the government's policy on vitalizing technology financing, we strengthened our support for SMEs with outstanding technology, by launching the 'Woori Creative Loan for Outstanding Technol-

ogy Enterprises' in August 2014 and the 'Woori Creative Enterprise Partner Loan' in October 2014.

Preventing Customer Turnover & Supporting Consulting Services

In order to continuously increase assets, despite intensive competition with other banks, the SME Banking Business Unit newly implemented the 'Early Bird Customer Retention' program, preventing the loss of existing customers to other banks. The program proactively identified the needs and complaints of customers before the existing loans expired, so that customers whose expiry date was coming up did not go to other banks. Woori Bank has been providing corporate consulting services for the longest time out of all Korean banks. In 2014, we contributed to the increase of sales and operating profits of corporate customers through 65 consulting projects conducted. The Corporate Consulting Team within the SME Banking Business Unit provides various types of consulting services for improving the corporate values of corporate customers, including consulting on management, CFO, family business succession and operation.

PLANS FOR 2015

In 2015, the SME Banking Business Unit plans to continuously increase high-yield assets, by launching new specialized products for the main target groups to attract new customers and by providing competitive interest rates for existing corporate customers to prevent their turnover. In the end, taking into consideration the active overseas expansion of SMEs recently, the SME Banking Business Unit plans to strengthen relationships with existing customers and attract new customers through a new overseas expansion program that utilizes the Bank's overseas network.

INSTITUTIONAL BANKING

“

The Institutional Banking Business Unit is divided into the Institutional Sales Strategy Department, to cater to the central government, local governments and public institutions, and the Public Fund Sales Department, to manage the municipal and provincial treasuries of local governments. Moreover, we are the only bank to utilize specialists in institutional operations (institutional RM) to provide first rate financial services to institutional customers. As of 2014, our institutional customers include the Seoul Metropolitan Government and its 25 district offices, the Ministry of Land, Infrastructure and Transport, the National Health Insurance Corporation and the Korean Railroad Corporation. The presence of such customers reaffirms our position as Korea's largest primary bank for public institutions.

”

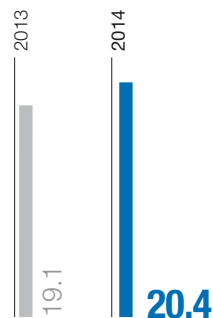
REVIEW OF 2014

The Institutional Banking Business Unit has left a mark on history by being a treasury bank for major public institutions for 100 years, by being reselected as the Seoul Metropolitan Government's treasury bank, as well as acting as the treasury bank for 24 district offices. During a period of 100 years as the Seoul Metropolitan Government's treasury bank, Woori Bank has become a leading financial institution for local residents by contributing to regional development and expanding the scope of transactions with the central government, local governments and major public institutions, including affiliated institutions of the Seoul Metropolitan Government. In line with the government's policies, Woori Bank provided specialized services for the governmental agencies' planned relocation to the provinces, to attract 34 institutions out of 102 institutions that completed the selection of its transaction bank as of 2014, with plans to attract more institutions as relocation continues until 2016. As of the end of 2014, the Institutional Banking Business Unit operated total deposits of KRW 20.4 trillion and total loans worth KRW 3.2 trillion, while maintaining relationships with about 3,700 institutional customers.

TOTAL DEPOSITS OF INSTITUTIONAL BANKING -END 2014

(Unit: KRW trillion)

↑ 6.8%



Making History as the Seoul Metropolitan Government's Treasury Bank for 100 Years

Since the treasury agreement signed with Gyeongseongbu (Seoul) in 1915, Woori Bank has done a remarkable job in acting as the Seoul Metropolitan Government's treasury bank for 100 years, by collecting tax revenue and by managing the payment of annual expenditures. In 1988, we started the first comprehensive management system for revenues and expenditures, and established the OCR Center in 1991,

borne from being the treasury bank for 100 years. Moreover, we were able to develop world-class management capability as a treasury bank by establishing the ETAX system in 2001, the annual expenditure e-banking system in 2004, the revenue e-banking system and the comprehensive management system for treasury bank affairs in 2011. Based on the advanced treasury management system and high-quality specialists in the relevant fields, Woori Bank has become a "Partner of Seoul Hope" that contributes to the Seoul Metropolitan Government's tax and financial management tasks, the convenient tax payment of citizens and the development of local communities.

Seeking New Projects from the New Government

In order to seek new governmental projects where financial institutions can make contributions and support the R&D projects initiated by the government, Woori Bank has set up a R&D Team within the Institutional Banking Business Unit, to conduct R&D projects together with the Ministry of Trade, Industry and Energy (MOTIE) since 2013. We have continuously maintained a business agreement with the Korea Foundation for the Promotion of Private Schools, while also participating in the program for 'Halving Dormitory Fees' pledged by the new government. Moreover, we continuously conduct cooperative projects with the Korea Institute of Startup & Entrepreneurship Development to support the startup enterprises of the Small and Medium Business Administration, thereby establishing the self-reliance foundation for startup entrepreneurs and SMEs through the 2014 Korea Startup League.



Searching for New Growth Engines By Initiating New Projects

The Institutional Banking Business Unit not only provides banking services for institutional customers, but also offers business opportunities aligned with new projects undertaken by institutions for SMEs and individuals. In particular, we were National Pension Service's only bank to be selected for foreign currency control in 2013, to promptly provide foreign exchange and security trading services. In addition, we have been selected for Korea Electric Power Corporation (KEPCO), KCA, Korea East-West Power and BIFC that moved to the Innovation City, while also assisting in providing financial services for SMEs through an agreement with the Korea Institutional Complex Corporation.

PLANS FOR 2015

In 2015, the Institutional Banking Business Unit continuously searched for new projects and joint projects, and actively participated in new projects initiated by the government, to provide financial services that help establish the self-reliance foundation of SMEs. Moreover, we reaffirmed cooperation with the Seoul Metropolitan Government and its affiliated institutions by being reselected as the Seoul Metropolitan Government's treasury bank, being able to provide financial services that help with joint projects and individuals. Also, when the relocation of public institutions begins in full scale, we will focus on institutional banking business through the nation-wide network to help usher in an era of decentralization, by setting up branches in new 'Innovation Cities'.

Major Institutional Customers of Institutional Banking

- Local Government



- Public Agency



INVESTMENT BANKING

“

The IB Business Unit provides a variety of IB services, including syndicated loans (M&A, SOC, etc.), securities investments (stocks, collective investment securities, equity-linked securities, etc.) and the granting of credit. We offer customized financial structures that cater to the needs of the project funds that our corporate customers pursue based on strong relationships with them. For the first time as a Korean bank, Woori Global Market Asia Ltd., specializing in overseas IB investment in Hong Kong, was established in October 2006. As such, Woori Bank has proactively tapped into overseas IB markets by scaling up capital in October 2013.

”

REVIEW OF 2014

In October 2014, the global economic situation was aggravated due to the financial crisis entering into a recovery phase, with quantitative easing in the U.S. and the volatility of global equity and bond markets going back to previous levels seen before the financial crisis.

Implementing Selective Business Initiatives

In Korea, major annual macro-economic indicators show positive signs. Nevertheless, recovery is slow in industries like construction, shipbuilding, maritime and steel, while marginal businesses are increasingly proactive. As such, the IB Business Division carried out selective business initiatives that take stability and profitability into consideration.

First, we made efforts to forge cooperative ties with financial institutions, government agencies and enterprises, while achieving outstanding



performances in relevant fields by focusing sales capacity on power generation/energy and M&A. As a result, as of the end of 2014, the division holds KRW 11 trillion in total assets (including off-balance sheet assets). We raised asset soundness by continuously implementing portfolio rebalancing through active management of low-profit assets and potentially insolvent assets. Moreover, we improved profitability by increasing the volume of loans for high-profit projects, so that large profits in the form of from dividends and sales were recovered from high-yield investment assets that have been previously invested.

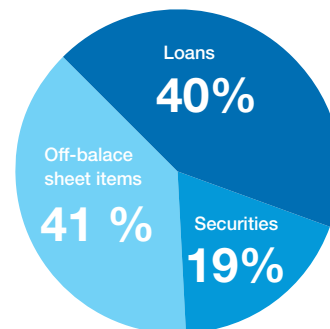
PLANS FOR 2015

In 2015, the IB Business Division will focus its capacity on power generation/energy and M&A to strengthen its competitiveness in the IB market where competition is growing. We will also proactively take part in overseas projects, in addition to existing projects focusing on domestic markets, to enhance profitability and acquire high-yield assets. In addition to overseas projects in alliance with policy finance institutions, we will utilize the Bank's overseas network, including the overseas office in Hong Kong, to vitalize overseas IB businesses by searching and participating in high-yield SOC projects and syndications.

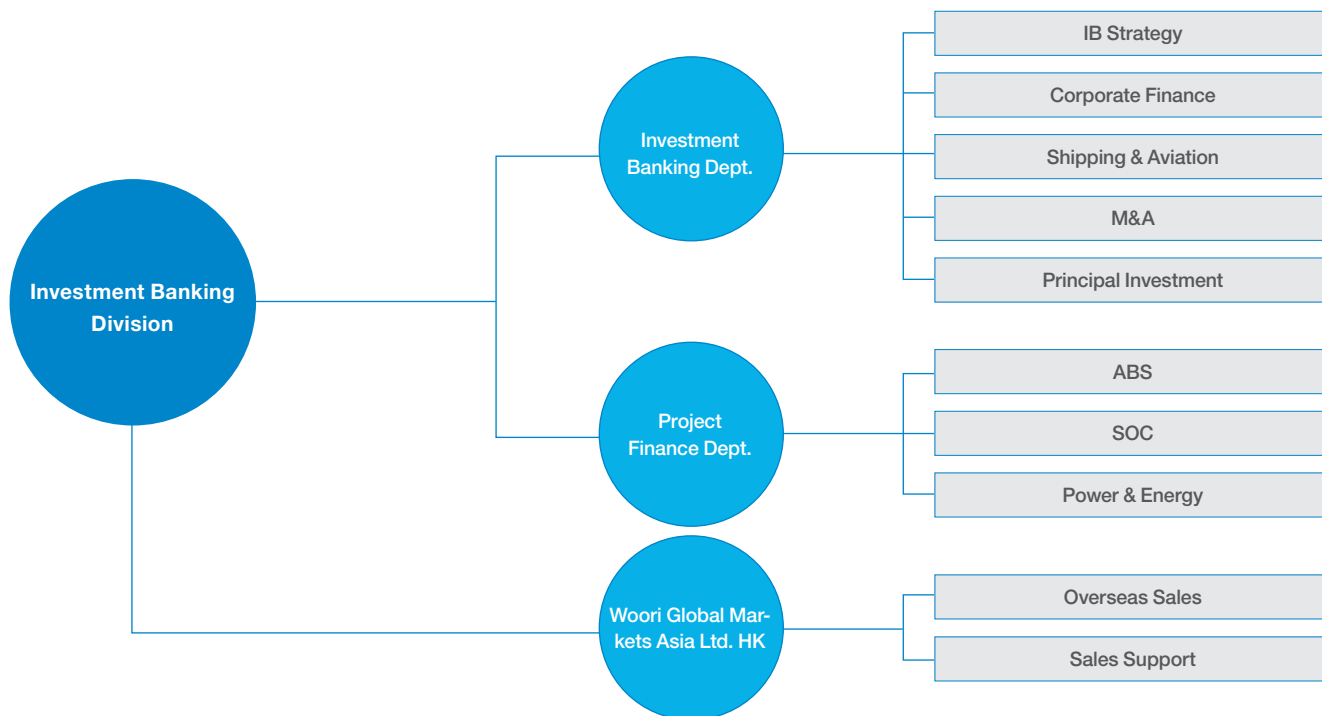
Total Assets of Investment Banking -end 2014

(Unit: KRW trillion)

11.0



Investment Banking Organization



03

ENHANCING OPENNESS TO SERVE

More than
20 million
Total Number of Customers

ENHANCING OPENNESS TO SERVE

060 REAL ESTATE FINANCE

062 PENSION & TRUST BUSINESS

064 WEALTH MANAGEMENT(WM)

066 CONSUMER BANKING

Woori

PENNESS

Woori Bank will serve as reliable partner bank that achieves the highest customer satisfaction, by always being there for customers and providing the best products and financial services.



REAL ESTATE FINANCE

“
For systematic and professional management of real estate financing, the Housing Finance Division has been transformed into the Real Estate Finance Business Unit. Also, the unit manages the National Housing Fund of the Ministry of Land, Infrastructure and Transport as a general treasury bank. We strive to satisfy the diverse needs of our customers by providing products that build on Woori Bank accounts, as well as the National Housing Fund products that are available for those on a low-income.
”

REVIEW OF 2014

In 2014, the Real Estate Finance Business Unit ranked 1st in M/S amongst national housing funds. In recognition of excellent performance over the past 6 years, we have been providing a variety of real estate finance products to our customers as a general treasury bank for the National Housing Fund. We also made a pre-emptive response to the prolonged recession in the real estate market and led the market in generating demand for real estate financing by searching for new markets.

Being Selected as the Lead Agency for Standard PF Loan

The Standard PF Loan is a product package consisting of the 'Intermediate-term Loan' and the 'Baro Dream Loan', a non-recourse accounts receivable loan that supports construction expenses of subcontractors. By satisfying the needs of individuals for housing, SME subcontractors and large enterprise construction companies, the Standard PF Loan has become a representative product in the PF real estate finance market.

Expanding Our Customer Base as a General Treasury Bank of the National Housing Fund

The National Housing Fund project is important in broadening the options for consumer products (including products for the socially vulnerable) of real estate financing. Woori Bank has taken the lead in seamlessly procuring and ex-

Demand-side Housing Subscription Loans

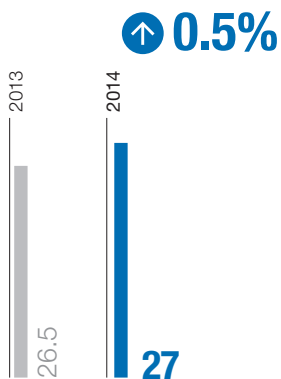
(Unit: %)

39^{.7}
(No.1 M/S)

ecuting funds as a general treasury bank of the National Housing Fund. As of the end of 2014, Woori Bank had a market share of 39.7% in loans for subscribers and a market share of 27% in savings for housing subscriptions. Throughout 2014, 1.15 million new customers prepared themselves to fulfill their dream to own a house using savings for housing purchases. Woori Bank will strive to establish a system where more customers can get access to the National Housing Fund.

HOUSING SUBSCRIPTION SAVING

(Unit: %)



Leading the Domestic Real Estate Finance Market

In 2014, the Real Estate Finance Business Unit led in developing products and reforming the system in order to make preemptive responses to changes in the financial market. We are actively engaged in supporting the soft landing of household debts and the house-poor and ensuring housing market stabilization, by launching the 'Safe House Rental Loan', a new concept of loans for rental deposit that can take care of the tenants' concerns about rental deposits and reduce the burden of raising large sums of money all at once, and the 'My House Didimdol Loan', integrating the money for purchasing from the National Housing Fund (including for first-time buyers) and the preferential type of Korea Housing Finance Corporation's Bogeumjari loans. We also contributed to the government's housing finance support policies and in ensuring housing market stabilization by being the only bank to support the 'Shared Mortgage', which adopts a new advanced financial engineering tool.

PLANS FOR 2015

In 2015, we will continue to dominate market share by ranking 1st in the National Housing Fund. We will strive to attract new loans for subscribers and savings for housing subscriptions, including rental deposit loans and first-buyer housing loans. Moreover, we will actively support real estate welfare projects for citizens and make continuous efforts to facilitate national housing in a righteous way through our accumulated experience in financing and operating funds. We will also actively take part in the government's real estate finance measures, and actively support extending funds to those who want to purchase their own houses by securing optimal profitability and an asset structure with the lowest risk. This will enable us to expand mortgage loans to KRW 4 trillion, to play a leading role in attracting consumer banking assets even in times of economic downturn.



PENSION & TRUST BUSINESS

“ As the retirement pension market has been expanding, the Pension & Trust Business Division was launched in 2009 to support the efficient management of retirement resources for retail customers. From the initial stage of adopting the retirement pension system, we provided differentiated customized services through comprehensive retirement pension consulting. We lead the retirement pension market by providing total financial services, which offer customized optimal products that suit our customers' investment tendencies through advanced processes with seasoned investment specialists available.

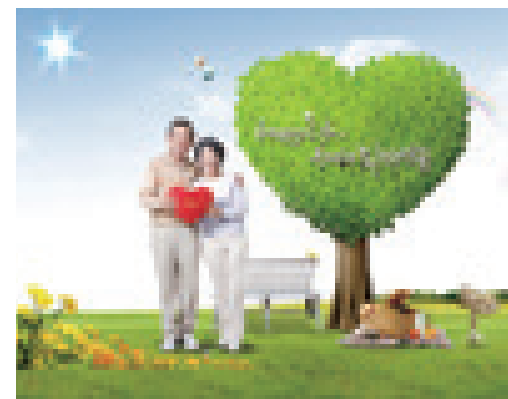
”

REVIEW OF 2014

In order to guarantee a stable retirement for the workforce and prepare for changes in the labor market, such as a rapidly aging population, Woori Bank has been fostering customer-oriented businesses with a long-term perspective.

Fostering Customer-Oriented Businesses

We provide the 'Happy Life Retirement Pension Newsletter' once a month to companies and workforces that subscribed, which covers major issues and recent trends for retirement pensions, information on asset management and diverse information. We launched the 'Happy Life Lifetime Bankbook for Retirement Pensions' for subscribers. The product enables subscribers to conveniently access their retirement annuities as they accumulate their pensions, allowing them to check their bankbook to see how their funds are being managed. We developed and managed a 'Maturity Designated Time Deposit', which enables customers to designate their individualized maturity, depending on their financial plans and needs.





Our retirement pension systems were upgraded to reflect the major amendments in the Employee Retirement Income Security Act. We also offer a variety of services, including providing updates and notifications to subscribers through the 'Welcome Letter', conducting follow-up through the Bank's 'Happy Call System' and providing educational support through the 'Retirement Pension Training Management System'.

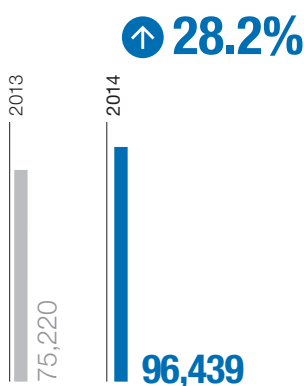
In 2014, the amount of retirement pension assets stood at KRW 9,643.9 billion, up KRW 2,121.9 billion from the previous year. The number of companies subscribed to retirement pensions increased by 1,330 from the previous year to 28,011, showing an increase of 5.0% as of the end of December, 2014. Also, the number of subscribed employees increased by 115,135, which is an increase of 10.4% to 1,226,400 year-on-year.

PLANS FOR 2015

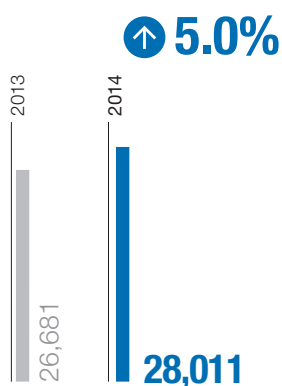
Having recognized retirement pensions as core growth industries of the future, we are engaged in active marketing. We do this by responding to market changes to secure a stable customer base and long-term profitability so that we can dominate the retirement pension market early on. In 2015, the Pension & Trust Business Division plans to establish a foundation for sustainable growth by conducting customer-specific marketing, while also strengthening business competency to improve profitability and secure continuous growth as part of its efforts for qualitative improvement of trust management. We will continuously focus on enhancing the efficiency of sales channels. Based on an abundant specialized workforce, supportive training systems, diverse customized products and up-to-date management expertise, we will lead the retirement pension market.

TOTAL ASSETS OF RETIREMENT PENSION

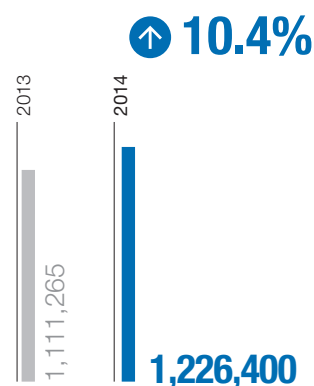
(Unit: KRW billion)



TOTAL NUMBER OF COMPANIES SUBSCRIBED TO RETIREMENT PENSION



TOTAL NUMBER OF EMPLOYEES SUBSCRIBED TO RETIREMENT PENSION



WEALTH MANAGEMENT (WM)

“
 The Wealth Management (WM) Division is in charge of overseeing Private Banking (PB) services that target High Net Worth (HNW) customers. The WM Division consists of the WM Strategy Department; it establishes and implements business strategies for PB services, and manages Woori Bank’s affiliated products (funds, bancassurance), developing asset management products and leading the retirement market. As of 2014, we provide Korea’s first-rate services in comprehensive asset management and consulting services to around 130,000 HNW customers through an independent PB brand.
 ”

REVIEW OF 2014

In 2014, the WM Division hired and trained about 180 new specialists as part of its efforts in developing PB specialists. In order to strengthen the asset management capacity of all employees, we established a permanent training system, online and offline, to provide training for new products in a timely manner.

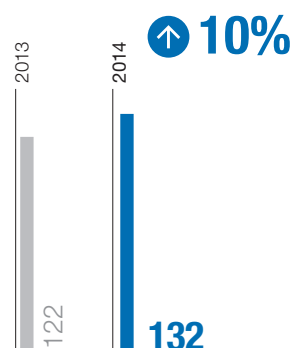
As a result, we achieved huge growth in the fund and bancassurance markets, while around 10,000 new HNW customers started transactions with Woori Bank. In recognition of these results, we had the honor of winning the ‘Korea Premium Brand Award’ for five consecutive years and the ‘Customer-Preference Brand Award’ for three years in a row.

Providing Systematic and Scientific Financial Planning Services

In 2014, Woori Bank established a comprehensive asset management system to provide customized investment strategies for analyzing customers’ transaction information and their investment trends, thereby we are able to easily and conveniently find optimal solutions for customers. In recognition of the high interest on retirement incomes, we also provide diagnostic tools and consulting to prepare for retirement based on expected retirement income.

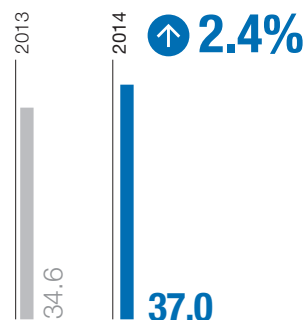
TOTAL NUMBER OF WM CUSTOMERS

(Unit: thousand)



TOTAL DEPOSITS OF WEALTH MANAGEMENT BANKING

(Unit: KRW trillion)



Globalizing Private Banking (PB) Services

Woori Bank provides customized Private Banking (PB) services, catering to customer needs in around 580 PB branches. The Bank provides asset management consulting services and seminars on taxation and real estate for potential local customers, leveraging overseas networks. PB services will also be globalized along with the Bank's expansion of overseas networks.

Launching '100 Years of Age Research Team' in Preparation for the Aging Trend

Woori Bank launched the '100 Years of Age Research Team' in July 2012 in preparation for the advent of an aging population. The team conducts R&D on processes and products to prepare in advance for the financial demands of the elderly population, which is likely to increase in scale. The Bank launched products exclusively for retirees in 2014, including the '100 Years of Shinyoung Youth Fund Series' and the '100 Years of Woori Youth Card'. We also continuously provided retirement consulting services to senior customers, by producing retirement planning guidebooks and providing retirement training to employees of our corporate customers.



Fostering Specialized Private Bankers

In order to foster competitive private bankers, Woori Bank operates PB Academy courses according to different needs. Moreover, more detailed training is provided for around 580 PBs across the nation by holding PB seminars for self-control training and operating the PB Leaders Club. We also provide training through UC video training programs on a daily basis, including affiliated products (funds, bancassurance), taxation and real estate, to establish a cafeteria-type training system where the user can choose and listen to the training that is required.

PLANS FOR 2015

In 2015, the WB Division aimed to become the leading bank in comprehensive asset management by placing the Asset Management Product Development Team, which was divided into another division, and the Customer Advisory Center, which provides advisory services on taxation, real estate and legal affairs, under the same unit. It is expected to become easier and more convenient to promptly offer high-yield customized products for PB customers and provide a comprehensive advisory service that meets the needs of PB customers. By utilizing the companies' strengths to the maximum, we plan to attract around 10,000 HNW customers next year by implementing the Bank's customized PB strategies built upon the foundation of the bank's existing customers.



CONSUMER BANKING

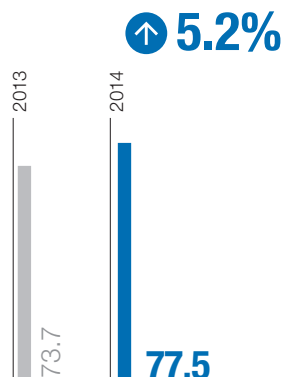
“
 The Consumer Banking Business Unit is in charge of conducting overall business strategies for individual consumers, finding new markets, managing the retail organization, establishing business channel strategies and setting business strategies for universities and hospitals. We run a separate division within the Consumer Banking Business Unit for wealth management that requires more specialized services. We also work towards improving customer satisfaction with better products and services, by continuously searching for new markets and conducting CRM (Customer Relationship Management) activities.
 ”

REVIEW OF 2014

In 2014, Woori Bank recorded growth of more than 1 million new customers for three consecutive years, exceeding 20 million individuals, while also continuously developing differentiated and innovative products. We provide first-rate financial products and services for different stages of the customer life cycle through the Bank's representative projects for attracting new customers, including the Baby Project, School Project and Company Project, contributing greatly to retaining infants, students and office workers as customers. We also participate in the government's projects for sharing growth, and this has been done by launching the 'Woori Happiness Sharing' product package, a nation-wide small donation account, to provide the benefits of high interest rates and tax reductions for customers and the Bank while attracting new customers, including public officials and office workers. Meanwhile, in order to meet the increasing needs of customers, we increased the number of portable branches to provide convenient services to customers without limitations related to time or space.

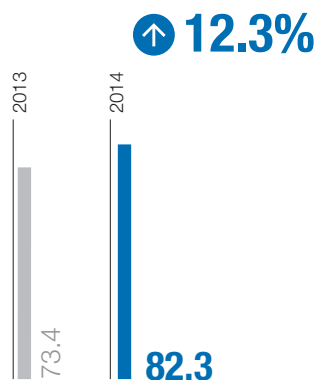
TOTAL DEPOSITS OF CONSUMER BANKING

(Unit: KRW trillion)



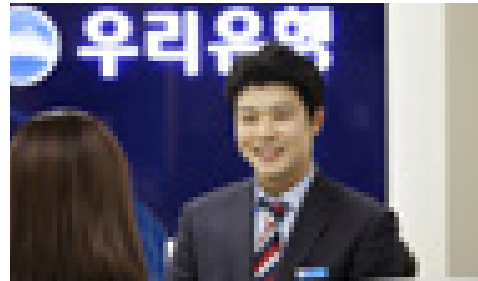
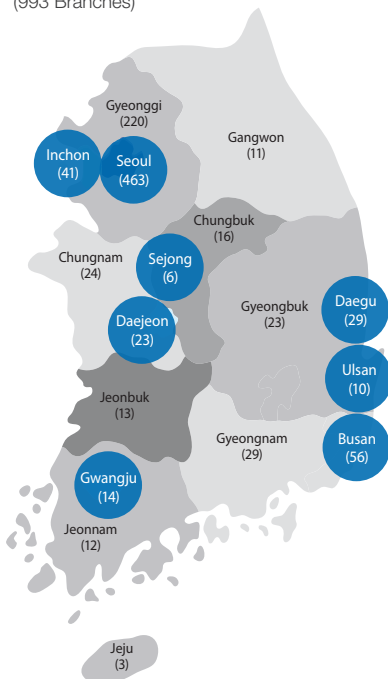
TOTAL LOANS OF CONSUMER BANKING

(Unit: KRW trillion)



Nationwide Branch Network -end 2014

(993 Branches)



Implementing the Company Project for Attracting High-yield Companies and Employees

In order to provide marketing tools that can help retain customers at branches, and attract new and potential customers, Woori Bank was the first in the financial industry to implement the Company Project based on the ID cards of office workers. The Company Project enables the retention of all financial transactions of companies and employees by providing a system for managing absenteeism and tardiness, as well as entrance and exit, including the services provided in alliance between Woori Card (ID employee card) and security companies (absenteeism and tardiness/entrance and exit control services). Starting from May 2014, the project attracted 2,176 companies, 30,000 employee cards and 50,000 salary accounts. Among the companies enrolled, the bank paid for the rental costs of readers for absenteeism and tardiness/entrance and exit services, to reduce the burden of costs on companies, while also exploring new markets by attracting the employees of those companies with salary accounts. Currently, the patent is pending for BM, which will provide distinctive services as well as establish the infrastructure for security services for corporate customers in the future.



Developing the 'Woori Happiness Sharing' Product Package Aligned with the Government's Policies for Spreading a Culture of Sharing

In 2014, Woori Bank proactively developed the 'Woori Happiness Sharing' product package aligned with the government's policies for spreading a culture of sharing. The package integrates "high interest rates, tax reduction and donation" into one, by providing high interest rates depending on the amount of card use and tax reductions for small donations made. Starting with the Ministry of Health and Welfare in March 2014, the Bank signed business agreements with a total of 62 institutions as of the end of 2014, including local governments and public institutions. As a result, we attracted 200,000 installment savings accounts and 180,000 credit cards from public officials and office workers in government agencies and public institutions, thereby creating a stepping stone for vitalizing transactions with local governments and public institutions that were formerly customers of other banks. In the future, we will increase the number of public officials and employees attracted from government agencies and public institutions by remodeling products, while signing business agreements with new and potential customers in government agencies and public institutions.

Adopting and Operating the Portable Branch Moving Devices

Portable branches are cutting-edge banking devices which create a branch environment anytime, anywhere via the LTE telecommunication network, so that direct visits can be made to where customers are so as to offer the same services as that of branches. The pilot program began in April 2013, and now 50 portable branches are up and running, as of the end of 2014. They are likely to significantly contribute to business activities that help customers meet their specific needs, and lead the rapidly changing financial market through continued expansion.

Optimizing of the Channel Network

Amid the evolving financial environment, branches have been selected in districts with new growth potentials, such as 'Innovation Cities' and industrial complexes, and low-yield and low-presence branches have been transferred or relocated. The Bank operates 993 branches, as of the end of 2014, including 29 new, 25 integrated and 15 relocated branches, thereby establishing a basis for creating profits through an efficient branch network. In order to strengthen non-face-to-face channels and provide better customer satisfaction, we set up 190 new unmanned automation systems, so as of the end of 2014, a total of 2,166 systems are available and 186 old ones were replaced.

PLANS FOR 2015

In 2015, despite the continuum of low growth and low interest rates and the highly competitive business environment, the Consumer Banking Business Unit plans to concentrate on attracting new customers and expanding the existing customer base to maintain a stable growth momentum. Through a variety of projects targeting youth culture in alliance with YG Entertainment, we plan to increase the number of new customers and attract new and existing customers as important customers through cross-selling. We will also strive to secure profits by continuously attracting the flow of funds with increases in settlement accounts for transfers of apartment management expenses, salaries and utility charges.

04

IMPROVING RELIABILITY TO SECURE

Prize
in Thebell Risk Manager Awards

IMPROVING RELIABILITY TO SECURE

072 RISK MANAGEMENT

075 ETHICAL MANAGEMENT

077 CONSUMER PROTECTION

Wool RI

LIABILITY

Wool Bank will take the lead in preventing the leakage of personal information and protecting consumer rights, while also striving to provide the best asset management services to our customers, with a strong ethical mindset for communication and integrity among employees.



RISK MANAGEMENT

“

Risk management has become essential to strengthen the competitiveness of financial institutions. Based on the know-how accumulated through past crises, Woori Bank adopted the Risk Adjusted Performance Measurement (RAPM) for the first time in the Korean banking sector in 2002, to establish advanced risk management systems by successfully introducing the Basel II and III protocols. Believing that profit sources are a result of effective risk management, Woori Bank will solidify its presence as a leading bank through implementing top-tier risk management.

”

REVIEW OF 2014

Aiming to become a clean bank through asset quality improvement, the Risk Management Unit carried out risk management policies by taking into consideration uncertain economic situations at home and abroad, including the tapering of quantitative easing (QE) in the U.S. and the increase in household debts and SME credit risk.

In order to minimize asset quality deterioration preemptively and reflect credit portfolio policies in performance evaluation, we established new indicators of ‘improvement factors for high-net-worth assets’. We also upgraded the early warning system for detecting potential insolvency at an earlier phase, to improve discrimination and efficiency. We periodically send out letters about major issues regarding on-site risk management and establish communication channels to listen to on-site opinions. Besides these, the total exposure management method, which sets limits and estimates the borrower’s financial statements based on future growth values, has received recognition domestically and internationally to win the best prize at the 5th ‘thebell Risk Manager Awards’. Meanwhile, we received the best prize in the 5th ‘thebell Risk Manager Awards’ in recognition of excellence.

Prediction of default rate within one year after falling to ‘warning’ level

(Unit: %)

63  15%

Prediction of insolvent borrowers 3 months in advance

(Unit: %)

83^{.1}  6.6%



Improving the Performance Management of RAPM

Woori Bank has the best corporate banking capacity in Korea. We strove to preemptively establish a risk management system for corporate assets by learning from past crises. As part of our efforts to minimize potential insolvency by improving portfolio structure, we established and operated new standards to evaluate branches, according to the level of improvements shown in high-net-worth assets. Sound evaluations are expected to be given as the ratio of high-net-worth assets increase. As a result, high-net-worth assets have increased in 2014, as shown below.

With the purpose of preemptively managing industries with potential risks, we have classified Korean industries according to the level of potential risk. We also applied measures in different stages and minimized the restriction of business, including tightening interest rate approval authorization and imposing expected losses. Meanwhile, we raised the efficacy of control for high-risk industries to remove regulatory blind-spots. We will actively carry out high-net-worth asset-driven portfolio policies continuously in the future.

Upgrading the Early Warning System for Insolvency Prevention

Since uncertainties continue in the financial environment and profitability of enterprises are getting worse, it is essential to develop a device for preventing insolvency risk at an earlier phase. Therefore, Woori Bank established an early warning system for identifying signs of insolvency in corporate assets at an earlier time and managed appropriate post management systems. In 2014, indicators representing insolvency signs were renewed to reflect recent economic conditions, thus improving the predictability and distinctiveness of the systems to a higher level. Moreover, follow-up management systems for borrowers with signs of insolvency were developed, thus minimizing the further possibilities of deterioration into actual insolvency.

Aiming to enhance crisis response capabilities against industries with potential risks, the number of industries subject to monitoring under industry-specific contingency plans was scaled up, and countermeasure responses were strengthened in each critical phase. As a result, efficient and feasible responses can be better implemented in each phase.

Category	As of the end of 2013	As of the end of June 2014	As of the end of September 2014
High net worth assets (EL ratio of less than 0.5%)	42.8	45.5	48.5
Low net worth assets (EL ratio of exceeding 0.5%)	22.7	19.9	12.3

Establishing Communication Channels at the Business Site

In order to establish and apply efficient risk management policies, it is essential to communicate with the business site. As such, the Risk Management Department sends out letters with easy explanations about major risk management issues that are associated with branches, including enterprise credit evaluation and Risk Adjusted Performance Measurement (RAPM), and actively reflects the feedback from the site into risk management policies.

Receiving the Best Prize in the 5th 'thebell Risk Manager Awards'

Woori Bank was the first in the banking sector to actually adopt and apply a system that provides exposure limits based on future cash flow (total exposure limit management). This provides exposure limits to each enterprise by looking at the company's future growth values (cash flows from operating activities) as their future repayment, while countermeasure plans are provided systematically for exceeding the limit, including notification to related credit analysis and approval departments, receiving of repayment plans, review of whether or not repayment plans have been carried out and reported to the management. For the total exposure management system, Woori Bank won the Best Prize of the '2014 thebell Risk Manager Awards' (October 30, 2014, hosted by: Moneytoday thebell), which is the most prestigious award in risk management for the Bank's excellence in this field.

PLANS FOR 2015

In 2015, Woori Bank will actively enhance the bank's values by improving the portfolio structure of high-net-worth assets to respond promptly to uncertainties arising from environmental changes. Accordingly, we will establish on-site oriented risk management systems by continuously communicating with the business site, such as receiving feedback about credit evaluation models, providing operational risk analysis for each branch and making regular visits to high-risk branches. We will also increase the KPI scores to increase high-net-worth assets, while strengthening the regulation on high-risk assets to improve asset quality. As such, we will comply with the optimal Liquidity Coverage Ratio (LCR) by taking into consideration profitability and capital adequacy, according to the supervisory authorities' implementation of the Basel III liquidity coverage ratio (LCR).

ETHICAL MANAGEMENT

“

In order to ensure transparent and rational implementation of duties, Woori Bank is aiming to become a reliable bank for customers through differentiated ethical management systems and ethical training programs for employees. We also devised the 'Woori Code of Ethics', which are the principles involved in making proper decisions or acting correctly, and all employees are required to abide by these principles, along with the 'Fair Trade Compliance Program'. As a result, Woori Bank has created a corporate culture of compliance where ethical management and fair trade are implemented through customer protection and upgraded services.

”

REVIEW OF 2014

In 2014, Woori Bank strove to ensure that employees could recognize and practice the concept of ethical management. They were encouraged to apply the 'Code of Ethics' through continued internal control and intensified employee training. An event titled 'My Commitment to Compliance and Sound Business' took place to intensify the awareness on practicing principle-based business through legal compliance, preventing financial incidents and bolstering the awareness of legal compliance. An award ceremony for outstanding employees in ethical management and compliance monitoring was held to raise awareness of ethical compliance and boost morale through incentives. Moreover, the Bank operated the '119 (the Korean version of 911) Legal Services', a legal portal system that



provides help with resolving legal difficulties that arise on-site, and published a compliance guideline according to duties, so that ethical management can be further solidified in the Bank.

Practicing the Code of Ethics

Various programs have been developed to raise awareness and keep actions in line with the Code of Ethics among employees. By facilitating a whistle-blowing system and protecting whistle blowers, as well as reporting on money received and entertainment exchanges, Woori Bank practices ethical management and prevents related incidents from happening again. In order to effectively spread ethical management and establish business management following such principles, we have monitoring that is based on diverse channels, while the ‘On-site Ethical Management Compliance’, the ‘Ethical Management Self-check’ and the ‘Check & Clean Day’ were held on a monthly basis to strengthen the ethical mindset of employees. We also prevented unfair trade actions and established a sound culture of signing contracts for our partner companies through a Clean Contract System.

Providing Site-oriented Legal Advisory Services

In order to eliminate possible legal risks, we have extended active support for field management. With the 119 (the Korean version of 911) Legal Services in place, Woori Bank provides legal assistance from in-house lawyers for any employee requiring legal help in civic, criminal and household matters. Also, we receive employee suggestions for improvement through a bulletin



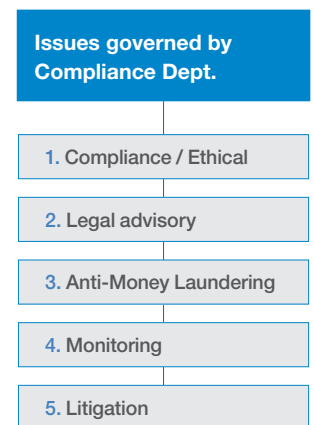
board available through legal advisory services, to be immediately reflected in the Bank’s systems. This enables strengthened utilization of regulations, while making them practical and conducive to work.

Preventing Incomplete Sales in Advance through Financial Incident Prevention and Best Practice Training

First, we strengthened the review of clauses and new products in advance of the perspective of protecting the rights of financial consumers to prevent incomplete sales, while continuously conducting training for all employees by providing processes and reviews of compliance in addition to product transparency. We also appointed a Head Auditing Officer to conduct a monthly review of legal compliance matters at all branches as a preventive measure and provide internal control training on best practices, so that we can prevent incomplete sales and customer complaints from arising. Second, we distributed the ‘On-site Ethical Management Compliance’, a monthly training magazine for practicing ethical management, to all branches, and strove to raise awareness of ethical management by publishing the ‘Ethical Compliance Lessons Learned From Best Practices’ every quarter.

PLANS FOR 2015

In 2015, Woori Bank will provide proactive and permanent compliance monitoring and establish prompt and convenient profit-oriented legal services and an anti-money laundering management system, thereby reestablishing and securing its compliance monitoring system. This enables the Bank to reaffirm its position as a leading bank without incidents and be the No. 1 bank in compliance. Moreover, we will contribute to social development by fulfilling our social responsibilities for all stakeholders, including customers, shareholders, employees, and the nation and society, based on our trustworthy ethical finance.



CONSUMER PROTECTION

“

Woori Bank's core values are putting customer's happiness first, pioneering and challenging itself to create a better future, leading the way in creating a healthy financial order and fostering human resources. Among our many values, we put 'customer happiness' at the top of the agenda. Based on this philosophy, Woori Bank was the first among Korean financial institutions to establish a Consumer Protection Center, an independent unit formed exclusively to protect consumers, where 37 persons were hired as part of the largest exclusive workforce in the industry. By actively carrying out consumer protection activities and fulfilling corporate social responsibilities, we have secured our position as the leading Korean bank in consumer protection.

”

REVIEW OF 2014

The Consumer Protection Center establishes the basic policies for consumer protection and devises action plans, while also preventing consumer damage claims to enhance consumer rights by exploring and improving unreasonable practices. We also promptly and fairly handle damage claims by receiving complaints from customers. Various activities are being implemented in terms of requests for help and complaints received from branches, such as consulting with relevant divisions for resolution.

Strengthening Financial Consumer Protection and Promoting a Culture of Protection

In 2014, we improved customer convenience through the improvement of unreasonable practices and advanced financial consumer protection, removing unnecessary waste factors by enhancing work efficiency and provided on-site



support to customers and employees. In order to promote a customer-oriented mindset for employees, we enacted the 'Financial Consumer Protection Charter', which is the basis of Woori Bank's policy direction for financial consumer protection. We protected consumer rights, developed products and sold them, resolved damage claims and developed the professional capabilities of employees on-site.

We also strengthened financial consumer protection by adopting a prior consultation system to reflect consumer views starting from the product development stage, promptly resolved the damage claims made, and minimized incomplete sales by establishing a product sales process.

Developing Active Consumer Protection

Activities

Customer happiness managers standing at the forefront of consumer protection on-site were organized under the name of 'Cham (Responsible) Forum'. They held training to prevent complaints by visiting 287 branches. Moreover, measures were taken so that prior reporting of complaints and compensation for customer damage claims were improved, enabling customer complaints to be resolved promptly and damages to be compensated adequately. These programs minimized customer inconveniences and allowed us to stay in line with the fundamentals of consumer protection.

PLANS FOR 2015

In 2015, in order to respond to the policy direction of 'creating a consumer-oriented financial environment', we plan to actively carry out projects that aim to 'strengthen financial consumer protection'. By adopting the 'Complaint Prevention ABC System' as the standard for preventing complaints on-site and establishing a support and cooperation system, we will resolve consumer complaints in advance. We also plan to create a financial environment that values the opinions of consumers by strengthening monitoring before and after the development of products by operating the new 'Woori Product

Care System'. Woori Bank plans to promote such a culture in the financial environment, so that consumer convenience and rights are enhanced through continuous implementation and improvement of consumer-oriented systems.

Woori Bank's Customer Information Protection

For the purpose of strengthening customer information protection in 2014, Woori Bank promoted the Customer Information Security Division, to strengthen the security of management and technologies for consumer information protection and to make the utmost effort to prevent the leakage of customer information.

- Acquisition of the ISMS (Information Security Management System) certificate for the Korea Internet Security Agency's information protection management system under the Ministry of Science, ICT and Future Planning
- Establishment of customer information leakage prevention system (DLP: Data Loss Prevention)
- Prevention of the use of general portable storage devices by introducing the security USB and establishment of approval system for documents taken outside
- Implementation of the real-name system with masking(*) so that personal (customer) information cannot be identified when printed out from the personal computer
- Establishment of a system that prevents fraudulent transfers through internet banking services
- Provision of information security training programs twice a year for all employees

05

BUILDING INTEGRITY TO SHARE

**15,000
persons**

Total Number of Employees

BUILDING INTEGRITY TO SHARE

082 SOCIAL CONTRIBUTION ACTIVITIES

084 WOORI SMILE MICROCREDIT

086 EMPLOYEE SATISFACTION

W O O R I NTEGRITY

Woori bank will work towards everlasting sustainability for our customers by promoting warm-heartedness in the financial sector through our employees working in a family-like environment.



SOCIAL CONTRIBUTION ACTIVITIES

“ During the past 116 years, despite colonialism and economic troubles, as a native bank of Korea, Woori Bank has practiced the spirit of sharing. At a time when social roles and responsibilities in the banking sector are spotlighted, humanity, happiness and hopefulness, as our three missions, will be at the core of everything we do. Diverse social contribution activities unfold under the goals to realize the vision of ‘sharing love and sharing in finance fosters dreams and hopes’.

SOCIAL CONTRIBUTION ACTIVITIES OF WOORI BANK

‘Woori Happy Society’ Program

To sponsor the underprivileged in local communities, Woori Bank practices the ‘Woori Happy Society’ program. It is a regular and continuous community-focused volunteering program that creates sisterly ties with social welfare centers in community and community childcare centers. Besides such hands-on volunteering activities, children having difficulties in participating in outdoor activities during summer and winter holidays are invited to take part in skating competitions and summer camps. In January, a skating competition was held for community childcare centers in Seoul Plaza, run by Woori Bank in front of City Hall. Twice every year, we operate the ‘Woori Dream Tree Scholarship’ system for children from community childcare centers. In 2014, around 320 children received scholarships. Also, we regularly support 87 community childcare centers and 110 social welfare centers through our head office.

‘One Company, One Village’ Sponsorship Program

Woori Bank conducts the ‘One Company, One Village’ sponsorship program, which encourages active exchanges to achieve shared growth between urban and rural regions. The program marked its 10th anniversary in April 2015 by supporting ‘Yubyeolnan (Unusual/Peculiar) Village’ in Anseong City, in Korea’s Gyeonggi Province. We offer support in the form of volunteering



during harvests, creating markets for the direct sales of agricultural products, rural village experiences for our employees and customers, village refurbishment and income-generating activities in rural villages. We also forged the 'One Company, One Fishing Village' program with Mong-san-ri in South Chungcheong Province, and the 'One Company, One Mountain' program with Namsan Mountain in Seoul for environmental preservation and natural protection. To pay tribute to our heritage, we have signed a contract to protect Hongyuneung under the 'One Company, One Cultural Property' program. Hongyuneung is national historic site No. 207 and a UNESCO-designated World Cultural Heritage site. It is the tomb of Korea's Emperor Gojong, and also of King Sunjong, who paved the way for the Daehan Cheonil Bank, the forerunner of Woori Bank, to be established, sponsoring it with imperial funds so that a national bank could take root. We regularly conduct activities to protect Hongyuneung, and include a tribute ceremony as part of our new recruiting orientation, so as to enhance their appreciation of company history. During every New Year's kick-off ceremony, the CEO and the management take part in a commitment event to practice 'Cham (responsible) Keumyung (finance)', to pay tribute to the deceased there.

Employees' Volunteer Activities Together with Families

As part of social contribution programs, we also invite the families of employees to take part in volunteering activities. Our employees and their families visit the rural village that has a sisterly tie through the 'One Company, One Village' program, where they weed sweet potato fields, while also doing volunteering work by reproducing the scene of the King's royal visit during the Choseon Dynasty at Changdeokgung Palace. In 2014, we held the Hope T(-shirt) Drawing Campaign together with the Korea Disaster Relief Association. Through the campaign, our employees made the Hope T(-shirt) with their children during the summer holidays to deliver them to the children of climate-disaster refugees who re-

quire emergency relief, along with the treatment of nutritional deficiency.

Love Blood Donation Event

Since 2006, Woori Bank has been holding the 'Love Blood Donation Campaign' to help out in July and August when there is a lack of blood donations, with the 9th anniversary marked in 2014. During the campaign period, employees voluntarily held blood donation relays at all branches, including the head office, Woori Finance Sangam Center and Woori W Tower. In particular, all of the employees who participated in the blood donation gave their blood donation certificates to the children of low-income households, suffering from rare diseases such as leukemia and childhood cancer.

Accumulation of the 'Woori Love Fund' and the 'Woori Children's Love Fund'

Woori Bank's employees are actively participating in promoting the culture of donation. They voluntarily accumulate part of their monthly salaries in the 'Woori Love Fund' and the 'Woori Children's Love Fund'. By utilizing the 'Woori Love Fund', we implemented the Together Woori Love Support System, which explores and supports 120 outstanding social contribution programs annually. As for the 'Woori Children's Love Fund', it practices the love of our employees through social contribution activities for children, such as helping out poorly-fed children. Starting from October 2010, we opened the 'Woori Love e-Sharing' where customers can make donations when they make transfers through internet banking, to take the lead in promoting the culture of small donations.

In order to establish the corporate culture of 'Sharing and Volunteering', Woori Bank plans to continuously carry out diverse social contribution activities. Moreover, we will directly and continuously conduct various activities for sharing, to ensure they are not a one-time event.



WOORI SMILE MICROCREDIT

“

Woori Bank is engaged in Microcredit to spearhead the efforts in practicing socially responsible banking by supporting the financially struggling and socially vulnerable and neglected customers. In 2009, Woori Bank led in the contribution of KRW 10 billion per year, totaling KRW 50 billion over five years, together with WFH and its affiliates, to establish and operate the Woori Microcredit Foundation. The foundation appointed famous people from the religious, academic and social welfare circles as outside directors, ensuring the fairness of the project and the support of citizens. There are nine branches across the nation with 28 employees.

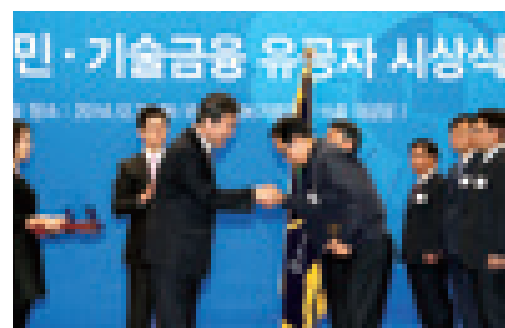
”

ACTIVE IMPLEMENTATION OF SOCIAL RESPONSIBILITY FINANCE

Major Performance of Microcredit Foundation

By extending support to the financially vulnerable, the socially neglected and those who lack financial access, we extended Microcredit worth KRW 379 billion in 2013, leading the way in practicing socially responsible financing. Microcredit services were presented with several products: ‘Woori New Hope Seed’ for low-credit low-income customers; and ‘Transit Loan’, whereby citizens suffering from high-interest rate loans could make the transition to low-interest loans.

Through Microcredit services, Woori Bank extended approximately KRW 74.2 billion of credit in 5,601 cases through 2014. In 2014, pursuing the business goal of ‘Microcredit that makes citizens smile’, we achieved a tremendous increase in the Microcredit extensions, by approaching customers and developing customized products. Woori Bank extended approximately KRW 21.2 billion of credit in 1,733 cases through 2014 (5,601 cases worth KRW 74.2 billion in total). It was not a mere voluntary activity: support has been given so that recipients can become self-sufficient through consulting and microcredit events in the form of visiting, consulting and extending a helping hand on-site.



Woori Smile Microcredit's Major Figures

(Unit: cases)

5,601

(Unit: KRW billion)

74^{.2}

Microcredit Foundation's Key Products

- **Business Start-up Loan:** A loan for small-scale registered entrepreneurs to start a new business
- **Working Capital Loan:** A loan for individual entrepreneurs (who have already been in business for over six months) to purchase products, raw materials, etc.
- **Loan for Facility Improvement Funding:** A loan for individual entrepreneurs (who have already been in business for over six months) to improve the facility of business sites.
- **Sunshine Loans for University Students and Young People:** A loan for emergency funding for youngsters and university students who are under 29 years old (under 31 years old for men who served in the military).
- **Loan for Deposit on Rental Housing:** A loan for people residing (or planning to reside) at national rental housing (Land & Housing Corporation)
- **Loan for Successful Employment:** A loan for successful job seeker through successful employment package (Ministry of Employment and Labor)

Microcredit that Helps Achieve Self-Sufficiency

We plan to expand support by exploring low-income industries with high vulnerability and sign agreements with traditional market merchant councils and associations. Meanwhile, we will secure exclusive channels for better accessibility to Microcredit. In addition, we will take the lead in promoting and sharing the genuine role and purpose of Microcredit, together with society, and spread these roles and directions by exploring and facilitating best practices, to raise confidence among recipients.

Woori Bank will establish a foundation for the self-sufficiency of low-credit low-income people through Microcredit services, ensuring the stabilization of livelihoods and improving their welfare.

EMPLOYEE SATISFACTION

“ Woori Bank believes that a work life where employees are happy and satisfied is the foundation for providing the best services to customers. As such, we launched the Employee Satisfaction Center in 2007, developing and operating various programs to enhance our employees’ satisfaction in their workplace. As a result, we continuously improved employee satisfaction levels at work, so that we could become a vibrant and happy bank with the mindset that we can make our customers happy based on owner awareness.

”

FACILITATING PROGRAMS FOR ENHANCING EMPLOYEES’ SATISFACTION LEVEL

The Project to Raise Employee Energy

We operated dynamic and interesting programs to improve employee satisfaction. By supporting not only workshops where employees participated, but also various pastime activities, we catered to the cultural needs of our employees and endeavored to assist them in the formation of networks. The ‘Woori Family Energy Up’ program was designed to facilitate the psychological stability of individuals, which has been positively acclaimed by employees, and also to induce improvement in family relations. The program was to help improve communication and increase excitement among employees. Efforts are being made to practice Woori Bank’s belief that happiness within employees’ families drives the Bank’s competitiveness.

Travel Sketch Programs with Themes

Since July 2011, travel sketch programs have been conducted as a representative family care program, based on the concept that ‘employees’ satisfaction comes from a happy family’. On the fourth Saturday of every month, we held a nature experience program for each season where our employees have fun with their children. Starting with the ice fishing and strawberry picking experience programs held in January 2014, we held various different programs 11 times throughout the year, which ended with snow sledging in December. These programs have high participation





rates from employees every month and many of our employees look forward to them. By spending happy time with their families, our employees reflect on the importance of family, something that might have been overlooked due to concentrating on work.

Free Rental of the Wedding Hall at Head Office's Auditorium

Woori Bank provides free rental of the wedding hall at the head office's auditorium to our employees. Also, we provide a high-spec waiting room for the bride and the pyebaek (a traditional ceremony to pay respect to the newly-wedded couple's family) room through redecoration, and also provide the CEO's vehicle as the wedding car. Based on this support, a total of 179 couples got married at the head office's wedding hall between 2012 and 2013, while 165 couples got married in 2014. For 2015, we have already received reservations for over 100 weddings, which shows its popularity among our employees. The free rental of the wedding hall at the head office's auditorium not only reduces wedding costs for staff, but also enhances their pride in the Bank.

Present Status of Support in 2014

In order to increase concentration on work and facilitate a corporate culture by resolving various psychological problems involving our employees' and their children and families, we help to make reservations and pay for expenses for psychological and legal issues associated with employees and their families. Besides external consultation services, we also have psychological specialist at the Bank who carry out psychological tests, give psychological consultations and hold small-scale lectures at branches. Also, we seek ways to lower our employees' stress levels by providing daily meditation and herb healing experiences once in the first half of the year and again in the second half of the year.

'Great Fun! Woori Tong Tong Craft Studio'

Team spirit boosting programs were strengthened this time on top of the existing survival game, which included rafting, an ATV experience and walking on beautiful boulevards. It is a program that has been running for three years, and a total of about 9,000 participants have joined in the iconic fun program that has transformed the corporate culture in workshops at Woori Bank. By improving communication among employees through fun workshops, we have created synergies in cooperation between employees and enhanced work efficiency through this representative fun-filled program.



'Art is Tasteful, Pleasing Five Senses'

This is a cultural program to enable employees and their families to enjoy a richer, more leisurely life by giving them a cultural appreciation of art, musicals and classical music and satisfying their craving for a cultural life. Between 2012 and 2014, we received a great response from our employees with collective viewing of the opera *Little Prince* and the musical *Wicked*. Employees can now enjoy a more vibrant and interesting work life, thanks to various cultural programs that provide a convenient and satisfying cultural life.

PC-Shutdown for Work Hour Normalization

In order to improve the working conditions with lots of night overtime at the Bank, we introduced the Working Hour Normalization System in 2013, and strove to establish the system in 2014. By setting the PC-Shutdown time to 7 p.m., employees have fun after work and spend more time at home. There is improvement in work efficiency and higher concentration at the workplace due to a lack of unnecessary night overtime.

A Healthy and Vibrant Corporate Culture

Woori Bank promoted systematic and continuous health management of our employees by conducting comprehensive health check-up and blood checks once every year. We also support the use of condominium across the nation, so that employees can enjoy lots of leisure time together with their families.

Woori Daycare Center

Woori Bank complies with the government's policies for overcoming low birth rates, by actively supporting our employees who are working moms through Woori Daycare Center's Happiness Branch (located in Mapo-gu, Seoul) and Sarang Branch (located in Seongdong-gu, Seoul). In the future, we will not only create a corporate culture that actively promotes child-birth by establishing additional daycare centers, but will also work towards reducing the burden of raising children for working moms.

PLANS AFTER 2015

Woori Bank will do its utmost to make sure all of our employees are happy and also bring happiness to our customers.

06

FINANCIAL REVIEW

FINANCIAL REVIEW

091 MANAGEMENT'S DISCUSSION AND ANALYSIS

099 INDEPENDENT AUDITORS' REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

This Management Discussion & Analysis (MD&A) and accompanying financial statements comply with Korean International Financial Reporting Standards ("K-IFRS" consolidated financial statements). On November 1, 2014, Woori Bank merged with its parent company, Woori Finance Holdings(WFH). The merger between Woori Bank and Woori Finance Holdings is a business combination under common control and it did not result in any change of economic substance. Therefore, the comparative consolidated financial statements presented are the consolidated financial statements of Woori Finance Holdings as of and for the year ending December 31, 2013. The term 'the Bank', as used in this MD&A, refers to Woori Bank, unless otherwise indicated.

Summary of Management Performance

As of May 1, 2014, the Bank proceeded with the spin-off of its two Regional Banks (Kwangju Bank and Kyongnam Bank) in accordance with the government's privatization plan. Also, the sale process was completed in consecutive order between March and June of 2014, with the sale of its six Non-Banks (Woori Investment & Securities, Woori Aviva Life Insurance, Woori FG Savings Bank, Woori Asset Management, Woori Financial, Woori F&I). On November 1, 2014, the Bank merged with Woori Finance Holdings.

The Bank's total assets decreased from KRW 340,689 billion (2013-end) to KRW 270,157 billion (2014-end). However, this was primarily due to the spin-off of two Regional Banks and the sale of six Non-Banks. Nevertheless, when excluding assets(or liabilities) from the subsidiaries that were reclassified into disposal group held for sale or for distribution to owners as of December 31, 2013, the Bank has secured strong future growth by increasing approximately 15 trillion in total assets year on year.

The Bank's net income (attributable to controlling interests) in 2014 reached KRW 1,214 billion up KRW 1,751 billion from the previous year. This was partly due to the impact of the reversal of deferred tax liability recognized in 2013 (from the spin-off of two Regional Banks) as a result of the amendment of the Tax Reduction and Exemption Control Act of Korea (May 14, 2014). However, the main reason of net income increase originated from the huge decrease in bad debts expense compared to the previous year.

The continuum of low domestic consumption and low growth in the global market led to a continuous decrease of Net Interest Margin (NIM), so quantitative growth could not lead to maximized operating income. However, asset quality indicators, such as NPL ratio and delinquency rates, had greatly improved from the previous year.

Externally, 2014 was a memorable year for the Bank by merging with its holding company according to the scheduled privatization process, after selling off two Regional Banks and six Non-Banks. Internally, the Bank focused on increasing the portion of high net worth assets and improving its soundness. To ensure sustainable growth under the current trends of low growth, low interest rates and low margins, the Bank will make every effort to achieve stable internal growth and improve asset quality by diversifying revenue streams.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

Management Performance

Summarized Consolidated Income Statement

(Unit: KRW Billion)	2014	2013	Amount	Change (%)
Operating incomes	898	240	658	274.1
Net interest incomes	4,493	4,492	1	0
Net fees and commissions income	917	926	-9	-1
Impairment losses due to credit loss	-1,097	-2,277	1,180	-51.8
General and administrative expenses	-2,959	-2,902	56	1.9
Others	-456	1	-457	-45700
Non-operating incomes (losses)	-63	48	-111	-231.3
Net income before income tax expense	834	287	548	190.3
Income tax expenses	288	35	253	722.9
Net income from continuing operations	546	252	295	117.1
Net Income from discontinued operations	662	-966	1,627	-168.4
Net incomes (Losses)	1,208	-713	1,922	-269.5
Net incomes (losses) attributable to owners	1,214	-537	1,751	-326.1
Net incomes (losses) attributable to non-controlling interests	-6	-176	170	-96.5

In 2014, the Bank's net income (attributable to the owners) increased KRW 1,751 billion to KRW 1,214 billion up from the previous year's loss of KRW 537 billion.

Despite a cut in Net Interest Margin (NIM), amid the continuum of the low growth environment, the Net Interest Income (NII) increased slightly compared to the previous year by achieving adequate asset growth and expanding the Bank's credit card business. However, the net fees and commission income slightly dropped due to the increase in payment of credit card fees generated by strengthening the Bank's credit card business.

Impairment losses due to credit loss decreased from KRW 2,277 billion to KRW 1,097 billion; a drop of approximately 51.8% from the previous year. On the other hand, a significant increase was realized in net income with KRW 778 billion for net income (loss) from discontinued operations. This included the reversal of income taxes involving the spin-off of two Regional Banks.

Having completed the merger with its holding company to enhance efficiency, the Bank will continuously improve mid to long term profitability by improving cost efficiency and minimizing the increase of allowances for credit losses.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

Interest Income and Expenses

(Unit: KRW Billion)	2014	2013	Change	
			Amount	(%)
Interest incomes	9,211	9,493	-282	-3.0
Interest on loans	8,183	8,350	-167	-2.0
Interest on securities	873	969	-96	-9.9
Interest of other receivables	155	174	-19	-10.9
Interest expenses	4,718	5,001	-283	-5.7
Interest on deposits due to customers	3,451	3,650	-199	-5.5
Interest on debentures	885	960	-75	-7.8
Interest on borrowings	252	254	-2	-0.8
Interest expense on others	130	137	-7	-5.1
Net interest incomes	4,493	4,492	1	0

The Bank's loans increased KRW 11,234 billion over the previous year, but due to a decreasing trend of the market interest rate, interest on loans decreased KRW 167 billion.

Also, interest expenses decreased KRW 283 billion due to the reduction of purchasing costs, including the increase in low cost funding and the repayment of high interest borrowings and debentures. Overall, the income from interests was similar to the previous year at KRW 4,493 billion. The Bank will improve the efficiency of funding structure by increasing low interest deposits and debentures while implementing other profit driven funding strategies to promote stable mid-to long-term growth.

Impairment Losses Due to Credit Loss

(Unit: KRW Billion)	2014	2013	Change	
			Amount	(%)
Provision due to credit loss	1,116	2,199	-1,083	-49.2
Reversal of provision on guarantee	14	93	-79	-84.9
Reversal of provision on loan commitment	33	15	18	120.1
Total	1,097	2,277	-1,180	-51.8

The Bank's provision, due to credit loss in 2013, stood at KRW 2,199 billion due to large amounts of NPLs caused by the economic downturn of shipbuilding and construction industries. However, the amount decreased KRW 1,083 billion to KRW 1,116 billion over the previous year, which is attributable to strengthening pre-emptive risk management in preventing additional generation of NPLs and effectively managing these exposures after loan execution. Exposures on major insolvent enterprises that occurred from the previous period had mostly been actualized. Furthermore, efforts made to prevent executing additional overdue or to be problematic loans and receivables, as well as effectively managing current non-performing assets through strengthened risk management, are expected to continuously reduce the Bank's bad debts expense in the future.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

General and Administrative Expenses

(Unit: KRW Billion)	2014	2013	Change	
			Amount	(%)
Employee benefits	1,749	1,714	35	2.0
Short term employee benefits	1,557	1,533	24	1.6
Retirement benefits and redundancy payments	192	181	11	6.1
Depreciation	224	233	-9	-3.9
General and administrative expenses	986	955	31	3.2
Rent	266	231	35	15.2
Service charges	215	206	9	4.3
Others	505	518	-13	-2.5
Total	2,959	2,902	57	2.0

In 2014, the Bank's general and administrative expenses increased 2.0% year on year or increased KRW 57 billion to reach KRW 2,959 billion. Employee benefits increased KRW 35 billion, but when excluding the cost of KRW 15 billion involving the costs of voluntary resignation, the actual amount is KRW 20 billion. Utmost efforts will be implemented to manage adequate general and administrative expenses by maintaining a conservative level of personnel expenses, continuing to cut down other expenses, and improving efficiencies in total bank management.

Non-operating Incomes (Expenses)

(Unit: KRW Billion)	2014	2013	Change	
			Amount	(%)
Non-operating incomes	171	174	-3	-1.7
Share of profits (losses) of joint ventures and associates	37	30	7	23.3
Gains (Losses) on disposal of premises and equipment and other assets	33	29	4	13.8
Rental fee income	8	6	2	33.3
Other non-operating incomes	93	109	-16	-14.7
Non-operating expenses	234	126	108	85.7
Donations	53	52	1	1.9
Depreciation on investment properties	4	4	0	0
Other non-operating expenses	177	70	107	152.9
Total non-operating incomes	-63	48	-111	-231.3

The Bank's non-operating incomes decreased KRW 111 billion year-on-year. This was due to the increase of other non-operating expenses originating from donation and etc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

Financial Position

Summarized Consolidated Financial Statements

(Unit: KRW Billion)	2014	2013	Amount	Change (%)
Assets	270,157	340,689	-70,532	-20.7
Cash and cash equivalents	5,965	5,478	487	8.9
Securities	36,408	33,930	2,478	7.3
Loans and receivables	223,370	211,912	11,458	5.4
Investments in joint ventures and associates	648	618	30	4.9
Disposal group held for sale/Disposal group held for distribution to owners	-	84,996	-84,996	-100.0
Other assets	3,766	3,755	11	0.29
Liabilities	252,064	317,813	-65,749	-20.7
Deposits due to customers	188,516	175,323	13,193	7.5
Borrowings	17,707	18,231	-524	-2.9
Debentures	24,796	21,677	3,119	14.4
Liabilities directly associated with disposal group held for sale/ Liabilities directly associated with disposal group held for distribution to owners	-	78,930	-78,930	-100.0
Other liabilities	21,045	23,652	-2,607	-11.0
Total equity	18,093	22,876	-4,783	-20.9

As of 2014-end, the Bank's total assets and total liabilities decreased to KRW 270,157 billion and KRW 252,064 billion down KRW 70,532 billion and KRW 65,749 billion, respectively. However, taking into consideration that the amounts dropped due to the sale of six Non-Banks(KRW 84,996 billion) and the spin-off of two Regional Banks(KRW 78,930 billion), the Bank's assets actually increased by about KRW 14,464 billion and the Bank's liabilities increased KRW 13,180 billion.

Total loans increased from KRW 190,699 billion to KRW 204,818 billion, an increase of KRW 14,119 billion year on year. As a result of lowering interest rates and easing government regulations, household loans increased by KRW 8,610 billion, and there was an increase in new loans for high net worth SMEs as well.

Deposits due to customers increased KRW 13,193 billion from the previous year driven by stable growth of time deposits, while debentures increased KRW 3,119 billion from the previous year.

Total equity recorded KRW 18,093 billion, which was down KRW 4,783 from the previous year. Despite certain positive factors, like the net income of KRW 1,208 billion achieved in 2014, decrease in equity inevitably occurred due to the spin-off of two Regional Banks (KRW 3,352 billion) and the selling of six Non-Banks(KRW 1,900 billion).

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

Loans/Deposits Due to Customers

(Unit: KRW Billion)	2014	2013	Change	
			Amount	(%)
Loans	204,818	190,699	14,119	7.4
Loans in Local Currency	167,261	156,027	11,234	7.2
Loans in Foreign Currencies	11,281	9,996	1,285	12.9
Domestic banker's letter of credit	5,712	4,958	754	15.2
Credit card accounts	5,113	4,209	904	21.5
Bills Bought in Foreign Currencies	5,552	4,235	1,317	31.1
Other loans	12,508	14,611	-2,103	-14.4
(Provision for loan losses)	-2,609	-3,337	728	-21.8
Deposits due to customers	188,516	175,323	13,193	7.5
Deposits in local currency	172,597	158,568	14,029	8.8
Certificate of deposits	740	3,297	-2,557	-77.5
Other Deposits	1,281	1,236	45	3.6
Deposits in foreign currencies	13,902	12,264	1,638	13.4
(Present value discount)	-5	-42	37	-88.1

The Bank's loans in KRW in 2014 went up KRW 11,234 billion from the previous year. This was mainly due to scale-up of new loans to high net worth SMEs and public agencies, as well as a huge increase in private housing loans resulting from the government's deregulation and falling interest rates.

As a result of efforts made in increasing businesses involving corporate and institutional clients, the Bank recorded a high growth rate with an annual average of 9.4% for deposits during the past several years. Deposits due to customers increased KRW 13,193 billion from the previous year. This is attributable to funding through time deposits in KRW, which increased KRW 15,566 billion from the previous year due to the increase in customers' demand for safe assets and aligning with the Bank's management of loan-deposit ratio and liquidity. The Bank will establish a more stable funding structure by reducing the ratio of short-term deposits due to customers, or in other words, reducing certificate of deposits, etc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

Asset Quality

(Unit: KRW Billion, %, %p)	2014	2013	Change
Non-Performing Loan (NPL) Ratio	2.10	2.99	-0.89
Delinquency Rate	0.88	1.14	-0.26
NPL Coverage Ratio (A/B)	97.16	82.27	14.89
Loan Loss Provision & Capital Reserve for Credit Loss : Classified as NPL (A)	3,907	4,408	-501
NPL (B)	4,021	5,359	-1,338

* Note: Separate financial statements

As a result of efforts made in reducing non-performing assets and improving asset quality, key indicators for asset quality, including NPL ratio and delinquency rate, dropped 0.89%p and 0.26%p, respectively, to record 2.10% and 0.88% each with a huge improvement made from the previous year. The balance of NPL was KRW 4,021 billion, down KRW 1,338 billion from the previous year, while the NPL coverage ratio significantly improved from the previous year from 82.27% to 97.16%.

The Bank will greatly improve its asset quality in the future through proactive measures taken, such as continuously decreasing the exposure to risk-driven cyclical industries and insolvent enterprises and moreover, preventing the inflow of to-be-problematic loans in the future.

Capital Adequacy

(Unit: KRW Billion, %, %p)	2014	2013	Change
BIS Equity Capital	20,857	20,382	475
Risk Weighted Assets (RWA)	146,323	131,313	15,010
BIS Ratio	14.25	15.52	-1.27
Tier 1 Capital Ratio	10.69	12.68	-1.99

The BIS equity capital increased KRW 475 billion from the previous year. Although there was a spin-off of two Regional Banks, Woori Bank issued Basel III compliant US\$ 1 billion of subordinated debt in foreign currency(as the 1st Bank in Korea to do so) as well as issuing KRW 160 billion of hybrid securities in domestic currency. On the other hand, the risk weighted assets increased KRW 15,010 billion due to incorporating subsidiaries such as Woori Card, Woori Investment Bank, and etc. resulting from the merger with Woori Finance Holdings(WFH). The merger with WFH and the inclusion of Woori Card, Woori Investment Bank, and others resulted in an inevitable drop of the BIS ratio by 1.27% to 14.25%. The Bank will make every effort to improve the BIS ratio by actively lowering the risk weighted assets and by strengthening equity capital. Equity capital will be increased by achieving net income of more than KRW 1 trillion from increasing fee incomes, and decreasing bad debts expenses, as well as reducing general and administrative expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

Liquidity Ratio

(Unit: %, %p)	2014	2013	Change (%p)
Liquidity Ratio in Local Currency	123.10	120.75	2.35
Liquidity Ratio in Foreign Currency	121.29	125.86	-4.57
Fixed Assets Ratio for Business Purposes	14.57	14.73	-0.16

The Bank's liquidity ratio in local currency improved from 120.75% to 123.10%, but the liquidity ratio in foreign currency dropped 4.57% to 121.29%. Currently liquidity indicators are sufficiently above supervision standards and show stable financing and management structure. The Bank will respond proactively to the changes in domestic & foreign market conditions and safely manage the liquidity ratio within a comforting zone, and will also thoroughly manage asset and liability.

Profitability

(Unit: %, %p)	2014	2013	Change (%p)
Return on Assets (ROA)	0.21	0.14	0.07
Return on Equity (ROE)	3.55	2.56	0.99
Net Interest Margin (Bank+Card)	1.97	2.10	-0.13
Net Interest Margin (Bank)	1.56	1.73	-0.17

*ROA, ROE: Excluding one-off factors related to the sale and the spin-off of subsidiaries

Although fee incomes decreased and the competition between banks intensified in 2014, the Bank dramatically decreased credit costs and thus ROA and ROE slightly increased to 0.21% and 3.55%, respectively. The Net Interest Margin (Bank+Card) inevitably decreased 0.13%p to 1.97% from the previous year due to the decrease in margins originated by focusing on high net worth customers and due to the lowering of benchmark interest rates on Aug. and Oct. 2014. Although undergoing the low interest rate environment, the Bank will proactively make every effort to improve its profitability by improving efficiency in the management or organizational structure, implementing appropriate margins according to customer classifications, decreasing the costs of funding(perhaps by refunding the current high interest debentures), and increasing low cost deposits for sustainable future growth.

INDEPENDENT AUDITORS' REPORT

English Translation of Independent Auditors' Report Originally Issued in Korean on March 6, 2015

**To the Shareholders and the Board of Directors of
Woori Bank:**

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Woori Bank and subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, respectively, and the consolidated statements of comprehensive income, consolidated statements of changes in stockholders' equity and consolidated statements of cash flows, all expressed in Korean Won, for the years ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards ("K-IFRS") and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an audit opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Korean Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to fraud or error.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2014 and 2013, respectively, and their financial performance and their cash flows for the years then ended in accordance with K-IFRS.

Other Matters

The comparative consolidated financial statements of Woori Finance Holdings Co., Ltd. as of December 31, 2013 were audited in accordance with the former Korean Standards on Auditing (“KSAs”).

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying consolidated financial statements are for use by those knowledgeable about Korean accounting procedures and auditing standards and their application in practice.

Emphasis of Matter

On November 1, 2014, Woori Bank (the “Bank”) merged with Woori Finance Holdings Co., Ltd. (the “Holding Company”), which had been a parent company of the Bank. The merger between the Bank and the Holding Company met the definition of the “business combination under common control”, and it did not result in any change of economic substance. Therefore, the comparative consolidated financial statements presented are the consolidated financial statements of the Holding Company as of and for the year ended December 31, 2013.



March 6, 2015

Notice to Readers

This report is effective as of March 6, 2015, the auditors’ report date. Certain subsequent events or circumstances may have occurred between the auditors’ report date and the time the auditors’ report is read. Such events or circumstances could significantly affect the consolidated financial statements and may result in modifications to the auditors’ report.

WOORI BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2014 AND 2013

	December 31, 2014	December 31, 2013
	(Korean Won in millions)	
ASSETS		
Cash and cash equivalents (Note 6)	5,962,861	5,477,649
Financial assets at fair value through profit or loss (Notes 4,7,11,12,18 and 26)	4,554,180	4,806,197
Available-for-sale financial assets (Notes 4,8,11,12 and 18)	18,810,845	17,085,448
Held-to-maturity financial assets (Notes 4,9,11,12 and 18)	13,044,448	12,038,820
Loans and receivables (Notes 4,10,11,12,44 and 45)	223,370,135	211,912,373
Investments in joint ventures and associates (Note 13)	648,436	617,570
Investment properties (Note 14)	357,550	340,620
Premises and equipment (Notes 15,17 and 18)	2,501,102	2,536,441
Intangible assets and goodwill (Note 16)	295,728	268,926
Assets held for sale (Note 17)	8,013	587
Current tax assets (Note 42)	4,845	143,101
Deferred tax assets (Note 42)	257,858	155,256
Derivative assets (Notes 7,11,12 and 26)	196,061	131,410
Other assets (Notes 19 and 45)	145,157	178,886
Disposal group held for sale (Note 47)	-	34,684,805
Disposal group held for distribution to owners (Note 48)	-	50,312,293
Total assets	<u>270,157,219</u>	<u>340,690,382</u>
LIABILITIES		
Financial liabilities at fair value through profit or loss (Notes 4,11,12,20 and 26)	2,675,354	2,507,248
Deposits due to customers (Notes 4,11,21 and 45)	188,516,465	175,323,644
Borrowings (Notes 4,11,12 and 22)	17,707,595	18,231,511
Debentures (Notes 4,11 and 22)	24,795,904	21,677,674
Provisions (Notes 23 and 44)	692,009	684,799
Net defined benefit liability (Note 24)	75,591	71,602
Current tax liabilities (Note 42)	298,762	9,980
Deferred tax liabilities (Note 42)	21,757	49,105
Derivative liabilities (Notes 4,11,12 and 26)	-	1,785
Other financial liabilities (Notes 4,11,12 and 25)	16,889,687	19,914,947
Other liabilities (Notes 25 and 45)	390,670	411,278
Liabilities directly associated with disposal group held for sale (Note 47)	-	32,047,626
Liabilities directly associated with disposal group held for distribution to owners (Note 48)	-	46,882,414
Total liabilities	<u>252,063,794</u>	<u>317,813,613</u>

(Continued)

WOORI BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2014 AND 2013 (CONTINUED)

	December 31, 2014	December 31, 2013
	(Korean Won in millions)	
EQUITY		
Owners' equity:	17,983,501	17,847,633
Capital stock (Note 28)	3,381,392	4,030,077
Hybrid securities (Note 29)	2,538,823	498,407
Capital surplus (Note 28)	291,066	176,502
Other equity (Note 30)	(2,393,138)	(35,367)
Retained earnings (Notes 31 and 32)		
(Regulatory reserve for credit loss as of December 31, 2014 and 2013 is 1,800,387 million Won and 1,685,623 million Won, respectively)		
Unreserved regulatory reserve for credit loss as of December 31, 2014 and 2013 is nil		
Regulatory reserve for credit loss to be reserved (reversed) as of December 31, 2014 and 2013 is (-)44,245 million Won and 114,764 million Won, respectively		
Planned provision (reversal) of regulatory reserve for credit loss as of December 31, 2014 and 2013 is (-)44,245 million Won and 114,764 million Won, respectively)	14,165,358	13,112,690
Equity directly associated with disposal group held for sale (Note 30)	-	29,820
Equity directly associated with disposal group held for distribution to owners (Note 30)	-	35,504
Non-controlling interests	109,924	5,029,136
Total equity	<u>18,093,425</u>	<u>22,876,769</u>
Total liabilities and equity	<u>270,157,219</u>	<u>340,690,382</u>

See notes to consolidated financial statements.

WOORI BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
	(Korean Won in millions, except for per share data)	
Interest income	9,211,240	9,493,383
Interest expense	(4,718,222)	(5,001,361)
Net interest income (Notes 34 and 45)	4,493,018	4,492,022
Fees and commissions income	1,598,015	1,565,224
Fees and commissions expense	(681,000)	(638,723)
Net fees and commissions income (Notes 35 and 45)	917,015	926,501
Dividend income (Note 36)	96,812	87,641
Net gain on financial instruments at fair value through profit or loss (Note 37)	189,912	123,900
Net loss on available-for-sale financial assets (Note 38)	(68,924)	(85,242)
Impairment losses due to credit loss (Notes 39 and 45)	(1,096,940)	(2,277,260)
General and administrative expenses (Note 40)	(2,958,919)	(2,902,172)
Other net operating expenses (Notes 40 and 45)	(674,266)	(125,823)
Operating income	897,708	239,567
Share of losses of joint ventures and associates (Note 13)	(67,980)	(1,277)
Other net non-operating income	4,667	49,377
Non-operating income (loss)	(63,313)	48,100
Net income before income tax expense	834,395	287,667
Income tax expense (Note 42)	(288,195)	(35,096)
Net income from continuing operations	546,200	252,571
Net income (loss) from discontinued operations (Notes 47 and 48)	661,769	(966,006)
Net income (loss) (Net income after the provision(reversal) of regulatory reserve for credit loss for the years ended December 31, 2014 and 2013 are 1,252,214 million Won and (-)828,199 million Won, respectively) (Note 32)	1,207,969	(713,435)
Remeasurement of the net defined benefit liability	(51,650)	9,217
Items that will not be reclassified to profit or loss	(51,650)	9,217
Loss on available-for-sale financial assets	(75,586)	(50,953)
Share of other comprehensive loss of joint ventures and associates	(1,604)	(6,375)
Gain (loss) on foreign currency translation of foreign operations	48,393	(59,824)
Loss on valuation of cash flow hedge	(27,150)	(2,412)
Items that may be reclassified to profit or loss	(55,947)	(119,564)
Other comprehensive loss, net of tax	(107,597)	(110,347)
Total comprehensive income (loss)	1,100,372	(823,782)
Net income attributable to:		
Net income (loss) attributable to owners	1,213,980	(537,688)
Income from continuing operations	435,289	162,011
Income (loss) from discontinued operations	778,691	(699,699)
Net loss attributable to non-controlling interests	(6,011)	(175,747)
Income from continuing operations	110,911	90,560
Loss from discontinued operations	(116,922)	(266,307)
Total comprehensive income attributable to:		
Comprehensive income (loss) attributable to owners	1,192,191	(623,695)
Comprehensive loss attributable to non-controlling interests	(91,819)	(200,087)
Basic and diluted earnings (losses) from continuing and discontinued operations per share (In Korean Won) (Note 43)	1,621	(704)
Basic and diluted earnings from continuing operations per share (In Korean Won) (Note 43)	536	165

See notes to consolidated financial statements.

WOORI BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Capital stock	Hybrid securities	Capital surplus	Other equity	Retained earnings	Controlling interests	Non-controlling interests	Total equity
	(Korean Won in millions)							
January 1, 2013	4,030,077	498,407	174,044	112,013	13,881,378	18,695,919	4,337,157	23,033,076
Net loss	-	-	-	-	(537,688)	(537,688)	(175,747)	(713,435)
Dividends	-	-	-	-	(201,503)	(201,503)	(21,319)	(222,822)
Changes in equities of consolidated subsidiaries	-	-	(259)	-	-	(259)	(280)	(539)
Changes in investments in consolidated subsidiaries	-	-	2,717	-	-	2,717	81,370	84,087
Loss on valuation of available-for-sale financial assets	-	-	-	(33,782)	-	(33,782)	(17,171)	(50,953)
Changes in equity of joint ventures and associates	-	-	-	(6,375)	-	(6,375)	-	(6,375)
Foreign currency translation of foreign operations	-	-	-	(51,999)	-	(51,999)	(7,825)	(59,824)
Cash flow hedge	-	-	-	(765)	-	(765)	(1,647)	(2,412)
Remeasurement of the net defined benefit liability	-	-	-	6,915	-	6,915	2,302	9,217
Changes in other equity	-	-	-	3,852	-	3,852	1,612	5,464
Amortization of consolidated subsidiaries' stock discount	-	-	-	98	(98)	-	-	-
Dividends to hybrid securities	-	-	-	-	(29,399)	(29,399)	(154,869)	(184,268)
Issuance of hybrid securities in consolidated subsidiaries	-	-	-	-	-	-	985,553	985,553
December 31, 2013	4,030,077	498,407	176,502	29,957	13,112,690	17,847,633	5,029,136	22,876,769
January 1, 2014	4,030,077	498,407	176,502	29,957	13,112,690	17,847,633	5,029,136	22,876,769
Net income (loss)	-	-	-	-	1,213,980	1,213,980	(6,011)	1,207,969
Dividends	-	-	-	-	-	-	(8,042)	(8,042)
Changes due to the Spin-off Merger between Woori Bank and Woori Finance Holdings	(648,685)	-	(68,106)	(2,238,228)	(110,405)	(3,065,424)	(286,564)	(3,351,988)
Merger between Indonesia Woori Bank and Saudara Bank	-	1,880,798	178,058	(178,060)	-	1,880,796	(1,880,798)	(2)
Changes in capital surplus of consolidated subsidiaries	-	-	21,724	-	-	21,724	49,134	70,858
Issuance of capital stocks in consolidated subsidiaries	-	-	(23)	-	-	(23)	572	549
Acquisition of treasury stock	-	-	(17,110)	-	-	(17,110)	17,391	281
Disposal of consolidated subsidiaries	-	-	-	(37,580)	-	(37,580)	-	(37,580)
Gain (loss) on valuation of available-for-sale financial assets	-	-	-	-	-	-	(1,900,347)	(1,900,347)
Changes in equity of joint ventures and associates	-	-	-	86,537	-	86,537	(97,181)	(10,644)
Foreign currency translation of foreign operations	-	-	-	(2,974)	-	(2,974)	1,370	(1,604)
Cash flow hedge	-	-	-	28,856	-	28,856	19,537	48,393
Remeasurement of the net defined benefit liability	-	-	-	(18,220)	-	(18,220)	(8,851)	(27,071)
Issuance of hybrid securities	-	-	-	(63,426)	(764)	(64,190)	(683)	(64,873)
Dividends to hybrid securities	-	159,618	-	-	-	159,618	-	159,618
Redemption of hybrid securities in consolidated subsidiaries	-	-	-	-	(50,129)	(50,129)	(116,721)	(166,850)
Changes in other equity	-	-	21	-	(1)	(1)	(702,994)	(702,995)
December 31, 2014	3,381,392	2,538,823	291,066	(2,393,138)	14,165,358	17,983,501	109,924	18,093,425

See notes to consolidated financial statements.

WOORI BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
	(Korean Won in millions)	
Cash flows from operating activities:		
Net income (loss)	1,207,969	(713,435)
Adjustments:		
Income tax expense	(145,981)	622,656
Interest income	(10,285,933)	(12,837,884)
Interest expense	5,207,289	6,622,744
Dividend income	(135,127)	(151,494)
Impairment losses due to credit loss	1,202,152	2,706,389
Loss on available-for-sale financial assets	93,639	95,729
Share of losses of investments in joint ventures and associates	123,038	43,488
Loss on foreign exchange translation	82,077	55,228
Loss on transaction of derivatives / valuation of derivatives	22,253	121,713
Loss on fair value hedged items	87,476	13,505
Provisions	81,073	85,732
Retirement benefits	132,768	167,910
Depreciation and amortization	247,216	300,453
Loss on disposal of investments in joint ventures and associates	1,788	4,946
Loss on disposal of premises and equipment and other assets	2,788	5,158
Impairment loss on premises and equipment and other assets	2,320	60,692
Impairment loss on assets held for sale	2,420	-
Impairment loss on disposal group held for sale and disposal group held for distribution to owners	7,728	833,766
Loss on disposal of disposal group held for sale	46,782	-
Gain on valuation of financial instruments at fair value through profit or loss	(34,830)	(43,058)
Share of profits of investments in joint ventures and associates	(55,674)	(64,005)
Gain on foreign exchange translation	(39,485)	(50,135)
Gain on transaction of derivatives / valuation of derivatives	(85,975)	(18,801)
Gain on fair value hedged items	(23,317)	(128,361)
Reversal of provisions	(744)	(10,972)
Gain on disposal of investments in joint ventures and associates	(31,899)	(19,974)
Gain on disposal of premises and equipment and other assets	(1,134)	(13,052)
Reversal of impairment loss on premises and equipment and other assets	(533)	(3,051)
Gain on disposal of group held for sale	(159,794)	-
Gain on disposal of assets held for sale	(1,039)	-
Reversal of impairment loss on assets held for sale	(337)	-
Reversal of impairment loss on disposal group held for sale and disposal group held for distribution to owners	(259)	-
Changes in operating assets and liabilities:		
Financial instruments at fair value through profit or loss	1,547,502	2,413,710
Loans and receivables	(15,439,044)	(17,106,848)
Other assets	(92,867)	54,493
Deposits due to customers	14,052,504	9,705,237
Provision for guarantee and loan commitment	(106,780)	(98,270)
Net defined benefit liability	(276,638)	(158,487)
Other financial liabilities	(1,933,627)	(1,147,373)
Other liabilities	(16,183)	38,359
Cash received from (paid for) operating activities:		
Interest income received	10,171,063	12,918,030
Interest expense paid	(5,210,976)	(6,974,736)
Dividends received	155,164	151,051
Income tax paid	(117,589)	(479,002)
Net cash used in operating activities	<u>281,244</u>	<u>(2,997,949)</u>

(Continued)

WOORI BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (CONTINUED)

	2014	2013
	(Korean Won in millions)	
Cash flows from investing activities:		
Net cash provided by disposal of subsidiaries (Note 47)	1,193,584	-
Net cash provided by the merger of Saudara bank (Note 51)	81,100	-
Disposal of available-for-sale financial assets	26,865,684	26,449,831
Redemption of held-to-maturity financial assets	4,823,630	6,768,916
Disposal of investments in joint ventures and associates	235,778	106,438
Disposal of investment properties	-	6,583
Disposal of premises and equipment	36,364	18,478
Disposal of intangible assets	88,197	8,660
Disposal of assets held for sale	29,857	54,611
Net decrease of derivatives for risk hedge	-	14,632
Acquisition of available-for-sale financial assets	(28,527,400)	(29,152,120)
Acquisition of held-to-maturity financial assets	(5,658,655)	(4,250,044)
Acquisition of investments in joint ventures and associates	(67,431)	(144,644)
Acquisition of investment properties	(18)	(513)
Acquisition of premises and equipment	(140,639)	(159,437)
Acquisition of intangible assets	(86,910)	(107,092)
Acquisition of assets held for sale	-	(7,266)
Net increase of derivatives for risk hedge	(14,153)	-
Net cash used in investing activities	<u>(1,141,012)</u>	<u>(392,967)</u>
Cash flows from financing activities:		
Net increase in borrowings	-	3,113,963
Issuance of debentures	18,229,052	10,501,447
Issuance of hybrid securities	159,618	-
Increase of paid in capital in subsidiaries	1,121	80,273
Issuance of hybrid securities in subsidiaries	-	985,553
Decrease due to the Spin-off	(792,949)	-
Net decrease in borrowings	(927,711)	-
Repayment of debentures	(15,448,663)	(10,084,216)
Dividends paid	-	(201,503)
Acquisition of treasury stock	(37,580)	-
Expenses on stock issued	(3)	-
Dividends paid on hybrid securities	(60,780)	(29,398)
Dividends paid on non-controlling interests	(8,042)	-
Dividends paid on hybrid securities of subsidiaries	(98,522)	(147,498)
Redemption of non-controlling hybrid securities	(702,995)	-
Other decrease in non-controlling interests, net	(1,119)	(38,643)
Net cash provided by financing activities	<u>311,427</u>	<u>4,179,978</u>
Net increase (decrease) in cash and cash equivalents	(548,341)	789,062
Cash and cash equivalents, beginning of the period	6,472,459	5,778,390
Effects of exchange rate changes on cash and cash equivalents	38,743	(94,993)
Cash and cash equivalents, end of the period	<u>5,962,861</u>	<u>6,472,459</u>
Cash and cash equivalents directly associated with disposal group held for sale	-	(303,202)
Cash and cash equivalents directly associated with disposal group held for distribution to owners	-	(691,608)
Cash and cash equivalents on consolidated statement of financial position	<u>5,962,861</u>	<u>5,477,649</u>

See notes to consolidated financial statements

WOORI BANK AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

1. GENERAL

(1) Summary of the parent company

Woori Bank (hereinafter referred to the “Bank”), which is a controlling entity in accordance with Korean International Financial Reporting Standards (“K-IFRS”) 1110 – Consolidated Financial Statements, was established in 1899 and is engaged in the commercial banking business under the Banking Law, trust business under the Financial Investment Services and Capital Market Act, and foreign exchange business with approval from the Bank of Korea (“BOK”) and the Ministry of Finance and Economy (“MOFE”).

On June 24, 2002, Woori Finance Holdings Co., Ltd. listed its common shares on the Korea Exchange through public offering. In addition, on September 29, 2003, the company registered with the Securities and Exchange Commission in the United States of America and, on the same day, listed its American Depositary Shares on the New York Stock Exchange.

Previously, Woori Finance Holdings Co., Ltd., the former holding company of Woori Financial Group, established on March 27, 2001 held a 100% ownership of the Bank. Effective November 1, 2014, Woori Finance Holdings Co., Ltd. completed its merger (the “Merger”) with and into Woori Bank, its wholly-owned subsidiary, as contemplated by the merger agreement (the “Merger Agreement”) dated July 28, 2014, by and between Woori Finance Holdings and Woori Bank. Pursuant to the Merger Agreement, for each outstanding common share of Woori Finance Holdings, one new common share of Woori Bank, par value 5,000 Korean Won, was issued to shareholders recorded in the shareholder register of Woori Finance Holdings. Accordingly, the shares of the Bank, 597 million shares, prior to the merger, was reduced to nil in accordance with capital reduction procedure, and then, in accordance with the merger ratio, the Bank newly issued 676 million shares. As a result, as of December 31, 2014, the common stock of the Bank amounts, expressed in Korean Won (the “KRW” or “million Won”), to 3,381,392 million Won. As Woori Finance Holdings was merged into the Bank, the Bank, which is the existing company, succeeded such rights and obligations as a listed company on Korea Exchange and New York Stock Exchange.

As a result of such merger, the Bank incorporated Woori Card Co., Ltd., Woori Investment Bank Co., Ltd., Woori FIS Co., Ltd., Woori Private Equity Co., Ltd., and Woori Finance Research Institute Co., Ltd. within its consolidation scope.

The head office of the Bank is located in 51, Sogong-ro, Jung Gu, Seoul, Korea. The Bank has 993 branches and offices in Korea, and 21 branches and offices overseas as of December 31, 2014.

(2) The consolidated financial statements for Woori Bank and its subsidiaries (the “Group”) include the following subsidiaries:

Subsidiaries	Main business	Percentage of ownership (%)	
		December 31, 2014	December 31, 2013
Woori Bank:	Finance		
Kyongnam Bank (*1)	"	-	100.0
Kwangju Bank (*1)	"	-	100.0
Woori FIS Co., Ltd.	System software development & maintenance	100.0	100.0
Woori F&I (*1)	Finance	-	100.0
Woori Investment & Securities (*1)	"	-	37.9
Woori Asset Management (*1)	"	-	100.0
Woori Private Equity Co., Ltd.	"	100.0	100.0
Woori Financial (*1)	"	-	52.0

Subsidiaries	Main business	Percentage of ownership (%)	
		December 31, 2014	December 31, 2013
Woori FG Savings Bank (*1)	Finance	-	100.0
Woori Finance Research Institute	Other service business	100.0	100.0
Woori Card Co., Ltd.	Finance	100.0	100.0
Woori Credit Information Co., Ltd.	Credit information	100.0	100.0
Woori America Bank	Finance	100.0	100.0
Woori Global Market Asia Limited	"	100.0	100.0
Woori Bank (China) Limited	"	100.0	100.0
ZAO Woori Bank	"	100.0	100.0
PT. Bank Woori Indonesia (*6)	"	-	95.2
Indonesia Woori Saudara Bank (*6)	"	74.0	-
Woori Brazil Bank	"	100.0	100.0
Korea BTL Infrastructure Fund (*9)	"	99.9	100.0
Woori Fund Service Co., Ltd.	"	100.0	100.0
Woori Finance Cambodia (*10)	"	100.0	-
Kumho Trust First Co., Ltd. (*2)	Asset securitization	0.0	0.0
Asiana Saigon Inc. (*2)	"	0.0	0.0
An-Dong Raja First Co., Ltd. (*2)	"	0.0	0.0
Consus Eighth Co., LLC (*2)	"	0.0	0.0
KAMCO Value Recreation First Securitization Specialty Co., Ltd. (*2)	"	15.0	15.0
Woori IB Global Bond Co., Ltd. (*2)	"	0.0	0.0
Hermes STX Co., Ltd. (*2)	"	0.0	0.0
BWL First Co., LLC (*2)	"	0.0	0.0
Woori Poongsan Co., Ltd. (*2)	"	0.0	0.0
Pyeongtaek Ocean Sand Inc. (*2)	"	0.0	0.0
W synergy First Co., Ltd. (*4)	"	-	0.0
Deogi Dream Fourth Co., Ltd. (*2)	"	0.0	0.0
Guam Emerald Ocean View Inc. (*4)	"	-	0.0
Jeonju Iwon Ltd. (*2)	"	0.0	0.0
Wonju I one Inc. (*2)	"	0.0	0.0
Newyear Eighth Co., Ltd. (*2)	"	0.0	-
Jilrian First Co., Ltd. (*2)	"	0.0	-
Heitz Third Co., Ltd. (*2)	"	0.0	0.0
Principle Guaranteed Trust (*3)	Trust	0.0	0.0
Principle and Interest Guaranteed Trust(*3)	"	0.0	0.0
Woori Bank and			
Woori Private Equity Co., Ltd.:			
Woori Private Equity Fund (*8)(*11)	Other financial business	31.9	61.0
Woori Investment Bank Co., Ltd. (*7)	Other credit finance business	59.5	42.8
Kyongnam Bank:			
Consus Sixth Co., LLC (*1)	Asset securitization	-	0.0
Principle Guaranteed Trust (*1)	Trust	-	0.0
Principle and Interest Guaranteed Trust (*1)	"	-	0.0
Kwangju Bank:			
Hybrid First Specialty Inc. (*1)	Asset securitization	-	0.0
KAMCO Value Recreation Second Securitization Specialty Inc. (*1)	"	-	15.0
Principle Guaranteed Trust (*1)	Trust	-	0.0
Principle and Interest Guaranteed Trust (*1)	"	-	0.0
Woori F&I Co., Ltd.:			
Woori AMC Co., Ltd. (*1)	Other financial business	-	100.0
Woori F&I Seventh Asset Securitization Specialty (*1)	Asset securitization	-	100.0
Woori F&I Tenth Asset Securitization Specialty (*1)	"	-	100.0
Woori F&I Thirteenth Asset Securitization Specialty (*1)	"	-	94.6
Woori SB Tenth Asset Securitization Specialty (*1)	"	-	50.0+1share

Subsidiaries	Main business	Percentage of ownership (%)	
		December 31, 2014	December 31, 2013
Woori F&I Sixteenth Asset Securitization Specialty (*1)	Asset securitization	-	100.0
Woori EA Third Asset Securitization Specialty (*1)	"	-	70.0
Woori EA Fifth Asset Securitization Specialty (*1)	"	-	70.0
Woori F&I Seventeenth Asset Securitization Specialty (*1)	"	-	100.0
Woori EA Eighth Asset Securitization Specialty (*1)	"	-	51.0
WR Investment America, LLC (*1)	Administration of NPL	-	100.0
Woori F&I Eighteenth Asset Securitization Specialty (*1)	Asset securitization	-	100.0
Woori EA Tenth Asset Securitization Specialty (*1)	"	-	51.0
Woori F&I Nineteenth Asset Securitization Specialty (*1)	"	-	100.0
Woori F&I Twentieth Asset Securitization Specialty (*1)	"	-	60.0
Woori F&I Twenty first Asset Securitization Specialty (*1)	"	-	100.0
Woori F&I Twenty second Asset Securitization Specialty (*1)	"	-	100.0
Woori F&I Twenty third Asset Securitization Specialty (*1)	"	-	100.0
Woori F&I Twenty fourth Asset Securitization Specialty (*1)	"	-	100.0
Woori F&I Twenty fifth Asset Securitization Specialty (*1)	"	-	100.0
Woori EA Twelfth Asset Securitization Specialty (*1)	"	-	70.0
Woori EA Thirteenth Asset Securitization Specialty (*1)	"	-	70.0
Woori EA Fourteenth Asset Securitization Specialty (*1)	"	-	70.0
Woori EA Fifteenth Asset Securitization Specialty (*1)	"	-	70.0
Woori EA Eighteenth Asset Securitization Specialty (*1)	"	-	67.0
Woori F&I Twenty sixth Asset Securitization Specialty (*1)	"	-	100.0
Woori F&I Twenty seventh Asset Securitization Specialty (*1)	"	-	100.0
Woori F&I Twenty eighth Asset Securitization Specialty (*1)	"	-	100.0
Woori F&I Twenty ninth Asset Securitization Specialty (*1)	"	-	100.0
Woori F&I Thirtieth Asset Securitization Specialty (*1)	"	-	100.0
Woori F&I Thirty first Asset Securitization Specialty (*1)	"	-	100.0
Woori F&I Thirty second Asset Securitization Specialty (*1)	"	-	100.0
Woori F&I Thirty third Asset Securitization Specialty (*1)	"	-	100.0
Woori F&I Thirty fourth Asset Securitization Specialty (*1)	"	-	100.0
Woori F&I Thirty fifth Asset Securitization Specialty (*1)	"	-	100.0
Woori F&I Thirty sixth Asset Securitization Specialty (*1)	"	-	100.0
Woori F&I Thirty seventh Asset Securitization Specialty (*1)	"	-	100.0
Woori F&I Thirty eighth Asset Securitization Specialty (*1)	"	-	100.0
Woori F&I Thirty ninth Asset Securitization Specialty (*1)	"	-	100.0
Woori F&I Fortieth Asset Securitization Specialty (*1)	"	-	100.0
FS 1312 Asset Securitization Specialty (*1)	"	-	100.0
Woori Investment & Securities Co., Ltd.:			
Woori Futures Co., Ltd. (*1)	Futures trading	-	100.0
Woori Investment Asia PTE, Ltd. (*1)	Investments	-	100.0
Woori Absolute Global Opportunity Fund (*1)	Securities investments	-	100.0
LG Investments Holding B.V. (*1)	"	-	100.0
Woori Investment Securities (H.K.)Ltd. (*1)	Securities business	-	100.0
Woori Investment Securities Int'l Ltd. (*1)	Securities investments	-	100.0
Woori Investment Securities America, Inc. (*1)	"	-	100.0
Woori CBV Securities Corporation (*1)	Securities business	-	49.0
MARS Second Private Equity Fund (*1)	Other financial business	-	8.9
Woori Absolute Partners PTE, Ltd. (*1)	Securities investments	-	100.0
Woori Korindo Securities Indonesia (*1)	"	-	60.0
Woori Absolute Return Investment Strategies Fund (*1)	"	-	100.0
KoFC Woori Growth Champ Private Equity Fund (*1)	Other financial business	-	27.3
Woori Investment advisory Co., Ltd. (Beijing) (*1)	Securities investments	-	95.1
IBS eleventh Co., Ltd. (*1)	"	-	0.0
Alphen Rose Second Co., Ltd. (*1)	"	-	0.0

Subsidiaries	Main business	Percentage of ownership (%)	
		December 31, 2014	December 31, 2013
Principle Guaranteed Trust (*1)	Trust	-	0.0
Woori Private Equity Fund:			
Woori EL Co., Ltd.	Other financial business	100.0	100.0
KoFC Woori Growth Champ Private Equity Fund:			
Woori Giant First Co., Ltd. (*1)	Asset securitization	-	100.0
Woori Investment Bank:			
HUB First Co., Ltd. (*4)	Asset securitization	-	0.0
HUB Second Co., Ltd. (*4)	Asset securitization	-	0.0
HUB Third Co., Ltd. (*4)	"	-	0.0
Two Eagles KIB LLC (*4)	Other service business	-	100.0
Woori Private Equity Co., Ltd. and TWO Eagles KIB LLC:			
Two Eagles LLC (*4)	Other service business	-	55.0
Woori PE and My Asset Manhattan Private REIT First:			
Sahn Eagles LLC (*4)	Other financial business	-	60.0
Woori Bank and Woori Investment Bank:			
Woori CS Ocean Bridge 15th and 43 beneficiary certificates for the rest (*5)	Beneficiary certificates	-	-

(*1) Deconsolidated through spin-off or disposal during the year ended December 31, 2014.

(*2) The entity is a structured entity that is established for securitization of financial assets. It is determined that the Group controls the entity, even though the Group has less than 50% ownership of the entity, after considering facts and circumstances, such as the Group's power over the entity's related business activities, the Group's exposure to variable returns from the its involvement with the entity, and the Group's ability to affect the returns through its power over the entity.

(*3) The entity is a money trust that was established in accordance with the Trust Business Act. It is determined that the Group controls the trust, even though the Group has less than 50% ownership of the trust, after considering facts and circumstances, such as the Group's power over the trust's related business activities, the Group's exposure to variable returns from the its involvement with the trust, and the Group's ability to affect the returns through its power over the trust.

(*4) Deconsolidated through liquidation during the year ended December 31, 2014.

(*5) The entity is a structured entity that is established for the purpose of investments in securities. It is determined that the Group controls the entity after considering facts and circumstances, such as the Group's power over the entity's related business activities, the Group's exposure to variable returns from the its involvement with the entity, and the Group's ability to affect the returns through its power over the entity.

(*6) Indonesia Woori Bank, which was a subsidiary of the Bank, merged with Saudara Bank during the year ended December 31, 2014, and then changed its name into Indonesia Woori Saudara Bank.

(*7) During the year ended December 31, 2014, the Group participated in the additional common stock issuance of Woori Investment Bank, and therefore its ownership ratio of the company has increased.

(*8) During the year ended December 31, 2014, due to the spin-off or disposal of the subsidiaries, which was previously holding the shares of Woori Private Equity Fund, the Group's ownership ratio of the company has decreased.

(*9) During the year ended December 31, 2014, due to the change in Financial Investment Services and Capital Markets Act in Korea, new investors have participated in the company; as such the ownership ratio of the Bank has decreased.

(*10) During the year ended December 31, 2014, the Group acquired over 50% ownership of the entity, and therefore the entity has been consolidated.

(*11) The Group controls Woori Private Equity Fund as general partner; as such the company has been consolidated.

- (3) As of December 31, 2014, and 2013, despite having more than a 50% ownership stake, the Group has not consolidated the following companies as the Group do not have the ability to control following subsidiaries:

Companies	Location	Main business	Percentage of ownership (%)
Golden Bridge NHN Online Private Equity Investment (*)	Korea	Securities investments	60.0
Heungkuk High Class Private Investment Trust 377th (*)	Korea	Securities investments	51.3

(*) The Group owns the majority ownership of these SPEs, but has no power on the investees' relevant activities. As a result, it is deemed that the Group has no control over the SPEs.

- (4) The summarized financial information before the elimination of intercompany transactions of the main subsidiaries whose financial information were prepared under K-IFRS for the Group's consolidated financial statements is as follows (Unit: Korean Won in millions):

	As of and for the year ended December 31, 2014				
	Assets	Liabilities	Operating revenue	Net income (loss) attributable to owners	Comprehensive income (loss) attributable to owners
Woori FIS	246,580	211,671	289,485	(1,285)	(4,564)
Woori Private Equity	80,292	37,442	4,387	2,087	2,144
Woori Finance Research Institute	3,682	467	6,619	91	94
Woori Card	5,732,039	4,543,180	1,203,131	89,107	105,438
Woori Investment & Securities	1,001,542	861,209	84,282	4,536	8,642
Woori Credit Information	33,500	6,049	32,412	2,198	2,082
Woori America Bank	1,338,415	1,170,884	49,945	5,587	12,641
Indonesia Woori Saudara Bank	1,735,356	1,390,103	85,851	14,563	17,589
Woori Global Market Asia Limited	274,132	164,246	6,319	759	5,345
Woori Bank (China) Limited	3,844,399	3,397,735	205,273	8,887	26,980
ZAO Woori Bank	254,716	218,122	12,982	4,418	(18,193)
Woori Brazil Bank	164,282	131,319	18,468	1,647	(1,090)
Korea BTL Infrastructure Fund	669,818	262	35,136	31,750	31,750
Woori Fund Service	9,070	426	4,895	(415)	(415)
Woori Finance Cambodia	11,930	6,716	1,790	266	615
Money trust under the Trust Business Act	1,452,201	1,423,694	64,736	603	603
Structured entity for the securitization of financial assets	434,845	882,984	34,734	(22,798)	(100,951)
Security investments structured entity	3,789,630	800,013	69,543	22,465	45,040

As of and for the year ended December 31, 2013

	Assets	Liabilities	Operating revenue	Net income (loss) attributable to owners	Comprehensive income (loss) attributable to owners
Kyongnam Bank	31,714,227	29,453,944	1,698,639	130,181	126,871
Kwangju Bank	18,872,965	17,428,695	1,007,156	61,030	67,873
Woori FIS	332,223	294,588	311,660	(2,054)	(3,634)
Woori F&I	1,641,240	1,335,712	184,406	49,115	48,878
Woori Investment & Securities	29,981,804	26,534,352	4,027,395	47,975	14,508
Woori Asset Management	85,169	17,205	31,527	4,179	4,137
Woori Private Equity	89,945	49,135	5,008	1,776	1,691
Woori Financial	3,939,851	3,527,585	338,010	54,143	52,876
Woori FG Savings Bank	822,887	699,287	84,875	(33,515)	(32,644)
Woori Finance Research Institute	3,739	540	6,656	611	689
Woori Card	4,679,202	3,575,328	800,352	47,998	53,875
Woori Investment Bank	867,279	798,660	141,320	(96,649)	(95,596)
Woori Credit Information	31,414	5,037	35,154	1,912	2,118
Woori America Bank	1,228,163	1,073,273	48,707	27,939	24,532
Indonesia Woori Saudara Bank	666,804	526,192	350,165	20,896	(18,214)
Woori Global Market Asia Limited	184,475	79,933	7,276	2,291	1,150
Woori Bank (China) Limited	3,414,199	2,994,515	247,721	10,258	3,677
ZAO Woori Bank	201,035	146,248	11,722	3,037	(114)
Woori Brazil Bank	143,993	109,940	7,689	(127)	(4,522)
Korea BTL Infrastructure Fund	651,973	255	33,747	30,687	30,687
Woori Fund Service	2,694	532	5,035	(270)	(270)
Money trust under the Trust Business Act	1,389,082	1,361,177	51,640	(293)	(293)
Structured entity for the securitization of financial assets	573,737	1,053,530	41,619	(58,662)	(65,385)
Security investments structured entity	2,142,185	30,885	47,273	32,678	29,816

(5) The financial support that the Group provides to consolidated structured entities is as follows:

- Structured entity for the securitization of financial assets

The structured entity is established for the purpose of securitization of project financing loans, corporate bonds, and other financial assets. The Group is involved with the structured entity through providing with credit facility over asset-backed commercial papers issued by the entity, originating loans directly to the structured entity, or purchasing 100% of the subordinated debts issued by the structured entity.

- Security investments structured entity

The structured entity is established for the purpose of investments in securities. The Group acquires beneficiary certificates through its contribution of fund to the structured entity, and it is exposed to the risk that it may not be able to recover its fund depending on the result of investment performance of asset managers of the structured entity.

- Money trust under the Trust Business Act

The Group provides with financial guarantee of principal and interest or principal only to some of its trust products. Due to the financial guarantees, the Group may be obliged to supplement when the principal and interest or principal of the trust product sold is short of the guaranteed amount depending on the result of investment performance of the trust product.

(6) The details of the limitations with regard to the transfer of assets or the redemption of liabilities within the Group are provided below.

Some subsidiaries are regulated by the rules of the jurisdictions, in which they were incorporated, with regard to funding or management of deposits. Also, there is the limitation that they must have pre-approval from their regulators in case of remittance of earnings to the Bank.

(7) The Group has entered into various agreements with structured entities such as asset securitization vehicles, structured finance and investment funds, and monetary funds. Where it is determined in accordance with K-IFRS 1110 that the Group has no controlling power over such structured entities, the entities are not consolidated. The nature of interests, which the Group retains, and the risks, to which the Group is exposed, of the unconsolidated structured entities are as follows:

The interests to unconsolidated structured entities, which the Group retains, are classified to asset securitization vehicles, structured finance and investment fund, based on the nature and the purpose of the structured entities.

Asset securitization vehicle issues asset-backed securities and redeems the principal and interest or distributes dividends on asset-backed securities with profits from collecting cash flows or sale of securitized assets. The Group, as a secondary guarantor, provides purchase commitments for its asset-backed securities or guarantees to such asset securitization vehicle and recognizes commission income or interest incomes related to the commitment or guarantees. As therefore, the Group would be exposed to risks to purchases or pays back asset-backed securities issued by the vehicles when a primary guarantor fails to provide the financing asset securitization vehicles.

Structured finance includes investments in project financing on real estates, social overhead capital (“SOC”), infrastructure and shipping finance. They are formed as special purpose entity by funding through equity investments and loans from various investors. Investment decisions are made by the Group based on business outlook of such projects. In relation to such investments, the Group recognizes interest incomes on loans, gains or losses on valuation of equity investments or dividend income. The structured finance is secured by additional funding agreement, guarantee or credit facilities. However, the structured financing project would fail to return the capital of equity investments or principal of loans to the Group if it is discontinued or did not achieve business outcome.

Investment funds include trusts and private equity funds. A trust is formed by contributions from various investors, operated by a manager engaged to the trust and distributed proceeds from sales of investments to the investors. A private equity fund is established in order to acquire ownership interests in a portfolio company with exit strategy after implementing financial and operational restructuring of the company. The Group recognizes unrealized gains or losses on change in value of investments in proposition of ownership interests in investments. The Group would be exposed to risks of loss when the value of portfolio investment is decreased.

Total assets of the unconsolidated structured entities, the carrying value of the related items recorded, the maximum exposure to risks, and the loss recognized as of and for the year ended December 31, 2014 and 2013 are as follows (Unit: Korean Won in millions):

	December 31, 2014		
	Asset securitization vehicle	Structured finance	Investment funds
Total asset of the unconsolidated structured entities	8,701,441	39,770,040	7,174,629
Assets recognized in the consolidated financial statements related to the unconsolidated structured entities			
Loans and receivables	613,105	2,484,397	926,993
Financial assets at fair value through profit or loss	185,946	2,293,115	-
Available-for-sale financial assets	190,303	-	-
Held-to-maturity financial assets	-	153,606	586,035
Investments in joint ventures and associates	236,807	-	-
Derivative assets	-	-	340,958
Derivative assets	49	37,676	-
Liabilities recognized in the consolidated financial statements related to the unconsolidated structured entities			
Other liabilities (including provisions)	70,638	564	-
Other liabilities (including provisions)	70,638	564	-
The maximum exposure to risks	2,295,445	3,016,797	926,993
Investments	613,105	2,484,395	926,993
Purchase agreements	340,560	-	-
Credit facilities	1,341,780	470,590	-
Other agreements	-	61,812	-
Loss recognized on unconsolidated structured entities	-	6,661	36,961
	December 31, 2013		
	Asset securitization vehicle	Structured finance	Investment funds
Total asset of the unconsolidated structured entities	46,802,368	29,994,406	13,346,997
Assets recognized in the consolidated financial statements related to the unconsolidated structured entities			
Loans and receivables	1,364,866	3,178,522	1,719,104
Financial assets at fair value through profit or loss	157,638	2,949,141	3,613
Available-for-sale financial assets	344,555	-	-
Held-to-maturity financial assets	304,999	178,713	1,177,660
Investments in joint ventures and associates	557,579	-	-
Derivative assets	-	-	537,831
Derivative assets	95	50,668	-
Liabilities recognized in the consolidated financial statements related to the unconsolidated structured entities			
Other liabilities (including provisions)	19,622	1,321	12
Other liabilities (including provisions)	19,622	1,321	12
The maximum exposure to risks	3,637,323	3,931,181	1,780,019
Investments	1,364,772	3,127,854	1,719,105
Purchase agreements	799,180	-	-
Credit facilities	1,337,881	367,531	54,600
Other agreements	135,490	435,796	6,314
Loss recognized on unconsolidated structured entities	3,576	69,078	24,760

- (8) Subsidiaries of which non-controlling interests are significant to the Group's consolidated financial statements are as follows (Unit: Korean Won in millions):

1) Accumulated non-controlling interests at the end of the period

	December 31, 2014	December 31, 2013
Woori Investment & Securities (*)	-	1,925,263
Woori Financial (*)	-	188,464
Woori Investment Bank	60,121	42,818
Indonesia Woori Saudara Bank	56,828	-
Korea BTL Infrastructure Fund	1,024	-

(*) Deconsolidated due to the Group's disposal of the subsidiary for the year ended December 31, 2014.

As at the end of 2013, the accumulated non-controlling interest from hybrid securities issued by the subsidiaries amounted to 2,870,356 million Won.

2) Net income attributable to non-controlling interests

	For the year ended December 31, 2014	For the year ended December 31, 2013
Woori Investment & Securities (*)	(125,724)	(313,928)
Woori Financial (*)	-	28,925
Woori Investment Bank	2,215	(56,408)
Indonesia Woori Saudara Bank	702	-
Korea BTL Infrastructure Fund	48	-

(*) Deconsolidated due to the Group's disposal of the subsidiary for the year ended December 31, 2014.

For the years ended December 31, 2014 and 2013, the net income which was attributed to non-controlling interests due to hybrid securities issued by the subsidiaries amounted to 116,721 million Won and 154,869 million Won, respectively.

3) Dividends to non-controlling interests

	For the year ended December 31, 2014	For the year ended December 31, 2013
Woori Investment & Securities (*)	8,029	15,115
Woori Financial (*)	-	6,084
Korea BTL Infrastructure Fund	13	-

(*) Deconsolidated due to the Group's disposal of the subsidiary for the year ended December 31, 2014.

4) Change of non-controlling interest due to merger

Indonesia Woori Bank, which was a subsidiary of the Bank, merged with Saudara Bank during the year ended December 31, 2014, and then changed its name into Indonesia Woori Saudara Bank. Due to the merger, the Bank's ownership ratio of the company decreased from 95.2% to 74.0%. At the same time, the non-controlling interests increased by 49,134 million Won, and the increase was recognized as the decrease of equity attributable to the owner of the Bank (Note 51).

2. SIGNIFICANT BASIS OF PREPARATION AND ACCOUNTING POLICIES

(1) Basis of presentation

The Group's consolidated financial statements are prepared in accordance with Korean International Financial Reporting Standards ("K-IFRS").

The significant accounting policies that have been applied for the preparation of the consolidated financial statements for the year ended on December 31, 2014 are described below, and the significant accounting policies are the same as the accounting policies applied for the preparation of the previous year's consolidated financial statements, except the impacts from the adoptions of accounting standards or interpretations which are explained below.

The Group's consolidated financial statements have been prepared based on the historical cost method except for specific non-current assets and certain financial assets or liabilities reported at fair value. The historical cost is generally measured by fair value of acquired assets.

The consolidated financial statements of the Group were approved by the board of directors on March 6, 2015.

- 1) The Group has newly adopted the following new standards and interpretations that affected the Group's accounting policies.

Amendments to K-IFRS 1032 – *Financial Instruments: Presentation*

The amendments to K-IFRS 1032 clarify the requirement for the offset presentation of financial assets and financial liabilities: the right to offset must not be conditional upon the occurrence of future events and can be exercised anytime during the contract periods. The right to offset is executable even in the case of default or insolvency. As the Group does not have any financial assets and financial liabilities that qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has no significant impact on the Group's consolidated financial statements.

Amendments to K-IFRS 1110, 1112, and 1027 – *Investment Entities*

Investment Entities introduced an exception to the principle in K-IFRS 1110 *Consolidated financial statement* that all subsidiaries shall be consolidated. The amendments define an investment entity and require a parent that is an investment entity to measure its investment in particular subsidiaries at fair value through profit or loss instead of consolidating those subsidiaries in its consolidated financial statements. Also, the new disclosure requirements for investment entities in accordance with the amendments of K-IFRS 1110 have been introduced by consequential amendments to K-IFRS 1112 *Disclosure of Interests in Other Entities* and K-IFRS 1027 *Separate Financial Statements*. The adoption of the amendments has no significant impact on the Group's consolidated financial statements.

Amendments to K-IFRS 1036 – *Impairment of Assets*

The amendments introduced disclosure requirements of recoverable amount when the recoverable amount of an asset or CGU is measured at fair value less costs of disposal. The application of these amendments has no impact on the disclosure in the Group's consolidated financial statements.

Amendments to K-IFRS 1039 – *Financial Instruments: Recognition and Measurement*

The amendments permits the Group to use hedge accounting when, as a consequence of laws or regulations or the introduction of laws or regulations, the original counterparty to the hedging instrument is replaced by a central counterparty or an entity which is acting as counterparty in order to effect clearing by a central counterparty. The adoption of the amendments has no significant impact on the consolidated financial statements.

Enactment of K-IFRS 2121 – *Levies*

The enactment defines that the obligating event giving rise to the recognition of a liability to pay a levy is the activity that triggers the payment of the levy in accordance with the related legislation. The enactment has no significant impact on the Group's consolidated financial statements.

2) The Group has not applied the following K-IFRSs that have been issued but are not yet effective:

Amendments to K-IFRS 1019 – *Employee Benefits*

If the amount of the contributions is independent from the numbers of years of service, the Group is permitted to recognize such contributions as a reduction in the service cost in the period in which the related service is rendered. The amendments are effective for the annual periods beginning on or after July 1, 2014. The Group anticipates that the amendments and enactments listed above may not have significant impact on the Group's consolidated financial statements.

Amendments to K-IFRS 1016 – *Property, plant and Equipment*

The amendments to K-IFRS 1016 prohibit the Group from using a revenue-based depreciation method for items of property, plant and equipment. The amendments are effective for the annual periods beginning on or after January 1, 2016.

Amendments to K-IFRS 1038 – *Intangible Assets*

The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset unless the intangible asset is expressed as a measure of revenue, or it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendments are effective for the annual periods beginning on or after January 1, 2016.

Amendments to K-IFRS 1111 – *Accounting for Acquisitions of Interests in Joint Operations*

The amendments to K-IFRS 1111 provides guidance on how to account for the acquisition of joint operation that constitutes a business as defined in K-IFRS 1103 *Business Combinations*. A joint operator is also required to disclose the relevant information required by K-IFRS 1103 and other standards for business combinations. The amendments to K-IFRS 1111 are effective for the annual periods beginning on or after January 1, 2016.

Annual Improvements to K-IFRS 2010-2012

The amendments to K-IFRS 1102 *Share-based payment* (i) changes the definitions of 'vesting condition' and 'market condition'; and (ii) add definition for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to K-IFRS 1103 clarify the classification and measurement of the contingent consideration in business combination. The amendments to K-IFRS 1108 *Operating Segments* clarify that a reconciliation of the total of the reportable segments' assets should only be provided if the segment assets are regularly provided to the chief operating decision maker. The amendments are effective for the annual periods beginning on or after July 1, 2014.

Annual Improvements to K-IFRS 2011-2013

The amendments to K-IFRS 1103 clarify the scope of the portfolio exception for measuring the fair values of the group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself. The amendments to K-IFRS 1113 *Fair values Measurements* and K-IFRS 1040 *Investment Properties* exist and these amendments are effective to the annual periods beginning on or after July 1, 2014.

The Group is reviewing the impact from the amendments listed above on the Group's consolidated financial statements.

(2) Basis of consolidated financial statement presentation

The consolidated financial statements incorporate the financial statements of the Bank and entities (including structured entities) controlled by the Bank (and its subsidiaries, that is the Group). Control is achieved where the Group 1) has the power over the investee, 2) is exposed, or has rights, to variable returns from its involvement with the investee, and 3) has the ability to use its power to affect its returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders,
- Potential voting rights held by the Group, other vote holders or other parties
- Rights arising from other contractual arrangements
- Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owner of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owner of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group transactions and, related assets and liabilities, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owner of the Group.

When the Group loses control of a subsidiary, a gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is recognized as the fair value on initial recognition for subsequent accounting under K-IFRS 1039 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(3) Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in net income as incurred.

At the acquisition date, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the condition for recognition under K-IFRS 1103 are recognized at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with K-IFRS 1012 *Income Taxes* and K-IFRS 1019 *Employee Benefits*, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with K-IFRS 1102 *Share-based Payment* at the acquisition date; and
- non-current assets (or disposal groups) that are classified as held for sale in accordance with K-IFRS 1105 *Non-current Assets Held for Sale and Discontinued Operations* are measured at the lower of their previous carrying amounts and fair value less costs to sell.

Any excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest (if any) in the acquiree over the net of identifiable assets and liabilities assumed of the acquiree at the acquisition date is recognized as goodwill which is included in intangible assets.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognized immediately in net income as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another K-IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with K-IFRS 1039 *Financial Instruments: Recognition and Measurement*, or K-IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured at fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in net income. Amounts arising from changes in value of interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to net income where such treatment would be appropriate if that interest were disposed of.

In case where i) a common entity ultimately controls over all participating entities, or businesses, in business combination transaction, prior to and after the transaction continuously, and ii) the control is not temporary, the transaction meets the definition of “business combination under common control” and it is deemed that the transaction only results in the changes in legal substance, not economic substance, from the perspective of the ultimate controlling party. Thus, in such transactions, the acquirer recognizes the assets and liabilities of the acquiree on its financial statements at the book values as recognized in the ultimate controlling party’s consolidated financial statements, and the difference between the book value of consideration transferred to and the book value of net assets transferred in is recognized as equity.

(4) Investments in joint ventures and associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in making decision on the financial and operating policy of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to net assets relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The net income of current period and the financial results of the joint ventures and associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with K-IFRS 1105 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in the joint ventures and associates is initially recognized in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Group’s share of the net assets of the joint ventures and associates and any impairment. When the Group’s share of losses of the joint ventures and associates exceeds the Group’s interest in the associate, the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint ventures and associates.

Any excess of the cost of acquisition over the Group’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint ventures and associates recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognized immediately in net income.

Upon a loss of significant influence over the joint ventures and associates, the Group discontinues the use of the equity method and measures at fair value of any investment that the Group retains in the former joint ventures and associates from the date when the Group loses significant influence. The fair value of the investment is regarded as its fair value on initial recognition as a financial asset in accordance with K-IFRS 1039 *Financial Instruments; Recognition and Measurement*. The Group recognized differences between the carrying amount and fair value in net income and it is included in determination of the gain or loss on disposal of joint ventures and associates. The Group accounts for all amounts recognized in other comprehensive income in relation to that joint ventures and associates on the same basis as would be required if the joint ventures and associates had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by an associate would be reclassified to net income on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to net income as a reclassification adjustment.

When the Group’s ownership of interest in an associate or a joint venture decreases but the Group continues to maintain significant influence over an associate or a joint venture, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that decrease in ownership interest if the gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities. Meanwhile, if interest on associate or joint venture meets the definition of non-current asset held for sale, it is accounted for in accordance with K-IFRS 1105.

The requirements of K-IFRS 1039 *Financial Instruments: Recognition and Measurement* to determine whether there has been a loss event are applied to identify whether it is necessary to recognize any impairment loss with

respect to the Group's investment in the joint ventures and associates. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with K-IFRS 1036 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized is not allocated to any asset (including goodwill), which forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with K-IFRS 1036 to the extent that the recoverable amount of the investment subsequently increases.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When a subsidiary transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

(5) Investment in Joint operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

When the Group operates as a joint operator, it recognizes in relation to its interest in a joint operation:

- (a) its assets, including its share of any assets held jointly;
- (b) its liabilities, including its share of any liabilities incurred jointly;
- (c) its revenue from the sale of its share of the output arising from the joint operation;
- (d) its share of the revenue from the sale of the output by the joint operation; and
- (e) its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When the Group enters into a transaction with a joint operation in which it is a joint operator, such as a sale or contribution of assets, it is conducting the transaction with the other parties to the joint operation and, as such, the Group recognizes gains and losses resulting from such a transaction only to the extent of the other parties' interests in the joint operation.

When the Group enters into a transaction with a joint operation in which it is a joint operator, such as a purchase of assets, it does not recognize its share of the gains and losses until it resells those assets to a third party.

(6) Revenue recognition

1) Interest income

Interest income is recognized when earned. Interest income on financial assets that are classified as loans and receivables, available-for-sale or held-to-maturity is determined using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset (or group of financial assets) and of allocating the interest income over the expected life of the asset. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount. Calculation of the effective interest rate takes into account fees payable or receivable that is an integral part of the instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows.

2) Loan origination fees and costs

The commission fees earned on loans, which is part of the effective interest rate of loans, is accounted for deferred origination fees. Incremental cost related to the acquisition or disposal is accounted for deferred origination costs, and it is amortized on the effective interest method and included in interest revenues on loans.

3) Fees and commissions income

Commitment and utilization fees are determined as a percentage of the outstanding facility. If it is unlikely that a specific lending arrangement will be entered into, such fees are taken to net income over the life of the facility otherwise they are deferred and included in the effective interest rate on the advance.

Fees in respect of services are recognized as the right to consideration accrues through the provision of the service to the customer. The arrangements are generally contractual and the cost of providing the service is incurred as the service is rendered. The price is usually fixed and determinable.

Credit card fees include commission received from merchants for processing credit card transaction and annual fees received from credit card holders. Revenue from the commission is accrued to net income when the service performed and annual fee is deferred and recognized as income over the period of the service provided.

4) Trust fees and compensation related to trust accounts

The Group receives fees for its management of unconsolidated trust assets, which are recognized on an accrual basis when the management services are provided and earned. The Group also is entitled to receive performance-based fees for certain trust accounts. These performance-based fees are recognized at the end of the performance period. In addition, a certain trust account which the Group guarantees to repay the principals and minimum interests of the trust account to its beneficiaries shall be included in the consolidated financial statements. The Group recognizes incomes when earned and expenses when interests to be paid to beneficiaries are accrued.

(7) Accounting for foreign currencies

The Group's consolidated financial statements are presented in Korean Won, which is the functional currency of the Bank. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at its prevailing exchange rates at the date. Foreign exchange differences on monetary items that qualify as hedging instruments in a cash flow hedge or that form part of net investment in foreign operations are recognized in equity.

A monetary available-for-sale ("AFS") financial asset is treated as if it were carried at amortized cost in the foreign currency. Accordingly, for such financial assets, exchange differences resulting from retranslating amortized cost are recognized in net income.

Non-monetary items denominated in foreign currencies that are stated at fair value are translated into Korean Won at foreign exchange rates at the dates the values were determined. Translation differences arising on non-monetary items measured at fair value are recognized in net income except for differences arising on non-monetary AFS financial assets, for example equity shares, which are included in the AFS reserve in equity unless the asset is the hedged item in a fair value hedge.

The Group identifies the most appropriate functional currency for each foreign operation based on the foreign operation's activities. If Korean Won is not the foreign operation's functional currency, its assets and liabilities, including goodwill and fair value adjustments arising on acquisition, are translated into Korean Won at foreign exchange rates at the end of each reporting date while the revenues and expenses are translated into Korean Won at average exchange rates for the period unless these do not approximate to the foreign exchange rates at the dates of the transactions. Foreign exchange differences arising on the translation of a foreign operation are recognized directly in equity and included in net income on its disposal.

(8) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, interest-earning deposits with original maturities of up to 90 days of acquisition date and highly liquid investment assets that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

(9) Financial assets and financial liabilities

1) Financial assets

A regular way purchase or sale of financial assets is recognized or derecognized on the trade or settlement date. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose term requires delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

On initial recognition, financial assets are classified into held-for-trading, designated as at fair value through profit or loss ("FVTPL"), AFS financial assets, held-to-maturity ("HTM") investments and loans and receivables.

Held-for-trading:

A financial asset is classified as held-for-trading if it is acquired principally for sale in the near term, or forms part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking, or it is a derivative (not in a qualifying hedge relationship). Held-for-trading financial assets are recognized at fair value with transaction costs being recognized in net income. Subsequently they are measured at fair value. Gains and losses on held-for-trading financial assets are recognized in net income as they arise.

Designated as at FVTPL:

Financial assets may be designated as at FVTPL only if such designation (a) eliminates or significantly reduces a measurement or recognition inconsistency; (b) applies to a group of financial assets, financial liabilities or both, which is managed and performance is evaluated on a fair value basis; or (c) is related to a contract containing one or more embedded derivative that would be required to be separated from the host contract.

Financial assets designated by the Group on initial recognition as at FVTPL are recognized at fair value, with transaction costs recognized in net income, and are subsequently measured at fair value. Gains and losses on financial assets that are designated as at FVTPL are recognized in net income as they arise.

AFS financial assets:

Financial assets that are not classified as HTM; held-for-trading; designated as at FVTPL; or loans and receivables, are classified as AFS. Financial assets can be designated as AFS on initial recognition. AFS financial assets are initially recognized at fair value plus directly related transaction costs. They are subsequently measured at fair value. Unquoted equity investments whose fair value cannot be measured reliably are carried at cost and classified as AFS financial assets. Impairment losses in monetary and non-monetary AFS financial assets and dividends on non-monetary financial assets are recognized in net income. Interest revenue on monetary financial assets is calculated using the effective interest method. Other changes in the fair value of AFS financial assets and any related tax are reported in a separate component of shareholders' equity until disposal, when the cumulative gain or loss is recognized in net income.

HTM investments:

A financial asset may be classified as a HTM investment only if it has fixed or determinable payments, a fixed maturity, and the Group has the positive intention and ability to hold the financial asset to maturity. HTM investments are initially recognized at fair value plus directly related transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment losses.

Loans and receivables:

Non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables, except those that are classified as AFS or as held-for-trading.

or designated as at FVTPL. Loans and receivables are initially recognized at fair value plus directly related transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment losses. Interest income is recognized using the effective interest method, except for the short-term receivables to which the present value discount is not meaningful.

2) Financial liabilities

On initial recognition financial liabilities are classified into held-for-trading; designated as at FVTPL; or amortized cost.

Held-for-trading:

A financial liability is classified as held-for-trading if it is incurred principally for repurchase in the near term, or forms part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking, or it is a derivative (not in a qualifying hedge relationship). Held-for-trading financial liabilities are recognized at fair value with transaction costs being recognized in net income. Subsequently, they are measured at fair value. Gains and losses are recognized in net income as they arise.

Designated as at FVTPL:

Financial liabilities may be designated as at FVTPL only if such designation (a) eliminates or significantly reduces a measurement or recognition inconsistency; (b) applies to a group of financial liabilities or both that the Group manages and evaluates on a fair value basis; or (c) relates to an instrument that contains an embedded derivative which is not evidently closely related to the host contract. Financial liabilities that the Group designates on initial recognition as being at FVTPL are recognized at fair value, with transaction costs being recognized in net income, and are subsequently measured at fair value. Gains and losses on financial liabilities that are designated as at FVTPL are recognized in net income as they arise.

Amortized cost:

All other financial liabilities are measured at amortized cost using the effective interest method.

3) Reclassifications

Held-for-trading and AFS financial assets that meet the definition of loans and receivables (non-derivative financial assets with fixed or determinable payments that are not quoted in an active market) may be reclassified to loans and receivables if the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity. The Group typically regards the foreseeable future as twelve months from the date of reclassification. Reclassifications are made at fair value. This fair value becomes the asset's new cost or amortized cost as appropriate. Gains and losses recognized up to the date of reclassification are not reversed.

4) Derecognition of financial assets and liabilities

The Group derecognizes a financial asset when the contractual right to the cash flows from the asset is expired, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another company. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulated gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial assets other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset, or it retains a residual interest and such an retained interest indicates that the transferor has neither transferred nor retained substantially all the risks and rewards of ownership and has retained control of the transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no

longer recognizes on the basis of the relative fair value of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part that is no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair value of those parts.

The Group derecognizes the financial liability, when Group's obligations are discharged, canceled or expired. The difference between paid cost and the carrying amount of financial liabilities is recorded in profit or loss.

5) Fair value of financial assets and liabilities

Financial instruments classified as held-for-trading or designated as at FVTPL and financial assets classified as AFS are recognized in the financial statements at fair value. All derivatives are measured at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are determined from quoted prices in active markets for identical financial assets or financial liabilities where these are available. The Group characterizes active markets as those in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Where a financial instrument is not in active market characterized by low transaction volumes, price quotations which vary substantially among market participants, or in which minimal information is released publicly, fair values are established using valuation techniques rely on alternative market data or internally developed models using significant inputs that are generally readily observable from objective sources. Market data includes prices of financial instruments with similar maturities and characteristics, duration, interest rate yield curves, and measures of volatility. The amount determined to be fair value may incorporate the management of the Group's own assumptions (including assumptions that the Group believes market participants would use in valuing the financial instruments and assumptions relating to appropriate risk adjustments for nonperformance and lack of marketability).

The valuation techniques used to estimate the fair value of the financial instruments include market approach and income approach, each of which involves a significant degree of judgment. Under the market approach, fair value is determined by reference to a recent transaction involving the financial instruments or by reference to observable valuation measures for comparable companies or assets.

Under the income approach, fair value is determined by converting future amounts (e.g., cash flows or earnings) to a single present amount (discounted) using current market expectations about the future amounts. In determining value under this approach, the Group makes assumptions regarding, among other things, revenues, operating income, depreciation and amortization, capital expenditures, income taxes, working capital needs, and terminal value of the financial investments. These valuation techniques involve a degree of estimation, the extent of which depends on the instrument's complexity and the availability of market-based data.

The following are descriptions of valuation methodologies used by the Group to measure various financial instruments at fair value.

Financial assets at FVTPL and AFS financial assets:

The fair value of the securities included in financial assets at FVTPL and AFS financial assets are recognized in the consolidated statements of financial position based on quoted market prices, where available. For debt securities traded in the OTC market, the Group generally determines fair value based on prices obtained from independent pricing services. Specifically, with respect to independent pricing services, the Group obtains three prices per instrument from reputable independent pricing services in Korea, such as Korea Asset Pricing (an affiliate of Fitch Ratings), KIS Pricing (an affiliate of Moody's Investors Service) and NICE Pricing Service, and generally uses the lowest of the prices obtained from such services without further adjustment. For non-marketable equity securities, the Group obtains prices

from Korea Asset Pricing. The Group validates prices received from such independent pricing services using a variety of means, including verification of the qualification of the independent pricing services, corroboration of the pricing by comparing the prices among the independent pricing services and by reference to other available market data, and review of the pricing model and assumptions used by the independent pricing services by the Group's personnel who are familiar with market-related conditions.

Derivative assets and liabilities:

Quoted market prices are used for the Group's exchange-traded derivatives, such as certain interest rate futures and option contracts. All of the Group's derivatives are traded in OTC markets where quoted market prices are not readily available are valued using internal valuation techniques. Valuation techniques and inputs to internally developed models depend on the type of derivative and nature of the underlying rate, price or index upon which the derivative's value is based. If the model inputs for certain derivatives are not observable in a liquid market, significant judgments on the level of inputs used for valuation techniques are required.

Valuation Adjustments:

By using derivatives, the Group is exposed to credit risk if counterparties to the derivative contracts do not perform as expected. If counterparty fails to perform, counterparty credit risk is equal to the amount reported as a derivative asset in the consolidated statements of financial position. The amounts reported as a derivative asset are derivative contracts in a gain position. Few of the Group's derivatives are listed on an exchange. The majority of derivative positions are valued using internally developed models that use as their basis observable market inputs. Therefore, an adjustment is necessary to reflect the credit quality of each counterparty to arrive at fair value. Counterparty credit risk adjustments are applied to derivative assets, such as OTC derivative instruments, when the market inputs used in valuation models may not be indicative of the creditworthiness of the counterparty. Adjustments are also made when valuing financial liabilities to reflect the Group's own credit standing.

The adjustment is based on probability of default of a counterparty and loss given default. The adjustment also takes into account contractual factors designed to reduce the Group's credit exposure to each counterparty. To the extent derivative assets (liabilities) are subject to master netting arrangements, the exposure used to calculate the credit risk adjustment is net of derivatives in a loss (gain) position with the same counterparty and cash collateral received (paid).

6) Impairment of the financial assets

The Group assesses at the end of each reporting date whether there is any objective evidence that a financial asset or group of financial assets classified as AFS, HTM or loans and receivables is impaired. A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence of impairment as result of one or more events that occurred after the initial recognition asset and that event (or events) has an impact on the estimated future cash flows of the financial asset.

Financial assets carried at amortized cost:

If there is objective evidence that an impairment loss on a financial asset or group of financial assets classified as HTM investments or as loans and receivables has been incurred, the Group measures the amount of the loss as the difference between the carrying amount of the asset or group of assets and the present value of estimated future cash flows from the asset or group of assets discounted at the effective interest rate of the instrument at initial recognition. For collateralized loans and receivables, estimated future cash flows include cash flows that may result from foreclosure less the costs of obtaining and selling the collateral.

Impairment losses are assessed individually for financial assets that are individually significant and assessed either individually or collectively for assets that are not individually significant. In making collective assessment of impairment, financial assets are grouped into portfolios on the basis of similar risk characteristics. Future cash flows from these portfolios are estimated on the basis of the contractual cash flows and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted, on the basis of observable data, to reflect current conditions not affecting the period of historical experience.

Impairment losses are recognized in net income and the carrying amount of the financial asset or group of financial assets reduced by establishing a provision for impairment losses. If, in a subsequent period, the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognized, the previously recognized loss is reversed by adjusting the provision. Once an impairment loss has been recognized on a financial asset or group of financial assets, interest income is recognized on the carrying amount using the rate of interest at which estimated future cash flows were discounted in measuring impairment.

It is not the Group's usual practice to write-off the asset at the time an impairment loss is recognized. Impaired loans and receivables are written off (i.e. the impairment provision is applied in writing down the loan's carrying value in full) when the Group concludes that there is no longer any realistic prospect of recovery of part or the entire loan. Amounts recovered after a loan has been written off are reflected to the provision for the period in which they are received.

Financial assets carried at fair value:

When a decline in the fair value of a financial asset classified as AFS has been recognized directly in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss is removed from other comprehensive income and recognized in net income. The loss is measured as the difference between the amortized cost of the financial asset and its current fair value. Impairment losses on AFS equity instruments are not reversed through net income, but those on AFS debt instruments are reversed, if there is a decrease in the cumulative impairment loss that is objectively related to a subsequent event.

(10) Offsetting financial instruments

Financial assets and liabilities are presented in net in the consolidated statements of financial position when the Group has an enforceable legal right to set off and an intention to settle on a net basis or to realize an asset and settle the liability simultaneously.

(11) Investment properties

The Group classifies a property held to earn rentals and/or for capital appreciation as an investment property. Investment properties are measured initially at cost, including transaction costs, less subsequent depreciation and impairment.

Subsequent costs are included in the carrying amount of the asset or recognized as a separate asset if it is probable that future economic benefits associated with the assets will flow into the Group and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

While land is not depreciated, all other investment properties are depreciated based on the respective assets' estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any change in estimate accounted for on a prospective basis.

An investment property is derecognized from the consolidated financial statements on disposal or when it is permanently withdrawn from use and no future economic benefits are expected even from its disposal. The gain or loss on derecognition of an investment property is calculated as the difference between the net disposal proceeds and the carrying amount of the property and is recognized in profit or loss in the period of the derecognition.

(12) Premises and equipment

Premises and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses. The cost of an item of premises and equipment is directly attributable to their purchase or construction, which includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs to replace part of the premises and equipment are recognized in carrying amount of an asset or as an asset if it is probable that the future economic benefits associated with the assets will flow into the Group and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

While land is not depreciated, for all other premises and equipment, depreciation is charged to net income on a straight-line basis on the estimated economic useful lives as follows:

	<u>Useful life</u>
Buildings used for business purpose	35 to 57 years
Structures in leased office	4 to 5 years
Properties for business purpose	4 to 5 years
Leased assets	Useful lives of the same kind or similar other premises and equipment

The Group reassesses the depreciation method, the estimated useful lives and residual values of premises and equipment at the end of each reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate. When the carrying amount of a fixed asset exceeds the estimated recoverable amount, the carrying amount of such asset is reduced to the recoverable amount.

(13) Intangible assets and goodwill

Intangible assets are stated at the manufacturing cost or acquisition cost plus additional incidental expenses less accumulated amortization and accumulated impairment losses. The Group's software and industrial property right (trademark) are amortized over five years using the straight-line method. The estimated useful life and amortization method are reviewed at the end of each reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

	<u>Useful life</u>
Patents	10 years
Development costs	5 years
Software and others	4 to 5 years

In addition, when an indicator that intangible assets are impaired is noted, and the carrying amount of the asset exceeds the estimated recoverable amount of the asset, the carrying amount of the asset is reduced to its recoverable amount immediately.

Goodwill acquired in a business combination is included in intangible assets. Goodwill is not amortized but tested for impairment annually to the extent of reporting unit and when there is any indication of impairment.

Goodwill acquired is allocated to each of the Group's cash-generating units ("CGU") expected to benefit from the synergies of the combination. A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the CGU may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis based on the carrying amount of each asset in the CGU. Any impairment loss for goodwill is recognized directly in net income in the consolidated statements of comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

(14) Impairment of non-monetary assets

Intangible assets with indefinite useful lives or intangible assets that are not yet available for use are tested for impairment annually, regardless of whether or not there is any indication of impairment. All other assets are tested for impairment when there is an objective indication that the carrying amount may not be recoverable, and if the indication exists. The Group estimates the recoverable amount. Recoverable amount is the higher of value in use and net fair value less costs to sell. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and such impairment loss is recognized immediately in net income.

(15) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) As a lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases being the minimum lease payments and any unguaranteed residual value discount interest rate implicit in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term. Operating lease assets are included within premise and equipment and depreciated over their useful lives.

2) As a lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Contingent rentals arising under finance leases are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as expenses in the period in which they are incurred.

(16) Derivative instruments

Derivative instruments are classified as forward, futures, option, and swap, depending on the types of transactions and are classified as either trading or hedging if they are qualified for hedge accounting. Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently measured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in net income immediately unless the derivative is designated and effective as a hedging instrument.

A derivative embedded in a contract is accounted for as a stand-alone derivative if its economic characteristics are not closely related to the economic characteristics of the host contract; unless the entire contract is measured at fair value with changes in fair value recognized in net income.

The Group designates certain hedging instruments to (a) hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment (fair value hedge); (b) hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction (cash flow hedge); and (c) hedge of a net investment in a foreign operation.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

1) Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recognized in net income immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Hedge accounting is discontinued when the Group revokes

the hedging relationship or when the hedging instrument is no longer qualified for hedge accounting. The fair value adjustment to the carrying amount of the hedged item is amortized to net income from that date to maturity using the effective interest method.

2) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in net income. Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to net income when the hedged item is recognized in net income.

Hedge accounting is discontinued when the hedging instrument is expired or sold, or it is no longer qualified for hedge accounting, and any cumulative gain or loss in other comprehensive income remains in equity until the forecast transaction is ultimately recognized in net income. When a forecasted transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in net income.

3) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. The effective portion of changes in the fair value of the hedging instrument is recognized in equity while the ineffective portion is recognized immediately in net income. The cumulated gain and loss in other comprehensive income is reclassified from equity to profit or loss on the disposal or partial disposal of the foreign operations.

(17) Assets (or Disposal group) held for sale

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this, the non-current asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with K-IFRS 1039 *Financial Instruments: Recognition and Measurement* unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(18) Disposal group held for distribution to owners

A disposal group is classified as held for distribution to owners when the Group is committed to distribute the disposal group to the owners. For this to be the case the assets must be available for immediate distribution in their present condition and the distribution must be highly probable. For the distribution to be highly probable, actions to complete the distribution must have been initiated and should be expected to be completed within one year from the date of classification.

When a subsidiary is determined as held for distribution to owners and that will result in the loss of control, all the assets and liabilities of the subsidiary shall be classified as held for distribution to owners regardless of retaining the non-controlling interest of the subsidiary.

The Group measures disposal group classified as held for distribution to owners at the lower of its carrying amount and fair value less costs to distribute.

(19) Provisions

The Group recognizes provision if it has a present or contractual obligations as a result of the past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation is reliably estimated. Provision is not recognized for the future operating losses.

The Group recognizes provision related to the unused portion of point rewards earned by credit card customers, payment guarantees, loan commitment and litigations. Where the Group is required to restore a leased property that is used as a branch, to an agreed condition after the contractual term expires, the present value of expected amounts to be used to dispose, decommission or repair the facilities is recognized as an asset retirement obligation.

Where there are a number of similar obligations, the probability that an outflow will be required in settlement is determined by considering the obligations as a whole. Although the likelihood of outflow for any one item may be small, if it is probable that some outflow of resources will be needed to settle the obligations as a whole, a provision is recognized.

(20) Capital and compound financial instruments

The Group classifies a financial instrument that it issues as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. An instrument is classified as a liability if it is a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities on potentially unfavorable terms. An instrument is classified as equity if it evidences a residual interest in the assets of the Group after the deduction of liabilities. The components of a compound financial instrument issued by the Group are classified and accounted for separately as financial liabilities or equity as appropriate.

The Group recognizes common stock as equity and redeemable preferred stocks as a liability. Direct expenses related to the issuance of new shares or options are recognized as a deduction from equity, net of any tax effects.

If the Group reacquires its own equity instruments, those instruments (“treasury shares”) are presented as a deduction from total equity. The gain or loss on the purchase, sale, issue, or cancellation of treasury shares is not recognized in net income but recognized directly in equity.

(21) Financial guarantee contracts

Under a financial guarantee contract, the Group, in return for a fee, undertakes to meet a customer’s obligations under the terms of a debt instrument if the customer fails to do so.

A financial guarantee is recognized as a liability; initially at fair value and, if not designated as at FVTPL, subsequently at the higher of its initial value less cumulative amortization and any provision under the contract measured in accordance with provision policy. Amortization is calculated so as to recognize fees receivable in net income over the period of the guarantee.

(22) Employee benefits and pensions

The Group recognizes the undiscounted amount of short-term employee benefits expecting payment in exchange for the services, when employee renders services. Also, the Group recognizes expenses and liabilities in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences. Though the Group may have no legal obligation to pay a bonus, considering some cases, the Group has a practice of paying bonuses. In such cases, the Group has a constructive obligation, and thus recognizes expenses and liabilities when the employees render service.

The Group is operating defined contribution retirement pension plans and defined benefit retirement pension plans. Contributions to defined contribution retirement pension plans are recognized as an expense when employees have rendered service entitling them to the contributions. For defined benefit retirement pension plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur.

Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are composed of service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), net interest expense (income), and remeasurement.

The Group presents the service cost and net interest expense (income) components in profit or loss, and the remeasurement component in other comprehensive income. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Liabilities for termination benefits are recognized at the earlier of either 1) when the Group has become not able to cancel its proposal for termination benefits, or 2) when the Group has recognized the cost of restructuring that accompanies the payment of termination benefits.

(23) Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax. Current income tax expense approximates taxes to be paid or refunded for the current period and deferred income tax expense is provided on an asset and liability method whereby deferred tax assets are recognized for deductible temporary differences, including operating losses and tax credit carryforwards, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the carrying values of assets and liabilities for financial reporting purposes and their tax bases. Deferred income tax benefit or expense is then recognized for the change in deferred tax assets or liabilities between periods. Deferred tax assets and liabilities are measured at the tax rates on the date of enactment or substantive enactment that are expected to apply in the period in which the liability is settled or the asset realized. Deferred tax assets, including the carryforwards of unused tax losses, are recognized to the extent it is probable that the deferred tax assets will be realized.

Deferred income tax assets and liabilities are offset if, and only if the Group has a legally enforceable right to offset current tax assets against current tax liabilities, and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred liabilities are not recognized if the temporary difference arises from goodwill. Deferred tax assets or liabilities are not recognized if they arise from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

(24) Earnings per share (“EPS”)

Basic EPS is calculated by earnings subtracting the dividends paid to holders of preferred stock and hybrid securities from the net income attributable to ordinary shareholders from the statements of comprehensive income and dividing by the weighted average number of common shares outstanding. Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of all dilutive potential common shares.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

– PLEASE REFER TO THE FULL VERSION OF INDEPENDENT AUDITORS' REPORT

4. RISK MANAGEMENT

– PLEASE REFER TO THE FULL VERSION OF INDEPENDENT AUDITORS' REPORT

5. OPERATING SEGMENTS

In evaluating the results of the Group and allocating resources, the Group's Chief Operation Decision Maker (the “CODM”) utilizes the information per types of customers. This financial information of the segments is regularly reviewed by the CODM to make decisions about resources to be allocated to each segment and evaluate its performance.

(1) Segment by types of customers

The Group's reporting segments comprise the following customers: consumer banking, corporate banking, investment banking, capital market, and headquarters and others. The reportable segments are classified based on the target customers for whom the service is being provided. Meanwhile, during the year ended at December 31, 2014, the spin-off of Kyongnam Bank and Kwangju Bank was completed and the disposals of Woori Investment & Securities Co., Ltd, Woori Financial, Woori F&I, Woori Asset Management, and Woori Savings Bank were closed in accordance with the progress of the privatization of Woori Finance Holdings Co., Ltd. Accordingly, the composition of operating segments has changed, and the Group restated the comparative operating segment information for the year ended and as of December 31, 2013.

- Consumer banking: Loans/deposits and financial services for consumer, etc.
- Corporate banking: Loans/deposits and export/import, financial services for corporations, etc.
- Investment banking: Domestic/foreign investment, structured finance, M&A, Equity & fund investment related business, venture advisory related tasks, real estate SOC development practices etc.
- Capital market: Fund management, investment securities and derivatives business, etc.; and
- Headquarter and others: Segments that are not belong to above operating segments

1) The details of assets and liabilities by each segment are as follows (Unit: Korean Won in millions):

		December 31, 2014							
		Consumer banking	Corporate banking	Investment banking	Capital market	Others	Sub-total	Inter-segment transaction	Total
Assets		83,582,893	96,644,808	6,411,016	6,076,739	82,415,399	275,130,855	(4,973,636)	270,157,219
Liabilities		47,625,472	145,999,344	136,603	4,957,708	51,283,487	250,002,614	2,061,180	252,063,794

		December 31, 2013							
		Consumer banking	Corporate banking	Investment banking	Capital market	Others	Sub-total	Inter-segment transaction	Total (*)
Assets		74,305,224	89,900,968	7,038,975	10,778,521	95,589,309	277,612,997	(21,919,713)	255,693,284
Liabilities		45,336,744	135,083,652	105,146	10,006,252	48,783,007	239,314,801	(431,228)	238,883,573

(*) The amounts exclude assets and liabilities from the subsidiaries that were reclassified into disposal group held for sale and disposal groups held for distribution to owners as of December 31, 2013.

2) The details of operating income by each segment are as follows (Unit: Korean Won in millions):

For the year ended December 31, 2014								
	Consumer banking	Corporate banking	Investment banking	Capital market	Others	Sub-total	Inter-segment transaction	Continuing operation (*)
Net Interest income	1,392,354	1,741,700	1,178	28,884	835,588	3,999,704	493,314	4,493,018
Interest income	3,032,488	3,636,838	199,629	26,076	1,987,901	8,882,932	328,308	9,211,240
Interest expense	(1,591,087)	(2,191,770)	(23)	(100)	(1,100,248)	(4,883,228)	165,006	(4,718,222)
Inter-segment	(49,047)	296,632	(198,428)	2,908	(52,065)	-	-	-
Net non-interest income	493,762	453,799	65,919	(8,059)	348,495	1,353,916	(941,404)	412,512
Non-interest income	724,288	438,879	348,363	3,969,660	2,951,569	8,432,759	(284,209)	8,148,550
Non-interest expense	(250,450)	(14,483)	(282,444)	(3,977,719)	(2,553,747)	(7,078,843)	(657,195)	(7,736,038)
Inter-segment	19,924	29,403	-	-	(49,327)	-	-	-
Other expense	(1,759,431)	(1,522,783)	(175,002)	(10,273)	(800,128)	(4,267,617)	259,795	(4,007,822)
Administrative expense	(1,700,025)	(835,051)	(14,385)	(16,437)	(626,874)	(3,192,772)	233,853	(2,958,919)
Impairment losses on credit loss and others	(59,406)	(687,732)	(160,617)	6,164	(173,254)	(1,074,845)	25,942	(1,048,903)
Operating income	126,685	672,716	(107,905)	10,552	383,955	1,086,003	(188,295)	897,708
Non-operating income	(15,444)	(3,309)	39,967	(20,562)	1,585,917	1,586,569	(1,649,882)	(63,313)
Net income before income tax expense	111,241	669,407	(67,938)	(10,010)	1,969,872	2,672,572	(1,838,177)	834,395
Income tax expense	(26,920)	(153,867)	16,441	2,422	(126,271)	(288,195)	-	(288,195)
Net income from continuing operations	84,321	515,540	(51,497)	(7,588)	1,843,601	2,384,377	(1,838,177)	546,200
For the year ended December 31, 2013								
	Consumer banking	Corporate banking	Investment banking	Capital market	Others	Sub-total	Inter-segment transaction	Continuing operation (*)
Net Interest income	1,505,372	1,947,049	19,654	60,146	670,436	4,202,657	289,365	4,492,022
Interest income	3,233,552	3,832,238	256,860	82,649	1,925,391	9,330,690	162,693	9,493,383
Interest expense	(1,653,013)	(2,282,674)	(717)	(29,121)	(1,162,508)	(5,128,033)	126,672	(5,001,361)
Inter-segment	(75,167)	397,485	(236,489)	6,618	(92,447)	-	-	-
Net non-interest income	415,665	443,767	67,883	(7,323)	527,591	1,447,583	(575,124)	872,459
Non-interest income	645,404	518,355	401,904	4,849,598	3,522,324	9,937,585	(100,430)	9,837,155
Non-interest expense	(244,085)	(100,033)	(334,021)	(4,856,921)	(2,954,942)	(8,490,002)	(474,694)	(8,964,696)
Inter-segment	14,346	25,445	-	-	(39,791)	-	-	-
Other expense	(1,761,891)	(2,414,374)	(156,006)	(39,556)	(853,418)	(5,225,245)	100,331	(5,124,914)
Administrative expense	(1,643,064)	(831,660)	(17,458)	(21,744)	(585,650)	(3,099,576)	197,405	(2,902,171)
Impairment losses on credit loss and others	(118,827)	(1,582,714)	(138,548)	(17,812)	(267,768)	(2,125,669)	(97,074)	(2,222,743)
Operating income	159,146	(23,558)	(68,469)	13,267	344,609	424,995	(185,428)	239,567
Non-operating income	(14,340)	(10,787)	38,464	34,367	1,662,180	1,709,884	(1,661,784)	48,100
Net income before income tax expense	144,806	(34,345)	(30,005)	47,634	2,006,789	2,134,879	(1,847,212)	287,667
Income tax expense	(35,043)	8,311	7,261	(11,527)	(485,643)	(516,641)	481,545	(35,096)
Net income from continuing operations	109,763	(26,034)	(22,744)	36,107	1,521,146	1,618,238	(1,365,667)	252,571

(*) The amounts exclude income or loss from the subsidiaries that were reclassified into disposal group held for sale and disposal groups held for distribution to owners for the years ended December 31, 2014 and 2013.

(2) Information on products and services

The products of the Group are classified as interest-bearing products such as loans, deposits and debt securities and non-interest bearing products such as loan commitment, credit commitment, equity securities, and credit card service. This classification of products has been reflected in the segment information presenting interest income and non-interest income.

(3) Information on geographical areas

Of the Group's revenue (interest income and non-interest income) from services, revenue from the domestic customers for the years ended December 31, 2014 and 2013 amounted to 16,800,282 million Won and 18,466,386 million Won, respectively, and revenue from the foreign customers amounted to 559,508 million Won and 864,152 million Won, respectively (including the profit and losses that are reclassified to the discontinued operations). Of the Group's non-current assets (investments in joint ventures and associates, investment properties, premises and equipment and intangible assets), non-current assets attributed to domestic subsidiaries as of December 31, 2014 and 2013 are 3,591,351 million Won and 3,730,455 million Won, respectively, and foreign subsidiaries are 211,465 million Won and 33,102 million Won, respectively.

6. CASH AND CASH EQUIVALENTS

(1) Details of cash and cash equivalents are as follows (Unit: Korean Won in millions):

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Cash and checks	2,597,984	2,218,818
Foreign currencies	585,728	511,487
Demand deposits	2,017,798	2,083,087
Fixed deposits	<u>761,351</u>	<u>664,257</u>
Total	<u><u>5,962,861</u></u>	<u><u>5,477,649</u></u>

(2) Significant transactions not involving cash inflows and outflows are as follows (Unit: Korean Won in millions):

	<u>2014</u>	<u>2013</u>
Changes in other comprehensive income (loss) due to valuation of AFS financial assets	86,537	(33,782)
Changes in other comprehensive loss of investment in associates	(2,974)	(6,375)
Changes in other comprehensive income (loss) of overseas business translation	28,856	(51,999)
Changes in other comprehensive income (loss) due to remeasurement of the net defined benefit liability	(63,426)	6,915
Changes in investments in associates due to equity swap and others	176,661	20,517
Changes in unpaid dividends of hybrid equity securities	7,547	7,372

7. FINANCIAL ASSETS AT FVTPL

(1) Financial assets at FVTPL consist of as follows (Unit: Korean Won in millions):

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Financial assets held for trading	4,536,918	4,792,305
Financial assets designated at FVTPL	17,262	13,892
Total	<u>4,554,180</u>	<u>4,806,197</u>

(2) Financial assets held for trading are as follows (Unit: Korean Won in millions):

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Deposits:		
Deposits indexed to gold prices	13,816	9,299
Securities:		
Debt securities		
Korean treasury and government agencies	668,886	574,016
Financial institutions	927,121	1,019,008
Corporates	620,312	409,272
Equity securities	99,988	196,072
Beneficiary certificates	48,291	166,623
CMA securities	32,300	200,500
Others	14,737	33,084
Sub-total	<u>2,411,635</u>	<u>2,598,575</u>
Derivatives instruments assets	<u>2,111,467</u>	<u>2,184,431</u>
Total	<u>4,536,918</u>	<u>4,792,305</u>

(3) Financial assets designated at FVTPL as follows (Unit: Korean Won in millions):

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Equity-linked securities	6,066	-
Debt securities	-	2,676
Equity securities	11,196	11,216
Total	<u>17,262</u>	<u>13,892</u>

8. AFS FINANCIAL ASSETS

AFS financial assets are as follows (Unit: Korean Won in millions):

		December 31, 2014			
		Book value	Unrealized gains	Unrealized losses	Fair value
Debt securities:					
	Korean treasury and government agencies	3,138,741	32,963	(124)	3,171,580
	Financial institutions	6,697,347	34,471	(357)	6,731,461
	Corporates	2,762,728	64,522	-	2,827,250
	Asset-backed securities	171,313	-	(13,572)	157,741
	Foreign currency bonds	365,661	-	(66,761)	298,900
	Sub-total	13,135,790	131,956	(80,814)	13,186,932
Equity securities					
	Beneficiary certificates	1,115,728	432,068	(126,422)	1,421,374
	Loaned securities	3,431,922	20,689	-	3,452,611
	Others	684,126	1,982	(12)	686,096
		46,524	17,308	-	63,832
	Total	18,414,090	604,003	(207,248)	18,810,845
		December 31, 2013			
		Book value	Unrealized gains	Unrealized losses	Fair value
Debt securities:					
	Korean treasury and government agencies	2,689,786	6,168	(15,105)	2,680,849
	Financial institutions	6,508,988	4,376	(1,296)	6,512,068
	Corporates	2,426,565	11,902	(4,806)	2,433,661
	Asset-backed securities	291,498	6,807	(25,291)	273,014
	Foreign currency bonds	230,210	129	(752)	229,587
	Sub-total	12,147,047	29,382	(47,250)	12,129,179
Equity securities					
	Beneficiary certificates	1,379,514	272,288	(36,327)	1,615,475
	Loaned securities	3,007,653	59,966	(2,339)	3,065,280
	Others	239,899	313	(178)	240,034
		35,361	119	-	35,480
	Total	16,809,474	362,068	(86,094)	17,085,448

9. HTM FINANCIAL ASSETS

HTM financial assets are as follows (Unit: Korean Won in millions):

	December 31, 2014			
	Book value	Unrealized gains	Unrealized losses	Fair value
Korean treasury and government agencies	4,128,344	82,979	(37)	4,211,286
Financial institutions	4,389,592	37,400	(175)	4,426,817
Corporates	4,470,297	106,092	(2,946)	4,573,443
Foreign currency bonds	56,215	-	-	56,215
Total	13,044,448	226,471	(3,158)	13,267,761

	December 31, 2013			
	Book value	Unrealized gains	Unrealized losses	Fair value
Korean treasury and government agencies	4,728,909	58,237	(16,900)	4,770,246
Financial institutions	2,155,965	8,013	(593)	2,163,385
Corporates	5,131,162	65,108	(6,361)	5,189,909
Foreign currency bonds	22,784	-	-	22,784
Total	12,038,820	131,358	(23,854)	12,146,324

10. LOANS AND RECEIVABLES

(1) Loans and receivables are as follows (Unit: Korean Won in millions):

	December 31, 2014	December 31, 2013
Due from banks	11,100,572	10,208,117
Loans	204,818,820	190,699,210
Other receivables	7,450,743	11,005,046
Total	223,370,135	211,912,373

(2) Due from banks are as follows (Unit: Korean Won in millions):

	December 31, 2014	December 31, 2013
Due from banks in local currency:		
Due from the Bank of Korea	9,120,180	8,304,869
Due from depository banks	1,000	4,127
Due from non-depository	277,337	22,418
Due from the Korea Exchange	1,580	880
Others	182,750	18,744
Allowance for credit losses	(2,305)	(1,978)
Sub-total	9,580,542	8,349,060
Due from banks in foreign currencies:		
Due from banks on demand	312,022	920,713
Due from banks on time	712,972	439,595
Others	497,454	500,766
Allowance for credit losses	(2,418)	(2,017)
Sub-total	1,520,030	1,859,057
Total	11,100,572	10,208,117

(3) Details of restricted due from banks are as follows (Unit: Korean Won in millions):

Financial institution	Counterparty	December 31, 2014	Reason of restriction
Due from banks in local currency:			
Due from the Bank of Korea	The Bank of Korea	9,120,180	Reverse deposits on BOK Act
Others	NH Investment & Securities Co., Ltd. and others	182,750	Treasury stock trust contracts and others
		<u>9,302,930</u>	
Due from banks in foreign currencies:			
Due from banks on demand			Reverse deposits on BOK Act and others
	The Bank of Korea and others	296,447	
Others	The Central Bank of China and others	469,974	Reserve deposits and others
		<u>766,421</u>	
		<u>10,069,351</u>	
Financial institution	Counterparty	December 31, 2013 (*)	Reason of restriction
Due from banks in local currency:			
Due from the Bank of Korea	The Bank of Korea	9,581,701	Reverse deposits on BOK Act
Due from depository banks	Shinhan Bank and others	625,693	Pledged right and others
Due from non-depository	Mutual savings bank	20,524	Mutual savings bank act
Due from the Korea Exchange	Korea securities finance Corporation and others	584,617	Deposits for futures and options transactions and others
Others	Shinhan Investment Corp. and others	18,446	Collateral for derivatives
		<u>10,830,981</u>	
Due from banks in foreign currencies:			
Due from banks on demand			Reverse deposits on BOK Act and others
	The Bank of Korea and others	941,284	
Due from banks on time	China Construction Bank Corporation and others	7,809	Required under Chinese regulatory purpose
Others	The Central Bank of China and others	391,026	Reserve deposits and others
		<u>1,340,119</u>	
		<u>12,171,100</u>	

(*) The amounts incorporate the restricted due from banks from the subsidiaries that were reclassified into disposal group held for sale and disposal groups held for distribution to owners.

(4) Loans are as follows (Unit: Korean Won in millions):

	December 31, 2014	December 31, 2013
Loans in local currency	167,261,592	156,027,839
Loans in foreign currencies	11,281,016	9,996,738
Domestic banker's letter of credit	5,712,049	4,958,522
Credit card accounts	5,113,684	4,209,156
Bills bought in foreign currencies	5,552,421	4,234,937
Bills bought in local currency	258,707	186,159
Factoring receivables	92,205	176,449
Advances for customers on guarantees	52,619	54,645
Privately placed bonds	346,284	506,669
Loans to be converted to equity securities	498	498
Securitized loans	295,506	310,748
Call loans	4,174,735	8,092,405
Bonds purchased under resale agreements	6,891,629	4,980,889
Loan origination costs and fees	367,898	294,854
Others	44,378	30,870
Present value discount	(16,913)	(24,995)
Allowance for credit losses	(2,609,488)	(3,337,173)
Total	<u>204,818,820</u>	<u>190,699,210</u>

(5) Other receivables are as follows (Unit: Korean Won in millions):

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
CMA accounts	186,000	107,100
Receivables	4,662,557	8,397,838
Accrued income	885,141	892,135
Telex and telephone subscription rights and refundable deposits	1,075,068	1,045,064
Other debtors	981,672	869,373
Allowance for credit losses	<u>(339,695)</u>	<u>(306,464)</u>
Total	<u>7,450,743</u>	<u>11,005,046</u>

(6) Changes in allowance for possible credit losses on loans and receivables are as follows (Unit: Korean Won in millions):

	<u>For the year ended December 31, 2014</u>				
	<u>Consumers</u>	<u>Corporates</u>	<u>Credit card</u>	<u>Others</u>	<u>Total</u>
Beginning balance	(295,904)	(2,792,558)	(105,613)	(453,557)	(3,647,632)
Net provision	(150,292)	(791,339)	(158,603)	(15,937)	(1,116,171)
Recoveries of written-off loans	(7,976)	(66,627)	(27,920)	-	(102,523)
Charge-off	115,339	1,173,434	162,691	627	1,452,091
Sales of loans and receivables	5,833	140,174	-	5,676	151,683
Unwinding effect	16,666	137,951	336	223	155,176
Others	<u>(10,101)</u>	<u>70,875</u>	<u>(8)</u>	<u>92,704</u>	<u>153,470</u>
Ending balance	<u>(326,435)</u>	<u>(2,128,090)</u>	<u>(129,117)</u>	<u>(370,264)</u>	<u>(2,953,906)</u>

	<u>For the year ended December 31, 2013</u>				
	<u>Consumers</u>	<u>Corporates</u>	<u>Credit card</u>	<u>Others</u>	<u>Total</u>
Beginning balance	(327,168)	(2,983,860)	(127,771)	(432,778)	(3,871,577)
Net provision	(238,400)	(2,178,951)	(137,174)	(68,288)	(2,622,813)
Recoveries of written-off loans	(41,847)	(168,799)	(25,836)	891	(235,591)
Charge-off	179,911	1,625,220	172,257	2,034	1,979,422
Sales of loans and receivables	8,038	152,792	14	147	160,991
Unwinding effect	21,200	140,863	530	499	163,092
Classified into disposal group held for sale	74,896	92,503	-	40,178	207,577
Classified into disposal group held for distribution to owners	10,531	467,581	12,071	7,686	497,869
Others	<u>16,935</u>	<u>60,093</u>	<u>296</u>	<u>(3,926)</u>	<u>73,398</u>
Ending balance	<u>(295,904)</u>	<u>(2,792,558)</u>	<u>(105,613)</u>	<u>(453,557)</u>	<u>(3,647,632)</u>

11. THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(1) The fair value hierarchy

The fair value hierarchy is determined by the levels of judgment involved in estimating fair values of financial assets and liabilities. The specific financial instruments characteristics and market condition such as volume of transactions and transparency are reflected to the market observable inputs. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities. The Group maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value of its financial assets and financial liabilities. Fair value is measured based on the perspective of a market participant. As such, even when market assumptions are not readily available, the Group's own assumptions reflect those that market participants would use for measuring the assets or liabilities at the measurement date. The fair value measurement is described in the one of the following three levels used to classify fair value measurements:

- Level 1—fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. The types of financial assets or liabilities generally included in Level 1 are publicly traded equity securities and derivatives.
- Level 2— fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices). The types of financial assets or liabilities generally included in Level 2 are debt securities not traded in active markets and derivatives traded in OTC but not required significant judgment.
- Level 3— fair value measurements are those derived from valuation technique that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). The types of financial assets or liabilities generally included in Level 3 are non-public securities and derivatives and debt securities of which valuation techniques require significant judgments and subjectivity.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Group's assessment of the significance of a particular input to a fair value measurement in its entirety requires judgment and consideration of factors specific to the asset or liability.

- (2) Fair value hierarchy of financial assets and liabilities measured at fair value are as follows (Unit: Korean Won in millions):

	December 31, 2014			Total
	Fair value in active market (Level 1) (*1)	Observable market data (Level 2) (*1)	Other valuation technique (Level 3) (*2)	
Financial assets:				
Financial assets held for trading				
Deposits	13,816	-	-	13,816
Debt securities	587,593	1,628,726	-	2,216,319
Equity securities	99,988	-	-	99,988
Beneficiary certificates	-	48,291	-	48,291
CMA securities	-	32,300	-	32,300
Loaned securities	14,737	-	-	14,737
Derivatives instruments assets	56	2,062,137	49,274	2,111,467
Sub-total	<u>716,190</u>	<u>3,771,454</u>	<u>49,274</u>	<u>4,536,918</u>
Financial assets designed at FVTPL				
Equity-linked securities	-	-	6,066	6,066
Equity securities	629	-	10,567	11,196
Sub-total	<u>629</u>	<u>-</u>	<u>16,633</u>	<u>17,262</u>
AFS financial assets				
Debt securities	2,731,782	10,455,150	-	13,186,932
Equity securities	389,456	-	1,031,918	1,421,374
Beneficiary certificates	-	3,096,917	355,694	3,452,611
Loaned securities	475,748	210,348	-	686,096
Others	-	49,591	14,241	63,832
Sub-total	<u>3,596,986</u>	<u>13,812,006</u>	<u>1,401,853</u>	<u>18,810,845</u>
Derivative assets				
Total	<u>-</u>	<u>184,115</u>	<u>11,946</u>	<u>196,061</u>
	<u>4,313,805</u>	<u>17,767,575</u>	<u>1,479,706</u>	<u>23,561,086</u>
Financial liabilities:				
Financial liabilities held for trading				
Deposits	13,927	-	-	13,927
Derivative liabilities	5,819	2,092,325	41,711	2,139,855
Sub-total	<u>19,746</u>	<u>2,092,325</u>	<u>41,711</u>	<u>2,153,782</u>
Financial liabilities designated at FVTPL				
Equity-linked securities	-	315	361,993	362,308
Debentures	-	159,264	-	159,264
Sub-total	<u>-</u>	<u>159,579</u>	<u>361,993</u>	<u>521,572</u>
Total	<u>19,746</u>	<u>2,251,904</u>	<u>403,704</u>	<u>2,675,354</u>

December 31, 2013							
	Fair value in active market (Level 1) (*1)	Observable market data (Level 2) (*1)	Other valuation technique (Level 3) (*2)	Total	Classified into disposal group held for sale	Classified into disposal group held for distribution to owners	Total
Financial assets:							
Financial assets held for trading							
Deposits	9,299	783,806	-	793,105	783,806	-	9,299
Debt securities	1,590,218	12,852,552	-	14,442,770	12,207,889	232,585	2,002,296
Equity securities	798,102	92,559	-	890,661	684,525	10,064	196,072
Beneficiary certificates	1,259,784	64,909	-	1,324,693	1,148,471	9,599	166,623
CMA securities	-	200,500	-	200,500	-	-	200,500
Loaned securities	2,084,811	3,086,527	6,185	5,177,523	5,144,439	-	33,084
Derivatives instruments assets	8,156	2,452,686	307,782	2,768,624	545,330	38,863	2,184,431
Sub-total	<u>5,750,370</u>	<u>19,533,539</u>	<u>313,967</u>	<u>25,597,876</u>	<u>20,514,460</u>	<u>291,111</u>	<u>4,792,305</u>
Financial assets designed at FVTPL							
Equity-linked securities	-	149,185	408,120	557,305	525,855	31,450	-
Asset-backed securities	-	332,404	-	332,404	-	332,404	-
Debt securities	-	-	2,676	2,676	-	-	2,676
Equity securities	637	-	10,579	11,216	-	-	11,216
Beneficiary certificates	-	61,696	-	61,696	61,696	-	-
Sub-total	<u>637</u>	<u>543,285</u>	<u>421,375</u>	<u>965,297</u>	<u>587,551</u>	<u>363,854</u>	<u>13,892</u>
AFS financial assets							
Debt securities	3,184,651	12,094,876	9,050	15,288,577	508,237	2,651,161	12,129,179
Equity securities	481,878	33,644	1,843,889	2,359,411	441,039	302,897	1,615,475
Beneficiary certificates	-	2,742,061	562,941	3,305,002	56,040	183,682	3,065,280
Loaned securities	240,034	-	-	240,034	-	-	240,034
Others	69,946	80,667	102,914	253,527	97,830	120,217	35,480
Sub-total	<u>3,976,509</u>	<u>14,951,248</u>	<u>2,518,794</u>	<u>21,446,551</u>	<u>1,103,146</u>	<u>3,257,957</u>	<u>17,085,448</u>
Derivative assets							
Total	<u>-</u>	<u>128,081</u>	<u>14,608</u>	<u>142,689</u>	<u>11,279</u>	<u>-</u>	<u>131,410</u>
	<u>9,727,516</u>	<u>35,156,153</u>	<u>3,268,744</u>	<u>48,152,413</u>	<u>22,216,436</u>	<u>3,912,922</u>	<u>22,023,055</u>
Financial liabilities:							
Financial liabilities held for trading							
Deposits	9,254	-	-	9,254	-	-	9,254
Borrowings	1,115,987	-	-	1,115,987	1,115,987	-	-
Derivative liabilities	5,576	2,514,838	253,419	2,773,833	645,824	31,962	2,096,047
Sub-total	<u>1,130,817</u>	<u>2,514,838</u>	<u>253,419</u>	<u>3,899,074</u>	<u>1,761,811</u>	<u>31,962</u>	<u>2,105,301</u>
Financial liabilities designated at FVTPL							
Equity-linked securities	-	2,897,882	5,587,261	8,485,143	8,266,355	-	218,788
Debentures	-	183,159	-	183,159	-	-	183,159
Sub-total	<u>-</u>	<u>3,081,041</u>	<u>5,587,261</u>	<u>8,668,302</u>	<u>8,266,355</u>	<u>-</u>	<u>401,947</u>
Derivatives Liabilities							
Total	<u>-</u>	<u>19,962</u>	<u>-</u>	<u>19,962</u>	<u>2,257</u>	<u>15,920</u>	<u>1,785</u>
	<u>1,130,817</u>	<u>5,615,841</u>	<u>5,840,680</u>	<u>12,587,338</u>	<u>10,030,423</u>	<u>47,882</u>	<u>2,509,033</u>

(*1) There is no transferred between level 1 and level 2 of financial assets and liabilities measured at fair value. The Group recognizes transfers between the levels at the end of reporting period within which events or conditions change.

(*2) Certain AFS unquoted equity securities were measured at cost as of December 31, 2014 and 2013, that are amounting to 41,022 million Won and 197,350 million Won, respectively. These unquoted equity instruments mostly represent minority investments in special purposed entity vehicles such as asset securitization structures. They are measured at cost because (a) observable inputs of financial information to measure fair value was not available to obtain, or (b) there is a significant variance in likely estimated cash flows or (c) the probabilities for the various estimated cash flows could not be measured reliably. In addition, there were no indicators of impairments in these investments and the Group has no intention to dispose these investments in the foreseeable future.

Financial assets and liabilities designated at FVTPL, held-for-trading financial assets and liabilities, AFS financial assets, and derivative assets and liabilities are recognized at fair value. Fair value is the amount that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

Financial instruments are measured at fair value using a quoted market price in active markets. If there is no active market for a financial instrument, the Group determines the fair value using alternative assumptions and developing fair value measurement methods. Alternative assumptions and fair value measurement methods for each type of financial instruments are as follows:

	Fair value measurement methods	Alternative assumptions
Debt securities	The fair value is measured by discounting the projected cash flows of debt securities by applying the market discount rate that has been applied to a proxy company that has similar credit rating to the issuers of the securities	Risk-free market rate, credit spread
Equity securities	Among DCF (Discounted Cash Flow) Model, FCFE (Free Cash Flow to Equity) Model, Comparable Company Analysis, Dividend Discount Model, Risk-adjusted Rate of Return Method, and Net Asset Value Method, more than one method is used given the characteristic of the subject of fair value measurement.	Risk-free market rate, Market Risk Premium, Beta
Derivatives Product	The in-house developed model which is based on the models that are used by market participants in the valuation of general OTC derivative products, such as options, interest rate swaps, and currency swap that are based on inputs observable in the market. However, for some complicated financial instruments of which valuation should be based on some assumptions since some significant or all inputs to be used in the model are not observable in the market, the in-house derived model which is developed from the general valuation models, such as Finite Difference Method ("FDM") or Monte Carlo Simulation.	Risk-free market rate, Forward Rate, Volatility, Foreign Exchange Rate, Stock Prices, etc.
Financial Instruments linked to stock prices or derivatives	The fair value of security linked to stock prices or derivatives is measured by the models such as DCF model, FDM, or Monte Carlo Simulation given the natures of the securities or underlying assets.	Values of underlying assets, Risk-free market rate, Market rate, Dividend and convenience yield, Correlation, Volatility, Credit spread, and Foreign Exchange rate
Debenture	The fair value is measured by discounting the projected cash flows of a debenture by applying the market discount rate that is reflecting credit rating of the Group.	Risk-free market rate, Forward rate

Valuation methods of financial assets and liabilities measured at fair value and classified into Level 3 and significant but unobservable inputs are as follows:

	Measurement methods	Inputs	Range
Derivatives assets	Option pricing model and others	Correlation Coefficient	-1 ~ 1
		Historical Volatility	0% ~ 70%
		Credit risk-adjusted rate	0%~100%
Derivatives liabilities	Option pricing model and others	Correlation Coefficient	-1 ~ 1
		Historical Volatility	0% ~ 70%
Equity-linked securities and derivative-linked securities	Monte Carlo Simulation and others	Correlation Coefficient	-1~1
		Historical Volatility	0%~70%
Equity Securities	External valuation price and others	Expected growth rate and others	0% ~ 1%

Fair value of financial assets and liabilities classified into level 3 is measured by the Group using its own valuation techniques or using external specialists. Unobservable inputs used in the fair value measurements are produced by the internal system of the Group and the appropriateness of inputs is reviewed regularly.

(3) Changes in financial assets and liabilities classified into level 3 are as follows (Unit: Korean Won in millions):

	For the year ended December 31, 2014							
	January 1, 2014	Net Income (loss) (*1)	Other comprehensive income (loss)	Purchases/ Issuances	Disposals/ Settlements	Transfer to or from level 3 (*5)	Decrease due to the spin-off or disposals	December 31, 2014
Financial assets:								
Financial assets held for trading								
Derivatives instruments assets	307,782	41,776	-	1,244	(108,345)	-	(193,183)	49,274
Others	6,185	(724)	-	-	(4,433)	-	(1,028)	-
Sub-total	313,967	41,052	-	1,244	(112,778)	-	(194,211)	49,274
Financial assets designed at FVTPL								
Equity-linked securities	408,120	(337)	-	324,205	(82,468)	-	(643,454)	6,066
Debt securities	2,676	26	-	-	(2,702)	-	-	-
Equity securities	10,579	(12)	-	-	-	-	-	10,567
Sub-total	421,375	(323)	-	324,205	(85,170)	-	(643,454)	16,633
AFS financial assets								
Debt securities(*2)	9,050	(6,048)	-	-	-	1,825	(4,827)	-
Equity securities (*3)	1,843,889	(137,631)	6,063	106,654	(114,450)	(551)	(672,056)	1,031,918
Beneficiary certificates (*2)	562,941	16,033	3,164	41,214	(66,126)	(1,935)	(199,597)	355,694
Others (*2)	102,914	(2,439)	(1,134)	12,898	-	(70,000)	(27,998)	14,241
Sub-total	2,518,794	(130,085)	8,093	160,766	(180,576)	(70,661)	(904,478)	1,401,853
Derivative assets								
Total	3,268,744	(85,859)	8,093	486,215	(384,683)	(70,661)	(1,742,143)	1,479,706
Financial liabilities:								
Financial liabilities held for trading								
Derivative liabilities	253,419	6,783	4,050	4,596	(43,250)	-	(183,887)	41,711
Financial liabilities designated at FVTPL								
Equity-linked securities (*4)	5,587,261	19,031	-	2,205,033	(815,356)	(88,044)	(6,545,932)	361,993
Total	5,840,680	25,814	4,050	2,209,629	(858,606)	(88,044)	(6,729,819)	403,704

	For the year ended December 31, 2013						December 31, 2013 (*7)
	January 1, 2013	Net Income (loss) (*1)	Other comprehensive income (loss)	Purchases/ Issuances	Disposals/ Settlements	Transfer to or from level 3 (*5)	
Financial assets:							
Financial assets held for trading							
Derivatives instruments assets (*6)	301,017	127,807	-	31,213	(172,361)	20,106	307,782
Others	-	(2,241)	-	-	(11,940)	20,366	6,185
Sub-total	301,017	125,566	-	31,213	(184,301)	40,472	313,967
Financial assets designed at FVTPL							
Equity-linked securities	593,129	43,372	-	285,796	(514,177)	-	408,120
Asset-backed securities	46,990	-	-	-	(46,990)	-	-
Debt securities	5,305	73	-	-	(2,702)	-	2,676
Equity securities	11,121	840	-	1,912	(3,294)	-	10,579
Sub-total	656,545	44,285	-	287,708	(567,163)	-	421,375
AFS financial assets							
Debt securities	13,733	(7,710)	3,027	-	-	-	9,050
Equity securities (*3)	1,916,779	(70,057)	(17,104)	253,824	(131,815)	(107,738)	1,843,889
Beneficiary certificates (*2)	386,581	(17,115)	18,113	115,498	(54,531)	114,395	562,941
Others (*2)	130,245	(4,821)	1,577	4,666	(3,253)	(25,500)	102,914
Sub-total	2,447,338	(99,703)	5,613	373,988	(189,599)	(18,843)	2,518,794
Derivative assets (*6)	-	-	-	-	-	14,608	14,608
Total	3,404,900	70,148	5,613	692,909	(941,063)	36,237	3,268,744
Financial liabilities:							
Financial liabilities held for trading							
Derivative liabilities (*6)	159,248	97,570	-	33,807	(41,859)	4,653	253,419
Financial liabilities designated at FVTPL							
Equity-linked securities	4,797,434	227,218	-	4,758,507	(4,195,898)	-	5,587,261
Total	4,956,682	324,788	-	4,792,314	(4,237,757)	4,653	5,840,680

- (*1) The loss amounting to 172,484 million Won and 117,855 million Won for the year ended December 31 2014 and 2013, respectively, which is from financial assets and liabilities that the Group holds as at the end of the year, has been recognized in net gain (loss) on financial instruments at FVTPL and net gain (loss) on AFS financial assets in the comprehensive income statements.
- (*2) AFS financial assets were transferred from level 2 into level 3 or vice versa upon the changes in the degree of subjectivity and uncertainty used to measure fair values, such as using quoted price in inactive market or values from external valuation specialists, for the AFS financial assets.
- (*3) AFS financial assets were transferred out of level 3 to level 1 upon the change of the fair value measurement method of the assets by using quoted prices in the active market from previously using the external valuation specialists.
- (*4) Since the observable market data for equity-linked securities has been available, such securities were transferred out of level 3 to level 2.
- (*5) The Group recognizes transfers between levels at the end of reporting period within which events have occurred or conditions have changed.
- (*6) As the variables used for the valuation of interest rate and equity related derivatives were not observable in the market, such derivatives were transferred into level 3 from level 2. In the case of currency related derivatives, the variables which were unobservable in the market significantly impacted the valuation of such derivatives. As such, the derivatives were transferred into level 3 from level 2.
- (*7) As at the end of 2013, financial assets and liabilities, amounting to 1,662,501 million Won and 5,600,440 million Won, respectively, that had been reclassified into disposal group held for sale and disposal groups held for distribution to owners, were incorporated.

(4) Sensitivity analysis on the unobservable inputs used for measuring level 3 financial instruments.

The sensitivity analysis of the financial instruments has been performed by classifying with favorable and unfavorable changes based on how changes in unobservable assumptions would have effects on the fluctuations of financial instruments' value. When the fair value of a financial instrument is affected by more than one unobservable assumption, the below table reflects the most favorable or the most unfavorable changes which resulted from varying the assumptions individually. The sensitivity analysis was performed for two types of level 3 financial instruments: (1) interest rate related derivatives, currency related derivatives, equity related derivatives, and equity-linked securities of which fair value changes are recognized as net income; (2) equity securities and beneficiary certificates of which fair value changes are recognized as other comprehensive income. Equity securities classified as level 3 but measured at costs are excluded from sensitivity analysis.

The following table shows the sensitivity analysis to disclose the effect of reasonably possible alternative assumptions on the fair value of a level 3 financial instruments for the years ended December 31, 2014 and 2013. (Unit: Korean Won in millions):

	For the year ended December 31, 2014				For the year ended December 31, 2013			
	Net income (loss)		Other comprehensive income (loss)		Net income (loss)		Other comprehensive income (loss)	
	Favorable	Unfavorable	Favorable	Unfavorable	Favorable	Unfavorable	Favorable	Unfavorable
Financial assets:								
Financial assets held for trading								
Derivatives instruments assets (*1)(*2)	14,093	(6,471)	-	-	33,867	(45,614)	-	-
Financial assets designed at FVTPL								
Equity-linked securities (*1)	-	-	-	-	1,672	(321)	-	-
AFS Financial Assets								
Equity securities (*3)	-	-	80,085	(39,055)	-	-	150,607	(60,481)
Beneficiary certificates (*4)	-	-	3,430	(3,243)	-	-	5,851	(5,642)
Others (*4)	-	-	6,823	(2,858)	-	-	1,296	(647)
Total	<u>14,093</u>	<u>(6,471)</u>	<u>90,338</u>	<u>(45,156)</u>	<u>35,539</u>	<u>(45,935)</u>	<u>157,754</u>	<u>(66,770)</u>
Financial liabilities:								
Financial liabilities held for trading								
Derivative liabilities (*1)(*2)	7,939	(7,222)	-	-	32,097	(36,434)	-	-
Financial liabilities designated at FVTPL								
Equity-linked securities (*1)	1,497	(1,483)	-	-	55,764	(34,133)	-	-
Total	<u>9,436</u>	<u>(9,205)</u>	<u>-</u>	<u>-</u>	<u>87,861</u>	<u>(70,567)</u>	<u>-</u>	<u>-</u>

(*1) Fair value changes of equity related derivatives assets and liabilities and equity-linked securities are calculated by increasing or decreasing historical fluctuation rate of stock price and correlation, which are major unobservable variables, by 10%, respectively. In the case of interest rate and currency related derivative assets and liabilities, fair value changes are calculated by increasing or decreasing volatility of interest rate and credit risk adjustment ratio, which are major unobservable variables, by 10%, respectively.

(*2) Both derivative assets and liabilities for held for trading and hedging are included.

(*3) Fair value changes of equity securities are calculated by increasing or decreasing growth rate (0~1%) and discount rate or liquidation value (-1~1%) and discount rate. The growth rate, discount rate, and liquidation value are major unobservable variables.

(*4) Fair value changes of beneficiary certificates and other securities are calculated by increasing or decreasing price fluctuation of trust property or real estate which is underlying assets and discount rate by 1%. The price fluctuation of trust property and discount rate are major unobservable variables.

- (5) Fair value and carrying amount of financial assets and liabilities that are recorded at amortized cost are as follows (Unit: Korean Won in millions):

	As of December 31, 2014						
	Fair value				Book value		
	Level 1	Level 2	Level 3	Total			
Financial assets:							
Held-to-maturity financial assets	1,902,558	11,365,202	-	13,267,760			13,044,448
Loans and receivables	-	-	225,284,372	225,284,372			223,370,135
Financial liabilities:							
Deposits due to customers	-	188,673,796	-	188,673,796			188,516,465
Borrowings	-	17,772,085	-	17,772,085			17,707,595
Debentures	-	24,976,056	-	24,976,056			24,795,904
Other financial liabilities	-	16,889,129	-	16,889,129			16,889,687

	As of December 31, 2013						
	Fair value				Book value		
	Level 1	Level 2	Level 3	Total	Classified into asset group held for sale	Classified into asset group held for distribution to owners	Book value
Financial assets:							
Held-to-maturity financial assets	4,276,844	12,069,195	-	16,346,039	3,025	4,124,084	12,038,820
Loans and receivables	-	-	266,158,950	266,158,950	11,738,411	41,057,781	211,912,373
Financial liabilities:							
Deposits due to customers	-	200,398,709	14,213,925	214,612,634	1,988,495	36,603,292	175,323,644
Borrowings	-	34,599,697	1,816,501	36,416,198	13,502,487	4,860,597	18,231,511
Debentures	-	26,813,454	2,331,390	29,144,844	4,045,486	2,515,965	21,677,674
Other financial liabilities	-	22,516,475	1,717,276	24,233,751	2,308,489	1,859,151	19,914,947

The fair values of financial instruments are measured using quoted market price in active markets. In case there is no active market for financial instruments, the Group determines the fair value using alternative assumptions through developing fair value measurement methods. Alternative assumptions and fair value measurement methods for financial assets and liabilities that are measured at amortized costs are given as follows:

	Fair value measurement methods	Alternative assumptions
Debt securities	The fair value is measured by discounting the projected cash flows of debt securities by applying the market discount rate that has been applied to a proxy company that has similar credit rating to the issuers of the securities	Risk-free market rate, Credit spread
Loans and receivables	The fair value is measured by discounting the projected cash flows of loan products by applying the market discount rate that has been applied to a proxy company that has similar credit rating to the debtor.	Risk-free market rate, Credit spread, Prepayment-rate
Deposit due to customers, Borrowings, and Debentures	The fair value is measured by discounting the projected cash flows of debt products by applying the market discount rate that is reflecting credit rating of the Group.	Risk-free market rate, Forward rate

12. DERECOGNITION AND OFFSET OF FINANCIAL INSTRUMENTS

(1) Derecognition of financial assets

- 1) The book value, fair value of, and maximum exposure to loss from the financial assets that were derecognized from the consolidated financial statements of the Group through disposals, but the Group still have continuous involvements are given as below:

		December 31, 2014		
		Book value of	Fair value of	Maximum
		continuous	continuous	exposure to loss
		participation	participation	
Type of continuous involvement				
Conditional disposal of loans to KAMCO (*)	Post settlement	-	-	709
		December 31, 2013		
		Book value of	Fair value of	Maximum
		continuous	continuous	exposure to loss
		participation	participation	
Type of continuous involvement				
KAMCO tenth Asset Securitization Specialty ("KAMCO specialty")	Acquisition of subordinated bonds	1,746	1,851	1,746
Conditional disposal of loans to KAMCO (*)	Post settlement	-	-	709

(*) KAMCO is still in the process of collecting cash flows related to the transferred assets and the maximum exposure to loss represents the carrying amounts of the assets at the date when they were transferred to KAMCO. Under previous K-GAAP, the Group derecognized the transferred assets although the Group retains and continues to retain substantially all such risks and rewards and according to the transition exemptions in IFRS 1101, the Group did not reassess the derecognition criteria for these transfers.

2) Transferred financial assets that are not derecognized in their entirety

a) Disposal of securities under repurchase agreement

The financial instruments that were disposed but the Group agreed to repurchase at the fixed amounts at the same time, so that they did not meet the conditions of derecognition, are as follows:

		December 31, 2014	December 31, 2013
Property for transfer	Financial assets at FVTPL	9,851	-
	AFS financial assets	926,796	126,589
	HTM financial assets	650,937	651,582
	Total	1,587,584	778,171
Related liabilities	Disposal of securities under repurchase agreements	1,196,237	513,442

b) Loaned securities

When the Group loans its securities to outside parties, the legal ownerships of the securities are transferred, however, they should be returned at the end of lending period therefore the Group does not derecognize them from the consolidated financial statements as it owns majority of risks and benefits from the securities continuously regardless of the transfer of legal ownership.

		December 31, 2014	December 31, 2013	Loaned to
Financial assets at FVTPL	Equity securities- listed stock	14,737	33,084	Samsung Securities Co., Ltd. and others
AFS financial assets	Korean treasury and government agencies bonds	686,096	240,034	Korea Securities Depository and others
	Total	<u>700,833</u>	<u>273,118</u>	

The details of the transferred financial assets that are not derecognized in their entirety, such as disposal of securities under repurchase agreement or loaned securities, are explained in Note 18.

(2) The offset with financial assets and liabilities

The Group possesses both the uncollected domestic exchange receivables and unpaid domestic exchange payable, which satisfy offsetting criteria of K-IFRS 1032. Therefore, the total number of uncollected domestic exchange receivables or unpaid domestic exchange payable has been countervailed with part of unpaid domestic exchange payable or uncollected domestic exchange receivables, respectively, and has been disclosed in loans and receivables or other financial liabilities of the Group's statements of financial position and loans and receivables, respectively.

The Group possesses the derivative assets, derivative liabilities, receivable spot exchange, and payable spot exchange which do not satisfy the offsetting criteria of K-IFRS 1032, but provide the Group the right of, under the circumstances of the trading party's defaults, insolvency, or bankruptcy, the offsetting. Item such as cash collateral cannot satisfy the offsetting criteria of K-IFRS 1032, but in accordance with the collateral arrangements and under the circumstances of the trading party's default, insolvency, or bankruptcy, the derivative assets, derivative liabilities, receivable spot exchange, and the net amount of payable spot exchange can be offset.

The Group has entered into a sale and repurchase agreements and accounted it as collateralized borrowing. Also, the Group has entered into a purchase and resale agreement and accounted it as secured loans. The repurchase and resale agreement can have the offsetting right only under the trading party's default, insolvency, or bankruptcy which do not satisfy the offsetting criteria of K-IFRS 1032, the Group recorded the collateralized borrowings in borrowings and the secured loans in loans and receivables.

As at the end of reporting periods, the financial instruments to be set off and may be covered by master netting agreements and similar agreements are given as below:

		December 31, 2014					
		Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off	Net amounts of financial assets presented	Related amounts not set off in the statement of financial position		Net amounts
					Financial instruments	Cash collateral received	
Financial assets:							
	Derivative assets and others (*1)	2,316,295	16,228	2,300,067	5,413,119	37,142	469,574
	Receivable spot exchange (*2)	3,619,768	-	3,619,768			
	Bonds purchased under resale agreements (*2)	6,891,629	-	6,891,629	6,891,629	-	-
	Domestic exchanges receivable (*2)(*5)	28,094,142	27,310,235	783,907	-	-	783,907
	Total	40,921,834	27,326,463	13,595,371	12,304,748	37,142	1,253,481
		December 31, 2014					
		Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off	Net amounts of financial liabilities presented	Related amounts not set off in the statement of financial position		Net amounts
					Financial instruments	Cash collateral pledged	
Financial liabilities:							
	Derivative liabilities and others (*1)	2,478,924	16,228	2,462,696	5,396,870	41,229	640,766
	Payable spot exchange (*3)	3,616,169	-	3,616,169			
	Bonds sold under repurchase agreements (*4)	1,196,237	-	1,196,237	1,196,237	-	-
	Domestic exchanges payable (*3)(*5)	30,636,705	27,310,235	3,326,470	3,147,053	-	179,417
	Total	37,928,035	27,326,463	10,601,572	9,740,160	41,229	820,183
		December 31, 2013					
		Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off	Net amounts of financial assets presented	Related amounts not set off in the statement of financial position		Net amounts
					Financial instruments	Cash collateral received	
Financial assets:							
	Derivative assets and others (*1)	2,259,165	-	2,259,165	8,998,345	121,042	319,224
	Receivable spot exchange (*2)	7,179,446	-	7,179,446			
	Bonds purchased under resale agreements (*2)	4,980,889	-	4,980,889	4,980,889	-	-
	Domestic exchanges receivable (*2)(*5)	23,808,051	23,222,175	585,876	-	-	585,876
	Total	38,227,551	23,222,175	15,005,376	13,979,234	121,042	905,100
		December 31, 2013					
		Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off	Net amounts of financial liabilities presented	Related amounts not set off in the statement of financial position		Net amounts
					Financial instruments	Cash collateral pledged	
Financial liabilities:							
	Derivative liabilities and others (*1)	2,300,467	-	2,300,467	9,008,372	-	472,704
	Payable spot exchange (*3)	7,180,609	-	7,180,609			
	Bonds sold under repurchase agreements (*4)	513,442	-	513,442	513,442	-	-
	Domestic exchanges payable (*3)(*5)	25,992,000	23,222,175	2,769,825	2,746,298	-	23,527
	Total	35,986,518	23,222,175	12,764,343	12,268,112	-	496,231

- (*1) Includes derivatives held for trading, derivatives for hedging and equity linked securities related to derivatives
 (*2) Are included in loans and receivables
 (*3) Are included in other financial liabilities
 (*4) Are included in borrowings
 (*5) A portion of total financial assets and liabilities is presented at its net amount

13. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

- (1) Investments in joint ventures and associates accounted for using the equity method of accounting are as follows (Unit: Korean Won in millions):

Subsidiaries	Main business	Percentage of ownership (%)	
		December 31, 2014	December 31, 2013
Woori Finance Holdings: (*2)			
Woori Aviva Life Insurance Co., Ltd. (*1)	Life insurance	-	51.6
Woori Bank, Kyongnam Bank, Kwangju Bank, Woori Financial, Woori Investment & Securities and Woori Private Equity Fund: Woori Blackstone Korea			
Opportunity Private Equity Fund I (*3)	Finance	26.4	44.6
Woori Bank, Kyongnam Bank and Kwangju Bank: Korea Credit Bureau Co., Ltd. (*3)(*4)	Credit information	7.2	9.0
Woori Bank, Woori Investment & Securities: DKT (*1)	Manufacturing	-	28.2
Woori Bank and Woori F&I : KAMCO Fifth Asset Securitization Specialty (*1)	Asset securitization	-	49.0
Woori Bank and Woori Private Equity Fund: Phoenix Digital Tech Co., Ltd.	Semiconductor equipment	44.8	63.1
Woori Bank:			
Korea Finance Security Co., Ltd. (*5)	Security service	15.3	15.3
Woori Service Networks Co., Ltd. (*5)	Freight & staffing services	4.9	4.9
Kumho Tire Co., Inc. (*7)(*8)	Manufacturing	14.2	12.5
United PF 1st Corporate Financial Stability (*4)	Finance	17.7	17.7
Chin Hung International Inc. (*8)	Construction	26.8	26.8
Poonglim Industrial Co., Ltd.(*12)	"	30.7	29.9
Ansang Tech Co., Ltd. (*9)	Manufacturing	23.0	23.0
Hana Construction Co., Ltd. (*9)	Construction	22.2	22.2
STX Engine Co., Ltd.(*7)	Manufacturing	15.0	15.0
SamHo Co., Ltd. (*7)(*8)	Construction	7.8	7.8
Force TEC Co., Ltd. (*9)	Freight & staffing services	34.4	22.6
Osung LST Co., Ltd. (*7)	Manufacturing	11.1	-
STX Corporation (*7)	Wholesale of Non-Specialized Goods	15.0	-
Woori Investment & Securities: Woori New Alpha Fund (*1)	Investments	-	70.0
Woori F&I:			
Woori SB Eleventh Asset Securitization Specialty (*1)	Asset securitization	-	45.0
Woori SB Twelfth Asset Securitization Specialty (*1)	"	-	40.0
Woori BC Pegasus Asset Securitization Specialty(*1)	"	-	30.0
Woori Stream Fourth Asset Securitization Specialty (*1)	"	-	40.0
Woori EA First Asset Securitization Specialty (*1)	"	-	40.0
Woori EA Second Asset Securitization Specialty (*1)	"	-	40.0
Woori EA Sixth Asset Securitization Specialty (*1)	"	-	40.0
Woori EA Seventh Asset Securitization Specialty (*1)	"	-	45.0
Woori EA Ninth Asset Securitization Specialty (*1)	"	-	40.0

Subsidiaries	Main business	Percentage of ownership (%)	
		December 31, 2014	December 31, 2013
Woori EA Eleventh Asset Securitization Specialty (*1)	Asset securitization	-	45.0
Woori EA Sixteenth Asset Securitization Specialty (*1)	"	-	30.0
Woori EA Seventeenth Asset Securitization Specialty (*1)	"	-	45.0
WR Loan Inc.(*1)	Other financial business	-	49.0
KAMCO Sixth Asset Securitization Specialty (*1)	Asset securitization	-	45.0
KAMCO Seventh Asset Securitization Specialty (*1)	"	-	45.0
Woori Fine First Asset Securitization Specialty (*1)	"	-	45.0
Woori Fine Second Asset Securitization Specialty (*1)	"	-	45.0
Woori Fine Third Asset Securitization Specialty (*1)	"	-	45.0
Woori Fine Fourth Asset Securitization Specialty (*1)	"	-	45.0
Woori HB Third Asset Securitization Specialty (*1)	"	-	40.0
Woori EA Nineteenth Asset Securitization Specialty (*1)	"	-	40.0
Woori KA First Asset Securitization Specialty (*1)	"	-	45.0
Chungdo Woori Century Security Co., Ltd. (*1)	Other financial business	-	49.5
Woori Private Equity Fund:			
Woori Renaissance Holdings (*10)	Other financial business	51.6	51.6
Woori Private Equity			
Woori Columbus First PEF(*11)	Other financial business	1.9	2.0
MARS Second:			
Seoul Lakeside Co., Ltd. (*1)	Hotel	-	47.5

- (*1) During the year ended at December 31, 2014, Woori Aviva Life Insurance Co., Ltd., Kyongnam Bank, Kwangju Bank, Woori Investment & Securities, and Woori F&I have been deconsolidated through spin-off or disposals. As such the investments in joint ventures and associates that the deconsolidated subsidiaries were previously holding are excluded from the above list at the end of 2014.
- (*2) During the year ended December 31, 2014, Woori Finance Holdings was merged into the Bank.
- (*3) During the year ended December 31, 2014, Kyongnam Bank, Kwangju Bank, Woori Financial, and Woori have been deconsolidated through spin-off or disposals. Accordingly, the joint ownership of the Group in the entity has decreased.
- (*4) The Group can participate in decision making body and exercise significant influence over Korea Credit Bureau Co., Ltd. and the United PF 1st Corporate Financial Stability through business partnerships.
- (*5) The significant business of Woori Service Network and Korea Finance Security is transacted mostly with the Group.
- (*6) The significant transactions and events between the end of reporting date of the investees and the investors have been properly addressed.
- (*7) The Group can exercise significant influence through its position in the creditors' council.
- (*8) The investment in associates that have quoted market prices are Kumho Tire (Current year: KRW 9,670, Previous year: KRW 11,500), Chin Hung International (Current year: KRW 1,665, Previous year: KRW 1,610), and Samho Co., Ltd. (Current year: KRW 13,150, Previous year: 3,300).
- (*9) The carrying amounts of investments in Ansang Tech Co.,Ltd. , Hana Construction Co., Ltd. and Force TEC Co., Ltd. are nil as of December 31, 2014 and 2013, respectively.
- (*10) The Group owns over 50% ownership of Woori Renaissance Holdings. However, it is applying the equity method of accounting as the ownership and related contracts meet the definition of joint arrangement under K-IFRS 1111 *Joint Arrangements*.
- (*11) As a general partner of Woori Columbus First PEF, the Group has significant influence over the entity's operational and financial policy making process, including participating in dividend or other distribution. As such, the Group is applying the equity method of accounting.
- (*12) Poonglim Industrial Co., Ltd. acquired its treasury stocks during the year ended December 31, 2014, and as such, the ownership of the Group in the company increased.

(2) Changes in the carrying value of investments in joint ventures and associates accounted for using the equity method of accounting are as follows (Unit: Korean Won in millions):

	For the year ended December 31, 2014									
	Acquisition cost	January 1, 2014	Share of profits (losses)	Acquisition	Disposal and others	Dividends	Change in Capital	Impairment	Other changes	December 31, 2014
Woori Blackstone Korea Opportunity First	83,011	93,714	11,969	-	(1,727)	(3,520)	-	-	-	100,436
Korea Credit Bureau DKT	2,215	3,347	31	-	-	-	-	-	-	3,378
KAMCO Fifth Asset Securitization Specialty	50,000	20,170	(595)	-	(19,575)	-	-	-	-	-
Phoenix Digital Tech Co., Ltd.	8,736	3,827	521	-	(4,348)	-	-	-	-	-
Korea Finance Security Co., Ltd.	1,872	3,688	(3,008)	-	921	-	(1,013)	(588)	-	-
Woori Service Networks Co., Ltd.	3,337	4,311	16	-	-	(55)	-	-	-	4,272
Kumho Tire Co., Inc.	108	136	6	-	-	(12)	-	-	-	130
United PF 1st Corporate financial stability	93,003	140,101	21,219	113,935	(50,007)	-	497	-	(916)	224,829
Chin Hung International Inc.	191,617	203,730	(312)	-	-	-	-	-	-	203,418
Poonglim Industrial Co., Ltd.	60,275	45,900	(17,158)	-	-	-	(251)	-	-	28,491
STX Engine Co., Ltd.	13,917	3,079	(3,079)	-	-	-	-	-	-	-
SamHo Co., Ltd.	47,008	47,008	(44,422)	-	-	-	(294)	-	-	2,292
Force TEC Co., Ltd.	7,492	7,492	2,284	-	-	-	5	-	1,476	11,257
Osung LST Co., Ltd.	34	34	-	-	-	-	-	-	(34)	-
STX Corporation	-	-	(3,806)	15,405	-	-	(4)	-	6,887	18,482
Indonesia Woori Saudara Bank (*1)	-	-	918	47,323	(4,642)	-	(881)	(28,370)	-	14,348
Woori Renaissance Holdings	-	-	160	67,431	(66,992)	(640)	41	-	-	-
Woori Columbus First PEF	63,000	39,806	2,654	-	-	-	-	(6,441)	-	36,019
	1,200	1,227	21	-	(84)	(80)	-	-	-	1,084
	<u>626,825</u>	<u>617,570</u>	<u>(32,581)</u>	<u>244,094</u>	<u>(146,454)</u>	<u>(4,307)</u>	<u>(1,900)</u>	<u>(35,399)</u>	<u>7,413</u>	<u>648,436</u>

	For the year ended December 31, 2013									
	Acquisition cost	January 1, 2013	Share of profits (losses)	Acquisition	Disposal and others	Dividends	Change in Capital	Other changes	Classification of assets as held for sales / distribute to owners	December 31, 2013
Woori Aviva Life Insurance Co., Ltd.	110,098	122,406	427	-	-	-	(12,438)	-	(110,395)	-
Woori Blackstone Korea Opportunity First	210,394	207,036	12,293	-	(47,664)	(12,868)	-	(18)	(65,065)	93,714
Korea Credit Bureau DKT	3,115	3,931	316	-	-	-	-	-	(900)	3,347
KAMCO Fifth Asset Securitization Specialty	50,000	-	(1,739)	50,000	-	-	2,280	-	(30,371)	20,170
Phoenix Digital Tech Co., Ltd.	12,590	16,579	(4,055)	-	-	-	-	11	(8,708)	3,827
Korea Finance Security Co., Ltd.	1,872	1,859	(3,477)	-	-	-	5,306	-	-	3,688
Woori Service Networks Co., Ltd.	3,337	4,244	122	-	-	(55)	-	-	-	4,311
Kumho Tire Co., Inc.	108	129	14	-	-	(7)	-	-	-	136
United PF 1st Corporate financial stability	113,204	156,028	20,380	-	(29,377)	-	(2,330)	(4,600)	-	140,101
Chin Hung International Inc.	191,617	201,364	2,366	-	-	-	-	-	-	203,730
Poonglim Industrial Co., Ltd.	60,275	56,223	(10,156)	-	-	-	919	(1,086)	-	45,900
STX Engine Co., Ltd.	14,476	14,476	(16,680)	-	(553)	-	1	5,835	-	3,079
SamHo Co., Ltd.	-	-	-	47,008	-	-	-	-	-	47,008
Force TEC Co., Ltd.	-	-	-	7,492	-	-	-	-	-	7,492
Woori New Alpha Fund	-	-	-	-	34	-	-	-	-	34
Woori SB Eleventh Asset Securitization Specialty	20,370	-	(426)	20,370	-	-	-	-	(19,944)	-
Woori SB Twelfth Asset Securitization Specialty	2,026	787	(31)	-	-	-	-	-	(756)	-
Woori BC Pegasus Asset Securitization Specialty (*2)	3,077	2,030	(42)	-	-	-	-	-	(1,988)	-
	2,908	-	1,426	-	-	-	-	(1,426)	-	-

	For the year ended December 31, 2013								Classification of assets as held for sales / distribute to owners	December 31, 2013
	Acquisition cost	January 1, 2013	Share of profits (losses)	Acquisition	Disposal and others	Dividends	Change in Capital	Other changes		
Woori Stream Fourth Asset Securitization Specialty	1,250	787	627	-	-	-	-	(800)	(614)	-
Woori EA First Asset Securitization Specialty (*2)	400	-	315	-	-	(60)	-	(255)	-	-
Woori EA Second Asset Securitization Specialty (*2)	400	-	(265)	-	-	-	-	265	-	-
Woori EA Sixth Asset Securitization Specialty (*2)	400	-	(968)	-	-	-	-	968	-	-
Woori EA Seventh Asset Securitization Specialty	1,611	2,324	(49)	-	-	(432)	-	-	(1,843)	-
Woori EA Ninth Asset Securitization Specialty	400	1,383	581	-	-	(841)	-	-	(1,123)	-
Woori EA Eleventh Asset Securitization Specialty	9,905	14,170	10	-	-	(1,830)	-	-	(12,350)	-
Woori EA Sixteenth Asset Securitization Specialty	5,400	4,902	(2,599)	-	-	-	-	-	(2,303)	-
Woori EA Seventeenth Asset Securitization Specialty	4,950	4,583	(4,298)	-	-	-	-	-	(285)	-
WR Loan Inc.	5	31	9	-	-	-	-	-	(40)	-
KAMCO Sixth Asset Securitization Specialty	1,448	6,499	(102)	-	(3,865)	(1,363)	(6)	-	(1,163)	-
KAMCO Seventh Asset Securitization Specialty	390	198	(14)	-	-	-	-	-	(184)	-
Woori Fine First Asset Securitization Specialty	397	11,400	9,760	-	(9,900)	(10,942)	-	-	(318)	-
Woori Fine Second Asset Securitization Specialty	5,040	5,106	2,059	-	-	(202)	-	-	(6,963)	-
Woori Fine Third Asset Securitization Specialty	7,695	-	277	7,695	-	-	(2)	-	(7,970)	-
Woori Fine Fourth Asset Securitization Specialty	10,845	-	265	10,845	-	-	(2)	-	(11,108)	-
Woori HB Third Asset Securitization Specialty(*2)	234	233	(57)	-	-	(304)	-	128	-	-
Woori EA Nineteenth Asset Securitization Specialty	400	406	3,010	-	-	(600)	-	-	(2,816)	-
Woori KA First Asset Securitization Specialty	4,500	4,500	2,889	-	-	-	-	-	(7,389)	-
Chungdo Woori Century Security Co., Ltd.	8,187	9,199	1,262	-	-	-	77	-	(10,538)	-
Woori Renaissance Holdings	63,000	38,800	1,006	-	-	-	-	-	-	39,806
Woori Columbus First PEF	1,200	-	162	1,200	(51)	(84)	-	-	-	1,227
Seoul Lakeside Co., Ltd.	198,450	146,317	5,899	-	-	-	-	-	(152,216)	-
	<u>1,125,974</u>	<u>1,037,930</u>	<u>20,517</u>	<u>144,644</u>	<u>(91,410)</u>	<u>(29,588)</u>	<u>(6,195)</u>	<u>(978)</u>	<u>(457,350)</u>	<u>617,570</u>

(*1) During the year ended December 31, 2014, Indonesia Woori Bank merged with Saudara Bank, and changed its name into Indonesia Woori Saudara Bank. Indonesia Woori Saudara Bank is a consolidated subsidiary as at the end of 2014, therefore is excluded from the list of associates.

(*2) Where the book value of investment in joint venture or associate is nil, the additional loss are deducted from loans that are provided to such associates or joint ventures.

- (3) Financial information relating to investments in joint ventures and associates accounted for using the equity method of accounting is as follows (Unit: Korean Won in millions):

	December 31, 2014			
	Assets	Liabilities	Operating revenue	Net income (loss)
Woori Blackstone Korea Opportunity First	380,622	873	48,887	45,351
Korea Credit Bureau Co., Ltd.	54,716	7,805	46,111	114
Phoenix Digital Tech Co., Ltd.	27,400	26,187	9,650	(4,901)
Korea Finance Security Co., Ltd.	30,990	3,108	47,398	5,527
Woori Service Networks Co., Ltd.	4,250	1,625	14,394	770
Kumho Tire Co., Inc.	4,590,346	3,323,743	3,414,009	130,010
United PF 1st Corporate Financial Stability	1,187,406	40,240	105,369	(1,962)
Chin Hung International Inc.	522,749	495,523	552,668	(11,481)
Poonglim Industrial Co., Ltd.	447,617	417,688	157,123	(16,530)
STX Engine Co., Ltd.	1,088,209	1,083,907	386,058	(27,878)
SamHo Co., Ltd.	654,477	510,878	860,851	30,025
Osung LST Co., Ltd.	172,100	101,265	86,351	(44,951)
STX Corporation	1,158,788	1,040,746	1,184,480	407,231
Woori Renaissance Holdings Inc.	88,605	23,536	6,876	(7,334)
Woori Columbus First PEF	56,936	602	1,540	(178)

	December 31, 2013			
	Assets	Liabilities	Operating revenue	Net income (loss)
Woori Aviva Life Insurance Co., Ltd.	4,466,178	4,309,084	981,778	2,247
Woori Blackstone Korea Opportunity First	354,993	894	13,794	27,620
Korea Credit Bureau Co., Ltd.	63,043	16,542	51,571	4,909
DKT	486,983	348,777	155,684	(12,227)
KAMCO Fifth Asset Securitization Specialty	69,708	44,120	824	(8,275)
Phoenix Digital Tech Co., Ltd.	23,159	17,044	33,409	(251)
Korea Finance Security Co., Ltd.	31,113	2,985	45,003	6,356
Woori Service Networks Co., Ltd.	4,485	1,736	14,131	1,061
Kumho Tire Co., Inc.	4,516,507	3,453,028	3,676,336	110,580
United PF 1st Corporate Financial Stability	1,159,220	10,294	152,315	13,567
Chin Hung International Inc.	551,443	459,171	403,977	(14,915)
Poonglim Industrial Co., Ltd.	545,000	472,549	164,734	(54,314)
STX Engine Co., Ltd.	1,975,978	1,726,903	542,281	(560,405)
SamHo Co., Ltd.	680,075	565,878	646,868	8,399
Woori New Alpha Fund	26,868	139	(89)	(609)
Woori SB Eleventh Asset Securitization Specialty	1,689	9	30	(70)
Woori SB Twelfth Asset Securitization Specialty	4,978	8	52	(104)
Woori BC Pegasus Asset Securitization Specialty	5,024	15,157	6,212	4,755
Woori Stream Fourth Asset Securitization Specialty	1,541	7	2,916	1,567
Woori EA First Asset Securitization Specialty	8,835	14,530	4,430	788
Woori EA Second Asset Securitization Specialty	5,849	7,670	412	(661)
Woori EA Sixth Asset Securitization Specialty	11,587	14,718	974	(2,421)
Woori EA Seventh Asset Securitization Specialty	4,910	815	162	(110)
Woori EA Ninth Asset Securitization Specialty	10,072	7,265	2,691	1,452
Woori EA Eleventh Asset Securitization Specialty	29,087	1,643	4,479	23
Woori EA Sixteenth Asset Securitization Specialty	49,278	41,603	7,769	(8,662)
Woori EA Seventeenth Asset Securitization Specialty	37,049	36,416	4,049	(9,552)
WR Loan Inc.	1,257	1,175	180	20
KAMCO Sixth Asset Securitization Specialty	2,612	17	77	(226)
KAMCO Seventh Asset Securitization Specialty	422	3	12	(31)
Woori Fine First Asset Securitization Specialty	761	44	21,966	21,687
Woori Fine Second Asset Securitization Specialty	37,410	21,938	10,458	4,575
Woori Fine Third Asset Securitization Specialty	32,863	15,152	2,138	615
Woori Fine Fourth Asset Securitization Specialty	47,690	23,007	672	588
Woori HB Third Asset Securitization Specialty	541	860	1,063	(142)
Woori EA Nineteenth Asset Securitization Specialty	31,447	24,407	16,947	7,525
Woori KA First Asset Securitization Specialty	33,344	16,924	14,519	6,423
Chungdo Woori Century Security Co., Ltd.	23,458	2,174	2,667	2,549
Woori Renaissance Holdings Inc.	100,501	33,559	4,399	1,949
Woori Columbus First PEF	63,835	325	9,268	8,344
Seoul Lakeside Co., Ltd.	238,870	257,210	36,005	6,045

- (4) The entities that the Group has not applied equity method of accounting although the Group's ownership ratio is more than 20% as of December 31, 2014 and 2013, are as follows:

	As of December 31, 2014	
	Number of shares owned	Ownership (%)
Vogo II-2 Investment Holdings Co., Ltd. (*1)	24,794,201,938 shares	36.4%
LIG engineering & construction Co., Ltd. (*2)	755,946 shares	22.8%
Orient shipyard Co., Ltd. (*2)	465,050 shares	23.0%
Jinsaeng K Co., Ltd. (*2)	2,107,432 shares	20.2%
PICITY Co., Ltd. (*2)	871,631 shares	21.1%
Gdsys Co., Ltd. (*2)	300,805 shares	21.2%
G2 Collection Co., Ltd. (*2)	12,574 shares	28.9%
Alkenz Co., Ltd. (*2)	80,402 shares	37.5%
SJ Development Co., Ltd. (*2)	70,529 shares	26.5%
Ilyang Construction Co., Ltd. (*2)	105,936 shares	40.0%
Ssangyong Engineering & Construction Co., Ltd. (*2)	2,957,728 shares	20.3%

	As of December 31, 2013	
	Number of shares owned	Ownership (%)
Vogo II-2 Investment Holdings Co., Ltd. (*1)	24,548,281,071 shares	36.4%
LIG engineering & construction Co., Ltd. (*2)	755,946 shares	22.8%
Orient shipyard Co., Ltd. (*2)	465,050 shares	23.0%
Jinsaeng K Co., Ltd. (*2)	2,107,432 shares	20.2%
PICITY Co., Ltd. (*2)	871,631 shares	21.1%

- (*1) Even though the Group's ownership ratio of the entity is more than 20% as a limited partner, it is determined that the Group does not have significant influence over the entity since the Group cannot exercise significant influence in the decision making bodies, such as investment committee, thus it has been excluded from the investment in associates.
- (*2) Even though the Group's ownership ratio of the entity is more than 20%, it does not have significant influence over the entity due to the fact that the entity is going through workout process under receivership, thus it has been excluded from the investment in associates.

- (5) As of December 31, 2014 and 2013, the reconciliations from the net assets of associates based on the ownership ratio of the Group to its corresponding book value of investment in joint ventures and associates are as follow (Unit: Korean Won in millions except for ownership):

	As of December 31, 2014						Book value
	Total net asset	Ownership (%)	Net assets of associates (or joint ventures)	Goodwill	Impairment	Intercompany transaction and others	
Woori Blackstone Korea Opportunity First	379,749	26.4	100,248	-	-	188	100,436
Korea Credit Bureau	46,911	7.2	3,378	-	-	-	3,378
Phoenix Digital Tech Co., Ltd.	1,213	44.8	543	45	(588)	-	-
Korea Finance Security Co., Ltd.	27,882	15.3	4,272	-	-	-	4,272
Woori Service Networks Co., Ltd.	2,625	4.9	130	-	-	-	130
Kumho Tire Co., Inc. (*1)	1,228,329	14.2	173,820	48,459	-	2,550	224,829
United PF 1st Corporate financial stability	1,147,166	17.7	203,418	-	-	-	203,418
Chin Hung International Inc. (*1)	26,650	26.8	7,132	21,359	-	-	28,491
Poonglim Industrial Co., Ltd. (*1)	(159,358)	30.7	(48,994)	-	-	48,994	-
STX Engine Co., Ltd. (*1)	(93,532)	15.0	(14,029)	-	-	16,321	2,292
SamHo Co., Ltd.	143,599	7.8	11,257	-	-	-	11,257
Osung LST Co., Ltd. (*1)	(295,129)	11.1	(32,897)	51,379	-	-	18,482
STX Corporation (*1)	117,709	15.0	17,639	24,610	(28,370)	469	14,348
Woori Renaissance Holdings	65,069	51.6	33,576	-	(6,441)	8,884	36,019
Woori Columbus First PEF	56,334	1.9	1,082	6	-	(4)	1,084

	As of December 31, 2013						Book value
	Total net asset	Ownership (%)	Net assets of associates (or joint ventures)	Goodwill	Difference in fair value	Intercompany transaction and others	
Woori Aviva Life Insurance Co., Ltd.	157,094	51.6	81,029	20,525	8,841	-	110,395
Woori Blackstone Korea Opportunity First	354,099	44.6	157,751	-	-	1,028	158,779
Korea Credit Bureau	46,501	9.0	4,185	-	-	62	4,247
DKT	138,206	28.2	39,002	-	11,539	-	50,541
KAMCO Fifth Asset Securitization Specialty (*2)	25,588	49.0	12,538	-	-	(3)	12,535
Phoenix Digital Tech Co., Ltd.	6,115	63.1	3,643	45	-	-	3,688
Korea Finance Security Co., Ltd.	28,128	15.3	4,311	-	-	-	4,311
Woori Service Networks Co., Ltd.	2,749	4.9	136	-	-	-	136
Kumho Tire Co., Inc. (*1)	1,063,479	12.5	128,248	15,125	-	(3,272)	140,101
United PF 1st Corporate financial stability	1,148,926	17.7	203,730	-	-	-	203,730
Chin Hung International Inc. (*1)	92,272	26.8	24,541	21,359	-	-	45,900
Poonglim Industrial Co., Ltd.	72,451	29.9	(35,275)	38,354	-	-	3,079
STX Engine Co., Ltd.	249,075	15.0	32,080	14,928	-	-	47,008
SamHo Co., Ltd.	114,197	7.8	8,952	-	-	(1,460)	7,492
Woori New Alpha Fund	26,729	70.0	18,710	1,234	-	-	19,944
Woori SB Eleventh Asset Securitization Specialty	1,680	45.0	756	-	-	-	756
Woori SB Twelfth Asset Securitization Specialty	4,970	40.0	1,988	-	-	-	1,988
Woori BC Pegasus Asset Securitization Specialty	(10,133)	30.0	(3,040)	-	-	-	-
Woori Stream Fourth Asset Securitization Specialty	1,534	40.0	614	-	-	-	614
Woori EA First Asset Securitization Specialty	(5,695)	40.0	(2,278)	-	-	-	-
Woori EA Second Asset Securitization Specialty	(1,821)	40.0	(728)	-	-	-	-
Woori EA Sixth Asset Securitization Specialty	(3,131)	40.0	(1,252)	-	-	-	-
Woori EA Seventh Asset Securitization Specialty	4,095	45.0	1,843	-	-	-	1,843
Woori EA Ninth Asset Securitization Specialty	2,807	40.0	1,123	-	-	-	1,123
Woori EA Eleventh Asset Securitization Specialty (*2)	27,444	45.0	12,350	-	-	-	12,350
Woori EA Sixteenth Asset Securitization Specialty	7,675	30.0	2,303	-	-	-	2,303
Woori EA Seventeenth Asset Securitization Specialty	633	45.0	285	-	-	-	285
WR Loan Inc.	82	49.0	40	-	-	-	40

As of December 31, 2013							
	Total net asset	Ownership (%)	Net assets of associates (or joint ventures)	Goodwill	Difference in fair value	Intercompany transaction and others	Book value
KAMCO Sixth Asset Securitization Specialty (*2)	2,595	45.0	1,163	-	-	-	1,163
KAMCO Seventh Asset Securitization Specialty (*2)	419	45.0	184	-	-	-	184
Woori Fine First Asset Securitization Specialty (*2)	717	45.0	318	-	-	-	318
Woori Fine Second Asset Securitization Specialty	15,472	45.0	6,963	-	-	-	6,963
Woori Fine Third Asset Securitization Specialty	17,711	45.0	7,970	-	-	-	7,970
Woori Fine Fourth Asset Securitization Specialty	24,683	45.0	11,108	-	-	-	11,108
Woori HB Third Asset Securitization Specialty	(319)	40.0	(128)	-	-	-	-
Woori EA Nineteenth Asset Securitization Specialty	7,040	40.0	2,816	-	-	-	2,816
Woori KA First Asset Securitization Specialty	16,420	45.0	7,389	-	-	-	7,389
Chungdo Woori Century Security Co., Ltd. (*2)	21,284	49.5	10,538	-	-	-	10,538
Woori Renaissance Holdings	66,942	51.6	39,806	-	-	-	39,806
Woori Columbus First PEF	63,510	2.0	1,227	-	-	-	1,227
Seoul Lakeside Co., Ltd.	(18,340)	47.5	(8,712)	160,928	-	-	152,216

(*1) The net asset amount is after considering preferred stocks.

(*2) The equity method of accounting has been applied reflecting the ownership ratios of the first-tier and the second-tier common stocks.

14. INVESTMENT PROPERTIES

(1) Investment properties are as follows (Unit: Korean Won in millions):

	December 31, 2014	December 31, 2013
Acquisition cost	381,668	359,832
Accumulated depreciation	(24,118)	(19,212)
Net carrying value	357,550	340,620

(2) Changes in investment properties are as follows (Unit: Korean Won in millions):

	For the year ended December 31, 2014	For the year ended December 31, 2013
Beginning balance	340,620	491,685
Acquisition	-	513
Disposal	-	(6,583)
Depreciation	(3,859)	(5,210)
Impairment loss (reversal)	-	(855)
Transfer	21,760	(7,166)
Classified to assets held for sale	-	(3,594)
Foreign currencies translation adjustments	31	(11)
Others	(1,002)	(592)
Classified into disposal group held for sale	-	(70,900)
Classified into disposal group held for distribution to owners	-	(56,667)
Ending balance	357,550	340,620

(3) Fair value of investment properties is amounting to 394,159 million Won and 352,297 million Won as of December 31, 2014 and 2013, respectively. The fair value of investment property, based on the assessment that was independently performed by external appraisal agencies, is classified as level 3 on the fair value hierarchy as of December 31, 2014 and 2013.

- (4) Rental fee earned from investment properties is amounting to million Won and 5,311 million Won and 4,135 million Won as of December 31, 2014 and 2013, respectively.

15. PREMISES AND EQUIPMENT

- (1) Premises and equipment are as follows (Unit: Korean Won in millions):

	December 31, 2014						
	Land	Building	Properties for business use	Structures in leased office	Construction in progress	Structures	Total
Acquisition cost	1,514,698	817,559	920,222	374,436	102	20	3,627,037
Accumulated depreciation	-	(111,035)	(710,634)	(304,251)	-	(15)	(1,125,935)
Net carrying value	<u>1,514,698</u>	<u>706,524</u>	<u>209,588</u>	<u>70,185</u>	<u>102</u>	<u>5</u>	<u>2,501,102</u>

	December 31, 2013						
	Land	Building	Properties for business use	Structures in leased office	Construction in progress	Structures	Total
Acquisition cost	1,516,364	797,672	1,013,319	344,776	31	20	3,672,182
Accumulated depreciation	-	(93,742)	(757,637)	(284,347)	-	(15)	(1,135,741)
Net carrying value	<u>1,516,364</u>	<u>703,930</u>	<u>255,682</u>	<u>60,429</u>	<u>31</u>	<u>5</u>	<u>2,536,441</u>

- (2) Changes in premises and equipment are as follows (Unit: Korean Won in millions):

	For the year ended December 31, 2014						
	Land	Building	Properties for business use	Structures in leased office	Construction in progress	Structures	Total
Beginning balance	1,516,364	703,930	255,682	60,429	31	5	2,536,441
Acquisition	1,206	24,950	70,622	30,183	818	-	127,779
Disposal	(4)	-	(31,245)	(1,195)	(314)	-	(32,758)
Depreciation	-	(23,390)	(88,873)	(26,423)	-	-	(138,686)
Classified to assets held for sale	(2,019)	(4,819)	(66)	-	-	-	(6,904)
Foreign currencies translation adjustment	46	39	197	410	(439)	-	253
Acquisition through business combination	10,719	9,880	3,081	196	6	-	23,882
Transfer	(11,614)	(10,146)	-	-	-	-	(21,760)
Others	-	6,080	190	6,585	-	-	12,855
Ending balance	<u>1,514,698</u>	<u>706,524</u>	<u>209,588</u>	<u>70,185</u>	<u>102</u>	<u>5</u>	<u>2,501,102</u>

	For the year ended December 31, 2013						
	Land	Building	Properties for business use	Structures in leased office	Construction in progress	Structures	Total
Beginning balance	1,827,026	945,103	340,304	68,729	4,376	5	3,185,543
Acquisition	5,695	35,097	107,125	28,902	5,122	-	181,941
Disposal	(4,527)	(2,781)	(4,791)	(1,566)	-	-	(13,665)
Depreciation	-	(32,359)	(125,631)	(33,514)	-	-	(191,504)
Classified to assets held for sale	(955)	(1,834)	-	-	-	-	(2,789)
Foreign currencies translation adjustment	(30)	(241)	(586)	47	(20)	-	(830)
Others	3,318	9,627	2,803	9,697	(8,584)	-	16,861
Classified into disposal group held for sale	(169,171)	(104,957)	(38,735)	(1,805)	(863)	-	(315,531)
Classified into disposal group held for distribution to owners	(144,992)	(143,725)	(24,807)	(10,061)	-	-	(323,585)
Ending balance	<u>1,516,364</u>	<u>703,930</u>	<u>255,682</u>	<u>60,429</u>	<u>31</u>	<u>5</u>	<u>2,536,441</u>

16. INTANGIBLE ASSETS AND GOODWILL

(1) Intangible assets are as follows (Unit: Korean Won in millions):

	December 31, 2014						Total
	Goodwill	Software	Industrial rights	Development cost	Others	Membership deposit	
Acquisition cost	107,541	163,675	554	180,983	409,972	27,366	890,091
Accumulated depreciation	-	(115,854)	(226)	(125,646)	(346,402)	-	(588,128)
Accumulated impairment losses	-	-	-	-	(2,763)	(3,472)	(6,235)
Net carrying value	107,541	47,821	328	55,337	60,807	23,894	295,728

	December 31, 2013						Total
	Core deposit	Software	Industrial rights	Development cost	Others	Membership deposit	
Acquisition cost	3,107	166,829	571	220,121	401,006	25,742	817,376
Accumulated depreciation	(3,107)	(111,531)	(284)	(129,692)	(299,107)	-	(543,721)
Accumulated impairment losses	-	-	-	-	(299)	(4,430)	(4,729)
Net carrying value	-	55,298	287	90,429	101,600	21,312	268,926

(2) Changes in intangible assets are as follows (Unit: Korean Won in millions):

	For the year ended December 31, 2014						Total
	Goodwill	Software	Industrial rights	Development cost	Others	Membership deposit	
Beginning balance	-	55,298	287	90,429	101,600	21,312	268,926
Acquisition	1,418	20,418	101	29,990	17,809	1,925	71,661
Disposal	-	(10,839)	-	(36,092)	(38,564)	(114)	(85,609)
Amortization	-	(16,923)	(72)	(21,167)	(47,051)	-	(85,213)
Impairment loss	-	-	-	-	127	(1,900)	(1,773)
Foreign currencies translation adjustment	63	-	-	1	9	80	153
Others	-	-	12	(6,848)	1,158	2,591	(3,087)
Classified into disposal group held for sale	-	(133)	-	(976)	-	-	(1,109)
Acquisition through business combination	106,060	-	-	-	25,719	-	131,779
Ending balance	107,541	47,821	328	55,337	60,807	23,894	295,728

	For the year ended December 31, 2013						Total	
	Goodwill	Core deposit	Software	Industrial rights	Development cost	Others		Membership deposit
Beginning balance	131,779	4,321	45,240	184	77,369	113,907	60,607	433,407
Acquisition	-	-	28,533	173	43,289	37,696	9,513	119,204
Disposal	-	-	(1,875)	-	(1,701)	(754)	(3,156)	(7,486)
Amortization	-	(855)	(17,138)	(64)	(27,509)	(57,436)	-	(103,002)
Impairment loss	(40,556)	(3,471)	-	-	-	(299)	(4,660)	(48,986)
Foreign currencies translation adjustment	-	5	-	-	-	(59)	(85)	(139)
Others	-	-	1,467	-	39	22,446	1,702	25,654
Classified into disposal group held for sale	(91,223)	-	(152)	-	(596)	(3,515)	(28,605)	(124,091)
Classified into disposal group held for distribution to owners	-	-	(777)	(6)	(462)	(10,386)	(14,004)	(25,635)
Ending balance	-	-	55,298	287	90,429	101,600	21,312	268,926

17. ASSETS HELD FOR SALE

Assets held for sale recognized are 8,013 million Won and 587 million Won as of December 31, 2014 and 2013, respectively.

18. ASSETS SUBJECT TO LIEN AND ASSETS ACQUIRED THROUGH FORECLOSURES

(1) Assets subjected to lien are as follows (Unit: Korean Won in millions):

		December 31, 2014		
		Collateral given to	Amount	Reason for collateral
Due from banks		Korea Investment Securities and others	105,521	Margin deposit for future or option and others
Financial assets at FVTPL	Industrial and financial debt securities and others	Kiwoom Asset Management and others	9,851	Related to bonds sold under repurchase agreements (*2)
AFS financial assets	Financial institutions debt securities and others	Daewoo Securities and others	309,213	Collaterals for customer RP
	Korean treasury and government agencies bonds	BANCO BILBAO VIZCAYA ARGENARIA	926,796	Related to bonds sold under repurchase agreements (*2)
HTM financial assets	Financial institutions debt securities and others	Bank of Korea and others	2,064,586	Settlement risk and others
	Korean treasury and government agencies bonds	Nomura Securities Co., Ltd. and others	650,937	Related to bonds sold under repurchase agreements (*2)
	Korean treasury and government agencies bonds and others	Bank of Korea and others	3,063,448	Settlement risk and others
Land and building		Credit Counselling & Recovery Service	8,928	Leasehold rights and others
		Total	<u>7,139,280</u>	
		December 31, 2013		
		Collateral given to	Amount (*1)	Reason for collateral
Due from banks		Samsung Securities and others	18,242	Margin deposit for future or option and others
Financial assets at FVTPL	Financial institutions debt securities and others	Korea Securities Depository and others	13,112,614	Collaterals for customer RP
AFS financial assets	Korean treasury and government agencies bonds	Nomura Securities Co., Ltd. and others	211,629	Related to bonds sold under repurchase agreements (*2)
	Financial institutions debt securities and others	Bank of Korea and others	2,336,541	Settlement risk and others
HTM financial assets	Korean treasury and government agencies bonds	Nomura Securities Co., Ltd. and others	893,123	Related to bonds sold under repurchase agreements (*2)
	Korean treasury and government agencies bonds and others	Bank of Korea and others	3,974,617	Settlement risk and others
Land and building		Shinhan Card Co., Ltd. and others	18,491	Leasehold rights and others
		Total	<u>20,565,257</u>	

(*1) Including the amounts related to subsidiaries that are reclassified into disposal group held for sale and disposal groups held for distribution to owners.

(*2) The assets are not derecognized as there are the repurchase agreements at predetermined price or original sale price added with certain rate of return. Collaterals are provided, and the purchasers are eligible to dispose or provide them as collateral. The Group recognizes the relevant amount as liability (bond sold under repurchase agreements) due to derecognition.

- (2) The carrying amounts of buildings acquired through foreclosure are as follow (Unit: Korean Won in millions):

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Land	189	-
Building	-	329

- (3) Loaned securities are as follows (Unit: Korean Won in millions):

		<u>December 31, 2014</u>	<u>December 31, 2013 (*)</u>	<u>Loaned to</u>
Financial assets at FVTPL	Korean treasury and government agencies bonds	-	110,090	Korea Money Brokerage Corp. and others
	Korean treasury and government agencies securities	14,737	35,880	Samsung Securities Co., Ltd. and others
AFS financial assets	Korean treasury and government agencies bonds	<u>686,096</u>	<u>320,013</u>	Korea Securities Depository
	Total	<u>700,833</u>	<u>465,983</u>	

(*) Including the amounts related to subsidiaries that are reclassified into disposal group held for sale and disposal groups held for distribution to owners.

Loaned securities are lending of specific securities to borrowers who agree to return the same quantity of the same security at the end of lending period. As the Group does not derecognize these securities, there are no liabilities relates to loaned securities.

- (4) Collaterals held that can be disposed and re-subjected to lien regardless of defaults of counterparties

Fair values of collaterals held can be disposed and re-subjected to lien regardless of defaults of counterparties as of December 31, 2014 and 2013 are as follows (Unit: Korean Won in millions):

		<u>December 31, 2014</u>	
	<u>Fair values of collaterals</u>	<u>Fair values of collaterals were disposed or re-subjected to lien</u>	
Securities	6,790,215	-	
		<u>December 31, 2013 (*)</u>	
	<u>Fair values of collaterals</u>	<u>Fair values of collaterals were disposed or re-subjected to lien</u>	
Securities	4,913,671	82,925	

(*) Including the amounts related to subsidiaries that are reclassified into disposal group held for sale and disposal groups held for distribution to owners.

19. OTHER ASSETS

Other assets are as follows (Unit: Korean Won in millions):

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Prepaid expenses	131,267	174,344
Advance payments	1,097	739
Non-operative assets	189	329
Others	12,604	3,474
Total	<u>145,157</u>	<u>178,886</u>

20. FINANCIAL LIABILITY AT FVTPL

(1) Financial liabilities at FVTPL consist of as follows (Unit: Korean Won in millions):

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Financial liabilities held for trading	2,153,782	2,105,301
Financial liabilities designated at FVTPL	521,572	401,947
Total	<u>2,675,354</u>	<u>2,507,248</u>

(2) Financial liabilities held for trading are as follows (Unit: Korean Won in millions):

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Deposits due to Customers:		
Gold banking liabilities	13,927	9,254
Derivative liabilities	2,139,855	2,096,047
Total	<u>2,153,782</u>	<u>2,105,301</u>

(3) Financial liabilities designated at FVTPL are as follows (Unit: Korean Won in millions):

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Equity linked securities index:		
Equity linked securities index in short position	362,308	218,788
Debentures:		
Debentures in local currency	97,590	125,529
Debentures in foreign currencies	61,674	57,630
Sub-total	<u>159,264</u>	<u>183,159</u>
Total	<u>521,572</u>	<u>401,947</u>

- (4) Credit risk adjustment to financial liabilities designated at FVTPL is as follows (Unit: Korean Won in millions):

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Financial liabilities designated at FVTPL subject to credit risk adjustments	521,572	401,947
Credit risk adjustments	(2,612)	(2,905)
Accumulated changes in credit risk adjustments	(45,561)	2,422

Credit risk adjustments are applied to reflect the Group's own credit risk when measuring derivative liabilities at fair value. The methodology to determine the adjustment incorporates the Group's credit spread as observed through credit ratings.

- (5) The differences between financial liabilities at FVTPL's carrying amount and nominal amount at maturity are as follows (Unit: Korean Won in millions):

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Carrying amount	521,572	401,947
Nominal amount at maturity	623,461	520,650
	<u>(101,889)</u>	<u>(118,703)</u>

21. DEPOSITS DUE TO CUSTOMERS

Deposits sorted by interest type are as follows (Unit: Korean Won in millions):

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Deposits in local currency		
Demand deposits	10,090,772	11,690,841
Time deposits	161,697,250	146,131,999
Mutual funds	46,072	53,189
Deposits on notes payables	486,356	352,577
Deposits on CMA	276,484	338,265
Certificate of deposits	740,090	3,297,551
Other deposits	1,281,595	1,236,910
Sub-total	<u>174,618,619</u>	<u>163,101,332</u>
Deposits in foreign currencies	13,902,989	12,264,621
Present value discount	<u>(5,143)</u>	<u>(42,309)</u>
Total	<u>188,516,465</u>	<u>175,323,644</u>

22. BORROWINGS AND DEBENTURES

(1) Borrowings are as follows (Unit: Korean Won in millions):

	December 31, 2014		
	Lenders	Interest rate (%)	Amount
Borrowings in local currency:			
Borrowings from the Bank of Korea	The Bank of Korea	0.5 ~ 1.0	803,317
Borrowings from government funds	Small and Medium Business Corporation and others	0.0 ~ 3.5	1,680,175
Others	The Korea Development Bank and others	0.0 ~ 3.8	4,229,396
Sub-total			<u>6,712,888</u>
Borrowings in foreign currencies:			
Borrowings in foreign currencies	The Export-Import Bank of Korea	0.0 ~ 3.7	7,921,772
Offshore borrowings in foreign currencies	Barclays Bank PLC	0.5	17,375
Sub-total			<u>7,939,147</u>
Bills sold	Others	0.0 ~ 2.6	87,692
Call money	Banks	0.0 ~ 3.9	1,771,733
Bonds sold under repurchase agreements	Other financial institutions	1.3 ~ 10.6	1,196,237
Present value discount			(102)
Total			<u>17,707,595</u>

	December 31, 2013		
	Lenders	Interest rate (%)	Amount
Borrowings in local currency:			
Borrowings from the Bank of Korea	The Bank of Korea	0.5 ~ 1.0	513,841
Borrowings from government funds	Small and Medium Business Corporation and others	0.0 ~ 3.5	1,790,146
Others	Seoul Metropolitan Government and others	0.0 ~ 3.8	4,185,524
Sub-total			<u>6,489,511</u>
Borrowings in foreign currencies:			
Borrowings in foreign currencies	Bank of communication and others	0.0 ~ 12.0	6,225,236
Offshore borrowings in foreign currencies	Toronto Dominion Bank SG and others	0.8	21,106
Sub-total			<u>6,246,342</u>
Bills sold	Others	0.0 ~ 2.7	111,096
Call money	Banks	0.0 ~ 7.8	4,871,976
Bonds sold under repurchase agreements	Other financial institutions	1.4 ~ 10.6	513,442
Present value discount			(856)
Total			<u>18,231,511</u>

(2) Debentures are as follows (Unit: Korean Won in millions):

	December 31, 2014		December 31, 2013	
	Interest rate (%)	Amount	Interest rate (%)	Amount
Face value of bond				
Ordinary bonds	0.8 ~ 10.5	18,564,367	0.8~10.5	14,687,044
Subordinated bonds	3.4 ~ 10.3	6,248,349	3.4~10.3	6,995,786
Other bonds		51,601		53,006
Sub-total		<u>24,864,317</u>		<u>21,735,836</u>
Discounts on bond		(68,413)		(58,162)
Total		<u>24,795,904</u>		<u>21,677,674</u>

23. PROVISIONS

(1) Provisions are as follows (Unit: Korean Won in millions):

	December 31, 2014	December 31, 2013
Asset retirement obligation	29,733	23,513
Provision for guarantee (*1)	509,320	501,948
Provision for loan commitments	90,449	123,930
Provision for credit card points	5,548	6,441
Other provisions (*2)	56,959	28,967
Total	<u>692,009</u>	<u>684,799</u>

(*1) Provision for guarantee includes provision for financial guarantee of 159,149 million Won and 123,228 million Won as of December 31, 2014 and 2013, respectively.

(*2) Other provisions consist of provision for litigation, provision for loss recovery, and others.

(2) Changes in provisions except for asset retirement obligation are as follows (Unit: Korean Won in millions):

	For the year ended December 31, 2014				
	Provision for guarantees	Provision for loan commitments	Provision for credit card points	Other provisions	Total
Beginning balance	501,948	123,930	6,441	28,967	661,286
Provisions provided	46,191	2,613	12,507	41,963	103,274
Provisions used	(38,402)	30	(13,400)	(26,208)	(77,980)
Reversal of unused amount	(31,877)	(36,158)	-	-	(68,035)
Others	31,460	34	-	12,237	43,731
Ending balance	<u>509,320</u>	<u>90,449</u>	<u>5,548</u>	<u>56,959</u>	<u>662,276</u>

	For the year ended December 31, 2013				
	Provision for guarantees	Provision for loan commitments	Provision for credit card points	Other provisions	Total
Beginning balance	421,520	158,395	7,181	254,538	841,634
Provisions provided	96,164	-	13,051	72,656	181,871
Provisions used	1,470	4,015	(13,018)	(86,559)	(94,092)
Reversal of unused amount	(3,683)	(13,216)	(14)	(9,159)	(26,072)
Classified into disposal group held for sale	(578)	(361)	-	(12,006)	(12,945)
Classified into disposal group held for distribution to owners	(12,945)	(24,903)	(759)	(190,503)	(229,110)
Ending balance	<u>501,948</u>	<u>123,930</u>	<u>6,441</u>	<u>28,967</u>	<u>661,286</u>

(3) Changes in asset retirement obligation are as follows (Unit: Korean Won in millions):

	For the year ended December 31, 2014	For the year ended December 31, 2013
Beginning balance	23,513	22,024
Provisions provided	932	4,553
Provisions used	(746)	(1,532)
Depreciation	519	433
Reversal of unused amount	(143)	(1,800)
Increase in restoration costs and others	5,658	9,175
Classified into disposal group held for sale	-	(4,619)
Classified into disposal group held for distribution to owners	-	(4,721)
Ending balance	<u>29,733</u>	<u>23,513</u>

24. NET DEFINED BENEFIT LIABILITY

Employees and directors with one or more years of service are entitled to receive a payment upon termination of their employment, based on their length of service and rate of pay at the time of termination. The assets of the plans are measured at their fair value at the end of reporting date. The plan liabilities are measured using the projected unit method, which takes account of projected earnings increases, using actuarial assumptions that give the best estimate of the future cash flows that will arise under the plan liabilities.

The Group is exposed to various risks through Defined Benefit Retirement Pension Plan and the major significant risks are as follows:

Volatility of Asset

The defined benefit obligation was estimated with a discount rate which is calculated based on the yield of blue chip corporate bonds in Korea. A deficit may occur if the rate of return on plan assets falls short of the discount rate. The plan assets include equity instruments are exposed to the related volatility and risks.

Decrease in Yield of Blue Chip Bonds

A decrease in yield of blue chip bonds may result in increase in defined benefit liability although the increase in the value of some debt securities in the defined benefit plan would set it off partially.

Risk of Inflation

Defined benefit obligations are correlated to the inflation rate; the higher the inflation rate is, the higher the level of liabilities. As a result, a deficit may occur in the plan. However, the plan assets are less impacted since the plan assets consist of mainly debt securities with fixed rates and equity instruments.

(1) The net defined benefit liability is as follows (Unit: Korean Won in millions):

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Defined benefit obligation	683,961	509,849
Fair value of plan assets	<u>(608,370)</u>	<u>(438,247)</u>
Net defined benefit liability	<u>75,591</u>	<u>71,602</u>

(2) Changes in the carrying value of defined benefit obligation are as follows (Unit: Korean Won in millions):

	<u>For the year ended December 31, 2014</u>	<u>For the year ended December 31, 2013</u>
Beginning balance	509,849	562,285
Current service cost	118,651	160,216
Interest cost	20,016	21,352
Remeasurements	72,990	(7,299)
Foreign currencies translation adjustments	(133)	2,742
Retirement benefit paid	(32,422)	(38,787)
Past service cost	-	470
Curtailement or settlement	(5,570)	(4,082)
Others	580	2,542
Classified into disposal group held for sale	-	(68,177)
Classified into disposal group held for distribution to owners	-	<u>(121,413)</u>
Ending balance	<u>683,961</u>	<u>509,849</u>

(3) Changes in the plan assets are as follows (Unit: Korean Won in millions):

	For the year ended December 31, 2014	For the year ended December 31, 2013
Beginning balance	438,247	395,989
Interest income	20,804	21,085
Remeasurements	(5,504)	(2,489)
Employer's contributions	184,141	147,633
Retirement benefit paid	(22,849)	(28,615)
Settlement	(5,525)	(3,725)
Others	(944)	1,277
Classified into disposal group held for sale	-	(60,348)
Classified into disposal group held for distribution to owners	-	(32,560)
Ending balance	<u>608,370</u>	<u>438,247</u>

(4) Plan assets mainly consist of deposits that represent 100% and 91.48% of plan assets as of December 31, 2014 and 2013, respectively. Among plan assets, realized returns on plan assets amount to 15,300 million Won and 18,596 million Won for the years ended December 31, 2014 and 2013, respectively.

(5) Current service cost, net interest expense, past service cost, loss on the curtailment or settlement and remeasurements recognized in the consolidated statements of net income and total comprehensive income are as follows (Unit: Korean Won in millions):

	For the year ended December 31, 2014	For the year ended December 31, 2013
Current service cost	118,651	160,216
Net interest expense	(788)	267
Past service cost	-	470
Loss on the curtailment or settlement	(45)	(357)
Reclassification to discontinued operations	-	(40,681)
Cost recognized in net income	117,818	119,915
Remeasurements	78,494	(4,810)
Cost recognized in total comprehensive income	<u>196,312</u>	<u>115,105</u>

Retirement benefit service costs related to defined contribution plans are recognized 3,543 million Won and 2,967 million Won for the years ended December 31, 2014 and 2013, respectively.

(6) Key actuarial assumptions used in defined benefit liability assessment are as follows:

	December 31, 2014	December 31, 2013
Discount rate	3.29%	4.28%
Future wage growth rate	5.74%	5.72%
Retirement rate	Issued by Korea Insurance Development Institute	Issued by Korea Insurance Development Institute
Mortality rate	Issued by Korea Insurance Development Institute	Issued by Korea Insurance Development Institute

(7) The sensitivity to actuarial assumptions used in the assessment of defined benefit obligation is as follows (Unit: Korean Won in millions):

		Defined benefit obligation as of	
		December 31, 2014	December 31, 2013
Discount rate	Increase by 1% point	(66,278)	(46,842)
	Decrease by 1% point	76,296	54,152
Future wage growth rate	Increase by 1% point	76,040	54,684
	Decrease by 1% point	(67,267)	(48,082)

25. OTHER FINANCIAL LIABILITIES AND OTHER LIABILITIES

Other financial liabilities and other liabilities are as follows (Unit: Korean Won in millions):

	December 31, 2014	December 31, 2013
Other financial liabilities:		
Payables	4,532,101	8,311,513
Accrued expenses	2,343,332	2,291,716
Borrowings from trust accounts	3,475,353	3,361,478
Agency business revenue	433,594	406,576
Foreign exchange payables	375,059	650,429
Domestic exchange payables	3,386,529	2,872,725
Miscellaneous liabilities	2,345,433	2,024,311
Present value discount	(1,714)	(3,801)
Sub-total	<u>16,889,687</u>	<u>19,914,947</u>
Other liabilities:		
Deferred Income	164,431	157,944
Other miscellaneous liabilities	226,239	253,334
Sub-total	<u>390,670</u>	<u>411,278</u>
Total	<u>17,280,357</u>	<u>20,326,225</u>

26. DERIVATIVES

(1) Derivative assets and derivative liabilities are as follows (Unit: Korean Won in millions):

	December 31, 2014			
	Nominal amount	Assets		Liabilities
		Fair value hedge	For trading	For trading
Interest rate:				
Interest rate futures	21,640	-	-	-
Interest rate swap	106,014,214	182,990	1,097,849	1,140,917
Long interest rate options	1,658,180	-	11,985	-
Short interest rate options	1,788,180	-	-	10,638
Currency:				
Currency futures	382,577	-	-	-
Currency forwards	40,078,267	-	415,209	342,778
Currency swaps	20,902,464	-	504,858	572,985
Long currency option	1,433,050	-	45,617	-
Short currency option	1,614,028	-	-	18,176
Stock:				
Stock futures	46,400	-	-	-
Stock swaps	10,000	-	522	-
Long index option	352,943	13,071	1,070	-
Short index option	767,978	-	-	19,916
Others:				
Other futures	592	-	-	-
Other swaps	53,035	-	4,481	4,468
Long option	249,081	-	29,876	-
Short option	261,883	-	-	29,977
Total	<u>175,634,512</u>	<u>196,061</u>	<u>2,111,467</u>	<u>2,139,855</u>

	December 31, 2013				
	Nominal amount	Assets		Liabilities	
		Fair value hedge	For trading	Fair value Hedge	For trading
Interest rate:					
Interest rate futures	31,722	-	-	-	-
Interest rate swap	122,337,393	131,386	996,279	13	1,025,354
Long interest rate options	737,963	-	11,355	-	-
Short interest rate options	2,722,963	-	-	-	8,570
Currency:					
Currency futures	1,416,265	-	-	-	-
Currency forwards	28,984,290	-	353,456	-	375,259
Currency swaps	19,653,370	-	713,975	-	655,198
Long currency option	642,132	-	51,497	-	-
Short currency option	644,770	-	-	-	8,392
Stock:					
Stock futures	54,126	-	-	-	-
Stock swaps	10,000	-	-	-	22
Long stock option	273,511	24	55,105	-	-
Short stock option	1,065,422	-	-	1,772	20,340
Others:					
Other futures	660	-	-	-	-
Other forwards	12,607	-	268	-	507
Other swaps	160,430	-	2,496	-	2,356
Short option	8,346	-	-	-	49
Total	178,755,970	131,410	2,184,431	1,785	2,096,047

Derivatives held for trading purpose are classified into financial assets or liabilities at FVTPL and derivatives for hedging are stated as a separate line item in the consolidated statements of financial position (see Notes 7 and 20).

- (3) Gains or losses from valuation of financial instruments under hedge accounting are as follows (Unit: Korean Won in millions):

	For the year ended December 31, 2014	For the year ended December 31, 2013
Gains or losses from hedged items	(64,158)	114,053
Gains or losses from hedging instruments	63,442	(108,290)

27. DAY 1 PROFIT OR LOSS

Changes in details of deferred day 1 profits or losses are as follows (Unit: Korean Won in millions):

	For the year ended December 31, 2014	For the year ended December 31, 2013
Beginning balance	6,256	65,267
Acquisitions	13,367	100,110
Amounts recognized in profits or losses	(6,124)	(59,389)
Classified into disposal group held for sale	-	(99,732)
Ending balance	13,499	6,256

In case some variables to measure fair values of financial instruments were not observable or available in the market, valuation techniques were utilized to evaluate such financial instruments. Those financial instruments were recorded at the fair value produced by the valuation techniques as at the time of acquisition, even though there were difference noted between the transaction price and the fair value. The table above presents the difference yet to be realized as profit or losses.

28. CAPITAL STOCK AND CAPITAL SURPLUS

(1) The number of authorized shares and others are as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Authorized shares of common stock	5,000,000,000 Shares	2,400,000,000 shares
Par value	5,000 Won	5,000 Won
Issued shares of common stock	676,278,371 Shares	806,015,340 shares

(2) Changes in numbers of issued shares of common stock are as follows (Unit: Shares):

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Beginning balance	806,015,340	806,015,340
Changes due to the Spin-off	(129,736,969)	-
Ending balance	676,278,371	806,015,340

(3) Details of capital surplus are as follows (Unit: Korean Won in millions):

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Capital in excess of par value	269,533	109,025
Other capital surplus	21,533	67,477
Total	<u>291,066</u>	<u>176,502</u>

29. HYBRID SECURITIES

The bond-type hybrid securities classified as owner's equity are as follows (Unit: Korean Won in millions):

	<u>Issuance date</u>	<u>Maturity</u>	<u>Annual interest rate (%)</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Local currency	June 20, 2008	June 20, 2038	7.7	255,000	-
	November 22, 2011	November 22, 2041	5.9	310,000	310,000
	March 8, 2012	March 8, 2042	5.8	190,000	190,000
	April 25, 2013	April 25, 2043	4.4	500,000	-
	November 13, 2013	November 13, 2043	5.7	200,000	-
	December 12, 2014	December 12, 2044	5.2	160,000	-
Foreign currency	May 2, 2007	May 2, 2037	6.2	930,900	-
Issuance cost				(7,077)	(1,593)
Total				<u>2,538,823</u>	<u>498,407</u>

With respect to the hybrid securities issued, the contractual agreements allow the Group to indefinitely extend the maturity date and defer the payment of interest. If the Group makes a resolution not to pay dividends on common stock, and then, the Group is exonerated from interest payment on the hybrid securities.

30. OTHER EQUITY

(1) Details of other equity are as follows (Unit: Korean Won in millions):

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Other comprehensive income:		
Gain on available-for-sale financial assets	300,994	204,110
Share of other comprehensive income of joint ventures and associates	2,779	4,690
Loss on foreign currency translation for foreign operations	(107,721)	(117,793)
Remeasurement of the net defined benefit liability	(119,375)	(59,877)
Cash flow hedges	(10,371)	(8,359)
Sub-total	<u>66,306</u>	<u>22,771</u>
Treasury shares (*)	(37,594)	(14)
Other capital adjustments		
Capital adjustments from the Spin-off (Note 48)	(2,185,666)	-
Capital adjustments from the merger with Woori Finance Holdings	(178,060)	-
Others	(58,124)	(58,124)
Sub-total	<u>(2,421,850)</u>	<u>(58,124)</u>
Total	<u>(2,393,138)</u>	<u>(35,367)</u>

(*) As of December 31, 2013, the Group holds 2,000 shares (14 million Won) of its treasury shares, through having acquired as a buyback of odd-lot share when exchanging the shares of Woori Investment & Securities. As of December 31, 2014, the Group is holding 3,007,144 shares (37,594 million Won) through the following transactions in the year ended at December 31, 2014: acquisition due to the spin-off of Kyongnam Bank and Kwangju Bank, 27,157 shares (345 million Won), acquisition due to the treasury stock trust, 2,913,155 shares (36,429 million Won), and acquisition due to the claims for stock repurchase from the shareholders who opposed to the merger, 64,832 shares (806 million Won).

(2) Changes in the accumulated other comprehensive income are as follows (Unit: Korean Won in millions):

	For the year ended December 31, 2014					
	Beginning balance (*)	Increase (decrease) on valuation	Re-classification adjustments	Income tax effect	Changes due to the Spin-off	Ending balance
Gain (loss) on available-for-sale financial assets	279,398	354,856	(241,216)	(27,102)	(64,942)	300,994
Share of other comprehensive income (loss) of joint ventures and associates	5,753	(3,464)	(244)	734	-	2,779
Gain (loss) on foreign currency translation of foreign operations	(136,576)	2,186	37,094	(10,425)	-	(107,721)
Remeasurement of the net defined benefit liability	(68,408)	(81,476)	(900)	18,950	12,459	(119,375)
Cash flow hedges	7,928	(6,844)	(13,671)	2,296	(80)	(10,371)
Total	88,095	265,258	(218,937)	(15,547)	(52,563)	66,306

(*) The beginning balance incorporates the accumulated other comprehensive income from subsidiaries that were reclassified into disposal group held for sale and disposal groups held for distribution to owners.

	For the year ended December 31, 2013						
	Beginning balance	Increase (decrease) on valuation	Re-classification adjustments	Income tax effect	Classified into disposal group held for sale	Classified into disposal group held for distribution to owners	Ending balance
Gain (loss) on available-for-sale financial assets	313,180	8,089	(17,110)	(24,761)	(28,923)	(46,365)	204,110
Share of other comprehensive income (loss) of joint ventures and associates	12,128	(7,269)	-	894	(3,662)	2,599	4,690
Gain (loss) on foreign currency translation of foreign operations	(84,577)	(70,728)	(10)	18,739	18,783	-	(117,793)
Remeasurement of the net defined benefit liability	(75,323)	2,508	-	4,407	(592)	9,123	(59,877)
Cash flow hedges	8,693	(650)	811	(926)	(15,426)	(861)	(8,359)
Total	174,101	(68,050)	(16,309)	(1,647)	(29,820)	(35,504)	22,771

31. RETAINED EARNINGS

(1) Details of retained earnings are as follows (Unit: Korean Won in millions):

		December 31, 2014	December 31, 2013
Legal reserve	Legal reserve	1,463,754	1,075,539
	Other legal reserve	41,472	-
	Sub-total	<u>1,505,226</u>	<u>1,075,539</u>
Voluntary reserve	Business rationalization reserve	8,000	-
	Reserve for financial structure improvement	235,400	-
	Additional reserve	8,134,544	-
	Regulatory reserve for credit loss	1,298,335	858
	Revaluation reserve	760,455	-
	Other voluntary reserve	11,700	8,656,000
	Sub-total	<u>10,448,434</u>	<u>8,656,858</u>
Retained earnings before appropriation		<u>2,211,698</u>	<u>3,380,293</u>
Total		<u>14,165,358</u>	<u>13,112,690</u>

i. Legal reserve

In accordance with the Act of Banking Law, legal reserve are appropriated at least one tenth of the earnings after tax on every dividend declaration, not exceeding the paid in capital. This reserve may not be used other than for offsetting a deficit or transferring to capital.

ii. Other legal reserve

Other legal reserves were appropriated in the branches located in Japan, Vietnam and Bangladesh according to the banking laws of Japan, Vietnam and Bangladesh, and may be used to offset any deficit incurred in those branches.

iii. Business rationalization reserve

Pursuant to the Tax Exemption and Reduction Control Law, the Bank was previously required to appropriate, as a reserve for business rationalization, amounts equal to tax reductions arising from tax exemptions and tax credits up to December 31, 2001. The requirement was no longer effective from 2002.

iv. Reserve for financial structure improvement

In 2002, the Finance Supervisory Services recommended banks in Korea to appropriate at least ten percent of net income after accumulated deficit for financial structure improvement, until simple capital ratio equals 5.5 percent. This reserve is not available for payment of cash dividends; however, it can be used to reduce a deficit or be transferred to capital.

v. Additional reserve and other voluntary reserve

Additional reserve and other voluntary reserve were appropriated for capital adequacy and other management purpose.

vi. Regulatory reserve for credit loss

In accordance with Article 29 of the Regulation on Supervision of Banking Business (“RSBB”), if provisions for credit loss under K-IFRS for the accounting purpose are lower than provisions under RSBB, the Bank discloses such short fall amount as regulatory reserve for credit loss.

vii. Revaluation reserve

Revaluation reserve is the amount of limited dividends set by the board of directors to be the recognized as complementary capital when the gain or loss occurred in the property revaluation by adopting K-IFRS.

- (2) Changes in retained earnings are as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	2014	2013
Beginning balance	13,112,690	13,881,378
Net income (loss) attributable to owners	1,213,980	(537,688)
Changes due to the Spin-off	(110,405)	-
Dividends on common stock	-	(201,503)
Dividends on hybrid securities	(50,129)	(29,399)
Others	(778)	(98)
Ending balance	14,165,358	13,112,690

32. REGULATORY RESERVE FOR CREDIT LOSS

In accordance with Article 29 of the Regulation on Supervision of Banking Business (“RSBB”), if the estimated provisions for credit loss under K-IFRS for the accounting purpose are lower than those in accordance with the provisions under the RSBB, the Bank shall disclose the difference as the planned regulatory reserve for credit loss.

- (1) Balance of the planned regulatory reserve for credit loss is as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	December 31, 2014	December 31, 2014
Beginning balance	1,800,387	1,685,623
Planned reversal of regulatory reserve (reverse) for credit loss	(44,245)	114,764
Ending balance	1,756,142	1,800,387

- (2) Planned reserves provided, adjusted net income after the planned reserves provided and adjusted earnings per share after the planned reserves provided are as follows (Unit: Korean Won in millions, except for earnings per share amount):

	For the years ended December 31	
	2014 (*1)	2013 (*2)
Net income (loss)	1,207,969	(713,435)
Provision (reversal) of regulatory reserve for credit loss	(44,245)	114,764
Adjusted net income (loss) after the provision (reversal) of regulatory reserve	1,252,214	(828,199)
Adjusted EPS (or loss per share) after the provision (reversal) of regulatory reserve	1,512	(1,256)

(*1) The amounts are calculated using the balance of regulatory reserve for credit loss of Woori Finance Holdings as of January 1, 2014. If it was calculated using the balance of Woori Bank, the required provision of regulatory reserve for credit loss amounted to 505,805 million Won, the adjusted net income after provision of regulatory reserve amounted to 702,164 million Won, and the adjusted EPS after the provision of regulatory reserve amounted to 746 Won, respectively.

(*2) If it was calculated solely based on the owner’s equity of Woori Finance Holdings, the net loss before the provision of regulatory reserve amounted to 537,688 million Won, the required provision of regulatory reserve for credit loss amounted to 135,077 million Won, the adjusted net loss after provision of regulatory reserve amounted to 672,765 million Won, and the adjusted loss per share after the provision of regulatory reserve amounted to 871 Won, respectively.

33. DIVIDENDS

The Bank is to pay out 336,635 million Won (500 Won per share) as dividend for the year ended December 31, 2014, and it will be reviewed and approved at the shareholders' meeting on March 27, 2015. As such, the separate statement of financial position as of December 31, 2014 does not incorporate such unpaid dividend.

34. NET INTEREST INCOME

(1) Interest income recognized are as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	2014	2013
Financial assets at FVTPL	70,653	109,202
AFS financial assets	359,986	376,933
HTM financial assets	441,626	483,515
Loans and receivables:		
Interest on due from banks	104,633	120,041
Interest on loans	8,183,844	8,349,900
Interest of other receivables	50,498	53,792
Sub-total	8,338,975	8,523,733
Total	9,211,240	9,493,383

(2) Interest expense recognized are as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	2014	2013
Interest on deposits due to customers	3,450,786	3,649,810
Interest on borrowings	251,804	253,752
Interest on debentures	885,365	960,529
Interest expense on others	130,267	137,270
Total	4,718,222	5,001,361

35. NET FEES AND COMMISSIONS INCOME

(1) Fees and commissions income recognized are as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	2014	2013
Banking fees (*)	641,332	671,257
Guarantee fees	75,997	91,312
Fees from project financing	12,717	12,697
Credit card fees	746,811	668,910
CMA management fees	-	789
Brokerage fees	61,472	62,933
Others	59,686	57,326
Total	1,598,015	1,565,224

(*) Banking fees include agency commission, fees income from electronic finance, fees income related to loan, fees for import letter of credit dealing, commission received on foreign exchange and others.

(2) Fees and commissions expense incurred are as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	2014	2013
Fees paid	115,480	117,268
Credit card commissions	555,496	511,776
Brokerage commissions	168	210
Others	9,856	9,469
Total	681,000	638,723

36. DIVIDEND INCOME

Dividend income recognized are as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	2014	2013
Dividend from financial assets at FVTPL	3,178	7,283
Dividend from AFS financial assets	93,634	80,358
Total	96,812	87,641

37. GAINS (LOSSES) ON FINANCIAL ASSETS AT FVTPL

- (1) Details of gains or losses related to financial assets at FVTPL are as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	2014	2013
Gains (losses) on financial assets held for trading	161,851	129,972
Gains (losses) of financial assets designated at FVTPL	28,061	(6,072)
Total	189,912	123,900

- (2) Gains (losses) on financial assets held for trading are as follows (Unit: Korean Won in millions):

			For the years ended December 31	
			2014	2013
Financial Assets at FVTPL	Securities	Gain on valuation	27,122	7,151
		Gain on disposals	37,158	53,783
		Loss on valuation	(19,441)	(30,369)
		Loss on disposals	(45,201)	(68,671)
		Sub-total	(362)	(38,106)
	Other financial assets	Gain on valuation	3,878	6,296
		Gain on disposals	763	812
		Loss on valuation	(4,315)	(6,612)
		Loss on disposals	(509)	(350)
		Sub-total	(183)	146
Total		(545)	(37,960)	
Derivatives (for trading)	Interest rates derivatives	Gain on transactions and valuation	1,220,496	1,282,013
		Loss on transactions and valuation	(1,261,289)	(1,282,666)
		Sub-total	(40,793)	(653)
	Currencies derivatives	Gain on transactions and valuation	2,681,812	3,642,244
		Loss on transactions and valuation	(2,499,395)	(3,463,262)
		Sub-total	182,417	178,982
	Equity derivatives	Gain on transactions and valuation	61,840	45,758
		Loss on transactions and valuation	(40,342)	(55,718)
		Sub-total	21,498	(9,960)
	Other derivatives	Gain on transactions and valuation	50,883	18,201
		Loss on transactions and valuation	(51,609)	(18,638)
		Sub-total	(726)	(437)
	Total		162,396	167,932
	Total		161,851	129,972

(3) Gains (losses) on financial assets designated at FVTPL are as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	2014	2013
Gain (loss) on compound financial instruments:		
Gain (loss) on disposals of compound financial instruments	7,575	(7,842)
Gain (loss) on valuation of compound financial instruments	9,709	(625)
Sub-total	17,284	(8,467)
Gain (loss) on other financial instruments:		
Gain (loss) on disposals of other financial instruments	(123)	265
Gain (loss) on valuation of other financial instruments	43	(920)
Sub-total	(80)	(655)
Gain on other financial instruments:		
Gain on valuation of other financial instruments	10,857	3,050
Sub-total	10,857	3,050
Total	28,061	(6,072)

38. GAINS (LOSSES) ON AFS FINANCIAL ASSETS

Gains (losses) on AFS financial are as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	2014	2013
Gains on redemption of securities	90	43
Gains on transaction of securities	171,747	59,355
Impairment losses on securities	(240,761)	(144,640)
Total	(68,924)	(85,242)

39. IMPAIRMENT LOSSES DUE TO CREDIT LOSS

Impairment losses on loans and receivables, guarantees and loan commitment recognized for credit loss are as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	2014	2013
Provision due to credit loss	(1,116,171)	(2,199,362)
Reversal of provision on guarantee	(14,314)	(93,311)
Reversal of provision on loan commitment	33,545	15,413
Total	(1,096,940)	(2,277,260)

40. OTHER NET OPERATING INCOMES (EXPENSES)

(1) Administrative expenses recognized are as follows (Unit: Korean Won in millions):

			For the years ended December 31	
			2014	2013
Employee benefits	Short term	Salaries	1,196,332	1,186,568
	employee benefits	Others	360,158	346,141
	Retirement benefit	service costs	121,361	122,882
	Redundancy payments		70,459	58,215
		Sub-total	1,748,310	1,713,806
Depreciation and amortization		223,899	232,737	
Other administrative expenses	Rent		266,369	231,422
	Taxes and dues		101,753	113,469
	Service charges		215,448	206,314
	IT expenses		106,386	104,690
	Telephone and communication expenses		58,102	56,319
	Operating promotion expenses		44,382	44,963
	Advertising		51,944	56,269
	Printing		10,712	9,596
	Traveling expenses		7,702	6,848
	Supplies		6,908	6,806
	Insurance premium		5,899	4,428
	Reimbursement		18,937	16,568
	Maintenance		14,050	13,139
	Water, light and heating		15,163	15,039
	Vehicle maintenance		10,860	11,817
Others		52,095	57,942	
	Sub-total	986,710	955,629	
	Total	2,958,919	2,902,172	

(2) Other operating incomes recognized are as follows (Unit: Korean Won in millions):

		For the years ended December 31	
		2014	2013
Gains on transaction of foreign exchange		1,883,808	2,572,513
Gains on disposal of loans and receivables		132,846	115,623
Gains on transactions of derivatives		84,533	11,486
Gains on fair value hedged items		23,318	127,558
Others (*)		132,666	279,785
	Total	2,257,171	3,106,965

(*) As of December 31, 2014 and 2013, 102,541 million Won and 215,845 million Won that the Group is to receive from other financial institutions are included in accordance with the agreement of financial institutions council.

(3) Other operating expenses recognized are as follows (Unit: Korean Won in millions):

		For the years ended December 31	
		2014	2013
Losses on transaction of foreign exchange		1,902,316	2,439,398
KDIC deposit insurance fees		259,140	236,845
Contribution to miscellaneous funds		338,386	326,626
Losses on disposal of loans and receivables		30,480	22,528
Losses related to derivatives		21,091	119,776
Losses on fair value hedged items		87,476	13,505
Others (*)		292,548	74,110
	Total	2,931,437	3,232,788

(*) As of December 31, 2014 and 2013, 218,072 million Won and 35,085 million Won which the Group is to carry out payments to other creditor financial institutions are included in accordance with the creditor financial institutions committee agreement.

41. OTHER NON-OPERATING INCOMES (EXPENSES)

- (1) Details of gain or loss on valuation of investments in joint ventures and associates are as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	2014	2013
Gain on valuation	37,427	30,182
Loss on valuation	(70,008)	(31,459)
Impairment loss	(35,399)	-
Total	<u>(67,980)</u>	<u>(1,277)</u>

- (2) Other non-operating incomes and expenses recognized are as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	2014	2013
Other non-operating incomes	134,355	145,131
Other non-operating expenses	(129,688)	(95,754)
Total	<u>4,667</u>	<u>49,377</u>

- (3) Other non-operating incomes recognized are as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	2014	2013
Rental fee income	8,058	6,101
Gains on disposal of investment in joint ventures and associates	31,414	19,974
Gains on disposal of premises and equipment and other assets	1,398	9,509
Reversal of impairment loss on premises and equipment and other assets	533	46
Others	92,952	109,501
Total	<u>134,355</u>	<u>145,131</u>

- (4) Other non-operating expenses recognized are as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	2014	2013
Depreciation on investment properties	4,016	3,573
Interest expenses of rent leasehold deposits	1,026	965
Losses on disposal of investment in joint ventures and associates	1,765	4,464
Losses on disposal of premises and equipment and other assets	1,709	681
Impairment losses on premises and equipment and other assets	2,226	1,999
Donation	52,770	52,345
Others	66,176	31,727
Total	<u>129,688</u>	<u>95,754</u>

42. INCOME TAX EXPENSE

(1) Income tax expenses are as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	2014	2013
Current tax expense		
Current tax expense in respect of the current year	514,819	170,478
Adjustments recognized in the current period in relation to the current tax of prior periods	(3,750)	(3,625)
Sub-total	511,069	166,853
Deferred tax expense		
Deferred tax expense (benefit) relating to the origination and reversal of temporary differences	(665,974)	457,450
Deferred tax charged direct to equity	8,923	(1,647)
Sub-total	(657,051)	455,803
Income tax expense	(145,980)	622,656
Income tax expense for continuing operations	288,195	35,096
Income tax expense for discontinued operations	(434,175)	587,560

(2) Income tax expense (benefit) can be reconciled to net income (loss) before income tax expense as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	2014	2013
Net income (loss) before income tax expense	1,061,988	(90,779)
Income from continuing operations before income tax	834,395	287,667
Income (loss) from discontinued operations before income tax	227,593	(378,446)
Tax calculated at statutory tax rate (*1)	256,540	(22,432)
Adjustments		
Effect of income that is exempt from taxation	(45,528)	(85,051)
Effect of expense that is not deductible in determining taxable profit	342,057	57,713
Effect from the recognition of loss carry-forward and net taxable differences due to investments in subsidiaries and joint ventures that has not been recognized in the previous periods	-	669,595
Net taxable differences due to investments in subsidiaries (*2)	(606,908)	-
Adjustments recognized in the current period in relation to the current tax of prior periods	(3,750)	(3,625)
Others	(88,391)	6,456
Sub-total	(402,520)	645,088
Income tax expense (benefit)	(145,980)	622,656
Income tax expense for continuing operations	288,195	35,096
Income tax expense (benefit) for discontinued operations	(434,175)	587,560
Effective tax rate		
Effective tax rate for continuing operations	34.54%	12.2%
Effective tax rate for discontinued operations (*3)	-	-

(*1) Applicable income tax rate; 1) 11% for below 200 million Won, 2) 22% for from 200 million Won to 20 billion Won, 3) 24.2% for above 20 billion Won.

(*2) The impact of decrease in the deferred tax liability, which was recognized as at the end of 2013, since the expected income tax expense derived from the spin-off of Kyongnam Bank and Kwangju Bank was exempted based on the change of Restriction of Special Tax Act in Korea effective from May 14, 2014.

(*3) The effective tax rate is not produced due to the income tax benefit and net loss before income tax expense for the year ended December 31, 2014 and 2013, respectively.

(3) Deferred tax assets and liabilities are as follows (Unit: Korean Won in millions):

	For the year ended December 31, 2014				
	Beginning balance (*)	Merge and Spin-off	Recognized as income (loss)	Recognized as other comprehensive income (loss)	Ending balance
Gain (loss) on financial assets at FVTPL	232,727	-	190,183	-	422,910
Gain (loss) on available-for-sale financial assets	(76,852)	-	(6,293)	(22,411)	(105,556)
Gain (loss) on valuation using the equity method of accounting	121,906	-	(101,725)	975	21,156
Gain (loss) on valuation of derivatives	(37,264)	-	(11,174)	-	(48,438)
Accrued income	(65,697)	-	(9,397)	-	(75,094)
Provision for loan losses	(69,615)	-	10,187	-	(59,428)
Loan and receivables written off	10,195	-	(3,274)	-	6,921
Loan origination costs and fees	(71,812)	-	(16,664)	-	(88,476)
Defined benefit liability	107,498	-	24,898	19,270	151,666
Deposits with employee retirement insurance trust	(99,906)	-	(35,573)	5	(135,474)
Provision for guarantee	91,404	-	(6,874)	-	84,530
Other provision	38,795	-	(1,766)	-	37,029
Investments in joint ventures and associates	-	-	-	-	-
Others	(75,228)	(3,757)	115,766	(12,426)	24,355
Assets as held for sale / Disposal group held for distribution to owners	(542,643)	10,376	508,757	23,510	-
Net deferred tax assets	(436,492)	6,619	657,051	8,923	236,101

(*) The beginning balance incorporates the deferred tax assets (liabilities) from subsidiaries that were reclassified into disposal group held for sale and disposal groups held for distribution to owners.

	For the year ended December 31, 2013					
	Beginning balance	Recognized as income (loss)	Recognized as other comprehensive income (loss)	Classified into disposal group held for sale	Classified into disposal group held for distribution to owners	Ending balance
Gain (loss) on financial assets at FVTPL	238,074	25,061	-	(31,882)	1,474	232,727
Gain (loss) on available-for-sale financial assets	(112,225)	10,338	3,201	45,852	(24,018)	(76,852)
Gain (loss) on valuation using the equity method of accounting	52,311	86,776	1,096	(20,651)	2,374	121,906
Gain (loss) on valuation of derivatives	(58,273)	23,495	93	(2,721)	142	(37,264)
Accrued income	(153,398)	3,784	-	22,662	61,255	(65,697)
Provision for loan losses	(7,842)	(61,499)	-	(274)	-	(69,615)
Loan and receivables written off	10,612	(85)	-	(332)	-	10,195
Loan origination costs and fees	(73,259)	(23,926)	-	16,914	8,459	(71,812)
Defined benefit liability	110,879	33,992	428	(12,949)	(24,852)	107,498
Deposits with employee retirement insurance trust	(93,912)	(44,330)	895	12,554	24,887	(99,906)
Provision for guarantee	80,149	15,232	-	-	(3,977)	91,404
Other provision	101,329	(5,749)	-	(3,867)	(52,918)	38,795
Investments in joint ventures and associates	-	(508,758)	(23,508)	(74,643)	606,909	-
Others	(73,487)	(10,134)	16,148	14,755	(22,510)	(75,228)
Net deferred tax assets	20,958	(455,803)	(1,647)	(34,582)	577,225	106,151

(4) Unrealizable temporary differences are as follows (Unit: Korean Won in millions):

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Deductible temporary differences	174,200	120,120
Unused tax losses	283,523	12,562
Taxable temporary differences	<u>(3,323,318)</u>	<u>(10,340,413)</u>
Total	<u>(2,865,595)</u>	<u>(10,207,731)</u>

(5) Deferred tax charged direct to equity is as follows (Unit: Korean Won in millions):

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Loss on available-for-sale financial assets	(96,421)	(162,476)
Share of other comprehensive loss of jointly controlled entities and associates	782	(3,166)
Gain on overseas business translation	34,424	43,429
Remeasurements	37,674	25,982
Loss on valuation of cash flow hedges	-	(1,206)
Total	<u>(23,541)</u>	<u>(97,437)</u>

(6) Current tax assets and liabilities are as follows (Unit: Korean Won in millions):

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Current tax assets	4,845	143,101
Current tax liabilities	298,762	9,980

(7) Deferred tax assets and liabilities are as follows (Unit: Korean Won in millions):

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Deferred tax assets	257,858	155,256
Deferred tax liabilities	<u>21,757</u>	<u>49,105</u>
Net deferred tax assets	<u>236,101</u>	<u>106,151</u>

43. EARNINGS PER SHARE (“EPS”)

Basic EPS is calculated by dividing net income by weighted average number of common shares outstanding (Unit: Korean Won in millions except for EPS and number of shares):

	<u>For the years ended December 31</u>	
	<u>2014</u>	<u>2013</u>
Net income (loss) attributable to common shareholders	1,213,980	(537,688)
Dividends to hybrid securities	(50,129)	(29,399)
Net income (loss) attributable to common shareholders	1,163,851	(567,087)
Net income from continuing operations	385,160	132,612
Net income (loss) from discontinued operations	778,691	(699,699)
Weighted average number of common shares outstanding	718 million shares	806 million shares
Basic Earnings (loss) Per Share	1,621	(704)
Basic Earnings Per Share for continuing operations	536	165
Basic Earnings (loss) Per Share for discontinued operations	1,085	(869)

Diluted EPS is equal to basic EPS because there is no dilution effect for the year ended December 31, 2014 and 2013.

44. CONTINGENT LIABILITIES AND COMMITMENTS

(1) Details of guarantees are as follow (Unit: Korean Won in millions):

	December 31, 2014	December 31, 2013 (*)
Confirmed guarantees		
Guarantee for loans	109,213	211,239
Acceptances	710,443	876,937
Letters of guarantees	126,279	173,292
Other confirmed guarantees	8,328,515	8,545,335
Total	<u>9,274,450</u>	<u>9,806,803</u>
Unconfirmed guarantees		
Local letter of credit	575,919	743,134
Letter of credit	4,373,378	5,023,848
Other unconfirmed guarantees	1,590,332	1,779,210
Total	<u>6,539,629</u>	<u>7,546,192</u>
CP purchase commitments and others	2,213,840	5,447,858

(*) Including the amounts related to subsidiaries that are reclassified into disposal group held for sale and disposal groups held for distribution to owners.

(2) Details of loan commitments and others are as follow (Unit: Korean Won in millions):

	December 31, 2014	December 31, 2013 (*)
Loan commitments	89,637,659	90,728,033
Other commitments	4,061,230	3,146,251

(*) Including the amounts related to subsidiaries that are reclassified into disposal group held for sale and disposal groups held for distribution to owners.

(3) Litigation case

1) The Group had filed lawsuits as follows (Unit: Korean Won in millions except for number of cases):

	December 31, 2014		December 31, 2013 (*)	
	As plaintiff	As defendant	As plaintiff	As defendant
Number of cases	516 cases	298 cases	337 cases	475 cases
Amount of litigation	827,222	293,527	1,346,034	841,278
Allowance for litigations		16,343		206,745

(*) Including the amounts related to subsidiaries that are reclassified into disposal group held for sale and disposal groups held for distribution to owners.

2) Consumer Dispute Resolution Committee in Korea advised domestic banks that they should return the mortgage placement cost which the banks had burdened to debtors when originating loans, but the banks, including Woori Bank, declined such arbitration. In respect of the case, the Group has faced 44 cases of lawsuits as of December 31, 2014, and it is expected that would follow additional lawsuits in the foreseeable future. However, the Group has determined that it is not probable that an outflow of resources due to the lawsuits, therefore it has not provided any provisions.

3) As of December 31, 2014, the Group (Woori Bank), along with other 13 financial institutions including Seoul Guarantee Insurance, has filed a lawsuit against Samsung Group and its associates as defendant in respect of the claim of return of guaranteed fund which was related to the filing of court administration of Renault Samsung Motors. With respect to the lawsuit, on January 29, 2015, the supreme court of Korea made final judgment that the plaintiff should pay the guaranteed fund to the Group and other financial institutions. The amount that the Group is to be paid, 132,784 million Won, shall be recognized as gain in the year ended at December 31, 2015, in accordance with K-IFRS 1037 *Provisions, contingent liabilities and contingent assets*.

45. RELATED PARTY TRANSACTIONS

Related parties of the Group and major transactions with the related parties for the years ended December 31, 2014 and 2013 are as follows:

(1) Related parties

Controlling party (Government related entity)	Joint ventures and associates
Korea deposit insurance corporation (KDIC)	Woori Renaissance Holdings, Woori Blackstone Korea Opportunity Private Equity Fund I., Korea Credit Bureau Co., Ltd., Phoenix Digital Tech Co., Ltd., Korea Finance Security Co., Ltd., Woori Service Networks Co., Ltd., Kumho Tires Co., Ltd., United PF 1st Corporate Financial Stability, Chin Hung International, Inc., Poonglim Co., Ltd., Ansang Tech Co., Ltd., Hana Construction Co., Ltd., STX Engine Co., Ltd., Samho International Co., Ltd., Force TEC Co., Ltd., Woori Columbus 1st Private Equity Fund, STX Corporation, Osung LST Co., Ltd.

(2) Assets and liabilities from transactions with related parties are as follows (Unit: Korean Won in millions):

Related party		A title of account	December 31, 2014	December 31, 2013
Controlling party (Government related entity)	KDIC	Loans	314	16
		Provision for credit loss	(108)	(232)
		Other assets	691,101	1,214,695
		Deposits	1,157,232	1,259,529
		Other liabilities	12,252	9,093
Joint ventures	Woori Aviva Life Insurance Co., Ltd. (*)	Loans	-	688
		Provision for credit loss	-	(4)
		Other assets	-	339
		Deposits	-	6,834
		Other liabilities	-	475
Associates	Kumho Tires Co., Ltd.	Loans	334,948	383,117
		Provision for credit loss	(2,968)	(37,807)
		Other assets	-	71,650
		Deposits	80,978	58,472
		Other liabilities	87	580
	Korea Credit Bureau Co., Ltd.	Loans	2	2
		Other assets	-	1,256
		Deposits	3,215	4,264
		Other liabilities	19	106
	Korea Finance Security Co., Ltd.	Loans	46	59
		Provision for credit loss	(1)	-
		Deposits	2,738	4,070
		Other liabilities	12	15
	Woori Service Networks Co., Ltd.	Loans	26	42
		Provision for credit loss	(1)	-
		Deposits	3,169	2,642
		Other liabilities	115	71
	United PF 1st Corporate Financial Stability Woori Blackstone Korea Opportunity Private Equity Fund 1st	Deposits	30	38
		Other assets	626	32,198

	Related party	A title of account	December 31, 2014	December 31, 2013
Associates	Woori Columbus 1st Private Equity Fund	Other assets	589	309
	DKT (*)	Loans	-	55,252
		Provision for credit loss	-	(493)
		Other assets	-	93
		Deposits	-	300
		Other liabilities	-	10
	Chin Hung International Inc.	Loans	42,929	46,122
		Provision for credit loss	(12,439)	(39,767)
		Deposits	7,615	1,073
		Other liabilities	11	1
	Poonglim Industrial Co., Ltd.	Loans	24,999	36,874
		Provision for credit loss	(3,123)	(266)
		Other assets	1	-
		Deposits	20,878	15,508
		Other liabilities	12	39
	Phoenix Digital Tech Co., Ltd.	Loans	3,768	1,213
		Provision for credit loss	(109)	(72)
		Deposits	306	495
		Other liabilities	6	11
	Ansang Tech Co., Ltd.	Loans	38	223
		Provision for credit loss	(38)	(142)
		Other assets	-	10
	Samho International Co., Ltd.	Loans	43,251	52,528
		Provision for credit loss	(8,826)	(33,656)
		Deposits	132,190	149,685
		Other liabilities	205	89
	Force TEC Co., Ltd.	Loans	24,258	46,483
		Provision for credit loss	(1,551)	(27,092)
		Deposits	139	297
		Other liabilities	11	-
	Hana Engineering & Construction Co., Ltd.	Loans	169	169
		Provision for credit loss	(169)	(169)
		Deposits	49	903
	STX Engine Co., Ltd.	Loans	163,374	104,662
		Provision for credit loss	(24,735)	(10,944)
		Other assets	27	-
		Deposits	3,701	6,023
		Other liabilities	63	114
	STX Corporation	Loans	182,195	-
		Provision for credit loss	(23,442)	-
		Deposits	25,823	-
		Other liabilities	18	-
	Osung LST Co., Ltd.	Loans	5,639	-
		Provision for credit loss	(561)	-
		Deposits	5,133	-
		Other liabilities	14	-

(*) Excluded from the related party through disposal or spin-off of subsidiaries during the year ended December 31, 2014.

(3) Gain or loss from transactions with related parties are as follows (Unit: Korean Won in millions):

Related party		A title of account	For the years ended	
			December 31	
			2014	2013
Controlling party (Government related entity)	KDIC	Interest income	26,577	41,521
		Interest expenses	17,920	14,801
		Reversal of provision for credit loss	(124)	(65)
Joint ventures	Woori Aviva Life Insurance Co., Ltd. (*)	Fees income	-	2,396
		Other income	-	3,376
		Interest expenses	-	43
		Fees expenses	-	56
		Other expenses	-	163
		Reversal of provision for credit loss	-	(5)
	Woori Renaissance Holdings	Interest expenses	-	2
		Reversal of provision for credit loss	-	(144)
	Woori New Alpha Fund (*)	Fees income	-	605
	Associates	Kumho Tires Co., Ltd.	Interest income	732
Fees income			6	6
Interest expenses			218	408
Impairment losses due to credit loss (Reversal of provision for credit loss)			(33,020)	1,969
Korea Finance Security Co., Ltd.		Other income	-	55
		Interest expenses	53	99
		Fees expenses	42	-
		Impairment losses due to credit loss	3	-
Korea Credit Bureau Co., Ltd.		Interest expenses	72	117
		Fees expenses	1,784	-
Woori Service Networks Co., Ltd.		Other income	27	29
		Interest expenses	95	69
		Fees expenses	610	-
		Other expenses	262	282
		Impairment losses due to credit loss (Reversal of provision for credit loss)	2	(1)
United PF 1st Corporate Financial Stability		Interest expenses	-	34
Woori Blackstone Korea Opportunity Private Equity Fund 1st	Fees income	2,527	4,098	
	Other income	-	9,111	
	Other expenses	-	996	
Woori Columbus 1st Private Equity Fund	Fees income	589	-	
DKT (*)	Interest income	-	1,521	
	Other income	-	3,082	
	Interest expenses	-	64	
	Reversal of provision for credit loss	-	(123)	

Related party	A title of account	For the years ended December 31		
		2014	2013	
Associates	Chin Hung International Inc.	Fees income	1	1
		Interest expenses	31	98
		Impairment losses due to credit loss (Reversal of provision for credit loss)	(27,328)	9,324
	Poonglim Industrial Co., Ltd.	Interest expenses	22	75
		Impairment losses due to credit loss (Reversal of provision for credit loss)	2,857	(150)
	Phoenix Digital Tech Co., Ltd.	Interest expenses	12	11
		Impairment losses due to credit loss (Reversal of provision for credit loss)	37	(224)
	Ansang Tech Co., Ltd.	Impairment losses due to credit loss (Reversal of provision for credit loss)	(104)	142
	Samho International Co., Ltd.	Fees income	5	-
		Interest expenses	1,270	747
		Reversal of provision for credit loss	(24,793)	(10,268)
	Force TEC C Co., Ltd.	Interest expenses	3	2
		Impairment losses due to credit loss (Reversal of provision for credit loss)	(25,532)	26,273
	Hana Engineering & Construction Co., Ltd.	Reversal of provision for credit loss	-	(158)
	STX Engine Co., Ltd.	Interest income	308	-
		Fees income	81	-
		Interest expenses	48	49
		Impairment losses due to credit loss	13,787	9,946
	STX Corporation	Interest expenses	6	-
		Reversal of provision for credit loss	(146,680)	-
Osung LST Co., Ltd.	Interest income	113	-	
	Interest expenses	31	-	
	Reversal of provision for credit loss	(4,819)	-	

(*) Excluded from the related party through disposal or spin-off of subsidiaries during the year ended December 31, 2014.

(4) Guarantees provided to the related parties are as follows (Unit: Korean Won in millions):

	<u>December 31, 2014</u>	<u>December 31, 2013</u>	
KDIC	1,500,386	2,000,684	Loan commitment
Kumho Tires Co., Inc.	-	208	Loan commitment in foreign currency
	18,110	18,255	Letter of credit
	-	128	Endorsed notes
	-	16,739	Commitments on loss sharing
	88,638	113,453	Loan commitment
Korea Finance Security Co., Ltd.	214	51	Loan commitment
Korea Credit Bureau Co., Ltd.	33	33	Loan commitment
Woori Service Networks Co., Ltd.	179	158	Loan commitment
Chin Hung International Inc.	40,630	40,630	Loan commitment
DKT Co., Ltd. (*)	-	17,920	Loan commitment
	-	5,662	Derivative commitment
Woori Blackstone Korea Opportunity Private Equity Fund I	-	15,565	Securities purchase contract
	-	10,000	Contribution commitment
Phoenix Digital Tech Co., Ltd.	261	3,797	Loan commitment
STX Engine Co., Ltd	81,431	21,213	Letter of credit
	4,600	38,757	Loan commitment
SamHo Co., Ltd.	2,360	1,930	Letter of credit
	27,299	-	Loan commitment
Force TEC Co., Ltd.	6,325	-	Loan commitment
STX corporation	30,062	-	Letter of credit and others
	13,009	-	Loan commitment

(*) Excluded from the related party through disposal or spin-off of subsidiaries during the year ended December 31, 2014.

(5) Compensation for key management is as follows (Unit: Korean Won in millions):

	<u>For the years ended December 31</u>	
	<u>2014</u>	<u>2013 (*)</u>
Short term benefits	11,542	24,378
Severance payments	464	1,627
Total	<u>12,006</u>	<u>26,005</u>

(*) As the scope of the compensation for key management disclosure has changed, the comparative amounts are restated.

46. TRUST ACCOUNTS

(1) Trust accounts of the Group are as follows (Unit: Korean Won in millions):

	Total assets		Operating income	
	December 31, 2014	December 31, 2013	For the year ended December 31, 2014	For the year ended December 31, 2013
Trust accounts	31,225,968	52,811,488	751,425	1,457,407

(2) Receivables and payables from the transactions between the Group and trust accounts are as follows (Unit: Korean Won in millions):

	December 31, 2014	December 31, 2013
Receivables		
Trust fees receivables	17,956	27,120
Payables		
Borrowings from trust accounts	2,949,097	3,233,699
Accrued interest expenses on borrowings from trust accounts	-	303
Total	<u>2,949,097</u>	<u>3,234,002</u>

(3) Significant transactions between the Group and trust accounts are as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	2014	2013
Revenue		
Trust fees	41,829	50,847
Intermediate termination fees	-	1,603
Total	<u>41,829</u>	<u>52,450</u>
Expense		
Interest expenses on borrowings from trust accounts	78,114	97,748

(4) Principal guaranteed trusts and principal and fixed rate of return guaranteed trusts.

1) The carrying value of principal guaranteed trusts and principal and fixed rate of return guaranteed trusts are as follows (Unit: Korean Won in millions):

	December 31, 2014	December 31, 2013
Principal guaranteed trusts		
Old-age pension trusts	5,619	6,815
Personal pension trusts	528,680	565,665
Pension trusts	640,275	624,538
Retirement trusts	75,847	86,477
New personal pension trusts	8,897	10,624
New old-age pension trusts	3,859	5,360
Sub-total	<u>1,263,177</u>	<u>1,299,479</u>
Principal and fixed rate of return guaranteed trusts		
Development trusts	19	19
Unspecified money trusts	857	879
Sub-total	<u>876</u>	<u>898</u>
Total	<u>1,264,053</u>	<u>1,300,377</u>

- 2) As of December 31, 2014 and 2013, the amounts that the Group has to pay by the capital guaranteed contract or the operating results of the principal and return guaranteed trusts are as follows (Unit: Korean Won in millions):

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Liabilities for the account (subsidy for trust account adjustment)	15	11

47. DISPOSAL GROUP HELD FOR SALE AND NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS

(1) Summary

In accordance with Public Funds Oversight Committee's plan of the privatization of Woori Finance Holdings Co., Ltd. on June 26, 2013, the Group reclassified the related assets and liabilities of Woori Investment Securities Co., Ltd, Woori Financial Co., Ltd., Woori F&I Co., Ltd., Woori Asset Management Co., Ltd., Woori Aviva Life Insurance and Woori Savings Bank into disposal group held for sale and presented the related gains or losses as net income (loss) from discontinued operations as at the end of 2013.

- (2) As of December 31, 2013, details of assets and liabilities classified as disposal group asset held for sale are as follows (Unit: Korean Won in millions):

	<u>December 31, 2013</u>
Disposal group held for sale	
Cash and cash equivalents	303,202
Financial assets at FVTPL	21,102,011
Available-for-sale financial assets	1,103,146
Held-to-maturity financial assets	3,025
Loans and receivables	11,738,411
Investments in joint ventures and associates	120,805
Investment properties	1,329
Premises and equipment	15,855
Intangible assets and goodwill	33,178
Current tax assets	17,111
Deferred tax assets	102,843
Derivative assets	11,279
Others	132,610
Total	<u>34,684,805</u>
Liabilities directly associated with Disposal group held for sale	
Financial liabilities at FVTPL	10,028,166
Deposits due to customers	1,988,495
Borrowings	13,502,487
Debentures	4,045,486
Provisions	17,565
Provision for retirement	7,829
Current tax liabilities	8,151
Deferred tax liabilities	68,261
Derivative liabilities	2,257
Other financial liabilities	2,310,746
Other liabilities	68,183
Total	<u>32,047,626</u>

At the end of 2013, the Group measured fair value of the disposal group held for sale based on market approach reflecting current market values of the businesses. Total net fair value was the amount that final bid price less incidental cost for disposal, which was amounting to 3,311,175 million Won, was classified into level 1 in the fair value hierarchy.

The Group measured a disposal group as held for sale at the lower of its carrying amount and the net fair value and the impairment loss on disposal group held for sale was recognized 793,108 million Won and was included in income (loss) from discontinued operations of comprehensive income for the year ended December 31, 2013.

(3) Details of discontinued operations are as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	2014	2013
I. Operating income	17,616	183,197
Net interest income	237,230	637,523
Interest income	391,618	1,190,183
Interest expense	(154,388)	(552,660)
Net fees and commissions income	117,373	354,954
Fees and commissions income	152,184	439,125
Fees and commissions expense	(34,811)	(84,171)
Dividend income	24,720	26,789
Net loss on financial instruments at fair value through profit or loss	(32,104)	(114,652)
Net loss on available-for-sale financial assets	(19,146)	(262)
Impairment losses on credit loss	(23,753)	(147,924)
Other net operating expenses	(286,704)	(573,231)
II. Non-operating loss	(3,120)	(34,213)
Share of profits of joint ventures and associates	616	19,520
Other non-operating expenses	(3,736)	(53,733)
III. Net income before income tax expense	14,496	148,984
IV. Income tax expense	(117,878)	(150,633)
V. Sub-total	(103,382)	(1,649)
VI. Impairment of assets held for sale	(7,469)	(793,108)
VII. Income tax benefit for Impairment	2,020	191,970
VIII. Gain on disposal of disposal group held for sale	113,012	-
IX. Income tax expense related to the gain on disposal	(26,667)	-
X. Income from discontinued operations	(22,486)	(602,787)

(4) Details of cash flows in discontinued operations are as follows (Unit: Korean Won in millions):

	For the years ended December 31	
	2014	2013
Cash flows from operating activities:	326,023	(3,978,948)
Cash flows from investing activities:	(258,244)	105,717
Cash flows from financing activities:	143,289	3,906,802

- (5) During the year ended December 31, 2014, the Group disposed Woori Investment and Securities, Woori Financial, Woori F&I, Woori Asset Management, Woori Aviva Life Insurance, and Woori Savings Bank during the current year. The book values of net assets disposed are as follows (Unit: Korean Won in millions):

	<u>Book Value</u>
Assets:	
Cash and cash equivalents	560,034
Financial assets at FVTPL	21,838,589
Available-for-sale financial assets	1,588,066
Held-to-maturity financial assets	3,032
Loans and receivables	14,244,435
Investments in joint ventures and associates	127,606
Other assets	774,759
Total	<u>39,136,521</u>
Liabilities:	
Financial liabilities at FVTPL	12,767,119
Deposits due to customers	2,011,292
Borrowings	13,346,342
Debentures	4,031,716
Other financial liabilities	3,169,551
Other liabilities	182,109
Total	<u>35,508,129</u>
Net-asset	3,628,392
Non-controlling interests	1,987,786
Gain on disposal of disposal group held-for-sale	113,012
Total amount of cash consideration	1,753,618
Cash and cash equivalents of the subsidiaries disposed	(560,034)
Net cash flow due to the disposal of the subsidiaries	1,193,584

48. DISPOSAL GROUP HELD FOR DISTRIBUTION TO OWNERS AND NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS

(1) Summary

In accordance with Public Funds Oversight Committee's plan of the privatization of Woori Finance Holdings Co., Ltd. on June 26, 2013, the Board of Directors of the Woori Finance Holdings Co., Ltd. approved the plan of demerger of Kyongnam Bank Co., Ltd. and Kwangju Bank Co., Ltd. on August 27, 2013. The demerger was to take place through distributing of the shares of newly established holding companies, which were receiving the shares in Kyongnam Bank Co., Ltd. and Kwangju Bank Co., Ltd., to the shareholders of the Woori Finance Holdings. Therefore, the Group classified the related assets and liabilities of Kyongnam Bank Co., Ltd. and Kwangju Bank Co., Ltd. into disposal group held for distribution to owners presented the related gains or losses as net income (loss) from discontinued operations as at the end of 2013. On May 1, 2014, Kyongnam Bank and Kwangju Bank were demerged in accordance with the plan.

- (2) As of December 31, 2013, details of assets and liabilities classified as disposal group held for distribution to owners are as follows (Unit: Korean Won in millions)

	<u>December 31, 2013</u>
Disposal group held for distribution to owners	
Cash and cash equivalents	691,608
Financial assets at FVTPL	654,965
Available-for-sale financial assets	3,257,957
Held-to-maturity financial assets	4,124,083
Loans and receivables	41,057,781
Investments in joint ventures and associates	28,286
Investment properties	48,566
Premises and equipment	299,828
Intangible assets and goodwill	32,828
Current tax assets	573
Deferred tax assets	40,540
Other assets	75,278
Total	<u>50,312,293</u>
Liabilities directly associated with disposal group held for distribution to owners	
Financial liabilities at FVTPL	31,962
Deposits due to customers	36,603,292
Borrowings	4,860,597
Debentures	2,515,965
Provisions	233,831
Provision for retirement	88,854
Deferred tax liabilities	617,764
Derivative liabilities	15,920
Other financial liabilities	1,859,151
Other liabilities	55,078
Total	<u>46,882,414</u>

The Group measured disposal group held for distribution to owners at the lower of the its carrying value and fair value less costs for distribution. In addition, the fair value of the disposal group held for distribution to owners was measured based on both of market approach and income approach.

Fair value less cost to distribute of disposal group held for distribution to owners is amounting to 3,286,389 million Won and classified into level 3 due to the valuation technique(s) used when measuring the fair value and the inputs used in the valuation technique that were not observable in the market. The impairment loss on disposal group held for distribution to owners is recognized 40,658 million Won within the net income (loss) from the discontinued operations for the year ended December 31, 2013.

A description of valuation techniques used for fair value measurement of disposal group held for distribution to owners and significant unobservable input variables are as follows.

The Group considered both of market approach and income approach for the measurement of the fair value of Kyongnam Bank Co., Ltd. and Kwangju Bank Co., Ltd. which were classified to disposal group held for distribution to owners. Under the income approach, the discount cash flow method was applied and the present value of projected cash flows for next 5 years and further periods, which were prepared based on the assumptions incorporating the expected long-term growth rate for banking industry and inflation rates, was calculated by applying the discount rates which represented the appropriate costs of capital for Kyongnam Bank Co., Ltd. and Kwangju Bank Co., Ltd.. Meanwhile, under market approach, the market multiples that were reflecting the market values of companies similar to Kyongnam Bank Co., Ltd. and Kwangju Bank Co., Ltd. were considered (Comparable companies analysis). To measure the fair value of Kyongnam Bank Co., Ltd. and Kwangju Bank Co., Ltd. the both methods were used comprehensively.

The key assumptions used under the income approach are given as follows:

	<u>Kwangju Bank</u>	<u>Kyongnam Bank</u>
Projected period of cash flow (*1)	5 years	5 years
Perpetual growth rate	2.5%	2.5%
Discount rate (*2)	12.1%	12.1%

- (*1) The cash flow projections for Kyongnam Bank Co., Ltd. and Kwangju Bank Co., Ltd. are based on various factors, such as historical financial information, market outlooks, long-term market growth rate, interest rates, and inflation rates, also incorporating management's latest budget and future operating plans.
- (*2) The discount rates used to discount the cash flows is based on the cost of capital assigned to Kyongnam Bank Co., Ltd. and Kwangju Bank Co., Ltd. which are derived using a Capital Asset Pricing Model ("CAPM"). The CAPM depends on inputs, such as risk-free rate and market risk premium to reflect the inherent systematic risk of the business being evaluated.

(3) Details of discontinued operations are as follows (Unit: Korean Won in millions):

	<u>For the years ended December 31</u>	
	<u>2014</u>	<u>2013</u>
I. Operating income	108,896	320,297
Net interest income	348,396	1,085,595
Interest income	683,075	2,154,318
Interest expense	(334,679)	(1,068,723)
Net fees and commissions income	53,182	150,739
Fees and commissions income	77,030	225,422
Fees and commissions expense	(23,848)	(74,683)
Dividend income	13,595	37,064
Net gain on financial instruments at fair value through profit or loss	22,119	93,595
Net loss on available-for-sale financial assets	(5,569)	(10,225)
Impairment losses on credit loss	(81,459)	(281,205)
Other net operating expenses	(241,368)	(755,266)
II. Non-operating loss	(1,342)	(13,961)
Share of profits of joint ventures and associates	-	2,274
Other non-operating expenses	(1,342)	(16,235)
III. Net income before income tax expense	107,554	306,336
IV. Income tax expense	576,701	(638,736)
V. Sub-total	684,255	(332,400)
VI. Impairment of assets held for sale	-	(40,658)
VII. Income tax benefit for Impairment	-	9,839
VIII. Income from discontinued operations	684,255	(363,219)

(4) Details of cash flows in discontinued operations are as follows (Unit: Korean Won in millions):

	<u>For the years ended December 31</u>	
	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:	457,097	703,794
Cash flows from investing activities:	300,385	(160,948)
Cash flows from financing activities:	(754,823)	(760,591)

- (5) During the year ended December 31, 2014, the spin-off of Kyongnam Bank and Kwangju Bank was completed, and the book values of net assets that were transferred due to the spin-off are as follows (Unit: Korean Won in millions):

	<u>Book Value</u>
Assets:	
Cash and cash equivalents	792,949
Financial assets at FVTPL	835,053
Available-for-sale financial assets	3,140,294
Held-to-maturity financial assets	3,968,947
Loans and receivables	41,459,234
Other assets	583,663
Total	<u>50,780,140</u>
Liabilities:	
Financial liabilities at FVTPL	34,645
Deposits due to customers	38,152,435
Borrowings	4,628,746
Debentures	2,078,716
Provisions	183,096
Other liabilities	2,350,516
Total	<u>47,428,154</u>
Book value of Net assets	3,351,986
Changes due to the Spin-off	
Controlling interests	3,065,422
Non-controlling interests	286,564

49. PROMOTING PRIVATIZATION PLAN

Pursuant to the privatization plan of Woori Finance Holdings Co., Ltd., which was decided at the Public Fund Oversight Committee (the "PFOC") on June 26, 2013, the Group has disposed its subsidiaries. Kwangju Bank and Kyongnam Bank were demerged as of May 1, 2014, and from March 2014 to June 2014, Woori Investment & Securities, Woori Aviva Life Insurance, Woori Savings Bank, Woori Asset Management, Woori Financial and Woori F&I were disposed in due order.

In respect of the final phase of the privatization which is with respect to the privatization of Woori Bank, PFOC announced the plan that comprised the merger between Woori Finance Holdings Co., Ltd and Woori Bank and the respective disposal of controlling interests (30% of ownership) and non-controlling interests (26.97% of ownership) of Woori Bank after listing of its shares on the stock exchange newly. Pursuant to the plan, the Bank merged with the Holding Company as of November 1, 2014, and completed its listing on Korean Stock Exchange on November 19, 2014.

On November 28, 2014, KDIC commenced the auction procedure for the disposal of controlling interests and non-controlling interests of the Bank. There was successful bid only for the non-controlling interests, consequently KDIC's ownership of the Bank decreased from 56.97% to 51.04%. It is expected that PFOC will be announcing the amended privatization plan for Woori Bank in future.

50. AGREEMENT ON THE IMPLEMENTATION OF A MANAGEMENT PLAN

- (1) Since December 30, 2000, the Bank and the KDIC have entered into an agreement to implement management plans. Under the agreements, the Bank is obligated to improve its respective financial ratios, such as Bank of International Settlements ("BIS") capital ratio, general and administrative ratio, non-performing loan rate and adjusted operating income per person. If the Bank fails to make improvements, the KDIC can enforce the Bank to increase or decrease its capital, pursue mergers, transfer of loans and deposits, or close or sell parts of its business operations.
- (2) In addition, on July 2, 2001, in order to establish efficient integrated structure of the Bank, the Bank and the KDIC have entered into an agreement to implement management plans, which incorporate establishment of corporate governance and business management system, improvement of short-term operational performance, strengthening the Bank's competitiveness and pursuance of privatization plan, meeting the financial ratio objectives, and penalties in case the Bank not meeting such management plans.

51. BUSINESS COMBINATION

The major business acquisitions have occurred during the year ended at December 31, 2014, are as follows:

1) Merger between Woori Finance Holdings and the Bank

On November 1, 2014, the Bank (acquirer) merged with Woori Finance Holdings (acquiree) based on the resolution of the board of directors on July 28, 2014, and the Bank became the existing entity and Woori Finance Holdings was dissolved. The merger ratio was 1:1.0000000, and the shareholders of Woori Finance Holdings received one common share of the Bank per one common share of the company as compensation.

Accordingly, the shares of the Bank, 597 million shares, prior to the merger, was reduced to nil in accordance with capital reduction procedure, and then, in accordance with the merger ratio, the Bank newly issued 676 million shares.

Since the merger meets the definition of 'business combination under common control', the Bank recognized the transferred assets and liabilities of Woori Finance Holdings at the book values as previously recognized on the consolidated financial statements, and did not recognize any goodwill.

Details of the merger are described as follows:

Type	Merger	
Companies involved in merger	Woori Bank (existing entity) Woori Finance Holdings Co., Ltd. (non-existing entity)	
New shares acquired due to merger	676,278,371 shares of common stock	
Schedule	Date of merger:	November 1, 2014
	Date of registration of merger:	November 3, 2014
	Date for distribution of stocks :	November 18, 2014
	Date for listing of stocks :	November 19, 2014

2) Acquisition of Saudara Bank

On December 30, 2014, Indonesia Woori Bank, which was a consolidated subsidiary of the Bank, merged with Saudara Bank in accordance with the resolution of the shareholders' meeting on November 7, 2014, and the bank changed its name into Indonesia Woori Saudara Bank.

i. Summary of the acquiree

The Group acquired 33% ownership of Saudara Bank, which was a listed company in Indonesia, on January 28, 2014. Through the merger between Indonesia Woori Bank and Saudara Bank on December 30, 2014, the Group consolidated the bank and the ownership ratio after the merger became 74%. From the legal perspective, Saudara Bank was deemed as the existing entity; however, the transaction was accounted

using the acquisition method under K-IFRS 1103 *Business Combination* as it was deemed that Indonesia Woori Bank was the acquirer from the accounting perspective.

The Group promoted such transaction for the purpose of enhancing its retail operation in Indonesia.

ii. Merger ratio

	Acquirer	Acquiree
Entity	Indonesia Woori Bank	Saudara Bank
Merger ratio	1	1,702,921.2

iii. Acquisition method (Unit: Korean Won in million)

	Amount
I. Consideration	
Fair value of the ownership interest held prior to the acquisition (*1)	65,667
Fair value of additional consideration given (*2)	38,551
Fair value of non-controlling interest of Woori Indonesia Bank	52,609
Total amount of consideration	156,827
II. Identifiable assets and liabilities	
Cash and Cash equivalents	81,100
Available for sale financial assets	22,074
Financial assets held to maturity	15,473
Loan and receivables	639,222
Property and equipment	23,882
Intangible assets	25,719
Other assets	34,238
Sub-total	841,708
Deposits	714,989
Borrowings	12,082
Debentures	29,425
Deferred tax liabilities	3,757
Other liabilities	12,872
Sub-total	773,125
Fair value of identifiable net asset	68,583
III. Non-controlling interest of Saudara Bank	17,816
IV. Goodwill(*3)	106,060

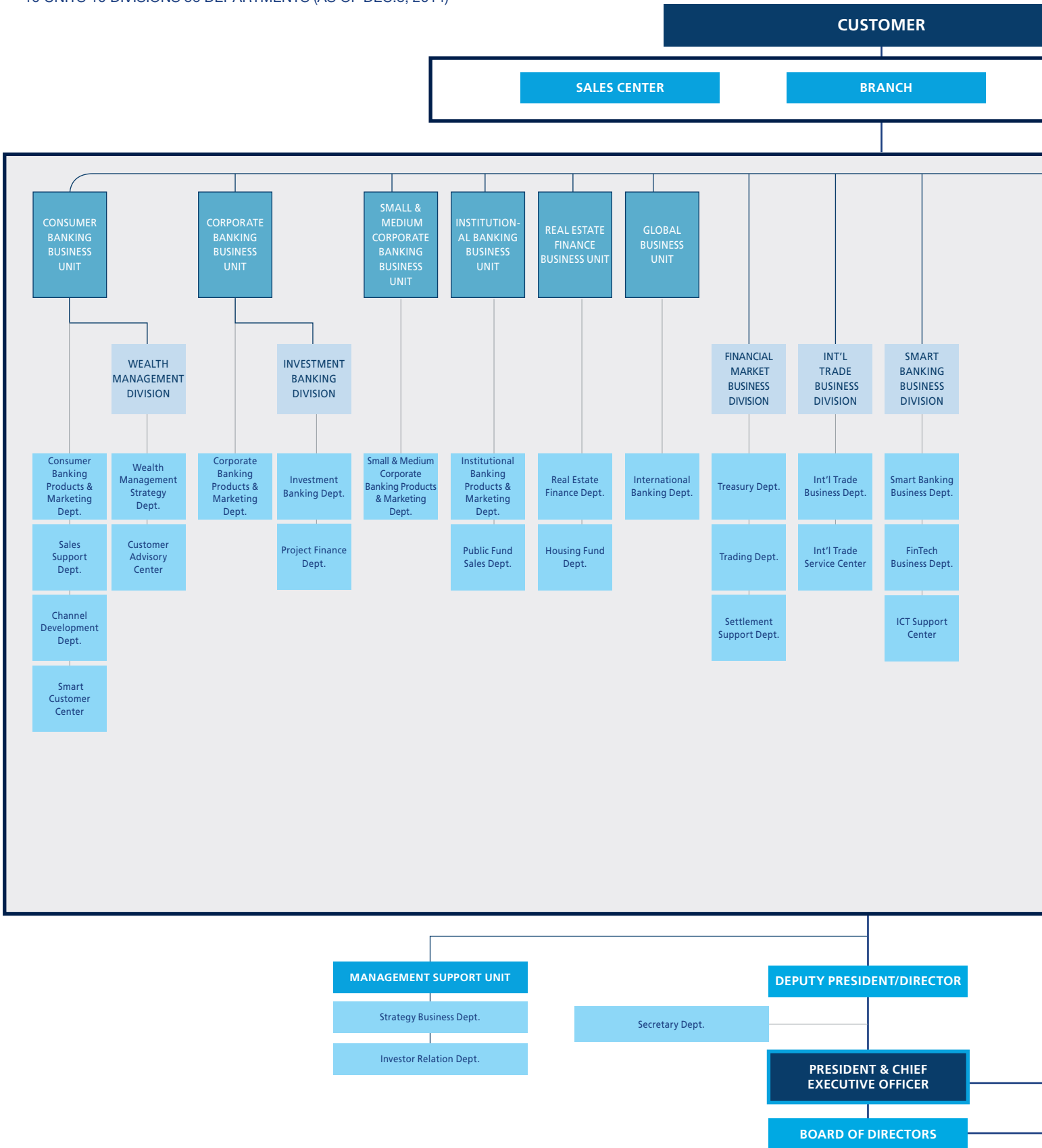
- (*1) Right before the business combination, the 33% ownership interest in Saudara Bank, which was held by the Bank and Indonesia Woori Bank, was remeasured at its fair value on December 30, 2014. The Group recognized loss on disposal of investment in associate, amounted to 1,237 million Won, as a result.
- (*2) The Bank acquired additional shares of Saudara Bank, 373,954,147 shares, due to the claims for stock repurchase from the shareholders of the bank who was opposing to the merger.
- (*3) Goodwill was recognized on the rationale that the competitiveness of the Group will be reinforced through the acquisition of local operation network in Indonesia.

iv. Expenses from acquisition

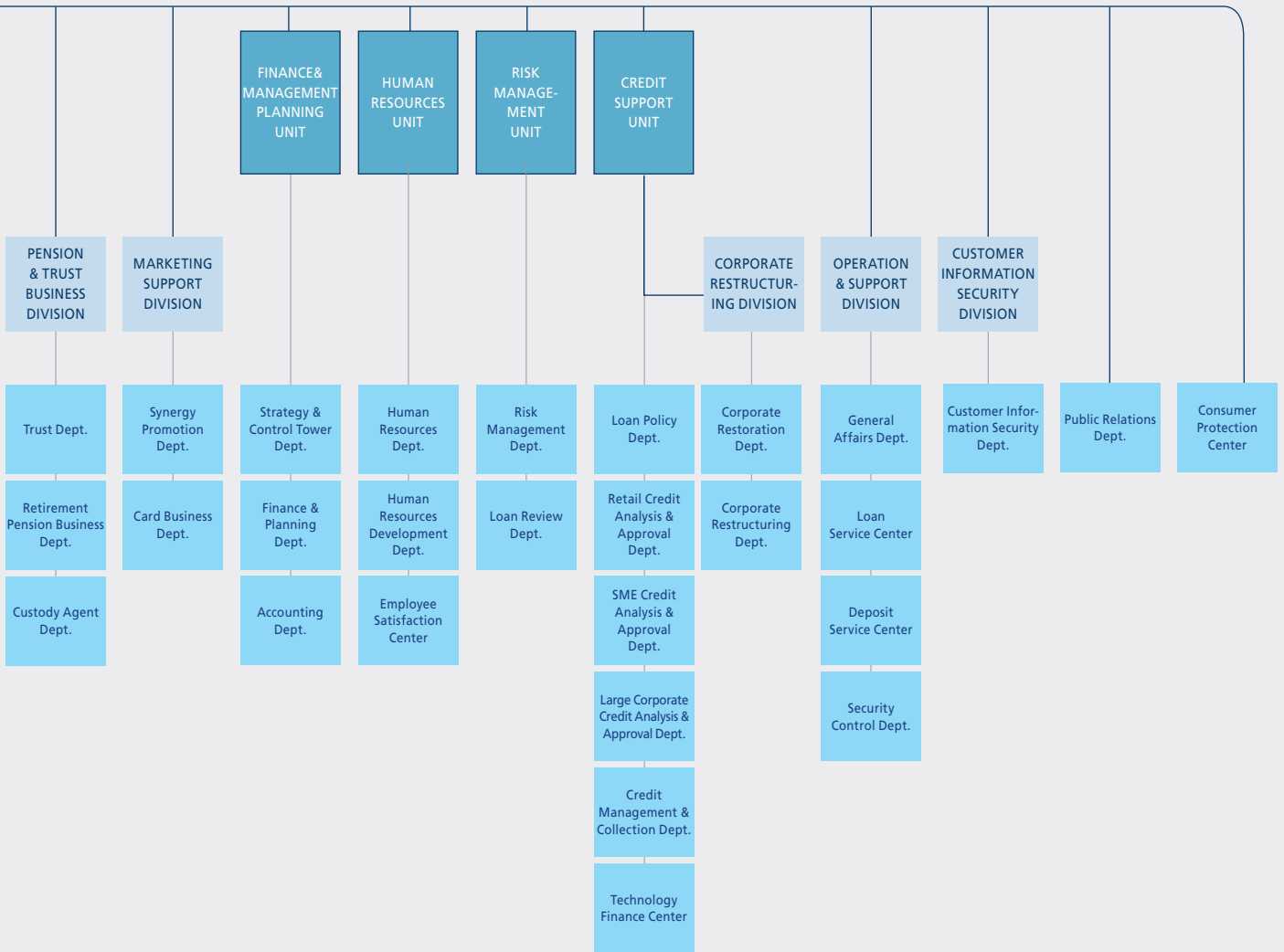
The Group recognized the expenses amounting to 1,446 million Won, such as legal fee, which occurred in conjunction with the business combination as fees and commissions expense on the consolidated statements of comprehensive income.

Organization Chart

10 UNITS 10 DIVISIONS 56 DEPARTMENTS (AS OF DEC.8, 2014)



CORPORATE BANKING CENTER



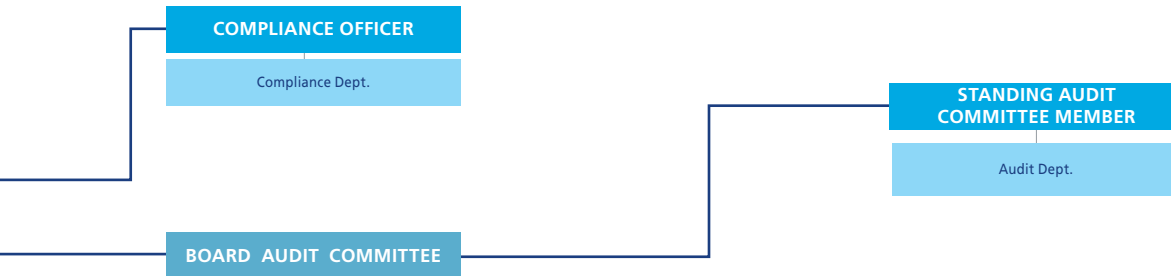
COMPLIANCE OFFICER

Compliance Dept.

STANDING AUDIT COMMITTEE MEMBER

Audit Dept.

BOARD AUDIT COMMITTEE



STANDING STRONG TOGETHER



CONTACT INFORMATION

Directed by

Eun Kyung(Christine) KIM,
Manager(IR Team) Investor Relations Team,
Financial Planning Dept.
Tel: 82-2-2002-3186
ekk@wooribank.com

Created by

Lucre Inc.
Kim, Hyun Soo
Art Director, tel: 82-2-542-6725,
www.lucrebeyond.com

Photo by

ROUND TABLE
Han, Ze Hun
Photographer, tel: 82-2-3288-6005,
www.roundtableic.com



